GST201: Entrepreneurship and Product Development

Definition and Conceptual Clarifications in Entrepreneurship

Though the concept of entrepreneurship has been defined in various ways, we shall look at the term 'Entrepreneur' as: "…that individual, who, using the **ideology** of *innovation* and *creativity*, coordinates and optimizes the other factors of production (land, labour, and capital), towards commercial success of a product or service" (Adefiranye, 2020).

Quick Clarifications…

- Essentially, entrepreneurs coordinates the other factors of production … e.g. Aliko Dangote as an entrepreneur – Cement; Consumables like sugar, spaghetti, etc and now into refinery…
- Entrepreneurship is more of ideology and not necessarily skills acquisition, although skills acquisition may enhance the activities of the entrepreneurs, most especially at a cottage or small/medium scale levels…
- Whereas all entrepreneurs are considered as businessmen, not all businessmen are entrepreneurs…
- One of the things that differentiate an average businessman from an entrepreneur is the aspect of physical and direct involvement in the day to day activities and/or the conversion processes…
- Being entrepreneurial isn't just about starting companies. It is about having a vision and making it a reality.

Entrepreneurial Mindset and Behavioral Traits

What do we mean by the concept "Entrepreneurial Mindset"?

An entrepreneurial mindset is a set of skills that enable people to identify and make the most of opportunities, overcome and learn from setbacks, and succeed in a variety of settings. Research shows that an entrepreneurial mindset is valued by employers, boosts educational attainment and performance, and is crucial for creating new businesses (nfte, 2021). The mindset of the entrepreneur is especially important because it's necessary for their success. The mindset of an entrepreneur, also known as an entrepreneurial mindset, is a mindset that says, "**I can do it**." It means you believe in yourself and your abilities.

Components of the entrepreneurial mindset:

1) **Risk:** Entrepreneurs must be willing to take calculated risks in pursuit of opportunities. This involves assessing potential outcomes and making informed decisions despite uncertainties.
2) **Motivation:** Entrepreneurial endeavors often require significant perseverance and dedication. Motivation drives individuals to stay committed to their goals, especially during challenging times.
3) **Continuous Building and Development:** Entrepreneurship is a journey of growth and improvement. Individuals with an entrepreneurial mindset are committed to **Continuous**

Building and Development (continuous learning and development, both personally and professionally)

4) **Being Happy about Making Mistakes** (natural part of the learning process)**:** Mistakes are viewed as valuable learning opportunities rather than failures. Entrepreneurs embrace failures as a natural part of the learning process, allowing them to adapt and improve their strategies.
5) **Learning Quickly** (seek knowledge and adapt to knowledge and skills from various sources) to continuously enhance their understanding and skills.
6) **Responding to Changes** (dynamic and constantly evolving, flexible and adaptable, capable of responding effectively to changes in markets, technology, and consumer preferences)
7) **Working Smart** (Efficiency and effectiveness, prioritize tasks and resources, seeking innovative solutions and leveraging available opportunities to achieve their goals)

Characteristics of Entrepreneurship and Success Secrets.

Basic Issues in Entrepreneurial Mindset

McCoskey-Reisert (2021) observed the main characteristics obtained in entrepreneurial mindset thus:

1. Determination: The refusal to fear failure keeps entrepreneurs going. As setbacks happen, entrepreneurs seek solutions instead of focusing on the negative. In the first attempt at an ideology, it is possible that the idea failed along the line. However, the word, FAILURE is taken to mean **F**irst **A**ttempt **I**n **L**earning; **U**se **R**elevant **E**xperience(s) (Adefiranye, 2020).

2. Focus: Entrepreneurs rarely allow distractions to take their minds off matters at hand. As busy students, for instance, you are required to balance school with the responsibilities of work and family.

3. Drive: Entrepreneurs are driven to make their ideas work, so much so that they develop daily habits in order to remain on track. “Setting goals and keeping them in mind, visualizing success, and exercise is also good to improve thought processes and gain clarity”.

4. Decisiveness: When you’re the head of an entrepreneurial venture, everything falls on you. Time is money, so the ability to make rational decisions quickly can help an entrepreneur avoid wasteful thoughts and actions.

5. Independence: Though networking plays a big part in sharing ideas and gaining perspective, entrepreneurs are very comfortable taking matters into their own hands. The need for independence is one of the reasons why a person who has already enjoyed a long career in business may break from their company to strike out on their own.

6. Authenticity: There is genuineness to entrepreneurs; they're not phonies. Even if people don't always believe in their ideas, you cannot question their passion for what they are hoping to create.

7. Flexibility: 9-to-5 is not really an option for entrepreneurs. They're thinking about their ideas 24/7, and have no qualms about getting down to work at any time of the day or night. This author, for instance, made a reference to a trait of Global Campus students who are perfectly comfortable finishing a paper after the kids have gone to bed, or reading the chapter of a book on their phones during their lunch breaks.

8. A Thirst for Knowledge: Entrepreneurs have a natural desire to learn, and this is what often drives them to earn their bachelor's degrees. They have ideas, but they recognize that much more information is needed to bring those ideas to life.

9. Creativity: The ability to think outside the box and improvise when necessary is an essential element of the entrepreneurial mindset. Entrepreneurs can see how something is done and imagine how it can be done better.

Lecture Two: d – f of the Course Outline

d. Entrepreneurial ability, opportunity, willingness, skills and roles.

Entrepreneurial Ability:

Entrepreneurship has been said to be an '**individual's ability to turn ideas into action'**. Aside the issues of creativity, innovation and risk-taking, entrepreneurs are expected should possess the ability to **plan** and **manage** projects in order to achieve the entrepreneurial objectives. It is seen as vital to promoting innovation, competitiveness and economic growth.

The word, planning, is the process of deciding in advance, what to do, how to do it and when it is to be done. It is a very key issue in management for the fact that it charts a course of action. A Manager, who fails to plan, plans to fail. However, it should be mentioned that plans are executed by decisions and relevant actions.

To manage here means the coordination of all resources at the disposal of the entrepreneur (both human and materials). Managing is a social process. It is a process because it comprises series of activities that lead to the accomplishment of set objectives, while it is a social process because the activities are principally concerned with relationship between people. People in this regard refer to: workers, customers/clients, suppliers, etc.

In summary therefore, an entrepreneur is expected to have the ability to: Be **creative** and/or **innovative**; **Take risk**; **Plan** and **Manage**.

Opportunity; willingness; skills; and roles

Entrepreneurial opportunities are usually understood/placed in situations where products and services can be sold at a price greater than the cost of their production. Entrepreneurs analyse information at **hand to find opportunities where others did not see any**. To make this possible, an entrepreneur is expected to acquire as much knowledge as possible about the industry in order to find new opportunities. Entrepreneurs discover opportunities when they search for them in the existing markets. Put in simple terms, entrepreneurs observe technological, economic, or social trends to discover opportunities.

An 'entrepreneurial opportunity', therefore, is **a situation where entrepreneurs can take action to make a profit**. Without action, you cannot be a good entrepreneur. On this note therefore, you must have the ***willingness*** to take **entrepreneurial** action. This, willingness, is one of the essential characteristics of a successful **entrepreneur**. As an entrepreneur, you must be conscious of the fact that you are faced with many **entrepreneurial** activities and actions that will need to be tackled on regular basis to make your enterprise succeed. To be a successful entrepreneur, you should have willingness towards the following: **Passion**; **Resourcefulness; Improvise; Listen to others; and Strong determination to succeed.**

Entrepreneurial ***skills*** can encompass a broad range of various skill sets like technical skills, leadership and business management skills and creative thinking. Because entrepreneurial skills can be applied to many different job roles and industries, developing your entrepreneurial skills can mean developing several types of skill sets. For instance, to be a successful business owner, you may need to develop your business management skills. To build and maintain successful

project teams you might need to improve your leadership and communication skills (Indeed Career Guide, 2021).

The most important and main ***role*** of entrepreneurs, especially as captured in our definition, is coordination of resources. After discovering an opportunity, an entrepreneur is expected to turn the discovered opportunity into a benefit and reality by bringing all relevant and necessary resources (human and other resources) together.

Opportunity:

Five simple ways to identify world-changing business ideas:

1. **Find opportunities in your own community:** Pay attention to the needs and challenges within your local community. Solutions to these issues could lead to impactful business ideas that serve your community and potentially have broader applications.
2. **Draw upon your own personal experiences:** Reflect on your own experiences, challenges, and passions. Your unique perspective can inspire innovative ideas that address problems you've personally encountered or areas where you see room for improvement.
3. **Look for ideas that get other people involved:** Consider business ideas that foster collaboration and engagement from others. Creating a product or service that brings people together or empowers them in some way can lead to significant impact and growth.
4. **Go out of your way to ask others how you can help:** Actively seek feedback and insights from others, including potential customers, colleagues, and mentors. By understanding their needs and pain points, you can tailor your business ideas to better serve them and create value.
5. **Give back through meaningful philanthropical work:** Incorporate social responsibility into your business model by dedicating resources to philanthropic initiatives. Making a positive impact on society can not only drive business success but also contribute to long-term sustainability and growth.

Eight Analysis Types to Identify Market Opportunities

1. **Consumer Segmentation:** This involves dividing the market into smaller groups based on characteristics such as demographics, psychographics, behavior, and needs to better understand and target specific consumer segments.
2. **Purchase Situation Analysis:** This analyzes the circumstances surrounding consumers' purchases, such as the timing, location, motivation, and method of purchase, to identify patterns and opportunities.
3. **Direct Competition Analysis:** This examines competitors that offer similar products or services within the same market segment to understand their strengths, weaknesses, strategies, and market share, allowing businesses to differentiate and position themselves effectively.

4. **Indirect Competition Analysis:** This evaluates competitors that offer substitute or alternative solutions to satisfy the same consumer needs, even if they are not direct competitors, to identify potential threats and opportunities.
5. **Analysis of Complementary Products and Services:** This assesses products or services that are used alongside or in conjunction with the company's offerings to identify opportunities for partnerships, cross-selling, or bundling strategies.
6. **Analysis of Other Industries:** This looks at trends, innovations, and strategies in industries adjacent or tangential to the company's market to identify potential opportunities for expansion, collaboration, or inspiration.
7. **Foreign Markets Analysis:** This examines opportunities in international markets by assessing factors such as cultural differences, regulatory environments, competitive landscapes, and consumer preferences to determine feasibility and entry strategies.
8. **Environment Analysis:** This involves analyzing external factors such as economic conditions, technological advancements, political and legal developments, social trends, and environmental concerns to identify opportunities and risks that could impact the market.

Examples of Business Opportunities

1. **E-learning:** Providing educational content and courses online, often through video lectures, quizzes, and assignments, accessible to learners remotely.
2. **Dropshipping:** Selling products online without holding inventory, as the retailer forwards orders and shipment details to the manufacturer or wholesaler, who then ships the goods directly to the customer.
3. **Online gaming**: Providing video games or gaming services accessible over the internet, allowing players to compete or collaborate with others remotely.
4. **Consulting:** Offering expert advice or services in a particular field or industry to businesses or individuals seeking guidance in areas such as management, marketing, finance, or technology.
5. **Print-on-demand services:** Producing customized merchandise, such as apparel, accessories, or artwork, only when an order is received, eliminating the need for inventory and reducing production costs.
6. **Freelance business**: Offering services or skills on a project basis to clients or companies, typically without a long-term commitment, allowing flexibility in work arrangements.
7. **E-commerce store owner:** Operating an online platform to sell goods or services directly to consumers, handling transactions, customer service, and shipping through an internet-based storefront.
8. **Consultancy:** Providing specialized knowledge and expertise to businesses or organizations on specific issues or projects, offering strategic advice, analysis, and solutions to improve performance or address challenges.

Four ways to identify more business opportunities for an ongoing Enterprise:

1. **Listen to your potential clients and past leads**: Pay attention to what potential customers are saying about their needs, challenges, and frustrations within your industry. This can help you tailor your products or services to better meet their demands.

2. **Listen to your customers**: Your existing customers are a valuable source of feedback. By listening to their feedback and understanding their experiences with your business, you can identify areas for improvement and potential new opportunities.
3. **Look at your competitors**: Analyze what your competitors are doing in the market. This can help you identify gaps in their offerings or areas where you can differentiate yourself to capture new business opportunities.
4. **Look at industry trends and insights**: Stay updated on industry trends, market dynamics, and emerging technologies. By understanding where the industry is headed, you can identify new opportunities for innovation and growth within your enterprise.

Skills:

The Most Important Skills needed by Entrepreneurs

1. **Curiosity**: Entrepreneurs need to be naturally curious to identify new problems, uncover niche opportunities, adapt their business processes, and innovate to stay ahead.
2. **Time Management**: Efficiently managing time is crucial for entrepreneurs to prioritize tasks, meet deadlines, and maintain productivity amidst various responsibilities.
3. **Strategic Thinking**: Entrepreneurs must think strategically to set long-term goals, devise effective plans, and navigate challenges while ensuring their business's growth and sustainability.
4. **Efficiency**: Being efficient enables entrepreneurs to optimize resources, streamline processes, and maximize output, ensuring the smooth operation and success of their ventures.
5. **Resilience**: Entrepreneurs face setbacks and failures regularly. Resilience allows them to bounce back from challenges, learn from experiences, and persist in pursuing their goals despite obstacles.
6. **Communication**: Effective communication skills are vital for entrepreneurs to convey their ideas, negotiate deals, build relationships with stakeholders, and inspire and lead their teams.
7. **Networking**: Building a strong network of contacts is essential for entrepreneurs to gain support, seek advice, access resources, and explore potential collaborations or partnerships to grow their businesses.
8. **Finance**: Understanding financial management, including budgeting, forecasting, and investment strategies, is crucial for entrepreneurs to make informed decisions, manage cash flow effectively, and ensure the financial health of their ventures.

Examples of entrepreneurial skills

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e. New Venture opportunities and Ideas

New Ventures is a **global program that provides services for the development of small and medium enterprises (SMEs)** whose main goal is to generate a positive environmental or social change within their own communities. Entrepreneurial ventures **help generate new wealth**. Existing businesses may remain confined to existing markets and may hit a limit in terms of income. New and improved products, services, or technology from entrepreneurs enable new markets to be developed and new wealth to be created.

Five (5) components of the process of new venture creation

Entrepreneurial process can be broken into five phases:

1. Idea Generation: This involves coming up with potential business concepts or solutions to address a need or problem in the market.

2. Opportunity Evaluation: After generating ideas, entrepreneurs assess their feasibility and potential for success by conducting market research, analyzing competition, and evaluating the demand for the product or service.

3. Planning: Once a viable opportunity is identified, entrepreneurs develop a detailed business plan outlining their strategy, goals, target market, operational structure, and financial projections.

4. Company Formation/Launch: This phase involves legally establishing the business entity, securing funding, setting up operational processes, hiring staff (if applicable), and launching the product or service to the market.

5. Growth: After the business is launched, entrepreneurs focus on scaling and expanding their venture through marketing, sales, product/service enhancements, strategic partnerships, and possibly entering new markets or diversifying their offerings.

f. The Business start-up and New Venture Development

Business planning process, according to Gyamfi and Tontoh (2007), is that process which gives one a clear direction and defined steps of future decision implementation that enables goal or task to be achieved competitively. **New venture development** involves various activities in creating a business that can be competitive in the market (Morse and Mitchell, 2006). It is the way most individuals come up with an idea and develop it by generating a product or service.

The development of new ventures has been an issue of keen interest to the society. This is due to the fact that it enhances the socio-economic development of the society by creating jobs and also filling the gaps in the market.

How to venture into a new business (in general)

1. **Determine if entrepreneurship is what you want:** Assess your passion, skills, and commitment to starting and running a business. Consider factors like risk tolerance, work-life balance, and financial stability before proceeding.
2. **Refine your idea:** Develop a clear and unique business concept that solves a problem or fulfills a need in the market. Refine your idea through brainstorming, research, and feedback from potential customers.
3. **Conduct market research:** Analyze your target market, competitors, and industry trends to understand the demand for your product or service. Identify your ideal customer profile and gather data to validate your business idea.
4. **Write your business plan:** Outline your business goals, target market, marketing strategy, operations plan, and financial projections in a comprehensive business plan. This document serves as a roadmap for your business and helps secure funding from investors or lenders.
5. **Make your business legal:** Register your business name, obtain necessary licenses and permits, and choose the appropriate legal structure (e.g., sole proprietorship, LLC, corporation). Comply with tax regulations and any industry-specific regulations.
6. **Fund your business:** Determine how much capital you need to start and operate your business. Explore funding options such as personal savings, loans, investors, crowdfunding, or grants. Create a detailed budget to track expenses and manage cash flow effectively.
7. **Pick your business location:** Consider factors like target market proximity, accessibility, competition, and cost when choosing a physical location for your business. Evaluate leasing or purchasing options and negotiate terms that align with your budget and business needs. Alternatively, if your business is online-based, focus on creating a user-friendly website and optimizing your digital presence.

Actual Business Start Up (Planning)

1. **Decide to go into business:** Make the decision to start a business based on your interests, skills, and market opportunities.

2. **Analyze your strengths and weaknesses:** Assess your personal and professional capabilities to determine what you bring to the business and where you may need support.
3. **Select a product or service:** Identify what you will offer to your customers based on market demand, your skills, and resources.
4. **Availability of capital:** Determine the amount of money you have or need to start and operate the business.
5. **Credit lending opportunities:** Explore options for obtaining financing, such as loans or lines of credit, from banks or other financial institutions.
6. **Government legislation and legal framework:** Understand the legal requirements and regulations governing your industry and business operations.
7. **Conduct market research and feasibility studies:** Gather information about your target market, competitors, and industry trends to assess the viability of your business idea.
8. **Assess your potential share of the market:** Estimate the portion of the market you can capture based on your product or service offering and competitive advantages.
9. **Select a location:** Choose a suitable location for your business that aligns with your target market, accessibility, and operational needs.
10. **Prepare a financial plan:** Develop a detailed plan outlining your business's financial projections, including revenue, expenses, and cash flow.
11. **Prepare a production plan:** Outline how you will produce or deliver your product or service efficiently while maintaining quality and meeting customer demand.
12. **Prepare a management plan:** Define the organizational structure, roles, and responsibilities within your business to ensure smooth operations and effective decision-making.
13. **Prepare a market plan:** Develop strategies for promoting your product or service, acquiring customers, and retaining them through effective marketing and sales efforts.
14. **Put funds to begin (borrow where necessary):** Allocate the necessary funds to implement your business plans, including purchasing equipment, hiring staff, and covering initial operating expenses. Consider borrowing money if needed to supplement your capital.

New Business Start-up Worksheet

Element	**Focal issues**
Product	• What customer need will the business satisfy? • How can our product be unique?
Customer	• Who are our customers and what are their profiles?

	• Where do they live/work/play? • What are their buying habits? • What are their needs?
Competition	• Who/where is/are the competitor(s)? • What are their strength and weaknesses? • How might they respond to us?
Suppliers	• Who/where are our suppliers? • What are their business practices? • What relationship can we expect?
Location	• Where are our customers / competitors / suppliers? • What are the location costs? • What are the legal limitations to location?
Physical facilities/Equipment	• Should the business rent/own/refurbish facilities? • Should the business rent/lease/purchase equipment? • What are the maintenance costs?
Human Resources.	• Are they available? • Their training? • What are their costs?
International environment	• International issues?

Source: Aruwa (2006).

Lecture Three: (g) – (i) of the Course Outline

g. Future Growth and New Venture Development.

Firm growth, according to Nason and Wiklund (2018), is the increase in a firm's performance or **size over time**. Factors such as **technological advancement, market opportunity, competition, customer demand and prevailing market conditions** have been found to have significant influence on the decision-making process involved in creating a new venture and hence any venture, haven taken advantage of any of, or, a combination of these, should be concerned with survival and sustenance.

Determinants of growth and development

Growth and development are affected by many factors. Key of these are: **human resources, natural resources, capital formation and technology**. As an entrepreneur, you need to focus on each of these if you intend to grow your enterprise continually.

Common factors leading to business growth

1) Customer Loyalty.
2) Smart Adoption of Technology.
3) Commitment to Employee Training.
4) Social Responsibility.
5) Leadership.

<u>Why do new ventures fail?</u>

The most common reasons small businesses fail include:

1) Lack of capital or funding,
2) Inadequate management team,
3) Faulty infrastructure or business model,
4) Unsuccessful marketing initiatives.

Take note that a business may start well and going fine but while the hope was high that it was going to expand, it may fail suddenly. Of the reasons for this kind of situation are:

a) Failure to market (more especially take the recent system of online marketing).
b) Failure to listen to their customers.
c) Failure to leverage future growth.
d) Failure to adapt (and grow) when the market changes.
e) Failure to track and measure your marketing efforts.

Others are:

1) No business plan or poor planning.
2) Failure to understand customer behavior today.
3) Inventory mismanagement.
4) Unsustainable growth.
5) Lack of sales.

6) Trying to do it all.
7) Underestimating administrative tasks.
8) Refusal to pivot.

h. Entrepreneurial Functions and Hazards

An entrepreneur frequently has to wear many hats. He has to perceive opportunity, plan, organize resources, and oversee production, marketing, and liaison with officials. Specifically, the two main functions of entrepreneurs are first, **taking the risk of developing new products or services** and, second, successfully bringing new products and services into the marketplace.

Therefore, the main tasks before an average entrepreneur are:

a) Recognition of business opportunity,
b) Gathering funds for the start of business,
c) Starting of the business,
d) Advertising the business in the market,
e) Analyzing the risk, and
f) Provision of leadership.

Functions of Entrepreneurs

Researchers such as Peter Kilby, Albert Shapiro, John Burch, and others have prescribed different functions of entrepreneurship or entrepreneur from which we can derive distinct but common functions of entrepreneurship. From these studies therefore, we can consider the entrepreneurial functions as:

1. Taking Initiative
2. Organizing Resources
3. Identifying Opportunities and Prospects
4. Risk-Taking
5. Decision Making
6. Technology Transfer and Adaptation
7. Innovation
8. Fostering Autonomy
9. Social Responsibility
10. Public Relations
11. Experience Sharing
12. Managerial Roles
13. Balanced Economic Development

These are explained below:

1. Taking Initiative

Entrepreneurship is a pro-active activity that takes such actions, which others can't even perceive. This unique function of entrepreneurship provides our civilization with a wide variety of products, ways of actions, production techniques, etc. Therefore, taking initiative with such end and qualification is the prime function of entrepreneurship in every economy.

2. Organizing Resources

Organizing entails identifying those resources that are required to transform a particular idea into reality. The resources include human and nonhuman resources. Organizing in entrepreneurship will increase productivity, promote new ventures, distribute and supervise work and responsibility, and will remove barriers to work. Entrepreneurship, thus, is the taping tool for assuming indigenous skills and resources for the productive purpose.

3. Identifying Opportunities and Prospects

Entrepreneurship searches those activities of value that have an economic and social contribution. It identifies new opportunities in the socio-economic arena which have got profitable prospects therefore, entrepreneurs are called searchers of hopes into blind spots and this function enormously indebt our society to entrepreneurship.

4. Risk-Taking

Entrepreneurship takes the risk for the new venture. For example, innovative actions in the field of production technology for new products in a volatile market; new raw materials used in production, etc. are risky in nature. Moreover, it also takes the risk for theft, robbery, snatching, market fall, and hooliganism that may be involved with new entrepreneurship.

5. Decision Making

Entrepreneurship is a new initiative therefore; it has to decide multivariate issues that affect new ventures. Entrepreneurship has to decide upon equipment to be used quality, price and its variation, deficiency, capital structure, the feasibility of the project, organizational structure, philosophy of management, etc. that will guide, run and prosper the new venture or distinct attempt for entrepreneurship.

6. Technology Transfer and Adaptation

Entrepreneurship throughout the world brings invented technology from different corners of the world and makes it appropriate by making required adjustments for local conditions. This function of entrepreneurship involves identifying appropriate technology with market potentials and adapts it into the local environment. Sometimes, the technology uses indigenous materials that reduce cost and wastage of resources. This entrepreneurial function virtually makes the world united in terms of homogeneous technology.

7. Innovation

Entrepreneurship innovates a new production process or technology, market, sources of new materials, management, strategy or technique, investment opportunity, etc. that Schumpeter (1934) calls as the fundamental characteristics of entrepreneurship. Under the context of the changing environment, the entrepreneur locates the most feasible opportunity for the venture as well as improved or distinct technology that gives competitive advantages or a new opportunity to prosperity. Innovation is a creative means to add new utilities to existing situations or products. Entrepreneurship through innovation creates innovative products or operations for human society.

8. Fostering Autonomy

Entrepreneurship is an exposure of creative faculty that provides personal satisfaction and independence. The unique freedom to think differently is the impetus for entrepreneurship. Thus, entrepreneurship Fosters autonomy to advent something new of value by the application of devoted efforts and time.

9. Social Responsibility

Entrepreneurship with its innovative technology somehow promotes human efforts. It restarts closed industries with innovative managerial strategies and techniques. It also motivates new entrepreneurs and attracts them to engage into an entrepreneurial venture. Entrepreneurship provides new products or ideas that give momentum and diversity into society. Therefore, entrepreneurship performs social responsibility that protects the welfare, benefit and economic gain of the society. It also promotes the community standard by providing jobs and amenities.

10. Public Relations

Entrepreneurship is a new venture that requires social acceptance by the regulatory bodies and the public at large. The government, as well as the persons' who will be subject to entrepreneurship, would be convinced through public relations to accept and to allow the entrepreneur to execute an entrepreneurial venture. History tells that many entrepreneurs were disregarded, coerced and even eliminated for their entrepreneurial activities. Failure is costly and therefore, public relation is a significant function of entrepreneurship.

11. Experience Sharing

Entrepreneurship may spread in society through publishing and sharing its success stories. Thus, entrepreneurship holds workshops, industrial visits through which the entrepreneurial experience in different counties may be shared with a widespread adaptation of success.

12. Managerial Roles

Entrepreneurs perform several managerial roles to keep their venture functioning with success. The roles are interpersonal roles that consist of a figurehead role, leadership role, and liaison role; informational roles that include recipient role, disseminator role, and the spokesperson role; decisional roles that consist of an entrepreneurial role, disturbance-handler role, resource allocator role, and the negotiator role. The entrepreneur also does the associated managerial functions such as planning, organizing, leading and controlling.

13. Balanced Economic Development

Sustainable economic development requires a balanced development among various regions and sectors of a country. Every country tries to ensure such a situation that makes industrialization throughout the country possible. Entrepreneurs make it possible by establishing business ventures in various parts of the country in various sectors of the industry.

Hazards:

In all these, an average entrepreneur must be fully prepared for the hazards of being an entrepreneur. These hazards, according to Crenshaw (2020) are:

1. Premature expansion.
2. Legal entanglements.
3. Partnerships.
4. Becoming consultants.
5. Trade system (cash consciousness or liquidity).

i. The business model (including Forms of Business Organizations)

A business model is a conceptual structure that supports the viability of the business and explains who the business serves, what it offers, how it offers it, and how it achieves its goals. According to Kopp (2020), business model refers to a company's plan for making a profit. It identifies the products or services the business plans to sell, its identified target market, and any anticipated expenses. Business model is concerned with the plan for the successful operation of a business, identifying sources of revenue, the intended customer base, products, and details of financing.

It is a high-level plan for profitably operating a business in a specific marketplace. A primary component of the business model is the value proposition. This is a description of the goods or services that a company offers and why they are desirable to customers or clients, ideally stated in a way that differentiates the product or service from its competitors.

Business models are important for both new and established businesses. They help new; developing companies attract investment, recruit talent, and motivate management and staff. Established businesses should regularly update their business plans or they'll fail to anticipate trends and challenges ahead. Business plans help investors evaluate companies that interest them.

A new enterprise's business model should also cover projected startup costs and financing sources, the target customer base for the business, marketing strategy, a review of the competition, and projections of revenues and expenses. The plan may also define opportunities in which the business can partner with other established companies. For example, the business model for an advertising business may identify benefits from an arrangement for referrals to and from a printing company.

An ideal business model usually conveys four key aspects of the business which is presented using a specialised tool called business model canvas. These key components are **customers, value proposition, operating model**, and **revenue model**. Note that successful businesses have business models that allow them to fulfill client needs at a competitive price and a sustainable

cost. Over time, many businesses revise their business models from time to time to reflect changing business environments and market demands.

Key Takeaways

a) A business model is a company's core strategy for profitably doing business.
b) Models generally include information like products or services the business plans to sell, target markets, and any anticipated expenses.
c) The two levers of a business model are pricing and costs.
d) When evaluating a business model as an investor, ask whether the idea makes sense and whether the numbers add up.

e-commerce as an example:

Four Traditional Types of Ecommerce Business Models

If you're starting an ecommerce business, odds are you'll fall into at least one of these four general categories.

1. B2C – Business to consumer.

B2C businesses sell to their end-user. The B2C model is the most common business model, so there are many unique approaches under this umbrella. Anything you buy in an online store as a consumer — think wardrobe, household supplies, entertainment — is done as part of a B2C transaction. The decision-making process for a B2C purchase is much shorter than a business-to- business (B2B) purchase, especially for items that have a lower value. Think about it: it's much easier for you to decide on a new pair of tennis shoes than for your company to vet and purchase a new email service provider or food caterer. Because of this shorter sales cycle, B2C businesses typically spend less marketing dollars to make a sale, but also have a lower average order value and less recurring orders than their B2B counterparts. B2C doesn't only include products, but services as well. B2C innovators have leveraged technology like mobile apps, native advertising and remarketing to market directly to their customers and make their lives easier in the process. For example, using an app like Lawn Guru allows consumers to easily connect with local lawn mowing services, garden and patio specialists, or snow removal experts.

2. B2B – Business to business.

In a B2B business model, a business sells its product or service to another business. Sometimes the buyer is the end user, but often the buyer resells to the consumer. B2B transactions generally have a longer sales cycle, but higher order value and more recurring purchases. Recent B2B innovators have made a place for themselves by replacing catalogs and order sheets with ecommerce storefronts and improved targeting in niche markets. In 2020, close to half of B2B

buyers are millennials — nearly double the amount from 2012. As younger generations enter the age of making business transactions, B2B selling in the online space is becoming more important.

3. C2B – Consumer to business.

C2B businesses allow individuals to sell goods and services to companies. In this ecommerce model, a site might allow customers to post the work they want to be completed and have businesses bid for the opportunity. Affiliate marketing services would also be considered C2B. Elance (now Upwork) was an early innovator in this model by helping businesses in hiring freelancers. The C2B ecommerce model's competitive edge is in pricing for goods and services. This approach gives consumers the power to name their price or have businesses directly compete to meet their needs. Recent innovators have creatively used this model to connect companies to social media influencers to market their products.

4. C2C – Consumer to consumer.

A C2C business — also called an online marketplace — connects consumers to exchange goods and services and typically make their money by charging transaction or listing fees. Online businesses like Craigslist and eBay pioneered this model in the early days of the internet. C2C businesses benefit from self-propelled growth by motivated buyers and sellers, but face a key challenge in quality control and technology maintenance.

Special Considerations

A common mistake many companies make when they create their business models is to underestimate the costs of funding the business until it becomes profitable. Counting costs to the introduction of a product is not enough. A company has to keep the business running until its revenues exceed its expenses. One way analysts and investors evaluate the success of a business model is by looking at the company's gross profit. Gross profit is a company's total revenue minus the cost of goods sold (COGS).

Comparing a company's gross profit to that of its main competitor or its industry sheds light on the efficiency and effectiveness of its business model. Gross profit alone can be misleading, however. Analysts also want to see cash flow or net income. That is gross profit minus operating expenses and is an indication of just how much real profit the business is generating.

The two primary levers of a company's business model are pricing and costs. A company can raise prices, and it can find inventory at reduced costs. Both actions increase gross profit. Many analysts consider gross profit to be more important in evaluating a business plan. A good gross profit suggests a sound business plan. If expenses are out of control, the management team could be at fault, and the problems are correctable. As this suggests, many analysts believe that companies that run on the best business models can run themselves. When evaluating a company as a possible investment, find out exactly how it makes its money—that's the company's business model.

Forms of Business Organization

The three major forms of business are the Proprietorship; Partnership and Corporation.

Proprietorship

'One man business', as it is otherwise called, is the oldest form of business in the world and the most common in Nigeria. It can exist in the form of very personalized business, for example, 'Hajiya Zainab Fashion Shop', 'Uncle Ben's Retail Stores', 'Jones Barbing Saloon', and so on, or as a family business. The proprietor has *a hundred percent* claim on all the assets of the business and is fully responsible to all creditors of the business. From the legal perspective, i.e. in the *eye of the law*, there is no distinction between the business and its owner. This then suggests that even if the owner owes a debt, not necessarily connected with the business, assets of the business may be disposed to settle such debt in very extreme cases.

Business Entity concept pinpoints that a business is a separate entity distinct from its owners. The business **owns its assets** and **owes its liabilities**. In the real sense of it, liabilities generally include the amount invested by the owner called **capital** and the amount owed to other creditors. Loosely, amounts owed to creditors are referred to as liabilities.

Partnership

Where two or more persons come together to carry on business with a view to making profit, a partnership business is established. Partners may come together with or without written agreement. The former is always preferred in order to prevent or reduce future arguments. Written agreement in partnership is referred to as the 'Deed' of the partnership. Coming together of partners' spurs out of many reasons. It ranges from pooling of capital, to others such as pooling of professional expertise, synergy, political influences, etc.

In the absence of any written agreement or deed, however, the Law of Partnership in Western Nigeria, *the 1958 Partnership Act*, and the *British 1890 Partnership Act*, applicable to other parts of Nigeria, specifies how to handle payment of interest on loan from any partner, salary matters, interest on capital, share of profit or loss, etc. Essential among the provisions of the law are: partners should share profit or loss equally irrespective of how much is invested by each; there shall not be any interest on the capital so invested; interest on loan provided by any partner to the partnership shall attract 5% per annum; and no partner shall be entitled to any salary. The accountant is obliged to utilize the agreement as contained in the deed in his computations and reporting. Where there is no deed however, the accountant makes recourse to the provision of the law.

As a proprietor in *one-man business* is liable to all creditors of the business, partners are jointly and severally liable for the debts of the partnership in the eye of the law. This means that if the assets of the partnership are not adequate to settle creditors' claims against the business, personal estates of members may be pulled into such settlement. The only exception to this position is that kind of partner called 'Limited Partner'. A limited partner's liability ends with the total capital invested in the business. A *limited partnership* is the one whose members' liabilities are limited only to the amount invested or 'agreed to be invested' by them. This means that if the capital invested or 'agreed to be invested' by the partners is not adequate to cover the claims of other creditors, personal estates of members cannot be pulled into the settlement of such claims.

It should be noted that even in limited partnership, the law does not permit all members of the partnership to be limited. The law stipulates that at least one person must be a general partner.

Though there are numerous benefits derivable from partnerships, it is a fragile kind of business in the sense that the death or retirement/withdrawal of a partner, or any irresolvable dispute between the partners determines (dissolves) the partnership. On many occasions, the singular act of withdrawal of a partner has led to the complete collapse of the partnership business. One way of reducing or eliminating negative effect of partnership dissolution on the business is to establish in strong terms, agreement(s) that preserve(s) the life of the business in the deed.

Corporations

Modern day corporations have their root in the 'eye opener' that came up in the 1897 English Case of **Salomon** Vs **Salomon & Co Ltd**. Two major classes of companies are identifiable: Private and Public. As provided in the Companies Act of 1968 as amended by the Companies and Allied Matters Act (CAMA) of 1990, a **private company** must indicate itself as private in its Memorandum of Association and use "Ltd" along with its name. It must have not less than two(2) and not more than fifty(50) shareholders. The private company's minimum authorized share capital is ten thousand naira (₦10,000) and its shares cannot be openly transferred i.e. using public offer. This also goes to the extent of saying that a private company cannot invite the public to subscribe to its shares and debentures.

A **public company** was previously mandated to have not less than seven (7) shareholders under the Companies Act of 1968. By the provision of CAMA of 1990, however, this number has been reduced to two (2). Unlike the private company, a public company does not have an upper limit to the number of its shareholders; it should add "Plc" to its name; its minimum authorized share capital is five hundred thousand naira (₦500,000); and its shares can be transferred at will, traded on the floor of the Nigerian Stock Exchange (NSE) and can invite the general public to subscribe to its shares and debentures when it requires such.

Some of the most important components of the Memo are: the name of the company, the address of the registered office of the company, the nature of the company's business, the authorized share capital and its par value. Whether private or public, a company's authorized share capital can be increased once the CAC is duly informed.

Merits and Demerits of Proprietorship; Partnership; and Corporations

Merits of Proprietorship

i. He/she is in full control of the business
ii. Profits of the business are not shared with any other person
iii. Can hire and fire employees without a waste of time
iv. The owner usually knows all the employees and can easily identify talented ones
v. Can take quick business decisions without any waste of time
vi. Usually knows the business better in most circumstances.

Demerits of Proprietorship

i. Limits to the capital (funds) that could be raised for investments

ii. The death of the owner usually leads to the collapse (or death) of the business
iii. Since business decisions usually are from a single source, the businesses are sometimes bereft of qualitative ideas that come from two or more good heads.
iv. The proprietor bears all losses alone and this could lead to personal bankruptcy.

Merits of Partnership

i. Increase in the ability of the business to raise capital (funds) for investments more than that of Proprietorship
ii. The death of any of the owners could change the structure of the business but not necessarily the extinction of the business
iii. Such business usually benefit from conglomerated ideas i.e. "two good heads are better than one".
iv. Losses are not usually on a single person hence bankruptcy may not occur.

Demerits of Partnership

i. Any of the partners is not in full control of the business
ii. Profits of the business are usually shared with other person(s)
iii. Decision to hire and fire employees could take a little longer time
iv. There could be delays in taking of business decisions
v. A single partner (more especially in cases of sleeping partner(s)) may know the business better than others hence unduly benefit him/herself.

Merits of Corporations

i. Ability to raise a large amount of capital with very little restrictions
ii. Limited liabilities especially in Public Limited Companies (PLCs)
iii. The death of any of the shareholder does not in any way affect the company more especially in PLCs
iv. The companies usually benefit from conglomeration of ideas more than Partnerships
v. Usually experts and professionals are involved in the management of the company hence the tendency to always take the best possible decisions and chart the right course of action is very high.

Demerits of Corporations

i. Owners are not in control of their own business
ii. A lot of Agency problems are created especially in PLCs
iii. Fraud may be perpetrated unnoticed for a long time without being detected.
iv. Profits are shared by a lot of persons, such usually come in smaller amounts and only seen as big where the shareholding is much
v. Some crafty managers may abuse the information at their disposal and use such to their own private benefits to the detriment of the owners.

Concepts of Limited and Unlimited Liabilities

The concepts: **Limited** Liability and **Unlimited** Liability are associated with corporations. Liabilities in this respect refer to the extent of responsibility of a shareholder in the settlement of debts of the company especially in event of liquidation.

A **limited company** is that whose owners only have to pay a limited amount of the company's debt or put in another way, in which the liability of each of the owners is limited to the shares he/she had subscribed to. In events that the total contributions (shares) subscribed to by members (owners) and the assets of the company are not adequate to pay all of its liabilities, some of its creditors may end up with nothing. This is because the law does not permit moving against the estates of any of the owner in settlement of such debts. This position was practically demonstrated in the 1897s case of Salomon Vs Salomon & Co.

An **unlimited company** is a direct opposite of Limited Liability Company. In this case, the liabilities of owners, in settlement of the debts of the companies especially in events of liquidation, are not limited to the extent of their subscriptions (or shareholdings) but extend up to personal estates of the owners.

Lecture Four: (j) – (m) of the Course Outline

j. Entrepreneurial Management Vs Traditional Management

Entrepreneurship has been said to be "…the control and deployment of resources to create an innovative economic organization for the purpose of profit and growth under the condition of risk and uncertainty" (Thakur, nd). For any entrepreneurial thought to be successful and sustainable, innovation and creativity are 'key' especially following from the fact that it (entrepreneurship) is often concerned with new opportunity or concern in a new way. Put in a simple way, entrepreneurship is the activity of setting up business or businesses, taking up financial risk in the hope of profit.

Management is one of the arts of getting things done through and with people in a formally organized group, that is, through proper planning, organizing, directing, and controlling. So management is an individual person or group of people that accept responsibilities to run the organization. Management generally brings all the' (Men and Women, Money, Machines, Materials, Methods, and Markets) together to run the business and to achieve the objective organization (Thakur, nd). Management, in the real sense of the word, is responsible for focusing on business objectives and seeing that the work has been done in accordance to plan.

Some of the key features of Management are: Getting work done through people; Result orientation; Leadership skill; Group activity rather than an individual activity; Separation from ownership; Use of professional approach at work; and Reliability. In a nutshell, management is nothing but the process of running an organization with the help of available resources and achieve goal or objectives which are set by an entrepreneur. So management is the employee of a company.

However, an employee of a business can be an intrepreneur. On this note, it is imperative for us to differentiate between an intrapreneur and an entrepreneur. An **Intrapreneur is an employee**, whereas an **Entrepreneur is the founder** who designs, launches, and manages a new business, which almost always starts out as a small business. Following from these therefore, a member of the management team can be an intrapreneur.

Key Differences between Entrepreneurship vs Management

1) Entrepreneurship is a process of creating an enterprise by taking a financial risk in order to get a profit, whereas management is the art of getting things done through proper planning, organizing, directing, and controlling.
2) An entrepreneur is focused on a new business venture, whereas the main focus of management is to manage the ongoing operation.
3) Ownership of an organization stays with the entrepreneur, whereas management is an employee of the organization.
4) The entrepreneur will get profit as reward, whereas management will be getting paid for their work.
5) An entrepreneur is a risk-taker where management doesn't take any risk.
6) Entrepreneurs hold all the right to enjoy the complete financial freedom of the business, whereas Management doesn't enjoy the complete financial freedom of the business.
7) An entrepreneur is an innovator, whereas management executes an innovative idea.

8) Management is a wide range of organization studies; it includes all whereas Entrepreneurship is **One** of the parts of management.

Entrepreneurship vs Management Comparison Table

The Basis of Comparison	Entrepreneurship	Management
Meaning	It is a process of creating an enterprise by taking a financial risk in order to get a profit.	It is an overall business activity which is getting done through and with people in a formally organized group.
Function	Business start-up and venture	Look after an ongoing operation.
Status	Owner	Employee
Rewards	Profit for risk-bearing	Salary as a reward for work
Risk	A risk associated with entrepreneurship	Management does not accept any risk.
Goal	Entrepreneur set the goal.	Management implies the goal set by the entrepreneur.
Decision Making	Make a decision on personal perception and gut feelings.	Make a decision after collecting detailed information and reaching an operative conclusion.
Fraud	An entrepreneur is not getting involved in fraudulent behavior.	A manager may involve or cheat by not working hard.
Innovation	Is the innovator	Is the executor

Source: Quebec (2019).

In addition to the issues above, it needs being mentioned that whereas an average entrepreneur is a ‘businessman’, not every ‘businessman’ is an entrepreneur. The main difference being that, the focus of a ‘businessman’ is not on innovation, but more on making sure a company is **making profit**. Entrepreneurship on the contrary focus on generating new value, and this value could be social, emotional, aesthetic and/or financial.

k. Managing Money

Money management is the **processes of budgeting, saving, investing, spending, or** otherwise **overseeing the capital usage** of an individual or a group. Narrowly, it can be seeing as investment management and portfolio management.

Money Management is concerned with the following:

1) Budgeting. Regardless of how much or how little income you have, tracking where your money comes from and where it goes is a strong money management skill.
2) Saving.
3) Financial Restraint.
4) Honest Communication.
5) Living within One’s Means.

<u>**The three Golden Rules of money management**</u>

- Rule #1: Don't spend more than you make.
- Rule #2: Always plan for the future.
- Rule #3: Help your money grow.

Six (6) Common Money Management Mistakes Made By Millennials

1. Spending Beyond Their Means.
2. Not Staying on Top of Their Credit Score.
3. Not Creating or Sticking to a Budget.
4. Not Saving for Retirement.
5. Failing to Plan for Emergencies.
6. Lack of Understanding of Money Basics.

The five (5) principles of money management

1) Consistency,
2) Timeliness,
3) Justification,
4) Documentation, and
5) Certification.

As stated by Adefiranye (2020) in ‘Theory of Controlled Appetite’, any entrepreneur, who is genuinely interested in growth and sustainability, should internalize the ABC rule, which is:

The ABC Rule:

A – Always record all income and expenses (*record*).

B – Be conscious of what you are to spend on (*plan*).

C – Carefully analyse an expense before you release cash for it (*budget*).

L. Managing Risks

As put by Quebec (2019), every business faces risks that could present threats to its success. Risk is defined as the probability of an event and its consequences. Risk management is the practice of using processes, methods and tools for managing these risks.

It focuses on identifying what could go wrong, evaluating which risks should be dealt with and implementing strategies to deal with those risks. Businesses that have identified the risks will be better prepared and have a more cost-effective way of dealing with them.

Managing risk is very different from managing strategy. Risk management focuses on the negative - threats and failures - rather than opportunities and successes. Risk management is the practice of using processes, methods and tools for managing these risks. It focuses **on identifying what could go wrong**, **evaluating which risks should be dealt with** and **implementing strategies** to deal with those risks. Risk management becomes even more important if your business decides to try something **new**, for example launch a new product or enter new markets. Competitors following you into these markets, or breakthroughs in technology which make your product redundant, are two risks you may want to consider in cases such as these.

The risk management process

Businesses face many risks, therefore risk management should be a central part of any business' strategic management. Risk management helps you to identify and address the risks facing your business and in doing so increase the likelihood of successfully achieving your businesses objectives.

A risk management process involves:

a. methodically identifying the risks surrounding your business activities
b. assessing the likelihood of an event occurring
c. understanding how to respond to these events
d. putting systems in place to deal with the consequences
e. monitoring the effectiveness of your risk management approaches and controls.

As a result, the process of risk management:

1) improves decision-making, planning and prioritisation
2) helps you allocate capital and resources more efficiently
3) allows you to anticipate what may go wrong, minimising the amount of firefighting you have to do or, in a worst-case scenario, preventing a disaster or serious financial loss
4) significantly improves the probability that you will deliver your business plan on time and to budget

The types of risk business faces

1) **strategic**, for example a competitor coming on to the market
2) **compliance**, for example the introduction of new health and safety legislation
3) **financial**, for example non-payment by a customer or increased interest charges on a business loan
4) **operational**, for example the breakdown or theft of key equipment

Strategic risks

Strategic risks are those risks associated with operating in a particular industry.

They include risks arising from:

- merger and acquisition activity
- changes among customers or in demand
- industry changes
- research and development.

Compliance risks

Compliance risks are those associated with the need to comply with laws and regulations. They also apply to the need to act in a manner which investors and customers expect, for example, by ensuring proper corporate governance. You may need to consider whether employment or health and safety legislation could add to your overheads or force changes in your established ways of working. You may also want to consider legislative risks to your business. You should ask yourself whether the products or services you offer could be made less marketable by legislation or taxation – as has happened with tobacco and asbestos products. For example, concerns about the increase in obesity may prompt tougher food labelling regulations, which may push up costs or reduce the appeal of certain types of food.

Financial and operational risks

Financial risks are associated with the financial structure of your business, the transactions your business makes and the financial systems you already have in place. Identifying financial risk involves examining your daily financial operations, especially **cash flow**. If your business is too dependent on a single customer and they are unable to pay you, this could have serious implications for your business' viability.

You might examine:

- the way you extend **credit** to new customers
- who owes you money
- the steps you can take to recover it
- insurance that can cover large or doubtful debts

Financial risk should take into account external factors such as interest rates and foreign exchange rates. Rate changes will affect your debt repayments and the competitiveness of your goods and services compared with those produced abroad.

Operational risks

Operational risks are associated with your business' operational and administrative procedures. These include:

- recruitment
- supply chain
- accounting controls
- IT systems
- regulations
- board composition

You should examine these operations in turn, prioritise the risks and make provisions for such a risk happening. For example, if you are heavily reliant on one supplier for a key component you should consider what could happen if that supplier went out of business and source other suppliers to help you minimise the risk.

IT risk and data protection are increasingly important to business. If hackers break into your IT systems, they could steal valuable data and even money from your bank account which at best would be embarrassing and at worst could put you out of business. A secure IT system employing encryption will safeguard commercial and customer information.

These categories are not rigid and some parts of your business may fall into more than one category. The risks attached to data protection, for example, could be considered when reviewing your operations or your business' compliance.

Other risks include:

a) environmental risks, including natural disasters
b) employee risk management, such as maintaining sufficient staff numbers and cover, employee safety and up-to-date skills
c) political and economic instability in any foreign markets you export goods to
d) health and safety risks

How to evaluate risks

Risk evaluation allows you to determine the significance of risks to the business and decide to accept the specific risk or take action to prevent or minimise it. To evaluate risks, it is worthwhile **ranking** these risks once you have identified them. This can be done by considering

the **consequence** and **probability** of each risk. Many businesses find that assessing consequence and probability as high, medium or low is adequate for their needs.

These can then be compared to your business plan - to determine which risks may affect your objectives - and evaluated in the light of legal requirements, costs and investor concerns. In some cases, the cost of mitigating a potential risk may be so high that doing nothing makes more business sense. There are some tools you can use to help evaluate risks. You can plot on a **risk map** the significance and likelihood of the risk occurring. Each risk is rated on a scale of one to ten. If a risk is rated ten this means it is of major importance to the company. One is the least significant. The map allows you to visualise risks in relation to each other, gauge their extent and plan what type of controls should be implemented to mitigate the risks.

Prioritising risks, however you do this, allows you to direct time and money toward the most important risks. You can put **systems** and **controls** in place to deal with the consequences of an event. This could involve defining a decision process and escalation procedures that your company would follow if an event occurred.

Use preventative measures for business continuity

Risk management involves putting **processes, methods** and **tools** in place to deal with the consequences of events you have identified as significant threats for your business. This could be something as simple as setting aside financial reserves to ease cash flow problems if they arise or ensuring effective computer backup and IT support procedures for dealing with a systems failure.

Programs which deal with threats identified during risk assessment are often referred to as **business continuity** plans. These set out what you should do if a certain event happens, for example, if a fire destroys your office. You can't avoid all risk, but business continuity plans can minimise the disruption to your business.

Risk assessments will change as your business grows or as a result of internal or external changes. This means that the processes you have put in place to manage your business risks should be regularly reviewed. Such reviews will identify improvements to the processes and equally they can indicate when a process is no longer necessary.

How to manage risks

There are four ways of dealing with, or managing, each risk that you have identified. You can:

- accept it
- transfer it
- reduce it
- eliminate it

For example, you may decide to accept a risk because the cost of eliminating it completely is too high. You might decide to transfer the risk, which is typically done with insurance. Or you may

be able to reduce the risk by introducing new safety measures or eliminate it completely by changing the way you produce your product. When you have evaluated and agreed on the actions and procedures to reduce the risk, these measures need to be put in place.

Risk management is not a one-off exercise. Continuous monitoring and reviewing are crucial for the success of your risk management approach. Such monitoring ensures that risks have been correctly identified and assessed and appropriate controls put in place. It is also a way to learn from experience and make improvements to your risk management approach.

All of this can be formalised in a **risk management policy**, setting out your business' approach to and appetite for risk and its approach to risk management. Risk management will be even more effective if you clearly assign responsibility for it to chosen employees. It is also a good idea to get commitment to risk management at the board level.

Good risk management can improve the quality and returns of your business.

Choose the right insurance to protect against losses

Insurance will not reduce your business' risks but you can use it as a financial tool to protect against losses associated with some risks. This means that in the event of a loss you will have some financial compensation. This can be crucial for your business' survival in the event of, say, a fire which destroys a factory.

Some costs are uninsurable, such as the damage to a company's reputation. On the other hand, in some areas insurance is mandatory. Insurance companies increasingly want evidence that risk is being managed. Before they will provide cover, they want evidence of the effective operation of processes in place to minimise the likelihood of a claim. You can ask your insurance adviser for advice on appropriate processes. You can use a **business interruption** policy, for example, to insure against loss of profit and higher overheads resulting from, say, damaged machinery.

m. The Concept of Environmental scanning

Environmental scanning is the **process of gathering information about events and their relationships within an organization's internal and external environments**. The basic purpose of environmental scanning is to help management determine the future direction of the organization. It is **a process that systematically surveys and interprets relevant data to identify external opportunities and threats that could influence future decisions**.

It is closely related to a 'S.W.O.T.' analysis and should be used as part of the strategic planning process. Put in the simplest possible way, environmental scamming is the **process in which the enterprise monitors environmental factors to identify opportunities and threats of the business.**

SWOT analysis used in environmental scanning

To respond effectively to changes in the environment, it is important to understand external and internal contexts to develop a vision and a strategy that link the two. The purpose of the SWOT analysis is **to provide information on an organization's strengths and weaknesses in relation to the opportunities and threats.** Environmental scanning means **having a detailed investigation of the environment**. It can also be termed as SWOT analyses. In order to survive and grow in a competitive business environment, it is essential for every business firm to undertake SWOT analyses.

It is important to state that, while seeking for opportunities, entrepreneurs are encouraged to do environmental scanning. However, an entrepreneur who desires to be successful will consciously look out for, and understand the following in the course of his/her study of the environment: **Cooperating Institutions; Competing Institutions; Legal**; **Physical;** and **Socio-Culture.**

Cooperating Institutions: these are institutions whose activities corroborate or serve as support to the business. Examples, depending on the business enterprise in focus, are banks, advertisement agencies, marketing researchers, professional personnel trainers, etc. the entrepreneur is expected to identify and ascertain the presence the relevant sets of institutions and this decision may have a serious effect on the location of the enterprise itself in addition to the modus operandi of the enterprise.

Competing Institutions: These are firms that produce products to the same group of customer. They also operate in the same market and all of them seek to satisfy customers by all means. These institutions may engage in favourable or unfavourable, healthy or unhealthy competitions, which may influence or affect consumers' behavior. Having identified these institution, the entrepreneur, using the appropriate tool of analysis, for example the SWOT analysis can take appropriate decisions as may affect the survival of the enterprise.

Legal: all businesses operate under the laws of the land in terms of regulations, laws and policies establishing such businesses. These cover issues of business registrations, code of conducts, etc. Any entrepreneur who is desirous of existence and survival must understand all legal issues before starting the business at all. This is essential for the fact that ignorance of the law, has been said not to be an excuse.

Physical: this is the storehouse of the raw materials needed for business. This environment may be influenced by other natural environment such as depletion of the raw materials due to climatic change, pollution, exploitation, etc. Physical environment must be put into consideration by the entrepreneur. This is because it has a profound influence on the existence and continuity of the enterprise. In some instances, it may be necessary for the business to make efforts at replenishment of the natural environment most especially in the areas of depletion.

Socio-Culture: the culture and sociological perception of group of people determine what to produce or the type of business that can be done in a place and at a particular time. Festivals, religious considerations and observances, tradition of a people, etc. can be discussed under the socio-cultural environment hence the influence of each of, or any of these on the business. The entrepreneurs should be aware of these cultural and social issues to be able to survive.

Types of environmental scanning

Depending on the organization's beliefs about environmental analyzability and the extent that it intrudes into the environment to understand it, four modes of scanning may be differentiated: **undirected viewing, conditioned viewing, enacting, and searching.**

Advantages of environmental scanning

Information collected and analyzed during the environmental scanning process **allows organizations to make informed decisions about the overall health of their organizations**. Examining the external and internal environment allows organizations to identify strengths, weaknesses, opportunities, and threats.