

Course Information

Course Code:

GST 302

Course Title:

Business Creation and Growth

Credit Unit:

2

Course Status:

Compulsory

Semester:

2nd

Required Study Hour:

4 hours per week

Edition:

First

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Ice Breaker

Upload your passport and introduce yourself by stating your names, what you do for a living, your hobby, your expectation in this course and the name you would prefer to be called during this course.



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Course Guide

Introduction

Welcome to **GST 302: Business Creation and Growth**. GST 302 is a two-credit unit course that has minimum duration of one semester. It is a compulsory course for all undergraduate students in the university. This course is to develop your competence and confidence in creating viable businesses with high potentials for new value addition and high income. The course is designed to enable you direct your creative and innovative ideas into becoming an entrepreneur that will make you achieve economic independence after graduation.

Course Objectives

The objective of this course is to:

1. Make you appreciate the importance of businesses in the society
2. Make you recognize the need to grow existing businesses
3. Make you appreciate the value and importance of family businesses
4. Challenge you to continuously diversify the scope of businesses
5. Expose you to management principles and best practices
6. Guide you on business start-up.

Working Through this Course

To successfully complete this course, you are required to participate in both the theoretical and practical part of the course. In addition, read the study units, listen to the audios and videos, do all assessments, open the links and read, present a business plan and enterprise, participate in discussion forums, read the recommended books and other materials provided, prepare your portfolios, and participate in the online facilitation.

Each study unit has introduction, intended learning outcomes, the main content, conclusion, summary and references/further readings. The introduction will tell you the expectations in the study unit. Read and note the intended learning outcomes (ILOs). The intended learning outcomes tell you what you should be able to do at the completion of each study unit. So, you can evaluate your learning at the end of each unit to ensure you have achieved the intended learning outcomes. To meet the intended learning outcomes, knowledge is presented in texts, video and links arranged into modules and units. Click on the links as may be directed but where you are reading the text off line, you will have to copy and paste the link address into a browser. You can download the audios and videos to view off line. You can also print or download the texts and save in your computer or external drive. The conclusion gives you the theme of

the knowledge you are taking away from the unit. Unit summaries are presented in downloadable audios and videos.

There are two main forms of assessments – the formative and the summative. The formative assessments will help you monitor your learning. This is presented as in-text questions, discussion forums and Self-Assessment Exercises.

The summative assessments would be used by the university to evaluate your academic performance. This will be given as Business Plan and Enterprise Presentations. You will be required to present a business plan and turn the idea in the business plan into an enterprise. This will serve as the continuous assessment for the course. Finally, you will take final examination through e-examination.

Study Units

There are 25 study units in this course divided into seven modules. The modules and units are presented as follows:

Module 1 Concept of Business and New Value Creation

- Unit 1 Business Planning Process
- Unit 2 Start-up Decision – What Motivate People to Begin New Businesses
- Unit 3 Opportunity Search and Identification
- Unit 4 Legal Issues at Start-up
- Unit 5 Feasibility Analysis of New Ventures and New Venture Financing

Module 2 Theories of Growth: an Overview

- Unit 1 Concepts and Reasons of Growth
- Unit 2 Challenges of Growth
- Unit 3 Strategies for Growth (External Growth Strategies, Franchising, Buy-In and Buy-Out)
- Unit 4 Mergers and Acquisition

Module 3 Sources of Funds

- Unit 1 Internal Sources and External Sources
- Unit 2 Formal and Informal Sources
- Unit 3 Efficiency in the Use of Resources

Module 4 Marketing

- Unit 1 Concept of Marketing: Small and Big Business Marketing
- Unit 2 Marketing Mix
- Unit 3 Modern Marketing Tools

Module 5	Ethics and Social Responsibility
Unit 1	The Importance of Ethics in Business
Unit 2	Ethical Behaviour and Practices in Nigeria
Unit 3	Community Development Projects/Welfare
Module 6	New Opportunities for Expansion
Unit 1	E-Commerce
Unit 2	E-Business
Unit 3	E-Trade
Module 7	Managing Transition: From Start up to Growth
Unit 1	Personal Disciplines
Unit 2	Learning
Unit 3	Decision Making
Unit 4	Control

References and Further Readings

<https://knowhownonprofit.org/your-team/people-management-skills/change/tools/transition>

<https://knowhownonprofit.org/your-team/people-management-skills/change/tools/transition>

www.jblearning.com/samples/0763749109/49109_CH04_056_072.pdf

https://www.decision-making-solutions.com/types_of_decision_making.html

<https://www.mbaofficial.com/mba.../decision.../explain-the-different-types-of-decision>.

<https://www.gnapartners.com/article/stages-business-growth>

<https://hbr.org/1983/05/the-five-stages-of-small-business-growth>

Presentation Schedule

The presentation schedule gives you the important dates for business plan and enterprise presentations, participation in forum discussions and participation at facilitation. Remember, you are to upload your business plan and enterprise in the designated platform at the scheduled time. You should guide against delays and plagiarisms in your work. Plagiarisms is acriminal offence in academics and is highly penalized.

Assessment

There are two main forms of assessments in this course that will be scored. The Continuous Assessments and the final examination. The continuous assessment shall be in three fold. There will be business plan and enterprise presentation. The business plan presentation shall have a maximum score of 20%, the Enterprise shall have a maximum score of 30% and your participation in the discussion forums including your portfolio presentation shall have a maximum score of 10% if you meet 75% participation in the forum discussions. All together making maximum of 60% for continuous assessment in this course.

The final examination for GST 302 will be maximum of one and half hours and it takes 40 percent of the total course grade. The examination will consist of 60 multiple choice questions that depict application, analysis and evaluation of businesses.

Note: You will earn 10% score if you meet a minimum of 75% participation in the course forum discussions and in your portfolios otherwise you will lose the 10% in your total score. You will be required to upload your portfolio using google Doc. What are you expected to do in your portfolio? Your portfolio should be note or jottings you made on each study unit and activities. This will include the time you spent on each unit or activity.

How to get the Most from the Course

To get the most in this course, you need to have a personal laptop and internet facility. This will give you adequate opportunity to learn anywhere you are in the world. Use the Intended Learning Outcomes (ILOs) to guide your self-study in the course. At the end of every unit, examine yourself with the ILOs and see if you have achieved what you need to achieve.

Carefully work through each unit and make your notes. Join the online real time facilitation as scheduled. Where you missed the scheduled online real time facilitation, go through the recorded facilitation session at your own free time. Each real time facilitation session will be video recorded and posted on the platform or to your mail. The audio version of it will also be posted to your mail.

In addition to the real time facilitation, watch the video and audio recorded summary in each unit. The video/audio summaries are directed to salient part in each unit. You can assess the audio and videos by clicking on the links in the text or through the course page.

Work through all self-assessment exercises. Finally, obey the rules in the class.

Facilitation

You will receive online facilitation. The facilitation is learner centred. The mode of facilitation shall be asynchronous and synchronous. For the asynchronous facilitation, your facilitator will:

- Present the theme for the week;
- Direct and summarise forum discussions;
- Coordinate activities in the platform;
- Score and grade activities when need be;
- Upload scores into the university recommended platform;
- Support you to learn. In this regard personal mails may be sent.
- Send you videos and audio lectures; and podcast

For the synchronous:

- There will be eight hours of online real time contact in the course. This will be through video conferencing in the Learning Management System. The eight hours shall be of one-hour contact for eight times.
- At the end of each one-hour video conferencing, the video will be uploaded for view at your pace.
- The facilitator will concentrate on main themes that are must know in the course.
- The facilitator is to present the online real time video facilitation time table at the beginning of the course.
- The facilitator will take you through the course guide in the first lecture at the start date of facilitation

Do not hesitate to contact your facilitator. Contact your facilitator if you:

- do not understand any part of the study units or the assignment.
- have difficulty with the self-assessment exercises
- have a question or problem with an assignment or with your tutor's comments on an assignment.

Also, use the contact provided for technical support.

Read all the comments and notes of your facilitator especially on your assignments, participate in the forums and discussions. This gives you opportunity to socialise with others in the programme. You can raise any problem encountered during your study. To gain the maximum benefit from course facilitation, prepare a list of questions before the discussion session. You will learn a lot from participating actively in the discussions.

Finally, respond to the questionnaire. This will help the university to know your areas of challenges and how to improve on them for the review of the course materials and lectures.

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Module 1 Concept of Business and New Value Creation

Unit 1	Business Planning Process
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Unit 1 Business Planning Process

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1.0 Introduction

For every action that is taken whether as an individual or group, there is a plan. A plan is systematic and scientific. Before the launching of the business you logically organise the process you want to adopt to achieve the set business objectives. The organised procedure is the planning. Therefore, in this unit you will learn the procedure to take to organise your start up.

2.0 Intended Learning Outcome (ILO)

By the end of this unit, you will be able to write a presentable business plan.

3.0 Main Content

The term “business plan” has different meanings to different people. Banks that release their own planning guidelines consider formal business loan applications to be synonymous with business plans. Venture capitalists see them as investment proposals, purely fund raising documents. Corporate managers think of them in terms of departmental budgets and financial forecasts.(Touchie, 2005).

According to Kuratko and Hodgetts (1998), the business plan describes to investors and financial sources all of the events that are likely to affect the proposed venture. Details are required for various projected actions of the venture, with associated revenues and costs outlined. A Business Plan describes a business opportunity. It is like a road map because it tells you what to expect

A successful Business Plan



and what alternative routes you can take to arrive at your destination. Planning helps you to work smarter rather than harder. It keeps you future oriented and motivates you to achieve the results you want. Perhaps most importantly, the process of completing a Business Plan enables you to determine what commitment you need to make to the venture (Department of Trade and Economic Development, 2010)

Self-Assessment Exercise

Is it really necessary to have a business plan when the business is yours and you can take any decision you like at any time?

Feedback

Yes.
Business plan is imperative.

It describes to investors and financial sources all of the events that are likely to affect the proposed venture.

Banks - consider formal business loan applications to be synonymous with business plans.

Venture capitalists-
see plan as investment proposals, purely fund raising documents.

Corporate managers- think of them in terms of departmental budgets and financial forecasts

Importance of Business Plan

When you think about what a business plan is your mind probably goes right to the bank and the process of applying for business financing, as that is the most common use for business plans. But if you are creating this valuable tool only as a part of a required financing package, you are overlooking its most important function: planning (Cagan, 2006). Whether you are new to the world of entrepreneurship or a seasoned veteran, a properly crafted business plan can help solidify your vision. And when you are remaking an on-going venture, a written strategy (business plan) can help ensure its success. Taking cognizance of that, there are particular events that spur the need for a full-scale business plan.

According to Cagan (2006), they include the following:

- You plan to launch a new business.
- Your business has grown substantially.
- You want to expand your existing business into new markets.
- You want to add a new product or product line.
- You are thinking about buying a business.

Other reasons why business plan is necessary according to Department of Trade and Economic Development (2010) are to:

- Control future risks
- Prepare for future uncertainty
- Control business environment
- Control business growth
- Avoid sales crises
- Avoid liquidity crises
- Avoid succession crises
- Ensure people development
- Ensure work space available
- Avoid stock buying crises

According to Timmons and Spinelli, (2004), developing the business plan is one of the best ways to define the blueprint, strategy, resource, and individual requirements for a new venture. A good business plan must be developed with a view to exploiting the defined opportunity, developing the opportunity and determining the resources required, obtaining those resources and successfully managing the resulting venture (Hisrich, Peters and Shepherd, 2008).

Writing a business plan is time consuming and financial wastage.

Writing Business Plan can be laborious and financially demanding, but it is really worth the trouble. A well writing business plan will enables an

entrepreneur to control future risk, prepare for future uncertainty, control business growth, take charge of organizational growth and development. It allows for consistencies in decision-making.

Principles of Planning in Feasibility Studies and Business Plan

A plan must be:

Explicit: All steps completely spelled out.

Intelligible: Capable of being understood by those who will carry it out.

Flexible: Capable of accepting change.

Written: Committed to writing in a clear and concise manner.

Benefits of Planning

1. Reduces 'firefighting': Many small business owners spend so much time 'putting out the fires' that they never have a chance to do anything else. By preparing a Business Plan you can anticipate problems that are likely to occur and decide how they should be handled in advance.
2. Justifies your plans and actions: Often, one decides to do something because it 'sounds' or 'feels' right. You may do something because that is the way that you have always done it. Preparing a Business Plan forces you to prove the validity, or at least consider the reasoning of your plans.
3. Tests your ideas on paper: It is much better to produce a Business Plan and find that the business is likely to be unprofitable than to start the business and find out the same thing.
4. Indicates your ability and commitment: A well-prepared Business Plan is an impressive document. It shows outsiders such as lenders and suppliers that you understand the business.

Components of a written plan

A written Business Plan should contain the following:

1. The Business Idea: An outline and description of the product or service and background on the industry.
2. The Entrepreneurs: A history of the founders of the business including their skills, abilities and proposed ownership structure.
3. Business Objectives:
 - What the business intends to achieve including long range goals
 - The advantage of the product or service over existing competitors
 - The image and character of the business to be developed.

The product or service Technical description of the business.

1. Manufacturing: · Description of process and machinery used · Patents and design registrations · Predictions on changes to the industry · Costs of materials, machinery, etc · Plant location and layout · Labour availability and costs.
2. Retailing: Goods to be sold; Location; Stocking policy and procedures; and Suppliers and potential suppliers and the sales terms.
3. Service: · Description of service · Qualifications necessary to enter the industry · Industry and/or legal controls · Processes and services to be offered.

Financial information

1. Capital Needs: Fixed assets needed; Working capital needed; and Starting capital needed.
2. Sources of Finance:· Types of finance needed; and Owners funds to be used.
3. Cost of Finance: Set up costs; Current interest rates; Ability to meet borrowings and Current returns on owners funds.
4. Financial Viability:· Projected profit and loss accounts; Break even analysis; Projected balance sheets; Cash flow forecasts; Working capital needs; Budgets; Expenses/Sales/Income and Taxation.

The market

1. Market Research: Market size; Market description; Market trends; Customer profiles; and target markets then Preliminary sales forecasts and estimated market share.
2. Competitive Position: Competitors; Unique selling position; Quality of existing products or services and Marketing practices of competitors.
3. Marketing Program: Distribution channels; Sales outlets; Storage and transport of goods; Pricing policy; Packaging; Sales promotions and sales strategy; Advertising strategy and costs; Public relations.

Management and operations

Personnel: Numbers of staff needed; Skills necessary; Training programs.

Business organisation

1. Form of legal organization: Sole Trader; Partnership; Company or Trust; Registration of business name; Organization chart.

2. **Legal Considerations:** Licenses; Federal and State taxes; Consumer Law; Business Law; Insurance.
3. **Premises:** Space required; Buy or rent contracts; Commercial lease requirements and problems; Availability of suitable premises.

Questions to be answered in a business plan

1. *Description of the business:*
 - What type of business are you planning (retail, wholesale, manufacturing, tourism, hospitality, service)?
 - What products or services will you sell?
 - What type of business is it (new, part-time, expansion, seasonal)?
 - Why does it promise to be successful?
2. *Marketing:*
 - Who are your potential customers?
 - How will you attract and hold your share of the market?
 - Who are your competitors?
 - How are their businesses prospering?
 - How will you promote sales?
 - Who will be your best suppliers and why?
 - Where will the business be located?
 - What factors will influence your choice of location?
 - What features will your location have?
 - How will your building contribute to your marketing strategy?
 - What will your building layout feature?
3. *Organization:*
 - Who will manage the business?
 - What qualifications will you look for in a manager?
 - How many employees will you need and what are their job descriptions?
 - What are your plans for employees' hiring, salaries and wages, benefits, training and supervision?
 - How will you manage finances?
 - How will you manage record-keeping?
 - What consultants or specialists will you need?
 - What legal form of ownership will you choose?
 - What licences and permits will you need?
 - What regulations will affect your business?

Components of a Good Business Plan

- Executive Summary. Your executive summary should appear first in your **business** plan.
- Company Description
- Market Analysis.
- Competitive Analysis.
- Description of Management and Organization.
- Breakdown of Your Products and Services.

- Marketing Plan.
- Sales Strategy.

Self-Assessment Exercises

1. The need for a business plan includes all except:
 - a. Planning to launch a new business
 - b. Expanding your existing business
 - c. Adding a new product or product line
 - d. Increasing your labour force
2. A plan must be
 - a. Readable
 - b. Accommodating
 - c. Explicit
 - d. Durable
3. One of the benefits of planning is
 - a. It justifies your plans and actions
 - b. It increases “firefight”
 - c. It keeps ideas in your memory
 - d. It indicates your inability
4. A written business plan should have all the following except ____
 - a. Financial information
 - b. Product or service
 - c. Business objective
 - d. Liquidation plan
5. The importance of feasibility study cannot be overemphasized as it ____
 - a. provides comprehensive details about the business to determine if, and how it can succeed, and serve as a valuable tool for developing a good business plan
 - b. does not list in details all the things you need to make the business works.
 - c. does not identify logistical and other business related problems and solutions.
 - d. does not serve as a solid foundation for developing your business plan.
6. The type of business you are planning should be stated under ____

- a. Description of the business
 - b. Marketing
 - c. Organization
 - d. All of the above
7. Which of the following question will be answered in a business plan under organization?
- a. What products or services will you sell?
 - b. Who are your potential customers?
 - c. How will you promote sales?
 - d. Who will manage the business?
8. The following except is a component of feasibility study.
- a. Executive Summary
 - b. Product/Service
 - c. Acquisition
 - d. Technology
9. The importance of feasibility studies include
- a. Listing in details all the things you need to make the business works.
 - b. Identifying logistical and other business related problems and solutions.
 - c. Serving as a solid foundation for developing your business plan.
 - d. All of the above
10. The need for a full-scale business plan according to Cagan (2006) is spurred by the following except one:
- a. You plan to launch a new business.
 - b. You want to expand your existing business into new markets.
 - c. You want to add a new product or product line.
 - d. None of the above

Feedback

- 1. D
- 2. C
- 3. A
- 4. D
- 5. A
- 6. A
- 7. D
- 8. C
- 9. D
- 10. D

4.0 Conclusion

- Developing the business plan is one of the best ways to define the blueprint, strategy, resource, and individual requirements for an on-going venture.
- A properly crafted business plan can help solidify your vision.
- When you are undertaking a new venture (feasibility studies), or remaking an old one (business plan), a written strategy can help ensure its success.
- Business Plans and Feasibility studies are required as controlled process for identifying business problems and opportunities, determining objectives, describing situations, defining successful outcomes, and assessing the range of costs and benefits associated with several alternatives for solving a problem.

5.0 Summary

To recap what you have learned in this unit, click on the video below or copy the link and paste on a web browser. The video is a summary of what you have read in this unit. You could also click on the audio version and listen. You can also download them and play offline.

[Video](https://youtu.be/hoEURA1oyQ4) <https://youtu.be/hoEURA1oyQ4>

Audio

6.0 References/Further Reading

[Http://www.dictionary.com](http://www.dictionary.com). (Retrieved: 2007-06-02)

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Kirk, J. and Miller, M. L. (1986). Reliability and Validity in Qualitative Research: Qualitative Research Methods Series. Vol. 1, Beverly Hills: Sage Publication Inc.

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Unit 2 Start-up Decision – What Motivate people to begin new businesses

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1.0 Introduction

Don't go into a business because your friend or someone you know is into that business. Go into a business because you have passion for it. Your passion is first to motivate your business start-up. Read more in the main content.

2.0 Intended Learning Outcome (ILO)

By the end of this unit, you will be able to identify and demonstrate a motivating criteria for business start-up.

3.0 Main Content

Intrinsic Motivation. Also known as the "entrepreneurial obsession," intrinsic motivation is a term used to refer to the predisposition to work on something because it's interesting, engaging, stimulating, satisfying or challenging on a **personal** level.

you are your
OWN BOSS
BE A GOOD
ONE

Nothing beats the freedom of being the boss — at least when it comes to the entrepreneurial efforts of small business owners.

It is interesting to contemplate what drives people to start a business. Starting a business of your own requires money, many hours of hard work, patience and the understanding that you might not make a whole lot of money the first year or two or your business could fail completely.

Starting a business is something that many people think about at one time or another during their lives. Motivations for wanting to become an entrepreneur can vary greatly. Common motivators can include escaping the corporate grind, taking greater advantage of special skill sets, supplementing income or a strong drive to achieve personal or financial success.

According to the American Small Business Administration, approximately 30 percent of small businesses close their doors within the first two years. Yet people still start their own businesses on a regular basis. There are many factors that drive entrepreneurs to strike out on their own.

Business Involvement

According to the website More Business, an entrepreneur is sometimes motivated to start a business because he has the desire to become involved in all aspects of company's operation. The entrepreneur wants to be part of the product design team, sales, marketing, engineering and production. An entrepreneur has a very specific way that he feels a successful business should be run, and this motivates the entrepreneur to start his own business and get directly involved.

Make it Personal

An entrepreneur might feel that doing business with a large corporation, or working for a larger company, can become very impersonal. The drive to start a business comes from the desire to put a personal touch back into doing business.

Being in Charge

Some entrepreneurs start their own business because they want to be their own boss and in charge of all of the day-to-day operations of a company. The entrepreneur wants to be the one making the important business decisions, determining the direction the company will take, making the call on product development and marketing and being responsible for every aspect of the company's operation.

Financial Need

According to Know Accounting, some entrepreneurs are driven to start their own company out of necessity. If a job does not offer enough income, an entrepreneur might start a side business to generate extra income that can turn into a full-time business.

Accomplishment

To some entrepreneurs, having a successful business brings a feeling of accomplishment. They feel that they are offering a valuable service to their customers, and they pride themselves on doing the best job possible. Many entrepreneurs give back to their communities through charitable donations and by participating in charitable events. This feeling of accomplishment and pride is an important factor in starting a business.

Self-Fulfillment

If you feel that your company is not utilizing your talents properly, starting a business can allow you to maximize your abilities and create a sense of fulfillment. For example, if you're a police officer whose investigative skills are not being put to the test, you could consider starting your own investigative agency where you can make full use of your abilities.

Additional Income

Perhaps you're happy with your present job but would like to supplement your income. If you have a special skill or a hobby you enjoy, you can use these to start a small business on the side. If you enjoy writing, for example, you can look for freelancing opportunities for the local newspaper or online.

Second Career

If you're a retiree, starting a business can take the form of a second career. People who retire early from a job may have the desire to continue working. Older retirees may feel that they need additional income or have concerns about how long their present retirement benefits may last. Starting a business in retirement can also allow for pursuing a passion in addition to providing income.

Others yet have their own philosophies which includes

Passion. The passion you feel as an entrepreneur – for the startup life, for your company, for your vision – is all-encompassing. You're driven to succeed, to experience everything a startup has to offer, and to make things happen. Passion is a prerequisite to starting a business, and it's also a huge motivator, because through your startup you fuel your passion.

Creating Value. Entrepreneurs are builders. Creators. We need to produce "stuff" in order to succeed. And that "stuff" needs to create value. It's extremely motivating to know that something you've started has created value for others. And part of creating value is contributing to the entrepreneurial community on a whole. For me, this is a particularly motivating factor; I'm able to build a company, blog about it and communicate to others about my experiences.

Changing the World. Not every business has the potential to change the world, but many entrepreneurs take this mantra to heart. Lots of entrepreneurs believe their businesses will change the world. It's part of creating value. Starting a business and tossing yourself into it with unequivocal passion, gives you the chance.

Being in Control. Entrepreneurs are control freaks. We believe we can do things better than others, and off we go! Having that opportunity is on one hand motivating and on the other hand scary – you're in control, you're the boss, you better get out there and make things happen. Luckily, being in control feeds many of the other motivating factors, so it all comes together.

Money. There's no question that money is a motivating factor, although it belongs at the bottom of the list. The truth is that you can probably earn more money at a fairly high paying job, over enough years, than you can starting a business because of the likelihood of failure. But the only way to hit a financial home run is with a startup. You get to take your swing at the plate and aim for the fences.

Self-Assessment Exercise

Identify the factors that can motivate someone to start a business?

Feedback

1. Flexibility. Work your own hours.
2. More spare time (eventually). Spend more time with your family and friends.
3. Call the shots. Nobody else is going to set the rules. You are.
4. Set your own deadlines.
5. Sell how you want to sell. Online? In person? Inbound? Outbound? It's your call.
6. Create your own environment. You can set the formality and culture of your organization.
7. Pursue your passion. You can do what makes you happy.
8. Create something from scratch. Watch your organization grow from start to finish.
9. Meet new people. Network with other entrepreneurs and professionals.
10. Build a team. You decide who to hire and bring into your company.
11. Create jobs. Improve the economy with new job opportunities.
12. Help people. Use products and services to improve people's lives.

4.0 Conclusion

You can have the best business if you consider all the above factors and determine to also succeed. Your friend may have only an enviable business but you will have an enviable business and turnover

5.0 Summary

To recap what you have learned in this unit, click on the video below or copy the link and paste on a web browser. The video is a summary of what you have read in this unit. You could also click on the audio version and listen. You can also download them and play offline.

[Video](https://youtu.be/fuZux8loYUw) <https://youtu.be/fuZux8loYUw>

Audio

6.0 References/Further Reading

<https://www.inc.com/john-rampton/motivation-tips-for-launching-your-startup.html>

<https://smallbusiness.chron.com>

Unit 3 Opportunity Search and Identification

Contents

- 1.0 Introduction
- 2.0 Intended Learning Outcome (ILO)
- 3.0 Main Content
- 4.0 Conclusion
- 5.0 Summary
- 6.0 References/Further Reading

1.0 Introduction

This unit will give you an insight of why you need to search for opportunity and how to key into opportunity for start-up. At start-up you may not have all it takes to commence. But ability to key into opportunities around you could make your dream come true.

2.0 Intended Learning Outcome (ILO)

By the end of this unit, you will be able to evaluate opportunities for business start-up

3.0 Main Content

Opportunity refers to the extent to which possibilities for new ventures exist and the extent to which entrepreneurs have the leeway to influence their odds for success through their own actions. Simply put, opportunity is a perceived means of generating incomes that previously have not been exploited and are not currently being exploited by others. Opportunity identification can, in turn, be defined as the cognitive process or processes through which individuals conclude that they have identified an opportunity. It is important to note that opportunity identification is only the initial step in a continuing process, and is distinct both from detailed evaluation of the feasibility and potential economic value of identified opportunities and from active steps to develop them through new ventures. It is essentially a situation in which new goods, raw materials, markets and organizational strategies can be introduced through the formation of new means, ends or means-ends relationships.

OPPORTUNITY IDENTIFICATION PROCESS



- Opportunity identification is central to entrepreneurship and involves:
 - The creative pursuit of ideas
 - The innovation process
- The first step for any entrepreneur is the identification of a “good idea.”
 - The search for good ideas is never easy.
 - Opportunity recognition can lead to both personal and societal wealth.



The focus these days is on innovative opportunities which are the ones that truly break new grounds rather than merely expand or repeat existing business models. Opening a new Hausa or Igbo cafeteria in a neighborhood dominated by a populace from these extractions that currently do not have one is an example. Not everyone can identify opportunities. Some individuals are more likely to identify and exploit opportunities than are others. Opportunity is a major process of self-evaluation of one's ability to start, operate and run a business venture with the popular analysis often referred to as SWOT (Strength, Weaknesses, Opportunity and Threat). It helps to check the chances of succeeding in a particular choice of venture open to an individual through his experiences. These experiences include family, religious or professional linkages, membership of any network group.

Searching for a business opportunity that is right for them is the major challenge would-be entrepreneurs face. New startups always focus on introducing a new product or service based on an unmet need, select an existing product or service from one market and offer it in another where they are not available; and sometimes the firm relies on a tried and tested formula that has worked elsewhere in a franchise setup.

B. Theory and Practice

- **I. Business Opportunity Identification Process**

It is pertinent to know how entrepreneurs identify and decide a new business opportunity with the best chance to succeed. The most important part of all business attempts common to most successful startups is answering an unmet need in the market. Customers are always interested in products that add value. They buy products needed only to satisfy some problems. In actual fact, there is no substitute for indulging the unmet needs of customers. Most entrepreneurs searching for new business ideas fundamentally consider three central issues. The main one is the potential economic value. He first considers if the venture has the capacity to generate profit. The second is the newness of such a venture. He/She will prefer products, services or technology that does not previously exist in that environment. The third is the perceived desirability whether their product has the moral or legal acceptability in that environment.

He then considers if:

- His final business decision idea corrects a deficiency in the market.
- The resources and capability to carry out this business idea are available to him/her
- The market for it are readily available and at profit sales the new business idea can compete favorably with existing related competitors and their market.
- This business market is growing or not and how one should prepare to join that business.

The Stages of Opportunity Identification process

Opportunity identification is the collection of three main factors, which are the entrepreneur's background, the business influence and the general business environment. Opportunity identification has five stages that lead to 'recognition'. The five stages are discussed in relationship with the process of opportunity identification. These stages are:

- Preparation
- Incubation
- Insight
- Evaluation
- Elaboration

Preparation

Preparation stage is that knowledge and experience exercised just before the opportunity discovery process. These knowledge and experience are not often deliberately acquired. However, preparation itself is usually a deliberate attempt to widen capability in an area and become sensitive to concerns in a field of interest. In an organized situation, the background of the business, the products or services or the technological knowledge must have majorly informed the main ideas of the successful venture. One cannot however, rule out the role of new ideas and expertise originating from individuals in the organization that will eventually result in a new business.

Incubation

Incubation stage is the part of the opportunity identification process that involves the consideration of a concept or a specific problem ordinarily not subjected to conscious or formal analysis by a businessman or his team. It is usually not consciously done and therefore more often than not, an instinctive and unempirical approach for the consideration of several potential alternatives.

Insight

Insight stage occurs at the moment a fundamental solution suddenly becomes recognized unexpectedly. It is a particular moment that keeps occurring persistently right through the process of opportunity identification. Insights have been found to be extensive channels to the discovery of startup businesses and sometimes reveal additional knowledge for the development of a current process of discovery. In respect of a business venture, insight predictably encompasses the abrupt recognition of an opportunity in business, the answer to an adequately pondered crisis and the possession of a concept from social networks and associates.

Evaluation.

Evaluation stage is about investigating if the recognized and developed ideas are feasible, if the businessman has the required abilities to realize the ideas and if the idea is sufficiently innovative for prospects. It sometime involves full feasibility analysis of the ideas through all forms of research instruments and criticisms from relevant business acquaintances. It is fundamental to also investigate the prospect and viability of the new insight ideas as the spirit of entrepreneurship is to make satisfactory and sensible profits.

Elaboration.

Elaboration is that stage that exposes the opportunity/ideas to external analysis with the tedious and time-consuming options selection, choice decision and organization of resources. It is customarily in search of all equalities that could

build confidence and guarantee the practicability of the business. Elaboration also reduces uncertainties by providing the detailed planning activities after the evaluation viability confirmation. This will eventually reveal the concept areas that still need further analysis and attention.

Self-Assessment Exercise

How do you evaluate a business opportunity?

Feedback

Writing a business plan and weighing all relevant factors can help you better plan your entry into new areas. This will help you:

1. Evaluate your market.
2. Study the business' to measure potential earning power.
3. Examine your own finances.
4. Look at industry trends.
5. Consider your competition.
6. Listen to your potential clients and past leads. When you're targeting potential customers listen to their needs, wants, challenges and frustrations with your industry. ...
7. Listen to your customers.
8. Look at your competitors.
9. Look at industry trends and insights

4.0 Conclusion

To capture business opportunities, you must listen to your potential clients and past leads. When you're targeting potential customers listen to their needs, wants, challenges and frustrations with your industry. Listen to your customers. Look at your competitors

5.0 Summary

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[Video](https://youtu.be/-HwDkN6ABlw) <https://youtu.be/-HwDkN6ABlw>

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Unit 4 Legal Issues at Start-up

Contents

- 1.0 Introduction
- 2.0 Intended Learning Outcome (ILO)
- 3.0 Main Content
- 4.0 Conclusion
- 5.0 Summary
- 6.0 References/Further Reading

1.0 Introduction

All over the world, there are some laws that entrepreneurs must follow to ensure their businesses are legally sound right from its foundation. If these laws are not obeyed, the entrepreneur may face a serious legal challenge in future which will affect his business negatively.

2.0 Intended Learning Outcome (ILO)

By the end of this unit, you will be able to apply legal guidelines to start-up.

3.0 Main Content

Starting a business venture can be a difficult task involving many important decisions, but it is highly exciting that the business idea is taking shape with every decision ready for takeoff.

All over the world, there are some laws that entrepreneurs must follow to ensure their businesses are legally sound right from its foundation. If these laws are not obeyed, the entrepreneur may face a serious legal challenge in future which will affect his business negatively.

One needs to make sure that all legal formalities have been put in place. To avoid severe legal and liability consequences in future, a targeted business plan should list all legal concerns that might negatively affect the business and invariably other investors. The right legal structure that will suit ones particular type of business or circumstances and ambitions should be considered.

Steps for Starting Your Business

Company filings and regulations may not be the most exciting parts of your startup. Yet they're critical to the health of your business and personal finances. Here's a quick rundown of eight administrative aspects you need to consider for your startup or small business. Of course, depending on your situation and type of

business, hiring a tax accountant and/or good attorney with specific experience in your industry can go a long way toward helping you steer clear of trouble.

1. Did You Pick a Name? Make Sure You're Legally Permitted to Use It Before you start printing out business cards, make sure the great new name you thought of isn't infringing on the rights of an already existing business. In most cases, you don't need an attorney for this task, as you can perform a free search online that looks at business names registered with the Secretary of State — that will tell you if the name is available in your state. Then, take your search to the next level and conduct a no-conflict, free trademark search to see if your name is available for use in all the states. And considering you can still infringe on someone else's trademark even if they've never formally registered it with the . Patent and Trademark Office, you should also do a comprehensive search into all state and local databases (look for an affordable online service to help you with this).
2. Register a Fictitious Business Name/DBA. Ever notice those endless fictitious name announcements in the classifieds of your local paper? You may need one, too. A DBA (Doing Business As) must be filed whenever your company does business under a different name. If you've got a sole proprietorship or general partnership, a DBA is needed if your company name is different from your own name. For an LLC or corporation, a DBA must be filed to conduct business using a name that's different from the official Corporation or LLC name you filed. For example, my company is officially incorporated as CorpNet, Inc., so we needed to file DBAs for the variations CorpNet.com and CorpNet. These are typically filed at the state and/or county level.
3. Incorporate Your Business or Form an LLC. Forming an LLC or corporation is an essential step to protect your personal assets (such as your personal property or your child's college fund) from any liabilities of the company. Each business structure has its own advantages and disadvantages, depending on your specific circumstances. Three popular options are: the LLC (great for small businesses that want legal protection, but minimal formality), S Corporation (great for small businesses that can qualify), or C Corporation (for companies who plan to seek funding from a VC or go public). And one other word of advice, Delaware and Nevada are two popular states for business incorporation. However, if your business has less than five shareholders, you're better off forming an LLC in the state where you operate your business (i.e. where you live).
4. Get a Federal Tax ID Number. To distinguish your business as a separate legal entity, you'll need to obtain a Federal Tax Identification Number, also referred to as an Employer Identification Number (EIN). Issued by the IRS, the tax ID number is similar to your personal social security number and allows the IRS to track your company's transactions. If you're a sole proprietor, you're not obligated to get a Tax ID number, but it's still good

practice as you won't have to provide your personal social security number for business matters.

5. **Learn About Employee Laws.** Your legal obligations as an employer begin as soon as you hire your first employee. You should spend time with an employment law professional to fully understand your obligations for these (and other) procedures: federal and state payroll and withholding taxes, self-employment taxes, anti-discrimination laws, OSHA regulations, unemployment insurance, workers' compensation rules, and wage and hour requirements.
6. **Obtain the Necessary Business Permits and Licenses.** Depending on your business type and physical location, you may be required to have one or more business licenses or permits from the state, local or even federal level. Such licenses include: a general business operation license, zoning and land use permits, sales tax license, health department permits, and occupational or professional licenses.
7. **File for Trademark Protection.** You're not actually required by law to register a trademark. Using a name instantly gives you common law rights as an owner, even without formal registration. However, as expected, trademark law is complex and simply registering a DBA in your state doesn't automatically give you common-law rights. In order to claim first use, the name has to be 'trademark able' and in use in commerce. Since you've spent untold hours brainstorming the ideal name, and you'll be putting even more effort into cultivating name recognition, you should consider registering your trademark for proper legal protection. Registering a trademark makes it exponentially easier to recover your properties, like if someone happens to use your company name as their Twitter handle. Having the right documentation means you have the legal right to that handle, and Twitter will take steps to give it to you.
8. **Open a Bank Account to Start Building Business Credit.** When you rely on your personal credit to fund your business, your personal mortgage, auto loan and personal credit cards all affect your ability to qualify for a business loan (and for how much). Using business credit separates your personal activities from that of the business. To begin building your business credit, you should open a bank account in the name of your company, and the account should show a cash flow capable of taking on a business loan. No matter how busy things with your startup get, set aside some time to address these matters and take your legal obligations seriously. Getting your legal ducks in a row right from the start will help you avoid any pitfalls down the road, and will help you scale your business successfully as you grow.

In Nigeria, whether it is a corporate or limited company or even an enterprise, you will need to register with some government bodies, parastatals, agencies or even some professional bodies. It all depends on your business idea and hence you need to seek specialist legal advice that could cover copyright, trade marking, design registration or patenting

Here are five important legal requirements to review and understand before launching your small business.

- Registered Business Name
- Federal Taxes
- State and Local Taxes
- Business Permits and Licenses
- Business Laws and Regulations.

For limited liability companies, requirement includes:

Documents play an essential role in protecting the interests of the business and business owners over the course of a company's lifetime. Here is a list of the 10 most common legal documents to help you determine what your business needs.

1. Company bylaws for corporations. Most states require corporations to keep a written record of bylaws, although you don't need to file the document with a state office. Bylaws define how the company will govern itself. Even if your company is incorporated in the handful of states that don't require bylaws, they are still a good idea as they spell out your business' structure, individual roles, and governance issues. For example, bylaws can help settle a dispute on the length of a director's term or define if you need a simple majority to approve a decision.
2. Meeting minutes. Most states also require corporations to document what happens at major meetings. They keep an official account of what was done or talked about at formal meetings, including any decisions made or actions taken. They can help settle a dispute about what happened or didn't happen in a past meeting. Your minutes should be detailed enough to serve as your corporation's "institutional memory." They should include: type of meeting; time and place of meeting; detailed attendance; all actions taken (purchases, elections, etc.); as well as any votes including how everyone voted and who abstained.
3. Operating agreement for LLCs. Although not required in most states, an operating agreement is recommended for every LLC, particularly when there are multiple members involved. This document outlines an LLC's financial and functional decisions. If there is more than one member, it becomes all the more important to define how key business decisions will be made, how profits and losses will be distributed, what are the rights

and obligations of members and what happens when someone wants out of the business. Once members sign the document, it becomes an official, binding contract.

4. **Non-disclosure agreement.** Whether you realize it or not, your business has information that should remain private, such as customer list, financial records, or ideas for a new pricing plan. An NDA is your first line of defense to protecting this information. This legal document creates a confidential relationship between your business and any contractors, employees, and other business partners who might get a behind-the-scenes look at your operations.
5. **Employment agreement.** This contract sets the obligations and expectations of the company and employee in order to minimize future disputes. Not every hire requires an employment agreement, but the document can be a useful if you want to dissuade certain new hires from leaving your company too soon, disclosing confidential information about your business, or going to work at a competitor. The contract should be reviewed by an experienced employment law attorney before given to an employee to sign.
6. **Business plan.** A business plan may not be a legal document, but it's required should you ever decide to seek financing or sell your business. Your business plan can be one page or a hundred pages, as long as it provides clarity on your business' opportunity and your roadmap to get there.
7. **Memorandum of understanding.** An MOU falls somewhere between a formal contract and a handshake. It documents any important conversations you have with suppliers, potential partners and others involved in the business. MOUs are great ways to lay out the terms of a project or relationship in writing, but do not rely on the document to be legally binding.
8. **Online terms of use.** While not required by law, any business with a website should include their terms of use. These pages can limit your liability in cases where there are errors in your own content, as well as information contained in any hyperlinks from your website. Furthermore, your Terms should let visitors know what they can or can't do on your site, particularly in cases where visitors can comment on blogs or share their own content.
9. **Online privacy policy.** If you gather any information from your customers or website visitors (such as email addresses), you are legally required to post a privacy policy that outlines how this information will be used and not used.

10. Apostille. Businesses involved in international trade with other Hague Convention countries may need a certificate, known as an "apostille," that authenticates the origin of a public document (like articles of incorporation) so they can be recognized in another country. Apostilles are only valid in countries that are members of the Hague Convention. In most cases, you don't need to create any of these documents from scratch. You can find free templates online to serve as a starting point. While these legal documents are an important part of staying compliant with your state requirements, they are more than empty formalities. By taking the time to think about the various elements on each document, you are setting the right foundation for your business.

Self-Assessment Exercise

What are the legal requirements to start a business?

Feedback

Important legal requirements to review and understand before launching your small business.

- Registered Business Name. ...
- Federal **Taxes**.
- State and **Local Taxes**.
- Business Permits and Licenses.
- Business Laws and Regulations.

4.0 Conclusion

The majority of businesses are regulated with both government and legal oversight in order to ensure that they are operating within the confines of the law. As a new business owner, you should be familiar with all the legal considerations as you start your new business. While many entrepreneurs have a basic understanding of the law, the majority of them do not consider the legal implications of starting a company.

Entrepreneurs must endeavor to ensure their businesses are legally sound right from its foundation. If the laws are not obeyed from the onset, the entrepreneur may face a serious legal challenge in future which will affect his business negatively.

5.0 Summary

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Audio

6.0 References/Further Reading

<https://www.upcounsel.com/legal-issues-in-starting-a-business>

Unit 5 Feasibility Analysis of New Ventures and New Venture Financing

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- 1.0 Introduction
- 2.0 Intended Learning Outcome (ILO)
- 3.0 Main Content
- 4.0 Conclusion
- 5.0 Summary
- 6.0 References/Further Reading

1.0 Introduction

A feasibility study is an analysis used in measuring the ability and likelihood to complete a project successfully including all relevant factors. It accounts for factors that affect it such as economic, technological, legal and scheduling factors. Project managers use feasibility studies to determine potential positive and negative outcomes of a project before investing a considerable amount of time and money into it.

2.0 Intended Learning Outcome (ILO)

By the end of this unit, you will be able to determine the viability of a business.

3.0 Main Content

The concept of feasibility analysis

Feasibility analysis is a comprehensive research study required by the entrepreneur or his agent to determine the practicability, profitability and viability of the business idea. Before jumping into a start up business, expanding an existing one or even acquiring an existing one, it is very necessary to analyze the feasibility of that business. For whatever purpose, the main task of feasibility analysis is to express the model of the business and its marketability; check its prospect for financial profitability and success; and convey the managing group's capability to implement and accomplish the business objectives.

Feasibility analysis is therefore an overview of the business and a preliminary appraisal of the business idea to consider if it merits pursuing. It reasonably reveals without prejudice the strengths and weaknesses of the business, its opportunities and threats through the background and the assets required to carry through as well as the eventual diagnosis for achievement. A feasibility analysis provides the entrepreneur the opportunity to flesh up the initial business plan, consider the missing and available features needed to be put in position for the business to succeed. It is an opportunity to consider if it is visibly

feasible and viable; despite the challenges one is likely to experience and how to solve those challenges. The main concern and tool of feasibility analysis are the necessary expenditure and the profit to be accomplished. This means it is all about finance.

A new startup business requires some financial funding which comes in several unique categories of financing options. Some universal and reliable funding sources easily available to most entrepreneurs are through the entrepreneur's savings and personal bank soft loans, financial supports from friends and family which may or may not involve interests. These are typically the first stage of financing whereby the entrepreneur invests his own funds and raise funds from friends and family. For more ambitious businesses, the next stage source is usually the funding from angel investors. These are private investors who use their own capital to finance businesses. After this is the next stage of financing from institutional investors like venture capitalists companies who are specialists in funding new businesses for profitable gains. Such venture capitalists also sometimes provide any observable potential weakness in the business. These include legal, marketing or operational deficiencies that may be threatening the survival of the business. Sometimes angel investors and Venture capital companies' bargain cash exchanges for an equity stake in startup businesses struggling to start operating.

Reasons for Feasibility Analysis

Feasibility analysis is all about questioning your concept, ascertaining which components are in place to make it realistic to easily execute and recognizing the biggest obstacles you're likely to face

Feasibility analysis mainly assists to:

- Appraise the business marketplace for the new business idea;
- Assess if the Managing team have the personality generally known with successful business persons. It is advisable to have self-assessment first. One must have that personality suited, skilled and knowledgeable to run a business and lead a group to success.
- Identify the challenges of startups and how one can overcome those challenges,
- Consider the financial feasibility of the business viz-a-viz its expected sales incomes, fixed and variable costs as well as break-even calculations;
- decide to continue with the business plan due to its viability and other attractions or not. Sometime it takes asking oneself some bitter but pertinent questions whether to scrap the idea if it is no longer as

originally envisaged or needs to be amended, redirected or altered immensely.

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In this wise, an ingenious suitable feasibility analysis will supply the historical setting of the business, describe the products and services, the account/financial profile/data, information on its operations as well as management, marketing research and strategy, including legal necessities. In actual fact, for such a serious research, all strata of the business are subjected to feasibility analysis, depending on the type.

Self-Assessment Exercise

1. What viable business ideas?
2. What is the purpose of feasibility analysis?

Feedback

1. Business can be operated successfully: A viable business idea is a business which can be operated successfully and smoothly. Maximum chances of Surviving in the competitive era: The business idea should be able to start easily and germinate easily i.e, it should have maximum chances to survive for long.
2. feasibility analysis is to express the model of the business and its marketability; check its prospect for financial profitability and success; and convey the managing group's capability to implement and accomplish the business objectives.

4.0 Conclusion

Before going into a venture or business, do your feasibility study. This will give you idea of what you are likely to meet in the market.

5.0 Summary

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MODULE 2 THEORIES OF GROWTH: AN OVERVIEW

Unit 1	Concepts and Reasons of Growth
Unit 2	Challenges of Growth
Unit 3	Strategies for Growth (External Growth Strategies, Franchising, Buy-In and Buy-Out)
Unit 4	Mergers and Acquisition

Unit 1 Concepts and Reasons of Growth

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1.0 Introduction

Conventionally, people ascribe businesses successes or failures to fate/chance or certain environmental conditions including family background. Even though one could not entirely rule out the influence of changes in the environmental factors, the entrepreneur's positive attitude, discipline, skills, competences, resilience and experience are real factors determining the transition of an enterprise from start up to a fully grown or diversified venture.

2.0 Intended Learning Outcome (ILO)

By the end of this unit, you will be able to apply appropriate theories in business start up.

3.0 Main Content

Business growth means expanding firm's products and services or expanding its target markets, or some combination of each. Any increase in the volume of activities of enterprises is a clear indication of growth. Businesses grow for a number of reasons including to take advantage of a gap in the market, to gain a competitive advantage over rivals, and to win increased market share.

Usually ventures start small because of limited knowledge of the market, shortage of capital and lack of skilled employees etc. It is expected that as the

entrepreneur gains more skills, knowledge and acquire additional resources, the volume of activities of the business will expand. An entrepreneur may also capitalize on changes in the environment to expand his operations in order to exploit new opportunities.

Theorists have shown that behavioral traits are significant influence to entrepreneurs desire to grow his business. Some people inherently derive satisfaction from being excellent in what they do; they tend to have insatiable desire to grow and positively affect the world around them. Other people tend to be comfortable with average results while others are "easy come easy go". In explaining the pattern of business growth, many theories rely on "the life-cycle approach. This approach posits that just as humans pass through stages of physiological and psychological development from infancy to adulthood, businesses also evolve in predictable ways and encounter similar problems in their growth" (Bhide, 2000). It is proposed that businesses pass through infancy, growth, maturity and then decline or even close shop. Some scholars suggest more or fewer stages of development.

However, there is no consensus on the number of stages, nor on how they are related. moreover, the proposition that all businesses follow the set sequence is not at all supported by the empirical evidence. The main issue is that companies are started at one point and they need to be nurtured and managed to grow bigger and bigger. There are companies around the world that survive decades or centuries. The question is why do some businesses survive and grow while others do not.

Reasons for Business Growth

Researchers have shown that more than half of all businesses fail in less than two years of commencement. Also, a large number of those businesses that survive the first two years hardly grow. It is only few businesses that survive, grow, regenerate and even create other businesses. Conventionally, people ascribe businesses success or failures to fate/chance or certain environmental conditions including family background. Even though one could not entirely rule out the influence of changes in the environmental factors, the entrepreneur 's positive attitude, discipline, skills, competences , resilience and experience are real factors determining the transition of an enterprise form state up to a fully grow or diversifies venture.

The question often asked is what motivates people commit to starting and growing their businesses. Usually, entrepreneurs tend to make critical investments, take acceptable risks and learn consistently because of their desire to make money and enjoy all the rights and privileges that come along with wealth. Other reasons include improved social status and well-being, greater opportunity for philanthropy and community services, and gaining control over

their own destiny. Employees attribute increase in income/benefits and advancement with businesses that grow. Government tends to favor business growth because it lessens unemployment and social tension in addition to raising more revenue from taxes. Thus, it is in the best interest of business owners and other stakeholders in the society for businesses to grow and flourish because growth tends to create social and economic value for all. On general note, start ups and small businesses generate employments opportunities. ILO (2007) estimated that about 70% of the people in sub-Saharan Africa rely on small and informal establishment for their livelihood. For example I'm South Africa, the share of employment provided by SMEs sector is estimated at 60% and generated about 40% output (Lukacs, 2005). In Botswana, small business contributed between 30-45% to the nations GDP and accounted for more than 60% of wage employment. Thus, any increase in the activities of small enterprises will lead to corresponding increase in employment.

As employments are generated, the increase productivity raises the level of wealth creation in a given economic environment. This is why the productiveness of an economy is related to increasing income and improving standards of living. Businesses combine human and material resources to create value. So, as activities of enterprises increase due to increase in labour productivity and efficient use of resources, all things being equal lead to high wages for individual worker, more profit for the company and rise in GDP for the nation. When productivity is higher, cost of production tends to be lower. With lower cost of production, citizens obtain products cheaper and these, in turn, increase living standards.

Types of Business Growth

Two main types of business growth are Internal growth and External growth

internal growth:

Internal growth is typically a steady process of expansion from within the firm. The owners of the business contribute more capital, or plough back profits into the business to acquire new assets, employ more staff, build additional plant or deploy new technology. The main advantage of this approach is that the business is able to leverage its assets and experience over time. The main disadvantage is that it takes time, and rivals may be expanding and gaining competitive advantage as well. NASCO Nigeria plc used this approach by expanding into the production of detergents and carpets. Thus, through hard work and careful planning owners can grow their businesses successfully.

External growth:

External growth can be carried out by seeking external finance, or by merger and acquisition. These approaches tend to rely on bringing external resources into the business in order to fund expansion. In this case, there is the possibility of changes in the ownership structure of the firm or changes in its gearing position

Reasons why businesses grow

There are many reasons that help to explain the motivations for businesses to grow

1. Profit motive:

- Businesses grow to achieve higher profits and provide better returns for shareholders
- The stock market valuation of a firm is influenced by expectations of future sales and profit streams so if a company achieves disappointing growth figures, this can be reflected in a fall in the share price. This opens up the risk of a hostile take-over and also makes it more expensive for a quoted company to raise fresh capital by issuing new shares

2. Cost motive:

- Economies of scale the long run increase the productive capacity of the business leading to lower average costs. They help to raise profit margins at a given market price

3. Market power motive:

1. Firms may wish to increase market dominance giving them increased pricing power
2. This market power can be used as a barrier to the entry of new businesses in the long run
3. Larger businesses can build and take advantage of buying power (monopsony power)

4. Risk motive:

1. Growth might be motivated by a desire to diversify production and/or sales so that falling sales in one market might be compensated by stronger demand in another sector
2. This is known as achieving economies of scope and is a feature of conglomerates

5. Managerial motives:

Behavioral theories of the firm predict that business expansion might be accelerated by senior and middle managers whose objectives differ from major shareholders.

Self-Assessment Exercise

Increased productivity raises the level of wealth creation growth in a given economic environment. This is why the productiveness of an economy is related to growth and development.

How does the internal growth differ from the External growth of a business?

Feedback

Internal growth is typically a steady process of expansion from within the firm. The owners of the business contribute more capital, or plough back profits into the business to acquire new assets, employ more staff, build additional plant or deploy new technology. The main advantage of this approach is that the business is able to leverage its assets and experience over time.

External growth can be carried out by seeking external finance, or by merger and acquisition. These approaches tend to rely on bringing external resources into the business in order to fund expansion. In this case, there is the possibility of changes in the ownership structure of the firm or changes in its gearing position

4.0 Conclusion

To be successful and remain in business, both profitability and growth are important and necessary for a company to survive and remain attractive to investors and analysts. A company's net profit is the revenue after all the expenses related to the manufacture, production and selling of products are deducted.

5.0 Summary

To recap what you have learned in this unit, click on the video below or copy the link and paste on a web browser. The video is a summary of what you have read in this unit. You could also click on the audio version and listen. You can also download them and play offline.

[Video](https://youtu.be/r612jJihClo) <https://youtu.be/r612jJihClo>

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Unit 2 Challenges of Growth

Contents

- 1.0 Introduction
- 2.0 Intended Learning Outcome (ILO)
- 3.0 Main Content
- 4.0 Conclusion
- 5.0 Summary
- 6.0 References/Further Reading

1.0 Introduction

Growth is the goal of virtually every business owner, after all. But what many entrepreneurs fail to take into account is the need to build systems and have the right people in place to help clear the many hurdles that emerge as a company expands from a few people to dozens, to hundreds or even thousands. And if that expansion process plays out too quickly, it can spell operational doom for even the savviest entrepreneurs.

2.0 Intended Learning Outcome (ILO)

By the end of this unit, you will be able to solve basic challenges in business start up.

3.0 Main Content

Growing businesses face a range of challenges. As a business grows, different problems and opportunities demand different solutions - what worked a year ago might now be not the best approach. All too often, avoidable mistakes turn what could have been a great business into an also-ran.

Recognizing and overcoming the common pitfalls associated with growth is essential if your business is to continue to grow and thrive. Crucially, you need to ensure that the steps you take today don't themselves create additional problems for the future. Effective leadership will help you make the most of the opportunities, creating sustainable growth for the future.

This guide highlights the particular risks and mistakes that most commonly affect growing businesses and outlines what you can do about them.

- Keeping up with the market
- Planning ahead
- Cash flow and financial management

- Problem solving
- The right systems
- Skills and attitudes
- Welcoming change

Keeping up with the Market

Market research isn't something you do as a one-off when you launch your business. Business conditions change continually, so your market research should be continuous as well. Otherwise you run the risk of making business decisions based on out-of-date information, which can lead to business failure. The more you succeed, the more competitors notice - and react to - what you are doing. A market-leading offer one day may be no better than average a few months later.

Apparently loyal customers can be quick to find alternative suppliers who provide a better deal. As products (and services) age, sales growth and profit margins get squeezed. Understanding where your products are in their lifecycles can help you work out how to maximise overall profitability. At the same time, you need to invest in innovation to build a stream of new, profitable products to market.

Information sources

Published information can provide useful insights into market conditions and trends. As a growing business, your own experience can be even more valuable. You should be able to build up an in-depth picture of what customers want, how they behave and which of your marketing approaches work best. Taking the time to talk to key customers pays off. Your suppliers and other business partners can be important sources of market information. You should encourage your employees to share what they know about customers and the market. Effective IT systems can also make it easier to share and analyze key information such as customers' purchasing behaviour and preferences. You may want to carry out extra research as well - for example, to test customer reaction to a new product. You might do this yourself, or use a freelance researcher or market research agency.

Planning Ahead

The plan that made sense for you a year ago isn't necessarily right for you now. Market conditions continually change, so you need to revisit and update your business plan regularly. See the page in this guide on keeping up with the market.

As your business grows, your strategy needs to evolve to suit your changed circumstances. For example, your focus is likely to change from winning new

customers to building profitable relationships and maximizing growth with existing customers. Existing business relationships often have greater potential for profit and can also provide reliable cash flow. Newer relationships may increase turnover, but the profit margins may be lower, which may not be sustainable. See the page in this guide on cash flow and financial management. At the same time, every business needs to be alert to new opportunities. There are obvious risks to relying solely on existing customers. Diversifying your customer base spreads those risks.

Following the same business model, but bigger, is not the only route to growth. There are other strategic options such as outsourcing or franchising that might provide better growth opportunities. It's important not to assume that your current success means that you will automatically be able to take advantage of these opportunities. Every major move needs planning in the same way as a new business launch.

Watch out for being too opportunistic - ask yourself whether new ideas suit your strengths and your overall vision of where the business is going. Bear in mind that every new development brings with it changing risks. It's worth regularly reviewing the risks you face and developing contingency plans.

Cash Flow and Financial Management

Good cash flow control is important for any business. For a growing business, it's crucial - cash constraints can be the biggest factor limiting growth and overtrading can be fatal. Making the best use of your finances should be a key element in business planning and assessing new opportunities. With limited resources, you may need to pass up promising opportunities if pursuing them would mean starving your core business of essential funding.

Every element of working capital should be carefully controlled to maximise your free cash flow. Effective credit management and tight control of overdue debts are essential. You may also want to consider raising financing against trade debts. Good stock control and effective supplier management tend to become increasingly important as businesses grow. Holdings of obsolete stock may become a problem that needs periodic clearing up. You may want to work with suppliers to reduce delivery cycles, or switch to suppliers and systems that can handle just-in-time delivery.

Planning ahead helps you anticipate your financing needs and arrange suitable funding. For many growing businesses, a key decision is whether to bring in outside investors to provide the equity needed to underpin further expansion.

Problem Solving

New businesses often run in perpetual crisis mode. Every day brings new challenges that urgently need resolving and management spends most of their

time troubleshooting. As your business grows, this approach simply doesn't work. While a short-term crisis is always urgent, it may not matter nearly as much as other things you could be doing. Spending your time soothing an irritated customer might help protect that one relationship - but focusing instead on recruiting the right salesperson could lay the foundations of substantial new sales for years to come. As your business grows, you also need to be alert to new problems and priorities. For example, your business might be increasingly at risk unless you take steps to ensure your intellectual property is properly protected. If you are focusing on individual marketing campaigns, you might need to devote more resources to developing your brand. Identifying the key drivers of growth is a good way of understanding what to prioritise.

A disciplined approach to management focuses on leading employees, developing your management team and building your business strategy. Instead of treating each problem as a one-off, you develop systems and structures that make it easier to handle in the future.

The Right Systems

All businesses produce and rely on large volumes of information - financial records, interactions with customers and other business contacts, employee details, regulatory requirements and so on. It's too much to keep track of - let alone use effectively - without the right systems. Responsibilities and tasks can be delegated as your business grows, but without solid management information systems you cannot manage effectively. The larger your business grows, the harder it is to ensure that information is shared and different functions work together effectively. Putting the right infrastructure in place is an essential part of helping your business to grow.

Documentation, policies and procedures also become increasingly important. The informality that might work with one or two employees and a handful of customers simply isn't practical in a growing business. You need proper contracts, clear terms and conditions, effective employment procedures and so on. Many growing businesses find using established management standards one of the most effective ways of introducing best practice. Quality control systems can be an important part of driving improvements and convincing larger customers that you can be relied on.

Investing in the right systems is an investment that will pay off both short and long term. You benefit every day from more effective operations. If you ever decide to sell the business, demonstrating that you have well-run, efficient systems will be an important part of proving its value.

Skills and Attitudes

Entrepreneurs are the driving force behind creating and growing new businesses. All too often, they are also the people holding them back. The

abilities that can help you launch a business are not the same as those you need to help it grow. It's vital not to fool yourself into valuing your own abilities too highly. The chances are that you'll need training to learn the skills and attitudes required by someone who is leading growth.

To grow your business, you need to learn to delegate properly, trusting your management team and giving up day-to-day control of every detail. It's all too easy to stifle creativity and motivation with excessive interference. As the business becomes more complex, you also need to develop your time management skills and learn to focus on what's really important.

As your business grows, you may need to bring in outsiders to help. You'll want to delegate responsibility for particular areas to different specialists, or appoint a non-executive director or two to strengthen your board. As you start tackling a new opportunity, someone who has experience of that activity can be vital.

For many successful entrepreneurs, learning to listen to - and take - advice is one of the hardest challenges they face. But it may also be essential if you are going to make the most of your opportunities. Some entrepreneurs, recognizing their own limitations, even appoint someone else to act as managing director or chairman.

Accepting Change

Complacency can be a major threat to a growing business. Assuming that you will continue to be successful simply because you have been in the past is very unwise. Regularly revisiting and updating your business plan can help remind you of the changing market conditions and the need to respond to them. See the page in this guide on planning ahead. An up-to-date plan helps you identify what action you need to take to change your business and the way it operates, for example:

- Changing to suppliers who can grow with you and meet your new priorities. As your business grows, consistent quality and reliability may be more important than simply getting the cheapest offer.
- Renegotiating contracts to take account of increased volume.
- Training and developing employees. Your own role will also evolve as the business grows. See the page in this guide on skills and attitudes.
- Making sure that you keep up to date with new technologies.

You need to be fully committed to your strategy, even if it takes you out of your comfort zone. This may involve hard decisions - for example making employees redundant or switching business away from suppliers you have become friends with. But unless you're prepared to do this, you risk putting your business at a dangerous competitive disadvantage.

Discussion Forum

In your context, identify the basic challenges confronting business start up?
Paste your post in the discussion forum.

4.0 Conclusion

Growing businesses face a range of challenges. As a business grows, different problems and opportunities demand different solutions - what worked a year ago might now be not the best approach. All too often, avoidable mistakes turn what could have been a great business into an also-ran.

Recognizing and overcoming the common pitfalls associated with growth is essential if your business is to continue to grow and thrive. Crucially, you need to ensure that the steps you take today don't themselves create additional problems for the future. Effective leadership will help you make the most of the opportunities, creating sustainable growth for the future.

5.0 Summary

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[Video](https://youtu.be/wg120BbIBXQ) <https://youtu.be/wg120BbIBXQ>

Audio

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Unit 3 Strategies for Growth (External Growth Strategies, Franchising, Buy-In and Buy-Out)

Contents

- 1.0 Introduction
- 2.0 Intended Learning Outcome (ILO)
- 3.0 Main Content
- 4.0 Conclusion
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1.0 Introduction

Franchise is a successful business concept developed by the franchisor who grows a multi-unit network through selling the rights to their intellectual property and the systems and processes to operate one or more individual units to franchisees

2.0 Intended Learning Outcome (ILO)

By the end of this unit, you will be able to demonstrate the skills of growing a business.

3.0 Main Content

Franchising has become an important growth strategy but there are few guidelines for managing franchise systems 'strategically'. This article develops a strategic perspective on franchising by first discussing the growth and strategic importance of franchising. The authors then show how the strategic concepts of portfolio management, global strategy and network analysis can be used in formulating and implementing franchise strategies. These perspectives are combined into a framework for the use of practicing managers.

Why is franchise important?

Franchising is the growth strategy of choice even when economies are going through tough times. Why is this? In simple terms because it addresses the two fundamental requirements for business growth:

1. Raising the funds to expand
2. And finding the right people to manage that growth?

A franchise is a successful business concept developed by the franchisor who grows a multi-unit network through selling the rights to their intellectual property and the systems and processes to operate one or more individual units to franchisees.

The franchisees in turn operate their businesses under their guidance of the franchisor that gets an ongoing royalty or fee. For more on what is franchising, visit our site.

Franchises dot our landscape and meet thousands of our goods and service needs every day. From frozen yoghurt, blow waves and guinea pigs to nose rings, IVF or a mortgage, 453,000 people working in almost 83,000 franchised outlets across Australia contribute about \$154 billion per year to the economy, according to IBIS world.

Franchising is a huge part of the global economy. Pepsi, Shell, BP, Ford, General Motors and KFC have used franchising as a capital raising, HR, management and marketing tool to span the planet.

Common Ways you can Participate In a Franchise Program:

The Classic Path: This is how most people think of franchise opportunities: You buy a new franchise, find the location and build it out yourself. It's all new, and it's all yours. You roll up your sleeves and plunge into your new business as an owner/operator.

This is the classic route because it is precisely how so many thousands of franchisees built their multiunit empires, and it describes how much of the franchise world still operates. Newer (and hotter) franchise offerings usually provide the classic route to business ownership.

There is always a downside, of course (business imitating life?). With the classic route, the biggest possible downside is the untried location. It can make or break a retail business, and you may have a substantial sum of money riding on that outcome. Second, your team is untried, so the training and opening support had better be solid. The startup phase of the franchise at a new location will drain your cash until the operation's growing revenue begins to carry the payroll, inventory and other expenses; so plan carefully, and never go into a startup franchise undercapitalized.

Buy an Existing Franchise

The strongest advantage of buying an existing franchise business is that you have a chance to examine its performance numbers. You know what the sales and expenses were in the past year--and even earlier, assuming the records are accurate (ask the franchisor to provide a royalty payment record so that you can cross-check the key sales numbers). You have an opportunity to discuss the business with the owner, interview key employees and observe the operation. You can research the industry and gain an understanding of objective valuations in that business sector. In an important sense, you also lower your investment's uncertainty . . . and your own risk.

Where will you make your money? Maybe you can identify a struggling franchise that needs a new shot of leadership and enthusiasm for the business. If you're successful, you'll build a strong business out of a weak one, and reap the financial benefits.

Buying an existing franchise business means that you're subject to the transfer provisions of the existing franchise agreement, which can be very restrictive. Many franchisors reserve the right of first refusal on all proposed transfers, so it's possible that you can end up putting a big effort into a formal purchase offer only to have the franchisor match it and take you out of the picture.

The franchise agreement might also impose a hefty transfer fee, often expressed as a percentage (5 to 15 percent) of the purchase price. This will, of course, fall on your shoulders, so include it in your calculations and your price negotiations. You might also negotiate with the franchisor on the transfer fee, especially if you're buying a troubled franchise. A new, enthusiastic owner may be the answer to the franchisor's prayers; the company may be more than willing to lower or eliminate the transfer fee altogether just to help you take over the ailing franchise.

Your major risk: hidden problems of the previous owner's making. No one likes surprises in a new venture, and these hidden problems will cost you money you didn't plan on spending. They range from unhappy supply vendors to dishonest employees to defective equipment--and they simply come with the territory. Add an "unexpected problems" line to your opening budget, and plan for the unexpected.

The appointment as a master franchisee is usually extended to existing franchise owners who prove successful in their operations and are interested in expanding their involvement in the system. If you enjoy teaching and want to super-size the return on your franchise investment, inquire about master franchise programs.

It's the involvement in franchise sales that draws many investors to master franchise programs, and it is there that the law imposes the most restrictions. As a third party participating in a franchise sale, the master franchisee will be considered a "franchise broker" and, as such, must be included in the company's Uniform Franchise Offering Circular, disclosing business experience and litigation history. The franchisor must submit a "salesman disclosure" form to most registration states. In a few states, a broker must independently register with state authorities.

A master franchise is often confused with a sub-franchising program, but there's one important distinction: A sub-franchisor offers and sells franchises directly, for its own account; and, of course, a master franchisee does not sell franchises directly. A master franchisee typically generates leads, meets with and qualifies prospective franchisees, and sends them on to the franchisor for closing.

A master franchisee is the utility infielder of franchising. Success is measured by the ability to manage, teach and recruit, while continuing to operate your own franchise business successfully.

Absentee Ownership & Conversion Franchises

Be an Absentee Investor. For the right kind of business, with the right employees running that business, it is entirely possible--though rare--to own a franchise business and not be directly involved in its management. Rare, I think, because it is hard enough to own and operate a successful small business even when you're on the floor every day.

What type of business lends itself to absentee ownership? First, it must be a business that doesn't have valuable inventory. I once had a senior executive of a muffler franchisor tell me his shops couldn't be run by employee managers because too much of the inventory would leave at the end of the workday. Only an owner on the premises is sufficiently motivated to prevent that from happening.

Second, the business must have sufficient margins to be profitable after the expense of having a reliable manager. So many franchise businesses have razor-thin margins that allow for the owner to take out not much more than a modest salary. So the key question then becomes: What drops to the bottom line for the owner?

Service businesses with training programs that can support an employee manager may meet these qualifications. It would be a mistake to assume that any franchise can prosper with an uninvolved owner, but with the right program and a handpicked management team, it can work.

Buy Into a Conversion Franchise. A conversion franchise allows an existing independent business to affiliate with a national brand. The classic conversion program is Century 21 Real Estate Corp., which converts independent real estate brokers and allows them the benefits of a strong brand affiliation while allowing them to continue using their individual identification. Affiliation programs have been launched by a variety of professional service providers, such as handymen, home-repair programs and hotel chains.

Conversion franchise programs offer an attractive balance of brand identification and buying power. If you're operating an independent business and long for the competitive advantages of being tied in to a national reservations system or receiving local leads generated by a national or regional advertising campaign, you may want to consider joining a franchise affiliation program in your business category.

Often, the fees paid for an affiliation program are considerably lower than those of traditional franchise systems, reflecting the fact that the franchisee is an experienced business owner and needs less training and less support than someone new to the business.

Franchising doesn't exist in a single investing dimension; it has developed in ways that allow virtually any level of investor in any business situation to participate. The lesson is clear: Keep looking until you find an investment that's well-structured for your interests and needs, and you'll probably find it in the franchise arena.

Self-Assessment Exercises

1. List the essential business skills that are critical in growing a business.
2. Why is franchise important as a business growth strategy?

Feedback

1. Essential business skills are:
 - a. Financial management.
 - b. Being able to effectively manage your finances is critical.
 - c. Marketing, sales and customer service.
 - d. Communication and negotiation.
 - e. Leadership.
 - f. Project management and planning.
 - g. Delegation and time management.
 - h. Problem solving. ...
 - i. Networking.
2. Franchising is the growth strategy of choice even when economies are going through tough times. The reason in simple terms is because it addresses the two fundamental requirements for business growth:
 - a. Raising the funds to expand; and
 - b. Finding the right people to manage that growth?

4.0 Conclusion

When it comes to developing growth strategies, Small businesses have several options to choose from, depending on various factors and circumstances. We will look into five of the growth strategies that are applicable to small businesses hoping to improve sales and customer base.

For your business to sustain long-term growth, you must understand what sets it apart from the competition. Identify why customers come to you for a product or service. What makes you relevant, differentiated and credible.

5.0 Summary

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[Video](https://youtu.be/0b7b2FyXVEQ) <https://youtu.be/0b7b2FyXVEQ>

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Unit 4 Mergers and Acquisition

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- 1.0 Introduction
- 2.0 Intended Learning Outcome (ILO)
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1.0 Introduction

Mergers and acquisitions (M&A) is a general term that refers to the consolidation of companies or assets through various types of financial transactions. M&A can include a number of different transactions, such as mergers, acquisitions, consolidations, tender offers, purchase of assets and management acquisitions.

2.0 Intended Learning Outcome (ILO)

By the end of this unit, you will be able to apply the techniques of mergers and acquisition in growing a business.

3.0 Main Content

Mergers and acquisitions (M&A) are transactions in which the ownership of companies, other business organizations, or their operating units are transferred or consolidated with other entities. As an aspect of strategic management, M&A can allow enterprises to grow or downsize, and change the nature of their business or competitive position.

From a legal point of view, a merger is a legal consolidation of two entities into one entity, whereas an acquisition occurs when one entity takes ownership of another entity's stock, equity interests or assets. From a commercial and economic point of view, both types of transactions generally result in the consolidation of assets and liabilities under one entity, and the distinction between a "merger" and an "acquisition" is less clear. A transaction legally structured as an acquisition may have the effect of placing one party's business under the indirect ownership of the other party's shareholders, while a transaction legally structured as a merger may give each party's shareholders partial ownership and control of the combined enterprise. A deal may be politely called a *merger of equals* if both CEOs agree that joining together is in the best interest of both of their companies, while when the deal is unfriendly

(that is, when the management of the target company opposes the deal) it may be regarded as an "acquisition".

Mergers: Sherman and Hart (2006) define Merger as "a combination of two or more companies in which the assets and liabilities of the selling firm(s) are absorbed by the buying firm. Although the buying firm may be a considerably different organization after the merger, it retains its original identity." In other words, in a merger one of the two existing companies merges its identity into another existing company or one or more existing companies may form a new company and merge their identities into a new company by transferring their businesses and undertakings including all other assets and liabilities to the new company (hereinafter referred to as the merged company). The shareholders of the company (or companies, as the case may be) will have substantial shareholding in the merged company. They will be allotted shares in the merged company in exchange for the shares held by them in the merging company or companies, as the case may be, according to the share exchange ratio incorporated in the scheme of merger as approved by all or the prescribed majority of the shareholders of the merging company or companies and the merged company in their separate general meetings and sanctioned by the court.

Acquisitions and Takeovers

"An acquisition", is the purchase of by one company (the acquirer) of a substantial part of the assets or the securities of another (target company). The purchase may be a division of the target company or a large part (or all) of the target company's voting shares." Acquisitions are often made as part of a company's growth strategy whereby it is more beneficial to take over an existing firm's operations and niche compared to expanding on its own. Acquisitions are often paid in cash, the acquiring company's shares or a combination of both. Further, an acquisition may be friendly or hostile. In the former case, the companies cooperate in negotiations; in the latter case, the takeover target is unwilling to be bought or the target's board has no prior knowledge of the offer. Acquisition usually refers to a purchase of a smaller firm by a larger one. Sometimes, however, a smaller firm will acquire management control of a larger or longer established company and keep its name for the combined entity. This is known as a reverse takeover.

Types of Mergers and Acquisitions

Mergers appear in three forms, based on the competitive relationships between the merging parties.

Horizontal Merger

Horizontal mergers occur when two companies sell similar products to the same markets. The goal of a horizontal merger is to create a new, larger organization

with more market share. Because the merging companies' business operations may be very similar, there may be opportunities to join certain operations, such as manufacturing, and reduce costs.

Horizontal mergers raise three basic competitive problems. The first is the elimination of competition between the merging firms, which, depending on their size, could be significant. The second is that the unification of the merging firms' operations might create substantial market power and might enable the merged entity to raise prices by reducing output unilaterally. The third problem is that, by increasing concentration in the relevant market, the transaction might strengthen the ability of the market's remaining participants to coordinate their pricing and output decisions. The fear is not that the entities will engage in secret collaboration but that the reduction in the number of industry members will enhance tacit coordination of behaviour.

Vertical Merger

A vertical merger joins two companies that may not compete with each other, but exist in the same supply chain. Vertical mergers take two basic forms: forward integration, by which a firm buys a customer, and backward integration, by which a firm acquires a supplier. Replacing market exchanges with internal transfers can offer at least two major benefits. First, the vertical merger internalizes all transactions between a manufacturer and its supplier or dealer, thus converting a potentially adversarial relationship into something more like a partnership. Second, internalization can give management more effective ways to monitor and improve performance. Vertical integration by merger does not reduce the total number of economic entities operating at one level of the market, but it might change patterns of industry behavior. Whether a forward or backward integration, the newly acquired firm may decide to deal only with the acquiring firm, thereby altering competition among the acquiring firm's suppliers, customers, or competitors. Suppliers may lose a market for their goods; retail outlets may be deprived of supplies; or competitors may find that both supplies and outlets are blocked. These possibilities raise the concern that vertical integration will foreclose competitors by limiting their access to sources of supply or to customers. Vertical mergers also may be anticompetitive because their entrenched market power may impede new businesses from entering the market.

Conglomerate Mergers

Conglomerate mergers occur when two organizations sell products in completely different markets. There may be little or no synergy between their product lines or areas of business. The benefit of a conglomerate merger is that the new, parent organization gains diversity in its business portfolio. Conglomerate transactions take many forms, ranging from short-term joint ventures to complete mergers. Whether a conglomerate merger is pure, geographical, or a product-line extension, it involves firms that operate in separate markets. Therefore, a conglomerate transaction ordinarily has no direct

effect on competition. There is no reduction or other change in the number of firms in either the acquiring or acquired firm's market. Conglomerate mergers can supply a market or "demand" for firms, thus giving entrepreneurs liquidity at an open market price and with a key inducement to form new enterprises. The threat of takeover might force existing managers to increase efficiency in competitive markets. Conglomerate mergers also provide opportunities for firms to reduce capital costs and overhead and to achieve other efficiencies.

Motives for Mergers and Acquisitions

Mergers and acquisitions are resorted to by the corporate entities due to more than one reason. Some of the significant motives for mergers include the following:

- Growth
- Diversification of risk
- Financial synergy
- Building Empire

M&A and restructuring commonly occur together, and can bleed into one another, as well as other, unusual but less dramatic business decisions:

Self-Assessment Exercise

Differentiate between MERGERS and ACQUISITIONS

Feedback

A merger is a legal consolidation of two or more entities into one entity, a combination of two or more companies in which the assets and liabilities of the selling firm(s) are absorbed by the buying firm. Although the buying firm may be a considerably different organization after the merger, it retains its original identity

Whereas

An acquisition occurs when one entity takes ownership of another entity's stock, equity interests or assets. Acquisitions are often made as part of a company's growth strategy whereby it is more beneficial to take over an existing firm's operations and niche compared to expanding on its own

4.0 Conclusion

The essential strategic rationale behind mergers and acquisition is what companies hope to achieve. The various drivers behind strategic mergers establishing and maintaining strategic focus.

The main difference between a merger and an acquisition lies in the way in which the combination of the two companies is brought about. In a merger there is usually a process of negotiation involved between the two companies prior to the combination taking place.

In an acquisition the negotiation process does not necessarily take place. In an acquisition company A buys company B. Company B becomes wholly owned by company A.

5.0 Summary

To recap what you have learned in this unit, click on the video below or copy the link and paste on a web browser. The video is a summary of what you have read in this unit. You could also click on the audio version and listen. You can also download them and play offline.

[Video](https://youtu.be/VRW_FLjI-I4) https://youtu.be/VRW_FLjI-I4

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Module 3

Sources of Funds

Unit 1	Internal Sources and External Sources
Unit 2	Formal and Informal Sources
Unit 3	Efficiency in the use of Resources

Unit 1 Internal Sources and External Sources

Contents

- 1.0 Introduction
- 2.0 Intended Learning Outcome (ILO)
- 3.0 Main Content
- 4.0 Conclusion
- 5.0 Summary
- 6.0 References/Further Reading

1.0 Introduction

All businesses need money. Where the money comes from is known as 'sources of finance'. Now there are two different types of sources of finance: internal (finance from inside the business) and external (finance from outside the business). New businesses starting up need money to invest in long-term assets such as buildings and equipment. They also need cash to purchase materials, pay wages, and to pay the day-today- bills such as water and electricity

2.0 Intended Learning Outcome (ILO)

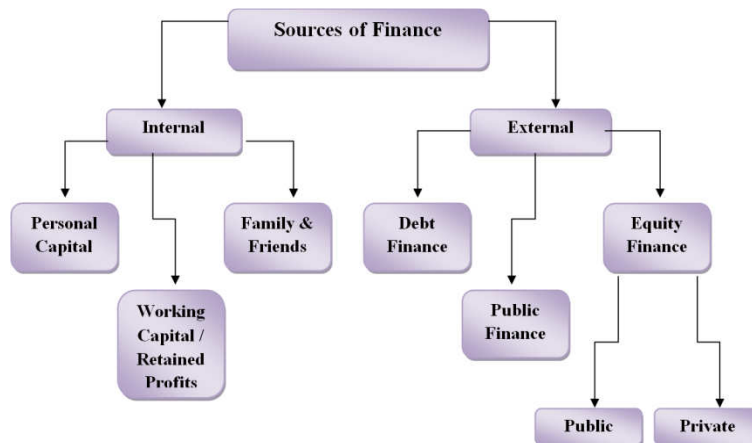
By the end of this unit, you will be able to synthesize the different sources of fund to fund a business.

3.0 Main Content

All businesses need money. Where the money comes from is known as 'sources of finance'. Now there are two different types of sources of finance: internal (finance from inside the business) and external (finance from outside the business). New businesses starting up need money to invest in long-term assets such as buildings and equipment. They also need cash to purchase materials, pay wages, and to pay the day-today- bills such as water and electricity. Inexperienced entrepreneurs (or social entrepreneurs) often underestimate the capital needed for the everyday running of the business. Generally, for every

£1000 required to establish the business, another £1000 is needed for day-to-day needs. This is why sources of finance is crucial for any business.

Sources of finance are equity, debt, debentures, retained earnings, term loans, working capital loans, letter of credit, euro issue, venture **funding** etc. These **sources of funds** are used in different situations.



Internal sources of finance are funds found inside the business.

Alternatively the business can sell assets (items it owns) that are no longer really needed to free up cash. External sources of finance are found outside the business, eg from creditors or banks.

Internal Sources of Finance

- Existing capital can be made to stretch further. The business may be able to negotiate to pay its bills later or work at getting cash in earlier from customers; the average small firm waits 75 days to be paid (i.e. two and a half months); if that period of time could be halved; it would provide a huge boost to cash flow.
- Profit! Over 60% of business investments comes from reinvested profit.

External Sources of Finance

If a business needs to generate more finance and can't internally, they may seek for external sources of finance. There are two types: loan capital and share capital.

- **Loan Capital.** The most common way is through borrowing from a bank. This can be in a form of an overdraft or loan. and is usually set over a period of time. It could be short (2-3 years), medium (3-5 years) or long term (5+ years). There will be an interest rate on the loan, either fixed or

variable. The bank will demand collateral to provide security in case the loan cannot be repaid.

An overdraft is basically a very short-term loan. This lets the business be 'overdrawn' or 'fall into the red' in which to what extent is negotiated. Overdrafts have a much higher rate of interest than loans.

- **Share Capital.** On the other hand, if the business is a limited company, it may look for additional share capital. This could come from private investors or venture capital funds. Venture capital providers are interested in investing in businesses with dynamic growth prospects. They are willing to take a risk if a business fails, or does well. The way it works is that a venture capitalist invests in ten businesses, five could flop, four do okay and one does amazingly well. Peter Theil, the original investor in Facebook, probably turned his \$0.5 million investment into \$200 million: a nice profit of 400%.

Once the business has become a public limited company, it can float onto the stock exchange where it can sell shares to the public.

The Advantages and Disadvantages of Sources of Finance

Internal Sources

Reinvested Profit

- Profit can provide a return for investors in which investors plough back into business to help it grow.
- Does not have associated costs.
- Does not have to be repaid unlike loans.
- No interest charges.– May be limited which will constrain rate at which business expands.

Cash Squeezed Out by Day-to-Day Finance

- Reduces amount needed to be borrowed (cutting stocks, chasing up customers or delaying payments to suppliers).
– Very short term solution.

Sale of Assets

- Sold to raise cash.
- Makes sense to dispose of underused assets.
- Finance development without extra borrowing.
- They can sale and lease it back.– Loses assets but has the use of the cash.

External Sources

Bank Overdrafts

The firm only needs to borrow only when and as much as it needs.
– Very expensive and bank can insist being repaid within 24 hours.

Trade Credit

Good way of boosting day-to-day finance.
– Other businesses may be reluctant to trade with the business if they do not get paid in good time.

Venture Capital

Usually want to contribute to the running of the business – bring in new experience and knowledge.

– Requires a substantial part of the ownership of the company.

Finding finance may involve balancing conflicting interests. Internal sources of finance may be too limited to provide opportunities for business development. Obtaining external finance increases the money available, but has its downsides. Borrowing too much can be risky. Raising extra share capital dilutes the control held by existing shareholders.

Having adequate and appropriate finance at each stage in the firm's development will ensure it stays healthy. Decisions about where to obtain the finance will be a matter of considering the business objectives, the stage of development of the the business and the reasons for the funding requirement. A well-run business plans ahead for its financing needs. To run out of cash suggests management incompetence.

Having adequate and appropriate finance at each stage in the firm's development will ensure it stays healthy. Decisions about where to obtain the finance will be a matter of considering the business objectives, the stage of development of the business and the reasons for the funding requirement. A well-run business plans ahead for its financing needs. To run out of cash suggests management incompetence.

Key Terms

- Collateral – an asset used as security for a loan. It can be sold by a lender if the borrower fails to pay back a loan.
- Over-trading – when a firm expands without adequate and appropriate funding.
- Public limited company (plc) – a company with limited liability, and shares that are available to the public. It's shares can be quoted on the stock market.
- Share capital – business finance that has no guarantee of repayment or of annual income, but gains a share of the control of the business and its potential profits.

- Stock market – a market for buying and selling company shares. It supervises the issuing of shares by companies. It is also a second-hand market for stocks and shares.
- Venture capital – high-risk capital invested in a combination of loans and shares, usually in a small, dynamic business.

Self-Assessment Exercise

What are the two major financing sources available to a business.

Feedback

Internal sources of finance

- Equity
- Sale of Stock,
- Sale of Fixed Assets,
- Retained Earnings
- Debt Collection.

External sources of finance

- Financial Institutions,
- Loan from banks,
- Preference Shares,
- Debenture,
- Public Deposits,
- Lease financing,
- Commercial paper,

Trade Credit

4.0 Conclusion

Internal Source of Finance is the finance or capital which is generated internally by the business unlike finances such as loan which is externally arranged by banks or financial institutions. The internal source of finance is retained profits, the sale of assets and reduction / controlling of working capital. Both sources are important in strengthening the capital base of the business.

5.0 Summary

To recap what you have learned in this unit, click on the video below or copy the link and paste on a web browser. The video is a summary of what you have read in this unit. You could also click on the audio version and listen. You can also download them and play offline.

[Video](https://youtu.be/hJSDc-rB5Zs) <https://youtu.be/hJSDc-rB5Zs>

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Unit 2 Formal and Informal Sources

Contents

- 1.0 Introduction
- 2.0 Intended Learning Outcome (ILO)
- 3.0 Main Content
- 4.0 Conclusion
- 5.0 Summary
- 6.0 References/Further Reading

1.0 Introduction

Where and how you get fund to finance your business operation is very crucial in determining success or failure of your business . It is critical to have fund enough to sustain your business operations for at least first six months or one year . After those six months you must have evaluated the performance of your business and be able to forecast its future performance.

2.0 Intended Learning Outcome (ILO)

By the end of this unit, you will be able to distinguish between formal and informal sources of funds.

3.0 Main Content

Overview of typical sources of financing for start-ups:

- Personal investment. When starting a business, your first investor should be yourself—either with your own cash or with collateral on your assets.
- ...
- Venture capitalists.
- Angels Investors.
- Business incubators
- Government grants and subsidies. ...
- Bank loans.

Informal sources:

Informal Sources of Finance for a New Company

Once a new company has ascertained its funding requirements and has a realistic business plan and budget in place, it can then start reviewing the various sources of finance which might be available to it.

Informal sources of finance are largely those which do not require written and formalized agreements before such funding is acquired. They might include some of the following.

Own Savings

Some avenues to gaining finance for a new business might include internal sources such as an owner's personal money. Where this is used in conjunction with external financial help, this can demonstrate that the owner has some confidence and commitment to the venture and might make it easier to gain money from others.

Both the amounts and the proportion of the total funding requirement that is needed which comes via personal means will be a factor in the levels of risk others will perceive their investment has, should they decide to add their funds.

Family and Friends

An extension of meeting the financial requirements of a new company through personal savings is to seek such funding from family and friends. This might have the advantage of being interest free or carry a lower charge compared to that of a bank loan. Depending on the relationship and the willingness of the family member or friend to aid the business, the repayment of such finance might be flexible and allow the company to carry on its trade without the added concerns of regular interest and capital payments. Such informal agreements can be a disadvantage however, if the person requests that the money is repaid at short notice and this in turn causes working capital shortages for the business.

Credit from Suppliers

It is possible that by taking longer to pay creditors that the company might be able to use such delays to fund its operations in part. The salient issues with this type of financing are that it is a largely unsecured means of running a business and relies heavily on the goodwill of a new supplier.

Many business start-ups find it difficult to gain extended credit terms from suppliers who are naturally suspicious of their lack of trading history. In the absence of any prior relationship with a particular supplier, a budget or cash flow forecast which depicts that the success of the business is hinged on obtaining extended credit terms might be viewed as improbably.

- i. These include those small and scattered units which are largely outside the control of the government.
- ii. There is no organization which supervises the credit activities.
- iii. They charge much higher rates of interest.
- iv. Their main motive is profit-making.

Example: Moneylenders, traders, employees, relatives and friends, etc.

Formal sources:

- i. They follow those sources of credit, which are registered by the government and have to follow its rules and regulations.
- ii. Central Bank supervises the functioning of formal sources of credit.
- iii. They generally charge lower rates of interest.
- iv. Their main motive is social welfare.

Example: Banks and cooperatives.

Self-Assessment Exercises

1. Distinguish between formal and informal sources of funds.
2. What sources of funding are available to a Business Start-up?

Feedback

1. Informal sources of finance are normally characterized by lack of contract documents. However the borrower in most cases is well known by the lender. informal sources of finance includes:
 - a. relative and friends, money lenders and rotating savings and credit associations' which are largely outside the control of the government
 - b. There is no organization which supervises the credit activities.
 - c. They charge much higher rates of interest.
 - d. Their main motive is profit-making.

Example: Moneylenders, traders, employees, relatives and friends, etc.

Formal sources of financing include Banks and cooperative sources of credit. These institutions are regulated by the Central Bank. Their rates of interest for loans are controlled. The rates and terms are fixed.

- (i) They follow those sources of credit, which are registered by the government and have to follow its rules and regulations.
- (ii) Central Bank supervises the functioning of formal sources of credit.
- (iii) They generally charge lower rates of interest.
- (iv) Their main motive is social welfare

2. Funding Sources Start-up

- Funding
- Bank loan
- MFIs
- Overdraft
- Leasing
- Venture capital
- Trade credit
- Government initiative
- Family and relatives

4.0 Conclusion

Formal sources of finance are often also impersonal, and informal sources are likewise often personal. Informal sources of finance are largely those which do not require written and formalized agreements before such funding is acquired.

Loans that are given by banks and co-operative institutions are called Formal sector of credit.

5.0 Summary

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[Video](https://youtu.be/UHRu6f25ga4) <https://youtu.be/UHRu6f25ga4>

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Unit 3 Efficiency in the use of Resources

Contents

- 1.0 Introduction
- 2.0 Intended Learning Outcome (ILO)
- 3.0 Main Content
- 4.0 Conclusion
- 5.0 Summary
- 6.0 References/Further Reading

1.0 Introduction

Resource efficiency is the maximizing of the supply of money, materials, staff, and other assets that can be drawn on by a person or organization in order to function effectively, with minimum wasted resource expenses

2.0 Intended Learning Outcome (ILO)

By the end of this unit, you will be able to demonstrate proficiency skills in resource management

3.0 Main Content

Resource efficiency is the maximizing of the supply of money, materials, staff, and other assets that can be drawn on by a person or organization in order to function effectively, with minimum wasted resource expenses

All workplaces are an integration of numerous departments working together as one to ensure the business runs smoothly. Almost every sector is reliant on other departments and cannot function at its full potential without the rest putting in their best as well. One reason why companies end up compromising their profits is due to the inefficient use of the resources at hand.

Through efficient utilization of resources, businesses can reach new heights of success. On the other hand, inefficient utilization will lead to bigger losses. You will not be able to get any value out of your investments unless you know how to make the most out of them.

The four tips mentioned below on how to manage resources will do wonders for your corporation if implemented in the correct manner.

1. Plan to Plan

Planning is important when it comes to being efficient. Time is money and it is best to plan for effective resource management from the very beginning of projects. When starting a project, planning should be first on your to-do list. It is

via planning that you will be able to fully gauge the types and amount of resources you will be requiring. Many projects fail because businesses end up investing in too many or too few resources.

After figuring out what you will need, you can then plan their use by dividing the project up into stages.

- Identify resources that are needed for completion of the project. Add to the list any resources you will be requiring, whether it is in the first stage of completion or the last.
- Analyze and put up an estimate of the time each resource needs and its role in completion of a particular task.
- Go through the outline of the entire project and ensure that no resource is left out.
- Finalize the list of resources and their details before the project can officially begin. It is essential to have the list ready for everyone to see so that the details are clear in everyone's minds and the risks of confusion are reduced.

2. Take a Systematic Approach

One of the most effective ways of using resources and minimizing their use at work when possible is by adopting a systematic approach. This can be achieved by:

- Setting a baseline - Using your previous performance as a base for improvement will help pave the path for productivity.
- Benchmarking your performance - Comparing your own performance against that of similar companies (preferably your competitors).
- Forming an action strategy - Once the prospective improvements have been highlighted, it is time to form an action scheme about how to accomplish them.
- Fixing targets and responsibilities - While setting targets ensure that they are achievable in the allocated time by the employees.
- Observing and reporting - Set up reporting procedures and measure your performance at regular intervals to ensure that you are on track.
- Reviewing actions and performance - This step will ensure that you keep learning and improving.

3. Use Technology Where Possible

The use of technology goes a long way in speeding and easing up processes significantly. Any feature of the project that can be completed using technology should be automated. This will in turn minimize the risk of mistakes occurring and free up manpower that can then be reallocated to other projects. Using technology ensures efficient allocation of resources. There is less wastage and more effective usage of resources. Technology will show you exactly what's

needed so you use specific resources, leaving others free to be utilized for the completion of other projects.

The implementation of automated procedures will revolutionize the running of projects and provide a more streamlined approach to resource planning and management. Any automated processes must be initially tried and tested to ensure that there are no glitches, as slip-ups will add a heavy cost down the road.

The balance between technology and resource management is a key part of business development. The use of technology will make the running of the company much more efficient and allow several projects to run at the same time due to the resources that free up when technology is used instead of the assets.

4. Use Resource Management Software

Resource management software is a useful tool to significantly enhance the operations of your business. Invest in resource management software that offers a long list of features tailored to boost resource management and improve the overall performance and productivity. One popular example is the Time wax resource software which allows managers to share the resource planning with their employees via the company's calendar system or mobile application. The following are some of the features you should look for in the software you are investing in.

- Scheduling the projects. Efficient time management includes adding every little task to your schedule. Create a schedule if you don't want to be nagged by the problems you face. If the project has a long deadline, then adding a rough outline of the task until you can add to it in detail will help plan resources and steps out accordingly and more competently.
- Generating a work schedule. Resourceful allocation includes assigning employees to projects and tasks within those projects. Operational schedules should be implemented for the upcoming stages of the project. Projects that run longer than two weeks must be broken down into parts and resources must be assigned and allocated accordingly.
- Producing a weekly schedule. Organizing work on a weekly basis allows companies to set a clear cut off point. A new schedule is created at the end of every week using employees that can then perform their tasks and be ready beforehand. Scheduling on a daily basis is also feasible, especially for those companies that have to deal with technical breakdowns that appear without any prior notice.

Resource management software makes use of a convenient planning board to give clients instant overview of all the ventures and resources. The planning

board has features like multiple views, time scale, resource requests and alerts, and emails that set it aside from other resource management tools.

Resource management can be a real hassle if not done properly. The drawbacks of an insufficient resource management system include failure to utilize the potential of your existing resources, making the entire organization suffer.

Inadequate resource management will lead to resources being under-utilized or over exhausted. It can also result in wastage of assets that could have been utilized to generate revenues if a proper management system was implemented.

These tips, if implemented properly will go a long way in assisting companies in revolutionizing their resource management and utilization. Focus on the importance of planning and invest in smarter resource management software.

Improving your Financial Management

Effective financial management is vital for business survival and growth. It involves planning, organizing, controlling and monitoring your financial resources in order to achieve your business objectives. Good financial management will help your business to make effective use of resources, fulfil commitments to your stakeholders, gain competitive advantage and prepare for long-term financial stability.

Financial management should become part of the key processes within your business and be included in your ongoing planning. You might feel that your finances are complicated and confusing but the following ten top tips should help you to gain control of them.

1. Have a clear business plan

A business plan will establish where you are and where you want to get to over the next few years. It should detail how you will finance your business and its activities, what money you will need and where it will come from - see write a business plan: step-by-step.

2. Monitor your financial position

You should regularly monitor the progress of your business. On a daily basis, you should know how much money you have in the bank, how many sales you're making and your stock levels. You should also review your position against the targets set in your business plan on a monthly basis - see cash flow management.

3. Ensure customers pay you on time

Businesses can run into major problems because of late customer payments. To reduce the risk of late or non-payment, you should make your credit terms and conditions obvious from the outset. You should also quickly issue invoices that are clear and accurate. Using a computerized credit management system will help you to keep track of customers' accounts - read ensure customers pay you on time.

4. Know your day-to-day costs

Even the most profitable of companies can face difficulties if there isn't enough cash to cover day-to-day costs such as rent and wages. You should be aware of the minimum your business needs to survive and ensure you do not go below this

5. Keep up-to-date accounting records

If your accounts are not kept up-to-date, you could risk losing money by failing to keep up with late customer payments or not realizing when you have to pay your suppliers. Using a good record keeping system will help you to track expenses, debts and creditors, apply for additional funding and save time and accountancy costs.

6. Meet tax deadlines

Failing to meet deadlines for filing tax returns and payments can incur fines and interest. These are unnecessary costs that can be avoided with some forward-planning. Keeping accurate records saves your business time and money and you can be confident that you're only paying the tax you owe. Therefore, it's important that you meet your obligations

7. Become more efficient and control overheads

Is your business operating at its most efficient? Saving energy and therefore money can happen by implementing changes in behaviour and using existing equipment more efficiently. It's one of the easiest ways to cut costs. Areas to look at in an average office include heating, lighting, office equipment and air conditioning

8. Control stock

Efficient stock control ensures you have the right amount of stock available at the right time so that your capital is not tied up unnecessarily. You should put systems in place to keep track of stock levels – taking control of this will allow you to free up cash, while also having the right amount of stock available.

9. Get the right funding

It is essential that you choose the right type of finance for your business – each type of finance is designed to meet different needs. Smaller businesses usually rely more on business overdrafts and personal funding but this might not be the best kind of funding for your company.

10. Tackle problems when they arise

It is always very stressful facing financial problems as a business, but there is help and advice available to help you tackle them before it gets too much to handle so seek professional advice as soon as possible. There are also some initial steps you can take to minimize the impact such as tackling priority debts first and assessing how you can improve your cash flow management .

Self-Assessment Exercise

Efficiency in management of your organization is the maximizing of the use of money, materials, staff, and other assets of the business

In what ways can you achieve efficiency in the management of resources in your business?

Feedback

- **Plan to plan.** The planning aspect of your project is an important way to gauge what resources you'll need on hand and organise for these to be used appropriately and efficiently. ...
- Use technology. Any aspect of the project that can be automated using technology, do so. ...
- Prepare for the worst. .
- Scheduling of the projects
- Efficient time management includes adding every little task to your schedule.
- Reviewing actions and performance - This step will ensure that you keep learning and improving
- Fixing targets and responsibilities - While setting targets ensure that they are achievable in the allocated time by the employees.
- Keep your employees happy.

4.0 Conclusion

Through efficient utilization of resources, businesses can reach new heights of success. While inefficient utilization will lead to bigger losses. You will not be

able to get any value out of your investments unless you know how to make the most out of them.

Effective financial management is vital for business survival and growth. Financial management should become part of the key processes within your business and be included in your ongoing planning.

5.0 Summary

To recap what you have learned in this unit, click on the video below or copy the link and paste on a web browser. The video is a summary of what you have read in this unit. You could also click on the audio version and listen. You can also download them and play offline.

[Video](https://youtu.be/kgLxl6Ey2ug) <https://youtu.be/kgLxl6Ey2ug>

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MODULE 4 MARKETING

Unit 1	Concept of Marketing: Small and Big Business Marketing
Unit 2	Marketing Mix
Unit 3	Modern Marketing Tools

Unit 1 Concept of Marketing: Small and Big Business Marketing

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- 1.0 Introduction
- 2.0 Intended Learning Outcome (ILO)
- 3.0 Main Content
- 5.0 Conclusion
- 5.0 Summary
- 6.0 References/Further Reading

1.0 Introduction

The marketing concept is the philosophy that firms should analyze the needs of their customers and then make decisions to satisfy those needs, better than the competition. Today most firms have adopted the marketing concept, but this has not always been the case.

2.0 Intended Learning Outcome (ILO)

By the end of this unit, you will be able to analyse the different forms of marketing in choosing a marketing technique for a business.

3.0 Main Content

The marketing concept is the philosophy that firms should analyze the needs of their customers and then make decisions to satisfy those needs, better than the **competition**. Today most firms have adopted the marketing concept, but this has not always been the case.



Self-Assessment Exercise

Give examples of marketing strategies.

Feedback

The following are examples of what your overall business aim might be, and marketing strategies that you could use to achieve it:

- Increase sales.
- Bring in new customer
- Get existing customers to buy more.
- Introduce a new product or service.
- Increase market share.
- Better establish your brand.

Improve customer loyalty.

4.0 Conclusion

An effective marketing strategy for a small business or startup follows the same basic marketing cycle as a big business, but for the small business marketer, the similarities stop there. Budgets, staffing, creative approaches, and communication techniques vary hugely between an international mega-marketer like, say, Coca-Cola, and a comparatively micro-budget marketer like, you.

Creating a successful new business is a tough job, especially when a new company has to compete against large, well-established businesses

5.0 Summary

To recap what you have learned in this unit, click on the video below or copy the link and paste on a web browser. The video is a summary of what you have read in this unit. You could also click on the audio version and listen. You can also download them and play offline.

[Video](#) <https://youtu.be/rKqI6li3thY>

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Unit 2 Marketing Mix

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- 1.0 Introduction
- 2.0 Intended Learning Outcome (ILO)
- 3.0 Main Content
- 1.0 Conclusion
- 5.0 Summary
- 2.0 References/Further Reading

1.0 Introduction

The marketing mix is a foundation model in marketing. The marketing mix has been defined as the "set of marketing tools that the firm uses to pursue its marketing objectives in the target". Thus the marketing mix refers to four broad levels of marketing decision, namely: product, price, promotion, and place. Wikipedia

2.0 Intended Learning Outcome (ILO)

By the end of this unit, you will be able to evaluate the need of marketing mix in business growth.

3.0 Main Content

Marketing is a continually evolving discipline and as such can be one that companies find themselves left very much behind the competition if they stand still for too long. One example of this evolution has been the fundamental changes to the basic Marketing mix. Where once there were 4 Ps to explain the mix, nowadays it is more commonly accepted that a more developed 7 Ps adds a much needed additional layer of depth to the Marketing Mix with some theorists going even further.

The marketing mix refers to the set of actions, or tactics, that a company uses to promote its brand or product in the market. The 4Ps make up a typical marketing mix - Price, Product, Promotion and Place. However, nowadays, the marketing mix increasingly includes several other Ps like Packaging, Positioning, People and even Politics as vital mix elements.

The 4Ps of marketing

Price: refers to the value that is put for a product. It depends on costs of production, segment targeted, ability of the market to pay, supply - demand and a host of other direct and indirect factors. There can be several types of pricing strategies, each tied in with an overall business plan. Pricing can also be used a demarcation, to differentiate and enhance the image of a product.

Product: refers to the item actually being sold. The product must deliver a minimum level of performance; otherwise even the best work on the other elements of the marketing mix won't do any good.

Place: refers to the point of sale. In every industry, catching the eye of the consumer and making it easy for her to buy it is the main aim of a good distribution or 'place' strategy. Retailers pay a premium for the right location. In fact, the mantra of a successful retail business is 'location, location, location'.

Promotion: this refers to all the activities undertaken to make the product or service known to the user and trade. This can include advertising, word of mouth, press reports, incentives, commissions and awards to the trade. It can also include consumer schemes, direct marketing, contests and prizes.

What is the importance of the marketing mix?



All the elements of the marketing mix influence each other. They make up the business plan for a company and handled right, can give it great success. But handled wrong and the business could take years to recover. The marketing mix needs a lot of understanding, market research and consultation with several people, from users to trade to manufacturing and several others.

Self-Assessment Exercise

What is 'Marketing mix'?

Feedback

The 4Ps make up a typical marketing mix - Price, Product, Promotion and Place. However, nowadays, the marketing mix increasingly includes several other Ps like Packaging, Positioning, People and even Politics as vital mix elements. All the elements of the marketing mix influence each other. They make up the business plan for a company and handled right, can give it great success.

4.0 Conclusion

Marketing your business is about how you position it to satisfy your market's needs. The marketing mix is the set of actions, or tactics, that a company uses to promote its brand or product in the market. The 4Ps make up a typical marketing mix - Price, Product, Promotion and Place. In the contemporary corporate organisations, the marketing mix has embraced other elements of Ps like Packaging, Positioning, People and even Politics as determinant factors of success.

5.0 Summary

To recap what you have learned in this unit, click on the video below or copy the link and paste on a web browser. The video is a summary of what you have read in this unit. You could also click on the audio version and listen. You can also download them and play offline.

[Video](https://youtu.be/jxyZf80bWJs) <https://youtu.be/jxyZf80bWJs>

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Unit 3 Modern Marketing Tools

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- 1.0 Introduction
- 2.0 Intended Learning Outcome (ILO)
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1.0 Introduction

Modern Marketing is a holistic, adaptive methodology that connects brands with real customers and drives business results by blending strategy, creative, technology, and analysis.

2.0 Intended Learning Outcome (ILO)

By the end of this unit, you will be able to identify different marketing tools for start up.

3.0 Main Content

Here are the five essential technology categories for building, executing, and analyzing your modern marketing strategy.

1. Sales Force Automation Software

Visibility into opportunities and customers (and how they became opportunities or customers) is critical for evaluating your marketing efforts. You do this with a CRM, which helps organizations track and predict buyer behaviors, manage the sales process, and close deals more effectively. For the modern marketer, these tools link your marketing efforts to revenue generation.

Also, this is where sales teams live. Your CRM is an important tool for communicating with sales reps and providing them with the content and tools they need to get signatures.

2. Social Marketing Platform

Content distribution and audience development are big parts of a modern marketing strategy. After all, to get your message to the right people and to drive target buyers to your website and content, you need to know where and how to reach them.

This is where social media platforms factor into the technology equation. With these tools, your marketing team can manage and track community

engagement, interact with your target audience in real-time, participate in important conversations happening online, and share important content assets strategically. Social marketing platforms also analyze these efforts, helping your team evolve and hone social initiatives moving forward.

3. Marketing Automation Software

Tracking and responding to buyer behavior at every stage of the purchase process is critical. Marketing automation makes these interactions not only possible, but effective. Marketing automation software allows marketing teams to track the digital body language of web users and score them based on their actions. Certain criteria indicate purchase intent and where individuals are in their unique buyer's journey. Marketing automation software allows marketers to build demographic- or interest-based nurture tracks for people who aren't quite ready to talk to sales, but may be in the future. Also, as with the other tools on this list, activity is tracked and analyzed, so you can see how leads and opportunities interact with your company throughout their journey.

4. Web Platform

For the most part, your website is the hub through which all leads filter. This isn't a hard-and-fast rule, some opportunities are event attendees or direct referrals. But pretty much everyone else funnels through your website during the purchase process. Your website houses everything from landing pages, content assets, event registration pages, blogs, resources, pricing details, etc. In the new buyer's journey, prospects do their own research. They search for answers to their questions, and research topics and tools long before they want to speak to a sales rep. Most of this process happens online. And when people search for your company or subjects relevant to your business, you want to make sure they find your website.

5. Content Marketing Software

Between key developments in the industry and the importance of content in attracting, nurturing, and closing deals, content marketing software has arrived on the scene as the latest must-have marketing technology. All of the tools above require content in one form or another. Your website needs content to attract buyers, prove value, and generate leads through form submissions. Sales needs content to be seen as a thought leader on the topics that are important to buyers. Social strategy is fueled by sharing content across channels and conversing on topics that resonate with your audience. You need content to share with buyers at every stage of the funnel, delivered based on their interests and needs through marketing automation software.

Content marketing software manages the production of content assets, the distribution of content to each of the tools mentioned above (and more), as well

as the analysis of those efforts. It tells you exactly which content assets are driving opportunities and revenue for your organization.

These five tools are the essentials. Each focuses on a different, yet key piece of a modern marketing strategy. And when they're all in sync (as they should be), they maximize the value of your investment. Of course, there are many add-ons that can make content more compelling, your website better optimized, your data more accurate, etc. But when it comes down to it, these five tools make up the must-have technology mix for your marketing organization.

Self-Assessment Exercise

1. What are traditional marketing tools?
2. Mention one of the modern tool of marketing.

Feedback

1. Traditional marketing refers to any type of promotion, advertising or campaign that has been in use by companies for years, and that has a proven success rate. Methods of traditional marketing can include print advertisements, such as newsletters, billboards, flyers and newspaper print ads.
2. The modern tools include:
 - a. Sales Force Automation Software
 - b. Social Marketing Platform
 - c. Marketing Automation Software
 - d. The Web platform
 - e. Content Marketing Software

4.0 Conclusion

These marketing tools are the essentials for today's global business. Each focuses on a different, yet key piece of a modern marketing strategy. And when they're all in synchronized, they maximize the value of your the entrepreneur's investment. Other attachments that can make content more compelling include your website. these tools are must-have technology mix for your marketing organization.

5.0 Summary

To recap what you have learned in this unit, click on the video below or copy the link and paste on a web browser. The video is a summary of what you have read in this unit. You could also click on the audio version and listen. You can also download them and play offline.

[Video](https://youtu.be/Uq3WsKUudeE) <https://youtu.be/Uq3WsKUudeE>

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Unit 1	The Importance of Ethics in Business
Unit 2	Ethical Behaviour and Practices in Nigeria
Unit 3	Community Development Projects/Welfare

Unit 1 The Importance of Ethics in Business

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1.0 Introduction

Every company should have their own moral principles and guidelines. Following business ethics has more benefits than you think. It will help you to keep and attract employees, customers, and investors.

2.0 Intended Learning Outcome (ILO)

By the end of this unit, you will be able to apply ethical skills in managing a business.

3.0 Main Content

Ethics concern an individual's moral judgements about right and wrong. Decisions taken within an organization may be made by individuals or groups, but whoever makes them will be influenced by the culture of the company.

Ethical behaviour and corporate social responsibility can bring significant benefits to a business.

Self-Assessment Exercise

Enterprises should not only be profitable tools, but also be responsible citizenships. Ethical leadership is essential to managers and employees at all levels of the enterprise when they are faced with difficult ethical decisions and moral conflicts. Why should managers behave ethically?

Feedback

The reason why it is important for managers to behave ethically is because: Managers are responsible for managing in a way that gives a highest profit. Present time if you are unethical you end up on the news.

4.0 Conclusion

Business ethics is particularly important in dealing with customers. A company with a good reputation will find it easier to do more business and gain resources from stakeholders. As a result, behaving ethically increases company's profits.

5.0 Summary

To recap what you have learned in this unit, click on the video below or copy the link and paste on a web browser. The video is a summary of what you have read in this unit. You could also click on the audio version and listen. You can also download them and play offline.

[Video](https://youtu.be/SLOWBpOz78k) <https://youtu.be/SLOWBpOz78k>

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Unit 2 Ethical Behaviour and Practices in Nigeria

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1.0 Introduction

Business ethics, also known as corporate ethics, are the moral code of conduct which guides company officials to respond to the needs of the employees as well as the community from which they get their resources. Without ethics, most of the products in the market today would be half-baked or sham. When ethics are adhered to by a company, the needs of the customers are respected.

2.0 Intended Learning Outcome (ILO)

By the end of this unit, you will be able to manage customers from different ethnic groups in Nigeria to enhance business growth.

3.0 Main Content

The decision to behave ethically is a moral one; employees must decide what they think is the right course of action. This may involve rejecting the route that would lead to the biggest short-term profit. Ethical behaviour and corporate social responsibility can bring significant benefits to a business. For example, they may:

- attract customers to the firm's products, thereby boosting sales and profits
- make employees want to stay with the business, reduce labour turnover and therefore increase productivity
- attract more employees wanting to work for the business, reduce recruitment costs and enable the company to get the most talented employees
- attract investors and keep the company's share price high, thereby protecting the business from takeover.

Unethical behaviour or a lack of corporate social responsibility, by comparison, may damage a firm's reputation and make it less appealing to stakeholders. Profits could fall as a result. Along with good corporate governance, ethical behaviour is an integral part of everything that Cadbury Schweppes does.

Treating stakeholders fairly is seen as an essential part of the company's success, as described here: *'A creative and well managed corporate and social responsibility programme is in the best interests of all our stakeholders - not just our consumers - but also our shareowners, employees, customers, suppliers and other business partners who work together with us. *'*

Ensuring that employees understand the company's corporate values is achieved by the statement of 'Our Business Principles' which makes clear the behaviour it seeks from employees.

What are Business Ethics?

There are various branches of ethics, and one branch is 'business ethics'. This type of ethics is focused on how business ought to behave. The type of business ethics that looks at how businesses should act within a society is sometimes referred to as 'corporate social responsibility'.

Business ethics refers to the application of ethical values in a business environment. Ethics refers to a philosophical branch that deals with human values in relation to their conduct regarding what is good or bad and what is right or wrong. Ethics are the foundation of respect towards others. In business, ethics make sure that profits are made only through the right channels.

Business ethics, also known as corporate ethics, guides company officials to cater for the needs of the employees as well as the community from which they get their resources. Without ethics, most of the products in the market today would be half-baked or phony. When ethics are adhered to by a company, the needs of the customers are respected. It is through the same codes that companies learn to appreciate and value the environment as their sole provider. Here are some of the reasons that explain why ethics is so important to any business. Business ethics can examine the actions of particular people within a business (for instance the CEO). Or, it can see the business as a person in its own right.

Reasons why Ethics are Important in Business

1. Ethics lays the strategic decision-making. Leaders and workers of a business characterized by ethical behavior make decisions that are socially acceptable. They allow all the stakeholders to participate in the decision-making process.
2. They increase employee retention. Employees always want to stay longer in a business where the employers value their rights and opinions. To them, their basic needs are satisfied.
3. An ethical business attracts investors. A business that promotes ethics in its management and operations create an investment-friendly

environment. Investors like putting their money where they are sure it is safe.

4. Ethics minimizes costs. Fewer funds are spent in employee recruitment since most employees are retained in the business.
5. Ethical practices help in building and maintaining reputation. A large part of ensuring business success is down to maintaining a good reputation among your customers. One of the main things that customers will scrutinize when they decide whether they trust or want to engage with a business or not is that business's ethics. If you can brand yourself explicitly as an ethical business, so much the better!
6. An ethically oriented company is bound to avoid fines. They comply with the law, file their tax returns in time, ensure quality of products and services, etc.
7. Ethics in a business attracts more employees. When your company is reputable, more people will be interested to work for you.
8. Good Business ethics is the key to enhancing productivity. People will work harder at their jobs if they believe that what they are doing is ethical. They will not be held back by moral qualms, and they may feel extra motivated to work because they feel that by doing so they are making the world a better place. So if you want to make a normal profit rise and rise until you are making big bucks, you need to keep your business totally ethical.
9. Ethics create customer loyalty. A reputation build on good ethics helps create a positive image in the marketplace. This, in turn, makes customers trust your products and services. They also pass information to their friends and family, hence, creating more customers for you.
10. Ethics encourage teamwork. Employers and employees who trust one another work together harmoniously and effectively.
11. A business that values ethics attracts more suppliers. A business without suppliers is as good as a failed enterprise. Suppliers are attracted to a company that appreciates what they supply and pay for them promptly.
12. Ethics in enhances partnerships. Partnerships in the business world are very crucial. They help expand your marketplace and improve business relations. In order to get a good partner(s), your reputation must be built on a strong business ethics foundation.

13. Ethics reduces business risks. As trust and loyalty are built on ethics, chances of losing potential customers, suppliers, employees and even the company itself are minimal.
14. It improves a company's bottom line (last line that shows profit or loss). The bottom line of your business will increase since costs and risks are reduced.
15. Ethics increases business profits. The decrease in risks and costs mean that the output is likely to be higher than the input hence the company makes a profit.
16. Ethics lead to sustainable growth in sales. An increase in customers leads to an increase in demand. Therefore, more goods and services are sold. It may seem that a little selfishness might help your business, however this is never the case. Selfish or unethical actions may seem to give your business a temporary boost, but they will thwart your long term goals. Ethical action is the key to sustainability and success in business.
17. Good ethics in a business boosts the morale of the employees. Good business ethics involves rewarding your employees. When an employee is rewarded, he/she works harder leading to more profits.
18. Ethics helps in building consumer confidence. Other than customer loyalty, business ethics makes consumers believe in you even during difficult times. For example, when a company's product is found to be faulty and the company takes full responsibility, consumers are bound to trust that it was just a mistake.
19. Ethics enable a company to make good use of the limited resources. Instead of wasting the company's resources on themselves, company leaders can put them to good use.
20. Ethics in business allows for healthy competitions. It is common to find two or more companies that offer similar services and goods. A company characterized with ethical behavior will not engage in malpractices such as spreading false information about the other company or lowering their prices. Instead, they will allow the customers to choose where they like.
21. Ethics lead to long-term gains. A company that values ethics believes in small, but long-term benefits rather than big, but short-term returns.
22. Ethics helps in maintaining quality. An ethical company will strive to deliver goods and services of high quality to their customers even in times when the demand is higher than supply.

23. Ethics offers extra asset protection. Employees who abide by the business ethics are in a position to respect and protect the business's assets. For instance, they will not make long personal calls using the business line.
24. Ethical practices foster community improvement. Ethics teaches the art of giving back. Ethically oriented companies will help a community to be better through things like road construction or schools construction.
25. Good business ethics is an end in itself. Both inside and outside of business, having good ethics is an end in itself, and something that we can derive satisfaction from in its own right. So, if you want employees, vendors and consumers to feel satisfied, then running an ethical business is very important. That way, when people go to work they will feel a sense of satisfaction at doing something that is morally sound. And, when people buy your products or services, they can do so safe in the knowledge that what they are doing is ethical.
26. Ethics promote Corporate Governance in an organization. A good corporate governance ensures that the company is working according to the prescribed rules and regulations. The state of affairs of the company is transparently reported to its stakeholders such as share holders, management, creditors, and the government.
27. Ethical practices helps in setting up the internal control systems. It helps in working according to the organizational goals, meet the project deadlines, correct reporting of financial data, and compliance with the existing laws and regulations. Without ethics in place, the internal control mechanisms would fail to achieve a meaningful goal.
28. Ethics is necessary for equality at workplaces. An ethical working environment provides equal work opportunities to all the employees. It is free for gender-inequality and discrimination of any sort. Candidates are promoted solely on the basis on their merit.

Having an ethical business is essential if you want your business to be a real success in the long term. Good business ethics keep your customers satisfied; they encourage people to buy in to your business.

Business ethics and profit go hand in hand. An ethically oriented business with desire to dominate its market niche is likely to reap a lot of benefits. Unethical company, however, is doomed to fail even if they started with high profit records. Ethics are there to make relations better and stronger.

Ethical Behavior and Practices in Nigeria

To behave ethically is to behave in a manner that is consistent with what is generally considered to be right or moral. Ethical behaviour is the bedrock of mutual trust. Ultimately, the quest for organizational transformation must begin with a personal commitment within each individual to pursue moral excellence. Abraham Lincoln described as the trees and reputation as the shadow. Your Character is what you really are; your reputation is what people think of you. Reputation is a function of perception.Abraham Lincoln

The 'challenges of ethics' are meant to be the problems of ethical values confronting business operators in Nigeria and its relationship with the need for the development of ethical codes of conduct for organizations in Nigeria. Both issues are examined in this paper. Nigerian business as used in the paper refers to business organizations situated in Nigeria.

In the Soviet block, ethics took a different dimension. Marxism and socialism were used to solidify the linkage between work as an end in itself and the overall development of the society. The Japanese have work ethics that emphasizes excellence ramifications. Thus, business ethics in various places and situation derived from religious doctrine, political and economic philosophy, cultural norms and values.

The Islamic countries like Iran, Saudi Arabia and Iraq have fundamental Islamic ethics guiding their business interactions. Nigerians like Japanese have customs and moral values that could be used as building blocks in developing business ethical values. But Nigeria has had vagaries of political and economic instability, and leadership patterns that had robbed off the application of these values in business operations. Also, among the ruling elites, lack of ethics is leading to failure and collapse of multi-million dollar public corporations enterprises and contracts.

It is also believed that business ethics is not simply a philosophical concept – it is concerned with decisions. It is obviously concerned with right and wrong. This is usually relatively easy to sort out. We know it is wrong to steal or to kill. More importantly, business ethics seeks answers to real life problems which often involve conflicts of "right versus right" and clashes of moral principles. For example, if an entrepreneur confronts with a choice between bribing officials to obtain government contracts or laying off workers, what should he do? He probably realizes that paying bribes is wrong. However, laying off workers and depriving them of their livelihood is less wrong or less moral than paying bribes? One author defines business ethics as "the study of how personal moral norms apply to the activities and goals of commercial enterprise. It is not a separate moral standard, but the study of how the business context poses its own unique problems for the moral person who acts as an agent of this system.

Most of us would agree that it is ethics in practice that makes sense; just having it carefully drafted and redrafted in books here may not serve the purpose. Of course all of us want businesses to be fair, clean and beneficial to the society.

For that to happen, organizations need to abide by ethics or rule of law, engage themselves in fair practices and competition; all of which will benefit the consumer, the society and organization.

Primarily it is the individual, the consumer, the employee or the human social unit of the society who benefits from ethics. In addition ethics is important because of the following:

1. **Satisfying Basic Human Needs:** Being fair, honest and ethical is one the basic human needs. Every employee desires to be such himself and to work for an organization that is fair and ethical in its practices.
2. **Creating Credibility:** An organization that is believed to be driven by moral values is respected in the society even by those who may have no information about the working and the businesses or an organization. Infosys, for example is perceived as an organization for good corporate governance and social responsibility initiatives. This perception is held far and wide even by those who do not even know what business the organization is into.
3. **Uniting People and Leadership:** An organization driven by values is revered by its employees also. They are the common thread that brings the employees and the decision makers on a common platform. This goes a long way in aligning behaviors within the organization towards achievement of one common goal or mission.
4. **Improving Decision Making:** A man's destiny is the sum total of all the decisions that he/she takes in course of his life. The same holds true for organizations. Decisions are driven by values. For example an organization that does not value competition will be fierce in its operations aiming to wipe out its competitors and establish a monopoly in the market.
5. **Long Term Gains:** Organizations guided by ethics and values are profitable in the long run, though in the short run they may seem to lose money. Tata group, one of the largest business conglomerates in India was seen on the verge of decline at the beginning of 1990's, which soon turned out to be otherwise. The same company's Tata NANO car was predicted as a failure, and failed to do well but the same is picking up fast now.
6. **Securing the Society:** Often ethics succeeds law in safeguarding the society. The law machinery is often found acting as a mute spectator, unable to save the society and the environment. Technology, for example is growing at such a fast pace that the by the time law comes up with a regulation we have a newer technology with new threats replacing the older one. Lawyers and public interest litigations may not help a great deal but ethics can.

Ethics tries to create a sense of right and wrong in the organizations and often when the law fails, it is the ethics that may stop organizations from harming the society or environment.

Self-Assessment Exercise

Give at least 5 reasons why ethics are important in business.

Feedback

- Ethics lays the strategic decision-making.
- They increase employee retention. .
- An ethical business attracts investors.
- Ethics minimizes costs.
- Ethical practices help in building and maintaining reputation. !
- An ethically oriented company is bound to avoid fines. .
- Ethics in a business attracts more employees. Good Business ethics is the key to enhancing productivity

4.0 Conclusion

Ethics tries to create a sense of right and wrong in the organizations and often when the law fails, it is the ethics that may stop organizations from harming the society or environment.

5.0 Summary

To recap what you have learned in this unit, click on the video below or copy the link and paste on a web browser. The video is a summary of what you have read in this unit. You could also click on the audio version and listen. You can also download them and play offline.

[Video](https://youtu.be/GTYoEpoXx14) <https://youtu.be/GTYoEpoXx14>

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Unit 3 Community Development Projects/Welfare

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1.0 Introduction

Community Development Projects aim at improvement of the Quality of Life of the Extremely Poor and of the Vulnerable Communities. some strategic objectives are set out to contribute to achieving the goal of Employment Creation, Improvement of Socio-Economic Condition and Dignity of the Extremely Poor Vulnerable Communities.

2.0 Intended Learning Outcome (ILO)

By the end of this unit, you will be able to evaluate community development projects inline with business creation and growth.

3.0 Main Content

Community Development

Comparing models

	Social services model	Community development
Central focus	delivery of services	identification of issues, populations affected
role of participation	there are incentives to incomplete use/knowledge of available programs (e.g., for state budgets)	success depends on broad-based, inclusive strategies—recipients of assistance vs owners of process
flexibility	resistant to change (why?)	dynamic, fluid-projects/initiatives depend

	Social services model	Community development
		on support of constituents
Potential for effecting social change	Doesn't challenge inequalities-inherently designed for minimal comfort of recipients	Potential to address causes, not symptoms (but can do both)-address structural factors
Bureaucratic constraints	Structure is predetermined-if problem doesn't fit, need a new program (e.g., water billing .low-income heating assistance program)	Great flexibility in how to approach a problem (but often difficulty reaching consensus); non-profit organizations predominate
personnel	may be understaffed, but includes fixed budgets for personnel	often relies heavily on volunteer staff-less career-oriented opportunities (struggling non-profits)
Certainty of funding	Funding more certain, but still subject to political circumstances	Funding may vary, sources are less certain than public services model, many community development organizations must devote scarce resources to looking for money to keep active

Functions

- Social safety net
- Social conscience
- Advocacy
- Activism
- Community participation
- Address quality of life issues

Advantages and disadvantages

Community/policy approaches versus project/program approaches

- Integration, coordination
- Flow of information
- Integration versus intervention
- Scale

Social Capital

- social organization(s)
- 'bank of favors'
- mutual aid

Self-Assessment Exercise

What are the fundamental objectives of Community Development Projects/Welfare?

Feedback

Improvement of the Quality of Life of the Extremely Poor and of the Vulnerable Communities. Two strategic objectives are set out to contribute to achieve the goal which are –

1. Creation of Employment and Promotion of Income, Food Security and Improving Housing Condition of the Extremely Poor and the Vulnerable Communities; and
2. Improvement of Socio-Economic Condition and Dignity of the Extremely Poor

4.0 Conclusion

A key dimension of the 'Community economic development' programme was to understand how its theory applies in practice within a national context. 'Community economic development' describes a process of economic development within a specific geographic area, to make the economy in that area work well for that community.

The programme aimed to take a real step forward in understanding how communities can engage with and start to resolve their own economic issues, through developing partnerships and working with a range of stakeholders including private, community and voluntary sectors.

5.0 Summary

To recap what you have learned in this unit, click on the video below or copy the link and paste on a web browser. The video is a summary of what you have read in this unit. You could also click on the audio version and listen. You can also download them and play offline.

Video <https://youtu.be/DvPS4LecYtk>

Audio

6.0 References/Further Reading

https://cles.org.uk/wp-content/uploads/2017/10/ced_report_2017.pdf

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Module 6: New Opportunities for Expansion

Unit 1	E-Commerce
Unit 2	E-Business
Unit 3	E-Trade

Unit 1 E-Commerce

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1.0 Introduction

The expression expanding market refers to any rapidly growing opportunity. The market is the focal point, and it may exist at supranational, national, regional, industry, cluster, firm or even product level. Modern markets are expanding to meet the Global demand.

2.0 Intended Learning Outcome (ILO)

By the end of this unit, you will be able to create and manage an e-commerce.

3.0 Main Content

E-commerce is the activity of buying or selling of products on online services or over the Internet. Business-to-business buying and selling; Gathering and using demographic data through web contacts and social media. Business-to-business (B2B) electronic data interchange. Electronic commerce encompasses the marketing, buying and selling of merchandise or services over the Internet. It encompasses the entire scope of online product and service sales from start to finish. E-commerce tools include computer platforms, applications, solutions, servers and various software formats manufactured by e-commerce service providers and purchased by merchants to increase online sales.

E-commerce facilitates the growth of online business. It is categorized as follows:

Online marketing
Online advertising
Online sales
Product delivery
Product service
Online billing

Online payments

The e-commerce concept relates to business or financial transactions that facilitate electronic payments of items purchased from online stores and service vendors. E-commerce covers a broad range of business activities, from digital content used for online consumption to conventional orders of online merchandise. Online banking is another form of e-commerce. E-commerce transactions are conducted between businesses, businesses and consumers, businesses and government, businesses and employees and consumers and businesses.

Online shopping is an e-commerce format, in which real-time sales transactions occur as a consumer purchases an item or service from an online store. This may be explained as an interactive collaboration between a consumer and merchant. In online shopping, there is no intermediary - just the interaction between the online buyer and store/service provider. Here, electronic financial transactions are conducted securely. E-commerce also describes the exchange of data between the financing, billing and payment aspects of electronic business transactions.

Types of E- Commerce (according to Bloomia.com)

Major Types of E-commerce	
TYPE OF E-COMMERCE	EXAMPLE
B2C—Business to Consumer	Amazon.com is a general merchandiser that sells consumer products to retail consumers.
B2B—Business to Business	eSteel.com is a steel industry exchange that creates an electronic market for steel producers and users.
C2C—Consumer to Consumer	eBay.com creates a marketplace where consumers can auction or sell goods directly to other consumers.
P2P—Peer to Peer	Gnutella is a software application that permits consumers to share music with one another directly, without the intervention of a market maker as in C2C e-commerce.
M-commerce—Mobile commerce	Wireless mobile devices such as PDAs (personal digital assistants) or cell phones can be used to conduct commercial transactions.

Customer to customer e-commerce is a simple concept to understand and a popular model of business for many companies. As the name suggests, customer to customer e-commerce is a form of business where a company is just involved in providing a platform for various people to use it to interact with each other for mutual benefit. The business transaction is between two parties, none of which is the company.

Self-Assessment Exercise

How do you start an e commerce business?

Feedback

If you're thinking about starting an eCommerce business and selling products online, use this checklist to do it.

1. Start With Your Business Name. ...
2. Secure Your Domain Name and Website.
3. Select The Best Business Structure and Register Your Business. ...
4. Get Your Employer Identification Number.
5. Apply for Business Licenses and Permits
6. Find the Right Vendors
7. Start Marketing Early
8. Get More Productive with the Right Software.
9. Stock Your Inventory

Make Sure Your Business Stays Compliant

4.0 Conclusion

Ecommerce, also known as electronic commerce or internet commerce, is the buying and selling of goods or services using the internet, and the transfer of money and data to execute these transactions

5.0 Summary

To recap what you have learned in this unit, click on the video below or copy the link and paste on a web browser. The video is a summary of what you have read in this unit. You could also click on the audio version and listen. You can also download them and play offline.

[Video](https://youtu.be/FrVob1_p8EU) https://youtu.be/FrVob1_p8EU

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Unit 2 E-Business

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1.0 Introduction

E-business (electronic business) is the conduct of business processes on the internet. These e-business processes include buying and selling products, supplies and services; servicing customers; processing payments; managing production control; collaborating with business partners; sharing information; running automated employee services; recruiting; and more.

2.0 Intended Learning Outcome (ILO)

By the end of this unit, you will be able to create and manage an e-business.

3.0 Main Content

E-business (electronic business) is the conduct of business processes on the internet. These e-business processes include buying and selling products, supplies and services; servicing customers; processing payments; managing production control; collaborating with business partners; sharing information; running automated employee services; recruiting; and more.

E-business can comprise a range of functions and services, ranging from the development of intranets and extranets to e-services, the provision of services and tasks over the internet by application service providers. Today, as major corporations continuously rethink their businesses in terms of the internet -- specifically, its availability, wide reach and ever-changing capabilities -- they are conducting e-business to buy parts and supplies from other companies, collaborate on sales promotions and conduct joint research. As e-commerce has accelerated, stringent security protocols and tools, including encryption and digital certificates, were adopted to protect against hackers, fraud and theft. Nonetheless, security and data privacy remain big concerns for companies and individuals conducting business on the internet. With the security built into browsers and with digital certificates now available for individuals and companies from businesses such as Verisign, a certificate issuer, some of the

early concern about the security of business transaction on the web has abated, and e-business, by whatever name, is accelerating.

There are other types of e-business models beyond the business-to-consumer (B2C) model, which is defined by selling products directly to retail consumers online. Under the business-to-business (B2B) model, companies use the internet to conduct transactions with one another. Unlike B2C transactions, in which sellers offer products and services online and buyers purchase them via the internet, B2B transactions usually involve multiple online transactions at each step of the supply chain.

The consumer-to-business (C2B) model defines a type of e-business where consumers create their own value and demand for products. Reverse online auctions are examples of C2B e-business models, as are airline ticket websites, like Priceline. Under the consumer-to-consumer (C2C) e-business model, consumers are both buyers and sellers via third party-facilitated online marketplaces, such as eBay. These C2C e-business models generate revenue through personal ad fees, charging for memberships/subscriptions and collecting transaction fees.

Security and risks

E-business tactics offer advantages such as reaching a wider customer base and faster transactions, but they also come with associated risks. For example, e-business creates huge data security risks because customers are often required to provide sensitive information, such as contact information and credit card numbers, during e-business transactions. This information is enticing to hackers and particularly vulnerable to data breaches, so e-business website owners are responsible for incorporating methods, such as data encryption, to ensure secure transactions. Failure to ensure data integrity and incorporate appropriate data security measures creates the risk of fines and the loss of customer loyalty.

Because successful e-business relies on swift, secure online transactions, even something as simple as a bad web hosting service creates a financial risk for these companies. Crashed servers and insufficient bandwidth lead to persistent website downtime and customer dissatisfaction, so companies must invest in well-known, reliable hosting providers that can, in turn, drive up the costs associated with running a successful e-business.

There are marketing risks when it comes to e-business as well. All types of businesses rely on effective marketing to drive growth and sales, but online marketing techniques are much different from traditional, offline ones. Without an effective marketing campaign specifically tailored to promote e-business, an organization creates huge financial risk by investing in marketing resources that do not drive consumer traffic to the transaction websites. E-businesses are also vulnerable to systematic risk that influences the entire online market segment.

For example, the dot-com crash of 2000-2001 began after several e-business startups went public and were purchased by other e-businesses. These e-businesses had little cash flow, and many valued growth over financial stability. This created an unsustainable economic bubble that ultimately put many of these companies out of business when it burst.

E-business vs. e-commerce

E-commerce and e-business are similar, with e-commerce referring to buying and selling products online. However, e-business defines a wider range of business processes by including aspects such as supply chain management (SCM), electronic order processing and customer relationship management (CRM) designed to help the company operate more effectively and efficiently.

E-business processes can be handled in-house through a company's own network or possibly outsourced to providers that specialize in these specific aspects of the transaction. In contrast, the e-commerce definition is much clearer and basically describes any part of the processes via which online orders are made and paid for. For example, a customer making an online order but picking it up at the brick-and-mortar store is an example of an e-commerce transaction.

Self-Assessment Exercise

What is E-Business?

Feedback

E-business (electronic business) is the conduct of business processes on the internet. These e-business processes include buying and selling products, supplies and services; servicing customers; processing payments; managing production control; collaborating with business partners; sharing information; running automated employee services; recruiting; and more.

4.0 Conclusion

Most businesses today do some level of marketing, sales and customer service via the internet. Having part or all of your business operations online is an e-Business model. When a business is selling products online, it is an e-Commerce business model.

E-commerce and e-business are similar models of transaction, with e-commerce referring to buying and selling products online. However, e-business defines a

wider range of business processes by including aspects such as supply chain management (SCM), electronic order processing and customer relationship management (CRM) designed to help the company operate more effectively and efficiently.

5.0 Summary

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[Video](https://youtu.be/0CjIYDScIjI) <https://youtu.be/0CjIYDScIjI>

Audio

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Unit 3 E-Trade

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1.0 Introduction

Electronic or scripless trading, sometimes called e-trading or paperless trading is a method of trading securities (such as stocks, and bonds), foreign exchange or financial derivatives electronically.

2.0 Intended Learning Outcome (ILO)

By the end of this unit, you will be able to manage an e-trade.

3.0 Main Content

Electronic or scripless trading, sometimes called e-trading or paperless trading is a method of trading securities (such as [stocks](#), and [bonds](#)), foreign exchange or financial derivatives electronically. According to Wikipedia [Information technology](#) is used to bring together buyers and sellers through an electronic trading platform and network to create virtual market places. They can include various exchange-based systems, such as NASDAQ, NYSE Arca and Globex, as well as other types of trading platforms, such as electronic communication networks (ECNs), alternative trading systems, crossing networks and "dark pools" Electronic trading is rapidly replacing human trading in global securities markets. Electronic trading is in contrast to older floor trading and phone trading and has a number of advantages, but glitches and cancelled trades do still occur.

The move to electronic trading compared to floor trading continued to increase with many of the major exchanges around the world moving from floor trading to completely electronic trading.

Trading in the financial markets can broadly be split into two groups:

Business-to-business (B2B) trading, often conducted on exchanges, where large investment banks and brokers trade directly with one another, transacting large amounts of securities, and Business-to-consumer (B2C) trading, where retail (e.g. individuals buying and selling relatively small amounts of stocks and shares) and institutional clients (e.g. hedge funds, fund managers or insurance companies, trading far larger amounts of securities) buy and sell from brokers or

"dealers", who act as middle-men between the clients and the B2B markets. While the majority of retail trading in the United States happens over the Internet, retail trading volumes are dwarfed by institutional, inter-dealer and exchange trading. However, in developing economies, especially in Asia, retail trading constitutes a significant portion of overall trading volume.

For instruments which are not exchange-traded (e.g. US treasury bonds), the inter-dealer market substitutes for the exchange. This is where dealers trade directly with one another or through inter-dealer brokers (i.e. companies like GFI Group, ICAP and BGC Partners. They acted as middle-men between dealers such as investment banks). This type of trading traditionally took place over the phone but brokers moved to offering electronic trading services instead.

Similarly, B2C trading traditionally happened over the phone and, while some still does, more brokers are allowing their clients to place orders using electronic systems. Many retail (or "discount") brokers (e.g. Charles Schwab, E-Trade) went online during the late 1990s and most retail stock-broking probably takes place over the web now.

Self-Assessment Exercise

Define E-trade to a graduate who has never heard of it?

Feedback

Electronic trading, sometimes called e-trading or paperless trading is a method of trading securities, foreign exchange or financial derivatives electronically

4.0 Conclusion

In developed world, majority of retail trading happens over the Internet, in developing economies, especially in Asia and Africa, retail trading constitutes a significant portion of overall trading volumes.

Electronic trading is rapidly replacing human trading in global securities markets.

5.0 Summary

To recap what you have learned in this unit, click on the video below or copy the link and paste on a web browser. The video is a summary of what you have read in this unit. You could also click on the audio version and listen. You can also download them and play offline.

[Video](https://youtu.be/VtjMBLyRx2o) <https://youtu.be/VtjMBLyRx2o>

Audio

6.0 References/Further Reading

<https://us.etrade.com/planning/new-to-investing>

Module 7 Managing Transition: From Start up to Growth

Unit 1	Personal Disciplines
Unit 2	Learning
Unit 3	Decision Making
Unit 4	Control

Unit 1 Personal Disciplines

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1.0 Introduction

Discipline is a common trait of all successful business people. Having discipline means being very structured in our approach to reach our goal. Discipline sometimes requires some sacrifice to reach the end goal.

2.0 Intended Learning Outcome (ILO)

By the end of this unit, you will be able to demonstrate personal discipline that is required to manage a business from start-up to growth.

3.0 Main Content

Discipline is a common trait of all successful business people.

Success just happens. We all want to get somewhere in life and in business. We have goals and dreams. But why is it that only some people are able to get there? Is it because of luck, circumstance, or talent? Depending on the person it could be a combination of these elements. The one common theme that does come up when conversing with successful people is discipline. Whether it's a business person growing an organization or an athlete wanting to medal in competition, discipline is the one element they all have in common. Discipline is a fundamental element in obtaining goals, dreams and desires. Good to great

Discipline is what keeps us going when times are tough and not going our way. It makes the bad times easier to get through. We must constantly practice, repeat, and believe in our purpose.

Discipline sometimes requires some sacrifice to reach the end goal. Having discipline means being very structured in our approach to reach our goal. An athlete will have a training schedule, competition, diet plan. They will follow this until they reach their ultimate goal. Because they know through disciplined practice they can hone their skills to be the best they can be, ultimately reaching their goal.

Discipline in business requires among other things:

1. Motivation and Personal Development

It is important for business owners to stay motivated and care for personal needs. Creating new personal and professional challenges can help an entrepreneur maintain his motivation. Increasing professional knowledge with industry-specific trainings and seminar can help him stay current and implement new practices.

2. Teamwork

Employees are perhaps the most important assets in a business, so it is important for a group to work in sync. By promoting and practicing teamwork, a business owner can take advantage of all the skills and talents within a team in order to raise productivity, quality and efficiency. Team-building activities can help ensure that employees work together like a well-oiled machine under a business owner's direction.

3. Holistic Bookkeeping

It is important for an entrepreneur to know how to manage her business' money. A business owner must always be aware of her business' financial situation and cash flow so she can remedy money problems at the source rather than treat the symptoms.

4. Creating a Vision and Plan

All business owners should have a vision, or a big picture, when it comes to an entrepreneurial venture. Creating a vision or objective helps provide a focus and a framework on which to base important business decisions. When developing a vision, an entrepreneur should consider the value he hopes the business will provide in order to formulate a corresponding business plan. Developing a business plan should help a business owner limit unforeseen circumstances so she is ready for any unplanned events.

5. Marketing and Customer Retention

Before embarking on or investing in any marketing campaign, a business owner should have a clear idea about the desired product. Every type of marketing solution a business uses should effectively communicate a clear message about a company's goods or services to the appropriate customers. When marketing, also consider ways to retain and satisfy current customers, keeping in mind that their needs and wants may change with time.

Self-Assessment Exercise

What can you say is discipline in terms of operating and growing a business?

Feedback

Business disciplines refer to the practices that help a business grow. By putting a business practice into place, an entrepreneur can help ensure success and growth over the long term by creating a plan before the launch of an idea

4.0 Conclusion

A formal business transition plan puts the goals, priorities and strategies in place for a successful transition. Without a clearly defined plan, business owners are leaving their personal and financial future to chance

Discipline is a fundamental element in obtaining goals, dreams and desires

Discipline sometimes requires some sacrifice to reach the end goal. Having discipline means being very structured in our approach to reach our goal.

5.0 Summary

To recap what you have learned in this unit, click on the video below or copy the link and paste on a web browser. The video is a summary of what you have read in this unit. You could also click on the audio version and listen. You can also download them and play offline.

[Video](https://youtu.be/HarOXcE8mo4) <https://youtu.be/HarOXcE8mo4>

Audio

6.0 References/Further Reading

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Unit 2 Learning

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1.0 Introduction

Learning is the process of acquiring new, or modifying existing, knowledge, behaviors, skills, values, or preferences. The ability to learn is possessed by humans, animals, and some machines; there is also evidence for some kind of learning in some plants.

2.0 Intended Learning Outcome (ILO)

By the end of this unit, you will be able to establish a learning process that will enhance the growth of a business from start up.

3.0 Main Content

Core Lessons for Expanding Your Growing Business

The key with any growth strategy is to be deliberate. Figure out the rate-limiting step in your growth, and pour as much fuel on the fire as possible. But for this to be beneficial, you need to take the following steps:

1. Establish a value proposition.

For your business to sustain long-term growth, you must understand what sets it apart from the competition. Identify why customers come to *you* for a product or service. What makes you relevant, differentiated and credible? Use your answer to explain to other consumers why they should do business with you.

For example, some companies compete on “authority” -- Whole Foods Market is the *definitive* place to buy healthy, organic foods. Others, such as Walmart, compete on price. Figure out what special benefit only *you* can provide, and forget everything else. If you stray from this proposition, you'll only run the risk of devaluing your business.

2. Identify your ideal customer.

You got into business to solve a problem for a certain audience. Who is that audience? Is that audience your ideal customer? If not, who are you serving? Nail down your ideal customer, and revert back to this audience as you adjust business to stimulate growth.

3. Define your key indicators.

Changes must be measurable. If you're unable to measure a change, you have no way of knowing whether it's effective. Identify which key indicators affect the growth of your business, then dedicate time and money to those areas. Also, A/B test properly -- making changes over time and comparing historical and current results isn't valid.

4. Verify your revenue streams.

What are your current revenue streams? What revenue streams could you add to make your business more profitable? Once you identify the potential for new revenue streams, ask yourself if they're sustainable in the long run. Some great ideas or cool products don't necessarily have revenue streams attached. Be careful to isolate and understand the difference.

5. Look to your competition.

No matter your industry, your competition is likely excelling at something that your company is struggling with. Look toward similar businesses that are growing in new, unique ways to inform your growth strategy. Don't be afraid to ask for advice. Ask yourself why your competitors have made alternate choices. Are they wrong? Or are your businesses positioned differently? The assumption that you're smarter is rarely correct.

6. Focus on your strengths.

Sometimes, focusing on your strengths -- rather than trying to improve your weaknesses -- can help you establish growth strategies. Reorient the playing field to suit your strengths, and build upon them to grow your business.

7. Invest in talent.

Your employees have direct contact with your customers, so you need to hire people who are motivated and inspired by your company's value proposition. Be cheap with office furniture, marketing budgets and holiday parties. Hire few employees, but pay them a ton. The best ones will usually stick around if you need to cut back their compensation during a slow period.

Developing a growth strategy isn't a one-size-fits-all process. In fact, due to changing market conditions, making strategic decisions based on someone else's successes would be foolish. That's not to say that you can't learn from another company, but blindly implementing a cookie-cutter plan won't create sustainable growth.

You need to adapt your plan to smooth out your business's inefficiencies, refine its strengths and better suit your customers -- who could be completely different than those from a vague, one-size-fits-all strategy.

Your company's data should lend itself to all your strategic decisions. Specifically, you can use the data from your key indicators and revenue streams to create a personalized growth plan. That way, you'll better understand your business and your customers' nuances, which will naturally lead to growth. A one-size-fits-all strategy implies vague indicators. But a specific plan is a successful plan. When you tailor your growth strategy to *your* business and customers, you'll keep your customers happy and fulfill their wants and needs, which will keep them coming back.

Self-Assessment Exercise

What are the strategies for growth?

Feedback

Growth Strategy aims at winning larger market share, even at the expense of short-term earnings.

Four broad growth strategies are

- Diversification,
- Product development
- Market penetration, and
- Market development.

4.0 Conclusion

In planning for business growth, it is critical to invest in talent. Your employees have direct contact with your customers, so you need to hire people who are motivated and inspired by your company's value proposition. Individual employee may be better suited to learning in a particular way, using distinctive modes for thinking, relating and creating. For your business to sustain long-term growth, you must understand what sets it apart from the competition. Establish a learning process that will enhance the growth of a business from start up.

5.0 Summary

To recap what you have learned in this unit, click on the video below or copy the link and paste on a web browser. The video is a summary of what you have read in this unit. You could also click on the audio version and listen. You can also download them and play offline.

[Video](https://youtu.be/fb80uydS-4Q) <https://youtu.be/fb80uydS-4Q>

Audio

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<https://knowhownonprofit.org/your-team/people-management-skills/change/tools/transition>

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Unit 3 Decision Making

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1.0 Introduction

Decision making is the process of making choices by identifying a decision, gathering information, and assessing alternative resolutions. Using a step-by-step decision-making process can help you make more deliberate, thoughtful decisions by organizing relevant information and defining alternatives.

2.0 Intended Learning Outcome (ILO)

By the end of this unit, you will be able to analyse different decision taking process in business transition that will enhance business growth.

3.0 Main Content

There are many ways of classifying decision in an organization but the following types of decisions are important ones:

1. Tactical and Strategic Decisions

Tactical decisions are those which a manager makes over and over again adhering to certain established rules, policies and procedures. They are of repetitive nature and related to general functioning. Authority for taking tactical decisions is usually delegated to lower levels in the organization.

Strategic decisions on the other hand are relatively more difficult. They influence the future of the business and involve the entire organization. Decisions pertaining to objective of the business, capital expenditure, plant layout, production etc., are examples of strategic decisions.

2. Programmed and Non-programmed Decisions

Prof. Herbert Simon (June 15, 1916 - February 9, 2001), an American economist and psychologist, has used computer terminology in classifying business decisions. These decisions are of a routine and repetitive nature. The

programmed decisions are basically of a routine type for which systematic procedures have been devised so that the problem may not be treated as a unique case each time it crops up.

The non-programmed decisions are complex and deserve a specific treatment. In the above example, if all the professors in a department stop their teaching work the problem cannot be solved by set procedural rules. It becomes a problem which requires a thorough study of the causes of such a situation and after analysing all factors a solution can be found through problem solving process.

3. Basic and Routine Decisions

Prof. Katona has classified decisions as basic and routine. Basic decision are those which require a good deal of deliberation and are of crucial importance. These decisions require the formulation of new norms through deliberate thought provoking process. Examples of basic decisions are plant location, product diversification, selecting channels of distribution etc.

Routine decisions are of repetitive nature and hence, require relatively little consideration. It may be seen that basic decisions generally relate to strategic aspects, while routine decisions are related to tactical aspects of a organization.

4. Organizational and Personal Decisions

Organizational decisions are those which an executive takes in his official capacity and which can be delegated to others. On the other hand, personal decisions are those which an executive takes in his individual capacity but not as a member of organization.

5. Off-the-Cuff and Planned Decisions

Off-the-cuff decisions involve "shooting from the hip". These decisions can be taken easily and may be directed towards the purposes of the enterprise. On the other hand, planned decisions are linked to the objectives of organization. They are based on facts and involve the scientific process in problem solving.

6. Policy and Operating Decisions

Policy decisions are those which are taken by top management and which are of a fundamental character affecting the entire business. Operating decisions are those which are taken by lower management for the purpose of executing policy decisions. Operating decisions relate mostly to the decision marker's own work and behaviour while policy decisions influence work or behaviour pattern of subordinates.

7. Policy, Administrative and Executive Decisions

Ernest Dale (born in Hamburg, Germany and died at the age of 79) has classified decisions in business organization as under.

- (a) Policy decisions,
- (b) Administrative decisions and
- (c) Executive decisions.

Policy decisions are taken by top management or administration of an organization. They relate to major issues and policies such as the nature of the financial structure, marketing policies, outline of organization structure.

Administrative decisions are made by middle management and are less important than policy decisions. According to Ernest Dale the size of the advertising budget is a policy decision but selection of media would be an example of administrative decision.

Executive decisions are those which are made at the point where the work is carried out. Distinguishing between these three types of decisions Dale writes, "policy decisions set forth goals and general courses of action, administrative decisions determine the means to be used and executive decisions are those made on a day-to-day basis as particular cases come up"

4.0 Conclusion

Summarizing our major decision-making types:

- **Business decision making** includes decisions that are made that determine business or organization outcomes.
- **Personal decision making** has the decisions that determine who we are as individuals and the outcomes we create for ourselves and others with which we have relationships. This category includes what is sometimes referred to as life decisions.
- **Consumer decision making** consists of choices that determine our effectiveness in purchase decisions that occur in either a personal or business context. In this case, the consumer (entity) can be an individual or a person within a business.

5.0 Summary

To recap what you have learned in this unit, click on the video below or copy the link and paste on a web browser. The video is a summary of what you have read in this unit. You could also click on the audio version and listen. You can also download them and play offline.

Video <https://youtu.be/Qk4Fnwg-ZJI>

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Unit 4 Control

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1.0 Introduction

Developing a Small Business Framework various researchers over the years have developed models for examining businesses each uses business size as one dimension and company maturity or the stage of growth as a second dimension.

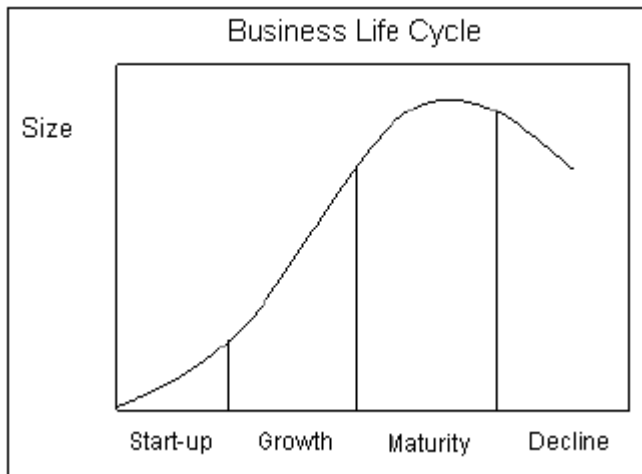
2.0 Intended Learning Outcome (ILO)

By the end of this unit, you would have managed the different stages in business growth.

3.0 Main Content

During the growth of a small business, a company will go through the stages of the business life cycle and encounter different challenges that require different financing sources. For example, the business will require a different strategy when it comes to market penetration, business development, and retaining market share. As the business matures, operations and priorities will change therefore requiring business financing to also change as well.

Below are the five stages of business growth every company goes through:



- Development stage. If you decide your business idea is worth developing, the next step is to put together a business plan.
- Start-up stage.
- Growth stage
- Expansion stage.
- Maturity stage.

1. Development / Seed Stage

The development or seed stage is the beginning of the business lifecycle. This is when your brilliant idea is merely just a thought and will require a round of testing in its initial stage. In testing your business idea, you may conduct research regarding the industry, gather feedbacks from your friends, family, colleagues, or other industry specialists. This is when you are determining whether the business idea that you had is worth pursuing and if so it will be the birth of your new business.

Challenges

- Business Idea Profitability
- Market Acceptance
- Establishing Business Structure
- Accounting Management

2. Startup Stage

You've decided that your business idea is worth pursuing and have now made your business entity legal. In this stage, you've finished developing the products or services that your business has to offer and will begin marketing and selling. During this stage, you will be tweaking your products or services according to the initial feedback from your first paying customers and market demand. You

will need to learn and adjust your business model to ensure profitability and that it meets your customer's expectations. By adjusting your business model, you'll be able to set your business on the right track.

Challenges

- Managing Cash Reserves
- Managing Sales Expectations
- Accounting Management
- Establishing Customer Base
- Establishing Market Presence

3. Growth/Survival Stage

Your business has endured through the initial stages of the business lifecycle and is currently in its growth or survival stage. The business is consistently generating revenue and adding new customers. These recurring revenue will help pay for your operating expenses and open up new business opportunities. Currently, your business could be operating at a net loss or maintaining a healthy profit, but there could be some competition. This is also when you need to fine tune your business model and implement proven methodologies, sales model, marketing model, and operations model before expanding your venture for the mass market.

Challenges

- Dealing with Increasing Revenue
- Dealing with Increasing Customers
- Accounting Management
- Effective Management
- Market Competition

4. Expansion / Rapid Growth Stage

Your business has been a thriving company and established its presence in the industry. You have now reached the stage in which your business will expand and spread its roots into new markets and distribution channels. In order to start capitalizing on the success of your business, you will need to capture a larger market share and find new revenue. Therefore your business will experience a rapid growth in revenue and cash flow. The rapid growth stage takes advantage from the proven sales model, marketing model, and operations model set forth from your growth/survival stage.

Challenges

- Increasing Market Competition

- Accounting Management
- Moving into New Markets
- Adding New Products/Services
- Expanding Existing Business

5. Maturity Stage

After a successful expansion, your business is on top of its industry and has matured. At the final stage of the business lifecycle, your business has a dominating presence in its market. Your business could still be growing but not at the substantial rate as you've previously experienced. Your current option is to decide to take a step back towards the expansion stage or to think of a possible exit strategy.

Challenges

- Increasing Market Competition
- Accounting Management
- Moving into New Markets
- Adding New Products/Services
- Expanding Existing Business
- Exit Strategy

Every stage of the business lifecycle brings new or pre-existing challenges. Solutions that may have worked for one stage may not work in another stage, which is why you should always adjust your business plan and operations accordingly.

At each stage, your business will rely on a financial source to help overcome the challenges your business faces. This is especially important to have an accounting management software in place so that you will have an accurate reflection of your current business finances. Having an accounting software in place will help you understand where your business is on the current business lifecycle and the details will allow you to foresee upcoming challenges and to make better business decisions.

Discussion Forum

Identify and interview two successful entrepreneurs on their business life cycle. Compare your findings with the five main stages of business life cycle and growth as discussed in this unit. Post your discussion on the discussion forum.

1. Development / Seed Stage

The development or seed stage is the beginning of the business lifecycle. This is when your brilliant idea is merely just a thought and will require a round of testing in its initial stage. In testing your business idea, you may conduct

research regarding the industry, gather feedbacks from your friends, family, colleagues, or other industry specialists. This is when you are determining whether the business idea that you had is worth pursuing and if so it will be the birth of your new business.

Challenges

- Business Idea Profitability
- Market Acceptance
- Establishing Business Structure
- Accounting Management

2. Startup Stage

You've decided that your business idea is worth pursuing and have now made your business entity legal. In this stage, you've finished developing the products or services that your business has to offer and will begin marketing and selling. During this stage, you will be tweaking your products or services according to the initial feedback from your first paying customers and market demand. You will need to learn and adjust your business model to ensure profitability and that it meets your customer's expectations. By adjusting your business model, you'll be able to set your business on the right track.

Challenges

- Managing Cash Reserves
- Managing Sales Expectations
- Accounting Management
- Establishing Customer Base
- Establishing Market Presence

3. Growth/Survival Stage

Your business has endured through the initial stages of the business lifecycle and is currently in its growth or survival stage. The business is consistently generating revenue and adding new customers. These recurring revenue will help pay for your operating expenses and open up new business opportunities. Currently, your business could be operating at a net loss or maintaining a healthy profit, but there could be some competition. This is also when you need to fine tune your business model and implement proven methodologies, sales model, marketing model, and operations model before expanding your venture for the mass market.

Challenges

Dealing with Increasing Revenue
Dealing with Increasing Customers
Accounting Management
Effective Management
Market Competition

4. Expansion / Rapid Growth Stage

Your business has been a thriving company and established its presence in the industry. You have now reached the stage in which your business will expand and spread its roots into new markets and distribution channels. In order to start capitalizing on the success of your business, you will need to capture a larger market share and find new revenue. Therefore your business will experience a rapid growth in revenue and cash flow. The rapid growth stage takes advantage from the proven sales model, marketing model, and operations model set forth from your growth/survival stage.

Challenges

Increasing Market Competition
Accounting Management
Moving into New Markets
Adding New Products/Services
Expanding Existing Business

5. Maturity Stage

After a successful expansion, your business is on top of its industry and has matured. At the final stage of the business lifecycle, your business has a dominating presence in its market. Your business could still be growing but not at the substantial rate as you've previously experienced. Your current option is to decide to take a step back towards the expansion stage or to think of a possible exit strategy.

Challenges

Increasing Market Competition
Accounting Management
Moving into New Markets
Adding New Products/Services
Expanding Existing Business
Exit Strategy

Every stage of the business lifecycle brings new or pre-existing challenges. Solutions that may have worked for one stage may not work in another stage, which is why you should always adjust your business plan and operations accordingly.

At each stage, your business will rely on a financial source to help overcome the challenges your business faces. This is especially important to have an accounting management software in place so that you will have an accurate reflection of your current business finances. Having an accounting software in place will help you understand where your business is on the current business lifecycle and the details will allow you foresee upcoming challenges and to make better business decisions.

Discussion Forum

Identify and interview two successful entrepreneurs on their business life cycle. Compare your findings with the five main stages of business life cycle and growth as discussed in this unit. Post your discussion on the discussion forum.

4.0 Conclusion

The business life cycle is the progression of a business and its phases over time, and is most commonly divided into five stages: launch, growth, shake-out, maturity, and decline. To increase the chances of business success, the business the Entrepreneur should require proper preparation and development at all stages.

5.0 Summary

To recap what you have learned in this unit, click on the video below or copy the link and paste on a web browser. The video is a summary of what you have read in this unit. You could also click on the audio version and listen. You can also download them and play offline.

Video

Audio

6.0 References/Further Reading

<https://www.gnapartners.com/article/stages-business-growth>

<https://hbr.org/1983/05/the-five-stages-of-small-business-growth>

