FEDERAL UNIVERSITY OF TECHNOLOGY, MINNA, NIGER STATE, NIGERIA

CENTRE FOR OPEN DISTANCE AND e-LEARNING (CODeL)

B.TECH. COMPUTER SCIENCE PROGRAMME

COURSE TITLE

ENTREPRENEURSHIP I

COURSE CODE

GST311

COURSE DEVELOPMENT TEAM

GST 311
ENTREPRENEURSHIP I

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STUDY GUIDE

1.0 INTRODUCTION

Entrepreneurship I is a first semester, two-credit and 300 level core course. It will be available to all students taking undergraduate programmes.

This course introduces students to the processes of new venture creation and the critical knowledge needed to manage businesses once they are formed. It will as well enable students to fulfill their dreams of becoming successful entrepreneurs.

2.0 COURSE GUIDE

The course guide tells you briefly what the course is about, what course materials you will be using and how you can work your way through the study materials. It suggests some general guidelines for the amount of time you are likely to spend on each unit of the course in order to complete it successfully.

It also gives you some guidance on your tutor-marked assignment which will be made available to you at the Study Centre. There are regular tutorial classes that are linked to this course. You are advised to attend these sessions.

3.0 WHAT YOU WILL LEARN IN THIS COURSE

The course, Entrepreneurship I, consists of 6 modules. Specifically, the course discusses the following:

i. Introduction to Entrepreneurship and Problem Solving Behaviour

ii. Inside the entrepreneurial mind: from ideas to reality

iii. Forms of business ownership and franchising

iv. Developing marketing strategies

v. Managing cash flow

vi. Crafting a winning business plan

4.0 COURSE AIMS

The aim of this course can be summarized as follows:

The course aims to give you an understanding of general concepts of entrepreneurship and problem-solving behaviour, enabling to you harness your creativity and avoid its bottlenecks, exposing to the various forms of business ownership and their merits as well as their demerits, developing marketing strategies, managing cash flow and crafting a winning business plan.

5.0 COURSE OBJECTIVES

To achieve the aims showed for this course, each unit also has specific objectives. The unit objectives are always specified at the beginning of each unit. You should read them before you start working through the unit. It will assist in checking your progress.

You should always look at the unit objectives after completing a unit. This will enable you to assess yourself as to how well you have understood the contents of the unit.

Below are the overall objectives of the course. On successful completion of the course, you should be able to:

i. Define the role of the entrepreneur in business, and explain the forces behind the growth of entrepreneurship

ii. Explain the differences among creativity, innovation and entrepreneurship and to describe why creativity and innovation are an integral part of entrepreneurship.

iii. Explain the advantages and the disadvantages of the major forms of business ownership: the sole proprietorship, the partnership and the corporation.

iv. Describe the principles of building a guerrilla marketing plan and explain the benefits of preparing one.

v. Explain the importance of cash management to a small business's success, and to describe the fundamental principles involved in managing the "big three" of cash management: Accounts receivable, Accounts payable and Inventory.

vi. Explain why every entrepreneur should create a business plan and list the benefits of such a plan, and describe the elements of a solid business plan.

6.0 WORKING THROUGH THIS COURSE

To complete this course, you are required to read the study units, the recommended books, and other materials provided by the centre. Each unit contains self-assessment exercises, and at a point in this course, you are required to submit assignments for assessment purposes. At the end of the course, there will be a final examination.

7.0 COURSE MATERIALS

Major components of the course are:

i. Course Guide
ii. Study Units
iii. Textbooks
iv. Assignment

8.0 STUDY UNITS

The study units in this course are as follows:

MODULE 1: INTRODUCTION TO ENTREPRENEURSHIP AND PROBLEM SOLVING BEHAVIOUR

Unit 1: Definition and Characteristics of an Entrepreneur and Entrepreneurship

Unit 2: Benefits and the Potential Drawbacks of Entrepreneurship

Unit 3: Deadly Mistakes of Entrepreneurship and how to avoid them

MODULE 2: INSIDE THE ENTREPRENEURIAL MIND: FROM IDEAS TO REALITY

Unit 1: Creativity, Innovation and Entrepreneurship

Unit 2: The Creative Process

Unit 3: Protecting your ideas

MODULE 3: FORMS OF BUSINESS OWNERSHIP AND FRANCHISING

Unit 1: Major forms of business ownership

Unit 2: Franchising

MODULE 4: DEVELOPING MARKETING STRATEGIES

Unit 1: Building a guerrilla marketing plan

Unit 2: Marketing Mix

MODULE 5: MANAGING CASH FLOW

Unit 1: The Cash Management Role of the Entrepreneur

Unit 2: Preparing a cash budget

Unit 3: The "Big Three" of Cash Management and avoiding cash crunch

MODULE 6: CRAFTING A WINNING BUSINESS PLAN

Unit 1: Developing a business plan

Unit 2: Five "Cs" of credit

9.0 ASSIGNMENT FILES

A number of self-assessment exercises have been prepared to help you succeed in this course. The exercises will guide you to have understanding and good grasp of the course.

10.0 ASSESSMENTS

There are two aspects to the assessment of the course: first is a self-assessment exercise; second is the tutor-marked assignment and third a written examination.

In tackling the assignments, you are expected to apply information, knowledge and techniques gathered during the course. The assignments would be submitted to your tutor for formal assessment in accordance with the deadlines stated by the Centre.

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MODULE 1:

INTRODUCTION TO ENTREPRENEURSHIP AND PROBLEM SOLVING BEHAVIOUR

UNIT 1: DEFINITION, CHARACTERISTICS OF AN ENTREPRENEUR AND ENTREPRENEURSHIP

CONTENT

1.0 INTRODUCTION

Welcome to the world of the entrepreneur! Across the globe, growing numbers of people are realizing their dreams of owning and operating their own businesses. Interest in entrepreneurship has never been higher than it has been at the beginning of the twenty-first century**.** Capitalist societies depend on entrepreneurs to provide the drive and risk-taking necessary for the system to supply people with the goods and services they need.

This study unit brings you into the great and exciting arena of entrepreneurship by defining the concept of the entrepreneur and entrepreneurship and discussing the various characteristics of an entrepreneur. This will enable you to gauge yourself objectively regarding how much entrepreneurial characteristics you already possess, and which ones you need to develop.

2.0 OBJECTIVES

After studying the material in this unit, you should be able to:

i. Explain why this is an interesting time to study entrepreneurship
ii. Define what is meant by the terms entrepreneur and entrepreneurship
iii. Describe the characteristics of an entrepreneur

3.0 MAIN CONTENT

3.1 Definition of an Entrepreneur and Entrepreneurship

Entrepreneurship is the act of being an entrepreneur or "one who undertakes innovations, finance and business acumen in an effort to transform innovations into economic goods". This may result in new organizations or may be part of revitalizing mature organizations in response to a perceived opportunity. The most obvious form of entrepreneurship is that of starting new businesses (referred as Startup Company). An entrepreneur is thus one who creates a business in the face of risk and uncertainty for the purpose of achieving profit and growth by identifying significant opportunities and assembling the necessary resources to capitalize on them. Although, many people come up with great business ideas, most of them never act on their ideas. Entrepreneurs do.

SELF ASSESSMENT EXERCISE 1

Zimmerer and Scarborough (2002) define an entrepreneur as "one who creates a new business in the face of risk and uncertainty for the purpose of achieving profit and growth by identifying………..

a) Products
b) People
c) Opportunities
d) Jobs

3.2: Characteristics of an Entrepreneur

Researchers have invested a great deal of time and effort over the last few decades trying to paint a clear picture of the entrepreneurial personality. We now look at brief description of the characteristics of an entrepreneur.

i. Disciplined

These individuals are focused on making their businesses work, and eliminate any hindrances or distractions to their goals. They have strategies and outline the tactics to accomplish them. Successful entrepreneurs are disciplined enough to take steps every day toward the achievement of their objectives.

ii. Confidence

The entrepreneur does not ask questions about whether they can succeed or whether they are worthy of success. They are confident with the knowledge that they will make their businesses succeed. They exude that confidence in everything they do.

iii. Open Minded

Entrepreneurs realize that every event and situation is a business opportunity. Ideas are constantly being generated about workflows and efficiency, people, skills and potential new businesses. They have the ability to look at everything around them and focus it toward their goals.

iv. Self Starter

Entrepreneurs know that if something needs to be done, they should start it themselves. They set the parameters and make sure that projects follow that path. They are proactive, not waiting for someone to give them permission.

v. Competitive

Many companies are formed because an entrepreneur knows that they can do a job better. They need to win at the sports they play and need to win at the businesses that they create. An entrepreneur will highlight their own company's track record of success.

vi. Creativity

One facet of creativity is being able to make connections between seemingly unrelated events or situations. Entrepreneurs often come up with solutions which are the synthesis of other items. They will repurpose products to market them to new industries.

vii. Determination

Entrepreneurs are not thwarted by their defeats. They look at defeat as an opportunity for success. They are determined to make all of their endeavors succeed, so will try and try again until it does. Successful entrepreneurs do not believe that something cannot be done.

viii. Strong people skills

The entrepreneur has strong communication skills to sell the product and motivate employees. Most successful entrepreneurs know how to motivate their employees so the business grows overall. They are very good at highlighting the benefits of any situation and coaching others to their success.

ix. Strong work ethic

The successful entrepreneur will often be the first person to arrive at the office and the last one to leave. They will come in on their days off to make sure that an outcome meets their expectations. Their mind is constantly on their work, whether they are in or out of the workplace.

x. Passion

Passion is the most important trait of the successful entrepreneur. They genuinely love their work. They are willing to put in those extra hours to make the business succeed because their business gives joy which goes beyond the money. The successful entrepreneur will always be reading and researching ways to make the business better.

Successful entrepreneurs want to see what the view is like at the top of the business mountain. Once they see it, they want to go further. They know how to talk to their employees, and their businesses soar as a result.

SELF ASSESSMENT EXERCISE 2

The fact that entrepreneurs tend to be optimistic about their chances for success means that they have:

a. Certainty in their ability to succeed
b. Bravado in their ability to succeed
c. Confidence in their ability to succeed
d. No doubts in their ability to succeed.

4.0 CONCLUSION

In this study unit, you have learnt about the meaning of entrepreneurship and the entrepreneur. The entrepreneur does not just have good business ideas, but has the courage to make them into reality by harnessing scarce resources in order to take advantage of opportunities. You have also learnt the various characteristics of a successful entrepreneur.

5.0 SUMMARY

i. What you have learnt in this study unit concerns the definition of entrepreneurship and an entrepreneur.
ii. You also have learnt the characteristics of an entrepreneur.
iii. The study unit that follows builds upon what you have learnt in this unit by discussing the benefits and potential drawbacks of entrepreneurship.

6.0: TUTOR-MARKED ASSIGNMENT (TMA)

1. Who is an entrepreneur?
2. Give a brief description of the key characteristics of an entrepreneur.
3. Tell magazine claims, “Entrepreneurship is more mundane that it is sometimes portrayed… you don’t need to be a person of mythical proportions to be very very successful in building your enterprise.” Do you agree? Explain

7.0 REFERENCES/FURTHER READINGS

Zimmerer, T.W. and Scarborough, N.M. (2005). Essentials of Entrepreneurship and Small Business Management. New Jersey: Pearson Prentice Hall. ISBN 0-13-191856-7

Megginson, L.C., Byrd, M.J., Megginson, W.L. (2003). Small Business Management: An Entrepreneur's Guidebook. New York: McGraw Hill Irwin. ISBN 0-07-119857-1

10 Qualities of a Successful Entrepreneur. Retrieved from http://under30ceo.com/10-qualities-of-a-successful-entrepreneur

UNIT 2: BENEFITS AND THE POTENTIAL DRAWBACKS OF ENTREPRENEURSHIP

CONTENTS

1.0 INTRODUCTION

Surveys show that owners of small businesses believe they work harder, earn more money, and are happier than working for a large company. Before launching any business venture, every potential entrepreneur should consider the benefits of small business ownership.

Although owning a business has many benefits and provides many opportunities, anyone planning to enter the world of entrepreneurship should be aware of its potential drawbacks.

This study unit will highlight and discuss the various benefits and potential drawbacks of being involved in the world of entrepreneurship.

2.0 OBJECTIVES

After studying the material in this unit, you should be able to:

i. Explain the benefits and drawbacks of entrepreneurship
ii. Explain the potential drawbacks of entrepreneurship

3.0 MAIN CONTENT

3.1 The Benefits of Entrepreneurship

In times like this when opportunities to earn money from jobs are less, you have to make opportunities for yourself through entrepreneurship. The benefits of entrepreneurship and the economy and toward the entrepreneur himself or herself are as follows:

i. Financial Independence

Entrepreneurship can be your ticket toward financial independence. How much you make really depends on you; you set your own goal and by it you determine how much you compensate your efforts. Of course, there are necessary things you need in place before you could realize total financial independence, but working toward your goal is another exciting thing that you could do for yourself as a person

ii. Flexibility

Entrepreneurship allows flexibility in your life. Once the necessary things are set in place and operation is properly delegated, the entrepreneur can start to experience flexibility in work schedule than working for somebody else. After all, one of the top benefits of entrepreneurship is that you are your own boss. When all aspects of your business are fully functional, you can start to do other things that you love. You can finally make time for your sport, hobby, and, most of all, for your family.

iii. Endless possibilities

Entrepreneurship can open endless possibilities for the entrepreneur. Working for somebody else often force people to do jobs they don't like; entrepreneurship can free you from the drudgery of imposed tasks. In fact, your business should be a self-expression, a form of outlet for your creativity and the things that you love to do. It's simply doing the things that you love to do and making money while doing it. No longer will you be in the mercy seniority and office politics to rise and achieve growth. Entrepreneurship will bring you to new heights that not even your limitations can hold you back if your determination is solid.

iv. Contribution to society

Small business owners are respected people in the community because they are responsible for spurring community development starting at creating local jobs. Jobs provided by entrepreneurs are even more fulfilling in terms of pay and recognition compared to jobs in high-rise offices. You're not only providing for yourself and your family, you're also providing for the community in your own little way. No economy in the world can survive without the ingenuity, creativity, and labor provided by entrepreneurs.

v. Lack of discrimination

The best part about entrepreneurship is that it doesn't discriminate: men, women, young, old, educated or not, everyone can become an entrepreneur through hard work and dedication to continuous learning and improvement.

SELF ASSESSMENT EXERCISE 1

The owners of “Google” made billions overnight when they sold shares for the first time. This shows that entrepreneurs can:

a. Create their own destiny

b. Make a difference

c. Reach their full potential

d. Reap impressive profits

3.2: Potential Drawbacks of Entrepreneurship

No one should start a business with the hope to fail. It is important to know what may go wrong. It's important to learn about these potential drawbacks ahead of time.

The potential drawbacks of entrepreneurship are as follows:

i. Uncertainty of Income

There are no guarantees that an entrepreneur will make enough money to survive. Some small businesses barely make enough to pay the owner-manager with adequate income. However, business owners are more likely to earn higher incomes than wage and salary workers. In the start-up phase, a business often cannot provide an attractive salary for the owner and cover its financial obligations. This means that the entrepreneur may have to live on savings for a little while. The owner is the last one paid, so there is no regularity of income.

ii. Risk of Losing Invested Capital

Starting a business is all about risk. And the small business failure rate is relatively high. According to a study by the National Federation of Independent Businesses (NFIB), 35% of businesses fail within two years, 54% fail within four years and 64% of new businesses fail after six years. When a business fails it can be financially and emotionally devastating. People contemplating entrepreneurship should decide how much they are willing to risk.

iii. Long Hours and Hard Work

Business start-ups often demand that owners keep nightmarish schedules. These owners feel the pressure because they know that when the business closes, the revenue stops coming in and the customers go elsewhere. Holidays and time-off are things that go out of the window for entrepreneurs.

iv. Lower Quality of Life until the Business Gets Established

The long hours and hard work needed to launch a business can take a toll on the remainder of the entrepreneur's life. Business owners often find that their roles as husbands or wives and fathers or mothers take back seat to their role as business founders.

v. Discouragement

Launching a business is a substantial undertaking that requires a great deal of dedication, discipline and tenacity. Along the way to building a successful business, entrepreneurs will run headlong into many different obstacles, some of which appear to be insurmountable. In the faces of such difficulties, discouragement and disillusionment are common emotions.

SELF ASSESSMENT EXERCISE 2

Arguably the greatest drawback of starting a new business is:

a. Long hours of hard work

b. Losing entire investment

c. Discouragement

d. Feelings of Isolation

4.0 CONCLUSION

In this study unit, you have learnt about the benefits and potential drawbacks of entrepreneurship. There is no denying that a great deal of risk is involved when one decides to start up a business. There is every chance you might lose your entire business and even neglect your family. However, the benefits of entrepreneurship can be so great that those with courage and tenacity can reap great rewards and contribute greatly to the economy. Think of people like Aliko Dangote and Mike Adenuga.

5.0 SUMMARY

i. What you have learnt in this study unit concerns the benefits of entrepreneurship

ii. You also have learnt the potential drawbacks of entrepreneurship.

iii. The study unit that follows builds upon what you have learnt in this unit by discussing the ten deadly mistakes of entrepreneurship and how to avoid them.

6.0: TUTOR-MARKED ASSIGNMENT (TMA)

1. What are the benefits of entrepreneurship?
2. What are the potential drawbacks of entrepreneurship?
3. Which of the potential drawbacks to business ownership are most critical?

7.0 REFERENCES/FURTHER READINGS

Zimmerer, T.W. and Scarborough, N.M. (2005). Essentials of Entrepreneurship and Small Business Management. New Jersey: Pearson Prentice Hall. ISBN 0-13-191856-7

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UNIT 3: DEADLY MISTAKES OF ENTREPRENEURSHIP AND HOW TO AVOID THEM

CONTENT

1.0 INTRODUCTION

Because of their limited resources, inexperienced management and lack of financial stability, small business suffer a mortality rate significantly higher than that of larger, more established businesses. Exploring the circumstances surrounding business failure may help to avoid it.

This study unit will discuss the deadly mistakes that entrepreneurs make which lead to business failure. It also discusses the steps to be taken to avoid such deadly mistakes.

2.0 OBJECTIVES

After studying the material in this unit, you should be able to:

i. Identify the deadly mistakes which often lead to small business failure
ii. Understand the steps to take to avoid such deadly mistakes

3.0 MAIN CONTENT

3.1 Deadly mistakes of entrepreneurship

i.Trying to Get Rich Quick

Most overnight successes take 15 to 20 years to achieve. If you go in expecting to be rich overnight, you may become discouraged early on and give up your dream prematurely. Know that success takes time, takes perseverance and takes a little bit of luck. Give your business the time to grow. Only if your company is stagnant for a long time, should you take it as an indication to try something new.

ii. Assuming No Competition

Even if you have the latest, greatest, never-been-done-before approach to something, don't assume you have no competition. Competition is more than just the direct, obvious competitors. Competition is also all the available alternatives. What else could the consumer do instead of using your product or service? Could they do nothing?!? The customer almost always has the option of walking away; and that is a serious competitive threat.

iii. Being a Weak Leader

The success of your company is contingent on you being a strong, effective leader. This does not mean you need to be an authoritarian, and this does not mean you are everyone's friend either. A great leader sets the course for the company, communicates it constantly and inspires the team to get there.

iv. Being All Business All the Time

Many entrepreneurs put their personal lives on hold to focus exclusively on their business. Ultimately both suffer. No question; your business needs your full attention and effort, but only in short spurts. Just like a peak athlete, in addition to cranking up for game time, you need to have a proper healthy diet, get enough rest, and take breaks. Balance your personal and business life and you will actually do better in both.

v. Pie-In-The-Sky Financial Goals

If all business plans succeed, being a billionaire would be nothing extraordinary. Many entrepreneurs go into a new venture planning astronomical returns. Yet, most never even get the business off the ground. Unrealistic goals not only hurt your credibility, but can also be an emotional drain. Set Specific, Measurable, Accountability, Realistic, and Time specific (SMART) goals to ensure continual progress; chances of being an overnight success (albeit in 15 to 20 years) are much greater!

vi. No Rallying Point

There is a reason why employees leave high paying corporate jobs to go to start ups, and it sure isn't for the money. People are driven to serve an important purpose, in addition to bringing home enough bacon to feed the family. Many businesses never define their real purpose for existence and continually attract a mix of employees who are seeking success in different ways. Clarify the purpose of your company, beyond just making money, and you set the stage for attracting like minded employees. A team focused on the same goal is a very powerful force.

vii. Cutting Price

Often, the first thing entrepreneurs resort to when business is tough is to try differentiating on price. Cheaper prices mean more customers, right? Wrong! Most customers are willing to buy more expensive items because of the greater quality or the better convenience. During tough times, often an increase in price, coupled with improvements in quality or convenience can bring the customers in droves. Price slashing is a dangerous game. At some point you have to slash yourself to keep costs down.

viii. No Clear Marketing Message
You never know where, when or how a new prospect is going to hear of your business. If you have a mix of messages out there, the prospects will have an unclear expectation of what you offer. Your company must be presenting a consistent clear message on all fronts. You will never get a second chance to make a first impression. Make sure every opportunity a new prospect will get to see your business for the first time, sends the same consistent message.

ix. Not Being Forthright
The days of cover ups, died out with Bill Clinton's denial of sexual relations with Monica. The anonymous nature and grand size of the Internet allows someone to share anything with anyone at anytime. If your business tries to cover up a mistake, it is just a matter of time before the word leaks and you are labelled as a liar. That's not good for business. Be the one to break your own bad news, you just may be perceived as honest and trustworthy.

x. Trying to Do It All
The greatest mistake entrepreneurs make is to believe they can do it all by themselves. While an entrepreneur can do most things, they do most things poorly. Just like any other person, an entrepreneur has one or two God given talents. As an entrepreneur it is your job to identify what you are great at and do those few things to your fullest. Surround yourself with people who are strong where you are not. Great companies are built on the foundation of exploiting a few strengths, not on trying to be masters of everything.

SELF ASSESSMENT EXERCISE 1
The primary cause of business failure is:

a. Management mistakes

b. Lack of experience

c. Poor financial control

d. Weak marketing effort

3.2: How to overcome the deadly mistakes of entrepreneurship

We have seen the most common reasons behind many small business failures. Now we must examine the ways to avoid becoming another failure statistics and gain insight into what makes a successful business.

i. Know your business in-depth

We have already emphasized the need for the right type of experience in the business you plan to start. Get the best education in your business area that you possibly can before you set out on your own. In a nutshell, read everything you can from trade journals, books, research reports relating to your industry and learn what it takes to succeed in it.

ii. Develop a solid business plan

For any entrepreneur, a well-written business plan is a crucial ingredient in preparing for business success. Without a sound business plan, a business merely drifts along without any real direction. Unfortunately, most entrepreneurs never take the time to develop a solid business plan. A business plan allows entrepreneurs to replace faulty assumptions with facts before making decision to go into business.

iii. Manage Financial Resources

The first step in managing financial resources effectively is to have adequate start-up capital. One experienced business owner advises, "Estimate how much capital you need to get the business going and then double that figure".

The most valuable financial resource to any small business is cash. Although earning a profit is essential to its long-term survival, a business must have adequate supply of cash to pay its bills and meet its obligations.

iv. Learn to Manage People Effectively

No matter what kind of business you launch, you must learn to mange people. Every business depends on a foundation of well-trained, motivated employees. No business owner can do everything alone.

v. Keep in Tune with Yourself

Starting a business is like running a marathon. If you are not physically and mentally in shape, you'd better do something else. Your business's success will depend on your constant presence and attention, so it is critical to monitor your health closely. Stress is a primary problem, especially if it is not kept in check.

SELF ASSESSMENT EXERCISE 2

How does an entrepreneur know his business in depth?

a. Get the best education in your business area

b. Start your business cautiously

c. Listen carefully to your competitors

d. Do a trial run first

4.0 CONCLUSION

In this study unit, you have learnt about the deadly mistakes which lead to the failure of many small businesses. Mistakes such as trying to do it all, being a weak leader and poor financial control can often derail a promising business and lead to its collapse. You have also been given the various steps you need to take as a fledgling entrepreneur to avoid these deadly mistakes, such as knowing your business in-depth, developing a solid business plan and keeping in tune with yourself. Putting all these steps into practice will go a long way in your future success as a big-time entrepreneur.

5.0 SUMMARY

i. What you have learnt in this study unit concerns the deadly mistakes made by entrepreneurs
ii. You also have learnt the steps to take to avoid making these deadly mistakes.
iii. This study unit ends the first module. The upcoming module deals with creativity and innovation.

6.0: TUTOR-MARKED ASSIGNMENT (TMA)

1. Outline the deadly mistakes that lead to small business failure.
2. Explain the steps an entrepreneur can take to avoid the deadly mistakes of entrepreneurs.
3. Are you interested in launching a small business? If so, when? What kind of business? What can you do to ensure its success?

7.0 REFERENCES/FURTHER READINGS

Zimmerer, T.W. and Scarborough, N.M. (2005). Essentials of Entrepreneurship and Small Business Management. New Jersey: Pearson Prentice Hall. ISBN 0-13-191856-7

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MODULE 2:

INSIDE THE ENTREPRENEURIAL MIND: FROM IDEAS TO REALITY

UNIT 1: CREATIVITY, INNOVATION AND ENTREPRENEURSHIP

CONTENT

1.0 INTRODUCTION

One of the tenets of entrepreneurship is the ability to create new and useful ideas that solve the problems and challenges people face every day. Entrepreneurs achieve success by creating value in the market place when they combine resources in new and different ways to gain a competitive edge over rivals.

The concepts of creativity and innovation are absolutely crucial for an entrepreneur to successfully create value in the market place and help solve people's daily problems whilst making a sizeable profit. This unit introduces these key concepts of creativity and innovation and the important role they play in successful entrepreneurship.

2.0 OBJECTIVES

After studying the material in this unit, you should be able to:

i. Explain the differences among creativity, innovation and entrepreneurship

ii. Describe why creativity and innovation are such an integral part of entrepreneurship

3.0 MAIN CONTENT

3.1 Creativity and Innovation

What is the entrepreneurial “secret” for creating value in the marketplace? In reality, the “secret” is no secret at all: It is applying creativity and innovation to solve problems and to exploit opportunities to enhance or to enrich people’s lives.

Creativity is the ability to develop new ideas and to discover new ways of looking at problems and opportunities, while innovation is the ability to apply creative solutions to problems and opportunities to enhance or to enrich people’s lives. Successful entrepreneurs come up with ideas and then find ways to make them work to solve a problem or to fill a need.

Creative thinking has become a core business skill, and entrepreneurs lead the way in developing and applying that skill. In fact, creativity and innovation often lie in the heart of small business’s ability to compete successfully with their larger rivals. Today’s successful businesses live and die according the quality of their ideas.

Sometimes creativity involves generating something from nothing. However creativity is more likely to result in elaborating on the present, of putting old things together in new ways, or taking something away to create something simpler or better.

Entrepreneurship is thus the result of a disciplined, systematic process of applying creativity and innovation to the needs and opportunities in the marketplace.

SELF ASSESSMENT EXERCISE 1

The ability to develop new ideas and to discover new ways of looking at problems and opportunities is called:

a. Creativity

b. Innovation

c. Brainstorming

d. Transformation

3.2: The role of creativity and innovation in entrepreneurship

In this fiercely competitive, fast-faced, global economy, creativity is not only and important source for building a competitive advantage, but also a necessity for survival.

A paradigm is a preconceived idea of what the world is, what it should be like, and how it should operate. Entrepreneurs must always be on guard against existing paradigms because they are obstacles to creativity. Successful entrepreneurs often go beyond conventional wisdom as they ask "why not…?"

Merely generating one successful creative solution to address a problem or a need usually is not good enough to keep an entrepreneurial enterprise successful in the long run. Success – even survival – in this fiercely competitive, global environment requires entrepreneurs to tap their creativity and that of their employees constantly. Entrepreneurs can be sure that if they develop a unique creative solution to solve a problem or to fill a need, a competitor, perhaps one or six time zones away, is hard at work developing an even more creative solution to render them obsolete. This extremely rapid and accelerating rate of change has created an environment in which staying in a leadership position requires constant creativity and innovation.

SELF ASSESSMENT EXERCISE 2

To survive in today's fiercely competitive, fast-faced, global economy-----------is a necessity for business survival

a. Creativity

b. Innovation

c. Paradigm

d. Transformation

4.0 CONCLUSION

In this study unit, you have learnt about the concepts of creativity and innovation and their crucial importance in the success of any small business. Only change is constant, and this is true in the field of entrepreneurship. Customer needs constantly change and the business that does not track these changes and create new products and services to meet these changing needs is doomed to fail. It is thus fair to say that creativity and innovation are the "life-blood" of any small business.

5.0 SUMMARY

i. What you have learnt in this study unit concerns creativity and innovation

ii. You also have learnt the crucial role these two concepts play for the success of any small business.

iii. This upcoming study unit elaborates further on the crucial concept of creativity by discussing the creative process.

6.0: TUTOR-MARKED ASSIGNMENT (TMA)

i. Explain the differences among creativity, innovation and entrepreneurship

ii. How are creativity, innovation and entrepreneurship related?

iii. One entrepreneur claims, "Creativity unrelated to a business plan has no value". What does this mean?

7.0 REFERENCES/FURTHER READINGS

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UNIT 2: THE CREATIVE PROCESS

CONTENT

1.0 INTRODUCTION

For many years, conventional wisdom held that a person was either creative or not. Today, we know better. Research shows that anyone can learn to be creative. Every person can be taught techniques and behaviours that help to generate more ideas. Restricted by their traditional thinking patterns most people never tap into their pools of innate creativity and the business becomes stagnant.

This study addresses several issues relating to creativity. First, the barriers that prevent entrepreneurs from being creative are discussed. A discussion of the various methods which entrepreneurs can use to enhance their creativity and that of their employees follows. The study unit concludes with a presentation of the creative process and the steps entrepreneurs can adopt to improve the creative process.

2.0 OBJECTIVES

After studying the material in this unit, you should be able to:

i. List the barriers that limit individual creativity

ii. Understand how entrepreneurs can enhance their own creativity and that of their employees as well

iii. Describe the steps in the creative process and the techniques for improving the creative process

3.0 MAIN CONTENT

3.1 Barriers to creativity

Barriers to creativity can prevent us from unlocking our creative potential. Being aware of the barriers should prepare you for recognizing when they occur and arm you with the potential to break past them. Below are some major barriers to individual creativity:

i. Functional fixedness:

This is a term used by psychologists and means to only see the obvious ways of looking at a problem. It's where the individual does not leave his/her comfort zone when thinking about solutions to a problem.

ii. Self-censorship:

This is that inner voice that holds you back and tries to prevent you from making a fool of yourself or looking stupid. It's the negative thoughts that come into your mind, such as "that will never work".

iii. Micro-management:

This stifles a person's ability to be creative as micro managers provide too much detail related to how a particular task or problem should be tackled. This reduces the ability for the person to think for themselves and add their own creative flair.

iv. Over-thinking:

Over-thinking about a problem or task uses the logical conscious side of our mind. Often creativity comes from the subconscious mind so rather than over thinking it might be wise to go for a walk or simply start daydreaming.

v. Creativity myths:

These refer to the false belief that creativity is in-born and cannot be taught. This belief acts as a barrier to people's ability to tap into their creative mind.

vi. Image risks:

These occur where people worry about the impression that people will have of them after suggesting an idea. If an individual's role does not specifically call for creativity or innovation then he/she believes that co-workers will think negatively of them if they try and come up with better ways to do things. It's the thought of making someone angry by initiating change that upsets the status quo.

vii. Lack of time and opportunity:

People often feel that they are too busy with their day-to-day efforts to have time to focus on being creative. Resolve this by setting some planned time a side each and every day for creative efforts.

viii. Lack of sleep:

Lack of sleep not only forms barriers to creativity but to most other things too! Try and lead a healthy well balanced life with lots of exercise and water and healthy nutrition. You're more likely to generate ideas if you are well rested and feel great about yourself.

ix. Criticism:

Criticism by others can put you off from proceeding any further with your ideas. Try and dismiss negative thinkers or win them over by demonstrating the validity of your idea with a prototype.

x. Rules, policies and procedures:

If the organization that you work in has lots of rules, policies and procedures then these can sometimes stifle creativity due to the bureaucracy that they create. If you can't advance your project forward without five signatures then you will find it difficult to maintain momentum.

SELF ASSESSMENT EXERCISE 1

There are ---------- general limitations on creativity

a. 7
b. 8
c. 9
d. 10

3.2: Enhancing creativity

By avoiding the barriers to creativity, entrepreneurs can unleash their own creativity and the creativity of those around them as well.

The following steps explain how an entrepreneur can enhance his or her individual creativity:

i. Allow yourself to be creative:

One of the biggest obstacles to creativity occurs when a person believes that he or she is not creative. Giving yourself the permission to be creative is the first step towards establishing a pattern of creative thinking.

ii. Give your mind fresh input everyday:

To be creative, your mind needs stimulation. Do something different each day – listen to a new radio station, take a walk through a park or a shopping center, or pick up a magazine you never read.

iii. Keep a journal handy to record your thoughts and ideas:

Creative ideas are too valuable to waste, so always keep a journal nearby to record them as soon as you get them.

iv. Listen to other people:

No rule of creativity says that an idea has to be your own. Sometimes, the best business ideas come from someone else but entrepreneurs are the ones to act on them.

v. Read books on stimulating creativity or take a class on creativity:

Creative thinking is a technique that anyone can learn. Understanding and applying the principles of creativity can improve dramatically anyone's ability to develop new and innovative ideas.

vi. Take time off to relax:

Relaxation is vital to the creative process. Getting away from a problem gives the mind to reflect on it. It is often during this time while the subconscious works on a problem that the mind generates many creative solutions.

SELF ASSESSMENT EXERCISE 2

1. A ----------- is important to record an entrepreneur's thoughts and ideas:

a. Notebook

b. Journal

c. Jotter

d. Notepad

3.3: The Creative Process

Although creative ideas may appear to strike as suddenly as a bolt of lightning, they are actually the result of the creative process, which involves seven steps:

i. Preparation:

It involves getting the mind ready for creative thinking. Preparation might include a formal education, on-the-job training, work experience, and taking advantage of other learning opportunities

ii. Investigation:

Investigation requires the individual to develop a solid understanding of the problem or decision

iii. Transformation:

Transformation involves viewing the similarities (convergent thinking) and the differences in the information collected

iv. Incubation:

Incubation allows the subconscious to reflect on the information collected

v. Illumination:

This occurs at some point during the incubation period when a spontaneous breakthrough causes "the light bulb to go on"

vi. Verification:

This involves validating the idea as accurate and useful. For entrepreneurs, this may include conducting experiments, running simulations, test marketing a product or service, etc, to verify that the new idea will work and is practical to implement.

vii. Implementation:

This involves transforming the idea into a business reality

SELF ASSESSMENT EXERCISE 3

There are -------- steps in the creative process.

a. 6

b. 7

c. 8

d. 9

3.4: Improving the creative process

Teams of people working together usually can generate more and more creative ideas. Three techniques that are especially useful for improving the quality of creative ideas from teams are:

i. Brainstorming:
Brainstorming is a process in which a small group of people interact with very little structure with the goal of producing a large quantity of novel and imaginative ideas. As group members interact, each idea sparks the thinking of others, and the spawning of ideas becomes contagious.

ii. Mind-mapping
This is a graphical technique that encourages thinking on both sides of the brain. This visually displays the various relationships among ideas, and improves the ability to view a problem from many sides. It is more structured than brainstorming, and requires more effort.

iii. Rapid Prototyping
This technique is based on the premise that transforming an idea into an actual model will point out flaws in the original idea and will lead to improvements in its designs. Developing a model of an idea enables the entrepreneur to determine what works and what does not.

SELF ASSESSMENT EXERCISE 4
A process in which a small group of people interact with very little structure with the goal of producing a large quantity of novel and imaginative ideas is called:

a. Brainstorming

b. Mind-mapping

c. Rapid prototyping

d. Merging

4.0 CONCLUSION

This study unit has focused on the concept of creativity and discussed its importance to the entrepreneur. Several factors prevent entrepreneurs from being creative such as the fear of looking foolish and sticking to old ways of doing things. These barriers can hamper to a great extent the success of any small business. However they can be avoided by adopting the various techniques useful for enhancing individual creativity such as feeding one's mind with fresh input every day and taking time off to relax.

There is sometimes a mistaken conception that creativity is some kind of "magical" experience that occurs spontaneously without effort. The reality is far from the case. Creativity actually occurs following seven steps known as the creative process. This process can be improved by an entrepreneur working hand-in-hand with his team members and adopting brainstorming sessions, mind-mapping processes and the more complex but highly productive rapid-prototyping technique.

The critical lesson to learn from this study unit is that creativity is something every entrepreneur can develop and absolutely crucial to enhance if an entrepreneur hopes to achieve long-term success.

5.0 SUMMARY

i. What you have learnt in this study unit concerns the barrier to creativity
ii. You have also learnt how to enhance your individual creativity
iii. You have learnt that there is a creative process which every individual can follow to be creative, and that there are three important ways to improve this creative process
iii. The upcoming study unit discusses how the business ideas generated through creativity can be protected legally

6.0 TUTOR-MARKED ASSIGNMENT (TMA)

i. Briefly outline the barriers that can limit individual creativity. Give an example of a situation in which you subjected yourself to one of these mental locks

ii. What can entrepreneurs do to stimulate their own creativity?

iii. Explain the steps of the creative process. What can the entrepreneur do to enhance each step?

iv. Can creativity be taught or is it an inherent trait? Explain

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UNIT 3: PROTECTING YOUR IDEAS

CONTENT

1.0 INTRODUCTION

Once entrepreneurs come up with an innovative idea for a product or service that has market potential, their immediate concern should be to protect it from unauthorized use. Entrepreneurs must understand how to put patents, trademarks and copyrights to work for them.

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2.0 OBJECTIVES

After studying the material in this unit, you should be able to:

i. Describe the protection of intellectual property rights involving patents.

ii. Describe the protection of intellectual property rights involving trademarks

iii. Describe the protection of intellectual property rights involving copyrights.

3.0 MAIN CONTENT

3.1 Patents

The grant of a patent for an invention is the grant to the patentee for a limited period of a monopoly right in respect of that invention i.e the right to exclude others from using that invention.

Patents are granted in Nigeria under the Patents and Designs Act of 1970. Cap 344 of Laws of the Federation of Nigeria 1990.The purpose of patenting is essentially economic. The state, in order to encourage technological development assures an inventor of a monopoly right to exploit the invention for a limited period of time. It is envisaged that the inventor, during the period of such monopoly would have derived maximum financial benefit from the exploitation of the invention. The state thus ensures that inventions which could improve the quality of life of the citizenry are exploited to the good of the greatest number of people.

Under the Act, a patent may be granted either for a product or for a process. An example of a process is the process known as electroplating or indeed any chemical reaction which may give rise to a product. Whichever the case may be, the life of the patent lasts for 20 years provided the annual renewal fees are paid for the duration of its potential life. Where the patentee defaults in the payment of the annual renewal fee, the patent lapses, after a 6 months period of grace, if still not renewed and cannot be revived again.

The act provides that certain matters are not patentable. These are set out in section1(4) and (5) of the Act. These include plants or animal varieties, or essentially biological processes for the production of plants or animals. Inventions the publication of which will be contrary to public order and morality are also excluded, so also are principles of a scientific nature. Apart from these exceptions, all products and processes, which meet the qualification for patentability under section 1(1) of the Act are patentable.

SELF ASSESSMENT EXERCISE 1

A grant given to an inventor for exclusive right to that invention for 20 years is called:

a. Patent

b. Trademark

c. Copyright

d. Trade dress

3.2: Trademark

A trademark is any distinctive word, symbol, or trade dress that a company uses to identify its product and to distinguish it from other goods. It serves as the company's "signature" in the market place.

To receive legal protection, a Trade Mark must be distinctive and affixed to a product (or services). It must also be registered in respect of a particular class or classes of good(s) at the Trade Mark Registry.

Trademarks in Nigeria are generally registerable for an initial period of seven (7) years from the date the application for registration is submitted. Afterwards, a Trade Mark is renewable for fourteen (14) years at a time.

The registration of a Trade Mark confers on the owner or on its registered user the exclusive right, to the exclusion of all others, to the use of the Trade Mark in relation to the class or classes of goods against which the Trade Mark has been registered. Registration of a Trade Mark does not however interfere with any person's bona fide use of his own name or the name of his place of business which must be registered, or the name or names of any of his predecessors in such a business.

Another implication of registration is that the registration of a Trade Mark is prima facie proof of the validity of the original registration of a Trade Mark and of all subsequent assignment and transmission of any interest in the Trade Mark.

The legal implication of the non-registration of a Trade Mark is that the owner or proprietor of an unregistered Trade Mark cannot institute any legal proceedings at any of the Federal High Courts in Nigeria. Under the provisions of the Trade Mark Act, the owner can also not recover damages for the infringement of the unregistered Trade Mark and for loss of profit, delivery of the infringing product(s) carrying the Trade Mark or to prevent any or further infringement of the Trade Mark. The latter restriction does not however prevent the owner of such an unregistered Trade Mark from bringing a legal action under the equitable doctrine of passing off, in the appropriate State High Court, which should be where the infringing defendant resides or carries on business.

A registered Trade Mark is assignable and transmissible either in connection with or without the goodwill of the business.

SELF ASSESSMENT EXERCISE 2

Any distinctive word, phrase or symbol used by a company to identify its products is called:

a. Patent

b. Trademark

c. Copyright

d. Trade dress

3.3: Copyright

A copyright protects original works of authorship. Copyright does not protect facts, ideas, systems, or methods of operation; it may however protect the ways things are expressed i.e you may express your ideas in writing or drawings and claim copyright in your description.

Copyright in any of the intangible property described above gives the owner the exclusive right to do and authorize others to do the following:

i. To reproduce the copyrighted work in copies;

ii. To prepare derivative works based upon the copyrighted work;

iii. To distribute copies of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;

iv. To perform the copyrighted work publicly, in the case of literary, musical, dramatic, choreographic works, motion pictures and other audiovisual works; and

v. In the case of sound recordings, to perform the work publicly by means of a digital audio transmission.

The duration of copyright in a work depends on the type of work in question.

i. Copyright in literary, musical and artistic work excluding photographs is for the lifetime of the author and seventy years after death.

ii. The term of years for cinematograph films and photographs is fifty years after the end of the year in which the work was first published.

iii. Copyright in sound recordings is for fifty years beginning with the year immediately following the year in which the sound recording was first made.

Copyright in Nigeria is governed by the Nigerian Copyright Act of 1998, and it sets out the laws relating to the protection, transfer, remedies and penalties for infringement of copyright.

SELF ASSESSMENT EXERCISE 3

Which of these products are not protected by a copyright?

a. Music

b. Movies

c. Inventions

d. Photographs

4.0 CONCLUSION

This study unit has focused on the various methods by which entrepreneurs can protect their ideas depending on the form and nature of the idea. Three methods were highlighted: patents for inventions, trademark as distinctive signs to differentiate an entrepreneur's products and services from those of similar products and copyright to protect original works of authorship.

Acquiring the protection of patents, trademarks and copyrights is useless unless an entrepreneur takes action to protect those rights in the market place. Unfortunately, not every business person respects others' rights of ownership to products, proceses, names and works and infringes on those rights with impunity. In other cases the infringing behavior simply is the result of lack of knowledge about others rights of ownership.The primary weapon an entrepreneur has to protect patents, trademarks and copyrights is the legal system

5.0 SUMMARY

i. What you have learnt in this study unit concerns how to protect your creative inventions utilizing patents.
ii. You have also learnt how to utilize trademarks to make your products and services unique and recognizable in the market place.
iii. You have learnt original works of authorship can be protected using copyrights.
iv. This unit ends the second module. The upcoming module deals with the various forms of business ownership available to a budding entrepreneur, and also introduces the innovative concept of franchising.

6.0: TUTOR-MARKED ASSIGNMENT (TMA)

i. Explain the differences among patent, trademark and copyright. What form of intellectual property does each protect?

ii. Discuss the ways in which the rights of an entrepreneur can be infringed upon in the market place?

7.0 REFERENCES/FURTHER READINGS

Zimmerer, T.W. and Scarborough, N.M. (2005). Essentials of Entrepreneurship and Small Business Management. New Jersey: Pearson Prentice Hall. ISBN 0-13-191856-7

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MODULE 3:

FORMS OF BUSINESS OWNERSHIP AND FRANCHISING

UNIT 1: MAJOR FORMS OF BUSINESS OWNERSHIP

CONTENT

1.0 Introduction
2.0 Objectives
3.0 Main Content
    3.1: Sole-Proprietorship
    3.2: Partnership
    3.3: Corporation
4.0 Conclusion
5.0 Summary
6.0 Tutor-Marked Assignment
7.0 References/Further Reading

1.0 INTRODUCTION

Every business operates as some form of legally recognized entity. It may be as simple as sole-proprietorship, or as complex as a corporation. The form of business ownership that an entrepreneur selects may have some significant implications as the business goes forward. What form of ownership is "best" depends on the characteristics of the business and its owner(s).

This study unit discusses the three major forms of business ownership available to the budding entrepreneur. These are i) sole-proprietorship, ii) partnership and iii) corporation. This unit also discusses the advantages and disadvantages of each of the afore-mentioned forms of business ownership.

2.0 OBJECTIVES

After studying the material in this unit, you should be able to:

i. Identify the three major forms of business ownership
ii. Understand the advantages and disadvantages of each form of business ownership.
iii. Identify which of the forms of business ownership is a "right fit" for the kind of business you have in mind.

3.0 MAIN CONTENT

3.1 Sole-Proprietorship

The vast majority of small businesses start out as sole proprietorships. These firms are owned by one person, usually the individual who has day-to-day responsibilities for running the business. Sole proprietors own all the assets of the business and the profits generated by it. They also assume complete responsibility for any of its liabilities or debts. In the eyes of the law and the public, you are one and the same with the business.

Sole Proprietorship has certain advantages and disadvantages which the entrepreneur must consider carefully. The advantages are as follow:

i. It is the easiest and least expensive form of ownership to organize.
ii. Sole proprietors are in complete control, and within the parameters of the law, may make decisions as they deem it fit.
iii. Sole proprietors receive all income generated by the business to keep or reinvest.
iv. Profits from the business flow directly to the owner's personal tax return.
v. The business is easy to dissolve, if desired.

The disadvantages of a Sole Proprietorship are as follows:

i. Sole proprietors have unlimited liability and are legally responsible for all debts against the business. Their business and personal assets are at risk.
ii. They may be at a disadvantage in raising funds and are often limited to using funds from personal savings or consumer loans.
iii. They may have a hard time attracting high-caliber employees or those that are motivated by the opportunity to own a part of the business.
iv. Some employee benefits such as owner's medical insurance premiums are not directly deductible from business income (only partially deductible as an adjustment to income).

SELF ASSESSMENT EXERCISE 1

--------- is a business owned and managed by one individual

a. Sole proprietorship

b. Partnership

c. Corporation

d. Cooperative

3.2: Partnership

In a Partnership, two or more people share ownership of a single business. Like proprietorships, the law does not distinguish between the business and its owners. The partners should have a legal agreement that sets forth how decisions will be made, profits will be shared, disputes will be resolved, how future partners will be admitted to the partnership, how partners can be bought out, and what steps will be taken to dissolve the partnership when needed. Yes, it's hard to think about a breakup when the business is just getting started, but many partnerships split up at crisis times, and unless there is a defined process, there will be even greater problems. They also must decide up-front how much time and capital each will contribute, etc.

There are three Types of Partnerships that should be considered:

i. General Partnership
Partners divide responsibility for management and liability as well as the shares of profit or loss according to their internal agreement. Equal shares are assumed unless there is a written agreement that states differently.

ii. Limited Partnership and Partnership with limited liability
Limited means that most of the partners have limited liability (to the extent of their investment) as well as limited input regarding management decisions, which generally encourages investors for short-term projects or for investing in capital assets. This form of ownership is not often used for operating retail or service businesses. Forming a limited partnership is more complex and formal than that of a general partnership.

iii. Joint Venture
Acts like a general partnership, but is clearly for a limited period of time or a single project. If the partners in a joint venture repeat the activity, they will be recognized as an ongoing partnership and will have to file as such as well as distribute accumulated partnership assets upon dissolution of the entity.

Partnerships have some advantages as well as disadvantages. The advantages are as follows:

i. Partnerships are relatively easy to establish; however time should be invested in developing the partnership agreement.

ii. With more than one owner, the ability to raise funds may be increased.

iii. The profits from the business flow directly through to the partners' personal tax returns.

iv. Prospective employees may be attracted to the business if given the incentive to become a partner.

v. The business usually will benefit from partners who have complementary skills.

On the other hand, the disadvantages of a Partnership are:

i. Partners are jointly and individually liable for the actions of the other partners.

ii. Profits must be shared with others.

iii. Since decisions are shared, disagreements can occur.

iv. Some employee benefits are not deductible from business income on tax returns.

v. The partnership may have a limited life; it may end upon the withdrawal or death of a partner.

SELF ASSESSMENT EXERCISE 2

A document that states in writing the sharing formula of a partnership is called:

a. Partnership contract
b. Partnership agreement
c. Partnership confirmation
d. Partnership venture

3.3: Corporation

A corporation chartered by the state in which it is headquartered is considered by law to be a unique entity, separate from those who own it. A corporation can be taxed, sued, and can enter into contractual agreements. The owners of a corporation are its shareholders. The shareholders elect a board of directors to oversee the major policies and decisions. The corporation has a life of its own and does not dissolve when ownership changes.

Every state requires a certificate of incorporation or charter to be filed with the Corporate Affairs Commission (CAC). The following information is generally required to be included in the certificate of incorporation:

i) The corporation's name
ii) The corporation's statement of purpose
iii) The corporation's time horizon (mostly formed with no specific termination date)

iv) Names and addresses of the incorporators
v) Place of business
vi) Capital stock authorization (The articles of incorporation must include the amount and type of capital stock the corporation wants to be authorized to issue; a corporation can issue any number of issues up to the amount authorized).
vii) Capital required at the time of incorporation (some states require a newly formed corporation to deposit in a bank a specific percentage of the stock's par value prior to incorporating)
viii) Restrictions on transferring shares

Many closely-held corporations (those owned by a few shareholders, often family members) require shareholders interested in selling their stock to offer it first to the corporations.

Treasury stock: the shares of its own stock that a corporation owns

Right to first refusal: a provision requiring shareholders who want to sell their stock to offer it first to the corporation.

ix) Names and addresses of the officers and directors of the corporation
x) Rules under which the corporation will operate (Bylaws)

Corporations possess certain advantages and disadvantages which an entrepreneur must carefully consider. The advantages are as follows:

i. Limited liability of stockholders(because it is a separate legal entity, a corporation allows investors to limit their liability to the total amount of their investment in the business
ii. Ability to attract capital
iii. Ability to continue indefinitely
iv. Transferable ownership

The disadvantages of a corporation are as follows:

i. Cost and time involved in the incorporation process
ii. Double taxation (corporation's profits are taxed twice: at the corporate rate and at the individual rate [on the portion of profits distributed as dividends]).
iii. Potential for diminished managerial incentives

Professional managers the entrepreneur brings in to help run the business do not always have the same degree of interest in or loyalty to the company. As a result, the business may suffer without the founder's energy, care, and devotion. One way to minimize this potential problem is to link managers' compensation to the company's financial performance through a profit-sharing or bonus plan.

iv. Legal requirements and regulatory red tape
v. Potential loss of control by the founder

When entrepreneurs sell shares of ownership in their companies, they relinquish some control. When large amount of capital is needed, entrepreneurs may have to give up significant amounts of control, so much so that the founders become minority shareholders.

SELF ASSESSMENT EXERCISE 3

A corporation doing business in the state in which it is incorporated is called…………..

a. Domestic corporation

b. Foreign corporation

c. Alien corporation

d. International corporation

4.0 CONCLUSION

This study unit discussed the three major forms of business ownership available to a budding entrepreneur. This decision will have long-term implications, so consult an accountant and attorney to help you select the form of ownership that is right for you. In making a choice, you will want to take into account the following:

i. Your vision regarding the size and nature of your business.

ii. The level of control you wish to have.

iii. The level of structure you are willing to deal with.

iv. The business' vulnerability to lawsuits.

v. Tax implications of the different ownership structures.

vi. Expected profit (or loss) of the business.

vii. Whether or not you need to reinvest earnings into the business.

viii. Your need for access to cash out of the business for yourself.

5.0 SUMMARY

i. What you have learnt in this study unit concerns the major forms of business ownership available to an up-and-coming entrepreneur

ii. You have learnt the various advantages and disadvantages of a sole-proprietorship, partnership and corporation
iii. You have also learnt that the choice of business ownership is a crucial one and has long-term implications to the success of any business
iii. The upcoming study unit discusses a novel form of business ownership called franchising.

6.0: TUTOR-MARKED ASSIGNMENT (TMA)

i. What factors should an entrepreneur consider before choosing a form of business ownership?

ii. What issues should the articles of partnership address? Why are the articles important to a successful partnership?

iii. What issues should the certificate of incorporation cover?

7.0 REFERENCES/FURTHER READINGS

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UNIT 2: FRANCHISING

CONTENT

1.0 INTRODUCTION

It is almost impossible to find a town or village that does not have a franchised business of some type (Think of the various NNPC mega stations in your town, and the "Mr Biggs" fast-food outlets). The variety among these businesses is staggering. Franchising is a powerful business tool to distribute goods and services, and to expand a business. This study unit introduces you to this novel business ownership concept of franchising by defining the concept of franchising, exploring the various types of franchising and highlighting the various benefits and drawbacks. All these information will enable you to make an informed decision on whether or not franchising is the "right fit" for your dream business.

2.0 OBJECTIVES

After studying the material in this unit, you should be able to:

i. Define the concept of franchising

ii. Identify and explain the major types of franchising

iii. Enumerate the various benefits and drawbacks of franchising

3.0 MAIN CONTENT

3.1 Introduction to franchising

Franchising is a business model in which many different owners share a single brand name. A parent company allows entrepreneurs to use the company's strategies and trademarks; in exchange, the franchisee pays an initial fee and royalties based on revenues. The parent company also provides the franchisee with support, including advertising and training, as part of the franchising agreement.

Franchising is a faster, cheaper form of expansion than adding company-owned stores, because it costs the parent company much less when new stores are owned and operated by a third party. On the flip side, potential for revenue growth is limited because the parent company will only earn a percentage of the earnings from each new store. Seventy different industries use the franchising business model, and according to the International Franchising Association, the sector earns more than $1.5 trillion in revenues each year.

The franchising business model is used across many industries, but it is most popular in the fast food restaurants, hotel, and casual & upscale restaurants industries. According to an International Franchise Association study, franchisee-owned locations accounted for 56.3%, 18.2%, and 13.1% of each respective industry's total locations in 2001.

The franchising business model consists of two operating partners: the franchisor, or parent company, and the franchisee, the proprietor that operates one or multiple store locations. Franchising agreements usually require the franchisee to pay an initial fee plus royalties equal to a certain percentage of the store's monthly or yearly sales. Initial fees vary significantly across each industry, ranging from $35,000 for an Applebee's restaurant to over $85,000 to open a Hilton hotel. Royalty fees are also variable - for example, Intercontinental Hotels Group (IHG) franchisees are required to pay the company 5% of their yearly sales, while Applebee's franchisees pay 4% of monthly sales and IHOP franchisees pay a 4.5% royalty fee of weekly sales. The franchisee also covers the costs of actually starting and operating the store, including legal fees, occupancy or construction costs, inventory costs, and labor. Franchise agreements usually have a term of between 10 and 20 years, depending on the company.

The parent company authorizes the franchisee's use of the company's trademarks (for example, selling Big Mac's at McDonald's) as part of the franchising agreement. Additionally, the franchisor provides training and support as well as regional and/or national advertising.

SELF ASSESSMENT EXERCISE 1

Mr Biggs Lagos and Minna represent a system of distribution called------------

a. Joint venture

b. Franchising

c. Cooperative

d. Subsidiary

3.2: Types of Franchising

Franchising is primarily a method of distribution of goods or services. In this sense, franchising is simply a business technique, a means of distributing or providing goods or services to the consumer. There are four main types of franchising, and these are as follows:

i. Business format franchises for products:

These are businesses where the franchisor does not actually produce a product but instead dictates to a franchisee how to conduct a business providing a prescribed product to consumers. Examples include franchised quick service restaurants and automotive aftermarket support businesses.

ii. Business format franchises for services:

As in business format product franchises, the franchisor does not itself actually produce or provide a service for resale, but dictates to the franchisee how to conduct a business providing prescribed services to consumers. Examples include franchised motels, quick printing shops and home cleaning services. Even nonprofit service organizations can use this form of franchising to expand the reach of their programs into new communities.

iii. Product franchises:

In product franchises, the franchisor itself manufactures and distributes a tangible product offered to consumers through franchised retail dealerships, where the franchisor/manufacturer also dictates to the franchisee/dealer how to conduct the dealership business. These may be found not only where the franchisor itself manufactures the product, but also where it has products produced for its account by a third party, or acts merely as a distributor of products whether or not it actually handles the physical distribution of them. Examples include franchised ice cream "dipping shops," soft drink bottling companies, chain hardware stores, and some specialty merchandise retailing chains.

iv. Affiliation franchises:

The franchisor recruits into its franchise system (in almost any business category, offering goods or services) a retailer who is already engaged, as a successful independent operator, in the franchisor's line of business. Examples include some of the franchised real estate brokerage chains, some franchised health care providers, and franchised travel agency systems.

SELF ASSESSMENT EXERCISE 2

The system of distribution whereby fees are paid to sell parent company's product is:

a. Trade-name
b. Product
c. Pure
d. Diluted

3.3: Benefits and Drawbacks of Franchising

The many benefits and drawbacks of owning a franchise should be carefully evaluated before deciding to purchase one. The following are the advantages of owning a franchise:

i. "Owning a franchise allows you to go into business for yourself, but not by yourself."

ii. A franchise provides franchisees with a certain level of independence where they can operate their business.

iii. A franchise provides an established product or service which already enjoys widespread brand name recognition. This gives the franchisee the benefits of customer awareness which would ordinarily take years to establish.

iv. A franchise increases your chances of business success because you are associating with proven products and methods.

v. Franchises may offer consumers the attraction of a certain level of quality and consistency because it is mandated by the franchise agreement.

vi. Franchises offer important pre-opening support such as site selection, design and construction, financing (in some cases), training, and a grand-opening program

vii. Franchises offer ongoing support in the form of training, national and regional advertising, operating procedures and operational assistance, ongoing supervision and management support and increased spending power and access to bulk purchasing (in some cases)

Despite all the benefits outlined above, owning a franchise is not without drawbacks. The following are some drawbacks of purchasing a franchise:

i. The franchisee is not completely independent. Franchisees are required to operate their businesses according to the procedures and restrictions set forth by the franchisor in the franchise agreement. These restrictions usually include the products or services which can be offered, pricing and geographic territory. For some people, this is the most serious disadvantage to becoming a franchisee.

ii. In addition to the initial franchise fee, franchisees must pay ongoing royalties and advertising fees.

iv. Franchisees must be careful to balance restrictions and support provided by the franchisor with their own ability to manage their business.

v. A damaged, system-wide image can result if other franchisees are performing poorly or the franchisor runs into an unforeseen problem.

vi. The term (duration) of a franchise agreement is usually limited and the franchisee may have little or no say about the terms of a termination.

SELF ASSESSMENT EXERCISE 3

A key benefit of franchising for the franchisee is

a. Brand name appeal

b. Little investment needed

c. Complete independence

d. Full decision-making authority

4.0 CONCLUSION

Franchising has proved its viability in many countries and has become a key part of the small business sector because it offers many would-be entrepreneurs the opportunity to own and operate a business with a greater chance for success. Despite its impressive growth rate to date, the franchising industry still has a great deal of room to grow. Global companies can achieve growth through franchising and we can anticipate that the franchising phenomenon will continue in the future.

5.0 SUMMARY

i. What you have learnt in this study unit concerns novel form of business ownership called franchising

ii. You have learnt the meaning of franchising and the four major types of franchising.

iii. You have also learnt that the choice of deciding whether or not to own a franchise must be made only after weighing the benefits and drawbacks of franchising.

iii. This unit completes the third module. The next module deals with the marketing plan specifically tailored for new businesses.

6.0: TUTOR-MARKED ASSIGNMENT (TMA)

i. Describe the types of franchising and give examples of each.

ii. Discuss the benefits and drawbacks of franchising to the franchisee.

iii. Discuss the concept of franchising as a form of business ownership

7.0 REFERENCES/FURTHER READINGS

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MODULE 4:

DEVELOPING MARKETING STRATEGIES

UNIT 1: BUILDING A GUERRILLA MARKETING PLAN

CONTENT

1.0 Introduction
2.0 Objectives

1.0 INTRODUCTION

Business plans describe in detail what the entrepreneur intends to accomplish and pay little if any attention to the strategies to achieve those targets. Many entrepreneurs squander enormous effort pulling together capital, people and other resources to sell their products and services because they fail to determine what it takes to attract and keep a profitable customer base. Sometimes, they fail to determine if a profitable customer base even exists.

To be effective, a solid business plan must also contain a marketing plan, and it is the process of developing an effective marketing strategy specifically tailored for small businesses that is the focus of this unit. This marketing strategy is called the guerrilla marketing strategy.

2.0 OBJECTIVES

After studying the material in this unit, you should be able to:

i. Define the concept of guerrilla marketing.

ii. Identify the objectives of a successful guerrilla marketing plan.

iii. Enumerate the guerrilla marketing principles.

3.0 MAIN CONTENT

3.1 Guerrilla marketing and strategies

Marketing is the process of creating and delivering desired goods and services to customers, and involves all the activities associated with winning and retaining loyal customers. The secret to successful marketing is to understand what your target customers' needs, demands, and wants are before your competitors can; offer them the products and services that will satisfy those needs, demands and wants; and provide customers service, convenience and value.

Guerrilla marketing strategies are unconventional, low-cost, creative marketing strategies designed to give small companies an edge over their larger, richer, and more powerful rivals. A guerrilla marketing plan should accomplish four objectives:

i. It should pinpoint the specific target markets the small company will serve:

Target market is the specific group of customers to whom a company aims its goods or services. To be customer driven, an effective marketing program must be based on a clear, concise definition of a company's target customers. A sound market research helps the owner pinpoint his target market. The most successful businesses have well defined portraits of the customers they are seeking to attract.

ii. It should determine customer needs and wants through market research:
Market research is the vehicle for gathering the information that serves as the foundation for the marketing plan. It involves systematically collecting, analyzing, and interpreting data pertaining to a company's market, customers and competitors. The objective of market research is to learn how to improve the level of satisfaction for existing customers and to find ways to attract new customers.
Market research does not have to be time consuming, complex or expensive to be useful. By applying the same type of creativity that they display when creating their businesses, entrepreneurs can perform effective market research at reasonable costs.

The steps in conducting market research include:

1. Defining the objective: This is the first and most crucial step. It answers the question, "What do we want to know?"

2. Collecting the data: The marketing approach that dominates today is individualized (one-to-one) marketing, a system based on gathering data on individual customers and developing a marketing program designed to appeal specifically to their needs and wants. How can entrepreneurs collect such valuable market and customer information? Two basic methods are available: conducting primary research (data you collect and analyze yourself) and gathering secondary research (data that have already been compiled and are available, often at a very reasonable cost).

3. Analyze and Interpret the Data: Entrepreneurs must use judgment and common sense to determine what the results of their research mean.

4. Draw Conclusions and Act: The market research process is not complete until the business owner acts on the information collected.

iii. It should analyze the firm's competitive advantages and build a guerrilla marketing strategy around them: When plotting a marketing strategy, owners must strive to achieve a competitive edge- some way to make their companies different from, and better than the competition.

iv. It should help to create a marketing mix that meets customer needs and wants: The major elements of a marketing strategy are the four Ps of marketing – product, place, price and promotion.

SELF ASSESSMENT EXERCISE 1

2. A good marketing plan must accomplish ----- objectives.

a. 2

b. 3

c. 4

d. 5

3.2: Guerrilla Marketing Principles

To be successful guerrilla marketers, entrepreneurs must be as innovative in creating their marketing strategies as they are in developing new product and service ideas. The following principles can help business owners create powerful, effective guerrilla marketing strategies:

1. Find a Niche and Fill it

   A niche strategy allows a small company to maximize the advantages of its size and to compete effectively even in industries dominated by giants. Focusing on niches that are too small to be attractive to large companies is a common recipe for success among thriving small companies.

2. Don't Just Sell – Entertain

   Winning customers today requires more than low prices and wide merchandise selection; increasingly, businesses are adopting strategies based on *entertailing*. *Entertailing* is a marketing concept designed to draw customers into a store by creating a kaleidoscope of sights, sounds, smells and activities, all designed to entertain- and, of course, sell.

3. Strive to be Unique

Entrepreneurs can achieve a unique place in the market in a variety of ways, including through the products and services they offer, the marketing and promotional campaigns they use, the store layouts they design, and the business strategies they employ.

4. Create an Identity for your business

   Some of the most powerful marketers are those companies that have a clear sense of who they are, what they stand for, and why they exist.

5. Connect with Customers on an Emotional Level

   Companies that establish a deeper relationship with their customers than one based merely on making a sale have the capacity to be exceptional guerrilla marketers. They connect with their customers emotionally by supporting causes that are important to their customer base, taking exceptional care of their customers, surpassing customers' expectations in quality and service, or making it fun and enjoyable to do business with them.

6. Focus on the Customer

   Businesses must realize that everything in the business – even the business itself – depends on creating a satisfied customer.

7. Devotion to Quality

   World-class companies treat quality as a strategic objective – an integral part of a company's strategy and culture. This philosophy is called total quality management (TQM) – quality not just in the product or service itself but in every aspect of the business and its relationship with the customer and continuous improvement in the quality delivered to customers.

8. Attention to Convenience

   Successful companies make sure that it is easy for customers to do business with them.

9. Concentration on Innovation

   Innovation is the key to success. Markets change too quickly and competitors move too fast for a small company to stand still and remain competitive. Because you cannot outspend their larger rivals, small companies often turn to superior innovation as the way to gain a competitive edge.

10. Dedication to Service and Customer Satisfaction

    Success businesses recognize that superior customer service is only an intermediate step towards the goal of customer satisfaction. These companies seek to go beyond customer satisfaction, striving for customer astonishment. Certainly the least expensive – and the most effective - way to achieve customer satisfaction is through friendly and personal service.

11. Emphasis on Speed

World-class companies recognize that reducing the time it takes to develop, design, manufacture, and deliver a product reduces costs, increases quality, improves customer satisfaction, and boosts market share.

SELF ASSESSMENT EXERCISE 2

Using sights, sounds, smells and activities to attract customers is called:

a. Entertaining

b. Advertising

c. Entertailing

d. Promotion

4.0 CONCLUSION

A sound guerrilla marketing reflects a business' understanding of its customer and recognizes that satisfying the customer is the foundation of every business. Its purpose is to build a strategy of success for a business – but from the customers' point of view. Indeed, the customer is the central player in the cast of every business venture. According to marketing expert, Ted Levitt, "The primary purpose of a business is not to earn a profit but to create and keep a customer. The rest, giving reasonable good sense, will take care of itself"

5.0 SUMMARY

i. What you have learnt in this study unit concerns the guerrilla marketing strategy which is specifically tailored to give a small business an edge over its bigger rivals.
ii. You have learnt the objectives of a successful guerrilla marketing plan.
iii. You have also learnt the principles of guerrilla marketing.
iii. The next unit focuses on an important part of the guerrilla marketing plan known as the marketing mix.

6.0: TUTOR-MARKED ASSIGNMENT (TMA)

i. What objectives should a guerrilla marketing plan accomplish?

ii. How can market research benefit a small business owner? List some possible sources of market information.

iii. Describe how a small business owner could use the following sources of competitive advantage: focusing on a niche, entertailing, striving to be unique, creating an identity for the business, and connecting with customers on an emotional level.

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UNIT 2: MARKETING MIX

CONTENT

1.0 INTRODUCTION

To effectively market a product or service, there are seven things you need to get right. These seven elements are known as the marketing mix. The elements should be viewed as one unit and structured to support each other, otherwise a firm’s marketing strategy will be confusing and uncoordinated. This study unit provides us with an introduction to the marketing mix and a discussion on the seven elements that make up the marketing mix.

2.0 OBJECTIVES

After studying the material in this unit, you should be able to:

i. Define the concept of guerilla marketing.

ii. Identify the objectives of a successful guerilla marketing plan.

iii. Enumerate the guerrilla marketing principles.

3.0 MAIN CONTENT

3.1 The Concept of the Marketing Mix

The marketing mix is a business tool used in marketing products. The marketing mix is often crucial when determining a product or brand's unique selling point (the unique quality that differentiates a product from its competitors), and is often synonymous with the four Ps: price, product, promotion, and place. In recent times, however, the four Ps have been expanded to the seven Ps (4Ps + “physical evidence, people, process) or replaced by the four Cs (consumer, cost, communication and convenience).

The concept is simple. Think about another common mix - a cake mix. All cakes contain eggs, milk, flour, and sugar. However, you can alter the final cake by altering the amounts of mix elements contained in it. So for a sweet cake add more sugar!

It is the same with the marketing mix. The offer you make to your customer can be altered by varying the mix elements. For example, for a high profile brand, increase the focus on promotion and desensitize the weight given to price.

Another way to think about the marketing mix is to use the image of an artist's palette. The marketer mixes the prime colours (mix elements) in different quantities to deliver a particular final colour. Every hand painted picture is original in some way, as is every marketing mix.

SELF ASSESSMENT EXERCISE 1

A key customer benefit of a product or service that sets it apart from its competition is called:

a. Unique competitive advantage

b. Unique selling proposition

c. Unique feature advantage

d. Unique selling criteria

3.2: The Elements of the Marketing Mix

In marketing, the seven Ps refer to the product, price, promotion, place, process, physical evidence and people that make up the marketing mix. They are an extension of the more basic 'four Ps': product, place, price and promotion. Below is a discussion of each of the 7Ps of the marketing mix:

i. Product is your core offering. This is “the thing” that will fulfil the needs of your customer. If your product is faulty, everything else fails. The attributes of the product, vis-a-vis the attributes offered by competing products and substitutes, are important in estimating the competitive scenario for the marketing strategy formulation.

ii. Price has a lot of impact on the customer’s satisfaction level. Often, paying a higher price makes a customer more satisfied. Price is often considered a proxy for quality and vice-versa. What is important to note that because services are intangible, the price becomes an even more important factor for potential customers.

iii. Place often offers a different side of value (utility) to the customer. Who would want to travel 10 miles to have a regular dinner, even if that is priced very competitively and has a super quality?

Services are often chosen for their place utility. Closer to the customer means higher probability of purchase. Place utility is important to evaluate, for strategizing on the other 6 Ps.

iv. Promotion plays a role in the perception the possible target audience may have about your service. There has to be a fit between the promotion and the positioning. Promotion leads to service (brand) recognition and further establishes a proxy to evaluate quality of services based on potential customers.

v. People are crucial in service delivery. The best food may not seem equally palatable if the waitress is in a sour mood. A smile always helps. Intensive training for your human resources on how to handle customers and how to deal with contingencies is crucial for your success.
vi. Processes are important to deliver a quality service. Services being intangible, processes become all the more crucial to ensure that standards are met with. Process mapping ensures that your service is perceived as being dependable by your target segment.

vii. Physical evidence affects the customer's satisfaction. Often, services being intangible, customers depend on other cues to judge the offering. This is where physical evidence plays a part. Would you like eating at a joint where the table is greasy or the waitresses and cooks look untidy and wear a stained apron? Surely you would evaluate the quality of your experience through proxies such as these.

SELF ASSESSMENT EXERCISE 2
---------- is the key factor in the decision to buy a product or service:

a. Product
b. Place
c. Price
d. Promotion

4.0 CONCLUSION

The goal of any entrepreneur is to produce a product or deliver a service which his or her customers find great value in, and are willing to pay for. In other to achieve this ultimate objective and ensure the continued success of the business, the entrepreneur must get the marketing mix absolutely right. He must be able to combine the 7Ps of the marketing mix in such a way that the customers will appreciate, patronize and come back for more. This skill takes great time, effort and perseverance, but it is a task that the entrepreneur must perfect for sustained success in this very competitive business world.

5.0 SUMMARY

i. What you have learnt in this study unit concerns the Marketing Mix.
ii. You have learnt about the concept of the marketing mix and its various elements known as the 7Ps.
iii. This unit concludes the fourth module. The fifth module discusses how to manage cash flow, as cash is described as the “life-blood” of any business.

6.0: TUTOR-MARKED ASSIGNMENT (TMA)

i. Explain the concept of the marketing mix.

ii. Identify and explain the 7Ps of the marketing mix.

iii. Discuss the importance of the marketing mix to the entrepreneur.

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MODULE 5:

MANAGING CASH FLOW

UNIT 1: THE CASH MANAGEMENT ROLE OF THE ENTREPRENEUR

CONTENT

1.0 INTRODUCTION

Cash- a four letter word – has become a curse for many small businesses. Lack of this valuable asset has driven countless small companies into bankruptcy. Unfortunately many more firms will become failure statistics because their owners have neglected the principles of cash management that can spell the difference between success and failure. The form of business ownership that an entrepreneur selects may have some significant implications as the business goes forward. What form of ownership is "best" depends on the characteristics of the business and its owner(s). Managing a company's financial performance effectively requires an entrepreneur to look beyond the "bottom line" and focus on what it takes to keep a company going – cash.

This study unit discusses the importance of cash management in successfully running a business and elucidates the important roles an entrepreneur must play in successful cash management.

2.0 OBJECTIVES

After studying the material in this unit, you should be able to:

i. Explain the concept of cash management.

ii. Understand the role of the entrepreneur for successful cash management.

3.0 MAIN CONTENT

3.1 Cash Management

A survey by the National Federation of Independent Businesses found that 67% of small business owners have occasional problems managing cash flow; 19% report cash flow as a continuing problem. The only way to avoid this potentially business-crushing predicament is by using the principles of cash management.

Cash management is the process of forecasting, collecting, disbursing, investing and planning for the cash a company needs to operate smoothly. Cash management is a vital task because cash is the most important, yet least productive, asset that a small business owns. A business must have enough cash to meet its obligations or it will be declared bankrupt.

The first step in managing cash flow, more effectively, is to understand the company's cash flow cycle. Cash flow cycle is the time lag between paying suppliers for merchandise or materials and receiving payment from customers; the longer this cash flow cycle, the more likely the business owner is to encounter a cash crisis

The next step in effective cash management is to analyze the cash flow cycle, looking for ways to reduce its length. Reducing the cycle from 240 days to, say, 150 days will free up incredible amounts of cash that this company could use to finance growth and dramatically reduce its borrowing costs.

When analyzing cash flow, entrepreneurs must understand that cash and profits are not the same. Cash is the money that is free and readily available to use in business; Profit (or net income), on the other hand, is the difference between a business' total revenue and its total expenses. Although profits are tied up in many forms such as inventory, computers or machinery, cash is the money that flows through a business in a continuous cycle without being tied up in any other asset. "Business fail not because they are making or losing money", warns one financial expert, "but because they simply run out of cash".

SELF ASSESSMENT EXERCISE 1

The time lag between paying suppliers for merchandise or materials and receiving payment from customers:

a. Invoice flow cycle

b. Creditor flow cycle

c. Cash flow cycle

d. Debtor flow cycle

3.2: The Role of the Entrepreneur in Cash Management

Recognizing the importance of cash an entrepreneur understands that he or she needs to be actively involved in managing cash on a daily basis if the business is to succeed. This leads us to a discussion on the five key roles that an entrepreneur must play to successfully manage the business' valuable cash:

i. Cash Finder:
This is the entrepreneur's first and foremost responsibility. He must make sure that there is enough capital to pay all present and future bills. This is not a one-time task, it is an ongoing activity.
ii. Cash Planner:
As cash planner, an entrepreneur makes sure the company's cash is used properly and efficiently. He must keep track of its cash, make sure it is available to pay bills, and plan for its future use.

iii. Cash Distributor:
This role requires you to control the cash needed to pay the company's bills and the priority and the timing of those payments. Forecasting cash disbursements accurately and making sure the cash is available when payments are required is essential to keeping the business solvent.

iv. Cash Collector:
As cash collector, your job is to make sure your customers pay their bills on time.
Often, entrepreneurs focus on pumping up sales, while neglecting to collect the cash from those sales. Having someone in your company responsible for collective accounts receivable is essential. Uncollected accounts drain a small company's pool of cash very quickly.

v. Cash Conserver
This role requires you to make sure your company gets maximum value for the naira it spends. Whether you are buying inventory to resell or computers to keep track of what you sell, it is important to get the most for your money. Avoiding unnecessary expenditures is an important part of this task. The goal is to spend cash so it will produce a return for the company.

SELF ASSESSMENT EXERCISE 2

In order to get maximum value for the naira it spends, an entrepreneur must be an efficient ....

a. Cash Finder

b. Cash Collector

c. Cash Distributor

d. Cash Conserver

4.0 CONCLUSION

Cash is your business's lifeblood. Managed well, your company remains healthy and strong. Managed poorly, your company goes into cardiac arrest. If you haven't considered cash management an important issue, then you're probably undermining your business's short-term stability and its long-term survival.

It thus goes without saying that any entrepreneur with any ambition of developing a successful business must pay very close attention to his or her cash. Such an entrepreneur must diligently fulfil the crucial roles an entrepreneur must play in the cash management process.

5.0 SUMMARY

i. What you have learnt in this study unit concerns the cash management process.
ii. You have learnt about the importance of cash management for the success of any business
iii. You have also learnt the difference between cash and profit.
iv. Finally, you learnt the five cash management roles of an entrepreneur
v. The next study unit focuses on how to prepare a cash budget.

6.0: TUTOR-MARKED ASSIGNMENT (TMA)

i. Why must entrepreneurs concentrate on effective cash flow management?

ii. Explain the difference between cash and profit.

iii. Discuss the cash management roles of the entrepreneur and their importance to effective cash management.

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UNIT 2: PREPARING A CASH BUDGET

CONTENT

1.0 INTRODUCTION

The need for a cash budget arises because in every business the cash flowing in is rarely "in sync" with the cash flowing out of the business. This uneven flow of cash creates periodic cash surpluses and shortages, making it necessary for entrepreneurs to track the flow of cash through their businesses so they can project realistically the cash available throughout the year.

This study unit introduces you to the concept of the cash budget and its importance in the successful running of a business. It also discusses the various steps taken in preparing an effective cash budget

2.0 OBJECTIVES

After studying the material in this unit, you should be able to:

i. Explain what is meant by a cash budget.

ii. Understand the five steps in creating a cash budget.

3.0 MAIN CONTENT

3.1 The Cash Budget

Entrepreneurs simply cannot afford to disregard the process of cash management. They must ensure that their businesses have on hand an adequate, but not excessive, supply of cash to meet their operating needs. The goal of cash management is to have enough cash available to meet the business' cash needs at a given time.

The small business manager should prepare a cash budget which is nothing more than a "cash map" showing the amount and the timing of the cash receipts and the cash disbursements day by day, week by week, or month by month. It is used to predict the amount of cash the business will need to operate smoothly over a specific period of time and it is a valuable tool in managing a business successfully.

A cash budget reveals important clues about how well a business balances its accounts payable, accounts receivable, controls inventory, finances its growth and makes use of the cash it has.

SELF ASSESSMENT EXERCISE 1

……… represents a "cash map".

a. Cash budget
b. Cash forecast
c. Cash plan
d. Cash strategy

3.2: Preparing a Cash Budget

Typically small business owners should prepare a projected monthly cash budget for at least one year into the future and quarterly estimates for another. The forecasts must cover all seasonal sales fluctuations. There are five basic steps in completing a cash budget. The steps are as follows:

i. Determining an adequate minimum cash balance
The most reliable method of deciding cash balance is based on past experience.
Past operating records should indicate the proper cash cushion needed to cover any unexpected expenses after all normal cash outlines are deducted from the month's cash receipts.

ii. Forecasting sales
The heart of the cash budget is the sales forecast. It is the central factor in creating an accurate picture of the firm's cash position because sales ultimately are transformed into cash receipts and cash disbursements. For an established business, a sales forecast is based on past sales, but owners must be careful not to be excessively optimistic in projecting sales.

The task of forecasting sales for the new firm is more difficult but not impossible. For example, the new owner might conduct research on similar firms and their sales patterns in the first year of operation to come up with a forecast.

No matter what techniques entrepreneurs use, they must recognize that even the best sales estimates will be wrong. Many financial analysts suggest that the owner creates three sales estimates – an optimistic, a pessimistic, and a most likely sales estimate – and then make a separate cash budget for each forecast.

iii. Forecasting Cash Receipts

When a firm sells goods and services on credit, the cash budget must account for the delay between the sale and the actual collection of the proceeds. Collecting accounts receivable promptly poses problems for many small companies, and is often cited by small business owners as the primary cause of cash flow problems.

iv. Forecasting Cash Disbursements

The key factor in forecasting disbursements for a cash budget is to record them in the month in which they will be paid, not when the obligation is incurred.

Usually an owner's tendency is to underestimate cash disbursements, which can result in a cash crisis. To prevent this, wise entrepreneurs cushion their cash disbursement accounts, assuming they will be higher than expected.

v. Estimating the End-of-Month Cash Balance

Begin by determining the cash balance at the beginning of the month (cash in hand, and cash in savings or checking account). Add forecasted cash receipts and decrease forecasted cash disbursements to estimate end-of-month cash balance.

SELF ASSESSMENT EXERCISE 2

There are .... key steps in preparing cash budgets.

a. 3

b. 4

c. 5

d. 6

4.0 CONCLUSION

The cash budget is nothing more than a forecast of the business' cash inflows and outflows for a specific period of time, and it will never be completely accurate. But it does give an entrepreneur a clear picture of the business' estimated cash balance for the period, pointing out where external cash infusions may be required or where surplus cash balances may be available to invest. Also by comparing actual cash flows with projections, an entrepreneur can revise his forecasts so that future cash budgets will be more accurate.

5.0 SUMMARY

i. What you have learnt in this study unit concerns the cash budget.
ii. You have learnt about the importance of cash budget for the success of any business
iii. You have also learnt the five steps taken in preparing a cash budget.
iv. The next study unit focuses on the "big three" of cash management and discusses how to avoid a "cash crunch".

6.0: TUTOR-MARKED ASSIGNMENT (TMA)

i. Outline the steps involved in developing a cash budget.

ii. How can an entrepreneur launching a new business forecast sales.

iii. Explain the important of a cash budget to an entrepreneur.

7.0 REFERENCES/FURTHER READINGS

Zimmerer, T.W. and Scarborough, N.M. (2005). Essentials of Entrepreneurship and Small Business Management. New Jersey: Pearson Prentice Hall. ISBN 0-13-191856-7

Megginson, L.C., Byrd, M.J., Megginson, W.L. (2003). Small Business Management: An Entrepreneur's Guidebook. New York: McGraw Hill Irwin. ISBN 0-07-119857

UNIT 3: THE "BIG THREE" OF CASH MANAGEMENT AND AVOIDING THE CASH CRUNCH

CONTENT

1.0 Introduction

1.0 INTRODUCTION

It is unrealistic for entrepreneurs to trace the flow of every naira through their businesses. However, by concentrating on the three primary courses of cash flow problems, they can dramatically lower the likelihood of experiencing a devastating cash crunch.

This study unit introduces you to the “big three” of cash management and also to the steps a business can take to effectively manage its cash and prevent running out of cash which can be devastating to the continued survival of a business

2.0 OBJECTIVES

After studying the material in this unit, you should be able to:

i. Describe the fundamental principles involved in managing the “big three” of cash management

ii. Explain the techniques for avoiding a cash crunch.

3.0 MAIN CONTENT

3.1 The “Big Three” of Cash Management

The big three of cash management are accounts receivable, accounts payable and inventory. A good cash management “recipe” involves collecting your company’s cash as quickly as possible, economizing to keep costs low, and paying out your company’s cash as slowly as possible. Business owners must also monitor inventory carefully to avoid tying up valuable cash in an excessive stock of inventory.

We now discuss each of the “big three” of cash management in detail:

i. Accounts Receivable:

Selling merchandise and services on credit is a necessary evil for most entrepreneurs. Many customers expect to buy on credit and entrepreneurs extend it to avoid losing customers to competitors.

Controlling accounts receivable requires business owners to establish clear, firm credit and collection policies and to screen customers before granting them credit.
Sending invoices promptly and acting on past-due accounts quickly also improve cash flow. The goal is to collect cash from receivables as quickly as possible.

ii. Accounts Payable:
Accounts payable refers to the total amount a business owes to its creditors. The timing of payables is just as crucial to proper cash management as the timing of receivables, but the objectively is exactly the opposite. When managing accounts payable, a manager's goal is to stretch out payables as long as possible without damaging the company's credit rating. Other techniques include verifying invoices before paying them, taking advantage of cash discounts, and negotiating the best possible credit terms.

iii. Inventory:
Inventory refers to the goods an entrepreneur sells. Inventory frequently causes cash headaches for small business managers. Excess inventory earns a zero return and ties up a company's cash unnecessarily. Owners must watch for stale merchandise. Carrying too little inventory is not desirable because business' with excessive "stock outs" lose sales (and eventually customers if the problems persist). Experienced entrepreneurs understand the importance of shedding slow-moving inventory, even if the price they get is below their normal markup.

SELF ASSESSMENT EXERCISE 1
Cash management has …… key concepts.

a. 2
b. 3
c. 4
d. 5

3.2: Avoiding the Cash Crunch

Nearly every business has the potential to improve its cash position with little or no investment. The key is to make an objective evaluation of the business' financial policy search for inefficiency in its cash flow. By utilizing the following techniques, entrepreneurs can get maximum benefit from their business' pool of available cash:

i. Barter:

Bartering is the exchange of goods and services for other goods and services rather than for cash. Buying goods and services with barter offers the benefit of a built-in discount and enables an entrepreneur to buy much needed materials, services, equipment and supplies – without using cash.

ii. Trim Overhead costs:

Simple cost-cutting measures can save big money.

Examples include: (i) periodically evaluating expenses, (ii). Leasing instead of buying when practical, (iii) Avoiding nonessential outlays and (iv) hiring part-time and freelance specialists whenever possible.

iii. Be on the lookout for employee theft:

Businesses lose billions of naira each year to employee theft. Separating among at least two employees key cash management duties such as writing cheques and handling back statements and conducting regular financial audits can be effective deterrents to employee theft.

iv. Keep your business plan current:

Before approaching any potential lender or investor, a business owner must prepare a solid business plan. Smart owners keep their plans up-to-date in case an unexpected cash crisis forces them to seek emergency financing.

v. Invest surplus cash:

Because of the uneven flow of receipts and disbursements, a business will often temporarily have more cash than it needs – for a week, month, quarter or even longer. When this happens, most entrepreneurs simply ignore the surplus because they are not sure how soon they will need it. Entrepreneurs must put surplus cash to work immediately by making smart investments.

SELF ASSESSMENT EXERCISE 2

The exchange of goods and services for other goods and services rather than for cash is called:

a. Bartering

b. Trading

c. Investing

d. Trimming

4.0 CONCLUSION

Successful entrepreneurs run their businesses "lean and mean". Trimming wasteful expenditures, investing surplus funds, and carefully planning and managing the business' cash flow enable them to compete effectively. The simple but effective techniques covered in this study unit can improve every business' cash position.

5.0 SUMMARY

i. What you have learnt in this study unit concerns the "big three of cash management", and ways of avoiding a cash crunch.
ii. You have learnt about the concepts of accounts payable, accounts receivable and inventory and how an entrepreneur should manipulate them for effective cash management
iii. You have also learnt the various techniques an entrepreneur can utilize to avoid a cash crunch, such as bartering and investing surplus cash.
iv. This study unit ends this module. The next module focuses on crafting a winning business plan.

6.0: TUTOR-MARKED ASSIGNMENT (TMA)

i. What are the "big three" of cash management? What effects do they have on a business' cash flow?

ii. Outline the basic principles of managing a business' receivables, payables and inventory.

iii. What steps can entrepreneurs take to conserve the cash within their businesses?

7.0 REFERENCES/FURTHER READINGS

Zimmerer, T.W. and Scarborough, N.M. (2005). Essentials of Entrepreneurship and Small Business Management. New Jersey: Pearson Prentice Hall. ISBN 0-13-191856-7

Megginson, L.C., Byrd, M.J., Megginson, W.L. (2003). Small Business Management: An Entrepreneur's Guidebook. New York: McGraw Hill Irwin. ISBN 0-07-119857-1

MODULE 6:

CRAFTING A WINNING BUSINESS PLAN

UNIT 1: DEVELOPING A BUSINESS PLAN

CONTENT

1.0 INTRODUCTION

Any entrepreneur who is in business or is about to launch a business needs a well conceived and factually-based business plan to increase the likelihood of success. For decades, research has proven that companies that engage in business planning outperform those that do not. Unfortunately studies also show that small companies are especially lackadaisical in their approach to developing business plans.

This study unit discusses the main reasons for developing a business plan and the most important elements that should be contained in a well-developed business plan.

2.0 OBJECTIVES

After studying the material in this unit, you should be able to:

i. Explain why every entrepreneur should create a business plan and list the benefits of such a plan.

ii. Describe the elements of a solid business plan.

3.0 MAIN CONTENT

3.1 Why develop a business plan?

A clear, concise and convincing business plan can be the difference between getting your business funded and not getting started at all. The best way to get noticed is to have a great idea that's presented flawlessly and framed by the right level of detail and supporting data.

An excellent business plan serves three essential functions for all entrepreneurs. These functions are discussed as follows:

i. it serves as a guide:
It guides the business' operations by charting its future course and devising a strategy for success. It gives managers and employees a sense of direction but only if everyone is involved in creating, updating and authoring it. Creating a business plan also forces entrepreneurs to subject their ideas to the test of reality. Can this business idea actually produce a profit?

ii. It attracts lenders and investors:
Often, entrepreneurs approach potential lenders and investors without having prepared to sell themselves and their business concept. Applying for loans or attempting to attract investors without a solid business plan rarely attracts needed capital. Rather, the best way to secure the necessary capital is to prepare a sound business plan.

iii. It forces potential entrepreneurs to look at their business ideas in the harsh light of reality:
To get external financing, an entrepreneur's plan must pass three tests with potential lenders and investors:
a. Reality Test
The external component of the reality test revolves around proving that a market for the product or service really exists. It focuses on industry attractiveness, market niches, potential customers, market size, degree of competition, and similar factors. The internal component of the reality test focuses on the product or service itself. Can the company really build or provide it for the cost estimates of the business plan? Does it offer customers something of value?

b. Competitive Test
The external part of the competitive test evaluates the company's relative position to its key competitors. How does the company's strength and weaknesses match up with those of its competitors? The internal competitive test focuses on management's ability to create a company that will gain an edge over existing rivals. To pass this part of the test, a plan must prove the quality, skill and experience of the venture's management team.

c. Value Test
To convince lenders and investors to put their money into the venture, a business plan must prove to them that it offers a high probability of repayment or an attractive rate of return.

SELF ASSESSMENT EXERCISE 1
A proposed business venture must pass how many key tests:

a. 2

b. 3

c. 4

d. 5

3.2: The Elements of a business plan

Although a business plan should be unique and tailor-made to suit the particular needs of a small company, it should cover these basic elements:

i. The Executive Summary

This is a concise (maximum of 2 pages) summary of all the relevant points of the business venture. It should explain the basic business model and briefly describe the owners and key employees, target market, and financial highlights. Although it is the first part of the business plan, it should be the last section to be written.

ii. Mission Statement
This is the broadest expression of a company's purpose and the direction in which it will move.

iii. Company History
This section provides a brief history of the operation, highlighting the significant financial and operational events in the business' life.

iv. Business and Industry Profile
To provide lenders with information about the industry in which a company competes, an entrepreneur should describe it in the business plan. This section should begin with a statement of the company's general business goals and a narrower definition of its immediate objectives.

v. Business Strategy
This segment of the business plan outlines the methods the company can use to meet its goals and objectives.

vi. Description of Firm's Product/Service
An entrepreneur should describe the company's overall product line, giving an overview of how customers use its goods or services. The emphasis of this section should be on defining the benefits customers get by purchasing the company's product or services rather than just a description of

the features of those products and services. Manufacturers should describe their production process, strategic raw materials required, sources of supply they will use, and their costs.

vii. Marketing Strategy

Defining the target market and its potential is one of the most important and most challenging parts of building a business plan. Prospective lenders and investors want to know whether or not there is a real market for the proposed good or service. The questions this part of the business plan should address include: Who are the most promising customers or prospects? What are their characteristics? Where do they live? What do they buy? Why do they buy? When do they buy? What expectations do they have about the product or service? Will the business focus on a niche? How does the company seek to position itself in its market? This portion of the plan also should describe the channels of distribution that the business will use.

viii. Competitor Analysis

This section of the plan should include an analysis of each significant competitor.

Entrepreneurs who believe that they have no competition are only fooling themselves. This section of the plan should also focus on demonstrating that the entrepreneur's company has an advantage over its competitors.

ix. Description of the Management Team

The most important factor in the success of a business venture is the quality of its management, and most financial officers and investors weigh heavily the ability and experience of the firm's managers in their financing decisions. A plan should thus describe the qualifications of business officers, key directors and any person with at least 20 percent ownership in the company. Resumes in a plan should summarize an individual's education, work history and relevant business experience.

x. Plan of Operation

To complete the description of the business, the owner should construct an organizational chart identifying the business's key positions and the personnel occupying them. Also, a description of the form of ownership and of any leases, contracts, and other relevant agreements pertaining to the business is helpful.

xi. Forecasted or Pro Forma Financial Statements

One of the most important sections of the business plan is an outline of the proposed company's financial statements. Whether assembling a plan for an existing business or for a start-up, an entrepreneur should carefully prepare monthly projected financial statements for the operation for the next year using past operating data, published statistics, and judgments to derive three sets of forecasts of the income statement, balance sheet, cash budge and schedule of planned capital expenditures.

xii. The Loan or Investment Proposal

The loan or investment proposal section of the business plan should state the purpose of the financing, the amount requested, and the plans for repayment or, in the case of investors, an attractive exit strategy.

SELF ASSESSMENT EXERCISE 2

In the plan showcasing the proposed business venture, the section that expresses the vision of the company is called:

a. Philosophical hopes

b. Mission statement

c. Industry profile

d. Business strategy

4.0 CONCLUSION

Although there is no guarantee of success when launching a business, the best way to ensure success is to create a business plan. A good plan serves as an entrepreneurial strategic compass that keeps a business on course as it travels into an uncertain future. Also a solid plan is essential in raising the capital needed to start a business; lenders and investors demand it. It is absolutely essential for the business plan to be built on facts and realistic assumptions.

5.0 SUMMARY

i. What you have learnt in this study unit concerns developing a solid business plan.
ii. You have learnt the essential functions of a well-developed business plan
iii. You have also learnt the elements of a solid business plan.
iv. The next study unit discusses the “Five Cs” of credit

6.0: TUTOR-MARKED ASSIGNMENT (TMA)

i. Why should an entrepreneur develop a business plan?

ii. Describe the major components of a business plan.

iii. How can an entrepreneur seeking funds to launch a business convince potential lenders and investors that a market for the product or service really exists?

7.0 REFERENCES/FURTHER READINGS

Zimmerer, T.W. and Scarborough, N.M. (2005). Essentials of Entrepreneurship and Small Business Management. New Jersey: Pearson Prentice Hall. ISBN 0-13-191856-7

Megginson, L.C., Byrd, M.J., Megginson, W.L. (2003). Small Business Management: An Entrepreneur's Guidebook. New York: McGraw Hill Irwin. ISBN 0-07-119857-1

UNIT 2: FIVE C'S OF CREDIT

CONTENT

1.0 INTRODUCTION

Banks will rarely be a new venture's sole source of capital because a bank's return is limited by the interest rates it negotiates. An entrepreneur must be aware of the criteria lenders and investors use when evaluating the credit-worthiness of a new business

This study unit discusses these criteria and their importance in successfully obtaining funds.

2.0 OBJECTIVES

After studying the material in this unit, you should be able to:

i. Explain the five Cs of credit

ii. Explain the importance of the five Cs to potential lenders and investors.

3.0 MAIN CONTENT

3.1 The Five Cs of Credit

Small business owners need to be aware of the criteria bankers use in evaluating the credit-worthiness of loan applications. These criteria are referred to as the "five Cs of credit". These criteria are discussed below:

i. Capital

Banks expect a small company to have an equity base of investment by the owner(s) that will help support the venture during times of financial strain, which are common during the start-up and growth phases of a business. Lenders and Investors see capital as a risk-sharing strategy with entrepreneurs.

ii. Capacity

Another name for capacity is cash flow. The bank must be convinced of the firm's ability to meet its regular financial obligations and to repay the bank loan; and that requires cash. Lenders expect small businesses to pass the test of liquidity, especially for short-term loans.

iii. Collateral

Collateral includes any assets the owner pledges to the bank as security for repayment of the loan. Bankers view the entrepreneurs' willingness to pledge collateral as an indication of their dedication to making the venture a success.

iv. Character

Before extending a loan to or making an investment in a small business, lenders and investors must be satisfied with an entrepreneur's character. The evaluation of character is frequently based on intangible factors such as honesty, integrity and competence, and it plays a critical role in the decision to put money into a business or not.

v. Conditions

Lenders and investors consider factors relating to a business's operation such as potential growth in the market, competition, location, strengths, weaknesses, opportunities and threats. The best way to provide this relevant information is in a business plan. Another important condition influencing the banker's decision is the shape of the overall economy, including interest rate levels, inflation rate, and demand for money. Although these factors are beyond an entrepreneur's control, they are still an important component of a banker's decision.

SELF ASSESSMENT EXERCISE 1

3. A synonym for cash flow is

a. Capital

b. Capacity

c. Collateral

d. Character

4.0 CONCLUSION

Funding is critical to the success of an entrepreneur's venture. The main sources of such critical funding are lenders and investors. It is thus very important that entrepreneurs make sure they fulfil all the requirements of the Five Cs of credit as this will improve their credit-worthiness in the sight of lenders and investors, thus facilitating their access to much needed funds.

5.0 SUMMARY

i. What you have learnt in this study unit concerns the five Cs of credit.
ii. You have learnt the criteria used by lenders and investors in determining the credit-worthiness of new businesses
iii. This study unit concludes the module

6.0: TUTOR-MARKED ASSIGNMENT (TMA)

i. What are the five Cs of credit?

ii. How does a banker utilize the five Cs of credit when evaluating a loan request?

7.0 REFERENCES/FURTHER READINGS

Zimmerer, T.W. and Scarborough, N.M. (2005). Essentials of Entrepreneurship and Small Business Management. New Jersey: Pearson Prentice Hall. ISBN 0-13-191856-7

Megginson, L.C., Byrd, M.J., Megginson, W.L. (2003). Small Business Management: An Entrepreneur's Guidebook. New York: McGraw Hill Irwin. ISBN 0-07-119857-1

ANSWERS TO SAE

MODULE 1

UNIT 1	UNIT 2	UNIT 3
1. A	1. C	1. A
2. C	2. C	2. A

MODULE 2

UNIT 1	UNIT 2	UNIT 3
1. A	1. D	1. A
2. A	2. B	2. B
	3. B	3. C
	4. A	

MODULE 3

UNIT 1	UNIT 2
1. A	1. B
2. B	2. B
3. A	3. A
	4. A

MODULE 4

UNIT 1	UNIT 2
1. C	1. B
2. C	2. C

MODULE 5

UNIT 1	UNIT 2	UNIT 3

1. C	1. A	1. B
2. D	2. C	2. A

MODULE 6

UNIT 1	UNIT 2
1. B	1. B
2. B	