

COE 502 ASSIGNMENT SOLUTION  
SUBMITTED BY  
IBINAIYE OLUWASEUN JOHN  
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Ibinye ofunwaseun John  
COE 502 Assignment

(1)

### Summary of the Lecture note

#### Concept of Business and Business Environment

Business is viewed as an economic system in which goods and services are exchanged for one another for money, on the basis of their perceived worth.  
Business is also viewed as a legally recognized organization.

Businesses do not exist out of the blue, it takes a special labour called entrepreneur to create a business. A business once created, the entrepreneur has to organize all the factors of production to ensure that the business survives.

The purpose of a business <sup>varies</sup> ~~is established~~ and by virtue of this we have different types of businesses. For instance if a business is established for the purpose of making profit, then it is called a profit making business.

otherwise called a not-profit business. (1)

for a business to survive and achieve their set goals and objectives, the business has to conform to the organic business functions.

these functions are:

- ① production
- ② marketing
- ③ finance and
- ④ personnel

these functions above should not be confused with managerial functions.

Entrepreneurs need skilled managers to run the business. management is simply getting things done through and with others.

to get things done in the business organization, the managers have to perform certain managerial functions popularly recognized with the acronym POSDCORB.

- P — planning
- O — organizing
- S — staffing
- D — directing
- CO — Coordinating
- R — Reporting
- B — Budgeting

## The Concept of Environment

The environment simply means the surroundings, internal, intermediate and external objects, influences or circumstances under which someone or something exists.

Characteristics of an environment

- ① complexity
- ② dynamism
- ③ multifaceted
- ④ far-reaching impact

Business environment is simply the surroundings within which a business exists.

Conditions and characteristics - the environment of a business exhibits.

- ① stable condition - the environment is highly predictable and thus permits a great deal of work process, skills and output to take place within the organization.
- ② simple condition - the environment is one where knowledge can be broken into easily comprehended components.
- ③ dynamism - the business environment changes continuously due to the interaction of the various factors that make up the business environment.

④ Complexity - The business environment is complex by virtue of the various components that comprise it and the interactions among these factors.

⑤ multifaceted - the business environment is many-sided.

⑥ far-reaching impact - the activities of the business in the environment can have enormous impact on the organization.

It is important for the entrepreneur to monitor the business environment constantly and it is of basic importance for the entrepreneur to monitor both the key macro-environmental forces and micro-environmental forces that will affect their ability to earn profits in the market place.

### Macro-environmental forces

- ① demographic / economic
- ② technological
- ③ political / legal
- ④ social / cultural

### Micro-environmental forces

- ① customers
- ② competition
- ③ distribution channels
- ④ suppliers

## Components of a Business Environment

- ① Internal environmental factors - these refer to those factors that can be controlled by the entrepreneur at least in the short run.
- ② External environmental factors - these refer to those factors over which the entrepreneur has no control of but have massive impact on the survival of the business.

Internal environmental factors → micro-environmental forces  
External environmental factors → macro-environmental forces

## SWOT Analysis

This analysis is carried out to identify the strength and weakness and its opportunities and threats of a business.

- ① Strength/weakness analysis - scanning the internal environment of the business to identify its strength and weaknesses.
- ② opportunities and threats analysis - scanning the external environment in order to identify the opportunities and threats.

## Forms of business ownership and legal implications

this deals with the different forms of business that operate around us.

Relevant issues the entrepreneur should consider in the evaluation process → tax considerations, liability exposure, start-up and future capital requirements, management ability, business goals, management succession plans, cost of formation.

## Forms of business ownership

- ① sole proprietorship
- ② partnership → General partnership, limited partnership, master limited partnership, limited liability partnership.

## Types of partners based on the involvement in partnership

- ① General partner, ② limited partner, ③ silent partner, ④ secret partner, ⑤ sleeping partner, ⑥ Nominal partner

## Limited liability companies (LLC)

the incorporation of companies differs from one country to the other, each has a body of laws that guide the registration and operations of companies. In Nigeria, the Companies and Allied Matters Act (CAMA) of 1990 is the major law that guides formation and registration of companies in Nigeria.

## Types of companies

- ① limited by shares
- ② limited by guarantee
- ③ An unlimited company.

## Advantages of LLC

- ① it has a legal entity
- ② limited liability of shareholders
- ③ Ability to attract capital
- ④ transferable ownership
- ⑤ separation of ownership from management



### Disadvantages of L+C

- ① Low personal relationship between customers and the owners when the company becomes very large.
- ② Official red tapism may delay decision making.
- ③ Burden taxation
- ④ Charitable restrictions
- ⑤ Potential loss of control by the owners.

### Co-operative

There is a form of business ownership that involves a collective ownership of production, storage, transportation or marketing organisation.

### Types of co-operative

- ① Consumer / producer co-operative
- ② Worker co-operative
- ③ Finance co-operative

### TEAM :

A team is simply a unit of two or more people who work together to achieve a specific goal/target.

### Types of teams

- ① Formal teams
- ② Self directed teams

### Characteristics of an effective and efficient team

- ① Shared vision or goal
- ① Strong team identity
- ② Competent team members
- ③ Strong commitment to the team
- ④ Clearly defined roles and responsibilities.
- ⑤ Mutual trust
- ⑥ Small team size

- ⑧ High levels of empowerment
- ⑦ Effective communication.
- ⑩ Interdependence among team members.

### Benefits of teams

- ① Increased level of effort
- ② Satisfaction of members
- ③ Expanded job knowledge

### Problems of teams

- ① power realignment
- ② free riding
- ③ Coordinating cost

### Definition and theories of groups

A group is a collection of people who interact with one another regularly over a period of time and see themselves to be mutually dependent with respect to the attainment of one or more goals.

### Theories of group formation

- ① Propinquity
- ② George Homans theory of activities, interactions and sentiments
- ③ Balance theory (Theodore Newcomb)
- ④ Exchange theory.

### Types of Groups

- ① Primary group
- ② Work group
- ③ Formal group
- ④ Informal group
- ⑤ Psychological group
- ⑥ Membership group, Reference group, the in-group, the out-group, A command group, task force group.

### Advantages of groups - organization

- ① Accomplishment of task that cannot be done individually.
- ② Bringing a number of talents to bear on complex and difficult tasks.
- ③ Provide a vehicle for decision making that permits multiple and conflicting views to be aired and considered.
- ④ provide an efficient means for organizational control of employees.

### Advantages of group to individuals.

- ① Aiding in learning about the organization and its environment
- ② Aiding in learning about one self
- ③ provide help in gaining new skills
- ④ obtaining valued rewards that are not accessible by one self.

### Stages in Group Development

- ① Forming stage
- ② Storming stage
- ③ Initial integration stage
- ④ Total integration

### Factors affecting group performance and decision making in group

- ① Group size
- ② Group cohesiveness
- ③ Group composition
- ④ Group norms

### Decision making in groups

- ① Decision by lack of response
- ② By authority rule
- ③ By minority rule
- ④ By the majority
- ⑤ By consensus
- ⑥ By unanimity.

## The Roles of vision, mission and objectives in Entrepreneurship Development

⇒ Vision evokes pictures in the mind, it suggests a future orientation. Vision is vital to human existence.  
 ⇒ Vision gives an imaginary picture of a preferred future which the leaders must carefully guide the organization to reach.

Components of vision:

- ① Core Ideology → Core value and Core purpose
- ② Envisioned future

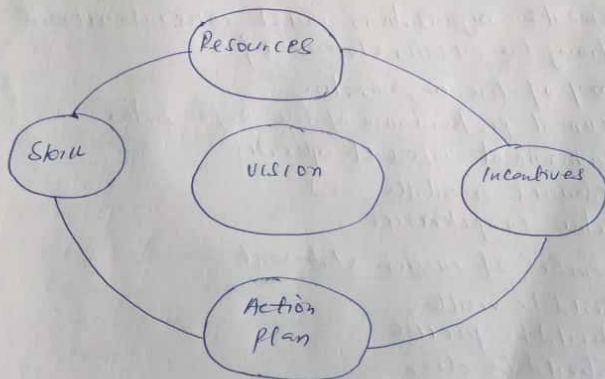


Figure 1: Processes of developing vision

## Key elements that make leaders with vision to succeed

- ① Take personal responsibility for initiating change
- ② Create a vision and strategy for the organization
- ③ Trust and support others
- ④ Open yourself for criticism and be ready to adjust
- ⑤ Initiate and provide constant vigilance
- ⑥ Keep communications flowing

## Mission statement

Mission is what an organization is and the reason for its existence.

5 key elements organizations must take into account in defining the mission statement;

- ① History of the organization
- ② The current performance of the organization
- ③ The environment where it operates
- ④ The resources available and
- ⑤ Distinctive competences

## Characteristics of mission statement

- ① It should be visible.
- ② It should be precise
- ③ It should be clear
- ④ It should be motivating
- ⑤ It should be distinctive.



### Business Regulatory / Legal Roles

Regulatory/legal environment prescribes acceptable principles and guides in business relationship such that each party understands the requirement of the business relationship and that each party will conduct business activities in accordance with the laws of the land.

Levels of Regulations in Nigeria;

- ① the federal legislation acts
- ② the state legislation laws
- ③ local government by laws

Government and Business Regulatory Agencies/Bodies

- ① The Corporate Affairs Commission (CAC).
- ② NAFDAC
- ③ The Standards Council
- ④ the Independent Corrupt Practices and other related offences commission (ICPC)
- ⑤ The Economic and Financial Crimes Commission (EFCC).

promotional / supportive roles of Government

- ① Tax holiday
- ② financial incentive
- ③ infrastructural development
- ④ subsidies

### The objectives of government Regulation

- ① to ensure the development of healthy balance between private and public ownership
- ② to make use of equal opportunity for cooperation
- ③ to avoid the creation of natural monopolies.

### Strategic importance of SMEs

- ① Small and medium sized enterprises are contributing to employment growth at a higher rate than larger firms.
- ② In the European Union economy, about 99.9% of the enterprises are SMEs, of which 93% are micro enterprises.