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**Business and business environment**

Business is any undertaking that deals with the exchange of goods and services for the purpose of earning profit, and satisfaction of human needs and wants. Basic functions every business must perform are production, marketing, finance and personnel.

Environment means the surroundings, influences or circumstances under which a body exists The business environment is simply the surroundings within which a business exists. The business environment might be a stable or simple condition. It could also be complex, dynamic, multifaceted. Monitoring and understanding these characteristics will help the entrepreneur identify opportunity and threats, which in turn affects their profit in the market.

Components of business environment:

1. Internal Environmental Factors

These refer to those factors over which the entrepreneur has control, at least in the short run. The internal environment of the business is made up of micro-environmental factors such as: organizational goals and objectives, specific technologies utilized by component units of the organization, the size, types and quality of personnel, its administrative units, and the nature of the organization’s product/service. The nature of a business’ internal environment is also determined by the organizational resources, organizational behaviour, strengths, weaknesses, synergistic relationships and distinctive competence.

1. Intermediate Environmental Factors

Intermediate determinants of entrepreneurship ideally represent issues or factors in the borderlines between strictly internal and external factors affecting entrepreneurship. Generally, they include the customers and the suppliers. They also include various private and public support systems, such as The National Directorate of Employment (NDE), Technical and Technological Related Support Systems, Financial Support Systems like the microfinance banks.

1. The external environmental factors

These refer to those factors over which the entrepreneur has no control but have great impact on the business’ survival. These factors are either business opportunities or threats. The major external environmental factors are demographic factors, political/legal factors, technological factors, natural environment, socio-cultural factors, economic factors, competitive environment.

SWOT analysis

SWOT is an acronym for Strengths, Weaknesses, Opportunities and Threats. The SWOT analysis is carried out by internal and external business evaluation.

Strengths are inherent capabilities that give strategic advantage.

Weaknesses are inherent limitations or constraints, which create strategic disadvantage. They are the internal factors that are lacking in the business.

Opportunities are favourable conditions in the business’ environment, which enable it to consolidate and strengthen its position.

Threats are unfavorable conditions in the business’ environment, which create a risk for, or cause damage to, the business.

**Forms of Business Ownership and Legal Implications**

One of the main reasons small businesses fail is that they do not seek legal and accounting help at the beginning. One of the keys to success in starting a new business is to understand how to get the resources you need. How an entrepreneur forms his business can make tremendous effect in his long-term success.

Before choosing a business form, an entrepreneur should understand the following:

* Tax consideration: In a graduated tax rates, the government’s constant modification of the tax code, and the year-to-year fluctuations in a company’s income require an entrepreneur to calculate the firm’s tax liability under each ownership option every year.
* Liability exposure: protection from personal liability vary from one form to another. An entrepreneur must evaluate the potential for legal and financial liabilities and decide the extent to which they are willing to assume personal responsibility for their companies’ obligations.
* Start–up and future capital requirements: The form of ownership can affect an entrepreneur’s ability to raise start-up capital. Also as a business grows, capital requirements increase, and some forms of ownership make it easier to attract outside financing.
* Management ability: Entrepreneurs must assess their own ability to successfully manage their own companies. Otherwise, they may need to select a form of ownership that allows them to involve people who possess those needed skills or experience in the company.
* Business goals: The projected size and profitability of a business influences the form of ownership chosen.
* Management succession plans: Some forms of business ownership better facilitate sale or passing on to the next generation. This helps to prevent the death of the business..
* Cost of formation: The cost of formation to create business ownership varies from one form to the other. Entrepreneurs must weigh the benefits and the costs of the form they choose.

Although an entrepreneur may change the form of ownership later, this change can be expensive, time consuming, and complicated.

Forms of business ownership

1. Sole Proprietorship

The business is owned and managed by an individual, who bears all the risk. The sole proprietor is the only owner and ultimate decision maker for the business. The simplicity and ease of formation makes the sole proprietorship the most popular form of ownership in Nigeria. They are concentrated primarily among small businesses. It is flexible in operation, and easy to discontinue. Usually, sole proprietorship has a limited growth, limited skills and ability and limited life span.

1. Partnership

A partnership is a legal form of business with owners between two and twenty. Partners legally share a business assets, liabilities, and profits according to the terms of a partnership agreement. The partnership agreement is a document that states all the terms of operating the partnership for the protection of each partner involved. Partnership can be grouped into different types on basis of partner liability or partner involvement. Partnerships are flexible, easy to establish, consist of a pool of knowledge and skills and have a higher survival rate. Division of profit, disagreement among partners, restrictions of transfer of ownership, unlimited liability are also characteristics of this business form. Dissolution or termination of partnership occurs when a general partner ceases to be associated with the business for several reasons.

1. Limited Liability Companies

In Nigeria, the Companies and Allied Matter Act (CAMA) of 1990 is the major law that guides formation and registration of companies in Nigeria. Characteristics of this form are: attraction of capital, transfer of ownership is possible, ability to continue indefinitely, potential loss of control by owners, delay in decision making, extensive legal requirements and restrictions. It can be divided into private liability companies, and public liability companies, where shareholders are members of the public

1. Co-operative

A form of business ownership which involves a collective ownership of all aspect of an organization and wealth is evenly shared. Co-operatives allow small businesses to obtain quantity discounts on purchases, reducing costs and enabling the co-operative to pass on the savings to its members.

**Teamwork, Group Dynamic and Entrepreneurship**

A team is a group of people who work to accomplish a specific goal.

Team building is the process of creating team features in a group in order to make them more effective.

An effective and efficient team must possess strong team identity, have a shared vision or goal, have competent team members, have clearly defined roles and responsibility, strong commitment to the team, have mutual trust, high level of empowerment and employ effective communication skills.

Teams provide certain benefits which include increased level of effort, satisfaction of members, expanded job knowledge, organizational flexibility.

Groups and Group Formation

A group is a collection of people who interact with and are interdependent on one another to achieve one or more goals.

Theories of Group Formation

1. Propinquity: The theory states that individual affiliate with one another because of spatial geographical proximity e.g. people who sit together always easily form into group.
2. George Hanmans theory of Activities, interactions and sentiments: The theory states that the more activities a person shares, the more numerous will be their interactions and the stronger will their sentiments; and the more sentiment persons have for one another, the more will be their shared activities and interaction.
3. Balance theory [Theodore Newcomb]: it states that persons are attracted to one another based on similar attitudes towards commonly relevant objects and goals.
4. Exchange theory: it is based upon reward – cost outcomes of interaction. A minimum positive level (rewards greater than cost) of an outcome must exist in order for attraction or affiliation to take place.

Factors affecting group performance and decision making in group: group size, group cohesiveness, group composition, group norms.

Advantages of group

1. Accomplishment of task that cannot be done individually
2. Bringing a number of talents to bear on complex and difficult task
3. Provide an efficient means for organizational control of employees
4. Helps individuals in gaining new skills
5. Exploitation of leadership potentials in organization

Disadvantages

1. Too large groups may not allow for effectiveness participation of all group members
2. Loss of individuality and the effect of “group think” especially in highly cohesive groups
3. Decision making takes longer time

Major types of Groups: primary group, work group, formal group, informal group, psychological group.

**The Roles of Vision, Mission and Objectives In Entrepreneurship Development**

Vision

It can also be defined as the mental images or picture of a preferred future either for an individual or for an organization. Vision is in the realm of imagination of a favorable future. Vision is best described by the visioner.

Components of Vision according to Collins & Porras, (1996) can be broadly classified into two:

1. Core Ideology - this is an enduring character of an organization. It can be subdivided into core values and core purpose.
2. Envisioned future - It is creative, looking to a future of greatness; it keeps the organization as well as individuals motivated.

Vision is very central in entrepreneurial process as it is the mental picture of the better future that propels the entrepreneur to give all it takes to bring the future dreams into reality by creating venture, work tirelessly to ensure it success and eventually reaping gains/benefits.

Mission

Mission is what an organization is and the reason for its existence. A meaningful mission must specifically state the fundamental and unique reason for its being and how it is different from other corporate organizations.

Characteristics of Efficient Mission Statement

1. It should be visible: A mission should always aim high but it should not be an impossible statement.
2. It should be realistic and achievable. It should be precise: mission statement should not be too narrow to restrict organization activities and it should not be too broad to make it meaningless giving no direction.
3. It should be clear: Mission statement should be clearly stated to the extent that it can lead the organization into definite action.
4. It should be motivating: Mission statement must be motivating to the employees and society. It must delight the stakeholders to enable it achieve the embodiments of the statements.
5. It should be distinctive: Mission statement should be unique to each organization and differentiate it from similar organizations.
6. It should indicate major components of strategy: which are long-range, decisions, plans, mission, goals, objectives, options, resources allocation, resource utilization, process and advantages improvement.
7. It should indicate how objectives are to be accomplished: in terms of concrete specific targets defined for mission derived goals.

Organizational goals

These are the goals the organization hopes to accomplish in a future period of time. They represent a future state, or an outcome of the effort put in now.

Goals and objectives are often used interchangeably; the major difference has to do with the fact that goals are considered broader than objectives.

Importance of objectives

1. To provide directions for the organization.
2. It aids decision making
3. It allows the organization to pursue its vision and mission
4. It allows resources to be effectively and efficiently allocated among competing needs.
5. It provides the standard for performance evaluation.
6. To establish a basis for control.

Characteristics of good objectives

1. Clear and understandable by all the stakeholders
2. It should be concise, specific and direct
3. It must be measurable in quantitative or qualitative terms
4. It must have a time horizon which must be clearly stated within which objective must be accomplished
5. It must be challenging and attainable

**The Roles of Government and Business Regulatory Agencies In Nigeria**

Business Regulatory/Legal Roles

The 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.

Promotional/Supportive Roles of Government

1. Tax Holiday: A tax holiday is a temporary reduction or elimination of tax; governments usually create tax holidays as incentives for business investment. Tax holiday is an incentive used to encourage the growth and development of business enterprises.
2. Financial incentive: These schemes are one form of strategic assistance an organization may be able to access from the government or agencies. These high level schemes focus on projects that will achieve real productivity improvements - particularly those that will assist collaboration among firms in research, technology diffusion, business transformation and capacity building.
3. Infrastructural development: These are basic facilities that will enhance productivity, reduce cost if they are centrally provided by the government. These items include constant electric supply, portable water, good road facilities, efficient communication system etc.
4. Subsidies: This is a form of financial assistance granted to economic agents such as business organizations with the aim of supporting such businesses to generate increased productivity and promote increased employment and society’s welfare.

The objectives for business regulation in Nigeria

1. To fix and distribute public and social burdens in a fair manner
2. The constitutional rights or sovereign rights of government demand that it should keep close watch over the activities of business
3. To protect the needs of consumers against the production and sales of inferior goods
4. To control sources of revenue in the form of taxes, customs and excise duties etc.
5. Providing greater employment opportunities
6. Increasing exportation of manufactured goods

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 ensure utilization of the existing capacity and the creation of economy of scale
4. To avoid the creation of natural monopolies
5. To raise the living standards of Nigerians
6. To regulate by-laws and taxation with a view to equating the private and social costs.

Government and Business Regulatory Agencies/Bodies

1. The Corporate Affairs Commission (CAC)
2. National Agency for Food and Drug Administration and Control (NAFDAC)
3. Standard Organization of Nigeria (SON)
4. The Independent Corrupt Practices and Other Related Offences Commission (ICPC)
5. The Economic and Financial Crimes Commission (EFCC)
6. The Central Bank of Nigeria (CBN)
7. Nigerian Stock Exchange (NSE)
8. Securities and Exchange Commission (SEC)