**PRECIOUS FESTUS**

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**COE 502 ASSIGNMENT**

**CONCEPT OF BUSSINESS AND BUSSINESS ENVIRONMENT**

**INTRODUCTION**

**CONCEPT OF BUSSINESS**

A business is also conceived as a legally recognized organization. It is also referred to as: enterprise, business enterprise, commercial enterprise, company, firm, profession or trade operated for the purpose of earning a profit by providing goods or services, or both to consumers, businesses and governmental entities. For businesses to survive and achieve their set goals and objectives, they have to perform the organic business functions. These are the basic functions every business has to perform: production, marketing, finance and personnel.

**THE CONCEPT OF ENVIRONMENT**

The concept ‘environment’ literally means the surroundings, internal, intermediate and external objects, influences or circumstances under which someone or something exists

The environment of the business exhibits the following conditions and characteristics. These are:

1. Stable Condition: This environment is highly predictable, thus permitting a great deal of standardization (work process, skills and output) to take place within the organization. Simple Condition: This environment is one where knowledge can be broken down into easily comprehended components.
2. Dynamism: The business environment is not static. It is dynamic and as such changes continuously. This is because of the interactions of the various factors that make up the business environment.
3. Complexity: The business environment is not simple; it is complex by virtue of the various components that comprise it and the interactions and interrelationships among these factors.
4. Multifaceted: The business environment is many-sided. It can be viewed from many angles by the parties involved. Hence, an occurrence that is viewed as strength to an organization may be perceived as a weakness by another.
5. Far-reaching impact: The happenings in the business environment can have enormous impact on the organization. It could have the ripple effect. This is because the business environment can be conceived as a system, specifically an open system made up of different components that interact and interrelate with one another. Hence, once there is a problem or development with one aspect/sector, it could have far-reaching impact on the other aspects/sectors.

**COMPONENTS OF THE BUSINESS ENVIRONMENT**

The business environment is made up of the internal and the external environment. These are discussed briefly in succeeding sections.

**Internal Environmental Factors**: The internal environmental factors refer to those factors over which the entrepreneur has control, at least in the short run; this is why it is also called the controllable environment of the business. The internal environment of the business is made up of all those physical and socials factors within the boundaries of the business, which impart strengths or cause weaknesses of a strategic nature and are taken directly into consideration in the decision-making behavior of the business.

The nature of a business’ internal environment is also determined by the;

1. Organizational resources, organizational behaviour: is the manifestation of the various forces and influences operating in the internal environment of an organization.
2. Strengths: are inherent capabilities that give strategic advantage.
3. Weaknesses: are inherent limitations or constraints, which create strategic disadvantage.
4. Synergistic relationships: y is an idea that the whole is greater than the sum of its parts, i.e. 3+3=7.
5. Distinctive competence: The specific ability possessed by a particular organization that distinguishes it from others.
6. Organizational capability: This is the inherent capacity or ability of an organization to use its strengths, and overcome its weaknesses in order to exploit opportunities and face threats in its external environment.

**External Environmental Factors**: The external environmental factors refer to those factors over which the entrepreneur has no control but have tremendous impact on the survival of the business; this is why it is also called the uncontrollable environment of the business.

The major external environmental factors are:

1. Demographic factors: These include the market i.e. consumer populations.
2. Technological Factors: This deals with knowledge of how to accomplish tasks and goals, and innovations.
3. Natural Environment: This deals with all the gifts of nature or natural resources of the nation that serve as input for the business.
4. Socio-Cultural Factors: These deal with the people, their norms, values and beliefs as they affect the business.
5. Economic Factors: These deal with the Macro level factors relating to means of production and wealth distribution.
6. Competitive Environment: These are those firms that market products that are similar to, or can be substituted for, a business’ product(s) in the same geographical area.
7. Other Factors: The other factors making up the external business environment are: (1) Suppliers, which are other firms and individuals that provide the input resources needed by the organization to produce goods and/or services

**SWOT ANALYSIS**

SWOT entails the objective analysis of a business’s Strengths and Weaknesses and its Opportunities and Threats. In order to identify its strengths, weaknesses, opportunities and threats, an organization has to carry out internal and external evaluation and also opportunities/threats analysis and strengths/weaknesses analysis.

**Strengths/Weaknesses Analysis:** This involves scanning the internal environment of the business in order to identify its strengths and weaknesses

The 5s (five ‘s’) in terms of their strengths and weaknesses;

1. Skill
2. Strategy
3. Staff
4. Structure
5. Systems

**Opportunities and Threats Analysis:** This involves scanning the external environment of the business in order to identify the Opportunities and Threats.

**FORMS OF BUSINESS OWNERSHIP AND LEGAL IMPLICATIONS**

Selecting a form of business ownership is a landmark step in the creation of a venture. It is imperative that an entrepreneur carefully searches for the types of legal ownership and then consults an attorney (lawyer), and an accountant or both to verify whether the choice addresses their specific needs.

The following are relevant issues the entrepreneur should consider in the evaluation process:

1. Tax consideration
2. Liability exposure
3. Start up and future capital requirements
4. Management ability
5. Business goals
6. Management succession plans
7. Cost of formation

Whether small or large, every business fits one of three categories of legal ownership, sole proprietorships, partnership, and corporations.

**Sole Proprietorship**

The sole proprietorship is the simplest and most popular form of ownership. This form of business ownership is designed for a business owned and managed by one individual

**Advantages**

Least cost of business ownership to establish, Minimum or no special legal restriction, Ownership of all profit, No special taxes since business income and proprietors’ income are taxed as one, Maximum incentive to succeed, Privacy, Flexibility of operation, Easy to discontinue

**Disadvantages**

Unlimited personal liability, Limited access to capital for expansion, Limited skills and abilities, Feelings of isolation /overwhelming time commitment, Few fringe benefits, Limited growth, Lack of continuity for the business that has a limited life span.

**PARTNERSHIP**

A partnership is a legal form of business with two or more owners. The standard partnership agreement will likely include the following information:

1) Name of the partnership

2) Purpose of the business

3) Location of the business

4) Duration of the partnership

5) Names of the partners and their legal addresses ETC…

**TYPES OF PARTNERSHIP**

There are four types of partnership, on the basis of liability of partners

(1) General partnership

(2) Limited partnership

(3) Master Limited Partnership (MLP)

(4) Limited Liability Partnership (LLP):

**Advantages of Partnership**

The following are the advantages of Partnership;

Easy to establish, more financial resources, Shared management and pooled /complementary skills and knowledge, Division of profits etc...

**Disadvantages**

The following are the disadvantages of Partnership;

Unlimited liability, Division of profits, Disagreement among partners especially with regard to authority and control, Difficult to terminate because partners are bound by the law of agency, Restrictions on transfer of ownership etc…

**Dissolution and Termination of a Partnership**

This may be as a result of:

1. Expiration of a time period or completion of the project undertaken as delineated in the partnership agreement.
2. Expressed wish of any general partner to cease operation
3. Expulsion of a partner under the provisions of the agreement.
4. Withdrawal, retirement, insanity, or death of a general partner (except when the partnership agreement provides a method of continuation).
5. Bankruptcy of the partnership or of any general partner etc…

**LIMITED LIABILITY COMPANIES**

This is a private company whose owners are legally responsible for its debts only to the extent of the amount of capital they invested.

**The private liability company**: can be formed by minimum of two persons and maximum of fifty persons excluding employees of the company both past and present.

**The public liability** **company**: is a company where the shareholders are members of the public. The shares are generally freely transferable.

**Advantages of Limited Liability Companies**

a. It has a legal entity

b. Limited liability of shareholders

c. Ability to attract capital

d. Ability to continue indefinitely

e. Transferable ownership

**Disadvantages of limited liability companies**

a. Double taxation

b. Charter restrictions

c. Extensive legal requirement and restrictions

d. Potential for diminished management incentives

e. Potential loss of control by the owners

**Co-operative**

A form of business ownership which involves a collective ownership of a production, storage, transportation or marketing organization.

**Types of Co-operative**

1. Consumer/producer co-operative
2. Workers co-operative Finance co-operatives
3. 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**

You will agree with me that, there is need for people to work together in any form of business whether sole proprietorship or Limited Liability Company.

**Team**

A team is a unit of two or more people who interact and coordinate their work to accomplish a specific goal. A team could also be seen as a group of people with some common identity.

**Team Building**

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

**Characteristics of an Effective and Efficient Team**

For a team to be effective, it must possess certain characteristics. These characteristics, where absent or deficiently present, will naturally result in poor team performance. These characteristics are:

1. Shared vision or goal
2. Strong team identity
3. Competent team members
4. Strong commitment to the team
5. Clearly defined roles and responsibilities
6. Mutual thrust ensures smooth interpersonal relations.
7. Small team size
8. High levels of empowerment
9. Effective communication
10. Independence among team members

**Definition and theories of groups**

A group is defined as two or more persons who are interacting with one another in such a manner that each person influences the other(s).

**Theories of Group Formation**

1. Propinquity
2. George Hanmans 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 groups
5. Psychological groups
6. Others include; membership group, reference group, the in-group, the out group, the command group, task force group.

**Advantages of group to an individual/ organization**

1. Accomplishment of task that cannot be done individually
2. Bringing a number of talents to bear on complex and difficult task
3. Reservoirs of potential formal managers.
4. Aiding in learning about oneself
5. Provide help in gaining new skills
6. Obtaining valued rewards that are not accessible by oneself

**Disadvantages of group**

1. Group size
2. Group Cohesiveness
3. Group Composition
4. Group Norms

**THE ROLES OF VISION, MISSION AND OBJECTIVES IN ENTREPRENEURSHIP DEVELOPMENT**

As a learner who is taking a course in entrepreneurship, you must have expectations, dreams or mental pictures of future possibilities.

**Vision**

Vision is short, succinct, and inspiring statement of what the organization intends to become and achieve in the future, often stated in competitive terms. Vision refers to the category of intentions that are broad, all-inclusive and forward-thinking. It is the image that a business must have of its goals before it sets out to reach them.

**Components of vision**

Components of Vision can be broadly classified into two, namely:

1. Core Ideology: is described as enduring character of an organization
2. Core value: guiding principles or what the organization stands for.
3. Core purpose: a clear description of the activities of the organization.
4. Envisioned future: It is creative, looking to a future of greatness

**Importance of Vision**

1. A vision inspires action
2. A vision is a practical guide for creating plans, setting goals and objectives, decision making.
3. A vision helps keep organizations and groups focused and together

**Mission Statement**

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 Mission Statement**

Seven characteristics of effective mission statement as follows:

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
6. It should indicate major components of strategy
7. It should indicate how objectives are to be accomplished

**Organizational goals and objectives**

**Organizational goals**

This can be defines as what an organization hopes to accomplish in a future period of time. They represent a future state or an outcome of the effort put in now. A broad category of financial and non-financial issues are addressed by the goals that an organization sets for itself.

**Organizational Objectives**

Objective is described as specific intended results of organization activities. Objectives can be seen as the ends that state specifically how the goals shall be achieved.

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

You need to appreciate the fact that Entrepreneurial enterprises in market economies are the engine of economic development.

**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. There are three levels of regulations in Nigeria namely:

1. The Federal Legislation acts
2. The State legislation laws
3. Local Government by laws