AGOYI ISAAC OTUOZE

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COE 502 ASSIGNMENT

Concept of Business and Business Environment Concept of Business and Business Environment

Business is any enterprise dealing with the manufacture and distribution of goods and services that satisfy human needs and wants. Companies are not out of the 'blues'! They are created through a special kind of labour, called the businessman. Once the businesses are created, however, the entrepreneur has to organize all the production factors to ensure the business survives.
Among other things, administrators have to perform the administrative roles that are popularly id entified with the acronym POSDCORB, in order to get things done in the business POSDCORB means: Planning, Organizing, Staffing, Directing, Coordinating, Reporting and Budgeting.

The concept of environment

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

This environment is highly predictable, allowing for a considerable amount of standardization (w ork process, skills and output) within the organization.

Simple Condition: This environment is one in which knowledge can be broken down into components that are easily understandable.
Dynamism:TheBusinessWorldis not static. It is dynamic, and continually changes as such. This i s because of the interactions between the different factors that make up the market environment
Complexity: The business environment is not simple; it is complex because of its various components, and the interactions and interrelationships between these factors.
Multifaceted: The enterprise environment is multifaceted. The parties involved can look at this from many angles. An event considered as an organization's strength can therefore be perceived as a weakness by an organization
Components of business environment

Internal Environmental Factors:
The internal environmental factors apply to those variables that the entrepreneur monitors, at leas t in the short term; that's why it's often called the company's controllable climate

Organizational resources are the physical and human capital used to build outputs are inputs within the organisation.

Organizational behavior Is the representation of the different powers and pressures operating in an organisation's internal environment.

Strengths are inherent capabilities that give strategic advantage.

Weaknesses Are inherent restrictions or weaknesses that establish a strategic disadvantage

Synergy the concept that the whole is greater than the sum of its pieces,

Distinctive competence: The specific ability possessed by a particular organization that distinguishes it from others.

Organizational capability: This is an organization's inherent ability or ability to utilize its strengths, and overcome its weaknesses to exploit opportunities and face threats in its external environment.

Intermediate Environmental Factors

They usually involve the consumers and suppliers who are the ties between the company and the environmental factors solely external to them. They do have various support structures, private as well as public, e.g. law firms and public relations companies. Any of such support structures include the following:

The National Directorate of Employment (NDE): This was established by the Federal Government of Nigeria in November, 1986. It was designed to work out strategies for dealing with mass unemployment in the country especially among the school leavers and college graduates.

Some Financial Support Systems: These include:
Small Industries Credit Committee.
National Economic Reconstruction Fund.
Small and Medium Enterprises Loans Scheme.
Micro Finance Banks.
Nigerian Industrial Development Bank.

External Environmental Factors: The external environmental factors refer to those factors over which the entrepreneur has no control, but which have a tremendous impact on the company's survival; this is why it is also called the uncontrollable business environment.
The major external environmental factors are:
Demographic factors: Which involve the customer populations in the industry, i.e. It addresses their composition in terms of sex, age, employment, marital status, levels of education, etc..
Political/Legal Factors: this is made up of laws, government agencies and pressure groups that affect the business.
Technological Factors: This deals with knowledge of how to accomplish tasks and goals, and innovations.
Natural Environment: This deals with all the gifts of nature or natural resources of the nation that serve as input for the business.
Socio-Cultural Factors: These deal with the people, their norms, values and beliefs as they affect the business.

Economic Factors: These deal with the factors of the macro level relevant to the means of production and the distribution of resources. This also covers supply and demand powers, purchasing power, ability to spend, levels of consumer spending and the strength of competitive behaviour.

Overview of SWOT Analysis

Strengths/Weaknesses Analysis

This means analyzing the company's internal environment to identify its strengths and weaknesses. The entrepreneur has to regularly evaluate the firm's strengths and weaknesses. The entrepreneur should also evaluate the company's competitive climate by taking a close look at the internal factors 5s, namely: Skills, Strategy, Staff, Structure, Systems and Shared Values

To do this effectively the entrepreneur needs to ask him/herself and answer questions pertaining to the 5s (five 's') such as:

Skills: What skills do the organizational members possess? What are the distinctive competencies of the organization?

Strategy: Does your business have a clear vision and mission? Does your business have plans?

Staff: Does the business have qualified staff for the relevant positions? Are the staff rightly placed? **Structure**: Does the business have an organizational structure or organogram? What type of organization structure does your business adopt? Are there clear lines of reporting and communication?

Systems: Does your organization have a system?

Opportunities and Threats Analysis

That involves analyzing the company's external environment to detect opportunities and threats. The entrepreneur can evaluate the company's external environment by taking a critical look at the opportunities and threats arising from changes in the major external environmental factors.

Consideration for the choice of the form of Business organization

The following, according to Scarborough et al (2009), are relevant issues the entrepreneur should consider in the evaluation process:

Tax consideration: In a graduated tax rate, the frequent adjustment of the tax code by the government (i.e. local, state and federal) and the year-to-year changes in the profits of a corporation allow an employer to measure the tax liability of the corporation for each ownership option each year.

Liability exposure: Some forms of ownership give business owners greater personal liability insurance due to financial issues, defective goods, and a loss of other difficulties. An entrepreneur must assess the potential for legal and financial liabilities and decide to what extent they are willing to assume personal responsibility for the obligations of their enterprises.

Start–up and future capital requirements: The ownership form may affect the ability of an entrepreneur to raise startup capital. Capital needs also rise as a company expands, and certain forms of ownership make it easier to obtain 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. Business often evolves into a different form of ownership as they grow, but moving from some formats can be complex and expensive. Legislation may change and make current ownership options less attractive.

Management succession plans: Entrepreneurs, in selecting a form of business ownership, must look ahead to the day when they will pass their companies on to the next generation or to a buyer. Some forms of business ownership better facilitate this transition. In other cases, when the owner dies –so does the business.

Cost of formation: The cost of establishing business ownership varies from form to form. Entrepreneurs must weigh the benefits of the form they choose, and the costs.

Forms of Business Ownership

Sole Proprietorship

This form of business ownership is designed for a business owned and managed by one individual. In your quest for an interesting career, sole proprietorship is the easiest type of business you can explore. The sole proprietor for the company is the sole shareholder and ultimate decision-maker. The sole proprietorship has no legal distinction between the sole proprietor status as an individual and his or her status as a business owner.

Partnership

A relationship with two or more proprietors is a legitimate type of company. Legally, partners share a business asset, obligations, and income under the terms of a partnership agreement. The law does not mandate a formal partnership agreement, also known as partnership papers, but it is prudent to consult with an attorney to draw up an agreement outlining the status, rights and responsibilities of each partner. The partnership agreement is a document that states all of the terms of operating the partnership for the protection of each partner involved.

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

(1) **General partnership:** This is a partnership in which all owners share in operating the business and in assuming liability for the business' debts.

(2) **Limited partnership:** This is a partnership with one or more general partners and one or more limited partners. Limited partnership is one in which certain partners are liable only for the amount of their investment.

Limited Liability Companies

The incorporation of companies differs from one country to the other. Each country has a body of laws that guide the registration and operations of 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.

Types of Companies: three types of companies can be identified

Limited by shares

Limited by guarantee

An unlimited company.

A company is said to be **limited by shares,** if the liability of its members limited by the memorandum to the amount, if any unpaid on the shares respectively held by them.

A company is said to be **limited by guarantee** if the memorandum to such amount as the members may respectively thereby undertake to contribute to the assets of the company in the event of its being wound up.

A company is said to be **unlimited** when the members do not have any limit on the liability of its members.

Legal Requirement for Registration of Companies

The Companies and Allied Matter Acts specified the documents of incorporation, in section 35 of the acts to include:

Memorandum of Association;

Articles of Association;

Notice of the address of the registered office and head office;

Statement of the lists and particulars of the first directors of the company;

Statutory declaration of compliance with the provisions of the acts

Any other document that may be required by the Corporate Affairs Commission (CAC), e.g. tax certificate of the directors, etc.

Private liability Companies

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 total number of members of a private company shall not exceed fifty

The public liability company is a company where the shareholders are members of the public. The shares are generally freely transferable. Public companies are large trading concerns with minimum membership of two but no maximum. The name of a public company is expected to end with Public Limited Company (PLC).

Co-operative

What is referred to as a cooperative is a type of business ownership that includes mutual ownership of a manufacturing, storage, transportation or marketing organisation.Some individuals dislike the notions of having owners, managers, workers and buyers as separate parties with separate goals for business organisation.

Team: definition and typology

A team is a unit of two or more individuals who collaborate and organize their work to achieve a particular objective. A team might also be seen as a group of people with a certain common identity. Each of whom possesses particular aptitudes, knowledge and skills.

Typology of Teams

1. **Formal teams** are basically created by the organization as part of the formal organization structure.
2. **Self-directed teams** are designed to increase the participation of low level workers in decision making in the conduct of their jobs with the goal of improving performance. Its types are problem-solving teams and self-directed teams.

Team Building

Team building, as earlier noted, is the process of creating team features in a group in order to make them more effective. Team formation or process is made up of five stages namely:

Forming: where members find out what the task is, what the rules are and what methods are appropriate.

Stormy: emotional resistance to demands of task.

Norming: open exchange of views and feelings, cooperation develops
Performing: emergence of solutions to problems, constructive attempts at task completion.
Adjusting: modifications made in the light of feedbacks. Several authors have identified the following as the relevant issues in team building.
Cohesiveness: This is the extent to which membership of a team is positively valued and members are drawn toward the team.

Benefits of Teamwork and potential problems

Increased level of effort: Employee teams often unleash enormous energy and creativity from workers who like the idea of using their brains as well as their bodies on the job.

2. **Satisfaction of members:** Employees have a need for belonging and affiliation. Working in teams can help meet these needs.

3. **Expanded job knowledge:** Teams empower employees to bring together knowledge and ability to task.

4. **Organizational flexibility:** Employee teams ensure greater flexibility as expanded job knowledge allows work to be re-organized and workers reallocated as needed to produce products and services with great flexibility.

Defining vision and its components

Vision evokes thoughts in the mind; it indicates a forward-looking perspective. Vision is vitally important to human life. It gives an imagined image of a desired future which the leader must direct the organization carefully to achieve. Vision is also a image of your future business.

Components of vision

Core ideology is described as enduring character of an organization-i.e. a consistent identity that transcends product or market life cycle, technological breakthroughs and the likes. It is what the organization stands for, the very purpose for which the organization is created..

Envisioned future. It is creative, looking to a future of greatness; it keeps the organization as well as individual motivated even if the founders are no longer in existence.

Visioning Process and way of keeping vision alive

1. Initiate and provide constant vigilance
2. Set high goals but be realistic
3. Seek significant early involvement by other members of the organization
4. Demonstrate commitment, follow through

Mission Statement

A meaningful mission must specifically state the fundamental and unique reason for its being and how it is different from other corporate organizations. Mission gives specific direction and focus to the organization. It should be visible, It should be precise, It should be clear, It should be distinctive, It should be motivative.

The Corporate Affairs Commission

The Corporate Affairs Commission was established by the Companies and Allied Matters Act **(CAMA)** 1990 as a corporate body with perpetual succession and a common seal; it is capable of suing and being sued in its corporate name.

Functions of the CAC

The Act that established the Commission specified the following functions:

The regulation and supervision of the formation, incorporation, registration, management, and winding up of companies.

Establishing and maintaining companies' registry and offices in all the states of the Federation suitably and adequately equipped to discharge its formations.

Arrange or conduct an investigation into the affairs of any company where the interests of the shareholders and the public so demand.

Perform such other functions as may be specified by any act or enactment.

National Agency for Food and Drug Administration and Control (NAFDAC)

NAFDAC was established under decree No 15 of 1993.The decree vested in it dual functions. To see to the establishment of food beverages and cream industry As well as regulating and controlling the importation, manufacturing, distribution, sales and use of processed food, drugs, cosmetics, medical devices, bottled water, chemicals and advertisements relating to food, beverages and cream products. Ensure that the use of **narcotic drugs and psychotropic** substances are limited to medical and scientific purposes.

The Independent Corrupt Practices and Other Related Offences Commission (ICPC)

The Independent Corrupt Practices and Other Related Offences Commission was established as a corporate body by the Federal Government of Nigeria as a legislative initiative to combat corruption which has become endemic in the national life. The commission comprises high police ranking officers, legal practitioners with at least 10 years post-call experience, retired judge of a superior court of law, a retired public servant not below the rank of a director, a woman, a youth not less than 21 or more than 30 years of age at the time of his or her appointment and a chartered accountant.

The Economic and Financial Crimes Commission (EFCC)

The **EFCC** was established by Act of parliament in 2004 and the Commission was empowered by the Act to carry out the following functions

1. the investigation of all financial crimes including advance fee fraud, money laundering, counterfeiting, illegal charge transfers, futures market fraud, fraudulent encashment of negotiable instruments, computer credit card fraud, contract scam, etc.
2. The co-ordination and enforcement of all economic and financial crimes laws and enforcement functions conferred on any other person or authority
3. The adoption of measures to identify, trace, freeze, confiscate or seize proceeds derived from terrorist activities, economic and financial crimes related offences or the properties the value of which corresponds to such proceeds
4. The adoption of measures to eradicate the Commission of economic and financial crimes