# BUSINESS ADMINISTRATION AND ENTREPRENEURSHIP

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## Nigerian business environment today - meaning of business and business challenges in Nigeria today

### Meaning of Business and its Classifications

 A business should be seen as something we create for our own benefit and that of the society we live in. It is beneficial first to its creator in order to:

1. To make a profit in order to serve as an income
2. To gain control of his future economic life including that of his offspring.
3. To preserve his economic status in the society he lives in.

The business is also beneficial to the society it is operating in, such as;

1. It produces goods and services that serve the needs of the society.
2. It does so at a profit.
3. It grows to serve more needs of the society.
4. It protects the health and well-being of its employees
5. It preserves the environment it is operating in.

A business can therefore be defined, in the light of its most important objective, as a set of activities undertaken to serve a need of the society. It should be seen as being different from the owner even based on their different objectives. To emphasise this further let to use the case of Malam Isa mai tebur. If he decides to dash out the tebur and its content; this does not mean he has given himself away. That is as the owner of the business he is distinct and different from the business. This distinction is clearer in big businesses than in small businesses. For instance, in big businesses the business itself will pay tax and the owner too will pay his own tax when he gets an income even if it’s from the same business that he owns. It is important to understand this distinction between a business and its owners to avoid major problems that can come up.

Businesses can be classified from two different angles, as seen by the government in the formation of policies. The first is based on the most important activity the business engages in and in this way, businesses are classified into industries. There are three types of industries as follow.

1. Basic production (Primary) Industry. These are businesses that are involved in the direct extraction of resources in their natural forms. Examples include Farming, Fishing and Mining.
2. Processing/ Manufacturing (Secondary) Industry. These are businesses that use the resources extracted by the primary industry to convert them into products that are readily available for consumption either directly or by another business in this category to produce other goods that are directly consumable. Examples include Mai Kosai (Restaurants), and Manufacturing companies.
3. Services industry. These are businesses that provide us with a satisfaction from the provision of certain services. Examples include transporters, Hospitals, and middlemen that include wholesalers and retailers.

The second angle a business can be seen is from the ways of owning the business. This is an important criteria the government uses to determine Small and Medium Enterprises in Nigeria. There are four patterns that can be followed based on this criteria and they are as as listed below. We would discuss how each one is formed, how they get their get their funds and their advantages and disadvantages.

1. Sole proprietorship
2. Partnership
3. Corporations
4. Cooperative.

### Sole Proprietorship

This is the business that is owned by one person. It is also referred to as Sole trader, Individual enterprise or as One-man business. Its activities are conducted by the single owner though most often with help from family members.

 **Formation.** The formation of the sole trader is the easiest of all business formations. There are no particular laws to be followed to start a business. All that is required is to obtain the resources needed including location of operation and the owner is in business. We should keep in mind the local councils requirement for revenues that is collected for use of motor parks, markets and bill boards placed by the road sides.

**Sources of capital.** The source of capital form the sole trader is mainly from his personal savings or with help from relatives or philanthropists such Tony Elumelu. Banks rarely give favourable terms to the sole proprietorship

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| **Advantages**1. Ownership of profits.
2. Simplicity of Organisation.
3. Freedom of decision
4. Minimal legal restrictions
5. Ease of dissolution
6. Tax savings
7. Secrecy
 | **Disadvantages**1. Unlimited liability
2. Possible lack of abilities and skills
3. Difficulty in raising capital
4. Limitation on rate of growth
5. Limited life of the business
6. Limited opportunity for employees
7. Difficulty in management
 |

### Partnership

A partnership is a business owned and operated by more than one person but, in Nigeria, should not be more than ten people. The management of the business is usually shared amongst the partners in a predetermined ratio. Originally, all partners bear unlimited liability regardless of the proportion of their investments but can be adjusted, by agreement of the partners, to become a special kind of partner. There must be at least one unlimited liability partner in every partnership agreement. A partnership with at least one partner with limited liability is referred to as a limited liability partnership. If all partners bear unlimited liability then the partnership is referred to as an unlimited liability partnership.

**Formation.** There is no rule that stipulates a procedure to follow in the formation of a partnership but it is advisable to have a written agreement. Where the agreement is written the paper is referred to as a partnership deed. It typically contains the items that might cause a disagreement in the future, such as;

1. The name of the firm
2. Location and type of business to participate in
3. The name of the partners
4. The type of partner each partner is
5. The amount of capital contribution of each partner
6. Salary of management/working partners
7. The extent of drawing allowed to each partner
8. The profit/loss sharing ratio
9. The agreed manner of keeping account
10. Method of admission of new partner, if allowed
11. Method of dissolution, for finite life agreements.

Types of partners

1. General/Unlimited liability partner
2. Limited liability partner
3. Secret partner
4. Silent partner
5. Dormant/sleeping partner.
6. Nominal partner

**Source of capital**. Their main source is the individual contributions of the partners. A partnership stands a better chance of obtaining a loan from a bank than the one man business due to the added guaranty of unlimited liability partners.

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| **Advantages**1. Combined talents
2. Larger capital base
3. Minimal Government regulation
4. Better credit standing
5. Retention of valuable employees
6. Personal interest is enhanced
 | **Disadvantages**1. Unlimited liability
2. Divided authority
3. Danger of disagreements
4. Difficulty in management
5. Tied up investment
6. Lack of continuity
 |

### Corporations

These are very large business operations. There two basic types of corporations, depending on who owns the business, that include the Joint stock company and the statutory corporations. The joint stock companies are further subdivided into Private limited liability and public limited liability.

**Formation.** The formation of the Joint stock companies is regulated by the government. In Nigeria the regulations are contained in the Companies and Allied Matters Act and the whole process is supervised by the Corporate Affairs Commission. The Private limited liability company is allowed to have a minimum of two Shareholders and a maximum of fifty. Such shareholders should have a private tying characteristic such as blood ties or membership of a guild for instance lawyers or medical doctors. While the Public limited liability company must have a minimum of seven shareholders but no upper limit is set. Another differentiating factor between these two is that while in the public limited liability company can simply sell their shares to cease being shareholders, in the Private Company you would have to find a qualified person who wants to buy your shares and additionally obtain the consent of other shareholders to sell to that person.

The founding fathers of the Joint stock Company files an application with the Corporate Affairs Commission stating, amongst other things, the name of the company, the type of business to be undertaken (Extracted from Memorandum of Association), and the Articles of Association – a document that shows the internal structure of the proposed company. The company acquires the status of Legal entity on the approval of such an application.

The formation of the statutory corporations is usually by edicts such as a decree or a bill.

**Source of capital.** The source of capital for the Private limited liability company is mainly through sales of shares to shareholders and to some extent loans from banks. On the other hand, the Public limited liability company obtain funds through the following ways.

1. Sale of share which can be ordinary or preference shares
2. Sale of debentures
3. Sale of Notes
4. Self-financing

The statutory corporation get their funds through budgetary allocations and grants.

|  |  |
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| **Advantages**1. Ease of expansion
2. Talented Managers
3. Limited liabilities
4. Permanence
5. Economies of scale
6. Legal entity
 | **Disadvantages**1. Highly regulated
2. Separation of ownership from management
3. Double taxation
4. Bound by charter
5. High operating expenses
6. Lack of secrecy
 |

### Cooperative

This is a type of a limited liability business in which the owner is the same as the customer. Its purpose is not to make profit but to serve its members.

**Formation.** An application is filed with the Ministry of commerce to commence business as a cooperative. A name search would be conducted to ascertain uniqueness while conforming to a certain commonality. First there should be a unique name that could be geographical or otherwise. This is followed by a selected area of operation, such as follows.

1. Agricultural
2. Credit and Thrift
3. Mutual insurance
4. Consumer
5. Etc.

The phrase ‘cooperative society’ is finally added to indicate that it is a limited liability business. If the name is found suitable approval is given accompanied by a copy of the cooperative byelaw to guide the operation of the business. This form of business too, like the public limited liability company has no upper limit of the number of members but here the minimum is ten people.

**Sources of capital.**  Cooperative byelaws make provision two types of capitalisations. The first and more common is through purchase of shares and owners are referred to as Shareholders. The second is through loans and owners are referred to as Members. In addition to whatever method is selected, relevant Banks for a particular areas of the cooperative’s operation are more ready to offer specialised loans.

### Business Challenges in Nigeria

1. Social problems.
2. Poor information and research.
3. No budget and budgetary control.
4. Wrong choice of business.
5. Lack of business connection.
6. Poor financial control.
7. Lack of managerial knowhow.
8. Marketing problems.
9. Inability to attract qualified manpower
10. High labor turnover.
11. Lack of good business plan.
12. Low quality of product.

## What is entrepreneurship and how do entrepreneurs differ from others

Entrepreneurship is a change in actions to create or extract value. The change in actions is undertaken by entrepreneurs. This definition encompasses the four categories of entrepreneurs, these are:

1. Small Business Entrepreneurs – start up a completely new business in same tradition.
2. Scalable start up entrepreneurs – innovate to overcome a bottleneck.
3. Large company entrepreneurs – change operations of large business to succeed better.
4. Social entrepreneurs – bring changes in the social life of their communities.

### Traits of Entrepreneurs

1. Motivation
2. Creativity
3. Persuasiveness
4. Passion
5. Vision
6. Versatility
7. Risk tolerance
8. Flexibility
9. Tenacity
10. Confidence

These seem impossible to have in one person until Aliko Dangote summarised them into having a **“Big heart and willing to take reasonable Risk”.**

### Bottom Line

Be effective and efficient to succeed

## Business opportunities in Agriculture

### Advantages of Farming Business

The following are various advantages associated to running a successful farming business

a. Farming in Nigeria is viable and profitable;

b. Employment opportunities;

c. Improving standard of living;

d. Demand for quality food products are high;

e. There are availability of natural resources such are land; and

f. Both Nigerian government and private organizations give farmers financial supports.

### Disadvantages of Farming Business in Nigeria

a. Illiteracy;

b. Pest infestation

c. Destruction of natural habitat; and

d. Lack of good roads and basic amenities for farmers.

### List of highly profitable Business Opportunities in Agriculture

1. Poultry Farming
2. Rice Farming
3. Cassava Farming
4. Vegetables Farming
5. Livestock Farming
6. Bee Farming
7. Beeswax Processing
8. Rabbittary
9. Groundnuts Farming
10. Fish Farming
11. Milling
12. Processing
13. Trail Ride Service
14. Fee Hunting
15. Aggregation
16. Packaging of agricultural produce
17. Hides and skins business
18. Agricultural input marketing
19. Storage & Warehousing
20. Farmer’s Market Vending
21. Herb Growing
22. Livestock Feed Manufacturing
23. Fruit Growing
24. Nursery Operation
25. Dairy Farming
26. Jam Production
27. Juice Production
28. Hatchery Operation
29. Spice Production
30. Organic Gardening
31. Agricultural Equipment Rental
32. Firewood (eucalyptus tree) Production
33. Tree Seed (seedlings) Supply
34. Oil Production
35. Potted Plant Sale
36. Farm Sitting
37. Syrup (date, black plum)
38. fruit sweet/candy

## BUSINESS GROWTH – How to improve your business

This can be achieved through establishing value points and business linkages.

### Value Chain Analysis.



### Business Linkages

Globalization of the economy and creation of new strategic business alliances are leading to a fundamental change in the competitive business environment. For large firms, there has been a constant pressure to reduce costs and shorten lead time in order to focus on core competences which force them to change their supply chain management strategies. The Building blocks for establishing business linkages are:

1. Opportunities
2. Information
3. Capacity
4. Capital

## E-commerce and business opportunities

E-commerce or electronic commerce also known internet commerce, refers to the buying and selling of goods through the internet, and the transfer of money and the transfer of money to execute these transactions.

In Nigeria today, there is a 46% penetration of the internet, according to Webinterpret – an ecommerce promotion blog. This means about a hundred million people have access to the internet. These are all potential customers. Also according to Internet live stat, 2017, mobile penetration reached 84% penetration, and out of this amount the most popular browser is Opera (40.16%), followed by Chrome (37.19%), UC Browser (9.33%), Safari (3.02%), and Android (1.57%). Google is the most popular search engine at 96.41% market share followed by Bing and Yahoo at 1.99% and 1.33% market shares respectively. Finally, the Nigerian e-commerce sector was estimated as at 2018 to be worth USD13Billion. That translate into over six Trillion Naira. There is definitely a piece for everyone that is interested.

### Models of e-commerce

There are six models of ecommerce

1. B2B
2. B2C
3. C2C
4. C2B
5. B2A
6. C2A

The Business to Business and the Business to Consumer ecommerce are by far the most popular. While the first refer to all electronic transactions between two companies such producers and wholesalers, the second refers to electronic transaction between a business directly with its customers.

### Starting an e-business

1. Find a great idea i.e. find a societal need to fill
2. Decide on a business name
3. Secure a Domain name
4. Determine an income level and secure a business plan
5. Select a web hosting package
6. Prepare your inventory
7. Tell the world! Execute your marketing strategy
8. Launch.

### Examples of online shops in Nigeria

1. Jumia
2. Konga
3. Kara.com.ng
4. Dealdey
5. Kaymu

### Top products categories

1. Services
2. Books
3. Electronics

### Top payment methods

1. Cash oh delivery
2. Debit card
3. Point of sale payment
4. Transfers – Interswitch, Paypal, Moneygram etc

## Sources of fund for businesses in Nigeria today

1. Friends and family
2. Government funding
3. Bootstrapping
4. Credit unions
5. Angel Investors and Venture capitalists

## Advocacy for Waqf (Mortmain)