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TOPIC: SUMMARY OF **E-BUSINESS** AND

MANAGING TRANSITION: FROM START-UP TO GROWTH

AN ASSIGNMENT SUBMITTED IN PARTIAL FULFILMENT FOR THE REQUIREMENT OF THE COURSE, CEDR 342(BUSINESS DEVELOPMENT AND MANAGEMENT)

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REG. NO: **2014/192201**

LEVEL: 3/4

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2017

CHAPTER NINE

E-BUSINESS

In e-business, the customer takes the central place: the customer's wishes drive the activity of this demand network. The driving force in this circumstance is the network economy. The impact is felt more in developed economies where virtually all transactions are conducted electronically. This is made possible by the availability of request infrastructure or what is referred to as degree of electronic readiness. E-business is a flexible process that enables everyone many geographical area to partake activity in business around the world. It is one essence of the globalized economy. E-trading deals with selling of financial instruments such as stock, bonds and treasurers.

Techniques of the Network Economy

Network Economy – In opposition to supply chain economy in which the product has a central position and customers' choices are strongly determined by the product positioning. In network economy the consumers position is central, his wishes drives the activities of the total demand – network. It is also called push versus full strategy. E-business should not only address the needs of local customers. In response to the changes involved in the network economy organizations are inventing new ways of marketing, selling and partnering as new business models are required to address customers demand.

Impact of E-business

1. It enables the commercial exchange of goods and services, information end/or ideas between two or more parties
2. A collapse of time and space between business partners

3. The transform to the new world, the network economy having impact on how businesses are organized.
4. Creating the web enabled enterprises.

Changes enabled by a technology push

Conveying channels: Many new technology channels are conveying into a single medium: the internet, this enhances communication and accessibility of learning materials and opportunities.

Directing channels

Through improved interfacing mechanisms, the digital information can be accessed from different devices. This enhances information dissemination.

E-business can be described as:

- Application of electronic network technology to relevant business processes.
- Replacement of paper-based, human-agent based or telephone based personal transaction.

E – Business is not E-commerce, it involves exchanges among customers, business partners and the vender. E-business includes external – oriented process. E-commerce involves internal processes like production, inventory management, product development, risk management, finance, human resource, knowledge management etc.

Basic of E-Business

1) The parties (actors) you are dealing with;

(a) Customers (b) suppliers (c) competitors (d) government
2) Resources you should have at your disposal
(a) Investment funds; setting up (b) technology infrastructure (c) organizations and personnel (d) strategy and policy (e) external rules and regulations: setting boundaries.
3) The business function to be performed
(a) Delivery – fulfillment and customers trust (b) providing information (c) promotions (d) procurement (e) management (f) operations.

Essence of E-business

Technology no longer just follows business requirements but also creates possibilities. The popular slogan says: The system is the business and the business is the system.

Technology is the heart of business operations and a careful balance between business needs and technology possibilities is required to be successful in e-business.

Critical success factors for E-business in the developing world;

1) It fulfills a need of a group users
2) The users have sufficient means (financial resources)
3) The necessity equipment and infrastructure is adequate in relation to the physical and geographical environment
4) The target group has sufficient know-how to make use of the service. Distance – ICT helps overcome physical barriers in developing countries hence it is an attractive way by which travel to a commercial centre is avoided.

E – Business process cycle

This model is used to progress from one stage in growth model to the next. The five stages are;

1. Awareness (vision)
2. Ambition (scope)
3. Concept (roadmap)
4. Realization (on the road)
5. Exploitation.

E – Commerce

This is the buying and selling of goods and services on the internet especially the World Wide Web. It is divided into;

1. **E-tailing or virtual store front and virtual mall:** It is a place for direct retail shopping with its 24hours availability, a global reach, the ability to interact and provide customers information and ordering and multimedia prospects.
2. **Market research:** It enables companies to gather data about prospects and customer in unprecedented amounts through one registration, questionnaire etc.
3. **Electronic data interchange (EDI):** It is the exchange of business data using an understood data format EDI is expected to be replaced by one or more standard XML formats such as ebXML
4. **E-mail, fax, and internet telephony**
5. Business – to – business buying and selling
6. Security of business transactions

E – Trading: It is a method of trading securities (such as stocks, bonds), foreign currency and exchange traded derrrance electronically. There are 2 types of trading in financial markets.

a. Business to business (B2B) trading – here large investments and traders directly with one another.

b. Business to customer (B2C) – trading where retail is done important implication of increased e-trading

(a) Reduced cost of transaction (b) greater liquidity (c) greater competition (d) increased transparency (e) tighter spreads

E – Readiness

E – Readiness is a measure of the degree of readiness, willingness or preparedness of a country, nation or economy to obtain benefits that arise from ICTs.

Government should introduce ICT policies in all spheres of society. This requires; (a) raising public awareness of the role ICT in development (b) promoting ICT among small and medium-sized enterprise (c) putting in place a legal framework for online transactions (d) providing affordable and quality access to the internet (e) supporting open content and open technology approaches of free and open source software.

- **Catalysis for E-Commerce Resolution**

1. The retail industry gets organized in Nigeria
2. Organized retailers will push for standardization across manufacturers and fulfillment partners
3. Technology automation across value chain
4. A conscious effort to standardize our payment system along with global trends.

CHAPTER TEN

MANAGING TRANSITION:

FROM START-UP TO GROWTH

Transition in business may be defined as a process in which a business undergoes a change and passes from one form or stage to another.

According to the European Federation of Accountants a succession plan should follow the ten elements;

1. The statement of the distribution of ownership
2. The identity of the new leaders or leader
3. How the new leaders are to be trained for their roles
4. Definition of the roles of other key members of the business during the transition
5. Mechanics for the purchase or sale of stakes in business
6. Taxation and legal considerations
7. Financial considerations
8. Retirement considerations
9. Procedure for monitoring the process and dealing with disputes and problems
10. A timetable.

A succession plan is a process in which leadership and eventually ownership is transferred to a successor. The life-cycle of an industry or firm is deported as an s-shaped curve. The cycle is made up of 4 stages;

1) Experimentation period where sales and profit grows slowly following the introduction of a new product or firm.
2) Exploitation period – the firm enjoys rapid growth of sales, high profit ability and acceptance of product
3) Maturing – the rate of growth of sales begin to slow down where growth is dependent to a large extent in replacement deamdn

4) Deume – the firm faces the appearance of substitute products, saturation of demands for its goods, technological and managerial obsolence. There are 3 major forms of business organization;

(a) Single proprietorship – owned by an individual who is liable for the business inability and death of owner results in termination of business

(b) Partnership – owned by a number of individual who are collectively liable for the business liability and death of any of them retin termination of business.

Business growth can be achieved through acquisition, merger and internal expansion (Unamka & Ewuru) 1995.

Transit in Family Business

A family business is a firm of any size in which the majority of direct or indirect decision-making rights is in the possession of the natural persons who have acquired the share capital of the firm or in possession of their spouses, children, parents, direct hers or at least one representative of the family or kin involved in governance of firm. In single proprietor – the entrepreneur has the right to sell/transfer any assets in the business if the entrepreneur of the business dies/contidal in partnership, the planner may or may not sell or transfer his interest depending on whether he is a general or limited partner.

1. Transfer to Family Member

Family business meeting is an opportunity for family members to come together on a regular basis to discuss issues of interest to those family members method or who has interest in the business. An effective succession pan needs to consider the following critical factors;

1. Role of the owner in the transition stage
2. Family dynamic
3. Income for working family members and shareholders
4. The current business environment during the transition
5. Treatment of loyal employees
6. Tax consequence.

A situation where the family will continue to hold ownership in the business/ a new generation is entering the business, a family business constitution documents is prepared to provide a practical framework in which to gradually explore each areas of business plan and define the preferred direction. Family protocols can set the rules and principles for selection

2. **Transfer to non-family members**

The entrepreneur adopts the option of transferring the business to an employee if he intends to retain a share in the business. The employee may take controlling share of the business if he has enough Money, but if not, the entrepreneur may become a minor owner, a stock holder or a consultant.

The entrepreneur may hire a manager if the family wants to continue a succession in the future. This happens when the family successor is not yet ready or a family squabbles have not yet been resolved.

3. TRANSIT FOR GROWTH

The business may grow internally or externally. Parts of the profits may by ploughed back into the business to increase the plant’s capacity. In the alternative, the entrepreneur may resort to either acquisition or merger, both of which are external growth strategies.

Acquisition is therefore, the purchase of all or part of another business firm by an entrepreneur. The interest of the entrepreneur is to take advantage of the firm's distribution channel, production facility, experience personnel, good will and so on.

A merger is similar to acquisition but there may be an insignificant outflow or none at all. In Nigeria, a number of legal instruments are used to regulate business combinations. They are Investment and Security Act (ISA) 2007, Companies and Allied matters Act (CAMA) 1990 etc.

An entrepreneur resorts to acquisition or merger either to protect his business against dwindling capital or to fortify the business in order to survive competition in the industry.

PERSONAL DISCIPLINE IN BUSINESS

Personal discipline is otherwise known as Self-discipline. An enterprise is a difficult entrepreneurial act. The ability of the entrepreneur to stick to the right code of conduct or behaviour in spite of his personal desires largely depends on his traits, attitudes and habits. The entrepreneur needs to practice personal discipline throughout the life of his business but more so at the start-up and growth stages.

1. TRAITS

Personal traits have been identified across people, and it is accounted for by genetic factors and genetic endowments. According to Barricket al (1991), five personal traits exist among individuals. They are: Openness to experience, agreeableness, consciousness and emotional stability.

2. ATTITUDES

Attitudes are not permanent features as they differ across individuals. The attitudes towards entrepreneurial orientation are of four categories; they include: achievement, self esteem, personal control and innovations.

The personal control attitudes are further classified as follows: Career altitude, mental attitudes and Habits

PLANNING, DECISION MAKING AND MANAGING BUSINESS IN TRANSITION SITUATION

1. Planning in transition stage

Setting goals and developing plans helps an organization to move in a focused direction. Planning is a process that has no end in an organization, therefore, as the venture evolves from an early start-up to a mature business, planning will continue as the management seeks to meet its short-term or long-term business goals (Hirsrich et all. 2002). Planning as the management function that involves setting goals and deciding how to best achieve them is indispensable in every organization for them to survive in a competitive environment.

Strategic planning is a three to five year plan that includes all functions of the organization with the following outline

- Business mission
- Situation analysis
- Internal environment analysis which consists of a discussion of the venture's strengths and weakness
- External environment analysis, which consists of discussion of the venture's opportunities and threats (industry and competitive analysis) in the market place.
- Goal formulation
- Strategy formulation
- Formulation of programs to meet goals
- Implementation
- Feedback and control.

2. DECISION MAKING IN TRANSITION SITUATION

The key issue when passing a business on to an employee is ownership. The entrepreneur will need to decide whether or not he will retain the ownership and by how much. To achieve a successful transition, a framework is required for decision making within the three realms of family business, namely: the family, the owners and the business.

It is also difficult to take a decision on how to be fair to passive heirs without jeopardizing the future of the active heirs. Such problems can therefore be overcome by holding a family meeting to communicate the process of selection with a clear plan to avoid conflict. If the ownership passes to one heir, an alliance among other family members is not legally required when making strategic business decisions. But, if ownership is distributed fair equally among family members, then the next generation will treat each other as partners in all major decisions, regardless of their position in the business.

In this case, the business will become highly productive if all the family members working for the business are competent and cooperative.

3. MANAGING BUSINESS IN TRANSITION SITUATION

Some vital competencies are required to manage the transition and ensure continuity of the family business. Family transition often results to generational drift that can produce fragmentation in the ownership of a family business when it is not controlled by specific succession policies. Cooling off that weakens family relationship is another drift. However, other problems encountered in a transition situation includes; organizational, financial and managerial changes.

Some management tools that can be employed by family business in a transition situation include; family protocols, family meetings, selection of family leaders, and management of the family assets. Transition for growth may involve creation of mergers and acquisitions.

When a decision has been taken to acquire a business, primary concern of the entrepreneur will be to determine a Fair price for the business.

STRESS AND PRESSURE, AND VARIOUS RESOURCES CONSTRAINTS ASSOCIATED WITH TRANSITION STAGE OF THE BUSINESS GROWTH.

Stress may be positive or negative depending on the source of the stress. It is the Major determinant of the resource constraint in the business. In the case where the firm may choose to control costs and harvest the business or look for new products or strategies to revitalize the growth of the enterprise, stress occurs. Organizational stressors are factors that can cause stress in the workplace.

However, an entrepreneur can apply a number of coping strategies in the management of stress in his business, especially in transition situation.

These strategies are;

- Exercise
- Relaxation
- Time management, and
- Role of management and support groups.