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<u>ASSIGNMENT</u>: Write a Summary of Chapters 9 & 10 of the CED 342 textbook.

Summary of CHAPTER 9.

E-BUSINESS *by Odigbo G. O.*

E-business (also known as Electronic Business) enables the consumer to take the central part of the business. Here, the demand network is driven by the customer as regards what he wants. The driving force here, is the Network Economy. E-business is a platform that enables everyone to partake actively in business all over the world, provided you are connected to the Internet. It is one essence of a globalized economy.

This Network Economy has various aspects in it, such as: e-business, e-commerce & e-trading. E-business involves any form of business transaction including abstract and real objects; E-commerce deals directly with the exchange of goods and their payment facilitated by electronic transaction; E-trading deals with the selling of financial instruments such as stock, bonds and treasuries. The aspects of Network Economy are further categorized to more specific details.

This Network Economy is developing rapidly all over the world, although its impact is felt more in already developed economies where virtually all transactions are conducted electronically.

We can look at E-business from different points of view. It can be said to be the commercial exchange of goods, services, information and/or ideas between two or more parties enabled by an electronic medium. This technology-driven definition does not illustrate the strategic possibilities beyond merely presenting a technology as a different channel.

E-business can also be seen as a collapse of time and space between partners. This is a fresh way of looking at e-business. Just think what you can do if time and place are no longer a hindrance. However, this definition does not quite cover the full extent of e-business.

The transition to the ‘new world’, the network economy, having impact on how businesses are organized and deal with their customers and partners, is another way to define E-business. This definition suits the context that organizations are moving to a network economy, but it does not give a picture of what it means for a particular organization.

E-business is creating the Web-Enabled enterprise. The web-enabled enterprise defines the changes that web-technology will bring to organizations. It is about extending the current IT-architecture across the borders of the company, to intensify the different relations that organizations have with their customers, their partners and their own employees. It is important to see e-business as a business-model, not just as an implementation strategy.

E-business is not e-commerce which involves exchanges among customers, business partners and the vendor, where a supplier interacts with the manufacturer, customers interact with sales representatives and shipment providers interact with distributors.

Where E-business include these external-oriented processes, e-commerce involves internal processes like production, inventory management, product development, risk management, finance, strategy development, knowledge management and human resources.

E-business in an Organizational context is about business irrespective of the type of business. Certain basics of e-business need to be known. Here, we talk about the parties (actors) you are dealing with, which include the customers, suppliers, competitors and the government. We also look at the resources you (should) have at your disposal, these include investment funds, technology infrastructure, organization and personnel, strategy and policy, rules and regulations. The business functions to be performed, is another basic item of E-business. This entails delivery, providing information, acquisition and sales, promotions, procurement, product or service development, management and operations.

There is a model which can be used to progress from one stage in the Growth Model of an e-business to the next, and it is called E-business Process Cycle. It involves five (5) stages such as awareness (vision), ambition (scope), concept (roadmap), realization (on the road) and exploitation.

The buying and selling of goods and services on the internet, especially the World Wide Web, is known as E-commerce. This term is often times, used interchangeably with E- business. The term E-tailing is often used for online retail selling. E-commerce includes retail, shopping, banking, stocks and bonds trading, auctions, real estate transactions, airline bookings, movie rental and every other thing you can imagine in the real world. Other services can also benefit from e-commerce by providing a website for the sales of their products.

There are sub-sections under e-commerce, these include: E-tailing or virtual storefronts on Websites with online catalogues, sometimes gathered into a virtual mall, the gathering and use of demographic data through Web contacts, Electronic Data interchange (EDI) the business-to-business exchange of data, E-mail and fax and their use as media for reaching prospects and established customers, business-to-business buying and selling and the security of business transactions.

Sometime in the past, e-commerce required an expensive interface and personal security certificate, but this is no longer the case. Virtual storefronts are now offered by a variety of hosting services and large internet presences which offer turnkey solutions to vendors and users with little or no experience in online business. Tools for easy operation of these websites are built into the hosting servers, so as to boycott the need for individual merchants to redesign the wheel. Tools such as shopping carts, inventory and sales logs, and the ability to accept a variety of payment options, including secure credit card transactions are really important here.

The use of e-commerce is increasing quite fast, as a result of the exhaustive time and energy required to go from store to store, looking for goods and services in large market areas. Hence, e-commerce saves such valuable time and energy. E- commerce has enabled online shopping to be done at any time of the day, even at midnight. Not only is it convenient to shop at a myriad of vendors from the comfort of your computer chair or your bed, it is also a snap to find the best deal by allowing some sites sift through hundreds of sellers for you.

Another advantage of E-commerce is that you don’t get to pay any employee, as they are nonexistent. Yearly fee for an e-commerce website is nominal, especially when compared to the rental of storefront property, particularly in a busy mall. Real world businesses often cannot compete with their e-commerce counterparts because most transactions done via e-commerce are handled by software processes, never requiring a real person until the item or goods are ready to be packed and shipped. This helps to save cost for the customer, although one still needs to watch for inflated shipping fees that might negate savings.

E-trading (Electronic trading) is a method of trading securities (ie stocks and bonds), foreign currency, and exchange traded derivatives electronically. It uses Information Technology to bring together, buyers and sellers through electronic media to create a virtual market place. There are broadly two(2) types of trading in the financial markets, they include Business-to-Business (B2B) trading, often conducted on exchanges, where large investment banks and brokers trade directly with one another, transacting large amounts of securities, and Business-to-Consumer (B2C) trading, where retail (eg. Individuals buying and selling relatively small amounts of stocks and shares) and institutional clients (eg. Hedge funds, fund managers or insurance companies, trading far larger amounts of securities) buy and sell from brokers or “dealers”, who act as middle-men between the clients and B2B markets.

One area of E-commerce that has proven very successful in Nigeria is Electronic Banking (E-banking), as all banks in Nigeria now offer online, real-time banking services. Banks that cannot offer these services are increasingly losing their customers. These online services enable customers access to operate their account from any location and in their own convenience, provided they are connected to the Internet.

Another area E-commerce has proven to be quite successful is found in the payment of institutional tuition as well as examination fees. For example, the popular West African Examinations Council (WAEC), the National Examination Council (NECO), Joint Admissions and Matriculation Board (JAMB), and many institutions of higher learning, accept online payments both for tuition and for examinations. Tertiary institutions register their courses online as well as publish results of students. This e-technique of doing things, reduces queueing and time wastages associated with such activities.

Schooling is made easier through e-commerce, because, apart from being able to take online courses from the convenience of your home or office, options are now available to pursue more than one degree course at the same time.

People can now get to purchase expensive things (goods and services) online or even in shopping malls without having to go through the risk of carrying huge cash around. These goods and services can now be paid for, using e-cards. It is a welcome development initiated by e-payment solution companies like MasterCard, InterSwitch, VisaCard and e-transact. People can not only make purchases with their e-cards, they can also make cash withdrawals, cash deposits, and transfer funds anywhere in the country.

As regards e-commerce, there are various catalysts for its revolution. These catalysts vary ranging from the actualization of a solid supply chain infrastructure, to the emergence of standardization in the quality and attributes of products. Another catalyst here is technology automation across the value chain as well as factor number four, which is a conscious effort to standardize our payment system along with global trends.

Summary of CHAPTER 10

MANAGING TRANSITION: FROM START-UP TO GROWTH *by Azubuike Achike*

Transition in business is said to be a process in which a business undergoes a change and passes from one form or stage to another. Therefore, a business can transit externally with regards to its form, or internally in its stages of growth.

Three major forms of business organization exist, such as the single/sole proprietorship (which is owned by an individual, who is liable for the business liability, and whose death results in the termination of the venture), the partnership (owned by a number of individuals, who are collectively liable for the business liability, and the death of any of the partners results in the termination of the business) and the corporation (which has no limit in the number of owners and the liability of the owners is dependent on the amount invested, and death of any owner does not affect the continuity of the business).

Entrepreneurs usually start and nurture their small businesses as sole proprietorship until the need for expansion/transition arises.

Any industry or firm has a life cycle, which is an s-shaped curve, and is made up of four(4) stages. The stage where sales and profits grow slowly following the introduction of new product or firm is known as the experimentation stage. This is the first stage of the life cycle. The second stage is the exploitation period, here, the firm enjoys rapid growth of sales, high profitability and acceptance of products. The maturity stage, which is the third stage, is a stage where the rate of growth of sales begins to slow down where growth is dependent to a large extent upon replacement demand. The final/fourth stage is the decline stage, during which time, the firm faces the appearance of substitute products, technological and managerial obsolenscence, and saturation of demand for its goods.

Transition must occur in business at some point in the life of new ventures, either as a result of expansion of the business or retirement or even the death of the owner. When any of these happens, a succession plan is needed so as to ensure continuity of the business.

A succession plan is a process in which leadership, and eventually ownership of a business is transferred to a successor. This plan which involves many steps, requires a long time for it to be effective. Therefore, the entrepreneur is advised to start this planning in advance. According to European Federation of Accountants (2002), a succession plan should contain a statement of the distribution of ownership, the identity of the new leader(s), How the new leaders are to be trained for their roles, a definition of the roles of other key members of the business during the transaction, mechanics for the purchase or sale of stakes in business, taxation and legal considerations, financial considerations, retirement considerations, a procedure for monitoring the process and dealing with disputes and problems, and lastly, a timetable.

Transferring a business to family members (as in the case of transit in family business) is a difficult task, which requires the entrepreneur to set up family business meetings so as to prepare a business succession plan.

A 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 involved in or who have an interest in the business. The scope for membership to this meeting varies from family to family. While some families may allow in-laws to attend, others may not; while some may allow children to attend, others may not. It all depends on the nature of the business being discussed. The importance of family business is seen especially in a case where there is no obvious successor of the business.

An effective succession plan needed in the course of transferring a business to a family member should take into consideration factors such as; the role of the owner in the transition stage (that is, will he/she continue to work full time, part time, or retire?), family dynamics (are some family members unable to work together?), income for working family members and stakeholders, the current business environment during the transition, treatment of loyal employees, and tax consequences.

A family business constitution is a document prepared to provide a practical framework in which to gradually explore each of the areas in the business plan and define the preferred direction. This document (Family business constitution) comes in handy in the event where the family continues to hold ownership in the business and/or a new generation is coming into the business.

The Family Business Constitution documents the family’s common goals/values/philosophies and ground rules agreed upon.

On another hand, an entrepreneur who wishes to retire from the business may transfer the business to an employee or hire a manager to run it. He does this if he intends to retain a share in the business. He therefore selects a competent employee to manage the affairs of the business. The entrepreneur and the employee will have to agree on sensitive issues as ownership and control in order to ensure the success of the business. The employee may choose to negotiate to hold a controlling share of the business if he has enough financial capacity to make the necessary settlement. If there is an agreement, then the entrepreneur may become a minor owner, a stockholder, or a consultant.

The entrepreneur may also hire a manager, that is, if the family intends to continue family succession in future. This occurs especially when a family successor is not yet ready or a family succession squabble has not been resolved. Finding an experienced person to manage the business is usually difficult, especially one whose ideas and style are similar to that of the retiring entrepreneur.

An Entrepreneur needs to have a personal discipline in business. This personal discipline, which is also known as self-discipline is said to be the ability to do what is necessary or sensible without needing to be urged by someone else.

Being an entrepreneur is more than a job or a career. It is a challenging lifestyle that requires certain principles. This is because, an entrepreneur being the boss is in total control of himself and his business activities. Hence, without personal discipline, he is bound to abuse his freedom.

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.

Extraversion, openness to experience, agreeableness, conscientiousness and emotional stability are the five (5) personality traits as identified by Barrick et. al. in 1991.

Career attitudes and mental attitudes are classifications of attitudes. Attitudes are not permanent features. Human beings are said to have stable set of attitudes, however, attitude differs in individuals.