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TITLE: A SUMMARY OF E-BUSINESS AND MANAGING TRANSITION IN BUSINESS FROM START-UP TO GROWTH

CHAPTER 9: E-BUSINESS

There are various aspects of network economy such as e-business, e-commerce and e-trading. While e-business involves any form of transaction including abstract and real objects, e-commerce deals directly with the exchange of goods and their payment facilitated by electronic transactions. E-trading deals with the selling of financial instruments such as stock, bonds and treasuries.

Techniques of the Network Economy

E-business is any business transaction that takes place via digital processes over a network. The driving force behind e-business is the Network Economy.

E-business and Its Impact

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.

Creating the Web Enabled Enterprise. The web-enabled enterprise defines the exchange 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.

Changes Enabled by a Technology Push

Converging Channels

The enabling technology comprises the supply-side of the equation. Two common examples point the effect of this convergence will have on the way we do business.

First, communication media such as fax, data, voice and video can increasingly be transmitted through the same infrastructure. Internet protocol and other open protocols will be the infrastructure of tomorrow’s communication, carrying different types of content and various applications, from e-mail to complex distributed control systems.

Second, access to educational content from geographically distant schools and universities, brings learning materials and opportunities closer to those that were previously excluded.

Diverging channels

Through improved interfacing mechanism, the same digital information can be accessed from different devices (computers, faxes, mobile phones, etc). Therefore, e-business can be aptly describes 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 which involves exchanges among customers, business partners and the vendor. E-commerce involves internal processes like production, inventory management, product development, risk management, finance, strategy development, knowledge management, finance, strategy development, knowledge management and human resources.

Basics of E-business

Certain basics of e-business need to be known:

The parties you are dealing with:

1. Customers
    - Suppliers
    - Competitors
    - Government
2. The resources you have at your disposal:
- Investment Funds: setting up
- Technology Infrastructure
- Organizational and Personnel
- Strategy and Policy: applying your resources
- (External) Rules and Regulations: setting boundaries
3. The business functions to be performed:
- Delivery: fulfillment and customer trust
- Providing Information
- Acquisition and Sales
- Promotions
- Procurement
- Product or Service Development (including technology)
- Management
- Operations

Critical Success Factors for E-business in the Developing World

It fulfills a need of a group of users;

The users have sufficient means (financial resources) to make use of the service;

The necessary equipment and infrastructure is adequate in relation to the physical and geographical environment and accessible for a sufficient number of users;

E-Business Process Cycle

Awareness (vision): To start, an overall vision of the organization is needed, including a clear image of the future structure of the e-business.

Ambition (scope): Though it might be difficult to project a future situation in detail, the general goal can be stated in terms of what kind of products will be sold to whom using the internet as a channel, and in what timeframe this must happen.

Concept (roadmap): A roadmap can help anticipate each phase as described in the Growth Model. In this roadmap the objective, the process, output as well as the content of them changes should be stated.

Realization (on the road): This is the actual implementation of the e-business phase.

Exploitation: Once the implementation has taken place the changes should be absorbed by the (core) business of the organization.

E-Commerce

E-commerce is the buying and selling of goods and services on the internet, especially the World Wide Web. E-commerce can be divided into:

E-tailing or virtual storefronts on Web sites with online catalogues, sometimes gathered into a virtual mail.

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 (for example, with newsletters)

Business-to-business buying and selling

The security of business transactions

Practical application of e-techniques in business, commerce and trading.

VTN's secure payment platform, by means of which merchants in Nigeria could now make payments online or via their GSM phone without anxiety, provides:

Real-time processing of payments online, in store or anywhere using their GSM phones;

Secure, redundant, high-speed connectivity to VTN irrespective of which Bank the customer uses including the unbanked;

Seamless integration with existing web sites or in house suite of applications or P-to-P payments

Persistent storage of customers payments history and data protection in accordance with the industry standard.

Unequalled fraud prevention mechanism against phishing schemes.

E-Readiness

Electronic readiness is a measure of the degree of readiness, willingness or preparedness of a country, nation or economy to obtain benefits that arise from information and communication technologies **(ICTs).** The vast number of e-readiness ranking having different methodologies, and divergent definition of e-readiness, hence findings of the studies are inconsistent with each other. There is growing evidence that enterprises benefit substantially from e-business. Governments should introduce ICT policies in all spheres of society. This requires:

- Raising public awareness of the role of ICT in development and providing training in ICT skill;
- Providing affordable and quality access to the Internet and other technologies;
- Promoting ICT among small and medium-size enterprises;
- Putting in place a legal framework for online transactions;
- Ensuring that governments use ICT and encourage local business to do the same;
- Supporting open content and open technology approaches, such as free and open source software;
- Measuring and monitoring the current use of ICT and its economic and social impact.

The poor ICT infrastructure, low income, lack of awareness of e-business, e-commerce and e-trading issues, inadequate legal and regulatory framework, absence of trust, network payment and secure transaction services present enormous challenges. There is need to create strategy aimed at reducing the setup and operational costs for business, increasing the potential for sustainability and creating an environment that will encourage the development of the ICT infrastructure in developing countries for the use of e-business. These objectives could be achieved using the following strategy:

1. Target the business in the supply industry with trading partners in industrialized countries where there is an adequate ICT infrastructure and payment services.
2. Reduce the requirements for participating in e-business by separating the trust, secure transaction from the network payment services.
3. Based on the business objectives and the technical specifications, build a scalable e-business commerce infrastructure that would be shared by multiple independent business and integrate this infrastructure into existing ICT infrastructure in developing countries.

Catalysts for the e-Commerce Revolution

- First and foremost, as the retail industry gets organized in Nigeria, the overall supply chain infrastructure will see a significant improvement.
- Secondly, organized retailers will push for standardization across manufacturers and fulfillment partners.
- A third factor that will play a significant role in facilitating this growth is technology automation across the value chain.

CHAPTER 1O: TRANSITION

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. There are three major forms of business organization: the single proprietorship, the partnership and the corporation. The single proprietorship is owned by an individual who is liable for the business liability and his death results in the termination of the venture. Partnership is owned by a number of individuals who are collectively liable for the business liability and the death of any of them results in the termination of the business. In the case of corporation, there is no limit to the number of owners. The liability of the owners is no limited to the amount invested and the death of any owner does affect the continuity of the business. Business growth can be achieved through acquisition, merger and internal expansion.

On the other hand the life cycle of an industry or firm is often depicted as an s-shaped curved. The cycle is made up of four stages. The first stage is experimentation period in which sales and profits grow slowly following the introduction of a new product or firm. The second stage is the exploitation period in which the firm enjoys rapid growth of sales, high profitability, and acceptance of product. The third stage is maturity during which the rate growth of sales begins to slow down where growth is dependent to a large extent upon replacement demand. The fourth and final stage is decline during which time the firm faces the appearance of substitute products, technological and managerial obsolescence, and saturation of demand for its goods.

According to European Federation of Accountants a succession plan should contain the following ten elements.

I. A statement of the distribution of ownership
II. The identity of the new leader or leaders
III. How the new leaders are to be trained for their roles
IV. A timetable
V. Retirement consideration
VI. Taxation and legal considerations
VII. Mechanics for the purchase or sale of stakes in business

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 person(s) who has/have acquired the share capital of the firm, or in the possession of their spouses, parents, child or children's direct heirs; and at least one representative of the family or kin is formally involved in the governance of the firm.

1) Transfer to family members.

Transferring a business to family members is a difficult task that involves both financial and emotional stress.

An effective succession plan needs to consider the following critical factors:

I. Family dynamics: Are some family members unable to work together
II. Income for working family members and shareholders
III. Treatment of loyal employees
IV. Tax consequences
V. The current business environment during the transition.

2) Transfer to non-family members

The entrepreneur who wishes to retire from the business may transfer the business to an employee or hire a manager to run it. The entrepreneur adopts the option of transferring the business to an employee if he intends to retain a share in the business.

3) Transit for growth

Internal growth is achieved in the normal course of business by strategically cutting down cost, increasing sales revenue thereby increasing profit.

Acquisition is the purchase of all or part of another business firm by an entrepreneur. Acquisitions provide an excellent means of expanding a business by entering new markets or new products areas.

Personal Discipline in Business

1) Traits

A significant portion of the variance in personality traits across people is accounted for by their genetic endowment. Five of these personality traits have been identified by Barrick et.al and they include: extraversion; openness to experience; agreeableness, conscientiousness and emotional stability.

a) **Extraversion** – this refer to personality traits that deal with sociality, talkativeness, assertiveness and ambition.
b) **Openness to experience** – this trait manifests in a person who is open to novel experience and ideas as well as imaginative, innovative and reflective.
c) **Agreeableness** – this manifests in someone who is cooperative, trusting, forgiving, tolerant, courteous and soft-hearted.
d) **Conscientiousness** – this trait confers dependability, hard work and perseverance, all of which enable the entrepreneur to be systematic and thoughtful to achieve his goals.
e) **Emotional stability** – this trait is especially important for those starting new business which usually accompanied by much stress,

hard work, high risk, social isolation, pressure, insecurity and financial difficulties.

2) Attitude

Human beings are said to have stable set of attitudes. However, attitude differs across individuals. Attitudes are not permanent features. Entrepreneurial attitudes consist of 4 broad dimensions such as achievement, self esteem, personal control and innovation.

a. Career Attitudes

Attitude is the way we think or act. At the outset, entrepreneurs select a career which will allow them the freedom to express themselves creatively as well as permit personal and professional growth. With positive mindset, they are satisfied with past accomplishments and strive to create new goals as a source of self improvement.

b. Mental attitude

The personal characteristics and mental attributes of individuals have a significant impact on their work. Entrepreneurs are mature individuals who have developed a way of viewing all experience in a healthy manner. They know how to find satisfaction in their work and are proud of their accomplishments. Positive mental attitude helps entrepreneurs focus on desired activities and events as well as the potential results. Characteristically, they avoid negative thoughts and ideas by associating with people who think and act in an entrepreneurial manner.

3) Habits

Habits refer to the things we regularly or usually. Discipline is building good habits into reflexes which become part of our life. However, good habits are difficult to master, but once acquired they become invaluable especially during transition.

Planning, Decision-making and Managing business in Transition Situation

1. **Planning in transition situation**

Planning is the management function that involves setting goals and deciding how to best achieve them. Setting goals and developing plans helps the organization to move in focused direction. A strategic plan is a general planning outlining decisions of resource allocation, priorities and action steps necessary to reach strategic goals. A tactical plan is a means of supporting strategic plans developed by middle management using internal data covering a period of 1-3 year period. It 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 – includes a decision of the venture’s strength and weaknesses
- External environmental analysis – includes a decision of the venture’s opportunities and threats (industry and competitive analysis)
- Goal formulation
- Strategy formulation
- Formulation of programmes to meet goals
- Implementation
- Feedback and control

Successful business will need to prepare and review contingency plans for transition, either to transfer the business to a family member or to expand the growing business or even sell it. Minimizing the uncertainties can be achieved through adequate transition planning. The business may also have to go into acquisition or merger due to the need to expand the business in the face of limited capital and this another form of transition that must be planned for ahead of time.

2. Decisions making in transition situation

Decision making may be defined as the process of making choices or reaching conclusions. It involves identifying and choosing alternative solutions that lead to a desired state of affairs.

To achieve a successful transition, a framework is required for decision making within three realms of family business. The not only affect the works and owners directly involve in the transaction but everyone within the family system. One entrepreneur’s most difficult dilemmas is passing the baton from one generation to another because it is a decision that fiscal, equity and control implications as well as emotional dimensions. If the ownership passes to just one heir, an alliance among other family members is not legally required when making strategic business decisions. Although this ownership structure can facilitate quick decisions, much will depend on how responsible and competent the new leader is and his ability to consult when necessary. 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 ownership and by how much. This is a subject for serious consideration and negotiation.

3. Managing business in transition situation

In a family business, transfer to successors induces several changes both in the owning family and in the firm. The firm can employ a number of tools in the management of the family business in transition situation. Family protocol which is a system of principles and rules can help the family to regulate family-firm relationship. Family management is another tool that affords the business a forum to inform passive family member about strategic issues and to seek the opinion for future successors with a view of integrating them in the affairs of the firm. Selection of family leader is a sensitive issue but can be managed effectively by employing the technique of family business meetings and also family protocol.

Stress and Pressure, and Various Resources Constraints Association with Transition Stage of Business Growth

Meaning of stress

Stress may be simply defined as a person's adaptive response to stimulus that places excessive psychological or physical demands on that person. The stimulus also known as stressor refers to anything that induces stress. The stressor can be physical or psychological and must be excessive for a particular individual for stress to result. Stress may be positive and negative. When stress emanate from a good source, for example, getting a promotion or political appointment it is called eustress. But negative stress is called distress. Excessive pressure, unreasonable demands on our time, bad news, and so forth, all fall into this category.

Resource constraints and business transition

Resource gap in business organizations may take various forms such as: lack of information, knowledge, inputs and physical assets or even working capital. For a business in the growth stage cash flows and working capital are very important. Hence the firm will need outside financing.

Organizational stressors are factors in the workplace that can cause stress. Entrepreneurs may be affected by Task Demand stressors which are associated with the specific job a person is performing. Conflict can occur between the entrepreneur and his workers especially in a transition situation. Working under stress gives rise to a number of consequences which may be either positive or negative. For example, the result of positive stress may be more energy, enthusiasm, and motivation. But business transition is more associated with negative consequences of stress which affect performance.

Stress is potentially disruptive in business organizations and therefore should be managed. An entrepreneur can apply the following coping strategies in managing stress in his business especially in transition situation:

i. **Exercise** – Exercise improves health and reduces the chances the chances of a heart attack which is often associated with prolonged stress.
ii. **Relaxation** – the entrepreneur is encouraged to go on vacation periodically. Most importantly, he should take regular break daily to rest during his normal work day.
iii. **Time Management** – This is a good way to manage stress. Every morning, the entrepreneur should make a list of the things to be done well arranged in their order of importance.
iv. **Role Management** – The entrepreneur needs to be focused and firm in the performance of his duties especially where it concerns what is convinced about.
v. **Support Groups** – Support group which refers to a group of family members or friends can help in managing stress. Interacting with such people, for example playing or talking with them will go a long way to reduce stress.