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SUMMARY OF BUSINESS AND MANAGING TRANSITION

E-BUSINESS

Definition: E-business is any business transaction that takes place via digital process over a network. It also helps to increase the accuracy and efficiency of conducting business.

Network Economy: this is the driving force behind e-business. In pull economy, it is demand that drives consumers towards certain products. The expense of the network economy is the position of the customer.

Impact of E-business.

1. Commercial exchange of goods, services, information or ideas between two or more parties enabled by an electronic medium.
2. Collapse of time and space between business partners.
3. Creating the web enabled enterprise.

Changes enabled by a technology

1. Convergence channels. This means coming together into a single medium the internet.
2. Diverging channels: this means the same digital information can be accessed from different device.

E-business includes external-oriented process while e-commerce involves internal processes like production.

Basic of E-business.

1. The parties.

2. The resources you have at your dispersal.

3. The business function to be performed.

The Essence of E-business

Technology no longer just follows business requirements, but also creates possibilities. A popular slogan says that ‘the system is the business and the business is the system’. This illustrates that technology is at the heart of the business operations.

Critical Success Factors for E-business in the Developing World

Success of an e-business depends of the following factors:

1. It fulfils a need of a group of users;
2. The users have sufficient means to make use of service;
3. The necessary equipment and infrastructure is adequate in relation to physical and geographical environment and accessible for sufficient number of users;
4. The group has sufficient know-how to make use of the service.

E-Business Process Cycle

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

<u>E-COMMERCE</u>

E-commerce is the buying and selling of goods an 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 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(for example, with newsletters)
- Business-to-business buying and selling
- The security of business transactions

Electronic Trading

Electronic trading, sometimes called e-trading, is a method of trading securities (such as 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 types of trading in the financial markets:

- Business-to business(B2B)
- Business-to-consumer(B2C)

Implications of e-Trading:

- Reduced cost of transactions: The goal is to reduce the incremental cost of trades as close to zero as possible, so that increased trading volumes do not lead to significantly increased costs.

- Greater liquidity: Allow greater companies to trade together notwithstanding the distance.
- Greater competition: It has removed barriers within the industry and has a globalization-style completion effect.
- Increases transparencies: It is easier to find out the price of securities when that information is flowing around the world electronically.
- Tighter spreads: It represents the profit being made by the market makers.

E-Readiness

Electronic readiness is a measure of the degree of readiness, willingness or preparedness of a country, nation or economy to benefits that arise from information and communication technologies (ICTs). This measure is used to gauge how prepared a country is to partake in electronic activities such as e-commerce and e-government.

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 fulfilment partners,
- A third factor that will play a significant role is facilitating this growth is technology automation across the value chain,
- Factor number four will be conscious effort to standardize our payment system along with global trends.

MANAGING TRANSITION:

FROM START-UP TO GROWTH

Transition in Business

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.

A succession plan is a process in which leadership, and eventually ownership is transferred to successor.

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 definition of the roles of other key members of the business during the transition
v. Mechanics for the purchase or sale of stakes in business
vi. Taxation and legal considerations.
vii. Financial considerations
viii. Retirement considerations
ix. A procedure for monitoring the process and dealing with disputes and problems
x. A timetable

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 heir; and at least one representative of the family or kin is formally involved in the governance of the firm (European Commission, 2009).

1. Transfer to family members.

Transferring a business to family members is a difficult task that involves both financial and emotional stress. In order to avoid crises, the entrepreneur should start earl to hold family business meetings and prepare business succession plan.

The effective succession plan which needs to be considered when transferring a business to a family member:

i. The role of the owner in the transition stage:
ii. Family dynamics
iii. Income for working family members and shareholders
iv. The current business environment during the transition
v. Treatment of loyal employees
vi. Tax consequences

There are three general categories of factors that plays a vital role in effective business transitions (Morris, Williams & Nel, 1996).They include:

i. Preparation level of business heirs;
ii. Relationships among family and business members; and
iii. Planning and control activities.

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. In this case he selects a competent employee to manage the affairs of the business.

3. **Transit to growth.**

The business of an entrepreneur may grow internally or externally.

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

Acquisition is the purchase of all or part of another business firm by entrepreneur.

A merger is similar to acquisition but the major difference is that in merger, there may be just an insignificant out low or none at all.

Personal Discipline in Business

Another term for personal discipline is self-discipline. Microsoft (2009) defines this as the ability to do what is necessary or sensible without needing to be urged by somebody else. By definition, and entrepreneur is a person who has ability to see and evaluate business opportunities; gather the necessary resources to take advantage of them; and initiate appropriate action to ensure success.

Being and entrepreneur is more than a job or a career. It is a challenging lifestyle that requires certain principles.

The ability of the entrepreneur to stich to the right code of conduct or behaviour in spite of his personal desire largely depends on his traits, attitudes and habits.

1. **Traits.**

   A significant portion of the variance in personality traits across people is accounted for by their genetic endowment.

   a. Extraversion- This refers to personality traits that deal with sociability, talkativeness, assertiveness and ambition.
   b. Openness to experience-this trait manifests in a person who is open to novel experiences and ideas as well as imaginative, innovative and reflective.
   c. Agreeableness- This manifests in someone who is cooperatives, 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 mush stress, hard work, high risk, social isolation, pressure, insecurity, and personal financial difficulties.
2. **Attitudes.**

Human beings are said to have stable set of attitude. However, attitude differs across individuals.

a. Career Attitudes
b. Mental attitude
c. Habits:-This refers to the things we do usually or regularly.

Planning, Decision- making and Managing business in Transition situation.

1. Planning is 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 a focused direction. A strategic plan is a general plan outlining decisions of resource allocation, priorities and action steps necessary to reach strategic goals.

Planning is a process that has no end in any organization. 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 – include a discussion of the venture's strengths and weaknesses
- External environmental analysis – includes a discussion of the venture's opportunities and treats
- Goal formulation
- Strategy formulation
- Formulation of programmes to meet goals
- Implementation
- Feedback and control

2. **Decision making in transition situation.**

Decision making may be defined simply 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 the three realms of family business, namely: The family, the owners, and the business.

One of the entrepreneurship's most difficult dilemmas is passing the baton from one generation to the next because it is a decision that has fiscal, equity and control implications as well as emotions dimension

3. Managing business in transition situation.

In a family business, transfer to successor induces several changes both in the owning family and in the firm. Another possibility of generational drift is cooling off which means that the relationships between family members become looser and as a result, their identification with the firm is reduced.

Specific valuation enables the entrepreneur determine the present value of the company – i.e. valuing the company based on its future sales and profits. The formula for this calculation is as follows: Present Value of the Company,

$$V = (R(1+r)^n aP)/(1+d)$$

Where: R = current revenue level

r= expected annual rate of growth of revenue

K = expected amount of required capital

n= expected number of years between now and the liquidity date, also known as the holding period

a=expected after-tax profit margin at the time of liquidity

p=expected price/earnings ratio as of the liquidity date

d=discount rate

Note, (1+d) is present value factor.

Stress and Pressures, and Various Resources Constraints Associated with Transition Stage of Business Growth

Meaning of stress.

In the words of Gibson, Ivancerich & Konnelly (1998) 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. Stress may be positive of negative.

Resource constraints and business transition.

Resource gap in business organisations may take various forms such as: lack of information, knowledge, inputs and physical assets or even working capital (Lilla, 2009).

Stress is potentially disruptive in business especially in transition situation: strategies in managing stress in his business especially in transition situation:

i. Exercise – Exercise improves health and reduces the chances of a heart attack which often associated with prolonged stress.
ii. Relaxation – the entrepreneur is encouraged to go on vacation periodically.
iii. Time Management - This is a good way to manage stress. Every morning, the entrepreneur should make a list of 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 concerns what is convinced about is.

v. Support groups – Support group which refers to group of family or friends can help in managing stress.