SUMMARY OF E-BUSINESS AND MANAGING TRANSITION FROM STARTUPS TO GROWTH

E-BUSINESS

In E-business, the consumer 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. It is a flexible process that enables everyone in any geographical area to partake actively in business around the world. It is the essence of the globalization economy.

There are various aspect of this network economy such as e-business, e-commerce and e-trading. While 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 impact of this is felt more in developed economies where virtually all transactions are conducted electronically. This is made possible by the availability of requisite infrastructure or what is referred to as degree of electronic readiness. This is measured by many variables including the number of persons per 100 that have access to the internet, the number of persons per 100 who possesses computer, the percentage of gross domestic product that is spent on ICT infrastructure, among many other indicators.

Developing economies suffer from inadequate ICT infrastructure. This affected their electronic readiness and has pushed far behind the level of application of the network economy.

Techniques of the Network Economy

E-business is any business transaction that takes place via digital processes over a network. It involves more than just selling products online. It is also an enabling technology that allows business entities to increase the accuracy and efficiency of conducting business. The driving force behind e-business is **the Network Economy.** As opposed to the supply chain economy, in which the product has a central position and consumers' choices are strongly determined by the product positioning. In the network economy, the consumers' position is central. The individuals' wishes drive the activities of the total demand network. This can also be described as a push versus a pull strategy.

E-Business and its Impact

E-business can be looked at from different points of view and as a consequence, there are many definitions:

1. The commercial exchange of goods, services, information and/or ideas by electronic medium.
2. A collapse of time and space between business partners.
3. The transition to the 'new world', the network economy, having impact on how businesses are

organized and deal with their customers and partners.

4. Creating the Web Enabled Enterprise. The web enabled enterprise defines the changes that web-technology will bring to organizations.

Changes Enabled by a Technology Push

Converging Channels

The enabling technology comprises the supply-side of the equation. Many of the new technology channels are converging or coming together into a single medium: the internet. Two common examples point out the effect 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. 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

E-business can be aptly described as:

1. Application of electronic network technology to relevant business processes.
2. 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-business include external oriented processes while e-commerce involves internal processes like production, inventory management, product development, risk management, finance, strategy development, knowledge management and human resources.

Basics of E-business

1. The parties (actors) you are dealing with:
- Customers
- Suppliers
- Competitors
- Government
2. The resources you (should) have at your disposal:
- Investment funds: setting up
- Technology Infrastructure
- Organization 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

The Essence of E-business

In E-business, technology tells the business what can be done in smarter ways. Technology not only can make business more efficient but also can make business more effective in targeting and reaching markets.

Critical Success Factors for E-business in the Developing World

The success of an e-business depends on at least the following factors:

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

Other factors include: Distance – ICT helps to overcome barriers such as distance.

E-Business Process Cycle

The implementation of e-business strategy and description of an approach to handle all interlinked issues (starting from a business perspective all the way to technology infrastructure, including security and governance) to develop a successful e-business is called **the E-business Process cycle.** The 5 stages of this cycle are:

1. **Awareness (vision):** to start, an overall vision of the organization is needed; including a clear image of the future structure of the e-business.
2. **Ambition (scope):** the 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.
3. **Concept (roadmap):** A roadmap can help anticipate each phase as described in the growth model.
4. **Realization (on the road):** This is the actual implementation of (the changes within) the e-business phase.
5. **Exploitation:** Once the implementation has taken place the changes should be absorbed by the (core) business of the organization.

E-Commerce:

E-commerce (electronic commerce)is the buying and selling of goods and services on the internet, especially the World Wide Web. E-commerce includes retail shopping, banking, stocks and bonds trading, auctions, real estate transactions, airline booking, movie rental nearly anything you can imagine in the real world. 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: Security includes authenticating business transactions, controlling access to resources such as Web pages for registered or selected users encrypting communications, and in general, ensuring the privacy and effectiveness of transactions.

Electronic Trading (e-trading): is a method of trading securities (such as stocks, and bonds), foreign currency, and exchange traded derivatives electronically. There are, broadly, two types of trading in the financial markets:

- Business-to-business (B2B) trading, often conducted on exchanges where large investment banks and brokers trade directly with one another, transacting large amount of securities
- Business-to-customers (B2C) trading where retail(e.g. individuals buying and selling relatively small amounts of stocks and shares) and institutional clients (e.g. hedge funds, fund managers or insurance companies, trading far larger amounts of securities)

The increase of e-trading has had some important implications:

- Reduced cost of transactions
- Greater liquidity
- Greater competition
- Increased transparency
- Tighter spreads

Practical Application of E-techniques in Business, Commerce and Trading.

Electronic banking is one area of e-commerce that has proven successful in Nigeria. Online, real-time banking systems have now become commonplace as customers are offered the flexibility of operating an account in any branch of their banks network.

E-Readiness

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

Catalysts for the e-commerce Revolution

- First, 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 manufactures and fulfillment partners.

- A third factor will play a significant role in facilitating this growth is technology automation across the value chain.
- Factor number four will be a 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. There are three major forms of business organization:

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.

The 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.

The cooperation: there is no limit to the number of owners. The liability of the owners is limited to the amount invested and the death of any owner does not affect the continuity of the 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 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 on representative of the family or kin is formally involved in the governance of the firm.

Transfer to family members

Transferring a business to family members is a difficult task that involves both financial and emotional stress. According to Hisrich and Peters, to transfer a business to a family member, an effective succession plan needs to consider the following critical factors:

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

There are three general categories of factors that play vital role in effective business transitions. They include;

I. Preparation level of business heirs
II. Relationship among family and business members
III. Planning and control.

Transfer to non family members

The entrepreneur who wishes to retire from 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. The success of this arrangement will depend on the ability of the entrepreneur and the employee to agree on such sensitive issues as ownership and control.

Transit for 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 the business firm by an entrepreneur. Acquisitions provide an excellent means of expanding a business by entering new markets or new product areas. A merger is similar to acquisition but the major difference is that in merger, there may be just an insignificant outflow or none at all.

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

Personal Discipline in Business

Another term for personal discipline is self discipline. This is defined as the ability to do what is necessary or sensible without needing to be urged by somebody 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 of himself and his business activities. Hence without personal or self discipline he is bound to abuse his freedom. The ability of the entrepreneur to stick to the right code of conduct or behavior in spite of his personal desires largely depends on his traits, attitudes and habits.

Traits

A Significant portion of the variance in personality traits across people is accounted for by their genetic endowment. Some of these traits include:

a) **Extraversion:** this refers to personality traits that deal with sociability, talkativeness, assertiveness and ambition.
b) **Openness to experience:** this trait manifest 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 softhearted.
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 personal financial difficulties.

Attitudes

Attitudes differ across individuals. Attitudes are not permanent features. E.g. attitude towards achievement in general is not the same as attitude towards an entrepreneurial setting. Consist of 4 broad dimensions such as achievement, self esteem, personal control and innovation.

a) **Career attitudes**: since business is dynamic, entrepreneurs easily adapt to the changing conditions and always use the change to motivate themselves for achieving higher goals. They are action oriented and try to always emphasize their personal strength rather than spend precious time eliminating their weaknesses.
b) **Mental attitudes:** the personal characteristics and mental attributes of individuals have a significant impact on their work. Positive mental attitude helps entrepreneurs focus on desired activities and events as well as potential results. In order to develop a good mental attitude, entrepreneurs are careful to be involved only in positive activities and select positive objectives in their work.

Habits

Habits refer to the things we do usually or regularly. Discipline is building good habits into reflexes which become part of our life. For example many executives have acquired the habit of starting work in the early morning hours to attend to important official matters. Getting up some hours earlier than usual on daily basis might give the executive the opportunity to become more productive. This requires more effort and may be highly inconveniencing. But if the entrepreneur persists with the practice it becomes a habit. To use the early morning hours effectively, it would be important to decide the night before how the period will be used. This will lead to the good habit of planning the next day's important activities before going to sleep each night.

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 a focused direction. Planning may be strategic, operational or tactical. Tactical plan is a means of supporting strategic plans developed by middle management using internal data covering a period of 1-3 year period. A strategic plan is a general plan outlining decisions of resource allocation, priorities and action steps necessary to reach strategic goals. Strategic planning is a 3-5 year plan that includes all functions of the organization with the following outline:

- Business mission
- Situation analysis

- Internal environment analysis
- External environment analysis
- Goal 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. The process begins with a problem and ends when a solution has been chosen. Generally, an entrepreneur's decisions are often influe4nced by the need for action, short decision windows, a willingness to assume risk, and a few decision constituencies and have short time span in terms of opportunity commitment. 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.

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. For instance, family transition often results in what is called generational drift which is a natural phenomenon that can produce fragmentation in the ownership of a family business when it is not controlled by specific succession policies. Family protocol which is a system of principles and rules can help the family to regulate family-firm relationship. It establishes a common mentality that facilitates cohesion as well resolve conflict. Family meeting is a strategy to involve the entire family in the transition process. Another important issue in the management of business transition is the management of family assets. 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. This will take into consideration the past and present earnings of the business, the assets, ownership's equity, stock value and customer base, strength of distribution network, personnel and image. The three widely used valuation method include: assets, cash flow, and earnings.

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

Meaning of stress

Stress may be simply defined as a person's adaptive response to a 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 or negative. When stress emanates 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.

Resources constraints and business transition

Resources gap in business organizations may take various forms such as: lack of information, knowledge, inputs and physical assets or even working capital. Organizational stressors are factors in the workplace that can cause stress. Another stressor has to do with interpersonal demands that may confront the entrepreneur in his organizational setting.

Working under stress gives rise to a number of consequences which may either be 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. 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 of a heart attack which is often associated with prolonged stress.
ii. Relaxation: the entrepreneur is encouraged to go on vacation periodically.
iii. Time management: every morning the entrepreneur should make a list of the things to be done well arranged in 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 by interacting with them.