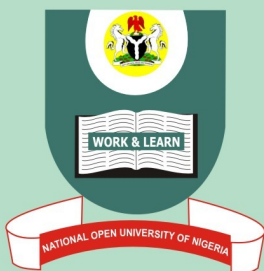


MBA 780
CREATIVE ,INNOVATION AND CHANGE



NATIONAL OPEN UNIVERSITY OF NIGERIA



MBA 780
CREATIVITY, INNOVATION AND CHANGE

Course Developer/Writer	Josef Bel-Molokwu, PhD UNIZIK, Enugu
Course Editor	Mrs. E.A. Adegbola National Open University of Nigeria
Programme Leader	O. J. Onwe National Open University of Nigeria
Course Coordinator	Mrs. E.A. Adegbola National Open University of Nigeria



NATIONAL OPEN UNIVERSITY OF NIGERIA

National Open University of Nigeria
Headquarters
14/16 Ahmadu Bello Way
Victoria Island
Lagos

Abuja Office
No. 5 Dar es Salaam Street
Off Aminu Kano Crescent
Wuse II, Abuja
Nigeria

e-mail: centralinfo@nou.edu.ng

URL: www.nou.edu.ng

Published by
National Open University of Nigeria

Printed 2008

ISBN: 978-058-761-6

All Rights Reserved

CONTENTS	PAGES
Introduction	1
What You will Learn in this Course	1
Course Aims	1
Course Objectives	1
Course Materials	2
Study Units	2
Assessment	3
Tutor-Marked Assignment	3
Final Examination and Grading	3
Summary	3

Introduction

MBA 780: Creativity Innovation and Change is a semester course work of three credit hours. It will be available to all students taking the MBA programme in the School of Business and Human Resources Management.

The course consists of 15 units which embrace closely related terms, creativity, innovation and change.

The Course Guide tells you what MBA 780 is all about, the materials you will be using and how to make use of them. Other information includes the self assessment and tutor-marked assignments.

Any other information concerning the tutorial classes will be communicated to you in due course.

What You will Learn in this Course

Course Contents consist of the concept of innovation, management strategies and management of change.

Course Aims

The aim of this course is to expose you to the concepts of innovation, management strategies and the management of change.

The aim will be achieved by:

- Treating the concept of innovation
- Overviewing and explaining the various aspects of management strategies
- Explaining the concept and the management of change

Course Objectives

At the end of this course, you should be able to:

- Explain the meaning, scope and concepts of innovation
- Identify key management strategies aimed at coping with the challenges that may arise in the course of business operation
- Understanding the concept of change, as a management function

Course Materials

- Course Guide
- Study units
- Textbooks
- Assignment Guide

Study Unit

There are 15 units in all which should be studied carefully:

Module 1

Unit 1	The Concept of Innovation - an overview
Unit 2	Changing the Competitive Position of an Existing Business
Unit 3	Management Strategy
Unit 4	Management Succession as a Factor of Change
Unit 5	Branding: A Creative Approach to Marketing

Module 2

Unit 1	The Influence of Environmental Factors on Business Strategy
Unit 2	Innovation and Management Strategies
Unit 3	Proactive Marketing
Unit 4	Entrepreneurship
Unit 5	Portfolio Management

Module 3

Unit 1	Productivity
Unit 2	Technology as a Factor of Change
Unit 3	Environmental Aspect of Innovation
Unit 4	Change as a Function of Leadership
Unit 5	Management of Change - The Human Resources Angle

Each study unit will take at least two hours and it includes the introduction, objectives, main content, exercises, conclusion, summary and references. Also contained in each study unit is the tutor marked questions and the self assessment question. You are to practise them to have better understanding. The reference books listed under the reference section are for your further reading.

The Modules

The course is divided into three parts. The first part has 3 units (Unit 1, Unit 7 and Unit 13), the second part consists of 4 units (Unit 14, Unit 4, Unit 12, and Unit 15), the third module consists of 8 Units (Unit 9, Unit 3, Unit 6, Unit 10, Unit 2, Unit 11, Unit 8 and Unit 5).

The first part treats the concepts, meaning and scope of innovation. While the second part treats change and the management of change and the third part treats concepts creativity and management strategies.

Assessment

Each unit consists of at least one assignment which you are expected to do.

Tutor-Marked Assignment

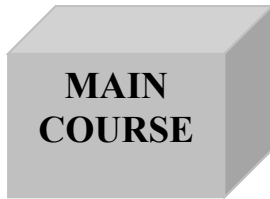
Here you are expected to apply what you have learnt in the contents of the study units to do the assignment and sent them to your tutor for grading.

Final Examination and Grading

This will be done at the end of the course

Summary

This course MBA 780 (Creativity, Innovation and Change), exposes you to three closely related and interchangeable terms. On successful completion of the course, you would have equipped yourself to face the challenges posed by customers, government and fellow competitors in the course of business operations.



Course Code	MBA 780
Course Title	Creativity, Innovation and Change
Course Developer/Writer	Josef Bel-Molokwu, PhD UNIZIK, Enugu
Course Editor	Mrs. E.A. Adegbola National Open University of Nigeria
Programme Leader	O. J. Onwe National Open University of Nigeria
Course Coordinator	Mrs. E.A. Adegbola National Open University of Nigeria



NATIONAL OPEN UNIVERSITY OF NIGERIA

National Open University of Nigeria
Headquarters
14/16 Ahmadu Bello Way
Victoria Island
Lagos

Abuja Office
No. 5 Dar es Salaam Street
Off Aminu Kano Crescent
Wuse II, Abuja
Nigeria

e-mail: centralinfo@nou.edu.ng

URL: www.nou.edu.ng

Published by
National Open University of Nigeria

Printed 2008

ISBN: 978-058-761-6

All Rights Reserved

Module 1	1
-----------------------	----------

Unit 1	The Concept of Innovation–An Overview	1
Unit 2	Changing the Competitive Position of an Existing Business	7
Unit 3	Management Strategy	14
Unit 4	Management Succession as a Factor of Change ...	21
Unit 5	Branding–A Creative Approach to Marketing	28
Module 2	35
Unit 1	The Influence of Environmental Factors on Business Strategies	35
Unit 2	Innovation and Management Strategies	43
Unit 3	Proactive Marketing	48
Unit 4	Entrepreneurship	55
Unit 5	Portfolio Management	64
Module 3	74
Unit 1	Productivity	74
Unit 2	Technology as a Factor of Change	81
Unit 3	The Environmental Aspects of Innovation	88
Unit 4	Change as a Function of Leadership	95
Unit 5	Management of Change–The Human Resources Angle	104

MODULE 1

Unit 1	The Concept of Innovation–An Overview
Unit 2	Changing the Competitive Position of an Existing Business
Unit 3	Management Strategy
Unit 4	Management Succession as a Factor of Change
Unit 5	Branding–A Creative Approach to Marketing

UNIT 1 THE CONCEPT OF INNOVATION – AN OVERVIEW**CONTENTS**

1.0	Introduction
2.0	Objectives
3.0	Main Content
3.1	The Concept of Innovation–An Overview
3.1.1	The Nature and Scope of Innovation
3.2	Identifying the Concept
3.2.1	Innovation
3.2.2	Invention
3.2.3	Research, Development and Design
3.2.4	Entrepreneurship
3.3	Invention and Innovation-Any Relationship
4.0	Conclusion
5.0	Summary
6.0	Tutor-Marked Assignment
7.0	References/Further Readings

1.0 INTRODUCTION

This unit will attempt a broad-based overview of the concepts of innovation with specific reference to the nature, scope and other related concepts such as invention.

2.0 OBJECTIVES

At the end of this unit, students should be able to:

- explain the nature and scope of innovation
- identify some key concepts of innovation
- differentiate between invention and innovation.

3.0 MAIN CONTENT

3.1 The Concept of Innovation–An Overview

3.1.1 The Nature and Scope of Innovation

The term “innovation” is a broad-based concept that embraces all such activities that contribute to the efficient introduction and exploitation of new improved processes and products which are critical to the competitive performance and long-term growth of any industrial economy.

As a key function of business, innovation is related to entrepreneurship which is the driving force behind business growth and development.

Other concepts which are related to innovation are: invention, research and development, (Needle, 1994). Governments and enterprises from time to time introduce policies aimed at stimulating innovation and entrepreneurship. Such policies usually set the pace for the development of new technologies, and new products design and development. Whenever there are new technologies and new product, the need to adjust the organisation structure and adopt new marketing strategies necessarily arises. This thinking pre-supposes that innovation is not continued to technological hardware of products and processes. Innovation must be accompanied by significant changes in administration overtime. Several authorities have tried a link between innovation and other related concepts such as marketing and entrepreneurship. Peter Drucker, for instance, sees a close association between innovation and marketing. He regarded them as the only true entrepreneurial function. Daft (1982), Damanpour et al (1989) as cited by Needle (1994) are of the opinion that technical changes will impact very little unless they accompanied by changes in administration.

The link between innovation and entrepreneurship cannot be overemphasized bearing in mind that innovation is a function all business and the fact management are usually faced with challenges and drawback while trying to effect innovative changes.

Some of the challenges or difficulties that may arise are:

- Raising the necessary funds
- Ensuring that the firm is staffed by people with required skill
- Ability to persuade the consumers to buy the new product or services.
- Ability to deliver sufficient quantity when the demand is created.

- Ability to cope with the political processes within the organisation which accompany the change.
- Attitude of the people toward risk and their ability to cope with uncertainty etc.

3.2 Identifying the Concept

As mentioned in Section 3.1 above, terms such as “invention”, “design”, “innovation”, “entrepreneurship”, and “research and development” are used interchangeably. This tends to suggest that the terms are all the same. This section will attempt to take a cursing look at these concepts.

3.2.1 Innovation

Innovation can be seen as the process through which new ideas and inventions become a business reality in the form of new products, process, marketing strategies and new methods of organisation and management. Its importance to business survival and growth is acknowledged by many firms through the creation of special units such as research and development departments in the manufacturing industry. Innovation operates in a variety of terms and variety of contexts.

3.2.2 Invention

Invention is the act of creating something new and unique. Inventions are irrelevant unless they are put into practice. Once an idea becomes a reality and economically relevant, it ceases to be an invention and becomes an innovation. An invention may give rise to:

- A new method of production
- A new process of manufacture
- New form of organisation structure
- A new form of selling or marketing
- A new product etc

3.2.3 Research, Development and Design

Research and development, commonly referred to as R & D, applies to a department whose primary objective is creation and development of new products and new ways of making them. It seeks to satisfy a market need by developing new products and methods and finding uses for scientific and technological inventions. It is a vital part of business clearly associated with science and technology.

R & D may also be seen as the organisation of innovation at the level of the firm.

3.2.4 Entrepreneurship

Entrepreneurs are crucial to the process of innovation. They are those whose initiates innovation. Entrepreneurs are responsible for creating new products, services, markets and the means through which these products are made service produced and markets reached. Entrepreneurs are often responsible for creating new forms of organisation and new ways of managing people.

The entrepreneur operates by introducing such changes directly by having the ability to organize physical information and human resources to bring out innovation.

3.3 Invention and Innovation -Any Relationship

Through the terms can be used interchangeably, it is pertinent to state that innovation starts where invention ends. Invention refers to the making or creation of something new, such as a new way to dye clothes, a new way to sells product or a new form of entertainment. An invention becomes an innovation when the idea becomes a reality. That is when the product is manufactured and starts selling.

Innovation can be broadly classified into three categories.

- **Product and Process Innovation**

Product innovation refers to the development of a new product such as new mode of a car while process innovation is concerned with how the product is made or delivered to the customer e.g. robots in manufacturing industry.

- Innovation in the selection and use of raw materials as well as in marketing activities.
- A distinction can be made between basic innovation and innovations that are **modifications and improvements** on existing products and processes.

SELF ASSESSMENT EXERCISE

Differentiate between invention and innovation.

4.0 CONCLUSION

Innovation is a key function of business. Its close link with the term entrepreneurship is of key importance. As affirmed by Peter Drucker, innovation and marketing are the only true entrepreneurial functions. The impact of innovation has an over bearing influence on the business in its entirety perhaps explain why innovation is opt to make both management and financial backer nervous.

5.0 SUMMARY

The term innovation is interchangeably used with such terms as “invention” “research and development”, design and entrepreneurship”. Innovation as a concept operates in a variety of forms and contexts.

Categories of innovation that can be clearly distinguished are:

- Product innovation
 - Process innovation
 - Selection and use of raw materials
 - Marketing innovation
 - Job enrichment
 - Product improvement
- Innovation can relate to products, processes, marketing and the organisation. It is influenced by the state, culture and other environmental factors.

ANSWER TO SELF ASSESSMENT EXERCISE

Invention and innovation can be used interchangeably. Innovation could starts where invention ends.

Clear distinction that can be made between invention and innovation are:

- Invention designs a new way to sell a product while innovation starts when the product begins to sell.
- Invention refers to new methods of producing goods and services while innovation refers to the stage wherein the goods and services are being produced using the new method.
- Invention designs a new process of manufacturing a product while innovation comes into force when the new process is being applied to manufacture the product.

- Invention refers to the development of a new formula aimed at improving on an existing product, while innovation takes place when the new formula is being applied to produce an improved product.

6.0 TUTOR-MARKED ASSIGNMENT

Identify the main challenges that may confront management while embarking on innovative changes.

7.0 REFERENCES/FURTHER READINGS

Needle, David (1994). *Business in Context* 2nd Edition, London: Thompson Business Press.

Rogers, E.M. (1962). *Diffusion of Innovation*, New York: Free Press.

Rothwell R & Zegveld (1981). *Industrial Innovation and Public Policy*, London: Frances Printer.

UNIT 2 CHANGING THE COMPETITIVE POSITION OF AN EXISTING BUSINESS

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Changing the Competitive Position of an Existing Business
 - 3.1.1 New Product Development
 - 3.1.2 Researching the New Product
 - 3.2 Improved Market Penetration
 - 3.2.1 Sales Promotion and Advertising
 - 3.3 Seeking New Markets
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

This unit shall deal with the issue of how to change the competitive level of an existing business by addressing such issues as: product development, improved market penetration and how to seek new market.

2.0 OBJECTIVES

At the end of this unit, students should be able to:

- determine when to create and introduce new product into the market
- know how to penetrate into a market
- know how to seek new market.

3.0 MAIN CONTENT

3.1 Changing the Competitive Position of an Existing Business

3.1.1 New Product Development

Product development is a deliberate marketing strategy aimed at enhancing a firm's competitive edge and its ability to produce highly

specialized goods and service. This type of marketing strategy is commonly referred to as “product strategy”.

The prime focus of introducing a new product is to achieve growth and to keep risk at a minimum.

Since the market already exists, the new product is simply introduced to an existing range. This approach is less risky compared to the introduction of an entirely or totally new product to sell to new market. The later option is referred to as product diversification.

Before introducing a new product line or add-ons to existing products to appeal to current market, the following must be addressed.

- Research the new product ideas;
- Ask customers for options;
- Examine successful rival product lines;
- Examine your market carefully to ensure that it is not already over-saturated.

If on the other hand a management chooses to diversify, that is to expand through the development of new product to be sold to new markets, then the management must needs develop a new marketing strategy

3.1.2 Researching the New Product

The form “product” has a wide connotation and may include manufactured goods, services, people, organisations, places and idea. Other elements of the product include a brand name, packaging, after-sales services, delivery, warranty etc.

Marketing need to consider all these aspects of the products before developing a new product, marketing which is an essential input in the process of developing a new product must be considered. Extensive market research is needed concerning such aspect as:

- The utility and acceptability of the new product design;
- The target market;
- The amount of sales which could be anticipated;
- The price which would be acceptable;
- The most appropriate method of appeal
- The development cost

The necessity for carrying out this research is hinged on the fact that production takes place in advance of selling. Accurate assessment is important because of the following factors:

- Deference to consumer preference
- The extent of the demand
- Effective use of advertising
- Financial commitment
- Changing conditions
- Competitions

R & D is a department traditionally assigned the role of seeking to satisfy a market need by developing new products and methods and to find use for scientific and technological inventions. Though R & D functions are clearly associated with science and technology, it is pertinent to note that the process of new product development often occurs in non-scientific and technical situations.

In developing a new product, the aspect of product design is of key consideration. In product design, two major decisions are taken:

- The function and styling of the product
- The range of products or degree of standardization to be offered.

It is also necessary to make a decision on the type of material to be used. Today manufacturing concerns make use of systems which focus on interface between design and product, examples of such system are: CAD (Computer Aided Design), CAM (Computer Aided Manufacturing) and CAD/CAM (that is the two systems operating together).

3.2 Improved Market Penetration

One way to ensure growth is to achieve a large share of the market. This strategy is widely used because it is considered a “safe” way to grow (MOI, 2001).

It is assumed here that one is dealing with two known entities, one’s product and the market. Since one has already spent time to know this market and refining one’s product to meet customers’ need one only needs to reach the un-reached potential customers.

Since penetration strategy relates to a high output with the aim of a high volume of sales with low profit margin per unit, then one must be sure that:

- The market is wide;
- The goods are capable of being mass produced;
- Planning is long-term and detailed.

- To achieve good results, the following implementation strategy or method may be applied.
- Use heavy advertising;
- Use promotional offer;
- Use direct mail campaigns;
- Use cold calling to find new customers matching the people of existing ones;
- Focus on winning customers from competitors.

3.2.1 Sales Promotion and Advertising

Sales promotion embraces all methods for increasing sales, including advertising.

It is restricted to the domestic consumers market and used as:

- A form of intensive activity in promoting a product
- A method of maintaining the impetus of sales as a continuous process.

Methods of used are:

- Special offer - reduce prices for a limited period or two complementary article in a “bargain pack”
- Competition
- Special displays
- Premium offer - Customers’ submit packets or tops or coupons with cash in exchange for an article below market price

Advertising, on the other hand, is intended to induce sales. The primary aim is to:

- Inform- An announcement that a particular product or service is available
- Persuade- To induce the market to exercise a preference for the advertised product as against competing one by:
 - (a) remaining faithful
 - (b) emotional appeal
 - (c) exploring fears
- Remind- Serves to keep the name of a product in the mind of the public;

- Create market attitudes- This is an attempt to change social attitudes in order to sell product never sold before by making their use socially acceptable or desirable.

3.3 Seeking New Markets

This involves finding new markets for an existing product. The first step to take is to draw up a list of new markets. The second step is to conduct research to find out whether the listed market would be interested in what you are offering and that you could satisfy potential new customers with your existing products. It may be necessary to remodel your existing product in order to appeal your new market.

Identifying and breaking into new markets to increase sales of existing product would entail:

- The use of targeted advertising;
- The use of Direct Mail and the Internet;
- A consideration of internal restructure such as setting up a sales arm to deal with large companies;
- Remodeling of products to appeal to new markets.

Once a decision is taken as to whether to more or a new market or add a new market to an existing one, anew type of product may be necessary. To breach a new market, it may be necessary to mass produce goods for a wider and lower market-cheaper versions of what was previously an exclusive product. Thus, one is able to maintain a competitive edge by:

- Producing a cheaper product;
- Producing at lower costs;
- Making the product more attractive;
- Persuading the consumers through advertising.

SELF ASSESSMENT EXERCISE

What is market development?

4.0 CONCLUSION

Growth and change are inevitable organisation that wish to remain a float must take necessary steps to enhance its competitive edge through the:

- Development of new product
- Market penetration; and
- Development of new market

5.0 SUMMARY

Every organisation wants to improve on its network through increase in its profitability. Increase in profitability can easily be achieved through selling of more products. To sell more products, a firm may need to expand its shares of the existing market, find new market, develop new product or diversify. Points to note are:

- That it is possible to increase sales by simple but valued product improvement;
- That one may combine product development with market penetration;
- That it is a good idea to develop new product that will be bought in the same transaction as your existing products.

ANSWER TO SELF ASSESSMENT EXERCISE

Market development entails finding a new market for an existing product. It may also be seen as the process identifying and breaking into new markets in order to increase sales for existing product. This can be achieved through the:

- Use of target advertising;
- Use of direct Mail and the Internet;
- Consideration of internal restructure such as setting up a sales arm to deal with companies;
- Remodeling of product to appeal to new markets.

To maintain a competitive edge in the new market, it may be necessary to:

- Mass produce a once exclusive good for a wider and lower market;
- Produce a cheaper product;
- Produce goods at lower cost;
- Make the product more attractive;
- Persuade customer through advertising.

6.0 TUTOR-MARKED ASSIGNMENT

State why it is necessary to carry out extensive and accurate market research before embarking on new product development.

7.0 REFERENCES/FURTHER READINGS

Moi, Ali (2001). *Marketing Effectively*, London: Darling Kinderly Books.

Needle, David (1994). *Business in Context* 2nd Edition, London: Thompson Business Press.

Pitfield, Ronald (1984). *Business Organisation*, London: M&E Handbooks.

UNIT 3 MANAGEMENT STRATEGY

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Management Strategy
 - 3.1.1 The Strategic Process
 - 3.1.2 The Rational Approach
 - 3.1.3 The Flexible Approach
 - 3.1.4 The Creative Approach
 - 3.1.5 The Behavioural Approach
 - 3.1.6 The Incremental Approach
 - 3.2 The Uses and Value of Strategy
 - 3.3 Strategic Context
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

This unit will take a look at management strategy vis-à-vis its process, context and uses.

2.0 OBJECTIVES

At the end of this unit, student should be able to:

- state the strategic process
- identify various contexts in which management strategic process operates
- identify the reasons why management engages in strategy formulation.

3.0 MAIN CONTENT

3.1 Management Strategy

3.1.1 The Strategic Process

Management strategy contains a number of interrelated elements. These elements are:

- A consideration of environmental changes which bring about new opportunities and pose new threats;
- The assessment of the internal strength, and weakness of the constitutions and in particular its ability to respond to those opportunities and threats;
- The product of a decision making process influenced by values preference and power of interested parties;
- Generating options and evaluating them.

With the above element in view, one can then safely say that management strategy is an all-embracing term dealing with goals and objectives, the firm's environment, its resources and structure, the scope and nature of its activities and ultimately the behaviour of its members.

The strategic process refers to the way in which management strategy is formed. It involves a mixture of scientific and rational analysis together with more subjective and political considerations.

A study of how strategy is formed gives an insight as to the nature of strategy. Several approaches to management strategies are listed below:

- The rational approach;
- The flexible approach;
- The creative approach;
- The behavioural approach;
- The incremental approach;

3.1.2 The Rational Approach

This approach is a high scientific and highly rational process. It adopts a series of techniques such as technological forecasting, portfolio analysis, environmental impact analysis and sensitivity analysis.

The rational approach to management strategy formulation is often referred to as SWOT analysis. SWOT, stands for Strengths, Weaknesses, Opportunities and Threats. SWOT analysis is based on the assumption that information is readily available to the strategist and an accurate assessment can be made of its likely impact on the firm. It should be noted however that the entire process is subject to behavioural influences. SWOT analysis provides management strategist a framework for analyzing the position of a firm at a particular moment in time. It also helps in the development of a number of strategic option

which can be used to tackle opportunities and threats as well as build on corporate strength and avoid weakness.

OPPORTUNITIES	THREATS
Approval to run a full-fledged secondary School in densely populated area	Five other secondary schools operate within 15km radius
STRENGTH	WEAKNESSES
State-of-the art facilities and seasoned teachers and administrators	High tuition fees

Fig. 1. An analysis of strengths, weaknesses, opportunities and threats of FIT college.

3.1.3 The Flexible Approach

A business operating in a turbulent and complex environment may make historical and current data meaningless. This situation calls for flexibility and understanding of the fact that uncertainty can never be eliminated but can be reduce by plotting difference sceneries, each responding to alternative vision of the future, thus management can easily adjust to meet and fit into any changes that may occur.

3.1.4 The Creative Approach

This approach stresses the importance of an imagination in the strategic process. It is a slight deviation from the strategic planning approach which recognizes the values of the decision-makers as one of the driving forces giving the firm it competitive edge.

In a none complex and constantly changing business environment managers are faced with more problems which require more creativity on the part of managers and decision makers.

3.1.5 The Behavioural Approach

The thinking here is that strategy formulation is far from being a rational, logical process but rather the product of the organisation's dominant coalition, invariably senior management, and is based upon its values, ideologies and personalities and upon the process of organisational power and politics.

This approach sees management values and objectives as more than individual inputs to the planning process. They influence the way the

environment is perceived and hence, the choice of opportunities and threats and the assessment of strengths and weaknesses.

3.1.6 The Incremental Approach

Here, strategy is seen as a process by which the organisation gradually comes to terms with its environment. Objectives may be modified in the light of experience and through the process of negotiation between interested parties. This approach originates from the work of Lindblom and is seen as a more realistic and more effective method of dealing with complex and changing situations.

3.2 The Uses and Value of Strategy

Needle (1994) identifies the reasons management engages in strategy formulation as in the following:

- Strategy assists in the formulation of goals and objectives and enables them to be modified in the light of information and experience
- Strategy is a form of management control. It is a plan which guides behaviour along a predetermined route. It results in budgets and targets the operational level.
- A clear strategy both assists in the process of allocating resources and may provide a rationale for that allocation so that it is perceived to be fair by organisation members.
- It enables management to identify key strategic issues which the firm may face in the future and prepare appropriate action.
- Strategy performs a useful role on both guiding and action of the constituent parts of the organisation as well as acting as an integrating mechanism ensuring units work together.

The integrating power of strategy is a central feature of “strong” corporate cultures.

- Strategy formulation is an important element in the process of social change.
- Formulation of strategy is a useful training ground for the development of future managers.

3.3 Strategic Context

The strategic process operates in various contexts. Principally, it must be noted that strategy is not sole preserve of the profit making organisation but that all organisations have strategies formulized to a greater or lesser extent.

No matter their diversities, organisations such as business, churches, schools, the police, charities and professional football clubs all formulate challenges of their environment and their unique areas of operation.

Though all kinds of organisations formulate strategies, there are however difference between those strategies pertaining to entire industries such as maritime, strategies employed by firms operating in a number of different business markets such as UNILEVER; and strategies employed by those operating in a single or restricted product market.

Sometimes, distinction is dawn between a “corporate” and “business” strategy. Corporate strategies relate to those firms operating in a number of different businesses which focus on issues relating to the overall business mix and help identify the type of business a management should pursue while business strategies deal with a single business and concentrate on issues relating to successful competition.

We may also identify strategies that operate at different level of organisation such as top level, functional level to individual target and budgets level.

SELF ASSESSMENT EXERCISE

- (a) Define the strategic process.
- (b) In what ways are strategies formulated.

4.0 CONCLUSION

Management strategy is an all-embracing term dealing with goals and objectives, the firm’s environment, its resources and structure, the scope and nature of its activities and ultimately the behaviour of its members.

Its formulation and implantation therefore calls for flexibility.

5.0 SUMMARY

Management strategy consists of a number of interrelated elements such as environmental charges, opportunities, threats, weaknesses (internal) and internal strength, values, preferences and power of interested parties. It

deals with goals and objectives and how they can be effectively achieved.

There are several approaches to main strategy formulation. These include:

- The rational approach;
- The flexible approach;
- The creative approach;
- The behavioural approach; and
- The incremental approach

Basically, every organisation formulates strategies. Contextually these strategies may affect:

- An entire organisation of shipping business;
- Firm's operating in a number of different business concerns;
- Firm's operating in a single or restricted product market;
- Different levels of the organisation.

ANSWER TO SELF ASSESSMENT EXERCISE

- (a) The strategic process refers to the way in which management is formed.

It involves a mixture of scientific and rational analysis together with more subjective and political consideration.

[1 mark for each point correctly named. Total - 5marks]

- (b) Strategy formulation is approached in different perspectives. The main approaches are:

- The rational approach;
- The flexible approach;
- The creative approach;
- The behavioural approach;
- The incremental approach;
- An absence of strategy - this suggest that managers operate without a conscious strategy.

NB: Brief explanations required.

6.0 TUTOR-MARKED ASSIGNMENT

Enumerate the reasons why managements engage in strategy formulation.

7.0 REFERENCES/FURTHER READINGS

Needle, David (1994). *Business in Context* 2nd Edition, London: Thompson Business Press.

Gluek, W.F. and Jauch, L.R. (1980). *Business Policy and Strategic Management*, 4th Edition, Singapore: McGraw Hill.

UNIT 4 MANAGEMENT SUCCESSION AS A FACTOR OF CHANGE

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Management Succession as a Factor of Change
 - 3.1.1 The Need for Succession
 - 3.2 Planning for Business Succession
 - 3.2.1 Inventory of Facts and Figures for a Small Firm
 - 3.2.2 Options for Succession in Small Business
 - 3.3 The Problems of Management Succession
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

This unit will look at management, the needs and problems associated with it. Specific attention will be paid to small scale business.

2.0 OBJECTIVES

At the end of this study, students should be able to:

- identify the need for management succession
- identify the problems associated with management succession
- appreciate the need for planning for management succession.

3.0 MAIN CONTENT

3.1 Management Succession as a Factor of Change

3.1.1 The Need for Succession

Manpower planning always takes account of future withdrawals of labour. Labour withdrawal refers to all forms of subtraction from the labour force in the form resignation dismissal, deaths, and retirement.

This is a paramount importance because of the need to preserve the continuity of the business.

No matter the nature of the business or type of organisation, a very vibrant and valuable business may in the nearest possible future be worthless if the issue of succession is overlooked.

In big organisations, it is generally assumed that the next in hierarchy should resume duty when a manager/or an executive withdraws either through retirement, incapacitation, death or promotion. This however is not necessarily the case, as management could choose any out of the many senior officers or may want deputies to fill the vacant position. An alternative could be that management an experienced executive from a related organisation with different or related corporate culture.

In small business, succession takes place when owner/manager or the chairman/chief executive officer leaves the business, retires, is incapacitated or dies.

Inability to plan for this separation has resulted in the collapse of many small businesses. To avoid the unpleasant situation, owner/manager should plan ahead for a possible successor. When this is done, it allows for smooth transition from one manager to another and thus minimizing disruption in business operations. If a good succession plan is put in place, it helps to avoid the collapse of the business, minimize intra-family quarrels and possible killing, prevents the sale of the business at give-away price to outsiders and helps to stop stunted growth.

In the case of big businesses, it may result to politicking, in-fighting, mud-slinging, slandering, blackmailing or even death.

3.2 Planning for Business Succession

The necessary steps to be taken while preparing for management succession are:

- The chief executive of the business should orientate his mind in favour of planning ahead by reducing his resistance to planning.
- Take inventory of all the information required for successful operations. The following should be included in the inventory
 - (i) Business financing
 - (ii) General administration
 - (iii) Policies for the functional areas
 - (iv) Facts and figures about technical and operational aspects.

- Create a management inventory to include those managers who are likely to be promoted or transferred; those who are prone to leave the business within certain time limit; those who have exhausted their maximum capacity and are not likely to go beyond their present level and other management cadre with potential for promotion into managerial positions.
- Review the goals and objectives of the business with a view to finding a top assistant that best compliments the owner's abilities from the list of the present management job holders.

3.2.1 Inventory of Facts and Figures for a Small Firm

(a) Inventory of Production

- List of machinery and equipment;
- List of products and services;
- Description of layout, production schedule and control.

(b) Inventory of Marketing

- Description of products and services and their channels;
- Outline of market coverage and types of customers;
- Description of promotion efforts.

(c) Inventory of Finance

- Five years financial statement;
- Account receivable;
- Account payable.

(d) Inventory of Purchasing

- Types and sources of raw materials;
- Brief outline of vital suppliers;
- Basic purchasing procedures.

(e) Inventory of General Administration

- Outline of business profile;
- Description of business organogram, key positions, job description and specification;
- Outline of master strategies;
- Brief outline of legal matters.

3.2.2 Options for Succession in Small Business

Several options are available from which the right successor can be selected. The options are to be weighed by considering their pros and cons. They are:

- (a) In case of sudden or forced departure, the owner/manager can plan early by writing a Will showing details of what to do in his absence. This is necessary to prevent intra-family conflict.
- (b) The small firms can take life insurance policy on the owner. The proceeds can then be used to boost the business finance and this prevents serious disruption. The previously groomed successor can then take on good platform.
- (c) The business can be sold to a family member in order to make sure that the business remains within the family to strengthen family ties and bonds. The main advantages of this option are:
 - The enterprise remains within the family;
 - More employment opportunities are further generated for family members;
 - The former owner/manager is free to do any other job;
 - The success of a new successor brings joy and uninterrupted continuity to the business;
 - The family bond and statute is further enhanced and strengthened.

(d) Selling to an Outsider

When it is obvious that there are no relatives interested and willing to assume the mantle of leadership for the business, the owner/manager can as a matter of necessity sell to an outsider. The advantages of selling to an outsider are:

- It attracts better leadership that is hitherto not available within the small business;
- It fills the vacuum created as a result of the unwillingness of a relative to assume responsibility;
- The owner/manager is assured that his labour for many years is not brought to an abrupt end;

- It ensures a steady and continuous flow of income;
- It may result in positive rejuvenation of the business.

3.3 The Problems of Management Succession

The major problems of management succession are:

- Lack of preparedness to face the inevitable;
- Executive negligence at training or development of a likely successor;
- Since many business do not experience rapid growth, planning for succession will most likely not be given any reasonable consideration;
- Non-availability of suitable condition because of ownership structure;
- Lack of useful suggestion and counsel from outside the family circle;
- The owner/manager do not plan for retirement on time;
- Pre-occupation of management with routine matters;
- Most owner/manager leave succession plan to fate/chance instead of concrete action plan for succession;
- Family feud can scuttle or stifle management succession plan.

SELF ASSESSMENT EXERCISE

State the possible alternative methods in selecting a succession.

4.0 CONCLUSION

In small firms, planning for succession is usually taken for granted as most owner/manager do not plan for retirement on time. The need to plan for management succession cannot be overemphasized. This is why every entrepreneur or owner/manager must answer such pertinent questions as:

- What would happen to my business in my absence?
- What problems will I face as an owner/manager when one of key managers leaves?
- How should I prepare to leave and hand over my business to a successor?

5.0 SUMMARY

Management succession is a deliberately planned process aimed at ensuring that the absence of owner/manager or key personnel does not

cripple or stiff the smooth running of the business. To keep and preserve the continuity of the business, managers must train and develop subordinates who will succeed them.

In preparing for a succession the following steps must be taken:

- Chief executives or managers must prepare their mind in favour of planning ahead by accepting change as positive development
- Inventory of all information required for a successful operation must be compiled
- Goals and objectives of the business are to be reviewed with a view at finding a top assistant that best complements the owner's abilities.

Some options for succession are:

- Making of a Will to show details of what to do in the absence of the Executive.
- Taking of life insurance policy by the chief executive
- Outright sale of the business to a family member
- Outright sale of the business to an outsider.

ANSWER TO SELF ASSESSMENT EXERCISE

The options available for succession are:

- The owner/manager can plan earlier by writing a will showing details of what to do in his absence
- The firm can take life insurance policy on the owner so that at his demise the proceeds from the policy can be channeled into the business.
- The business can be sold out-rightly to a family member.
- The business can be sold to an outsider

[4 marks for each option named. Total – 20marks]

6.0 TUTOR-MARKED ASSIGNMENT

Identify the key problems that are associated with management succession in small businesses.

7.0 REFERENCES/FURTHER READINGS

Ayeni, J.M. et al. (2000). *Small Scale Business Management*, Ilorin: SMS Printing and Publishing Company.

Pitfield, R.R. (1984). *Business Organisation*, London: M & E Books.

UNIT 5 BRANDING - A CREATIVE APPROACH TO MARKETING

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Branding – A Creative Approach to Marketing
 - 3.1.1 Developing a Brand
 - 3.1.2 Naming Product
 - 3.1.3 Harnessing Brand Power
 - 3.1.4 Promoting a Corporate Identity
 - 3.1.5 Maintaining Brand Values
 - 3.2 Differentiate your Products
 - 3.2.1 Identifying USPs
 - 3.2.2 Seeking Endorsements
 - 3.2.3 Using Testimonials
 - 3.2.4 Providing Incentives
 - 3.3 Building Strong Products
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

This unit will treat branding vis-à-vis how to develop a brand, the need to differentiate one's product and how to build a strong product.

2.0 OBJECTIVES

At the end this unit students should be able to:

- explain the concept of branding
- to differentiate one's product from those of rivals
- explain the concept of building a strong product.

3.0 MAIN CONTENT

3.1 Branding – A Creative Approach to Marketing

3.1.1 Developing a Brand

Brand is the process through which the product is given a name to distinguish it from the range of other products on offer. Brand names can be given to a whole of products, thus identifying them with a certain

producer or be given to individual products even though they originate from the same stable. The general thinking is that firms are keen to differentiate a number of brands within the same product under the appeal to different market segments or supply to capture those customers who like to switch brands or to gain more exposure and shelf space in retail outlets. In addition, a firm may choose to introduce a logo or mark to create a brand style which makes any one of their products from a given range distinguished. Generic or own brand is a recent development in branding. It entails branding a product in the name of the retailer and it applies to all kinds of products. Let us assume a hypothetical retail outlet “Kings”. Kings could choose to sell garments and fashion accessories. The products are produced by different manufacturers but those to be sold at Kings’ will have the brand name “Kings” inscribed on it. It is a deliberate way to promote the image of the retail outlet.

Branding is important to the marketer in that it creates brand awareness, brand image and intimately brand loyalty. It helps the consumer to search for goods.

A successful brand image is a great attribute to a company when launching new products. It adds value to the product.

When developing a brand, the following must be borne in mind:

- What name to give the brand;
- How to harness the brand power;
- How to use branding to create a corporate identity;
- How to maintain brand value;
- Commissioning a usual identity.

3.1.2 Naming Product

The right name helps to sell product and service. It bestows individuals and personality, enabling customers to identify with your offering and to get to know them. Ensure to choose the right name that enhances your company image. You may show the shortlist of product names to target customers and ask them what image each name conjures up.

3.1.3 Harnessing Brand Power

Branding means developing unique attributes so that your products are instantly recognizable, memorable and evoke positive associations. Choose your company and product name, corporate colours, logo, packaging and promotional activities to help sustain a personality and build a brand.

3.1.4 Promoting a Corporate Identity

This can be done by presenting an integrated strong, instantly recognizable, individual image that is regarded in a positive way by your customers and seize every opportunity to strengthen your corporate identity such as the introduction of colour co-ordinated staff uniforms etc.

3.1.5 Maintaining Brand Values

Use patent trade marks, designs, rights and other devices to protect your brand and prevent others from hiding under its success to make success. Live up to your projected image.

3.2 Differentiate Your Products

Two or more companies may have near-identical products. It is therefore important that one finds a way to differentiate one's products using a combination of techniques to obtain a competitive edge over rivals.

Once this advantage over competition is obtained and the customers are able to recognize the product, then you can exploit it to your advantage.

In differentiating your products, you must recognize what is important. That is that little thing that makes customers prefer your products to a competitor's identical product. That little thing could be your packaging or your customer-friendly posture or service.

You may need to ask yourself the following questions:

- Why should customers buy from us rather than from our competitors?
- What make us different from our competitors?
- How are we better than our rivals?
- What strengths do we have that we can effectively capitalize on?

Where there are no significant difference between your product and those of your rivals, you use any or combination of the following to differentiate yourself:

- Free/same-day delivery;
- Product held in stock;
- Free trials;
- On-site demonstration of product;
- Choice of payment terms/interest-free credit;
- Free parking facilities;

- Personal service from trained staff;
- Better warranty;
- Good after-sales service/on-site repairs;
- Telephone customer helpline.

Other ways to achieve this uniqueness are:

- (a) Identify your unique selling point (USPs)
- (b) Provide incentives;
- (c) Seek endorsement;
- (d) Use testimonials.

3.2.1 Identifying USPs

USPs is an acronym for unique selling point. You may be:

- The only local company to offer such a service
- The first to make it available;
- The largest;
- The most experienced;
- The longest established;
- The only supplier to have achieved a coveted award;
- The only company with high profile staff;
- Even the smallest good which may mean that you can offer a more personal flexible service.

3.2.2 Seeking Endorsements

Endorsement provides customers with a strong reason to buy from you. It is a powerful persuader and can result in a dramatic sales boost. Seek the endorsement of professional bodies such as the Dental Association of Nigeria, the Bakers Association etc.

3.2.3 Using Testimonials

Testimonial is closely related to endorsement, the main difference is that testimonial quotes a named person who has used the product and wishes to recommend it. Famous people, professionals and even ordinary people can provide testimonials.

3.2.4 Providing Incentives

This is particularly useful in place of a situation where there are no compelling reason(s) why customers should prefer your product instead of that of your rival. It will compel customers to opt for your product. Before introducing incentives, you must first count the cost. That is

carry out a cost benefit analysis, otherwise you and your customer will end up paying the price.

3.3 Building Strong Products

Every product has some kind of a life cycle. Some aged and die while others need restyling to remain fresh. You can change, enhance, repackage, re-brand, remodel or upgrade your products to ensure continuous patronage.

Before deciding whether to introduce new products or improve on existing ones, it is imperative that a kind of survey be carried out by using useful feedback from customers. This can be done through the use of comment cards, focus groups, or customers' panel and questionnaires.

The feedback will help determine whether to develop new product or improve on existing one by restyling, repackaging, re-branding, remodeling or upgrading etc.

There may be the need to learn from your competitors. You may find some of their ideas or working practices good enough for to apply or adopt.

If the decision is to introduce a new product, they most study the lifecycle of the old product and decide on the best time to introduce the new. Where the decision is to improve on existing products, then your advert must mention the enhancement, brief your salesman on the new features, issues press releases to attract positive media coverage. You may decide to fete media executives in the process.

SELF ASSESSMENT EXERCISE

What is branding?

4.0 CONCLUSION

Branding distinguishes a product from others. Among the factors to consider when developing a brand include:

- The name,
- Value power, etc.

A brand must at all times try to live up to its name. Branding is important to a firm because it is a unique mark of identity. Branding

creates awareness and helps to impress the product on the minds of customers.

5.0 SUMMARY

Branding is a unique way of differentiating one's product and gives it a personality and positive customer-centre character. It is a unique way to achieve a competitive advantage over a competitor.

Why developing a brand, one must choose the company and product name, corporate colours, logo, packaging and promotional activity that will help to convey a personality and identity. Branding must convey a complex message quickly.

ANSWER TO SELF ASSESSMENT EXERCISE

Strong and well-known products provide companies with a real competitive advantage. The power of branding can be used to imbue products with personality and meaning to ensure that they achieve prominent positions in the market place.

Branding is an effective way of differentiating one's product to make it unique and different from that of rival product. The unique attributes must be easily recognizable, memorable and evoke positive association.

Brand name may be given to a whole range of products or to individual product.

Branding is important in that it creates awareness, image and brand loyalty.

A more recent approach to branding is the existence of what is commonly referred to as generic or own brand.

6.0 TUTOR-MARKED ASSIGNMENT

Suppose there are no significant differences between your products and those of a rival, what other steps may you take to differentiate your products? Enumerate them.

7.0 REFERENCES/FURTHER READINGS

Needle, David (1994). *Business in Context* 2nd Edition, London: Thompson Business Press.

Pitfield, Ronald (1984). *Business Organisation*, London: M&E Handbooks.

Moi, Ali (2001). *Marketing Effectively*, London: Darling Kinderly Books.

MODULE 2

Unit 1	The Influence of Environmental Factors on Business Strategies
Unit 2	Innovation and Management Strategies
Unit 3	Proactive Marketing
Unit 4	Entrepreneurship
Unit 5	Portfolio Management

UNIT 1 THE INFLUENCE OF ENVIRONMENTAL FACTORS ON BUSINESS STRATEGIES

CONTENTS

1.0	Introduction
2.0	Objectives
3.0	Main Content
3.1	The Influence of Environmental Factors on Business Strategy
3.2	Environmental Constraints to Business
3.3	Environmental Threats and Opportunities
4.0	Conclusion
5.0	Summary
6.0	Tutor-Marked Assignment
7.0	References/Further Readings

1.0 INTRODUCTION

This unit introduces us to the environmental factors on business strategy vis-à-vis the nature and types of business environment, the forces, threats and opportunities inherent in a typical business environment.

2.0 OBJECTIVES

At the end of this study, students should be able to:

- identify the nature and types of business environment
- identify types of forces operating in a firm's immediate environment
- identify the threat and opportunities inherent in a business environment.

3.0 MAIN CONTENT

3.1 The Influence of Environmental Factors on Business Strategy

There are many factors in the environment that affect business in general. The factors are: the economy, the nature of labour force, changing technology, government policy, social and cultural factors. These factors are referred to as the firm's general environment. Other factors which have direct bearing on the firm's competitive position are referred to as the immediate competitive environment management scan or analysis.

Johnson and Scholes (1984) classify the environment as:

- Simple and static;
- Dynamic;
- Complex.

Simple and Static Environment

A firm that operates in this kind of environment can rely on management strategies that is based on historical data. It is possible to predict customer needs and make sale forecast based on past records. The danger here is that a manager could become complacent and the survival of the business jeopardized by sudden and unexpected changes.

Dynamic Environment

This kind of environment changes quickly and frequently. The environment is turbulent and prone to frequent changes. Managers operating in this kind of environment must be sensitive to the environment and be able to predict changes that may likely occur. Business which fail in dynamic environments are those whose management failed to see the changes which are occurring or are either unable or unwilling to take appropriate action.

There is need for caution here as management could make hasty decision that may pose danger.

Complex Environment

Here demands are placed upon different aspects of the firm's operation, the firm operating in this environment could face a number of interconnected problems related to the degree of change, the speed of change, the complexity of the environments and the corresponding complexity of the organisation.

3.2 Environmental Constrains to Business

Environmental constraints to business can be categorized into two:

- (a) Direct action environmental factor
- (b) Indirect action environmental factor

Direct Action Environmental Factors

These factors refer to the elements of the total environment that directly affect and are affected by the major operations of the organisation. They are:

- (i) **The Suppliers:** They provide raw materials, parts, labour, equipment, energy and services which are necessary for the production and marketing of goods and services. The business depends on their inputs to produce the output.
- (ii) **Customers:** This comprises individual customers/users, institutions, companies and other organisation that buy the product of the company. The survival of the business is determined by the purchases made by the customers.
- (iii) **Trade Unions:** They determine the nature of the industrial relations existing in a business firm.
- (iv) **Trade Associations:** Can affect a company's performance through its regulations and facilitating functions.
- (v) **Marketing Intermediaries:** Such as the distributors, wholesalers, retailers, co-operative societies etc. They serve channels of distribution for goods and services produce by the company.
- (vi) **Competitors:** The activities of a business depends upon competition structure existing.
- (vii) **Publics:** Comprises the general public, and media.
- (viii) **Financial Institution and Creditors:** Supplies the needed funds for working capital and purchase of assets.
- (ix) **Shareholders:** Contribute capital in form of shares to the business firm.
- (x) **Government:** Serves as facilitator, regulator, and participant in business.
- (xi) **The Public and Local Communities:** The attitudes and values of people living in the area where a business firm is located will have considerable impact on the business.

(xii) Interest Groups: Such as trade associations, unions, consumers' protection groups etc have power to influence organization's activities.

(b) Indirect Action Environmental Factors

These consist of:

- Socio-cultural environmental factors;
- Economic environmental factors;
- Political / legal environmental factors;
- Technological environmental factors;
- International environmental factors.

(c) Socio-Cultural Environmental Factors

This entails:

- Pattern of behaviour
- Preference
- Desire
- Mores
- Ethics
- Value systems
- Life-style
- Norms
- Customs

These have played a role in determining the type of business that should operate in the environment.

(ii) Economic Factors: The main features are:

- Type of the country's economic system of mixed economic system
- General business cycles-boom, recession, depression, recovery and prosperity
- National income determining per capital income, consumers' income
- Price structure and stability (inflation)
- Infrastructural facilities
- Economic policies-fiscal, monetary and income policies

- Costs
- Energy supply

These all influence the cost of manufacturing goods and rendering services and the market condition under which the products are marketed.

(iii) Technological Factors: This comprises material technology, process technology and method technology. They help determine:

- (a) What to produce;
- (b) How to produce it;
- (c) When to product it;
- (d) What equipment will be used in production?

(iv) Political/Legal Factors: The variables are:

- Government policies
- Government purchases
- Government legislation
- Government involvement in business
- Degree of political stability
- Political system
- Facilitating activities of government

(v) International Environment Factors

These factors are necessary because of:

- The need for foreign investment;
- The need for a country to seek for comparative advantage by means of internal trade;
- Seeking foreign markets locally produced goods;
- The need for foreign personnel and communication of information;
- The development of Multinational Corporation;
- Obtaining resources not available in the country from overseas.

3.3 Environmental Threats and Opportunities

Opportunities and threats facing a firm can be determined by scanning the general environment and the firm's immediate competitive position.

The firm immediate competitive environment can be determined using the model of competitive rivalry (Porter, 1980). Porter identified four forces which have immediate bearing on a firm's competitive position. The forces are illustrated on the Porter's model shown in figure 1.

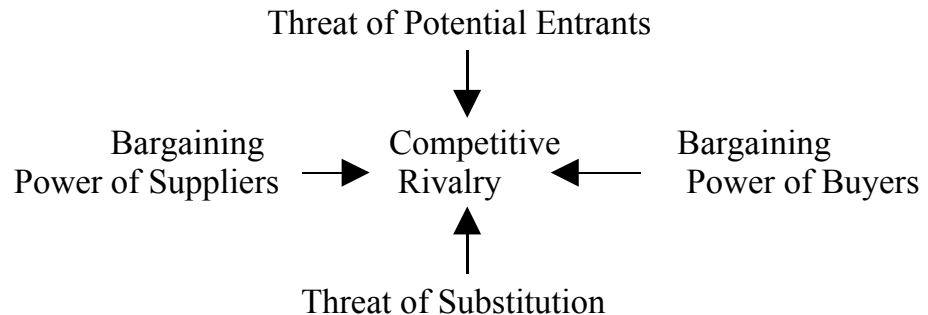


Fig. 1: The model of competitive rivalry, source Porter (1980)

The Threat of Potential Entrants

The threat of entry is related to the ease with which a new business can establish itself in the same product market. This threat is reduced if there are barriers to entry. For instance, were equipment and associated capital requirement to place heavy burden on investment, firms may have to withstand initial stress which would be difficult for newcomers.

The Threat of Substitution

This occurs where consumer is able to replace your product with a different type of product performing the same service or satisfying similar needs.

The Bargaining Power of Buyers

Buyers' power increases where there are large numbers of firms offering the same or substitute products, especially when there is little or no cost involved for the buyer in switching from one supplier to another.

The Bargaining Power of Suppliers

Suppliers' power is stronger where the competent is highly specialized and few suppliers exist. It is also strong where the cost to the buyer of switching allegiance would include major product adoptions.

Complicating from Environment Scanning are:

- A threat to one part of an organisation may represent an opportunity.

- Defending oneself against a threat or capitalizing upon an opportunity is a function of both the firm's standing in its environment and its internal resource position.
- Management differs in their ability, at identifying opportunities and threats.

SELF ASSESSMENT EXERCISE

Identify and explain the main environmental threats and opportunities inherent in a firm's immediate competitive environment.

4.0 CONCLUSION

A business is affected directly or indirectly by forces operating in the firm's immediate and extended environment. Management must scan the environment to determine the threats and opportunities that lies therein.

5.0 SUMMARY

Businesses are affected by direct and indirect environmental factors. The direct factors are: the suppliers, the customers, trade unions, trade associations, marketing intermediaries, competitors, the publics, shareholders, financial institutions and the government.

Indirectly the business is affected by:

- Socio-cultural environmental factor
- Economic environmental factor
- Political/legal environmental factor
- Technological factors
- International environmental factor

Business survival depends on the ability of management to identify the threats and opportunities in its operating environment and exploit it to its advantage.

ANSWER TO SELF ASSESSMENT EXERCISE

Porter's mode of competitive rivalry identifies four key threats or forces. They are:

- The threat of potential new entrants;
- The bargaining power of potential entrants;
- The threat substitution;
- The bargaining power of buyers.

Note: Brief explanations required. Read them up.

6.0 TUTOR-MARKED ASSIGNMENT

Identify and discuss the main environmental constraints of business.

7.0 REFERENCES/FURTHER READINGS

Karimu; B.O. (1992). *Business Management; An Introduction*, Lagos: Mufal (Nig.) Industrial Press Ltd.

Iyanda, O and Bello, J.A (Edd) (1980). *Elements of Business in Nigeria*, Jos: University of Jos Press.

Akanni, J.A (1987). *Management, Techniques and Cases*, Ibadan: Julab Publishers Ltd.

Needle, David (1994). *Business in Context*, London: Thompson Business Press.

UNIT 2 INNOVATION AND MANAGEMENT STRATEGIES

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Innovation and Management Strategies
 - 3.1.1 The Meaning and Types of Management Strategy
 - 3.2 Constraints to Effective Innovation Strategy
 - 3.3 Innovation and Organisation Structure
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

This unit will take a cursory look at the meaning and types of management strategies as well as the constraints to effective innovation.

2.0 OBJECTIVES

At the end of this study unit, students should be able to:

- state the meaning and types of management strategies
- identify the major constraints to effective innovation
- know the relationship between innovation and organisational structure.

3.0 MAIN CONTENT

3.1 Innovation and Management Strategies

3.1.1 The Meaning and Types of Management Strategy

Management strategy can be seen as a linking process between environmental and organizational variables. This process enables management to observe the operation of the functional areas of the business. It involves a consideration of the environmental changes which bring about new opportunities and threats. It considers all options and evaluates them vis-à-vis the internal strengths and weaknesses of the organisation. It is a plan for achieving major goals and objectives.

Management strategy can sometimes be referred to as “business policy”, “corporate strategy” or “corporate planning”. Strategies are formulated using different approaches. The common ones are:

- The rational approach;
- The flexible approach;
- The creative approach;
- The behavioural approach;
- The incremental approach.

Whatever the approach adopted by management, it must take cognizance of the environmental factors both internal and external to the organisation.

There are several types of management strategy, but for this purpose, we shall limit ourselves to three.

(i) First to the Market Strategy

This approach is pursued by organisations that regard research and development as a central part of their operation.

They are strongly committed to basis research, technical leadership and thus willing to take risk with comparative large investment. Being first in the market gives a firm a number of distinct advantages such as:

- The firm can use the patent system to create a monopoly position and earn income from licensing activities.
- The first to the market can control limited resources
- The first can set the industrial standard that others must follow.

It should however be noted that being the first to patent an invention is not sufficient in itself; the firm must be willing and able to remain in the forefront when others enter the market.

Canon and Toshiba are good examples of followers who outshone the first in the marketing of photocopying machines.

(ii) The Followers Strategies

The followers strategies have their own advantage. Principally, they can introduce the goods more cheaply as high development costs do not have to be recouped. They can learn from the mistake of the pioneers.

Followers may rely on being highly competitive than being innovative whilst others may choose to use the state of the art technical knowledge

invented elsewhere and use it to develop their own product range. That is, although not the first, they are concerned with innovation.

(iii) Integrated Strategies

Though innovation is a primary source of competitive advantage, it must be backed up with other strategies. Kay (1992), as quoted by Needle (1994), is of the opinion that strategy will not work without the support of the rest of the organisation.

In view of this, there are some key strategic implications for a firm wishing to be innovative. The implications are:

- A willingness to experience and a freedom to fail;
- Recruitment of people with creative ideas and where appropriate, technical and scientific background;
- A training and development programmes which place emphasis on innovation and acquisition of the required technical knowledge;
- Encourage exchange of ideas by fostering links with universities and other research establishments
- Set up a mechanism to facilitate communication;
- Pay attention to integrating the function of innovation with the rest of the organisation's activities.

3.2 Constraints to Effective Innovation Strategy

Constraints which can significantly limit the effectiveness of innovation are:

- Any new idea which has a high probability of failure;
- Many managers tend to under estimate the cost involved;
- Some company finds innovation risky;
- Managers in many industries are faced with the pressure of career development and pressure from shareholders for a generous dividends, may opt for short term investment;
- The time lag between development and commercial exploitation;
- Economic, social and political conditions may mitigate against effective innovation;
- The non-availability of a good infrastructure and a supportive political policies;

- Objection by trade unions fearing losses in job security;
- High interest rates offered by banks as a result of high inflation.

3.3 Innovation and Organisation Structure

There is a general belief among R & P staff and those connected with the function that their function being a creative one should enjoy some freedom such as freedom to communicate freely within and outside the organisation. They also desire to be free from all kinds of bureaucratic control to which other departments are subjected.

The nature of their work demands that there should be flexibility in the allocation of priorities in the pattern of working and normal management control. The need to see investment in R&D as a long-term investment is also of prime importance. There is also the need for relaxation of hierarchical control over the staff of R & D and their related units.

As a result of the above, management tends to isolate the R & D department both politically and geographically.

The implication of this is that the department can easily be chopped off whenever there is need to cut cost. It is not uncommon in times of economic recession for firm to cut back or close down.

Another worrying aspect is the apparent lack of co-ordination between the R & D and other units of the organisation.

SELF ASSESSMENT EXERCISE

Identify and explain the main, types of management strategies.

4.0 CONCLUSION

What is quite evident in this unit is that innovation and management strategies do not on their own lead to success without effective co-ordination in collaboration of other units in the organisation with R & D and its related units.

5.0 SUMMARY

Innovation is the process through which new ideas and invention becomes a business reality in the face of new products, processes marketing strategies and new methods or organisation and management. It is important to business survival and growth.

Management strategies are designed to meet and/or realize the lofty objectives of innovation.

For innovation and management strategies to succeed, a structure must be build in such a way that there will be coordination between the R&D functions and its related activities with other sections of the business.

ANSWER TO SELF ASSESSMENT EXERCISE

The main types of management strategies are:

- The first in the market strategy
- The follower strategy
- The integrated strategy

Brief explanation of each is required

6.0 TUTOR-MARKED ASSIGNMENT

Identify the major constraints to effective innovation strategy.

7.0 REFERENCES/FURTHER READINGS

Needle, David (1994). *Business in Context* 2nd Edition, London: Thompson Business Press.

Burns, T. and Stalker G.M. (1996). *The Management of Innovation*, London: Taristock.

Kay, J. (1993). *Foundation of Corporate_Success: How Business Strategies Add Value*, Oxford: Oxford University Press.

UNIT 3 PROACTIVE MARKETING

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Proactive Marketing
 - 3.1.1 Marketing and Technology
 - 3.1.2 Product Design and Development
 - 3.1.3 Product Life-Cycle
 - 3.1.4 The Impact of Technology on Marketing
 - 3.2 Strategic Aspects of Marketing
 - 3.2.1 Product Strategy
 - 3.2.2 Pricing Strategy
 - 3.2.3 Promotion Strategy
 - 3.2.4 Distribution Strategy
 - 3.2.5 Integrated Marketing Strategy
 - 3.3 The Role of Cultural and Social Influences in Marketing
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

This unit will introduce you to the concept of marketing and technology, strategic aspect of marketing as well as the socio-cultural influence in marketing.

2.0 OBJECTIVES

At the end of this unit, students should be able to:

- identify the relationship between marketing and technology
- identify the strategic aspect of marketing
- state the cultural and social influence on marketing.

3.0 MAIN CONTENT

3.1 Proactive Marketing

3.1.1 Marketing and Technology

Marketing organisations may be described as being:

- Forefronters;

- Followers; or
- Fossils.

The Forefronters consistently anticipated customers' needs and get its product to the market first.

The Followers do not take risks. They prefer to play safe and see where the market will go before deciding whether to take any action, while the fossils always do things the same way and see no reason to change.

For the purpose of this study, we shall focus on the forefronters. The forefronters are innovative and proactive. They invest in research and product development and device innovative solutions.

The interaction between marketing and technology shall be treated under the following perspectives:

- Product design and development;
- Promotion life-cycle;
- Promotion strategies;
- The impact of technology on marketing.

3.1.2 Product Design and Development

To design a product, detailed specification for the product is required. The product designer must be able to reconcile the ideal functional version with the version which will appeal to the buyers.

Also to be put into consideration are the cost functionality and aesthetics. Development on the other hand refers to the practical application of result of research and is often the responsibility of the research team or R & D unit. Development is most often long term because of the need to test the new product to see how it works.

Although R&D is clearly associated with science and technology, its functions can be performed in all types of industry.

The R&D unit may introduce the concepts of demand pull innovation, that is fulfilling a market need or technology push innovation that is applying existing knowledge R&D is a vital part of any organisation involved in complex, competitive environment. Innovation is part of organizational culture and is seen as a responsibility of every employee. Institutionalization of R&D has its own problem such as isolation of the unit from the rest and its consequent amputation during period of "cut backs" or recession. R&D is an incremental process. It can engage itself in:

- (a) **Pure Research** - advancing the state of knowledge in a particular field with little immediate concern for its commercial application.
- (b) **Basic Research** - directed at advancing the state of knowledge in a particular applied field with the real hope that it will prove useful.
- (c) **Industrial Research** - transform pure and basic research into some for profitable use.
- (d) **Development** - translates the outcome of research into something more tangible
- (e) **Design** - translates the development into the final product for the consumer. It focuses on such elements as effective operation, safety, easy maintenance, value for money and aesthetic consideration on satisfying customers' needs.

3.1.3 Product Life-Cycle

This assumes that every product has a limited time during which it passes through series of stages or phases.

- Phase 1: Introduction: Sales are slow. Consumers just became aware of the product. Manufacturer may suffer losses.
- Phase 2: Growth: Consumers accept the product and there is a dramatic increase in sales
- Phase 3: Maturity: Sales and promotion are still high though the market has reached maturity and there are considerable investments in maintaining sales
- Phase 4: Decline: There is a fall in sales showing a need to adjust market strategies perhaps by introducing a new product.

3.1.4 The Impact of Technology on Marketing

Some of the areas where technology has made an impact on marketing are:

- In the area of mass distribution
- Introduction of electronic fund transfer at the point of sales (EFT POS)
- The use of credit cards to obviate the need for cash
- The use of ATM (Automatic Teller Machine)

3.2 Strategic Aspects of Marketing

Marketing strategy is closely related to corporate strategy. It revolves round the Marketing Mix. The main elements are:

- The price
- The product
- Promotion
- Distribution (place).

3.2.1 Product Strategy

This is practised by product oriented organisation. The philosophy was to produce goods with the right mixture of quality and cost, but with comparatively little concern with what the potential buyers wanted. The firm's competitive edge lies in the product of high specialized goods and services. The key issues to be considered here are:

- The type and range of product on offer;
- The style and quality of the product;
- The use of brand names and packaging;
- The nature of the service that are offered with the product;
- Identification of the need that the product satisfies.

3.2.2 Pricing Strategy

There is the need to balance prices and quality of goods and services. The price must be seen to be fair relative to the quality of the goods.

The optimum selling price must take account of:

- Production cost;
- Quality;
- New product;
- Demand elasticity;
- Advertising and promotion;
- Packaging;
- After sales services.

In addition to the above, pricing strategy must take account of factors which are external to the firm such as price charged by competitors and the perceived value of the product by the consumers.

Pricing strategies may be identified as skimming or penetration.

Skimming occurs where the price elasticity of demand is low and the barriers to entry are high. The product must appeal to a marketing segment where price is not an important consideration.

The skimming strategy is accompanied by extensive promotional activity.

Penetration strategy on the other hand involves a mass market at the outset. This strategy is used where demand is price-sensitive and economies of scale can be gained by most production. It is associated with competitive markets.

The pricing can be determined by using the “cost plus” and/or the “target profit” pricing method.

3.2.3 Promotion Strategy

Kotler (1993) identifies three main promotional methods. These are:

- **The Objective Task Method**

Have specific targets are set and the budget apportioned accordingly.

- **The Percentage of Sales Method**

Set budget according to the previous year’s sales figure or sales forecast.

- **The Competitive-Parity Method**

Pegs promotional expenditure to that of the major competitors in the market.

Promotional strategy must be realistic and affordable and geared toward the following:

- To inform;
- To persuade;
- To remind;
- To create market attitudes.

3.2.4 Distribution Strategy

This relates to the channels in terms of numbers, location and control as well as the stock policy. Cheaper and more efficient method may be considered e.g. direct sales to the consumers.

3.2.5 Integrated Marketing Strategy

This can be seen in three perspectives:

- **Within Each Components of the Mix**

Various activities and strategies associated with each component of the mix should work together.

- **Between Various Elements of the Mix**

Element of the mix should work together e.g. promotion campaign should be reinforced with sufficient stocks and effective distribution in anticipation of increased demand.

- **Between Marketing and Other Functional Strategies**

Marketing should be effectively integrated with functions of innovation and production.

3.3 The Role of Cultural and Social Influences in Marketing

Taste and value are common phenomenon that is associated with culture and social groupings. Demographic pattern and geographical shift in population have a significant impact on consumer demand and invariably on marketing lifestyle and changing social values can open up new market opportunities. Marketing on the other hand can act as both a product and a cause of social change. Differences within societies and between culturally distinctive groups resulted in different patterns of product adoption.

SELF ASSESSMENT EXERCISE

Identify and explain the key areas where technology impacts on marketing.

4.0 CONCLUSION

Modern trend in business requires that any business that wishes to be in the forefront and maintain its competitive edge must be proactive and innovative.

5.0 SUMMARY

Proactive marketing is a forward looking idea that incorporates dynamism of marketing strategies.

Proactive organisations invest in research and product development and devices innovative solutions. They are usually forefronters. Organisations that are proactive in their approach to marketing takes advantage of the relationship and impact of technology on marketing, they device marketing strategies which embrace the element of the marketing mix and social groupings.

ANSWER TO SELF ASSESSMENT EXERCISE

The key areas are:

- Mass production
- Introduction of Electronic Fund Transfer at the Point of Sales (EFTPOS).
- The use of credit cards to obviate the need for cash
- The use of ATM (Automatic Teller Machine)

6.0 TUTOR-MARKED ASSIGNMENT

What are the essential ingredients of an effective marketing strategy?

7.0 REFERENCES/FURTHER READINGS

Moi, Ali (2001). *Marketing Effectively*, London: Darling Kinderly Books.

Needle, David (1994). *Business in Context* 2nd Edition, London: Thompson Business Press.

Pitfield, Ronald (1984). *Business Organisation*, London: M&E Handbooks.

UNIT 4 ENTREPRENEURSHIP

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Entrepreneurship
 - 3.1.1 Who is an Entrepreneur?
 - 3.1.2 Why the Entrepreneur is regarded as a Separate Factor of Production
 - 3.1.3 The Functions of an Entrepreneur
 - 3.2 Development of Indigenous Entrepreneurship
 - 3.3 The Role of Entrepreneurship in Industrial Development
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

This unit will be focused on the entrepreneur, his role in industrial development and the efforts made by government and other institutions to develop indigenous entrepreneurship.

2.0 OBJECTIVES

At the end of this unit, students should be able to:

- state who an entrepreneur is
- enumerate the various efforts made to develop indigenous entrepreneur.
- identify the role of entrepreneurship in industrial development.

3.0 MAIN CONTENT

3.1 Entrepreneurship

3.1.1 Who is an Entrepreneur?

Needle (1994) defines the entrepreneur as one who is responsible for creating new products, services and markets and the means through which these products are made, services produced, and markets reached. Entrepreneurs are often responsible for creating new forms of organisations and new ways of managing people.

The entrepreneur operates by introducing such changes directly and by having the ability to organize physical, financial, information and human resources to bring about innovation.

Research has shown that entrepreneurs are hard workers, risk takers, and outsiders. It has also been discovered that entrepreneurs have a high need for achievement and a moderate need for power.

The entrepreneur is the fourth factor of production. He combines the other factors (land, labour and capital) into production processes. He organizes them in such a way as to achieve maximum output and profit. He makes decision regarding:

- What to produce;
- When to produce;
- How to produce;
- Where to produce; and
- Price to fix.

He operates both in private and public companies.

3.1.2 Why the Entrepreneur is regarded as a Separate Factor of Production

The entrepreneur is regarded as a separate factor of production because:

- He initiates production ideas;
- He is a decision maker;
- He is an organizer;
- He is a risk bearer;
- He is the overall controller.

Initiator of Production Ideas

The entrepreneur initiates the idea of establishing a firm. He determines the amount of capital, the type and the system of production.

He determines what, when, how, and for whom to produce.

Decision Maker

The entrepreneur makes all the important decision particularly as regards:

- Whom to employ;
- The planned budget;

- Production output and sales volume per period;
- Prices for various products and services;
- Distribution network;
- Market strategy;
- Advertisement and sales promotion.

An Organizer

He combines other factors together in such a way as to obtain optimal output and other desired objectives.

Risk Bearer

The entrepreneur bears risks which may not be quantified, ascertained and insured against. The success and the failure of the business depend largely on him. In a private firm the entrepreneur may lose his personal belongings while in public firm he may lose his job.

Overall Controller

He is the owner of the firm or its chief executive. He signs contracts on behalf of the firm, promote staff who excel and dismiss those found wanting.

3.1.3 The Functions of an Entrepreneur

The functions of the entrepreneur are:

- Decision making – initiates production ideas;
- Organizing production activity;
- Overall control
- Continuous assessment of staff and product;
- Maintaining cordial relationship with other industry players,
- Ensuring rapid progress and maximum profit.

3.2 Development of Indigenous Entrepreneurship

The Small and Medium Enterprises in Nigeria (SME) main contribution to the Nigeria economy has been the development of indigenous entrepreneurship. This has resulted in the mobilization of the resources of the environment and improving the standard of living in Nigeria,

The government and related organisations or institutions made several efforts aimed at encouraging the development of indigenous entrepreneurship. Among such efforts were:

- The Nigeria Enterprises Promotion Decree (Indigenization Decree of 1972) as amended in NEPD 1997);
- The Nigeria Enterprises Promotion Decree (No.54) 1989;
- The establishment of Administrative Staff College of Nigeria (ASCON)
- Establishment of Centre for Management Development (CMD)
- The establishment of Centre for Industrial Research and Development (CIRD)
- The establishment of the Federal Institute of Industrial Research Oshodi (FIIRO).

NIGERIAN ENTERPRISES PROMOTION (Indigenization Decree 1972 as Amended by NEPD 1977).

Note: All Decrees are now referred to as Acts, in view of the end of military rule in Nigeria.

The objectives of this decree are:

- To regulate the ownership and control of business enterprises in Nigeria;
- To consolidate political independence through economic freedom;
- To facilitate Nigerians involvement in ownership, control and management of business enterprise in Nigeria;
- To reduce outflow of income from Nigeria;
- To participate in running the business enterprise in Nigeria;
- To prevent foreign capital from suffocating the economic, social and political independence.

These decrees enabled Nigerians to:

- Hold shares in big companies;
- Penetrate economic fortresses built by alien around themselves and;
- Actively participate in entrepreneurial development programmes.

ADMINISTRATIVE STAFF COLLEGE OF NIGERIA, BADAGRY

The efforts of ASCON in the development of indigenous entrepreneurship were largely focused on the promotion of small scale business in Nigeria through:

- Provision of consultancy services to small scale business organisation
- Organisation of training, workshops, seminars and conference on small scale businesses.
- The publishing of journals, research papers, books on modern management of small scale enterprises and supervisory techniques.
- Sponsorship, promotion and conduct of programmes on development, growth and effective management of small scale enterprises.
- Rendering of services that will assist small scale business entrepreneur in acquiring modern management skills and knowledge.

CENTRE FOR MANAGEMENT DEVELOPMENT (CMD) Lagos

The major aims of the CMD are:

- To assist Nigeria's managerial manpower needs in both public and private sector of the economy;
- To develop resources for management research, consultancy and training;
- To establish relevant professional association to meet the needs of national development;
- To assess the type and quality of programmes for developing the country's managerial manpower;
- To enhance the quality and use of management research, consulting and training;
- To establish and maintain an up-to date library for management studies;
- To undertake the management development component of small scale industries development in Nigeria;

Specifically, the CMD carries out the following to develop indigenous entrepreneurship:

- Direct training of industrialists and potential entrepreneurs;
- Setting up a new business (training programmes)
- Workshop on project feasibility study;
- Small enterprise management programmes;
- Cash management for small businesses;
- Linkage opportunity workshop;
- Entrepreneurship development programme.

CENTRE FOR INDUSTRIAL RESEARCH AND DEVELOPMENT (Abuja)

The primary aims of the centre are:

- To conduct research into the various aspects of industrial development in Nigeria;
- To develop and carryout industrial management training programmes for indigenous entrepreneurs;
- To encourage and assist community sponsored industries through the centre.

The centre conducts the underlisted programmes for private enterprises and government organisations.

- Productivity improvement workshops;
- Entrepreneurship training programmes;
- Industrial counselling;
- Organizational development programmes;
- Information and documentation service;
- Extension services to provide technical and managerial support to assist and guide a healthy growth of small scale industries;
- Management training, for example:
 - (i) Financing of small scale industrial courses;
 - (ii) Training in feasibility studies;
 - (iii) Small and medium industries managers' courses;
 - (iv) Training-the-trainer programmes.

FEDERAL INSTITUTE OF INDUSTRIAL RESEARCH OSHODI (FIIRO)

Among its activities aimed at promoting small scale business in Nigeria is the training programmes and workshop on the utilization of raw materials in the production of some goods such as:

- Preservation and bottling of palm-wine
- Production of vinegar;
- Fish smoking
- Soap and pomade production
- “Soy-ogi” and “soy-garri” production
- Electroplating;
- Vegetable oil extraction from local oil seeds.

The Institute also educates small and medium scale entrepreneurs through:

- Exhibitions, trade fairs and symposia
- Publications such as technical memoranda, technical information, bulletins for industries, and FIIRO newsletter.

3.3 The Role of Entrepreneurship in Industrial Development

Two keys concepts relevant here are industrialization and development.

Industrialization is the process of creating wealth by human effort through production activities rather than commerce and distribution.

It is a means of achieving a faster economic growth rate and higher standard of living while development is the act of bringing economic or industrial activities to a larger, or more complete or more advanced state.

Entrepreneurial activities were largely felt in the area of small scale establishment. Establishment of small scale enterprises has greatly impacted on the Nigeria economy as follows:

- Provision of employment, innovation and mass marketing for goods and services;
- They bring about new goods and services, provide specialized services and supply the needs of large business;
- They checked the effect of polarization by a planned and systemic development of the rural areas;
- Mobilisation of domestic saving;

- Utilisation of local resources;
- Use of intensive labour and adopted technology
- Good agent for industrial disposal of products;
- Base for development of appropriate technology;
- Production of raw materials in the form of semi-processed goods for use by bigger industries;
- Development of indigenous entrepreneurship;
- Help in checking rural-urban migration;
- Serving as avenue for channeling private saving to fund productive venture;
- Installation of small scale business with local communities;
- Origination of new products and services.

In general, the entrepreneurs have immensely contributed to the development of cottage industries in Nigeria and have significantly reduced the rural-urban drift.

SELF ASSESSMENT EXERCISE

State and explain why the entrepreneur is regarded as a separate factor of production?

4.0 CONCLUSION

There is a growing trend in the development of indigenous entrepreneurship which has invariably impacted on the development of cottage industries and on the level of employment in Nigeria.

5.0 SUMMARY

The entrepreneurship is a separate factor of production. He is the one that initiates ideas, bears the risk, organizes and takes charge of the entire operation of the business. His primary functions are:

- Decision making
- Organizing production activities
- Overall control
- Continuous assessment of staff
- Ensuring rapid progress and
- Profit maximization etc

The government through the promulgation of decree and establishment of parastatals has greatly influenced the development of indigenous entrepreneurship. The organisations that have greatly contributed to the development of indigenous entrepreneurship development are:

- CMD (Centre for Management Development)
- FIIRO (Federal Institute of Industrial Research)
- CIRD (Centre for Industrial Research and Development)
- ASCON (Administrative Staff College of Nigeria).

Development of entrepreneurship has led to:

- Employment opportunities for Nigerians;
- Reduction in rural-urban drift;
- Development of indigenous technology;
- Development of cottage industries;
- Manpower development.

ANSWER TO SELF ASSESSMENT EXERCISE

The entrepreneur is regarded as a separate factor of production because:

- He initiates promotion ideas;
- He is a decision maker;
- He is an organizer;
- He is a risk bearer;
- He is the overall controller.

Note: Brief explanation required

6.0 TUTOR-MARKED ASSIGNMENT

Identify the key organisations that have contributed to the development of indigenous entrepreneurship and state the roles played by one of them.

7.0 REFERENCES/FURTHER READINGS

Ayeni J.M., Amajo B.T and Bambe R.A (2000). *Small Scale Business Management*.

Needle, David (1994). *Business in Context* 2nd Edition, London: Thomson Business Press.

Iyandam O and Bello, J.A., (Edd) (1988). *Elements of Business in Nigeria*. Lagos: University of Lagos Press.

Abedi, J.O. (1997). *Economics for Colleges*, Warri: Global Publishers.

UNIT 5 PORTFOLIO MANAGEMENT

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Portfolio Management
 - 3.1.1 Portfolio Analysis
 - 3.1.2 Question Marks
 - 3.1.3 Cash Cows
 - 3.1.4 Stars
 - 3.1.5 Dogs
 - 3.2 Resource Analysis
 - 3.2.1 Ratio Analysis
 - 3.3 Other Strategic Options
 - 3.3.1 Diversification Strategies
 - 3.3.2 Strategies to Change the Competitive Position of an Existing Business
 - 3.3.3 Deleting Operation
 - 3.3.4 Consolidation
 - 3.3.5 Strategic Choice
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

The unit will take a cursory look at portfolio management vis-à-vis portfolio and resources analysis.

2.0 OBJECTIVES

At the end of this unit, students should be able to:

- explain the concepts of portfolio management
- explain the importance of resources analysis
- identify other strategic option.

3.0 MAIN CONTENT

3.1 Portfolio Management

3.1.1 Portfolio Analysis

This technique is commonly associated with firms operating in a number of different businesses and markets. It also applied to those firms which operate in the same market with a number of different products. The technique is carried out to enable management assess the attractiveness of its business and products in their current market and assist decision on the direction of future investment.

The analysis may also enable manager to reach conclusions on the particular mix of products and markets, the growth and profit potential of the market and product as well as their attendant and level of risk. With a clear picture thus provided the organisation can them prioritize its resource allocation and direct her effort towards those areas of prime importance.

Several models are used for portfolio analysis but for this purpose we shall consider the MATIX technique developed by the Boston Consulting Group as shown in Fig. 2.

		Market Share	
		High	Low
Market growth rate	High	Stars	Question Mark
	Low	Cash cows	Dogs

*Fig. 2: Illustration of portfolio analysis (Source **Hofer and Schendel (1976)**)*

3.1.2 Question Marks

This represents products which have a low market share in a market of high growth. The market has clear potentials but the firm needs significant financial and resource inputs to favourably compete in the market. The inputs may be in form of product modification, increased output capacity, increased promotional activity, recruiting extra staff and

raising the level of bank borrowing. Investing in Question Marks carries a high risk.

3.1.3 Cash Cows

These represent products with a high market share but for which market growth has stabilized. The market is generally less competitive and less costly to maintain compared with stars.

It provides the greatest return on investment for the firm. The fund can be channelled to fund the development of question marks and to maintain stars.

3.1.4 Stars

Here the products have achieved a high share of a still expanding market. Its maintenance is high. It requires continuing investment in product development and promotion as the market usually attracts a number of competitors.

3.1.5 Dogs

These products represent the poorest profile on the matrix. It tends to be a drain in resources and as such firm may be unwilling to devote attention to them.

Dogs are not necessarily worthless products. Fresh ideas or new management could require the products and make them more viable and competitive.

3.2 Resource Analysis

Resource profile is a key aspect of management strategy. It helps management to establish whether the various opportunities, threats and management expectations can be met by bearing in mind the current state of affairs in the organisation.

Adequate information on the resources available to management is prerequisite for determining future plans and establishes whether a gap exists between what management would like to do and what they can do.

This concept is commonly referred to as **gap analysis**.

Gap analysis helps management to identify those resource aspects which may be lacking and which will have to be rectified if opportunities are to be realized or threats are to be successfully fought off.

Resource analysis will embrace all physical resources such as land, plant and machineries, financial resources and human resources. Carrying out resources analysis may entail:

- Staff audit to determine current manpower and future manpower required.
- Taking an inventory of machines and equipment currently available with a view establishing shortage or surplus.
- The use of accounting ratios such as profitability and return on capital.

The value of resource analysis lies not only in assessing the viability of a particular strategic proposal but also in assessing the ability of the organisation to adapt to changes.

3.2.1 Ratio Analysis

Ratio analysis provides an insight into the financial condition of a company by examining its financial statements. The outcome can be compared with those of the competitors or within the company for a given year or time.

Ratios are easy to calculate and its value is hinged on the fact that it leads to questions whose answers may paint an accurate picture of the financial condition of the company. Financial ratios group with six categories namely: liquidity, leverage, coverage, profitability, market ratio and activity ratios. The main limitations of these ratios are:

- It provides historical information (that is, it describes what has happened to a company over the preceding years);
 - Its significance depends on the quality of the underlying numbers.
- (a) **Activity Ratios:** measure how efficiently a company is using its assets.

This is done by relating sales to total assets, account receivable and inventory.

$$\text{Total asset turnover ratio} = \frac{\text{Net sales}}{\text{Total assets}}$$

It measures efficiency by showing the Naira in sales generated by each naira of assets.

$$\text{Average collection period} = \frac{\text{Account receivable}}{\text{Net sales}/365}$$

Days inventory or inventory turnover ratio is calculated as:

$$\text{Days inventory} = \frac{\text{Inventory}}{\text{Cost of goods sold}/365}$$

(b) Leverage Ratios: measures the extent to which a company uses debt rather than equity to finance the company's assets. The higher the proportion of debt, the higher the chance of financial distress.

$$\text{Debt Ratio} = \frac{\text{Total debt}}{\text{Total assets}}$$

$$\text{Debt to networth ratio} = \frac{\text{Total Liability}}{\text{Networth}}$$

The ratio measures the borrowing ability of a company.

(c) Coverage Ratios

Measures the extent to which the current debt obligations of a company are covered by the flowing for operations.

It provides a quick indication of financial health of the company.

$$\text{Times interest earned ratio} = \frac{\text{earning before interest \& tax}}{\text{Interest expense}}$$

Cash flow to current maturities ratio

$$= \frac{\text{earning after tax depreciation} + \text{depreciation} - \text{dividend}}{\text{current maturities of long term debt}}$$

(d) Profitability Ratios

This measures the ability of a company to grow and to repay debt.

The next Return on Total Asset (ROA)

$$= \frac{\text{Earning available to common shareholders}}{\text{Total Assets}}$$

It measures profitability in terms of how efficiently a company uses its assets.

Net return on common equity

$$= \frac{\text{Earnings available to common shareholders}}{\text{Common equity}}$$

This ratio measure the return earned on common equity. A reduction in the net return on common equity reflects a higher level of common equity more than it does in earning.

(e) Market Ratios

This associate the market price of a share of stock with its earnings per share or its book value per share. High values for these ratios reflects investors confidence in the company.

$$\text{Price-to-earning ratio} = \frac{\text{Market price per share}}{\text{Earning per share}}$$

Companies with high growth potentials tend to share higher price-to-earning ratios while riskier companies tend to share lower price-to-earning ratio.

$$\text{Market-to-book value ratio} = \frac{\text{Market price per share}}{\text{Book value per share}}$$

3.3 Other Strategic Options

Other strategic options available to management are:

- Diversification strategies;
- Strategies to change the competitive position of an existing business;
- Deleting operation;
- Consolidation.

3.3.1 Diversification Strategies

Diversification is a radical growth strategy deliberately aimed at changing the nature of the business. It means venturing into new areas of production.

Firm embarks on diversification for the following reasons:

- To reduce the risk of being dependent upon the success of one product.
- To utilize spare capacity, either because
 - (a) There has been a reduction or termination of product in the previous area because of un-profitability;
 - (b) Because of seasonal fluctuation in the market.
- To offer a wider range within the same market;
- To put by-products to profitable use;
- As a result of integration, diversification can be classified into two namely related and unrelated diversification.

- **Related Diversification**

This is the case when new is related in some way to the old one. It may be uniform or backward integration, such have control over the source of raw materials or forward integration, which recurs when product, diversify to control the onward process of delivering their goods to the consumers or horizontal integration which occurs when the products range is extended to incorporate similar items: A typical example could be a firm dealing in fitted kitchen venturing into fitted bathrooms.

- **Unrelated Diversification**

This occurs when management ventures completely into a totally new or different product market for example, a firm that deals in food and beverages venturing into the sales of clothes.

A concept commonly associated with unrelated diversification is SYNERGY- which presupposes that the collective influences of the various activities of the company producing an overall effect that is greater than the sum of the parts.

Where a company embarked on this type of diversification to grant semi autonomy to each product line or unit, while the units shares some central services.

3.3.2 Strategies to Change the Competitive Position of an Existing Business

This approach attempt to improve the market position of the existing range of products and services through:

- New product development;
- Improved market penetration;
- Seeking new market;
- Improve quality of product;
- Cost reduction.

These strategies are related and can be achieved by making internal strategic changes.

- (a) **New products-** particularly those that will appeal to the public may command a high price. The high price should compensate for the high cost of production
- (b) **Market Penetration** - commonly referred to as penetration strategy is aimed producing high output with a view at attaining volume of sales with low profit margin per unit. It requires long-term planning.
- (c) **Seeking New Markets** - this may be achieved through segmentation strategy where products are aimed at new market segment.
- (d) **Improving quality of Product** - the quality of product and service will determine the degree of customers' patronage. Optimum sale may be achieved if customers are to pay for superior quality product otherwise optimum sale revenue will be depend upon reducing the quality of product and service so that there will be no reduction on sale.

3.3.3 Deleting Operation

This is commonly referred to as RATIONALIZATION OR DIVESTMENT.

A situation where a firm decides to cut back and/or sell off part of the operation. It may eventually include liquidation or closure.

3.3.4 Consolidation

This involves the firm operating in the same product market at existing level.

3.3.5 Strategic Choice

With various options available to management, the manager must make a choice. Making a choice will entail considering a lot of factors such as:

- An analysis of environmental threats and opportunities;
- An analysis of company resources;
- The stated objectives of the company and those of the management team;
- The values and preferences of management decision-makers;
- The realities of organizational politics.

SELF ASSESSMENT EXERCISE

Identify and briefly explain the strategic options available to a firm that wants to change its competitive position.

4.0 CONCLUSION

Portfolio management requires that a management faced with a number of strategic options could make a decision after considering a number of factors such as:

- Analysis of environmental threats and opportunities;
- An analysis of company's resources;
- The stated objectives of the company and those of the management team;
- The values and preference of management decision-makers;
- The realities of organizational politics.

5.0 SUMMARY

Portfolio management enables management to assess the attractiveness of its business and product's on their current market and to assist decision on the direction of future investment.

Portfolio analysis is carried out using the matrix technique; the outcome of the analysis will enable management to prioritize its resource allocation and to direct her effort towards those critical areas.

Before taking a decision, management must have adequate information on the resources at its disposal with a view to determining the future plans and establishing whether there is a gap between what management would want to do and what they can do.

Resource analysis will embrace land, plant and machineries, financial resources and human resources.

ANSWER TO SELF ASSESSMENT EXERCISE

The strategic options available are:

- The development of new product
- Improved market penetration
- Seeking new markets
- Improving the quality of products and services
- Seeking cost reduction

N.B: Brief explanation of each strategic option required.

6.0 TUTOR-MARKED ASSIGNMENT

Using the matrix technique, explain the concept of portfolio management.

7.0 REFERENCES/FURTHER READINGS

Needle, David (1994). *Business in Context*, 2nd Edition London: Thomson Business Press.

Pitfield, R.R. (1984). *Business Organisation*, London: M&E Books

Merith P.K (1989). *Project Financing* 5th Edition, London: Euromoney

Johnson and Scholes, K.C (1984). *Exploring Corporate Strategy*, London: Prentice Hall International.

MODULE 3

Unit 1	Productivity
Unit 2	Technology as a Factor of Change
Unit 3	The Environmental Aspects of Innovation
Unit 4	Change as a Function of Leadership
Unit 5	Management of Change–The Human Resources Angle

UNIT 1 PRODUCTIVITY

CONTENTS

1.0	Introduction
2.0	Objectives
3.0	Main Content
3.1	Productivity
3.1.1	Cost Reduction/Production Management Technique
3.1.2	Work Study
3.1.3	Value Analysis
3.1.4	Ergonomics
3.2	Total Quality Management (TQM)
3.3	Materials Management
4.0	Conclusion
5.0	Summary
6.0	Tutor-Marked Assignment
7.0	References/Further Readings

1.0 INTRODUCTION

This unit will take a cursory look at productivity vis-à-vis cost reduction, total quality management and material management.

2.0 OBJECTIVES

At the end of this study, students should be able to:

- explain the concept of total quality management
- discuss the concept of materials management
- explain how cost reduction is related to productivity.

3.0 MAIN CONTENT

3.1 Productivity

3.1.1 Cost Reduction/Production Management Technique

Productivity basically refers to efficiency in industrial production. The concept of production is universal. Production functions exist in all types of organisation and the service industry as well as manufacturing. It is concerned with the transformation of a variety of inputs such as information, people, material and finance to a variety of outputs such as goods, services, customers and employee satisfaction.

In most production systems, there is usually the need to balance the desires of management to construct an efficient operating system which is focused on minimizing cost with the needs of customers for goods and services which meet their specifications of design cost and delivery. The technique used by management in production design, scheduling and control aimed at achieving this balance. Some of the techniques are:

- Work study;
- Value analysis;
- Ergonomics.

3.1.2 Work Study

This is a general term in referring to the detailed study and analysis of every operation with a view to increasing efficiency. Two techniques used in conducting work study are method study and work measurement.

Method Study: this relates to a scientific analysis of every operation which is coordinated including the contribution of machinery and labour.

The main purpose of method study is to criticize the current system where justified and to devise better methods.

The objectives of method study are:

- To improve individual processes;
- To improve the inter-relationships of processes;

- To improve the layout;
- To make more efficient use of manpower machines and materials;
- Improve work conditions;
- Economise the human effort and reduce fatigue.

The procedures of method study are:

- Determine the work to be studied and define objectives;
- Record facts which are established;
- Analyze the record and quality where appropriate;
- Design a new method;
- Record the new method and produce mathematical comparison with the old method;
- Install the new method and provide instruction for its use;
- Record the new method in operation and adjust where appropriate.

Work Measurement: This is concerned with the time and effort to perform a task. Its primary aim is to use time study to:

- Establish standard time for completion or specific task;
- Check performance with standards;
- Measures machine output
- Facilitate costing
- Provide a fair basis for incentive schemes

The Procedure for Work Measurement are basically the same as for method study except that the emphasis is on quantification

The main features are:

- The unit of time;
- Calculation is by stopwatch;
- Allowances are made for fatigue, variations between operation, unavoidable delays etc.
- The standard time is based on the day long average time a competent operative should take to complete a task.

The Techniques of Work Measurement are:

- **Direct time study** - applies to repetitive task.
- **Predetermine motion time system** - set times for completion of certain task.

- **Analytical estimating** - applicable to non-repetitive job such as maintenance.
- **Activity sampling** - making observation and recording what is happening on an agreed number visits in a period.

3.1.3 Value Analysis

This is also referred to as value engineering. It is concerned with cost reduction by first making a detailed study of the functions of such element in a process with view to economising. It may take the form of redesigning a component, introducing a substitute, altering the process etc. The importance of each part is evaluated so that the costing is made more realistic.

3.1.4 Ergonomics

This is also referred to as human engineering. It is the study of man in relation to his working environment, mainly as regard physical posture. The primary focus is to reduce fatigue and increase efficiency by the scientific design of seating and improving the positioning of hand and foot control on machines.

3.2 Total Quality Management (TQM)

Is a strategic approach to quality which covers the entire organisation. It entails:

- A top-down management philosophy that focuses on the needs of the customer;
- A quality plan which offers a structured approach to quality and which incorporate a number of tools and techniques;
- It is culturally based which involved a core philosophy;
- Focusing on the cost of poor quality, it saves money;
- The motion of continuous improvement and as such it is essentially long-term.

In essence, quality as seen in a general perspective is the adherence to specification but from the perspective of the customers, quality is seen in terms of fitness for a purpose, appearance, safety ease of use, availability, value for money, reputation and the behaviour of staff with whom the customer has contact.

Quality has associated cost. They are:

- (a) Failure cost - the cost incurred when goods are found to be faulty;
- (b) Appraisal costs - are those costs involved in the installation and operation of a quality control system;
- (c) Prevention costs - are those involved in the establishment of mechanisms which build quality procedures in all operations.

3.3 Materials Management

Materials are key resources that must be closely monitored by management. It is one of the 3m's of managements that are critical to the success of any organisation. Materials management is aimed at improving organizational effectiveness through planning, coordination and control of all materials and in so doing coordinates the activities of purchasing progress chasing and stock control. A major technological inroad into the development in materials management is the J.I.T (Just-In-Time).

The Institute of Purchasing and Supply defines materials management as the concept requiring an organizational structure which unites into one functional responsibility the systematic planning and control of all materials from identification of the needs through to delivery to the consumer. Materials management embraces planning, purchasing, production and inventory control, storage, materials handling and physical distribution.

The objectives of materials management are to optimize performance in meeting agreed customer service requirements at the same time adding to the profitability by minimizing cost and making the best use of available resources.

The importance of material management can be adduced to the fact that:

- It can have significant impact on a firm's cost and hence its profitability;
- Purchasing strategies help to control supply and demand and hence the environment.

Purchasing has five key variables, they are source, quantity, quality, time and price. These variables impact on materials management:

Source: strategies for sourcing raw materials shall be that which will maximize other variables. That is obtaining supplies in the quantity and quality required, when they are needed and at an acceptable price.

Quantity: here we are concerned with how much to order at any one time. It is largely a function of cost storage capacity and the nature of

the production system. The economic order quantity is the decision model to be used to determine the most appropriate quantity to be ordered at any given time.

Quality: the quality of incoming raw material has significant impact on the finished product and therefore a vital input in the quality control function.

Time and Price: is a function of the needs of the production system, storage capacity and price.

SELF ASSESSMENT EXERCISE

What are the main features of Total Quality Management (TQM)?

4.0 CONCLUSION

Efficiency in industrial production is critical to the success of a business. Management must therefore evolve an innovative technique that will reduce cost and improve customers' satisfaction.

5.0 SUMMARY

Productivity refers to efficiency in industrial production. An efficient production system is focused upon minimizing costs and the needs of customers for goods and services which meet their specification of design, cost and delivery.

Management design involves various techniques to balance the need for cost reduction and the satisfaction of customers' need. Among such techniques are:

- Work study;
- Ergonomic;
- Value analysis;
- Plan records.

Total quality management and materials management are also crucial factors to be considered in the enhancement of productivity.

ANSWER TO SELF ASSESSMENT EXERCISE

The main features of TQM are:

- A top-down management philosophy that focuses on the needs of the customers;

- A quality plan which offers a structured disciplined approach to quality and
 - incorporate a number of tools and techniques;
- It is culturally based with involvement as a core philosophy;
- The notion of continuous improvement and as such it is essentially long-term.

6.0 TUTOR-MARKED ASSIGNMENT

What is work study and how can managements use it to achieve a balance between the need to minimize cost and the need to satisfy the needs of customers?

7.0 REFERENCES/FURTHER READINGS

Pitfield, R.R (1984). *Business Organisation*, London: M&E Books.

Needle, David (1994). *Business Context*, 2nd Edition London: Thomson Business Press.

Hill, T. (1991). *Production and Operations, Management: Text and Ceases*, London: Prentice Hall.

UNIT 2 TECHNOLOGY AS A FACTOR OF CHANGE

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Technology as a Factor of Change
 - 3.1.1 Production and Technology
 - 3.1.2 CNC Machines (Computerized Numerical Control)
 - 3.1.3 Robotics
 - 3.1.4 Flexible Manufacturing System (FMS)
 - 3.2 Innovation and Technology
 - 3.3 Technology and the Labour Force
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

This unit will treat the concept of technology as a factor of change by taking cursory look at the relationship between technology as terms as “Production”, “Innovation”, and the “Labour Force”.

2.0 OBJECTIVES

At the end of this study, students should be able to identify the impact of technology on:

- Production;
- Innovations; and
- The Labour Force.

3.0 MAIN CONTENT

3.1 Technology as a Factor of Change

3.1.1 Production and Technology

Needle (1994) defines technology as a broad concept referring to the application of available knowledge and skill to create and use material,

process and produce. Technology is often accorded a dominant role in business and often viewed as a determining product, process, organisational structure and the individuals' attitude to work. While there are situations where the prevailing technology is undoubtedly influential, it is the product of human endeavour and many managers do have a choice.

New technology refers to the new application through computers of miniaturized electronic circuiting to process information thereby giving managers greater potential flexibility in and control over work operations.

Information technology links new technology with telecommunication to enhance the quantity, quality and speed of transmission technology in close associate with production system, representing both input and transformation devices. It is also crucial to the process of innovation. It is the application of science and engineering in business. It converts the abstract concept of science into practical realities.

The term production is universal. It refers to the transformation of a variety of inputs such as information, people, materials and finance into a variety of outputs such as goods, services, customers and employee satisfaction. The function of products has a significant influence on organisation structure. Every organisation has a production system, these primarily objectives notwithstanding.

Today, production systems take advantage of development in new technology to enhance the effectiveness of the production process. Computers, the driving force of the information age is playing a key role in production design and the operation and control of production.

Key areas where computers and/or technology effectively enhance the production systems are in the use of:

- CNC machines (Computerized Numerical Control)
- CAD/CAM (Computer Aided Design and Computer Aided Manufacturer)
- Robotics
- FMS (Flexible Manufacturing System)

3.1.2 CNC Machines (Computerized Numerical Control)

This is basic to automatic production system. It comes into force when tools and equipment become central to the control of a digital computer as in the case of automatic positioning and direction of a drilling operation in an engine block. Its main advantage is that it makes

possible contour-controlled cutting operations. It eliminates the need to reset the cutting machine constantly.

3.1.3 Robotics

An industrial robot can be seen as a human arm, to which a variety of tools can be attached to perform a variety of jobs. They operated in a fixed position with the restricted movement defined by a computer programme. Robots are largely in use in automobile and electronic industries.

The main advantages of using robots are:

- Continuous operation;
- Improved quality;
- Liberation of human labour from repetitive, unhealthy and unpleasant task.

The drawbacks to the extensive use of robots are:

- The cost of purchasing the robots;
- The high cost of developing specific software and machine tools;
- Availability of cheap labour.

3.1.4 Flexible Manufacturing System (FMS)

FMS brings together various elements of advanced manufacturing engineering to solve the problem of offering consumer choice and quick response to market changes using a minimum of working capital. It is mainly concerned with:

- Equipment comprising NC machines, robots, and machine tools as well as parts and raw materials.
- The whole system which is computer-controlled with software for scheduling, tool selection, part selection, fault finding, machine breakdown detection etc.

The advantages of using FMS are:

- Higher productivity would be achieved through the better utilization of plant, materials and labour.
- Greater number of product variants would be possible as smaller batches offer the consumer greater choice and potential satisfaction.

- Reduced set-up time and consequently, shorter manufacturing lead time and more flexible response to change.
- The need for less inventory at all stages of the production process, fewer parts, less work-in-progress and less finished stock.
- Improved production and quality control.

3.2 Innovation and Technology

The relationship between innovation and technology cannot be overemphasized.

There are ample evidence to show that development in the field of technology resulted in business innovation and the development of new products, and processes. A good example is microchip. The nature of an entire business may change due to “technology push” that is the change is initiated by technology. It must however be noted that demand push can equality initiates innovation which can subsequently leads to development in the field of technology.

The case study below gives a clear exchange of the relationship between innovation and technology.

Case 1: The Brownie 127 and the Canon Autofocus

Throughout the 1950’s and 1960’s one of the most popular cameras was the Brownie 127 made by Kodak, the British subsidiary of the American company. Its simplicity and ease of operation made it a market leader. The camera was produced from 1952 to 1964 and underwent just one model change involving a slight modification of the lens. A comparable camera today is the Canon Autofocus made by the Japanese company Canon. It has the ease of operation of Brownie 127 but is much more complex technically. Introduced in 1979, there were five model changes in the first six years of its life. This was deemed necessary not because of the rapid technological advances in electronics but also because of the intense competition among Japanese camera manufacturers, causing Canon to spent 10% of its turnover on R&D in 1985. the market expects regular product changes reflecting new developments in photographic technology and each technical development is the form of improved performance styling and new features in eagerly produced through advertising to give camera producers that significant edge over their rivals. (Source: Needle, 1994).

3.3 Technology and the Labour Force

Technology refers to the artifacts, and the way they are used as well as the things governing their applications. An essential ingredient of technology is human knowledge. Changes in technology have an impact on the society.

Technology equally has an impact on skills and trade union policy. The union policy toward technological changes may make or mar the organisation.

Technology according to Joan Woodard is a determinant of both organisation structure and the range of possible strategy alternatives. It shapes the process, the product and the structure organisation as well as relationship between people, and individual job satisfaction.

We often speak of “new technology” “high technology”, state of the art “technology” etc.

The decision to introduce new technology is taken by management after a critical analysis of the cost and benefit of introducing the new technology.

The concept of new technology is often linked to that of information technology. The merit of new technology and information technology are:

- The opportunities of gaining competitive advantage by offering a product or a service that one-one else is able to provide;
- The improvement in productivity and performance;
- Improved quality of both system operation and system outputs;
- Increased efficiency through reduced operating cost and reduced manning levels;
- Improved information and diagnostic system leading to improvement in management control;
- The opportunity to develop new ways of managing and organizing.

What is obvious from the above is that management enjoys cost reduction and increased profitability while the workforce enjoys increased job satisfaction and the consumer enjoys better quality goods and services at competitive price.

Despite the above benefit of technology there is the problem of skill training and industrial relations.

To some authorities, new technology is a deskilling agent. It reduces the amount of discretion an individual has over his job and at the same time increasing management control over the work process and the workers. The impacts of deskilling and job losses are more felt by skilled craft worker than anyone else. Another school of thought sees new technology as a blessing.

To this school of thought, new technology creates new opportunities for the workforce in the form of new and different types of labour with opportunities for existing workers to learn new skills. In like manner, a school of thought views new technology as a liberating device which eliminates the need for human labour in repetitive, dangerous or unpleasant tasks.

(Northcott and Rogers, 1984) as cited by (Needle 1994) showed that in a survey conducted between 1981-83 the net loss of 34,000 job were recorded. This estimate represents only 5% of all job losses in manufacturing. The view was supported by Daniel (1987) in which he claimed that the impact of new technology on job losses is much less than other forms of change, notably declining markets. He found out that actually dismissal is rare and that reductions were generally met by redeployment, early retirement and voluntary redundancy schemes.

New technology has generally led to fallen demand for unskilled labour and a risen demand for skilled labour. It has also led to skill shift. That is, a shift of skill from the craft job on the shop floor to computer programming skill of the office.

The role of labour in the above scenario can be seen as that of constraint and aid to management decision making process.

SELF ASSESSMENT EXERCISE

State the impact of new technology on the Labour force

4.0 CONCLUSION

The impact of new technology should not be view deterministically rather, it should be viewed based on the nature of product and service, the type that organized management strategy employed and the attitude of trade union and employees.

5.0 SUMMARY

The decision to embark or embrace new technology is taken by management. The trade unions are seen both as a constraint and an aid to management in decision making.

New technology has given business an opportunity to reduce costs, while increasing the quality of their products and the effectiveness of their service while the workforce enjoys increased job satisfaction.

ANSWER TO SELF ASSESSMENT EXERCISE

The impacts of new technology on labour are:

- It is a deskilling agent;
- It reduces the amount of discretion an individual has over his job;
- It increases management control over both the work process and the worker;
- It creates new opportunities for the workforce such learning new skills and team work;
- Eliminates the need for human labour in repetitive, dangerous or unpleasant tasks;
- The impact of technology on job losses is much less than other forms of change;
- Uneven impact in some cases lead to a transfer of skill from one group of workers to another;
- Reduced demand for unskilled and increased demand for skilled labour.

6.0 TUTOR-MARKED ASSIGNMENT

- (a) Identify the likely changes that can occur with the introduction of new a technology.
- (b) State and explain the key areas where technology has enhanced the production system.

7.0 REFERENCES/FURTHER READINGS

Needle, David (1994). *Business in Context*, 2nd Edition London: Thomson Business Press.

Pitfield, R.R (1984). *Business Organisation*, London: M&E Books.

UNIT 3 THE ENVIRONMENTAL ASPECTS OF INNOVATION

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 The Environmental Aspects of Innovation
 - 3.1.1 The Role of the Economy
 - 3.2 The Role of the State
 - 3.2.1 Types of State Intervention in Innovation
 - 3.2.2 Problems with State Intervention in Innovation
 - 3.3 Innovation and Culture
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

This unit will look at the environmental aspects of innovation, with specific reference to the role of the state, the economy and culture

2.0 OBJECTIVES

At the end of this study, students should be able to:

- identify the role of the economy in innovation
- enumerate, the roles of the state in innovation
- state the relationship between innovation and culture.

3.0 MAIN CONTENT

3.1 The Environmental Aspects of Innovation

3.1.1 The Role of the Economy

Economy is the product of business activity while business enterprises are influenced by economic development. Business generally operates in a dynamic environment, this perhaps explains why business communities are shaped by their environment and are equally shaping their environment. What is important is to decide where the environment ends and business begins no matter the level at which it operates whether local, national or international.

The economic activities of the environment will determine the strategies to be adopted by the business and the type of goods and services to be provided. The goods, services and employment provided by the business enterprises contribute to the income, capital assets and the economic growth of nation. Economics are often compared using their gross domestic product (GDP) from the sum total of the net outputs of each sector of the economy to structural changes in business.

Innovation as key “change factor” is closely limited to economic growth. It is the means through which economic regeneration occurs. Kondratieff (1985) is of the opinion that economic activities exhibit regular long-term cycles of growth and depression followed by a further period of growth. Each cycle is characterized by a particular form of economic activity. The key to the economic recovery is innovation. According to Schumpeter (1939) innovation occurred when the economic climate appeared more favourable. It acts as a stimulus for entrepreneurial activity. Mensch (1979) is of the opinion that innovation occurs in the depths of depression, when profits are so low that entrepreneurs are stimulated into risk-taking ventures.

According to Needle (1974) there is a considerable debate concerning the relationship between innovation and economic growth at the level of both national economics and firm. Several theories have been based around innovation as a prerequisite for economic growth and more especially its role in leading economics out of depression. Despite the plausibility of several of these claims, it is difficult to measure the precise impact that innovation has upon the economy and establish clear causality. As with many aspects of business, the isolation of a single factor such as innovation can present a misleading view of the complex nature of business interactions. Nevertheless, the importance accorded by government innovation as the stimulus for economic growth has resulted in considerable state intervention in this area.

Studies have indicated the underlisted areas as linking innovative activities with economic performance.

- That investment in R&D, particularly those relating to technical change are the major cause of improvements in productivity and output;
- That companies with a high and rising investment in R&D perform better than those where R&D expenditure is falling;
- That there is a correlation between patent applications and GDP and between patent applications and manufacturing output;
- That there is a correlation between the number of registered patents and export performance;

- That customers appear willing to pay more for goods of superior technical quality.

3.2 The Role of the State

The state is the body which has monopoly over taxation, the money supply and the legitimate use of violence (John Scott, 1979). The state interacts with business through its management of the economy. The role of the state in business is generally seen as being facilitative, supportive and directive.

The facilitative role of government includes:

- Offering financial incentive; tax holidays, tax relief for new industries, infrastructure provisions, import duty relief to attract some business;
- Subsidizing some commercial ventures that are capital intensive;
- Providing credit facilities to indigenous industrialist;
- Encouraging rural and small scale indigenous industries;
- Assisting business firms in the areas of the attraction of overseas capital and technical know-how.

The directive or supervisory and regulating role includes:

- Limiting business freedom by laws and regulations;
- Making businesses obey the laws of the society;
- Maintaining a free market place;
- Encouraging free and fair competition and keeping the market place free of abusive practices;
- Making sure that businesses achieve result that an unfettered free market will not produce;
- Enforcing numerous regulations controlling the additives that may be used on food products;
- Controlling the disposal of hazardous waste;
- Regulating new drugs coming into the market via food and drug administration.

The supportive roles include:

- Providing data and information needed for decision making;
- Preparing and disseminating weather forecasts;
- Purchasing products;
- Maintaining a stable system of laws and justice.

Motivations are hinged on:

- The belief that innovation and entrepreneurship are major factors in economic expansion and export competition;
- The fact that innovation is both long term and high risk;
- The belief that intervention is necessary for political and strategic as well as for social reasons.

3.2.1 Types of State Intervention in Innovation

State intervention occurs in the following areas:

- Procurement
- Subsidies
- Education and training
- Patent and licensing
- Restrictive and enabling law
- Import controls

Procurement

Many R&D activities such as those affecting defence industries, aeroplane, electronic and computer are largely funded by the state. State involvement in such key areas means that government must procure necessary materials for research and ultimately production.

Subsidies

Subsidies may come in form of investment, grants and tax concession. Such policies are aimed at encouraging growth and development as well as meeting the welfare needs of the people.

Education and Training

The State invests in education and pure sciences so as to stimulate innovative activities that will benefit both the economy and society. Higher institution of learning like the universities and polytechnics are known to be engaged in primary research and knowledge based activities.

Patents and Licensing

A patent is a legal device which enables the holder to maintain a monopoly in an invention for a stated period. The primary aim is to encourage new developments by offering protection to the patent-holder against others copying the invention.

Restrictive and Enabling Laws

The State enacts laws which are aimed at controlling manufacturing standard as relates to safety and pollution. The end is not socially desirable but has an effect on business performance.

Import Control

Restriction on imports from other countries will have a beneficial effect in stimulating research in the home country or intensify the search for substitute product or process.

3.2.2 Problems with State Intervention in Innovation

The major problems associated with state intervention in innovation are:

- Over reliance upon state funding will have serious repercussion as this may overburden government expenditure;
- Ability of government employees to make decisions in highly technical and scientific areas;
- The ability of government employee to make decision which is in the best interest of the business community as a whole;
- Intervention may be misdirect;
- The direction of state intervention may raise conflict within the agencies of the state as well as raising certain ethical issues;
- Hinders the freedom of individuals to pursue their own research goals.

3.3 Innovation and Culture

Culture refers to all human activity that is socially transmitted. It is highly complex and interacts with business in three ways:

- It shapes our behaviour in a particular social setting and determines our individual orientation to work;
- Organisations have their specific cultures and ways of transmitting them to their members;

- Culture is an analytic device, it distinguishes one society from another.

Hofstede (1980) believes that there are significant national differences in the way people approach work and organisations.

Four key variables were used to explain these national differences. The variables are:

- **Power Distance** - This is the extent to which members of a society accept that power is distributed unequally in organisation.
- The un-equality is based on physical, economic, intellectual and social characteristics.
- **Individualism** - Societies like the USA and the UK where this is practised show a preference for looking after oneself and one's immediate family group, a belief in freedom and a tendency towards a calculative involvement with work organisations.
- **Uncertainty Avoidance** - This is the extent to which members of a society feel uncomfortable with uncertainty. Society where there is strong uncertainty will show intolerance with deviant ideas while society with weak uncertainty will show a willingness to accept new ideas.
- **Masculinity** - a masculine society will show a preference for achievement, assertiveness and material success and display a strong belief in gender roles while a feminine society will place emphasis on the quality of life and care for others.

The four variables discussed perhaps explain why there are considerable differences in the innovative activity of private business in the USA and UK while the Japanese adopt the strategies of incrementalism and collaboration.

SELF ASSESSMENT EXERCISE

Identify the main problems associated with state intervention in innovation.

4.0 CONCLUSION

Businesses influence and are influenced by the environment in which they operate. Thus innovative activities are influenced by the state, culture and the economy.

5.0 SUMMARY

Innovation as a key aspect of the entrepreneurial activity is influenced by the environment. The elements in the environment that influence innovation are culture, the state and the economy.

Four key variables that relate to national cultural differences identified are power, distance, masculinity, individualism and uncertainty avoidance. These key variables explain why there considerable interest in innovative activities in some countries while some others show considerable state involvement in innovation through funding. Reasons(s) why the state intervenes in innovation were given and the areas where the state intervene were given as procurement, subsidies, education and training, patent and licensing, restructure and enabling law and import control. Study has shown that innovation is the key to increased productivity, increase market share, and hence profitability and the firm's survival.

ANSWER TO SELF ASSESSMENT EXERCISE

The main problems are:

- Over-reliance upon state funding could lead to serious repercussion.
- The ability of government employee to make decision in highly specialized technical and scientific areas.
- The ability of government employee to make decisions that will serve the best interest of the business community as a whole.
- The direction of state intervention may raise some ethical issues or cause conflict within the agencies of the state.

6.0 TUTOR-MARKED ASSIGNMENT

Assess the relationship between innovation and economic growth. Which criteria would you use to show such relationship?

7.0 REFERENCES/FURTHER READINGS

Needle, David (1994). *Business Context*, London: Thomson Business Press.

Hofstede, G.H. (1980). *Culture's Consequences, International Differences in Work Related Values*, London: Sage.

Akanni, J.A (1987). *Management; Concept, Techniques and Cases*. Ibadan: Jislab Publisher Limited.

Iyanda, O and Bello, J.A (Ed.) (1988). *Elements of Business in Nigeria* Lagos: University of Lagos Press.

UNIT 4 CHANGE AS A FUNCTION OF LEADERSHIP

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Change as a Function of Leadership
 - 3.1.1 Leadership Defined
 - 3.1.2 Functions of Leadership
 - 3.1.3 Characteristics of the Effective Leader
 - 3.1.4 Styles of Leadership
 - 3.1.5 Factors Affecting Leadership Style
 - 3.2 Leading with Impact
 - 3.3 Challenges and Competences for Leading with Impact
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

This unit will look at change as a function of leadership vis-à-vis leading with impact and the challenges of leading with impact.

2.0 OBJECTIVES

At the end of this unit, students should be able to:

- state the functions of leadership
- explain the concept of leading with impact
- enumerate the challenges and competencies of leading with impact.

3.0 MAIN CONTENT

3.1 Change as a Function of Leadership

3.1.1 Leadership Defined

Leadership is defined as the ability to inspire others to work towards the attainment of a common goal. It may also be seen as the act of influencing others to act in order to accomplish specified objectives or the ability to persuade others to define objectives enthusiastically.

A leader binds a group together and motivates them towards a defined goal. Leadership is a must in every organisation.

It is the managerial factor that can be used to create idea and inspire subordinate to use their skills, initiative common sense, tact and intelligence towards the attainment of organizational goals.

3.1.2 Functions of Leadership

The functions of leaders are:

- To define the goals their subordinates and followers should work towards;
- Suggesting ideas to subordinates;
- Reconciling subordinates when they disagree on what to do;
- Inspiring subordinate into actions;
- Liaising with management on behalf of subordinates in order to solve their problems and protect their interest;
- Assuring organisation members of continued employment and assigning them tasks for which they are adequately qualified;
- Motivating and inspiring subordinates to work with maximum speed;
- Rewarding and praising subordinates for hard work and achievements.

3.1.3 Characteristics of the Effective Leader

The success of a leader depends on his/her personal characteristics such as:

- (a) **Capacity for Self Management:** High level intelligence, outstanding mental alertness and ability to decide fast and to exercise self control.
- (b) **Strong Inner Achievement Drive:** This is demonstrated by the leader's level of occupational achievement, scholarship, knowledge and willingness to take risks, to work hard and excel,

to set goals and develop the power to reach them, to accept victory with controlled emotions and self-restraint.

- (c) **High Sense of Responsibility:** Demonstrated by through leaders. reliability, initiative, persistence, courage, aggressiveness, self-confidence, independence, firmness, tact, fair-play, social maturity, dependability, integrity, loyalty, enthusiasm and justice.
- (d) **Ability for Group Work:** This include the capacity to get along with others and work peacefully with them, to give and seek advice, to tolerate, compromise, to be at ease with strangers, to adapt to changes, to respect others' judgements and intentions, to express hospitality tactfully, to tolerate opposition, to be sensitive to subordinates' needs, to participate actively in group functions.
- (e) **Personal Charm:** This is reflected by the ability to evoke rigorous support from subordinates/followers.

3.1.4 Styles of Leadership

There are six categories of leadership style namely:

(1) Autocratic or Authoritarian Leaders

Autocratic Leaders are those who:

- Make decisions and plan alone;
- Direct what must be done and assign tasks, establish deadlines and procedures and criticize deficient work;
- Emphasize an rely on downward communication;
- Are production-centered and have no regard for subordinate feelings and opinion;
- Completely dominate their subordinates and abhor all forms of resistance to their authority and order;
- Exhibit a strong preference for weak and complaint deputies and subordinates;
- Show no concern for people but great concern for production.

(2) Bureaucratic Leaders – are those who:

- Rely on rules and regulations to get things done
- Subscribe to procedure and expect same from subordinates
- Reward compliance with and punish deviation from rules
- Task and rule-oriented
- Structure activities of group totally and arbitrarily

(3) Democratic or Participative Leaders – are those who

- Allow their subordinates to participate in decision-making and share authority with them;
- Use the groups they lead to create ends, purposes, objectives, bounds and methods;
- Show great and sincere interest in subordinates' needs and well-being. They are people-oriented;
- Use persuasion and not coercion or fear;
- Solve a problems for their subordinates, guide and educate them;
- Do not depend on their personal expertness or authority to get the job done;
- Ask ideas and suggestions from their subordinates;
- Act as facilitators of work and coordinators of the people they lead.

(4) Liaises-Faire or Free-Rein Leaders - these are those who:

- Use the principle of non-interference in managing their subordinates;
- Recognize and rely on the ability of workers to do things themselves;
- See subordinates as capable of motivating themselves for increased output given the right incentives;
- Give subordinate complete freedom to make decisions;
- Avoid the use of power and act merely as a member of the group;
- Exist primarily to supply subordinates, the information and resources they need to do their jobs.

(5) Manipulative-Inspirational Leaders

These are leaders who:

- Make use of some structure although the structure is usually confused and ambiguous
- Allow little participation by employees in setting goals;
- Seek employees' acceptance of management goals by hard sell.

(6) Benevolent-Autocratic Leaders

These are leaders who:

- Structure activities of group largely;
- Use and rely on relatively close supervision;

- Encourage employees to make suggestions concerning their goals, working condition etc.

3.1.5 Factors Affecting Leadership Style

Factors affecting leadership style are:

- His personal characteristics;
- The characteristics of his subordinates;
- The factors in the job situation in which the manager is acting;
- Factors outside the job situation.

3.2 Leading with Impact

The impact means a “strong effect”. To lead with impact can therefore be interpreted to mean leading with a strong positive effect on the organisation. It means to make a significant difference to or affect organization’s life positively in a tough business environment with harsh economic conditions. Since it is the responsibility of the leader to initiate, create ideas and motivate subordinates to use their skills, initiative, tact and intelligence in pursuit of organizational goals, it there confirms the popular maxim “that no organisation is better than its leader”.

In a general sense, no nation can rise above the intellectual level of its citizens.

Abundance of natural resources without a responding/or commensurate human resources will lead to nothing. This means that a leader is needed to galvanize and harness the resources toward self goals.

Leading with impact entails:

- Setting a direction with a vision of the future;
- Evolving strategies for producing the changes needed to achieve the vision;
- Align people with the vision
- Build credibility and gain followers;
- Empower people;
- Motivate, inspire and energize people in the right direction;
- Recognize and reward success;
- Provide for multiple leadership initiative
- Build strong network of informal relationship;
- Institutionalize a leadership centred culture.

The ability of a leader to lead with impact will be influenced by:

(a) His value system and personal Beliefs:

- The confidence he has in his subordinates
- His own leadership and power inclinations;
- His feeling of security in an uncertain situation;
- His training and experience.

(b) The characteristics of his Subordinates

Such as:

- The extent of their desire for independence
- The degree of their expectation and willingness to assume responsibility for decision making
- The amount of tolerance they have for ambiguity;
- Their interest in the problem concerned;
- The extent to which they understand and identify with the goals of the organisation
- The amount of knowledge and experience they have

(c) Factors in the Job Situation

These are:

- The type of organisation or department;
- The effectiveness of the work groups;
- The nature of the problem itself;
- Time constraints

(d) Factors Outside the Job Situation

Such as

- The type of outside associates the leader maintains
- The type of culture in which the manager was socialized;
- The leader's political and religious affiliation;
- The type of business environment

3.3 Challenges and Competences for Leading with Impact

According to the Oxford English Dictionary, the word challenge means a call to try one's skill or strength, especially in a competition, a demanding task, an order to identify oneself; an invitation to a contest or

test of one's ability, while competence means ability, efficiency and authority.

If we juxtapose the two key words "challenge" and "competence", then we arrive at a scenario- a call to the leader to use his ability, skill and authority to achieve result using others.

Some of the challenges that link people, strategy and result together are:

- Interdependence or linkages of the various parts of the organisation;
- Communicating challenges;
- Lack of credibility in leaders;
- Vulnerability of respondents in the absence of empowerment;
- Conflicting rather than converging multiple leadership roles;
- Executive burn-out.

The competence required to lead with impact is basically a skill set for adapting an organisation to cope with changes in an increasing competitive and dynamic business environment to ensure its survival and success,

The skills set include:

- Inductive skills;
- Ability to carve direction with vision of future;
- Ability to gather and analyze information;
- Ability to craft sound vision;
- Ability to articulate a feasible way of reaching goals;
- Ability to accept the unexpected as the norm and respond adequately to it;
- Ability to use reality planning for direction-setting.

The above skill sets can be developed through:

- (a) Rejecting situation/on the job experience that undermines the development of the needed attributes;
- (b) Seeking and exploring company ability to develop people to outstanding leaders;
- (c) Taking the driver's seat and managing one's career;
- (d) Seeking large leadership role to enrich your career experience;
- (e) Seeking opportunities to lead, taking risks and learning from both triumphs and failures;

- (f) Seeking opportunities for hand-on experience or knowledge about difficulty of leadership and its potential for producing change;
- (g) Taking on special task force, committees' assignment or general management course, whose experience and expertise will become useful in deeper leadership assignment:
- (i) Develop a network of relationship inside and outside your company;
- (j) Taking advantage of decentralization and the opportunity it offers to practise dominance and take charge by pushing responsibilities to every one in the organisation;
- (k) Developing leaders yourself.

SELF ASSESSMENT EXERCISE

Identify and enumerate the skills set required to lead with impact.

4.0 CONCLUSION

Change is a function of leadership. The leader inspires, motivates, influences and initiates actions that could lead to a change for good for the organisation, and the employees and the customers or member of the public in general.

5.0 SUMMARY

Change is an indispensable function of leadership. To lead with impact or "strong effect" requires a set of skills. A leader with the skills set is able to face the challenges that may arise in the very competitive and volatile environment in which the business operates.

ANSWER TO SELF ASSESSMENT EXERCISE

The skill-sets required to lead with impact are:

- Inductive skills;
- Ability to gather and analyze information;
- Ability to craft sound vision;
- Ability to articulate a feasible way of reaching goals;
- Ability to accept the unexpected as a norm and respond adequately to it;
- Ability to use reality planning for direction setting.

6.0 TUTOR-MARKED ASSIGNMENT

What is Leadership? Identify and explain some characteristics of leadership, using the Traits approach.

7.0 REFERENCES/FURTHER READINGS

David, Keith (1980). *Human Behaviour at Work*, New Delhi: McGraw-Hill.

Ricks, H.G and Gullet, RC (1975). *Organisation: Theory and Behaviour*, Tokyo: McGraw-Hill.

Gabriel, Adeoluwa. "Leading with Impact - Linking People, Strategy and Results", *Business Management and Policy Review*. Vol. 3 No.1, pp.11&21.

Koontz, H. O'Donnel C and Wehrch .H. (1980). *Management*, New York: McGraw-Hill

UNIT 5 MANAGEMENT OF CHANGE–THE HUMAN RESOURCES ANGLE

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Management of Change–The Human Resources Angle
 - 3.1.1 Establishing Efficient Human Relationships
 - 3.1.2 Causes of Changing Attitudes Concerning Personnel
 - 3.1.3 The Outcome of Changing Attitudes
 - 3.2 Manpower Planning
 - 3.3 Managing Labour Turnover
 - 3.3.1 Analysis of LTO
 - 3.3.2 Reducing Labour Turn Over
 - 3.3.3 Radiances
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

This unit will introduce us to the management of change-the human resources angle.

2.0 OBJECTIVES

At the end of this study unit, students should be able to:

- explain the role of human relations in the effective management of change.
- identify the need for manpower planning
- state the importance of labour turnover.

3.0 MAIN CONTENT

3.1 Management of Change–The Human Resources Angle

3.1.1 Establishing Efficient Human Relationships

Management depends upon the successful management of people. No matter the sophistication of management technique in use, for as long as it does not take cognizance of human behaviour and attitudes, an otherwise efficient technique will be rendered ineffective.

Those responsible for the establishment of relationships conducive to management efficiency are:

- (a) **Top Management:** It determines the morale of staff through the formulation of policy. The attitudes of top management will directly affect those below them, either positively or negatively. In like manner, the attitudes of the deputies also affect their subordinates. A tight control at the top will reproduce the same pattern at all levels.
- (b) **Managers and Supervisors:** They work in close relationship with the workforce. As a result of their nearness to the workforce they are expected to have intimate understanding of the people and should therefore adopt attitudes suited to the characteristic of the individuals or group of individuals that work under them.
- (c) **Personnel Officers:** They carry out specialist functions in human relations. They do not have day-to-day contacts with the employees as do other managers. They implement the human relations policy and hence they relates to the workforce in a general sense.

They may be required to handle specific personnel matters such as settling a dispute.

While attempting to create a favourable climate for human relations, management must take cognizance of the following:

- **Human Understanding:** The uniqueness of the individual must be considered when designing an effective human relations system. This requires that different approaches be used for different persons.

For instance some people can be effectively checked by simply having a firm talk with them. This may not work with another.

- **Recognition of Motive:** People have different motives and attitudes to work. While some will gladly accept responsibility, others may shy away from it referring routine work. A man who prefers routine work is certainly not suitable for challenging work, and is incapable of initiatives and leaderships.
- **Approach Attitude:** Human relationship should not be approached with preconceived inflexible attitude. A manager must be prepared to listen and to understand other's attitude.
- **Recognition of Talent:** A manager must be able to identify talent in his staff and to exploit them for the best interest of management.
- **Recognition of Individual Differences:** Individuals in an organisation differ in their attributes and deposition.
 - (i) Mental abilities;
 - (ii) Emotional demands;
 - (iii) Personality characteristics;
 - (iv) Physical and sensory capacities.

3.1.2 Causes of Changing Attitudes Concerning Personnel

In recent years there has been a change in management thought concerning personnel attitudes in the work situation. This change in management thought is commonly referred to as "social revolution."

The causes of such changes are:

- a. **Demand for High Living Standards:** With increased education, and sophistication, workers now have greater bargaining power and hence the demand for higher standard of living and consequently the need for higher incomes.
- b. **Demand for Better Working Conditions:** With improvement in standard of living and social condition comes the demand for better working conditions
- c. **The Dignity of Labour:** The era of servant (worker) and master (employers) relationship is over. The tendency now is toward treating workers as human beings instead of just as digits or appliers.
- d. **Education:** This gives individual greater opportunity to move from one class level to another with improved education a

working class level member can rise to the very top level of the industry or organisation.

- e. **Trade Unions:** Collective action by trade unions provides the strength to make possible improved conditions and attitudes.
- f. **Employer Attitudes:** There is an increasing tendency for employers to recognize the inevitability and justice of changing demands by employees.

3.1.3 The Outcome of Changing Attitudes

The major outcomes of changing attitudes are:

i. **Emphasis on Youth**

Today, there is a growing demand for youth empowerment vis-à-vis:

- Increase earning power to be achieved at an earlier age;
- A new generally accepted policy at an earlier age. This is based on the belief that the thrust and sheer hard work of being an executive can best be provided by comparatively young people;
- The increasing demand for employment of young graduate in high profile jobs in the banking, oil and manufacturing industries.

ii. **Employer/Employee Loyalty**

Today, staff movement is no longer regarded as disloyalty. This is because ambitious employee now openly seek opportunities beyond their present employment and growing tendency for employer to give responsibility to those most capable if accepting of rather than using long service as a basis.

iii. **Demands for Consultation**

Consultation between employee/employer is no longer limited to matters affecting employees but also to business matters. This is why an employee can today rise to the rank of a Director in the firm where he/she works.

3.2 **Manpower Planning**

The prime objectives of manpower planning are to forecast the number of employees which will be required, classifying them into types and levels of labour.

According to Needle (1994), manpower planning represents the basic strategic planning device of personnel management which enables management to forecast future manpower requirements against current manpower resources and developing strategies to cope with the gap between the two.

Accurate forecasting of manpower needs may be difficult because of the numerous unpredictable factors which can upset calculation.

Forecasting will take account of:

- Analysis of current manpower;
- Total labour force required in the future;
- Changes in the composition of the labour Force;
- Labour availability.

Analysis of Current Manpower

This will reveal where there is shortfall or surplus of labour and relate it to future demand.

The methods used are:

- (a) **Age Groups:** this shows how many are due for retirement and the number nearing retirement.
- (b) **Skill Groups:** indicates the shortage or surplus according to occupation and degrees of skill within occupation.
- (c) **Levels Groups:** classify each skill into levels of workers. It will indicate area of surplus or shortfalls.

Analysis of Manpower Utilisation - indicates relationships that could be used for planning such as:

- Relating to direct labour or indirect labour;
- Establishing ratios between production labour, supervisory labour and administrative labour;
- Analyzing the cost of overtime between departments, functions products etc;
- Determining the labour costs of maintenance and repair;
- Assess the effect of production peaks and troughs on the requirement for labour;

- Determining the effect on production of piece rates, bonus scheme etc.

Cost/Effectiveness of Labour

A relationship exists between the cost of direct labour and output. To prevent administrative staff from growing to an unjustifiable size, control must be imposed. There is also the need to check an unjustifiable increase in functional staff which leads to justification of Parkinson's stand which states that work tends to expand to fill the time available for its completion.

Job Analysis

The main objects are:

- To make recruitment more efficient
- To select the persons to suit the job
- To plan training to meet the requirement of the particular job
- Job description
- Job specification

Factors Job Analysis

Factors in job analysis are:

- Identification – title of the job, location etc
- Summary – basic duties, operations and procedures
- Responsibility – level and extent, subordinates and superior, relationship with others or areas
- Physical aspects – physical demands, dexterity required, repetitive or varied, indoors or outside
- Training requirement
- Employment conditions – hours of work, remuneration, employee service available.

3.3 Managing Labour Turnover

Labour Turnover (LTO) relates to the number of employees leaving during a period of time to the average number of employees during that period. It may also take account of unavoidable separations in form of those retiring or dying.

LTO is expressed as =

number leaving during the period (including unavoidable separation)

Average number employed during the period x100

3.3.1 Analysis of LTO

Records concerning labour turnover are maintained because of:

- **Indicator of Morale:** LTO figures indicate state of staff morale. A high labour turnover is an indication of either poor wage rates, or unsatisfactory work condition or poor relationship with management etc.
- **Acceptable Rates:** a firm employing a large number of women workers may expect a comparatively high rate of withdrawals.
- **Analysis into Labour Areas:** This will indicate area where the problem is severe.
- **Trends:** where the figure moves around an acceptable figure does not call for alarm but a rising figure will give cause for concern and investigation.
- **The Cost of a High LTO:** Training periods are usually uneconomic for employers and there could be large sum spent on employees who do not stay long enough to produce compensating output.
- **Disturbance of the Labour Pattern:** Their likely effects are:
 - (i) Work groups would be broken by persons leaving;
 - (ii) There may be staff gaps until replacements are made.
 - (iii) Supervision and training is made more difficult
 - (iv) Staff morale may be affected.

3.3.2 Reducing Labour Turn Over

The prime object of labour turnover is to determine the reason why staff leave with a view at curbing it.

- **Interview Leavers** - Find out why they are leaving. Those departing for unavoidable reasons would probably give a true answer but others would not.
- **Works Councils** - the validity of the complaints made in the work council may be proved by examples of those leaving.
- **Attitude Surveys** - these may be carried out periodically amongst existing staff. Lists of questions about various aspects of company policy are answered by staff, the answers sometimes being given on a point system. Information provided must be treated in confidence so that staff can give answers without any reservation.

3.3.3 Redundancy

Need may arise to discharge a staff or some members of staff as a result of decline in trading or as part of rationalization scheme.

The factors to be considered are:

- **Selection of Areas** - no area should be reduced below a level it will be inadequate in the new circumstances.
- **Selecting Categories of Workers** - the criteria for selecting those to be rationalized. For instance a decision may be taken to favour long serving member or to retire some early.
- **Ensuring Continuity** - there must be a plan for a policy of future promotion in the new workforce.
- **Anticipation of redundancies** - this will make room for programmes concerning recruitment and training.
- **Early Notification to Workers** - this will reduce anxiety and misunderstanding
- **Participation in Redundancy Planning** - staff must be allowed to put their views and join in compiling a scheme.
- **Natural Wastage** - those due for retirement are usually known in advance and planned for.
- **Voluntary Redundancy** - this should be encouraged.

SELF ASSESSMENT EXERCISE

What attitudes are necessary by those responsible for establishing relationships?

4.0 CONCLUSION

Change is an inevitable phenomenon. The human resources unit, the department responsible for establishing a favourable climate for human relationship must play a key role to ensure that the human aspect of the enterprise is well taken care of, bearing in mind that the success of any organisation depends on effective/successful management of people

5.0 SUMMARY

Sophistication in management technique does not guarantee success unless relationship between people is well taken care of.

The dynamic nature of business/people requires that management establish a relationship conducive to management efficiency by cultivating a set of attitude such as:

- Human understanding

- Recognition of motive
- Approach attitudes
- Recognition of talents

Those responsible for establishing efficient human relationships are:

- Top management
- Managers and supervisors
- Personnel officers

ANSWER TO SELF ASSESSMENT EXERCISE

The attitudes to be cultivated are:

- Human understanding
- Recognition of motives
- Approach attitudes
- Recognition of talents

Note: brief explanation of each factor required

6.0 TUTOR-MARKED ASSIGNMENT

- (a) How may LTO (Labour Turnover) be analysed and for what reasons?
- (b) In what ways can LTO be reduced?

7.0 REFERENCES/FURTHER READINGS

Pitfield, R.R. (1984). *Business Organisation*, London: M&E Books.

Needle, David (1994). *Business in Context*, London: Thomson Business Press.