



**DEPARTMENT OF MANAGEMENT STUDIES**

**I YEAR / I SEMESTER**

**BA4032 ENTREPRENEURSHIP DEVELOPMENT**

**COURSE MATERIAL**



Anna University Chennai

Regulation 2021

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## **JEPPIAAR** ENGINEERING COLLEGE

Jeppiaar Nagar, OMR Salai, Semmencherry ,Chennai -600119

### **VISION**

To build Jeppiaar Engineering College as an institution of academic excellence in technology and management education, leading to become a world class university.

### **MISSION**

- To excel in teaching and learning, research and innovation by promoting the principles of scientific analysis and creative thinking.
- To participate in the production, development and dissemination of knowledge and interact with national and international communities.
- To equip students with values, ethics and life skills needed to enrich their lives and enable them to contribute for the progress of society.
- To prepare students for higher studies and lifelong learning, enrich them with the practical skills necessary to excel as future professionals and entrepreneurs for the benefit of Nation's economy.

## **DEPARTMENT OF MANAGEMENT STUDIES**

### **VISION**

To be a prominent management institution developing industry ready managers, entrepreneurs and socially responsible leaders by imparting extensive expertise and competencies.

### **MISSION**

- To provide management education to all groups in the community.
- To practice management through scholarly research and education.
- To advance in the best practices of management which enable the students to meet the global industry demand.
- To promote higher studies, lifelong learning, entrepreneurial skills and develop socially responsible professionals for empowering nation's economy.

### **PROGRAMME EDUCATIONAL OBJECTIVES (PEOs):**

MBA programme curriculum is designed to prepare the post graduate students

- To have a thorough understanding of the core aspects of the business.
- To provide the learners with the management tools to identify, analyze and create business opportunities as well as solve business problems.
- To prepare them to have a holistic approach towards management functions.
- To inspire and make them practice ethical standards in business.

### **PROGRAMME OUTCOMES (POs )**

- On successful completion of the programme,
- Ability to apply the business acumen gained in practice.
- Ability to understand and solve managerial issues.
- Ability to communicate and negotiate effectively, to achieve organizational and individual goals.
- Ability to understand one's own ability to set achievable targets and complete them.
- Ability to fulfill social outreach
- Ability to take up challenging assignments

**COURSE OBJECTIVES:**

To equip and develop the learners entrepreneurial skills and qualities essential to undertake business.

To impart the learners entrepreneurial competencies needed for managing business efficiently and effectively.

**COURSE OUTCOMES:**

1. The learners will gain entrepreneurial competence to run the business efficiently.
2. The learners are able to undertake businesses in the entrepreneurial environment
3. The learners are capable of preparing business plans and undertake feasible projects.
4. The learners are efficient in launching and develop their business ventures successfully
5. The learners shall monitor the business effectively towards growth and development..

<b>COURSE OUTCOMES</b>	<b>PROGRAM OUTCOMES</b>					
	<b>PO1</b>	<b>PO2</b>	<b>PO3</b>	<b>PO4</b>	<b>PO5</b>	<b>PO6</b>
<b>CO1</b>	3	3	0	2	0	3
<b>CO2</b>	3	3	0	2	0	3
<b>CO3</b>	3	3	0	2	0	3
<b>CO4</b>	3	3	0	2	0	3
<b>CO5</b>	3	3	0	2	0	3
<b>AVERAGE</b>	<b>3</b>	<b>3</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>3</b>

## **BA4032 ENTREPRENEURSHIP DEVELOPMENT**

### **OBJECTIVE:**

- To develop and strengthen entrepreneurial quality and motivation in students.
- To impart basic entrepreneurial skills and understandings to run a business efficiently and effectively.

### **UNIT I ENTREPRENEURIAL COMPETENCE 6**

Entrepreneurship concept – Entrepreneurship as a Career – Entrepreneurial Personality - Characteristics of Successful, Entrepreneur – Knowledge and Skills of Entrepreneur.

### **UNIT II ENTREPRENEURIAL ENVIRONMENT 12**

Business Environment - Role of Family and Society - Entrepreneurship Development Training and Other Support Organizational Services - Central and State Government Industrial Policies and Regulations - International Business.

### **UNIT III BUSINESS PLAN PREPARATION 12**

Sources of Product for Business - Prefeasibility Study - Criteria for Selection of Product - Ownership - Capital - Budgeting Project Profile Preparation - Matching Entrepreneur with the Project - Feasibility Report Preparation and Evaluation Criteria.

### **UNIT IV LAUNCHING OF SMALL BUSINESS 10**

Finance and Human Resource Mobilization Operations Planning - Market and Channel Selection - Growth Strategies - Product Launching – Incubation, Venture capital, IT startups.

### **UNIT V MANAGEMENT OF SMALL BUSINESS 5**

Monitoring and Evaluation of Business - Preventing Sickness and Rehabilitation of Business Units Effective Management of small Business.

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## STUDY MATERIAL

### UNIT I

#### ENTREPRENEURIAL COMPETENCE

Entrepreneurship concept – Entrepreneurship as a Career – Entrepreneurial Personality - Characteristics of Successful, Entrepreneur – Knowledge and Skills of Entrepreneur.

#### **Entrepreneurship concept:**

Entrepreneurship is the act of setting out on your own and starting a business instead of working for someone else in his business. While entrepreneurs must deal with a larger number of obstacles and fears than hourly or salaried employees, the payoff may be far greater as well.

#### **Interest and Vision**

The first factor for entrepreneurial success is interest. Since entrepreneurship pays off according to performance rather than time spent on a particular effort, an entrepreneur must work in an area that interests her. Otherwise, she will not be able to maintain a high level of work ethic, and she will most likely fail. This interest must also translate into a vision for the company's growth. Even if the day-to-day activities of a business are interesting to an entrepreneur, this is not enough for success unless she can turn this interest into a vision of growth and expansion. This vision must be strong enough that she can communicate it to investors and employees.

#### **Skill**

All of the interest and vision cannot make up for a total lack of applicable skill. As the head of a company, whether he has employees or not, an entrepreneur must be able to wear many hats and do so effectively. For instance, if he wants to start a business that creates mobile games, he should have specialized knowledge in mobile technology, the gaming industry, game design, mobile app marketing or programming.

#### **Investment**

An entrepreneur must invest in her company. This investment may be something less tangible, such as the time she spends or the skills or reputation she brings with her, but it also tends to involve a significant investment of assets with a clear value, whether they be cash, real estate or intellectual property. An entrepreneur who will not or cannot invest in her company cannot expect others to do so and cannot expect it to succeed.

#### **Organization and Delegation**

While many new businesses start as a one-man show, successful entrepreneurship is characterized by quick and stable growth. This means hiring other people to do specialized jobs. For this reason, entrepreneurship requires extensive organization and delegation of tasks. It is important for entrepreneurs to pay close attention to everything that goes on in their companies, but if they want their companies to succeed, they must learn to hire the right people for the right

jobs and let them do their jobs with minimal interference from management.

### **Risk and Rewards**

Entrepreneurship requires risk. The measurement of this risk equates to the amount of time and money you invest into your business. However, this risk also tends to relate directly to the rewards involved. An entrepreneur who invests in a franchise pays for someone else's business plan and receives a respectable income, while an entrepreneur who undertakes groundbreaking innovations risks everything on an assumption that something revolutionary will work in the market. If such a revolutionary is wrong, she can lose everything. However, if she is right, she can suddenly become extremely wealthy.

### **Concept of Entrepreneurship:**

The word “entrepreneur” is derived from the French verb entrepreneur, which means ‘to undertake’. This refers to those who “undertake” the risk of new enterprises. An enterprise is created by an entrepreneur. The process of creation is called “entrepreneurship”. Entrepreneurship is a process of actions of an entrepreneur who is a person always in search of something new and exploits such ideas into gainful opportunities by accepting the risk and uncertainty with the enterprise.



### **Definitions of an entrepreneur:**

**Adam Smith:** An individual, who undertakes the formation of an organization for commercial purposes by recognizing the potential demand for goods and services, and there by acts as an economic agent and transforms demand into supply.

**Peter F. Drucker:** An entrepreneur is one who always searches for changes, responds to it and exploits it as an opportunity. He believes in increasing the value and consumer satisfaction. Thus, a professional manager who mobilizes resources and allocates them to make a commercial gain from an opportunity is also called an entrepreneur.

**Importance of Entrepreneurship:****1. Wealth Creation and Sharing:**

By establishing the business entity, entrepreneurs invest their own resources and attract capital (in the form of debt, equity, etc.) from investors, lenders and the public. This mobilizes public wealth and allows people to benefit from the success of entrepreneurs and growing businesses. This kind of pooled capital that results in wealth creation and distribution is one of the basic imperatives and goals of economic development.

**2. Create Jobs:**

Entrepreneurs are by nature and definition job creators, as opposed to job seekers. The simple translation is that when you become an entrepreneur, there is one less job seeker in the economy, and then you provide employment for multiple other job seekers. This kind of job creation by new and existing businesses is again one of the basic goals of economic development. This is why the Govt. of India has launched initiatives such as Startup India to promote and support new start-up, and also others like the Make in India initiative to attract foreign companies and their FDI into the Indian economy. All this in turn creates a lot of job opportunities, and is helping in augmenting our standards to a global level.

**3. Balanced Regional Development:**

Entrepreneurs setting up new businesses and industrial units help with regional development by locating in less developed and backward areas. The growth of industries and business in these areas leads to infrastructure improvements like better roads and rail links, airports, stable electricity and water supply, schools, hospitals, shopping malls and other public and private services that would not otherwise be available. Every new business that locates in a less developed area will create both direct and indirect jobs, helping lift regional economies in many different ways. The combined spending by all the new employees of the new businesses and the supporting jobs in other businesses adds to the local and regional economic output. Both central and state governments promote this kind of regional development by providing registered MSME businesses various benefits and concessions.

**4. GDP and Per Capita Income:**

India's MSME sector, comprised of 36 million units that provide employment for more than 80 million people, now accounts for over 37% of the country's GDP. Each new addition to these 36 million units makes use of even more resources like land, labor and capital to develop products and services that add to the national income, national product and per capita income of the country. This growth in GDP and per capita income is again one of the essential goals of economic development.

**5. Standard of Living:**

Increase in the standard of living of people in a community is yet another key goal of economic development. Entrepreneurs again play a key role in increasing the standard of living in a community. They do this not just by creating jobs, but also by developing and adopting innovations that lead to improvements in the quality of life of their employees, customers, and other stakeholders in the community. For example, automation that reduces production costs and



enables faster production will make a business unit more productive, while also providing its customers with the same goods at lower prices.

#### **6. Exports:**

Any growing business will eventually want to get started with exports to expand their business to foreign markets. This is an important ingredient of economic development since it provides access to bigger markets, and leads to currency inflows and access to the latest cutting-edge technologies and processes being used in more developed foreign markets. Another key benefit is that this expansion that leads to more stable business revenue during economic downturns in the local economy.

#### **7. Community Development:**

Economic development doesn't always translate into community development. Community development requires infrastructure for education and training, healthcare, and other public services. For example, you need highly educated and skilled workers in a community to attract new businesses. If there are educational institutions, technical training schools and internship opportunities, that will help build the pool of educated and skilled workers. A good example of how this kind of community development can be promoted is Azim Hashim Premji, Chairman of Wipro Limited, who donated Rs. 27,514 crores for promoting education through the Azim Premji Foundation. This foundation works with more than 350,000 schools in eight states across India.

#### **Characteristics or features of Entrepreneurship:**

##### **1. Economic and dynamic activity:**

Entrepreneurship is an economic activity because it involves the creation and operation of an enterprise with a view to creating value or wealth by ensuring optimum utilization of scarce resources. Since this value creation activity is performed continuously in the midst of uncertain business environment, therefore, entrepreneurship is regarded as a dynamic force.

##### **2. Related to innovation:**

Entrepreneurship involves a continuous search for new ideas. Entrepreneurship compels an individual to continuously evaluate the existing modes of business operations so that more efficient and effective systems can be evolved and adopted. In other words, entrepreneurship is a continuous effort for synergy (optimization of performance) in organizations.

##### **3. Profit potential:**

“Profit potential is the likely level of return or compensation to the entrepreneur for taking on the risk of developing an idea into an actual business venture.” Without profit potential, the efforts of entrepreneurs would remain only an abstract and a theoretical leisure activity.

##### **4. Risk bearing:**

The essence of entrepreneurship is the ‘willingness to assume risk’ arising out of the creation and implementation of new ideas. New ideas are always tentative and their results may not be instantaneous and positive.

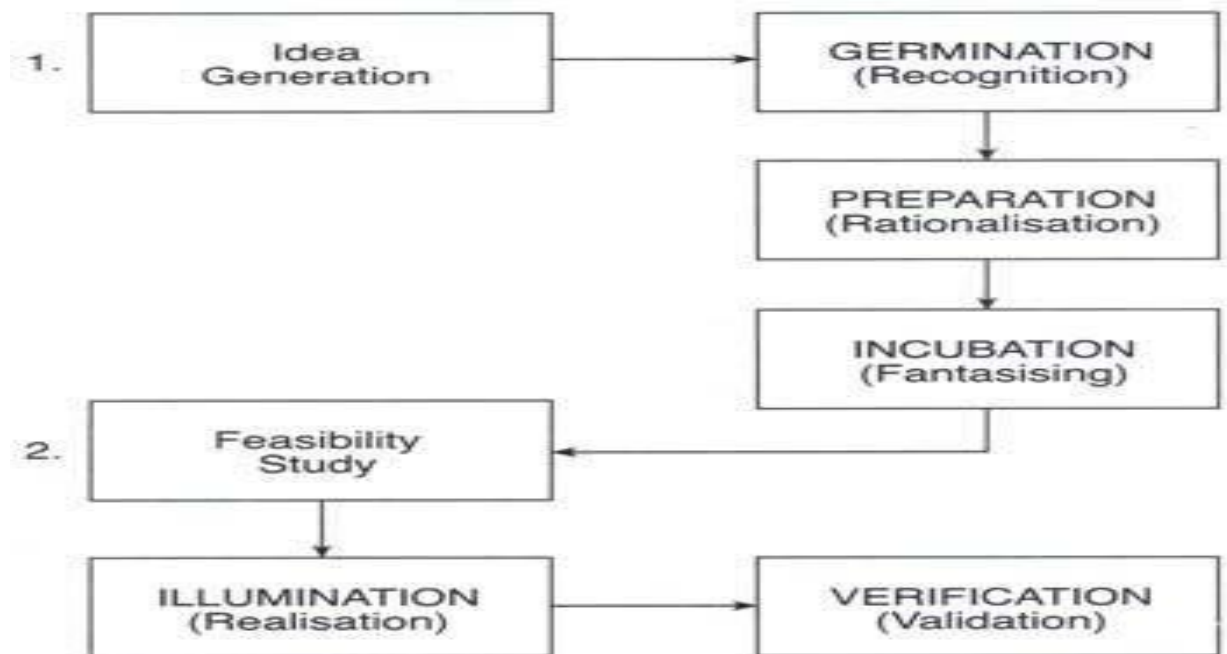
An entrepreneur has to have patience to see his efforts bear fruit. In the intervening period (time gap between the conception and implementation of an idea and its results), an entrepreneur has to assume risk. If an entrepreneur does not have the willingness to assume risk, entrepreneurship would never succeed.



**Entrepreneurial Process:**

Entrepreneurship is a process, a journey, not the destination; a means, not an end. All the successful entrepreneurs like Bill Gates (Microsoft), Warren Buffet (Hathaway), Gordon Moore (Intel) Steve Jobs (Apple Computers), Jack Welch (GE) GD Birla, Jamshedji Tata and others all went through this process.

To establish and run an enterprise it is divided into three parts – the entrepreneurial job, the promotion, and the operation. Entrepreneurial job is restricted to two steps, i.e., generation of an idea and preparation of feasibility report. In this article, we shall restrict ourselves to only these two aspects of entrepreneurial process.



**Figure 4.1: The Entrepreneurial Process****1. Idea Generation:**

To generate an idea, the entrepreneurial process has to pass through three stages:

**a. Germination:**

This is like seeding process, not like planting seed. It is more like the natural seeding. Most creative ideas can be linked to an individual's interest or curiosity about a specific problem or area of study.

**b. Preparation:**

Once the seed of interest curiosity has taken the shape of a focused idea, creative people start a search for answers to the problems. Inventors will go on for setting up laboratories; designers will think of engineering new product ideas and marketers will study consumer buying habits.

**c. Incubation:**

This is a stage where the entrepreneurial process enters the subconscious intellectualization. The sub-conscious mind joins the unrelated ideas so as to find a resolution.

**2. Feasibility study:**

Feasibility study is done to see if the idea can be commercially viable.

It passes through two steps:

**a. Illumination:**

After the generation of idea, this is the stage when the idea is thought of as a realistic creation. The stage of idea blossoming is critical because ideas by themselves have no meaning.

**b. Verification:**

This is the last thing to verify the idea as realistic and useful for application. Verification is concerned about practicality to implement an idea and explore its usefulness to the society and the entrepreneur.

**DIFFERENT PHASE OF ENTREPRENEURSHIP:**

Like all processes, the entrepreneurial decision process entails a movement from something to something new - a movement from the present lifestyle to forming a new enterprise.

**Stage I: Change from Present Lifestyle**

This is the first stage in the entrepreneurial process It involves some change in the socioeconomic environment leading to changes in every aspect of life. The change creates needs for new goods and services. This leads to a decision to start a new company. It occurs when an individual perceives that forming a new enterprise is both desirable and possible.

**Stage II: New Venture formation**

The second stage involves starting the new venture. The perception that starting a new company is desirable results from an individual's culture, subculture, family, teachers and peers. A culture that values an individual who successfully creates a new business will spawn more venture formations than one that does not. An area with an entrepreneurial pool and a meeting

place where entrepreneurs and potential entrepreneurs can discuss ideas, problems, and solutions spawns more new companies than an area where these are not available.

### **Stage III: Possibility of New Venture formation**

The third stage centers on the question, “what makes it possible to form a new company?”. It is the process of extending the enterprise’s domain of competence by exploiting new opportunities through new combinations of available resources. Several factors and resources—government, background, role models, and finances contribute to the creation of a new venture. The government contributes by providing the infrastructure to help and support a new venture. Formal education and previous business experience give a potential entrepreneur the skills needed to form and manage a new enterprise. Marketing also plays a critical role in forming a new company. In addition to the presence of a market of sufficient size, there must also be a level of marketing knowhow to put together the best total package of product, price, distribution and promotion needed for successful product launch. Financial resources must also be readily available. Risk-capital availability plays an essential role in the development and growth of entrepreneurial activity.

### **Stage IV: Co-ordination**

The last and final stage is to co-ordinate the varied activities to achieve the entrepreneurial goals.

### **Importance of Entrepreneurship:**

#### **1. Development of managerial capabilities:**

The biggest significance of entrepreneurship lies in the fact that it helps in identifying and developing managerial capabilities of entrepreneurs. An entrepreneur studies a problem, identifies its alternatives, compares the alternatives in terms of cost and benefits implications, and finally chooses the best alternative.

This exercise helps in sharpening the decision making skills of an entrepreneur. Besides, these managerial capabilities are used by entrepreneurs in creating new technologies and products in place of older technologies and products resulting in higher performance.

#### **2. Creation of organizations:**

Entrepreneurship results into creation of organizations when entrepreneurs assemble and coordinate physical, human and financial resources and direct them towards achievement of objectives through managerial skills.

#### **3. Improving standards of living:**

By creating productive organizations, entrepreneurship helps in making a wide variety of goods and services available to the society which results into higher standards of living for the people. Possession of luxury cars, computers, mobile phones, rapid growth of shopping malls, etc. are pointers to the rising living standards of people, and all this is due to the efforts of entrepreneurs.

#### **4. Means of economic development:**

Entrepreneurship involves creation and use of innovative ideas, maximization of output from given resources, development of managerial skills, etc., and all these factors are so essential for the economic development of a country.

**Factors affecting Entrepreneurship:**

Entrepreneurship is a complex phenomenon influenced by the interplay of a wide variety of factors.

**Some of the important factors:****1. Personality Factors:**

Personal factors, becoming core competencies of entrepreneurs, include:

- (a) Initiative (does things before being asked for)
- (b) Proactive (identification and utilization of opportunities)
- (c) Perseverance (working against all odds to overcome obstacles and never complacent with success)
- (d) Problem-solver (conceives new ideas and achieves innovative solutions)
- (e) Persuasion (to customers and financiers for patronization of his business and develops & maintains relationships)
- (f) Self-confidence (takes and sticks to his decisions)
- (g) Self-critical (learning from his mistakes and experiences of others)
- (h) A Planner (collects information, prepares a plan, and monitors performance)
- (i) Risk-taker (the basic quality).

**2. Environmental factors:**

These factors relate to the conditions in which an entrepreneur has to work. Environmental factors such as political climate, legal system, economic and social conditions, market situations, etc. contribute significantly towards the growth of entrepreneurship. For example, political stability in a country is absolutely essential for smooth economic activity. Frequent political protests, bandhs, strikes, etc. hinder economic activity and entrepreneurship. Unfair trade practices, irrational monetary and fiscal policies, etc. are a roadblock to the growth of entrepreneurship. Higher income levels of people, desire for new products and sophisticated technology, need for faster means of transport and communication, etc. are the factors that stimulate entrepreneurship. Thus, it is a combination of both personal and environmental factors that influence entrepreneurship and brings in desired results for the individual, the organization and the society.

**Meaning of Entrepreneur:**

Entrepreneur is one who always searches for change, responds to it and exploits it as an opportunity. Innovation is a specific tool of entrepreneurs, the means by which they exploit change as an opportunity for different business or service. In general, an entrepreneur is one who innovates, raises money, assembles inputs, undertakes, risks, bears uncertainties and also performs the managerial functions of decision making and co-ordination.

**Definition of Entrepreneur**

According to F. A. Walker, “Entrepreneur is one who is endowed with more than average capacities in the task of organizing and coordinating the factors of production, i.e. land, labour capital and enterprises”.

According to Gilbraith, “An entrepreneur must accept the challenge and should be willing hard to achieve something”.

**FEATURES OF ENTREPRENEURS****1. Disciplined:**

Disciplined entrepreneurs are focused on making their businesses work, and eliminate any hindrances or distractions to their goals. They have overarching strategies and outline the tactics to accomplish them. Successful entrepreneurs are disciplined enough to take steps every day toward the achievement of their objectives.

**2. Confidence**

The entrepreneur does not ask questions about whether they can succeed or whether they are worthy of success. They are confident with the knowledge that they will make their businesses succeed. They exude that confidence in everything they do.

**3. Desire to Excel**

The first and foremost quality an entrepreneur should possess refers to a burning desire to excel. The entrepreneur should always engage in competitions with self imposed standards with himself to beat his last best performance. According to Mc Clelland, this high achievement motive strengthened him to surmount the obstacles, suppress anxieties, repair misfortunes and devise expedients. The entrepreneur must have a strong desire to be a winner.

**4. Hard Work**

Entrepreneurs who successfully build new enterprises possess an intense level of strong determination and willingness to work hard. They possess a capacity to work for long hours and in spurts of several days with less than normal amount of sleep. Through their hard work and intense desire to complete a task or solve a problem or overcome hurdles, they can able to achieve the never ending goal of excellence.

**5. Self Confidence**

Entrepreneurs must have confidence and belief in them to achieve their desired objectives. They strongly believe that they can beat any one in the field. They do not believe in status quo, rather they believe that the events in their life are self-determined and have little belief in fate.

**6. Initiative**

An entrepreneur must have initiative seeking personal responsibility for actions and use the available resources for optimization of objectives. They take full credit for the success and assume full responsibility for the failure of the enterprise.

**7. Moderate Risk**

Taker An entrepreneur must be a moderate risk taker and learn from failures. The successful entrepreneurs are neither high risk takers, nor gamblers. They work in between the

two extremes. They take moderate challenging risk to attain moderate returns which are influenced within their abilities and decisions.

### **8. Innovative**

An entrepreneur must be innovative and creative. Through his innovative ideas and creative thinking an entrepreneur can be able to engage himself in the analysis of various problems and situations in order to deal with them. An innovative entrepreneur introduces new products, develops new method of production, discovers new market and reorganize the enterprise.

### **9. Motivation**

An entrepreneur should have a strong motivation towards the achievement of a task and must be able to exert considerable efforts in getting things done by others. He should be a person who likes working with people and has skills in dealing with them. He has to motivate people to act, through his interpersonal skills.

### **10. Optimistic**

Entrepreneurs do not believe that the success or failure of a new business venture depends mostly upon luck or fate or external uncontrollable factors. They are highly optimistic about the success of the enterprises. They use positive knowledge to support their thinking. They are rarely negative. They always look at the brighter side of the situation. They are never disturbed by any internal or external threat to their business or intermittent problems in accomplishing their goals.

### **CHARACTERISTICS OF ENTREPRENEURS:**

A successful entrepreneur must be a person with the following characteristics:

**a) Mental ability:** It consists of intelligent and creative thinking and analysis of various problems, situations and anticipating change.

**b) Clear objectives:**

He should have a clear objective as to the exact nature of the business, the nature of the goods to be produced and subsidiary activities to under take to make profit.

**c) Secrecy:** He must be able to guard business secrets. He should be able to make a proper selection of his subordinates.

**d) Human relations ability:** An entrepreneur must maintain good relations with his customers and employees.

**e) Communication ability:** An entrepreneur who can communicate efficiently with customers, employees, suppliers and creditors will be more likely to succeed in his business than the entrepreneur who cannot.

**f) Technical knowledge:**

An entrepreneur must have reasonable level of technical knowledge. Robert D Hisrich has identified a few more capabilities or personal characteristics that an entrepreneur should possess: a) Motivation: He must build a team, keep it motivated and provide an environment for individual growth and career development. b) Self-confidence: Entrepreneurs must have belief in themselves and the ability to achieve their goals. c) Long-term involvement: An entrepreneur

must be committed to the project with a time horizon of 5 to 7 years. d) High energy level: He should have the ability to work for long hours for sustained periods of time. e) Initiative: He must have initiative, accepting personal responsibility for actions, and above all he must make good use of resources. f) Persistent problem solver: He must have an intense desire to complete a task or solve a problem. g) Goal setter: He should be able to set challenging but realistic goals. h) Moderate risk taker: An entrepreneur must be a moderate risk taker and he should learn from failures.

### **Types of Entrepreneurs:**

**Depending upon the level of willingness to create innovative ideas, there can be the following types of entrepreneurs:**

#### **1. Innovative entrepreneurs:**

These entrepreneurs have the ability to think newer, better and more economical ideas of business organization and management. They are the business leaders and contributors to the economic development of a country. Inventions like the introduction of a small car 'Nano' by Ratan Tata, organized retailing by Kishore Biyani, making mobile phones available to the common man by Anil Ambani are the works of innovative entrepreneurs.

#### **2. Imitating entrepreneurs:**

These entrepreneurs are people who follow the path shown by innovative entrepreneurs. They imitate innovative entrepreneurs because the environment in which they operate is such that it does not permit them to have creative and innovative ideas on their own. Such entrepreneurs are found in countries and situations marked with weak industrial and institutional base which creates difficulties in initiating innovative ideas. In our country also, a large number of such entrepreneurs are found in every field of business activity and they fulfill their need for achievement by imitating the ideas introduced by innovative entrepreneurs. Development of small shopping complexes is the work of imitating entrepreneurs. All the small car manufacturers now are the imitating entrepreneurs.

#### **3. Fabian entrepreneurs:**

The dictionary meaning of the term 'fabian' is 'a person seeking victory by delay rather than by a decisive battle'. Fabian entrepreneurs are those individuals who do not show initiative in visualizing and implementing new ideas and innovations wait for some development which would motivate them to initiate unless there is an imminent threat to their very existence.

#### **4. Drone entrepreneurs:**

The dictionary meaning of the term 'drone' is 'a person who lives on the labor of others'. Drone entrepreneurs are those individuals who are satisfied with the existing mode and speed of business activity and show no inclination in gaining market leadership. In other words, drone entrepreneurs are die-hard conservatives and even ready to suffer the loss of business.

#### **5. Social Entrepreneur:**

Social entrepreneurs drive social innovation and transformation in various fields including education, health, human rights, workers' rights, environment and enterprise development. They undertake poverty alleviation objectives with the zeal of an entrepreneur,



business practices and dare to overcome traditional practices and to innovate. Dr Mohammed Yunus of Bangladesh who started Grameen Bank is a case of social entrepreneur.

### **Types of Business**

Depending on the nature, size and type of business, entrepreneurs are divided into five categories:

#### **1. Business Entrepreneur:**

Business entrepreneurs are those who develop an idea for a new product or service and then establish an enterprise to materialize their idea into reality. Most of the entrepreneurs belong to this category because majority of entrepreneurs are found in the field of small trading and manufacturing concerns.

#### **2. Trading Entrepreneur:**

Entrepreneurs who undertake trading activities whether domestic or overseas are Trading Entrepreneurs. They have to identify the potential market for his product in order to stimulate the demand for the same. They push many ideas ahead of others in the form demonstration to promote their businesses.

#### **3. Industrial Entrepreneur:**

Industrial entrepreneurs essentially manufacture products and offer services, which have an effective demand in the marketing. They have the ability to convert economic resources and technology into a profitable venture. For example: Enterprises like **Hero Motorcorp** and **Hyundai Corporation**.

#### **4. Corporate Entrepreneur:**

Corporate Entrepreneurs are those who through their innovative ideas and skill able to organize, manage and control a corporate undertaking very effectively and efficiently. Usually, they are promoters of the undertakings/corporations, engaged in business, trade or industry.

#### **5. Agricultural Entrepreneur:**

Agricultural entrepreneurs are those who undertake agricultural as well as allied activities in the field of agriculture. They engage in raising and marketing of crops, fertilizers and other inputs of agriculture through employment of modern techniques, machines and irrigation.

#### **6. Use of Technology:**

The entrepreneurs may be classified into the following categories on the basis of application of new technology in various sectors of the economy.

##### **(i) Technical Entrepreneur:**

The entrepreneurs who are technical by nature in the sense of having the capability of developing new and improved quality of goods and services out of their own knowledge, skill and specialization are called a technical entrepreneur. They are essentially compared to craftsmen who concentrate more on production than marketing.

##### **(ii) Non-technical Entrepreneur:**

Non-technical entrepreneurs are those who are mainly concerned with developing alternative marketing and distribution strategies to promote their business. They are not concerned with the technical aspects of the product and services they are dealing with.

**7. Professional Entrepreneurs:**

Professional entrepreneurs make it their profession to establish business enterprises with a purpose, to sell them once they are established. He/she is always looking forward to develop alternative projects by selling the running business. He/she is not interested in managing operations of the business established by him. He/she is very dynamic.

**8. Motivation:**

Based on their motivating factors, entrepreneurs can be classified into three types such as spontaneous, induced and motivated entrepreneurs.

**(i) Spontaneous Entrepreneurs:**

Spontaneous Entrepreneurs are otherwise known as pure entrepreneurs, who are motivated by their desire for self-fulfillment and to achieve or prove their excellence in job performance. They undertake entrepreneurial activities for their personal satisfaction in work, ego, or status. Their strength lies in their creative abilities. They are the natural entrepreneurs in any society. They do not need any external motivation.

**(ii) Induced Entrepreneurs:**

Induced entrepreneurs enter into entrepreneurship because of various governmental supports provided in terms of financial assistance, incentives, concessions and other facilities to the people who want to set up of their new enterprises. Sometimes prospective entrepreneurs are induced or even forced by their special circumstance, such as loss of job or inability to find a suitable job according to their talent and merit to adapt to entrepreneurship.

**(iii) Motivated Entrepreneurs:**

Motivated Entrepreneurs are motivated by their desire to make use of their technical and professional expertise and skill in performing the job or project they have taken up. They have enough confidence in their abilities. They are highly ambitious and are normally not satisfied by the slow progress in their jobs. They enter entrepreneurship because of the possibility of making and marketing of some new products or service for the use of the prospective consumers. If the product or service is developed to a saleable stage and the customers accept the same, the entrepreneur is then further motivated by reward in terms of profit.

**Other Categories of Entrepreneurs:****1. First-Generation Entrepreneurs:**

These entrepreneurs start their industrial unit by means of their own innovative skill and expertise. They usually combine different technologies to produce marketable products or services for the consumers. They are essentially innovators having no entrepreneurial background.

**2. Inherited Entrepreneurs/ Second Generation Entrepreneurs:**

Inherited Entrepreneurs or entrepreneurs by inheritance are seen in India where they inherit the family business through succession and pass it from one generation to another.

**3. Third Generation Entrepreneurs:**

These are those types of entrepreneurs wherein their grandparents and parents have been entrepreneurs and they have inherited the business. This model is very commonly found in India.

**Functions of an Entrepreneur:**

**The important functions performed by an entrepreneur are listed below:**

**1. Innovation:**

An entrepreneur is basically an innovator who tries to develop new technology, products, markets, etc. Innovation may involve doing new things or doing existing things differently. An entrepreneur uses his creative faculties to do new things and exploit opportunities in the market. He does not believe in status quo and is always in search of change.

**2. Assumption of Risk:**

An entrepreneur, by definition, is risk taker and not risk shirker. He is always prepared for assuming losses that may arise on account of new ideas and projects undertaken by him. This willingness to take risks allows an entrepreneur to take initiatives in doing new things and marching ahead in his efforts.

**3. Research:**

An entrepreneur is a practical dreamer and does a lot of ground-work before taking a leap in his ventures. In other words, an entrepreneur finalizes an idea only after considering a variety of options, analyzing their strengths and weaknesses by applying analytical techniques, testing their applicability, supplementing them with empirical findings, and then choosing the best alternative. It is then that he applies his ideas in practice. The selection of an idea, thus, involves the application of research methodology by an entrepreneur.

**4. Development of Management Skills:**

The work of an entrepreneur involves the use of managerial skills which he develops while planning, organizing, staffing, directing, controlling and coordinating the activities of business. His managerial skills get further strengthened when he engages himself in establishing equilibrium between his organization and its environment.

However, when the size of business grows considerably, an entrepreneur can employ professional managers for the effective management of business operations.

**5. Overcoming Resistance to Change:**

New innovations are generally opposed by people because it makes them change their existing behavior patterns. An entrepreneur always first tries new ideas at his level.

It is only after the successful implementation of these ideas that an entrepreneur makes these ideas available to others for their benefit. In this manner, an entrepreneur paves the way for the acceptance of his ideas by others. This is a reflection of his will power, enthusiasm and energy which helps him in overcoming the society's resistance to change.

**6. Catalyst of Economic Development:**

An entrepreneur plays an important role in accelerating the pace of economic development of a country by discovering new uses of available resources and maximizing their utilization.

To better appreciate the concept of an entrepreneur, it is desirable to distinguish him from an entrepreneur and promoter. Table 4.1 outlines the distinction between an entrepreneur and

entrepreneurs, and Table 4.2 portrays basic points of distinction between an entrepreneur and promoter.

**Table 4.1: Distinction between Entrepreneur and Intrapreneur:**

**Intrapreneurship**

An inside entrepreneur, or an entrepreneur within a large firm, who uses entrepreneurial skills without incurring the risks associated with those activities. Intrapreneurs are usually employees within a company who are assigned a special idea or project, and are instructed to develop the project like an entrepreneur would. Intrapreneurs usually have the resources and capabilities of the firm at their disposal. The intrapreneur's main job is to turn that special idea or project into a profitable venture for the company also called corporate entrepreneurship. Coined in the 1980s by management consultant **Gifford Pinchot**, intrapreneurs are used by companies that are in great need of new, innovative ideas. An Intrapreneur is someone who has an entrepreneurial streak, but chooses to align his/her talents with a large organization in place of creating his/her own. To the classic entrepreneur, this may be puzzling, but these are a growing class of 21st century „employees“. Smart organizations will seek out individuals who like to invent, innovate, and want to be on the front lines of change. These individuals can work independently but even more important can work seamlessly as part of an integrated team structure and also effectively embrace and embody the culture of the entrepreneur’s host organization. Intrapreneurs are most successful when management empowers and supports them and in turn the Intrapreneurs represent the best interests of their organizations, while earning the respect of corporate peers.

**Why is Intrapreneurship necessary?**

It is the best way to retain talented staff. Otherwise, most of them will just quit and develop these ideas on their own. It will be a win-win situation for both the organization and the talented employee.

**Entrepreneur**

Entrepreneur is a person “who starts an enterprise” He works for himself & also provides employment to others.

**Intrapreneur**

Intrapreneur’s are new breed of managers emerging in big organizations. The senior level managers are encouraged by the entrepreneur, to generate new ideas & the convert them into products research & developmental activities within the framework of an organization. They are given freedom to operate on their own. They are encouraged to think themselves as entrepreneurs within the enterprise.

<b>Dimensions</b>	<b>Entrepreneur</b>	<b>Intrapreneur</b>
Dependency	An entrepreneur is independent in his operations	An intrapreneur’s action is dependent on the decision of entrepreneur, the owner
Raising of funds	An entrepreneur himself raise funds required for an enterprise	Funds are not raised by the intrapreneur
Risk	Entrepreneur bears the risk involved in the business	An intrapreneur does not fully bear the risk involved in the enterprise.
Operations	An entrepreneur operates from outside	An intrapreneur operates from within the organization itself.

**Table 4.2: Distinction between Entrepreneur and Promoter:**

Basis	Entrepreneur	Promoter
<ul style="list-style-type: none"> <li>• Stage of business</li> <li>• Owning business</li> <li>• Nature of job</li> <li>• Example</li> </ul>	<ul style="list-style-type: none"> <li>— From conception to continuation— Owns the enterprise— Includes everything</li> <li>— Any business</li> </ul>	<ul style="list-style-type: none"> <li>— To bring a business into existence— May or may not own— Highly specialized</li> <li>— A consultant or a chartered account and offering services</li> </ul>

**Difference between Entrepreneur and Manager:**

An Entrepreneur is basically a person who set up their own business. A manager is a person who manages things. The primary difference between an entrepreneur and a manager is that while an entrepreneur works for themselves, a manager works for someone else.



Many people these days tend to use terms that other may not really understand. Entrepreneur and Manager are two such terms. What does an Entrepreneur or a Manager actually do? What are their duties? How are they similar or different? An Entrepreneur is basically a person who sets up their own business. They are responsible for every single factor in that business, no matter how small or how big. They also end up taking the financial responsibility of the business, which means that if the business fails, they lose money and/or credibility. In the initial stages, an entrepreneur and their business are interchangeable, i.e. One means the other. The definition of a manager is simple enough. A manager is a person who manages things. The thing that he or she manages can be anything, no matter how small, or how big. However, the

primary difference between an entrepreneur and a manager is that while an entrepreneur works for themselves, a manager works for someone else. A manager is usually hired by something to handle or manager tasks on their behalf.



Depending on each individual, an entrepreneur may take on the tasks of the manager, especially in the initial stages of setting up the business. Here, the entrepreneur may need to hire people, manage them, as well as manage the business. Hence, in these kinds of scenarios the role of the manager and the entrepreneur are interchangeable. On the other hand, some entrepreneurs may choose to hire a manager and delegate these tasks to them, so that they pay be able to focus on the larger scope of the business, such as getting more clients, or developing more products, etc.; though it should be noted that these tasks can be delegated to a manager as well, if the entrepreneur chooses.

**Comparison between Entrepreneur and Manager:**

	<b>Entrepreneur</b>	<b>Manager</b>
Definition (Oxford Dictionaries)	A person who sets up a business or businesses, taking on financial risks in the hope of profit.	A person responsible for controlling or administering an organization or group of staff
Business	Set up their own business	Work in someone else’s business
Role	Owner	Employee
Financial Risks	Take on the financial risks of the business	Does not take on the financial risks of the business
Reward	Profit	Salary

Management	Manages the business and the people involved, i.e. staff	Manages the business and the people involved, i.e. staff
Focus	Business startup	Ongoing operations

### **Some Myths about Entrepreneurship:**

Over the years, a few myths about entrepreneurship have developed. These are as under:

#### **(i) Entrepreneurs, like leaders, are born, not made:**

The fact does not hold true for the simple reason that entrepreneurship is a discipline comprising of models, processes and case studies. One can learn about entrepreneurship by studying the discipline.

#### **(ii) Entrepreneurs are academic and socially misfits:**

Dhirubai Ambani had no formal education. Bill Gates has been a School drop-out. Therefore, this description does not apply to everyone. Education makes an entrepreneur a true entrepreneur. Mr Anand Mahindra, Mr Kumar Mangalam Birla, for example, is educated entrepreneurs and that is why they are heroes.

#### **(iii) To be an entrepreneur, one needs money only:**

Finance is the life-blood of an enterprise to survive and grow. But for a good idea whose time has come, money is not a problem.

#### **(iv) To be an entrepreneur, a great idea is the only ingredient:**

A good or great idea shall remain an idea unless there is proper combination of all the resources including management.

#### **(v) One wants to be an entrepreneur as having no boss is great fun:**

It is not only the boss who is demanding; even an entrepreneur faces demanding vendors, investors, bankers and above all customers.

An entrepreneur's life will be much simpler, since he works for himself. The truth is working for others are simpler than working for one. One thinks 24 hours a day to make his venture successful and thus, there would be a punishing schedule.

### **Merits and demerits of being an entrepreneur:**

#### **Merits:**

- a. They can work as per their choice and on any idea and not confined to someone's instructions.
- b. For the entrepreneurs who love to take high risks, the entire process is an exciting adventurous journey.
- c. The luxury of being your own boss and freedom working under someone else.
- d. Their earnings will be worth of their own efforts. They'll not be judged by a fixed salary for their worth.
- e. The feeling contributing a product or service that is unique and original

**Demerits:**

- a. Owing to the fact that the enterprise will be entirely innovative and first of its kind, it is difficult to find employees with the right experience. They've to tackle the employees who may not have much insight into what is happening or the employees with little or not experience on the given task.
- b. A consistent income like salary is not guaranteed.
- c. The entrepreneur being the decision maker, he has to be much more cautious as even a small wrong decision taken can have huge impact on the enterprise.
- d. An entrepreneur has to work many more than regular working hours and should be ready to tackle any emergencies at any time.
- e. The benefits of a salaried job like medical insurance, holidays etc will not be available, especially during the initial phase of starting the enterprise.

**Distinguish between an entrepreneur and entrepreneurship:**

<b>Entrepreneur</b>	<b>Entrepreneurship</b>
An entrepreneur is a person or a group of persons, who establishes an enterprise, take the risks, accumulates all the resources required to carry out production or perform services and creates an innovative product or service.	Entrepreneurship refers to all actions executed by the entrepreneur to establish an enterprise.
An entrepreneur is a person or group of persons who try to innovate new products or services.	Entrepreneurship is the process of innovating new products or services and streamlines the resources required to commercialize these products or services.
Entrepreneur will be constantly trying to innovate and bring about changes with respect to factor proportions.	Entrepreneurship is the process followed to create value.

**An entrepreneur should possess the following entrepreneurial functions:**

**a. Innovation:** An entrepreneur should be innovative enough to bring about the change in a product or service or means of production or raw material used in the production. They should innovate and bring about a change in one or more of these. They should innovative enough to recognize the commercial value in their innovation and extract economic advantage from it.

**Risk-Taking:** They should be ready to face any unexpected risk while going through the entrepreneurship process. The should be intelligent enough to diversify the risk in



1. production
2. investment
3. expansion of the enterprise

**b. Building of Organization:** The entrepreneur should have enough organizing and managing skills to utilize the resources with minimum loss and bring down the production costs. Being the sole decision maker for the enterprise, the entrepreneur should be able to make decision regarding which parts of the business need to expand and where the investment should go to.

**Need of entrepreneurship is inevitable for a country's economy. How do you justify this fact?**

- b. In the developing countries like India, Entrepreneurship plays significant role in the Economic Development of a country. In India, after the Government has made economic reforms in the economy, the role of entrepreneurs has increased considerably. The more the number of innovative entrepreneurs, the better is the rate of economic development in the country. This is the reason why the growth rate has been slower before the economic reforms and the growth rate has increased after the economic reforms.
- c. **Life-line of any country:** Entrepreneurs will provide a measure of the development of a country as they contribute to the trade, whose measure in-turn represents the progress of a country.
- d. **Source of Innovation:** Entrepreneur innovate new ideas, improvements to the existing products or services and opens the possibilities of new markets. They bring about a change to increase the productivity of available resources. Thereby they contribute to the economic development of a country.
- e. **Growth Spirit:** The entrepreneur molds the changing environment to the advantage of the enterprise. They help in overcoming the challenges posed for the automation and the complexities of advanced technology.
- f. **Increased profit margins:** Entrepreneurs with their innovative methods and practice reduce the cost of product/operation and increase the profits. There by they lay the foundation for future growth and development.
- g. **More Jobs:** Entrepreneurship involves establishment or expansion of an enterprise. This creates more employment opportunities.
- h. **Social Gain:** As entrepreneurship results in improved products and services at a reduced cost, there by improving the standard of living. It facilitates optimum utilization of the scarce resources, and encourages peace and prosperity in the society.

**Promotional functions of an entrepreneur.**

The following are the various essential promotional functions to be exhibited by the entrepreneur.

**Discovery of an idea:** The entrepreneur should be innovative to discover innovative ideas and commercially exploit them. The ideas could be related

- Innovative or more effective utilization of natural resources
- An innovative venture with high profitability
- Opportunities to tap more profitability from an existing enterprise.

After innovating the idea, the entrepreneur discusses the feasibility of his idea with the experts in those areas. Once approved further analysis can be carried out.

**Exhaustive investigation/analysis:** After confirming the feasibility of commercial prospects of an idea, the entrepreneur will do a thorough analysis of various factors and come up with estimates. The following are the primary components which require estimates.

- Money
- Man power
- Materials
- Machines
- Power requirement

**Accumulation of resources:** After confirming the feasibility of the commercial implementation, the entrepreneur will start

- Gathering the business partners
- If the product/service is innovative he should apply and get the patent.
- Identify and acquire the location
- Gather the machines
- Contact the vendors for raw material supply.

**Financing the proposition:** After estimating the investment requirement into various factors of implementation, the entrepreneur will start looking into various sources of financing. He will decide

- Long term
- Short term

Financing options:

He will also decide about the type of the financing sources like

1. Debenture
2. Loan
3. Share

### **Myths of Entrepreneurship:**

According to Guy Kawasaki, many entrepreneurs believe a set of myths about entrepreneurship, the most common being:

#### **1. Starting a business is easy**

Actually it is not. Most people, who begin the process of starting a company, fail to get one up and running. Seven years after beginning the process of starting a business, only one third of entrepreneurs have a new company with positive cash flow greater than the salary and expenses of the owner for more than three consecutive months. But small entrepreneurships are comparatively easier to start.

**2. It takes a lot of money to finance a new business**

The typical start-up only requires about Rs.1,50,000/- to get going. The successful entrepreneurs, who don't believe the myth, design their businesses to work with little cash. They rent instead of buying. And they turn fixed costs into variable costs by, say, paying people commissions instead of salaries for example; Infosys was started with only Rs. 10,000/-.

**3. Start-ups can't be financed with debt**

Actually, debt is more common than equity. A lot of entrepreneurs use debt rather than equity to fund their companies. However, the composition of debt and equity will have to be worked upon.

**4. Banks don't lend money to start-ups**

This is another myth. Banks and various government schemes have been implemented with the idea of providing finance to budding entrepreneurs.

**5. Most entrepreneurs start businesses in attractive industries**

Most entrepreneurs head right for different industries for start-ups. The correlation between the number of entrepreneurs starting businesses in an industry and the number of companies failing in the industry is 0.77. That means that most entrepreneurs are picking industries in which they are most likely to fail. Mahima Mehra started Hathi Chaap. It was totally a new venture where different raw materials were tried out to make handmade paper. After researching a lot, they found that elephant dung had more fiber content which made it easy to make handmade paper.

**6. Most enterprises are successful financially**

This is also another myth. Entrepreneurship creates a lot of wealth, but it is very unevenly distributed. The typical profit of an owner-managed business is Rs.2, 40,000 per year. Only the top ten percent of entrepreneurs earn more money than employees. And, the typical entrepreneur earns less money than he/she otherwise would have earned, working for someone else.

**Advantages and Disadvantages of Entrepreneurship:**

To everything in life, there are advantages and disadvantages; entrepreneurship is no exception. As a matter of fact, entrepreneurship involves a lot of risk taking. Yet, it can pay off very well, with rewards such as profits, the opportunity to be your own boss and make your own decisions. Here are some advantages and disadvantages to consider:

**Advantages**

- Excitement: Due to its high capacity for risk, there is a lot of adventure for example, Steve Jobs left his position in Apple Inc., and started Pixar, which later turned out to be a successful venture.
- Originality: Some feel that they can offer a new service or product that no one else has offered before, i.e., I-pod and I-pad
- Independence: Some wish to be their own boss and make all the important decisions themselves.
- Rational salary: They are not being paid what they are worth and would rather work on their own and earn the money they should be earning for their efforts.

- Freedom: Entrepreneurs can work on any idea which they feel will eventually turn out to be a successful venture, for instance, Richard Branson's idea of space mission.

### Disadvantages

- Salary: Starting your own business means that you must be willing to give up the security of a regular pay check.
- Benefits: There will undoubtedly be fewer benefits, especially when considering that your business will be just starting off.
- Work schedule: The work schedule of an entrepreneur is never predictable; an emergency can come up in a matter of a second and late hours may become the norm.
- Administration: All the decisions of the business must be made on his/her own; there is no one ranked higher on the chain of command in such a business, and the fear of a wrong decision can have its own effect.
- Incompetent staff: Most of the time, the entrepreneurs will find themselves working with employees who "don't know the ropes" as well as they do, due to lack of experience.

### Motivation – An Important Factor

The performance of an entrepreneur is dependent on his/her ability and willingness to perform. Here, by ability we mean a function of education, experience and skill and by willingness we mean to perform depending upon the level of motivation. Motivation is one of the fundamental factors required for an entrepreneur to promote his/her ideas.

#### Why is Motivation Required?

The term motivation has been derived from the word 'motive' which is nothing but what prompts any person to act in a particular manner. Motives are the definition of a person's goals, dreams and needs. They direct human behavior to towards achieving their goal.

When everything is properly organized, then what is the need of motivation?

The following points answer this question and gives an idea **why motivation is an important factor for an entrepreneur** –

- **Tough competition** – An entrepreneur needs to face tough competition, in order to sustain and make a mark in this global market. To cope with this competition, motivation is required at each stage of the firm.
- **Unfavorable environment** – Nobody knows what the future holds. One has to take care of the current economy and should be prepared for the worst situations of deteriorating economic conditions. For this, motivation and optimism is essential.
- **To create public demand** – Market runs by the people and for the people. To run a business profitably, it is required to create a public demand for your product or service in the market and attract as many customers as possible. To do this in the right way, motivation is required.
- **To enhance creativity** – Market always wants something new and different. If every firm offers the same product without any variation then there is no point of preferring

one brand in particular. To sustain one has to be innovative. Add some new features in the existing products and services, make them more user friendly in a considerable budget. This requires motivation too.

- **To increase productivity** – It is very important to take care of the quality of the product as well as the profit. People will always prefer a product which is cost efficient and of good quality. So, motivation is required for increase the productivity.

Thus motivation plays a unique role in establishing a company by frequently boosting the entrepreneur to do effective things efficiently.

### **What Motivates an Entrepreneur?**

Many research studies have been conducted by researchers to understand and answer this question so that the factors that motivate people to take all the risk and start a new enterprise can be identified.

The **6Cs that motivate entrepreneurs** to establish their own business are as follows –

- **Change** – Entrepreneurs frequently want change, not only change; they also want to be the bearers of change. They are solution givers and want to interrupt the status quo. They have a vision like "I want to assemble the world's information" or "I want to put an AC at every desk" and they take an attempt to make this change. In this attempt, some succeed and some fail.
- **Challenge** – some people love challenges and they opt for starting a new business as it is very challenging to handle big problems. These people find typical job in a big corporate as boring and not challenging enough.
- **Creativity** – Running one's own business is all about being more creative and having the independence to make new discoveries. For example, testing a new website design, launching a new marketing scheme, creating inventive items that solve a known issue in a different way, creating new advertising campaigns, etc. One needs to have an infinite room to welcome and introduce creativity in a small business.
- **Control** – Some people tend to start a business because they don't want to be pushed around and work for a product/company in which they have no way to shape their destiny. They want to be their own boss having their own time, own pace, location of their choice, employees of their choice and have a progressive role in deciding the direction of the company.
- **Curiosity** – Successful entrepreneurs are always anxious and ask – "what if we do X this way?" They want to have more than one option to do a work and choose the best one from them. They want to understand the customer's perceptions, point of views, markets and competitors. They are frequently anxious to see how their particular theory like "people want to do A with B" works. In this aspect, they can't be differentiated from a scientist who is trying to prove his theorem.
- **Cash** – The last but not the least part is the cash. Money says it all. Many non entrepreneurs have a misconception that cash comes first for entrepreneurs but this is never really true. If this would be the case, then there is no reason for an Ellison or Gates

to keep expanding their business aggressively after they have made more than billion dollars. However, money is not the primary motivation.

From the above discussion, it can be said that the highest motivating factor is the urge to get something or the drive to do something differently.

#### Results of Motivation

Successful entrepreneurship needs determination, freedom, discipline, connectivity and an abundance of skills in planning. People with a complete package of physical strength combined with perseverance, mental strength, and self-discipline have the passion and urge to succeed. **With proper motivation, we get the following outcomes –**

- **Heavy industrialization** – Tremendous growth can be seen in industrialization. Example: Companies like TISCO, TELCO have been set up and are flourishing.
- **Self-employment** – A common man gets a chance to make a difference, set a new standard of industrial growth. Example: Entrepreneurs like Dhirubhai Ambani and Azim Premji are born.
- **Economic growth** – When there is growth in an individual's economy, there is a growth in the company's economy, which in turn results in the growth of that particular area and country. Example: Emergence of smart cities concept.
- **Creating new jobs** – More entrepreneurship leads to more job openings. More job openings lead to more employment opportunities.
- **Proper social benefit** – When a country's economy grows or increases we see that more advanced and proper social benefits are provided to the general public like construction of roads, school, hospital, colleges, etc.

Entrepreneurial drive is the inbuilt encouragement some people possess to make something happen. It is the energy that pushes one forward as a founder and forces not to give up in the face of failure, ultimately leading to success.

#### **ENTERPRISE**

Enterprise is an organization engaged in a business activity. It is an integrated whole of values, orientation, vision of entrepreneur and his workforce, mission, major objectives and strategic interest. Essential features of enterprise are: a) It consists of people who work together to produce products or services for consumption. b) An enterprise utilizes raw materials, machinery, space and other inputs to produce or sell. c) It makes comparison between its costs (inputs) and gains (outputs). d) It is a continuing entity: It is not an adhoc effort to produce a single product but rather a recurring effort to produce a stream of products. In short, an enterprise is an undertaking involving some economic activity, particularly a new idea not necessarily an unknown activity. It may or may not involve innovation. But always involves risk-taking, decision-making and coordination for resources. The success of an enterprise depends upon several factors, internal and external to the business world. Entrepreneurs try to monitor and cope with business environment through techniques like business forecasting, contingency planning etc.

**"Entrepreneurs are made not born."- Comment on the statement:**

"Entrepreneurs are made not born." It is true that family environment, religious, cultural conditioning and commercial orientation of a region may create a favorable atmosphere for entrepreneurial growth. But these generic factors are necessary conditions rather than sufficient one. It has been observed that a great many highly intelligent and energetic persons never become entrepreneurs. Studies all over the world throw lot of evidences that "Entrepreneurial traits and tendencies are acquired characteristics or learned behavior".

Entrepreneurs typically show higher levels of risk tolerance and ability to cope with ambiguity. They are also alert to opportunities, in the sense that they are able to make connections between apparently unrelated events and turn that into a business. They are also incorrigibly optimistic, creative in finding resources and solutions to problems. They are also highly self-confident in their ability and have a strong belief in their own motivations and abilities. But entrepreneurs are not born with all these characteristics. To be successful as an entrepreneur we need to be in the right environment where we either formally learn how to do it or absorb it from our families and surroundings. We also need a strong motivator who helps entrepreneurs to build enterprise. He needs capital for establishing enterprise. So, we can say that, entrepreneurs are made not born.

### **Role of Entrepreneurship in Economic Development**

The entrepreneur is the key to the creation of new enterprises that energize the economy and rejuvenate the established enterprises that make up the economic structure. Entrepreneurs initiate and sustain the process of economic development in the following ways:

- i. **Capital formation:** Entrepreneurs mobilize the idle savings of the public through the issues of industrial securities. Investment of public savings in industry results in productive utilization of national resources. Rate of capital formation increases which is essential for rapid economic growth. Thus, an entrepreneur is the creator of wealth.
- ii. **Improvement in per capita income:** Entrepreneurs locate and exploit opportunities. They convert the latest and idle resources like land, labour and capital into national income and wealth in the form of goods and services. They help to increase. Net National Product and per capita income in the country, which are important yardsticks for measuring economic growth.
- iii. **Generation of employment:** Entrepreneurs generate employment both directly and indirectly. Directly, self-employment as an entrepreneur offers the best way for independent and honorable life. Indirect, by setting up large and small scale business units they offer jobs to millions. Thus, entrepreneurship helps to reduce the unemployment problem in the country.
- iv. **Balanced regional development:** Entrepreneurs in the public and private sectors help to remove regional disparities in economic development. They set up industries in backward areas to avail of the various concessions and subsidies offered by the Central and State Governments. Public sector steel plants and private sector industries by Modis, Tatas, Birlas and other have put the hitherto unknown places on the international map.
- v. **Improvement in living standards:** Entrepreneurs set up industries which remove scarcity of essential commodities and introduce new products. Production of good on mass scale and

manufacture of handicrafts, etc., in the small scale sector help to improve the standard of life of a common man. These offer goods at lower costs and increase variety in consumption.

vi. **Economic independence:** Entrepreneurship is essential for national self-reliance. Industrialists help to manufacture indigenous substitutes of hitherto imported products thereby reducing dependence on foreign countries. Businessmen also export goods and services on a large scale and thereby earn the scarce foreign exchange for the country. Such import substitution and export promotion help to ensure the economic independence of the country without which political independence has little meaning.

vii. **Backward and forward linkages:** An entrepreneur initiates change which has a chain reaction. Setting up of an enterprise has several backward and forward linkages. For example, the establishment of a steel plant generates several ancillary units and expands the demand for iron ore, coal, etc. these are backward linkages. By increasing the supply of steel, the plant facilitates the growth of machine building, tube making, utensil manufacturing and such other units.

### **Entrepreneurs Personality Types:**

Business personality type encompasses the traits and characteristics of your personality and how well those traits blend with the needs of the business. There are several common personality types that thrive in an entrepreneurial environment. Nine common types of entrepreneur personalities are described below. Begin by identifying your dominant personality traits so you can understand how you operate in your business and what you may need to do to become even more successful.

#### **1. The Improver**

If you operate your business predominately in the improver mode, you are focused on using your company as a means to improve the world. Your overarching motto is: morally correct companies will be rewarded when working on a noble cause. Improvers have an unwavering ability to run their business with high integrity and ethics.

**Personality alert:** Be aware of your tendency to be a perfectionist and over-critical of employees and customers.

#### **2. The Advisor**

This business personality type will provide an extremely high level of assistance and advice to customers. The advisor's motto is: the customer is right and we must do everything to please them. Companies built by advisors become customer focused.

**Personality alert:** Advisors can become totally focused on the needs of their business and customers that they may ignore their own needs and ultimately burn out.

#### **3. The Superstar**

Here the business is centered on the charisma and high energy of the Superstar CEO. This personality often will cause you to build your business around your own personal brand.

**Personality alert:** Can be too competitive and are often classified as workaholics who find it difficult to take a vacation or step away for a break.



#### 4. The Artist

This business personality is the reserved but a highly creative type, and is often found in businesses demanding creativity such as web design and ad agencies. As an artist type, you'll tend to build your business around your unique talents and creativities.

**Personality alert:** You may be overly sensitive to your customer's responses even if the feedback is constructive.

#### 5. The Visionary

A business built by a Visionary will often be based on the future vision and thoughts of the founder. You will have a high degree of curiosity for understanding the world around you and will set-up plans to avoid the landmines.

**Personality alert:** Visionaries can be too focused on the dream with little focus on reality. Action must precede vision.

#### 6. The Analyst

If you run a business as an Analyst, your company is focused on fixing problems in a systematic way. Often the basis for science, engineering or computer firms, Analyst companies excel at problem solving.

**Personality alert:** Be aware of analysis paralysis. Work on trusting others.

#### 7. The Fireball

A business owned and operated by a Fireball is full of life, energy and optimism. Your company is life-energizing and makes customers feel that the company can get it done in a fun playful manner.

**Personality alert:** You may over commit your teams and act to impulsively. Balance your impulsiveness with business planning.

#### 8. The Hero

You have an incredible will and ability to lead the world and your business through any challenge. You are the essence of entrepreneurship and can assemble great companies.

**Personality alert:** Over promising and using force full tactics to get your way will not work long term. To be successful, trust your leadership skills to help others find their way.

#### 9. The Healer

If you are a Healer, you provide nurturing and harmony in your business. You have an uncanny ability to survive and persist with an inner calm.

**Personality alert:** Because of your caring, healing attitude toward your business, you may avoid outside realities and use wishful thinking. Use scenario planning to prepare for turmoil.

Each of these business personality types can succeed in the business environment if you stay true to your character. Knowing firmly what your strong traits are can act as a compass for your small business. If you are building a team, this insight is invaluable. For the solo business owner, understand that you may need outside help to balance your business personality.

#### Entrepreneurship and Environment

Entrepreneurship does not emerge and grow spontaneously. Rather it is dependent upon several economic, social, political and psychological factors. These environmental factors may

have both positive and negative influences on the growth of entrepreneurship. Positive influences imply facilitating and conducive conditions whereas negative influences refer to factors inhibiting the emergence of entrepreneurship. Various environmental factors influencing the emergence of entrepreneurship are given below:

**(a) Economic Conditions:** Economic environment exercises perhaps the most direct and immediate influence on entrepreneurship. Capital, labour, raw materials and markets are the main economic factors.

**Capital:** Capital is one of the most important prerequisites to establish an enterprise. Availability of capital facilitates the entrepreneur to bring together the labour of one, machine of another and raw material of yet another to combine them to produce goods. Capital is, therefore, regarded as a lubricant to the process of production. As capital supply increases, entrepreneurship also increases.

**Labour:** The quality and quantity of labour is another factor which influences the emergence of entrepreneurship. It is noticed that cheap labour is often less mobile or even immobile. And, the potential advantages of low-cost labour are negated by the deleterious effect of labour immobility. The disadvantages of high-cost labour can be modified by introduction of labour-saving innovations as was done in the USA. Thus, it appears that labour problems can be solved more easily than capital can be created.

**Raw Materials:** The necessity of raw materials hardly needs any emphasis for establishing any industrial activity and, therefore, its influence in the emergence of entrepreneurship. In the absence of raw materials, neither any enterprise can be established nor can an entrepreneur emerge.

**Market:** The fact remains that the potential of the market constitutes the major determinant of probable rewards from entrepreneurial function. Frankly speaking, if the proof of pudding lies in eating, the proof of all production lies in consumption/marketing. The size and composition of market both influence entrepreneurship.

**(b) Social Factors:** Social environment in a country exercises a significant impact on the emergence of entrepreneurship. The main components of social environment are as follows:

**Legitimacy of Entrepreneurship:** The social status of those playing entrepreneurial role has been considered one of the most important contents of entrepreneurial legitimacy. To increase the legitimacy of entrepreneurship, some scholars have proposed the need for a change in traditional values, which are assumed to be opposed to entrepreneurship.

**Entrepreneurship** will be more likely to emerge in settings in which legitimacy is high.

**Social Mobility:** Social mobility involves the degree of mobility, both social and geographical, a high degree of mobility is conducive to entrepreneurship.

**Security:** Several scholars have advocated entrepreneurial security as an important facilitator of entrepreneurial behavior.

**Security** is a significant factor for entrepreneurship development. This is reasonable too because if individuals are fearful of losing their economic assets or of being subjected to various negative sanctions, they will not be inclined to increase their insecurity by behaving entrepreneurially.

(c) **Psychological Factors:** Many entrepreneurial theorists have propounded theories of entrepreneurship that concentrate specifically upon psychological factors. Entrepreneurial classes develop because it provides them psychological satisfaction.

(d) **Governmental Influence:** The government by its actions or its failure to act does influence both the economic and non-economic conditions for entrepreneurship. Any interested government in economic development can help, through its clearly expressed Industrial policy, promote entrepreneurship in one way or other. By creating basic facilities, utilities and services and by providing incentives and concessions, the government can provide the prospective entrepreneurs a facilitative socio-economic setting. Such conducive setting minimizes the risks which the entrepreneurs are to encounter. Thus, the supportive actions of the government appear as the most conducive to the entrepreneurial growth. This is true of the Indian entrepreneurship also.

**Table: Factors Influencing Entrepreneurship**

Facilitating Factors	Barriers
1. Technical knowledge	1. Lack of technical skills
2. Entrepreneurial training	2. Lack of market knowledge
3. Market contacts	3. Lack of seed capital
4. Family business	4. Lack of business knowledge
5. Availability of capital	5. Social stigma
6. Successful rolemodels	6. Time pressures and distractions
7. Local manpower	7. Legal and bureaucratically constraints
8. Capable advisors and supporters	8. Patent inhibitions
9. Supplier assistance	9. Political instability
10. Governmental and institutional support	10. Non cooperative attitude of banks and other institutions

**Barriers to Entrepreneurship**

The factors which inhibit the growth of entrepreneurship may be classified under two categories.

**Environmental Barriers Personal Barriers**

- (i) Economic (i) Motivational
- (ii) Social (ii) Perceptual
- (iii) Cultural
- (iv) Political

**Environmental:**

The Development of entrepreneurship is often influenced by environmental factors like economic, social, cultural and political. These conditions or factors may have both positive and negative influences on the emergence and growth of entrepreneurship.

**Economic:**

The factors which are responsible for economic development such as land, labour, capital, material, market etc., are equally responsible for the development of entrepreneurship. Thus, an environment, where all these factors are available to the entrepreneurs, will naturally support and promote entrepreneurship. On the other hand, if any of these factors are not available or of inadequate quality and quantity, they can become barriers to entrepreneurship. **For example:** Unavailability of cash deters an entrepreneur from starting a new venture.

**Social:**

Sociological factors such as caste structure, mobility of labour, customer needs, cultural heritage, respect for senior citizens, values etc. might have a far reaching impact on business. In India, attitudes have changed with respect to food and clothing as a result of industrialization, employment of women in factories and offices, and the increased level of education. This has resulted in the growth of food processing and garment manufacturing units thus the emergence and growth of a new class of entrepreneurs. **For example:** Readymade shirts, instant food, vending machines for tea and eatables.

**Cultural:**

Every society has its own cultural values, beliefs and norms. If the culture of a society is conducive to creativity, risk-taking and adventurous spirit, in such a cultural milieu entrepreneurship will get encouragement. **For example:** An entrepreneur will have to keep in mind the cultural reference of the region that he/she is going to cater to, this will enable him/her to get a quicker acceptance in that region.

**Political:**

It provides the legal framework within which business is to function. The viability of business depends upon the ability with which it can meet the challenges arising out of the political environment. This environment is influenced by political organizations, stability, government's intervention in business, constitutional provisions etc. **For example:** War tension between two countries can also stop the trade between these countries.

**Personal:**

In a given society, a few people may take up the career of entrepreneurship. Even among the societies which are considered entrepreneurially progressive, only a selected few ventures to set-up their own enterprises.

**Perceptual:**

There are certain perceptual barriers that can hamper the progress of an entrepreneur. Lack of a clear vision and misunderstanding of a situation, can result in a faulty perception. Having preconceived notions and prejudices against a particular business activity will leave limited choices. **For example:** One should overcome the barriers of selecting a business venture according to one's gender. There is hardly a business left where both the genders have not explored and achieved equal success.

**Motivational:**

Sustained motivation is an essential input in any entrepreneurial venture. Lack of motivation is a strong barrier to entrepreneurship. Many entrepreneurs start with enthusiasm, but when they face some difficulties in the execution of their plans, they lose motivation. **For example:** Failure of a venture.

## UNIT – II

### ENTREPRENEURIAL ENVIRONMENT

Business Environment - Role of Family and Society - Entrepreneurship Development Training and Other Support Organizational Services - Central and State Government Industrial Policies and Regulations - International Business.

#### **Business Environment**

The emergence and development of entrepreneurship is not a spontaneous one but a dependent phenomenon of economic, social, political, psychological factor often nomenclature as supporting condition to entrepreneurship development. These factors may have both positive and negative in ounce on the emergence of entrepreneurship. Negative influence create inhabiting milieu to the emergence of entrepreneurship. For analytical purpose this conditions factor are grouped and discussed under two categories (i.e.)

#### **Economic factor and non-economic factor**

##### **Economic Factor:**

##### **Capital**

Capital is one of the most important prerequisites to establish an enterprise. If only a capital is available, entrepreneur can bearing land, machine and raw material and together produce goods 'Capital is regarded as lubricants/fuel to the process of production' Increase in capital investment, capital output ratios tends to increase. Capital -----output ratio-----  
--Profit. This suggests that capital supply increases entrepreneurship also increases.

##### **Labour:**

Quantity rather quality of labour innocence the emergence of entrepreneurship cheap labour is often less mobile or even immobile. Adam smith considers division of labour as an important element in economic development. According to him division of labour as an important element it depends. Up on the size of the market leads to improvement in the productive capacities of labour due to an increase in the dexterity (i.e.) improvement in skills, grace and cleverness) of labour. It appears that labour problem clearly does not prevent entrepreneurship for emerging.

##### **Raw material:**

The necessity of raw material hardly needs any emphasis for establishing any industrial activity. In the absence of raw material neither any enterprises nor entrepreneur can emerge. In some cases "technological innovations can compensate for raw material inadequate. The Japanese case for example, witness that "Lack of raw material clearly does not prevent entrepreneurship from emerging but in hence the directions in which entrepreneurship took place". In fact, supply of raw materials is not influenced by them but became in entail depending

upon the opportunity conditions. The more favourable these conditions are, the more likely is the raw material to have it is in fenced on entrepreneurial emergence.

□ **Market:**

Potential of the market constitutes the major determinant of provable rewards from entrepreneurial function. "The proof of pudding lies in eating, the proof of all production lies in conceptions (i.e.) marketing." "Both size and composition of market in hence entrepreneurship in their own ways" Monopoly in a particular product in a Particular market becomes in entail for entrepreneurship than a competitive market. Lands hold the opinion that improvements in transportation are more beneficial to heavy industry than to light industry because of their effect on the movement of raw materials. Wilken claims that instances of sudden rather than 'Gradual improvement in market potential provide the clearest evidence of the in influence of entrepreneurship. Germany and Japan as the prime examples where rapid improvement in market was followed by rapid entrepreneurial appearance.

**Non - Economic Factor:**

Sociologist and psychologist advocate that the in influence of economic factor on entrepreneurial emergence largely depends upon the extends of non economic factor (i.e) social and psychological in the society.

**Social Conditions:**

□ **Legitimacy of entrepreneurship:**

The proponents of non-Economic factors gives emphasis to the relevance of a system of norms and values with in socio culture setting for the emergence of entrepreneurship. The social status of those playing entrepreneurial role has been considered one of the most important content of entrepreneur legitimacy. To increase the legitimacy of entrepreneurship scholar have purpose the need for change in the traditional values, which are assumed to be opposite to entrepreneurship. "McClelland had also pointed out that a complete change may not be necessary for entrepreneurial appearance". Instead, they submit a re - interpretation of the traditional values or its synthesis with the newer values to increase entrepreneurial legitimacy.

□ **Social mobility:**

Social mobility involves degree of mobility, both social and geographical and the nature of mobility channel with in a system. "Social mobility is crucial for entrepreneurial emergence is not unanimous".

**2.2 Role of Family and Society**

Hoselitz's need for openness of a system. McClelland's need for edibility in a role of relation implied the need for the possibility of mobility with in a system for entrepreneurship development.

In contrast, group of scholars who express the view that a lack of mobility possibilities promotes entrepreneurship. Some even speak of entrepreneurship as in to an action in a rigid social system. Third opinion is the combination of edibility and the denial of social mobility. It is

also printed out that the degree and nature of social mobility alone is not likely to influence entrepreneurship, it as determined by other non economic factors.

□ **Marginality:**

Scholars hold a strong view that social marginalized also promote entrepreneurship. They believe that individuals are grouped on the perimeter of a given social system or between two social systems provide the personnel to assume the entrepreneurial roles. People may be drawn from religious cultural, ethnic or migrant minority groups and their marginal social position is generally believed to have psychological effects which make entrepreneurship particularly attractive for them.

□ **Security:**

Entrepreneurial security is an important facilitator of entrepreneurial behaviors. Scholars are not consensus (same) on the amount of security that is needed. We also regard security to be a significant factor for entrepreneurship development. This is reasonable too because if individuals are fearful of tossing their economic assets.

**Psychological factors:**

□ **Need achievement:**

David McClelland's theory of need achievement states that, a constellation (gathering) of personality characteristics which are indicative of high need achievement is the major determinant of entrepreneurship development. 'Average level of need achievement in a society is relatively high; one could expect a relatively high amount of ED in the society'. To encourage the impact of motivation for achievement, many training programs are organized by the SIEI - Small Industries Extension training Institute.

□ **Withdrawal of status respect:**

Hagen believes the initial condition leading to eventual entrepreneurial behavior is the loss of status by a group. He postulates four types of events that can produce status withdrawals,

3. The group may be displaced by force,
4. It may have its valued symbols denigrated
5. It may drift from into a situation of status inconsistency.
6. It may not be accepted the expected status or migration in a new society.

The further postulates that withdrawal of status of respect would give rise to four personality types:

- 1. Retreatist:** he who continues to work in a society but remains different to his work and position.
- 2. Ritualist:** he who adopts a kind of defensive behavior and acts in the way accepted and approved in his society but no hopes of improving his position.
- 3. Reformist:** he is a person who foments a rebellion and attempts to establish a new society.
- 4. Innovator:** he is a person who is creative individual and is likely to be an entrepreneur. Hagen maintains that once status withdraws has occurred, the sequence of change information of personality is set in motion, he refers that 'Status withdrawal takes a long period of time as much as 4 or 5 generations to result in the emergence of ED'.



**□ Government Actions (Factors):**

Government by its actions or failure to act does influence both the economic and non-economic factor for entrepreneurship. Any interested government in economic development can help through its clearly expressed policies, promoting entrepreneurship, creating basic facilities, utilities and services providing incentives and concessions, providing good facilitative socio economic setting to minimize the risks for entrepreneur. 'to conclude, in the societies where the government was committed to their economic development, entrepreneurship automatically nourishes'. The fact remains that the various factors are observed in the preceding pages will cause emergence of entrepreneurship are integral, interlocking, mutually dependent and mutually Reinforcing. On the whole, the various factors in fencing the emergence of entrepreneurship can now be put as per the following model developed by Abdul Aziz Mahmud.

**Entrepreneurship Development Programmes (EDPs) in India: A Historical Perspective!**

It will not be less than correct to say that India got the political freedom on 15<sup>th</sup> August 1947, but not the economic freedom. And attainment of economic freedom i.e., emancipation from poverty and unemployment was the biggest challenge before the country. The war for economic freedom started in 1950 in the form of planned development. Then, it was realized that the way to get rid of poverty and unemployment lies in the effective exploitation of hidden potential in the country. For this the policy makers started advocating the promotion and development of small- scale industries in the country. As a result, small – sector was recognized as employment- oriented sector during the early sixties.

The employment-oriented thinking for small sector underwent changes by the end of sixties and now small sector was recognized as an effective instrument to utilize the entrepreneurial potential remained hitherto dormant in the country. Realizing the various problems faced by the entrepreneurs in establishing enterprises, the Government decided to offer promotional package to the entrepreneurs. Promotional package included financial help and incentives, infrastructural facilities, and technical and managerial guidance provided through various supporting organizations of the Central, State and local levels.

This experience made the planners and policy makers realize that facilities and incentives are, of course, necessary for establishing enterprises, but are not sufficient to solicit adequate response from the entrepreneurs. Hence, now it was realized that emphasis on human development is a necessary condition for entrepreneurship development. As such, the serious thinking on entrepreneurship development began from here. Concerted efforts on entrepreneurship development in India started with the establishment of Small Industry Extension and Training Institute (SIET), now NISIET, in 1962 in Hyderabad. SIET got an opportunity with support from Harvard University to do pioneering work in entrepreneurship development in India.

SIET in collaboration with Prof. David C. McClelland of Harvard University conducted 5-years' training and research programmes in Rajamundi, Kakinada and Vellur towns of Andhra

Pradesh and Tamil Nadu. McClelland proved that, through proper education and training, the vital quality of an entrepreneur, which McClelland called 'need for achievement' (n' ach) can be developed. The fact remains that McClelland's this successful experiment proved to be a seed for entrepreneurship development in India which has by now become a movement as EDP (Entrepreneurship Development Programmes) in the country.

It is against this background now the Government and financial institutions started thinking to develop entrepreneurship in the country through training programmes. It was the Gujarat Industrial Investment Corporation (GIIC) which for the first time started a three-month training programme on entrepreneurship development in 1970. This programme was designed to unleash the talent of potential entrepreneurs and some selected entrepreneurs. Special emphasis was given on three aspects:

- (i) Establishment of small-scale enterprises,
- (ii) Its management, and
- (iii) To earn profits out of it. By the latter half of 1970s', the news of GIIC's EDP spread to the other parts of the country also.

A major initiative to foster economic development in the North East India took place with the establishment of the North Eastern Council (NEC) in 1972. The main objective of the NEC was to promote economic development of the NER through inter-state plans and bring the NER to the mainstream of the country. This is a matter of great satisfaction that the NEC has since been seriously involved in its task of regional development. Two more significant efforts were initiated in 1973 with an objective to remove the economic backwardness of the region. One, the establishment of the North Eastern Industrial and Technical Consultancy Organization, (NEITCO) to impart training on entrepreneurship development, and second, the establishment of the Entrepreneurial Motivation Training Centers (EMTCs) in its six district headquarters of Assam. Since EMTC was one of the oldest and noblest initiatives taken in the field of entrepreneurship development in the country, some mention about the same seems pertinent.

The State Planning Board of the Government of Assam, under the dynamic leadership of the then Chief Minister, took the initiative in requesting SIET Institute, Hyderabad to be associated with training and research in the field of entrepreneurship development in Assam with specific focus on self – employment for the educated unemployed youth of the State (Mali 2000). In response to it, the SIET Institute organized two training programmes for three weeks duration each in 1973, for the officers of Government of Assam One training programme was focused on entrepreneurship development for a selected band of officers from the departments of industry, agriculture, animal husbandry, public works and other departments and financial institutions of the Government of Assam.

The training programme included inputs like various methods and techniques of identification and development of prospective entrepreneurs, development of entrepreneurial personality, and identification of economic opportunities for setting up small-scale enterprises in the State. Functional areas of management for establishing and operating small enterprises on sound lines were also included in the training programmes. Second the another simultaneous

training was imparted to the another group of officers of the industries department to encourage people to establish small-scale industries, undertake industrial potential surveys, select growth centers, plan infrastructure facilities, and develop business profiles.

Integrated entrepreneurship development model and plan were evolved as a result of SIET's experience and realization that entrepreneurship development is a multi-disciplinary task, and the long-range plan should be executed through well coordinated and orchestrated institutional support.

The integrated model of entrepreneurship development proposed by SIET included five main components, namely:

- (i) Local organization to initiate and support potential entrepreneurs till the break-even stage,
- (ii) Inter-disciplinary approach,
- (iii) Strong information support,
- (iv) Training as an important intervention for entrepreneurial development, monitoring and evaluation, and
- (v) Institutional financing.

Initially EMTCs were established in six centers in Assam under the State Planning Board, which were monitored by 26 officers trained by SIET in May 1973. The team in each centre consisted of multi – disciplinary talents. It is learnt that in 1979, after a comprehensive evaluation of the performance of EMTCs by SIET Institute, the programme was transferred from the State Planning Board to the Industries Department. Three more centers were added to the earlier six locations.

The nine EMTCs where the programme was being implemented were as follows: Mangaldoi (Darrang District), Silchar (Cachar District), Diphu (Karbi Analog District), Jorhat (Jorhat District), Dhemaji (Dhemaji District), Kokrajhar (Kokrajhar District), in 1973, Dibrugarh (Dibrugarh District), Nalbari (Nalbari District) and Nagaon (Nagaon District), in 1979.

SIET and Small Industry Development Organization (SIDO) through Small Industry Services Institute (SISI) and Industrial Development Bank of India (IDBI) and Technical Consultancy Organizations (TCOs) started organizing EDPs.

The encouraging results of these efforts culminated to the establishment of Centre for Entrepreneurship Development (CED), Ahmadabad in 1979. Here, it is noteworthy that CED, Ahmadabad was the first centre of its kind wholly committed to the cause of entrepreneurship development. Inspired and influenced by the success of CED, Ahmadabad; the national-level financial institutions such as IDBI, IFCI, ICICI and SBI with active support from the Gujarat Government sponsored a 'Nation Resource Organization', called 'Entrepreneurship Development Institute of India (EDI)', Ahmadabad, in 1983.

This institute was entrusted with the responsibility of extension and institutionalization of entrepreneurship development activities in the country which the Institute has been discharging successfully. Almost at the same time of establishment of EDI in 1983, the Government of India established 'National Institute for Entrepreneurship and Small Business Development' (NIESBUD) to coordinate entrepreneurship development activities in the country.

In course of time, some State Governments with the support from national level financial institutions established state-level Center for Entrepreneurship Development (CED) or Institute of Entrepreneurship Development (IED). By now, the twelve States, viz., Bihar, Goa Gujrat, Himachal Pradesh, Jammu & Kashmir, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Tamil Nadu, and Uttar Pradesh have established either CED or IED. EDPs in these states were conducted by the TCOs before the establishment of CEDs or IEDs. According to the study of NIESBUD, some 686 organizations are involved in conducting EDPs in the country which have imparted training to thousands of people by conducting hundreds of EDPs.

### **Entrepreneurship development program:**

#### **Introduction:**

In recent years, the entrepreneur and Entrepreneurship Development Program (EDP) has become a serious matter of discussion. There are several organizations engaged in conducting EDPs in India.

#### **Meaning:**

Entrepreneurial Development Program means a program conducted to help a person in strengthening his entrepreneurial motive and in acquiring skill and capabilities required for promoting and running an enterprise efficiently. A program which is conducted with a motive to promote potential entrepreneurs, understanding of motives, motivational pattern, their impact on behavior and entrepreneurial value is termed as an entrepreneurial development program. There are a number of programs which give information to the prospective entrepreneurs regarding a new business idea, how to set up a new venture, how to prepare a project report, sources of finance etc. These programs should not be confused with EDP; these are all a part of the EDP. EDP is primarily concerned with developing, motivating entrepreneurial talent and understanding the impact of motivation on behavior.

A well designed EDP envisages three tiered approach: 1. Developing achievement motivation and sharpening entrepreneurial traits and behavior. 2. Guidance on industrial opportunities, incentives, facilities and rules and regulations. 3. Developing managerial and operational capabilities.

#### **Importance:**

Entrepreneurs are considered as agents of economic growth. They create wealth, generate employment, provide new goods and services and raise the standard of living. EDP is an effective way to develop entrepreneurs which can help in accelerating the pace of socioeconomic development, balanced regional growth, and exploitation of locally available resources. It can also create gainful self-employment. An EDP equips entrepreneurs and makes them competent to anticipate and deal with a variety of problems that any entrepreneur may have to face. It gives confidence to the entrepreneur to face uncertainties and take profitable risks. It prepares them to deserve and make good use of various forms of assistance. The EDP can be beneficial in the following ways:

**♣ Economic Growth:**

EDP is a tool of industrialization and path to economic growth through entrepreneurship.

**♣ Balanced Regional Development:**

EDP helps in the dispersal of economic activities in different regions by providing training and other support to local people.

**♣ Eliminates Poverty and Unemployment:**

EDPs provide opportunities for self-employment and entrepreneurial careers.

**♣ Optimum use of Local Resources:**

The optimum use of natural, financial and human resources can be made in a country by training and educating the entrepreneurs.

**♣ Successful Launching of New Unit:**

EDP develops motivation, competence and skills necessary for successful launching, management and growth of the enterprise.

**♣ Empowers New Generation Entrepreneurs:**

EDP, by inculcating entrepreneurial capabilities and skill in the trainees, create new generation entrepreneur who hitherto was not an entrepreneur

**Course Contents and Curriculum:**

Once the selection procedure for entrepreneurs is over, the selected persons have to be equipped with managerial and technical skills to start their enterprises. In such entrepreneurship development programs, there are participants with a variety of backgrounds and qualities. Therefore, a package of training inputs is provided during the program which is usually of six weeks duration. It consists of the following six inputs.

**♣ General Introduction to Entrepreneurship:**

The participants are exposed to a general knowledge of entrepreneurship such as factors affecting small-scale industries, the role of entrepreneurs in economic development, entrepreneurial behavior and the facilities available for establishing small-scale enterprises.

**♣ Achievement Motivation Training (AMT):**

The purpose of the AMT is to develop the attitude towards risk-taking, initiative and other such behavioral or psychological traits. A motivation development program creates self-awareness and self-confidence among the participants and enables them to think positively and realistically. Without achievement motivation training, an EDP becomes an ordinary executive development program. Motivation training initiates to strive for excellence, to take calculated risk, to use feedback for improvement, sense of efficiency etc.

**♣ Support System and Procedures:**

The participants have to be exposed to agencies like the local banks and other financial institutions, industrial service corporations and other institutions dealing with the supply of raw-materials, equipments etc. The program on support system needs to include the procedures for approaching them, applying and obtaining assistance from them and availing of the services

provided by them. A linkage between the training institute and support system agencies can be established with the participation of these agencies in sponsoring and financing EDPs.

♣ **Market Survey and Plant Visit:**

In order to familiarize the participants with real life situations in small business, plant visits are also arranged. Such visits help the participants to know more about an entrepreneur's behavior, personality, thoughts and aspirations. Moreover, the participants should be given opportunity to conduct market surveys for their respective projects. This would help to expose the participant to the market avenues available and could be followed by sessions on methods of dealing in the markets.

♣ **Managerial Skill:**

Since a small entrepreneur cannot employ management experts to manage his enterprise, he needs to be imparted basic and essential managerial skills in the functional areas like finance, production and marketing knowledge of managerial skills enables an entrepreneur to run his enterprise smoothly and successfully.

**Objectives of EDPs:**

1. Develop and strengthen their entrepreneurial quality (i.e.,) motivation or need for the achievement.
2. Analyze environmental setup relating to small industry and small business.
3. Select product
4. Formulate project for the product.
5. Understand the process and procedure involved in setting up a small enterprise.
6. Know the sources of help and support available for starting a small scale industry.
7. Acquire the necessary managerial skills required to run a small enterprise.
8. To know the pros and cons in becoming an entrepreneur.
9. Appreciate the needed entrepreneurial disciplines.

**Problem faced by EDP:**

1. Trainer - motivations are not found up to the mark in motivating the trainees to start their own enterprises.
2. ED organization lack in commitment and sincerity in conducting the EDPs.
3. Non-conductive environment and constraints make the trainer - motivator's role ineffective.
4. The antithetic attitude of the supporting agencies like banks and financial institutions serves as stumbling block to the success of EDPs.
5. Selection of wrong trainees also leads to low success role of EDPs.

Problems are not with the strategy but with its implementations'. One way of evaluating the *EDPs* to assess their e effectiveness in developing 'Need for Achievement' among the entrepreneurs. This is also called 'the qualitative evaluation' of EDP. The behavioral scientists used the following criteria to assess the e effectiveness of EDPs in motivating the Entrepreneurs.

1. Activity level of the respondents
2. New enterprise established

3. Total investments made
4. Investments in and asset made
5. Number of peoples employed
6. Number of jobs created
7. Increase in profit
8. Increase in sales
9. Quality of product/services improved
10. Quicker repayment of loans.

The Entrepreneurial behavior is measured on the following four dimensions.

#### **Institutional support to small entrepreneurs:**

##### **SIDO (Small Industries Development Organization)**

SIDO is a subordinate office of the department of SSI and ARI. It is an apex body and monitoring the policies for formulating, coordinating and monitoring the policies and programmes for promotion and development of small scale industries. The main functions of SIDO are classified into (1) Coordination - To evolve national policies, to coordinate between various govts. Coordinate the programmes for the development of industrial estates. (2) Industrial development - To reserve items for production by small scale industries; render required support for the development of ancillary units (3) Extension - To improve technical process, production, selecting appropriate machinery, preparing factory layout and design.

##### **NSIC (National Small Industries Corporation Ltd)**

NSIC an enterprise under the union ministry of industries, was set up in 1955 to promote, aid and foster the growth of small scale industries in the country, to provide machinery on repurchase scheme to SSI, to provide equipment leasing facility, to help in export marketing of the provided products of SSI, to participate in bulk purchase programme of the Government, to impart training in various industrial trades, to undertake the construction of industrial estates.

##### **SSIB (Small Scale Industries Board)**

The government of India constituted a SSIB in 1954 to advice on development of small scale industries in the country. SSIB is also known as central small industries board. SSIB is created to facilitate coordination and inter institutional linkages. It is an apex advisory body to render service, advice to the government to all issues pertaining in the development of SSI. 'Industrial minister is the Chairman'.

##### **SSIDC (State Small Industries Development Corporations)**

SSIDC were set up in various states under the company's act 1956, as state government undertaking to cater to the primary developmental need of the time, village industries in the state union territories under this jurisdiction. Important functions are (i) to procure and distribute scarce raw materials (ii) to supply machinery on hire purchase system (iii) to provide assistance for marketing of the products of SSI. (iv) To construct industrial estates/ sheds, providing allied infrastructure facilities and their maintenance.

**SISIs (Small Industries Service Institutes)**

The SISIs are set up to provide consultancy and training to small entrepreneurs both existing and prospective. The main functions are, to serve as interface between central and state government to render technical support services. To supply promotional programmes To conduct EDP programmes

**DICs (The District Industries Centres)**

DICs were started on May 8, 1978 with a view to provide integrated administrative framework at the distinct level for promotion of small scale industries in rural areas. Functions : The DICs role is mainly promotional and development (i) To conduct industrial potential surveys keeping in view the availability of resources in terms of material and human skills, infrastructure demand for product etc. To prepare techno-economic surveys and identify product lines and then to provide investment advice to entrepreneurs. (ii) To prepare an action to e effectively implement the schemes identified. (iii) To guide entrepreneurs in matters relating to selecting the most appropriate machinery and equipment sources of supply and procedure for procuring imported machinery.

**TCO (Technical Consultancy Organization)**

A network of technical consultancy organizations was established by the All India Financial Institutions in the seventies and eighties in collaboration with the state level financial and development institutions and commercial banks to cater to the consultancy needs of small business and new entrepreneurs.

**Financial Institutions:**

- Commercial banks
- IDBI
- IFCI
- ICICI
- LIC
- UTI
- SFCs
- SIDBI
- EXIM BANK

**Support Institutions**

- NSIC
- SIDO
- SSIB
- SSIDC
- SISIs
- DICS
- INDUSTRIAL ESTATES



### UNIT III

#### **BUSINESS PLAN PREPARATION**

Sources of Product for Business - Prefeasibility Study - Criteria for Selection of Product - Ownership - Capital - Budgeting Project Profile Preparation - Matching Entrepreneur with the Project - Feasibility Report Preparation and Evaluation Criteria.

#### **Business Plan**

Business plan is an integral part of the management of a financial institution. It should build the institution's aims and objectives. It is a documented conclusion of how the business will create its resources to achieve its goals and how the institution will evaluate progress.

Business plan is an inclusive plan, which is the outcome of comprehensive planning by the institution's managers and management. It should practically predict market demand, customer base, and competition, ecological and economic conditions. The plan must mirror sound banking standards and illustrate practical assessment of risk with respect to economic and competitive conditions in the market to be served.

An institution with a special objective or focus like debit card, credit card, trust only, cash management, or bankers' bank should domicile this special or unique characteristic in detail in the appropriate sections of the plan.

#### **Sources of Product**

The motto of sourcing a product might seem exciting to a new entrepreneur, but it's really very simple and easy. It simply means searching for products at an average price that can easily resell at a retail price.

While establishing a new enterprise like some e-commerce site or a physical retail business, an entrepreneur needs a stable, flexible and reliable source of inventory. Otherwise, the entrepreneur ends up disappointing the customers through absence of product variety, back orders and many more.

#### **Pre-Feasibility Study**

A feasibility study provisions as a filter, cleaning and screening of ideas with absence of potential for building a successful entrepreneurship. An entrepreneur promises the required resources for constructing a business plan. On the other hand, business planning is a "planning tool or machinery used for converting an idea into reality.

It constructs on laying a base of the feasibility study but ensures a more comprehensive examination of the business. It is very important to motivate feasibility study whenever necessary by entrepreneurs as they target the workability and profitability of a business venture. It regulates if the business plan is viable or not, so that the client's money, time, effort, and resources for an entrepreneurship could be saved.

### Criteria for Selection of Product

Mostly, it is preferred to select a bunch of criteria depending on which selection of the product could depend on. Ranks or costs or weights are allocated to each criteria to achieve an objective examination.

There are three basic stages or steps in selection of products or services. These are –

- **Idea Generation** – Ideas or investment opening come from different sources, like business or economical newspapers, institutes for researches, consultation firms, natural resources, universities, competitors and many more. Idea generation begins from a simple examination of the business's strengths and weakness. Ideas are also spawned through brainstorming, desk research and different types of management consensus procedures.
- **Evaluation** – Screening or filtering of the product ideas is the initial stage of evaluation. They mark the potential value of a product, time, money and tools required, fitting of potential product into the business's long range sales plan and availability of skilled people to monitor its marketability. Every product or asset that is identified should be modestly examined. A pre-feasibility study is expected at this stage in order to get a clear picture for different associated aspects like cost and benefit of the product market, technical and financial aspect, etc.
- **Choice** – A product that is commercially viable, technically feasible and economically desirable is chosen and relevant machineries are set in motion.

### Ownership

Owning a business is the first decision to be made in constructing a business. The main reasons to own a business are –

- Being the sole trader
- Being a partner
- Being a shareholder or stakeholder

Sole ownership means all decisions are to be made by self and profits can be owned. However, the sole trader needs to monitor lots of responsibilities and duties and needs to work extremely hard.

Establishing a partnership makes it possible to distribute the workload, but profits have to be shared and there may be conflicts between partners. Establishing a private company, makes it possible to increase extra capital for the business by selling shares. In contrast, building up a company needs time and paper work. Shareholders take a portion of the profits. When the business is expanded across the nation, it is declared as a public company and its shares are traded on the stock exchange.

### Capital

In terms of entrepreneurship, capital can be described as a region's funding with factors conducive to the construction of new entrepreneurship and it creates a positive impact on the region's economic output.

Higher level of entrepreneurship capital regions express higher levels of output and productivity, in contrast to those lacking entrepreneurship capital that tend to produce lower levels of output and productivity. The result of entrepreneurship capital is powerful than that of knowledge capital.

Entrepreneurs are expected to hold three types of capital to acquire success in starting a new venture –

- **Social capital** – It is a quality acquired from the structure of an individual's network relationships. It is not an intrinsic feature of an individual. The network is owned by the members of the network and is not solely the property of the individual. Social capital ensures the relationships by which an entrepreneur receives opportunities to utilize human and financial capital.
- **Human capital** – It indicates attributes possessed by individuals like personality, education, intelligence, and job experience. Creating value by the acquisition of human capital, specifically building a management team tends to be the biggest challenge for seed stage founders and investors of new ventures. A start-up with an experienced management team will receive a higher valuation by investors.
- **Financial capital** – It is any economic resource scaled with respect to money used by entrepreneurs and businesses to purchase what they need to make their products, or to facilitate their services to the sector of the economy upon which their operation is based, like retail, corporate, investment banking, etc.

### **Growth Strategies in Business**

Small companies or businesses always look for ways to grow their business and increase sales and profits. There are probable techniques that companies must use for executing a growth strategy. The technique used by a company to expand business is highly dependent upon its financial situation, the competition and even government regulations and policies.

Some **common growth strategies marked in small scale business** are –

- Market penetration
- Market expansion
- Product expansion
- Diversification
- Acquisition

### **Market Penetration**

One of the growth strategies reported in business is market penetration. A small company uses a market penetration strategy when it agrees to market existing products within the same market. Increasing market share is the only way of growing through existing products and markets.

Market share is the share of unit and dollar sales a company acquires within a certain market when compared to all other competitors. The best way to increase the market share is by lowering the prices of the commodities.

**Market Expansion**

Market expansion is another remarkable growth strategy, which is often referred to as market development that involves selling current products in a new market. There are different reasons explaining why a company needs to consider a market expansion strategy.

Competition may be such that there is no scope for growth within the current market. If an entrepreneur is unable to search for new markets, then it is not possible to increase sales or profits. A small company considers using market expansion strategy if it successfully finds use of its product in a new market.

**Product Expansion**

A small scale company can expand its line of products or add new features to increase sales and profits. When small companies use a product expansion technique, it is also referred as product development.

The selling continues within the current market. A product expansion growth strategy basically works well when there is a change in technology. Companies may also be compelled to add new products as older ones become outdated.

**Diversification**

Growth strategies in business involve diversification. By diversification, we mean a company selling new products in new markets. This type of strategy is highly prone to risk and losses.

A small company acknowledges the plan carefully while utilizing a diversification growth strategy. Marketing research is important to identify if consumers in the new market will potentially like as well as buy the new products.

**Acquisition**

Growth strategies or method to expand business also engages acquisition of other businesses. In acquisition, a company purchases another company to expand its functions. A small company uses this type of strategy to bolster its product line and enter new markets.

An acquisition growth strategy is very risky, but not as risky as a diversification strategy, as in this case the products and market are already authorized. A company must have complete knowledge of exactly what it wants to achieve when using an acquisition strategy, mainly due to the significant investment required to execute it.

**An Introduction to Business Plans:**

A business plan is a written description of your business's future. That's all there is to it--a document that describes what you plan to do and how you plan to do it. If you jot down a paragraph on the back of an envelope describing your business strategy, you've written a plan, or at least the germ of a plan.

Business plans can help perform a number of tasks for those who write and read them. They're used by investment-seeking entrepreneurs to convey their vision to potential investors. They may also be used by firms that are trying to attract key employees, prospect for new business, deal with suppliers or simply to understand how to manage their companies better.

So what's included in a business plan, and how do you put one together? Simply stated, a business plan conveys your business goals, the strategies you'll use to meet them, potential problems that may confront your business and ways to solve them, the organizational structure of your business (including titles and responsibilities), and finally, the amount of capital required to finance your venture and keep it going until it breaks even.

Sound impressive? It can be, if put together properly. A good business plan follows generally accepted guidelines for both form and content. There are three primary parts to a business plan:

- **The first is the business concept**, where you discuss the industry, your business structure, your particular product or service, and how you plan to make your business a success.
- **The second is the marketplace section**, in which you describe and analyze potential customers: who and where they are, what makes them buy and so on. Here, you also describe the competition and how you'll position yourself to beat it.
- **Finally, the financial section** contains your income and cash flow statement, balance sheet and other financial ratios, such as break-even analyses. This part may require help from your accountant and a good spreadsheet software program.

Breaking these three major sections down even further, a business plan consists of seven key components:

1. Executive summary
2. Business description
3. Market strategies
4. Competitive analysis
5. Design and development plan
6. Operations and management plan
7. Financial factors

In addition to these sections, a business plan should also have a cover, title page and table of contents.

### **How Long Should Your Business Plan Be?**

Depending on what you're using it for, a useful business plan can be any length, from a scrawl on the back of an envelope to, in the case of an especially detailed plan describing a complex enterprise, more than 100 pages. A typical business plan runs 15 to 20 pages, but there's room for wide variation from that norm.

Much will depend on the nature of your business. If you have a simple concept, you may be able to express it in very few words. On the other hand, if you're proposing a new kind of business or even a new industry, it may require quite a bit of explanation to get the message across.

The purpose of your plan also determines its length. If you want to use your plan to seek millions of dollars in seed capital to start a risky venture, you may have to do a lot of explaining and convincing. If you're just going to use your plan for internal purposes to manage an ongoing business, a much more abbreviated version should be fine.

### Who Needs a Business Plan?

About the only person who doesn't need a business plan is one who's not going into business. You don't need a plan to start a hobby or to moonlight from your regular job. But anybody beginning or extending a venture that will consume significant resources of money, energy or time, and that is expected to return a profit should take the time to draft some kind of plan.

**Startups:** The classic business plan writer is an entrepreneur seeking funds to help start a new venture. Many, many great companies had their starts on paper, in the form of a plan that was used to convince investors to put up the capital necessary to get them under way. Most books on business planning seem to be aimed at these startup business owners. There's one good reason for that: As the least experienced of the potential plan writers, they're probably most appreciative of the guidance. However, it's a mistake to think that only cash-starved startups need business plans. Business owners find plans useful at all stages of their companies' existence, whether they're seeking financing or trying to figure out how to invest a surplus.

**Established firms seeking help:** Not all business plans are written by starry-eyed entrepreneurs. Many are written by and for companies that are long past the startup stage. Walker Group/Designs, for instance, was already well-established as a designer of stores for major retailers when founder Ken Walker got the idea of trade marking and licensing to apparel makers and others the symbols 01-01-00 as a sort of numeric shorthand for the approaching millennium. Before beginning the arduous and costly task of trade marking it worldwide, Walker used a business plan complete with sales forecasts to convince big retailers it would be a good idea to promise to carry the 01-01-00 goods. It helped make the new venture a winner long before the big day arrived. "As a result of the retail support up front," Walker says, "we had over 45 licensees running the gamut of product lines almost from the beginning." These middle-stage enterprises may draft plans to help them find funding for growth just as the startups do, although the amounts they seek may be larger and the investors more willing. They may feel the need for a written plan to help manage an already rapidly growing business. Or a plan may be seen as a valuable tool to be used to convey the mission and prospects of the business to customers, suppliers or others.

### Plan an Updating Checklist

Here are seven reasons to think about updating your business plan. If even just one applies to you, it's time for an update.

1. A new financial period is about to begin. You may update your plan annually, quarterly or even monthly if your industry is a fast-changing one.
2. You need financing, or additional financing. Lenders and other financiers need an updated plan to help them make financing decisions.
3. There's been a significant market change. Shifting client tastes, consolidation trends among customers and altered regulatory climates can trigger a need for plan updates.

4. Your firm develops or is about to develop a new product, technology, service or skill. If your business has changed a lot since you wrote your plan the first time around, it's time for an update.
5. You have had a change in management. New managers should get fresh information about your business and your goals.
6. Your company has crossed a threshold, such as moving out of your home office, crossing the 1 million sales mark or employing your 100th employee.
7. Your old plan doesn't seem to reflect reality any more. Maybe you did a poor job last time; maybe things have just changed faster than you expected. But if your plan seems irrelevant, redo it.

### Types of Plans

Business plans can be divided roughly into four separate types. There are very short plans, or miniplans. There are working plans, presentation plans and even electronic plans. They require very different amounts of labor and not always with proportionately different results. That is to say, a more elaborate plan is not guaranteed to be superior to an abbreviated one, depending on what you want to use it for.

**The Mini plan:** A miniplan may consist of one to 10 pages and should include at least cursory attention to such key matters as business concept, financing needs, marketing plan and financial statements, especially cash flow, income projection and balance sheet. It's a great way to quickly test a business concept or measure the interest of a potential partner or minor investor. It can also serve as a valuable prelude to a full-length plan later on.

Be careful about misusing a miniplan. It's not intended to substitute for a full-length plan. If you send a miniplan to an investor who's looking for a comprehensive one, you're only going to look foolish.

**The Working Plan:** A working plan is a tool to be used to operate your business. It has to be long on detail but may be short on presentation. As with a miniplan, you can probably afford a somewhat higher degree of candor and informality when preparing a working plan.

A plan intended strictly for internal use may also omit some elements that would be important in one aimed at someone outside the firm. You probably don't need to include an appendix with resumes of key executives, for example. Nor would a working plan especially benefit from, say, product photos. Fit and finish are liable to be quite different in a working plan. It's not essential that a working plan be printed on high-quality paper and enclosed in a fancy binder. An old three-ring binder with "Plan" scrawled across it with a felt-tip marker will serve quite well.

Internal consistency of facts and figures is just as crucial with a working plan as with one aimed at outsiders. You don't have to be as careful, however, about such things as typos in the text, perfectly conforming to business style, being consistent with date formats and so on. This document is like an old pair of khakis you wear into the office on Saturdays or that one ancient delivery truck that never seems to break down. It's there to be used, not admired.

**The Presentation Plan:** If you take a working plan, with its low stress on cosmetics and impression, and twist the knob to boost the amount of attention paid to its looks, you'll wind up with a presentation plan. This plan is suitable for showing to bankers, investors and others outside the company.

Almost all the information in a presentation plan is going to be the same as your working plan, although it may be styled somewhat differently. For instance, you should use standard business vocabulary, omitting the informal jargon, slang and shorthand that's so useful in the workplace and is appropriate in a working plan. Remember, these readers won't be familiar with your operation. Unlike the working plan, this plan isn't being used as a reminder but as an introduction.

You'll also have to include some added elements. Among investors' requirements for due diligence is information on all competitive threats and risks. Even if you consider some of only peripheral significance, you need to address these concerns by providing the information.

The big difference between the presentation and working plans is in the details of appearance and polish. A working plan may be run off on the office printer and stapled together at one corner. A presentation plan should be printed by a high-quality printer, probably using color. It must be bound expertly into a booklet that is durable and easy to read. It should include graphics such as charts, graphs, tables and illustrations.

It's essential that a presentation plan be accurate and internally consistent.

**The Electronic Plan:** The majority of business plans are composed on a computer of some kind, then printed out and presented in hard copy. But more and more business information that once was transferred between parties only on paper is now sent electronically. So you may find it appropriate to have an electronic version of your plan available. An electronic plan can be handy for presentations to a group using a computer-driven overhead projector, for example, or for satisfying the demands of a discriminating investor who wants to be able to delve deeply into the underpinnings of complex spreadsheets.

### **Preparation of a Business Plan**

A Business Plan is a written summary of various elements involved in starting a new enterprise of how the business will organize its resources to meet its goals and how it will measure progress.

#### **A business plan serves the following purposes:**

- a) Provides a blueprint of actions to be taken in future
- b) Guides the entrepreneur in raising the factors of production
- c) Serves as a guide to organizing and directing the activities of the business venture
- d) Helps in measuring the progress of the venture at successive stages
- e) Communicates to investors, lenders, suppliers etc., initiating the programmes of the business

#### **Elements of a Business Plan:**



Do all business units need to prepare a business plan and will the plan vary depending on the size of the unit? Not necessarily, and yes, the plan size will vary from one unit to another. For example, for a manufacturer of computer, while entering a new market would definitely need a comprehensive business plan, whilst for an entrepreneur who will be opening a small stationery shop would not need a detailed business plan.

The plan must define the objectives, strategies, customer scenario, market segments, products and services to be offered, sales forecast and steps required to attain the objectives. The plan should describe distribution systems, promotional activities and pricing decisions.

### **Proposed Business Plan**

#### **1. General Introduction**

- a) Name and address of business
- b) Name and address of entrepreneur
- c) Stakeholder of business
- d) Nature of business and customers

#### **2. Business Venture**

- a) Product (s) to be offered
- b) Service (s) to be offered
- c) Scale of business operation
- d) Type of technology used
- e) Type of skilled personnel required

#### **3. Organized Plan**

- a) Form of ownership, sole proprietorship, partnership or joint stock company
- b) Identification of business, associated partners/members etc.
- c) Administrative structure
- d) Identification of management team

#### **4. Production Plan**

- a) Details of manufacturing process
- b) Physical infrastructure required
- c) Types of plant and machinery
- d) Raw materials to be used
- e) Requirement of power, water etc.

#### **5. Human Resource Plan**

- a) Categories of human resources or staff required
- b) Human resource already identified
- c) Human resource required to be procured
- d) Time frame for procurement of human resource

#### **6. Marketing Plan**

- a) Products and services offered
- b) Pricing policies
- c) Promotional strategies

- d) Logistics for distribution
- e) Channels of distribution

### **7. Financial Plan**

- a) Breakeven analysis
- b) Fixed capital requirements
- c) Working capital requirement
- d) Sources of capital
- e) Schedule of procurement of capital
- f) Schedule of procurement of asset
- h. Cash flow projection

### **8. Miscellaneous/Appendix**

- a) Market research report
- b) Contract with vendors
- c) Contract with financial institutions
- d) Type of business risk
- e) Contingency plan

### **Business Plan Execution:**

#### **Keys to success and why many plans fail:**

Companies often fail to deliver on their promises. The most frequent explanation is that the strategy was wrong. But companies that take the time and expend their energy to develop a focused strategic business plan are much more likely to have a solid understanding of their markets, their competition, and their customers than those that fail to plan or think through the issues. So then, why do many of these plans fail?

Strategies most often fail because they are not executed well. Things that are supposed to happen just don't happen. The failure to execute the plan, not the plan itself, is most often cited as the reason a strategic plan has underperformed. This creates significant frustration and cynicism within an organization. It is not surprising that business planning can get a bad name because the value of any plan lies only in the results of its execution.

The key to a successful execution is alignment. Strategy, people, and work processes need to be effectively linked. The strategic plan must be understood by the entire organization, the right people need to be in the right jobs to allow for maximum work performance, and action plans must be developed, implemented, and reviewed.

A common issue is that individuals within the various departments in an organization may view the goals and objectives of the company very differently. Where a communication vacuum exists, sales, manufacturing and finance may view a singular priority very differently. To effectively align strategy, people, and the tactical action plans that lead to a successful execution, a lot of hard work and diligent communication must happen.

Although there is no singular process to manage the execution of a business plan, there are basic processes and fundamentals to be followed.

- Once the broad mission, vision and strategy for the organization have been established, focusing on its core competencies, specific quantifiable goals to support the strategy must be formulated.
- The organization must be evaluated. Do you have the right people with the right skills in the right jobs? Should human resources be reallocated? Do you have the right number of employees in the appropriate departments?
- Identify the key initiatives and broad actions that must be accomplished to achieve the strategy. Identify the transitional issues, or the —gapsll, between where you are today and where you plan to be. Push the initiatives throughout the organization. They must be consistently understood in all functional departments. Every employee needs to understand his/her individual role in accomplishing some aspect of the plan.
- Develop a budget to support the plan. This may be an iterative process until the right combination of strategy, tactics, and financial prudence is achieved.
- Communicate well. Get the message out to the entire organization. Develop compensation and reward systems to support the future vision of the organization. Create decision filters that help guide the organization through a thought process for those times when the organization wrestles with a concept that may stray from its strategy.
- Establish a review process. As the markets, customers, competitors, government regulations, economy, etc evolve; some priorities, and possibly some goals, may change. Go back to the beginning, review each step, and determine if further changes are necessary.

#### **Difference between Feasibility study and Business Plan:**

##### **□ Meaning:**

A feasibility study is not the same thing as a business plan. The feasibility study would be completed prior to the business plan. The feasibility study helps determine whether an idea or business is a viable option. The business plan is developed after the business opportunity is created.

**Objective:** Before anything is invested in a new business venture, a feasibility study is carried out to know if the business venture is worth the time, effort and resources. A feasibility study is filled with calculations, analysis and estimated projections while a business plan is made up of mostly tactics and strategies to be implemented in order to grow the business.

□ **Linkage:** A feasibility study can readily be converted to a business plan.

□ **Benefit:** It's important to think of the business plan in terms of growth and sustainability and the feasibility study in terms of idea viability.

#### **Role of society and family in the growth of an entrepreneur:**

The individual perception of what his/her family and friends think or opine about entrepreneurship has a crucial role to play. Besides, the view of the family, their support and the society with regard to failure is also a very important factor playing upon the young minds and framing their opinion. Family's support is very essential because in most cases, the youth would need to borrow initial finances from the family and friends. The family's attitude towards

education and other careers in fields like medicine, engineering etc are also likely to dominate the youth's mindset towards entrepreneurship.

It is quite likely that the families will be ready to take loan and fund the youth's professional education rather than funding a new business venture where risk is involved. Surprising, but true is the fact that the society's views about business entrepreneurs as a prospective bride-groom can also become a deciding factor, promoting or inhibiting entrepreneurship. In some societies people prefer to marry their daughters to persons holding government jobs, thinking that the jobs are secure and permanent as compared to a self employed individual's. Normally professionals like lawyers, doctors and scientists are seen to be the most preferred as bridegrooms. These factors are relevant in terms of shaping entrepreneurship in the society.

### **What is pre-feasibility study?**

Pre-feasibility study is a preliminary study undertaken to determine, analyze, and select the best business scenarios. In this study, we assume we have more than one business scenarios, and then we want to know which one is the best, both technically and financially. In pre-feasibility we select the best idea among several ideas. It will be hard and takes time if we explore each scenario deeply. Therefore, shortcut method deem acceptable in this early stage and can be used to determine minor components of investment and production cost. If the selected scenario is considered feasible, it is recommended to continue the study to feasibility to get deeper analysis of the selected project scenario.

### **Feasibility Study:**

Centre for Entrepreneurship at University of Rochester explained that “a feasibility study can be defined as a controlled process for identifying problems and opportunities, determining objectives, describing situations, defining successful outcomes, and assessing the range of costs and benefits associated with several alternatives for solving a problem.” The information gathered and presented in a feasibility study will help entrepreneurs to:

- List in detail all the things they need to make the business work;
- Identify logistical and other business-related problems and solutions;
- Develop marketing strategies to convince a bank or investor that their business is worth considering as an investment; and
- Serve as a solid foundation for developing their business plans. Even if entrepreneurs have a great business ideas they still have to find a cost-effective way to market and sell their products and services. For example, most commercial spaces lease place restrictions on businesses that can have a dramatic impact on income. A lease may limit business hours/days, parking spaces, restrict the product or service that can be offered in some cases, even limit the number of customers a business can receive each day.

### **Types:**

1. **Market Feasibility:** Includes a description of the industry, current market, anticipated future market potential, competition, sales projections, potential buyers, etc.

2. **Technical Feasibility:** Details on how to deliver a product or service (i.e., materials, labour, transportation, where the business will be located, technology needed, etc.).
3. **Financial Feasibility:** Projects how much start-up capital is needed, sources of capital, returns on investment, etc.
4. **Organizational Feasibility:** Defines the legal and corporate structure of the business (may also include professional background information about the founders and what skills they can contribute to the business).

**Features:**

- A feasibility study is a process in which an idea is studied to see if it is "feasible," that is, if and how it will work.
- A comprehensive feasibility study looks at the entire structure, needs, and operations of a business.
- A limited or project feasibility study looks at one specific task, program, idea, or problem.
- A feasibility study looks at both sides, considering advantages and disadvantages, and troubleshoots potential problems.
- A feasibility study is not a business plan, but serves as a foundation for developing a business plan.
- A market feasibility study is not a marketing plan, but studies markets and market potential, and can be used to support or develop a marketing plan.
- In addition to a business plan, an investor or lending institution may require the submission of a feasibility study before considering the request for capital.

**Objectives:**

All possible project alternatives have been examined The project idea justifies a detailed analysis by a feasibility study Any aspects of the project critical to the project that may require in depth investigation through functional studies Environmental situation at the planned site and the potential impact of the projected production process are line with national standards. The structure of a pre-feasibility study is the same as that of a feasibility study, the difference being in the degree of detail of the information obtained and the intensity with which the project alternatives are discussed. As such the pre-feasibility study should be viewed as an intermediate stage between a project opportunity study and a detailed feasibility study.

**THE ELEMENTS OF A GOOD FEASIBILITY STUDY:**

In its simplest form, a Feasibility Study represents a definition of a problem or opportunity to be studied, an analysis of the current mode of operation, a definition of requirements, an evaluation of alternatives, and an agreed upon course of action. As such, the activities for preparing a Feasibility Study are generic in nature and can be applied to any type of project, be it for systems and software development, making an acquisition, or any other project.

There are basically six parts to any effective Feasibility Study:

1. The Project Scope which is used to define the business problem and/or opportunity to be addressed. The old adage, "The problem well stated is half solved," is very apropos. The scope

should be definitive and to the point; rambling narrative serves no purpose and can actually confuse project participants. It is also necessary to define the parts of the business affected either directly or indirectly, including project participants and end-user areas affected by the project. The project sponsor should be identified, particularly if he/she is footing the bill.

2. The Current Analysis is used to define and understand the current method of implementation, such as a system, a product, etc. From this analysis, it is not uncommon to discover there is actually nothing wrong with the current system or product other than some misunderstandings regarding it or perhaps it needs some simple modifications as opposed to a major overhaul. Also, the strengths and weaknesses of the current approach are identified (pros and cons). In addition, there may very well be elements of the current system or product that may be used in its successor thus saving time and money later on. Without such analysis, this may never be discovered.

Analysts are cautioned to avoid the temptation to stop and correct any problems encountered in the current system at this time. Simply document your findings instead, otherwise you will spend more time unnecessarily in this stage (aka "Analysis Paralysis").

3. Requirements and how requirements are defined depends on the object of the project's attention. For example, how requirements are specified for a product are substantially different than requirements for an edifice, a bridge, or an information system. Each exhibits totally different properties and, as such, are defined differently. How you define requirements for software is also substantially different than how you define them for systems.

4. The Approach represents the recommended solution or course of action to satisfy the requirements. Here, various alternatives are considered along with an explanation as to why the preferred solution was selected. In terms of design related projects, it is here where whole rough designs (e.g., "renderings") are developed in order to determine viability. It is also at this point where the use of existing structures and commercial alternatives are considered (e.g., "build versus buy" decisions). The overriding considerations though are:

- Does the recommended approach satisfy the requirements?
- Is it also a practical and viable solution? (Will it "Play in Poughkeepsie?")

A thorough analysis here is needed in order to perform the next step...

5. Evaluation examines the cost effectiveness of the approach selected. This begins with an analysis of the estimated total cost of the project. In addition to the recommended solution, other alternatives are estimated in order to offer an economic comparison. For development projects, an estimate of labour and out-of-pocket expenses is assembled along with a project schedule showing the project path and start-and-end dates.

After the total cost of the project has been calculated, a cost and evaluation summary is prepared which includes such things as a cost/benefit analysis, return on investment, etc.

6. Review that all of the preceding elements are then assembled into a Feasibility Study and a formal review is conducted with all parties involved. The review serves two purposes: to substantiate the thoroughness and accuracy of the Feasibility Study, and to make a project

decision; either approve it, reject it, or ask that it be revised before making a final decision. If approved, it is very important that all parties sign the document which expresses their acceptance and commitment to it; it may be a seemingly small gesture, but signatures carry a lot of weight later on as the project progresses. If the Feasibility Study is rejected, the reasons for its rejection should be explained and attached to the document.

**Criteria for Selection of Product:**

- i Project should be in conformity with the economic needs of the area.
- ii It should take into account the depriving factors which might have adverse impact.
- iii The input-output ratio should be optimum.
- iv The purpose of the project is to increase the production and employment of the area.

Thus, the above said conditions will differ due to resources availability, use pattern and other relevant conditions of the area. Besides that, project should also consider certain national priorities.

**Evaluation or Project Appraisal: -**

After the socio-economic problems of an economy have been determined and developments objectives and strategies agreed, concrete steps have to be taken. The main form this takes is that of formulating appropriate development projects to achieve plan objectives and meet the development needs of the economy. Proposals relating to them are then put to the plan authorities for consideration and inclusion in the plan. These proposals as pointed out above take the following forms of feasibility studies:

- Commercial viability
- Economic feasibility
- Financial feasibility
- Technical feasibility
- Management

The scope for scrutiny under each of these five heads would necessarily render their careful assessment and the examination of all possible alternative approaches. The process almost invariably involves making decision relating to technology, scale, location, costs and benefits, time of completion (gestation period), degree of risk and uncertainty, financial viability, organization and management, availability of inputs, know-how, labour etc. The detailed analysis is set down in what is called a feasibility report.

**Formulation:** - Once a project has been appraised and approved, next step would logically, appear to that of implementation. This is, however, not necessarily true, if the approval is conditional to certain modifications being affected or for other reasons, such as availability of funds, etc. The implementation stage will be reached only after these pre-conditions have been fulfilled. Project formulation divides the process of project development into eight distinct and sequential stages. These stages are

- General information
- Project description
- Market potential

- Capital costs and sources of finance
- Assessment of working capital requirement
- Other financial aspect • Economic and social variables.

**Project Implementation:** - Last but not the least, every entrepreneur should draw an implementation time table for his project. The network having been prepared, the project authorities are now ready to embark on the main task of implementation the project. To begin with successful implementation will depend on how well the network has been designed. However, during the course of implementation, many factors arise which cannot be anticipated or adequately taken note of in advance and built into the initial network. A number of network techniques have been developed for project implementation. Some of them are PERT, CPM, Graphical Evaluation and Review Technique (GERT), Workshop Analysis Scheduling Programme (WRSP) and Line of Balance (LOB).

**Project Completion:** - It is often debated as to the point at which the project life cycle is completed. The cycle is completed only when the development objectives are realized.

**PROJECT REPORT** In simple words project report or business plan is a written statement of what an entrepreneur proposes to take up. It is a kind of course of action what the entrepreneur hopes to achieve in his business and how he is going to achieve it. In other words, project report serves like a road map to reach the destination determined by the entrepreneur. Contents of Project Report • General Information • Promoter • Location • Land and Building • Plant and Machinery • Production process • Utilities • Transport and communication • Raw material • Manpower • Product • Market

**PROJECT APPRAISAL** Project appraisal means the assessment of a project. Project appraisal is made for both proposed and executed projects. In case of former project appraisal is called ex-ante analysis and in case of latter 'post-ante analysis'. Here, project appraisal is related to a proposed project.

Project appraisal is a cost and benefits analysis of different aspects of proposed project with an objective to adjudge its viability. A project involves employment of scarce resources. An entrepreneur needs to appraise various alternative projects before allocating the scarce resources for the best project. Thus project appraisal helps select the best project among available alternative projects. For appraising projects its economic, financial, technical market, managerial and social aspects are analysed. Financial institutions carry out project appraisal to assess its creditworthiness before extending finance to a project.

**Method of Project Appraisal:**

Appraisal of a proposed project includes the following analyses:

- 1 Economic analysis
- 2 Financial analyses
- 3 Market analyses
- 4 Technical analyses
- 5 Managerial competences
- 6 Ecological analyses



**Economic Analysis:** Under economic analysis the aspects highlighted include

- Requirements for raw material
- Level of capacity utilization
- Anticipated sales
- Anticipated expenses
- Proposed profits
- Estimated demand It is said that a business should have always a volume of profit clearly in view which will govern other economic variable like sales, purchase, expenses and alike.

**Financial Analysis:** Finance is one of the most important prerequisites to establish an enterprise. It is finance only that facilitates an entrepreneur to bring together the labour, machines and raw materials to combine them to produce goods. In order to adjudge the financial viability of the project, the following aspects need to be carefully analyzed:

- Cost of capital • Means of finance
- Estimates of sales and production
- Cost of production
- Working capital requirement and its financing
- Estimates of working results
- Break-even point
- Projected cash flow
- Projected balance sheet.

The activity level of an enterprise expressed as capacity utilization needs to be well spelled out. However the enterprise sometimes fails to achieve the targeted level of capacity due to various business vicissitudes like unforeseen shortage of raw material, unexpected disruption in power supply, instability to penetrate the market mechanism etc.

**Market Analysis:** Before the production actually starts, the entrepreneur needs to anticipate the possible market for the product. He has to anticipate who will be the possible customer for his product and where his product will be sold. This is because production has no value for the producer unless it is sold. In fact, the potential of the market constitutes the determinant of possible reward from entrepreneurial career. Thus knowing the anticipated market for the product to be produced become an important element in business plan. The commonly used methods to estimate the demand for a product are as follows. :

**1 Opinion polling method:** In this method, the opinion of the ultimate users. This may be attempted with the help of either a complete survey of all customers or by selecting a few consuming units out of the relevant population.

**2. Life Cycle Segmentation Analysis:** It is well established that like a man, every product has its own life span. In practice, a product sells slowly in the beginning. Barked by sales promotion strategies over period its sales pick up. In the due course of time the peak sale is reached. After that point the sales begins to decline. After sometime, the product loses its demand and dies. This is natural death of a product. Thus, every product passes through its life cycle. The product life cycle has been divided into the following five stages: Introduction, Growth, Maturity, Saturation

and Decline. The sales of the product varies from stage to stage. Product Life Cycle Considering the above five stages of a product life cycle, the sale at different stages can be anticipated.

**Technical Analysis:** Technical analysis implies the adequacy of the proposed plant and equipment to prescribed norms. It should be ensured whether the required know how is available with the entrepreneur. The following inputs concerned in the project should also be taken into consideration.  $\frac{3}{4}$  Availability of Land and site  $\frac{3}{4}$  Availability of Water Power, transport, communication facilities.  $\frac{3}{4}$  Availability of servicing facilities like machine shop, electric repair shop etc.  $\frac{3}{4}$  Coping with anti pollution law  $\frac{3}{4}$  Availability of work force  $\frac{3}{4}$  Availability of required raw material as per quantity and quality.

**Management Competence:** Management ability or competence plays an important role in making an enterprise a success. In the absence of Managerial Competence the projects which are otherwise feasible may fail. On the contrary, even a poor project may become a successful one with good managerial ability. Hence, while doing project appraisal, the managerial competence or talent of the promoter should be taken into consideration.

**Ecological Analysis:** In recent years, environmental concerns have assumed great deal of significance. Ecological analysis should also be done particularly for major projects which have significant implication like power plant and irrigation schemes, and environmental pollution industries like bulk-drugs, chemical and leather processing. The key factors considered for ecological analysis are:

- Environmental damage
- Restoration measure

## UNIT IV

### UNIT IV LAUNCHING OF SMALL BUSINESS

Finance and Human Resource Mobilization Operations Planning - Market and Channel Selection  
- Growth Strategies - Product Launching – Incubation, Venture capital, IT startups.

#### Growth strategies in small business

##### **Stages of Growth:-**

##### **Start-up:**

It refers to the birth of a business enterprise in the economy. The production takes place in limited scale. The enterprise is not faced with any competition during this stage. Profits may not be earned during the start up stage.

- A. Growth stage
- B. Expansion stage
- C. Maturity stage
- D. Decline stage

##### **Types of growth:-**

Strategy in a sense tactics to handle some technique to grow our business. Growth strategy means a plan to help the enterprise grow big course of time. Types of growth vary from enterprise.

1. Internal growth
2. External growth

##### **Internal growth:-**

These imply that enterprise grow their own without joining hands with other enterprises.

- Expansion
- Heavy vehicle Diversification. (FMCG → manufacturing.)

These two are popular forms of internal growth strategies.

##### **External growth:-**

Enterprises grow by joining hands with other enterprises.

- Joint ventures,
- Mergers,
- Sub-contracting.

##### **Expansion**

Hamam, dove, peers. It FMCG → means enlargement or increase in the same line of activity. It is natural growth of business enterprise taking place in course of time. There are three common forms of business expansion. Expansion through market penetration

##### **1) Production strategy:-**

Focuses on the firms existing product in its existing market, & the entrepreneur attempts to penetrate this product or market further by encouraging existing customers to buy more of the firms current products. Marketing can be effective in encouraging more frequent repeat purchase.

##### **2) Marketing development strategies:-**

It involves selling the firms existing product to new groups of customers. New groups of customers can be categorized in terms of geographic, demographic or based on a new product use. New location, new customer.

**3) Expansion through product development / modification:-**

It implies developing/modifying the existing product to meet the requirement of the customers.

**Advantages:-**

Expansion provides the following benefits growth through expansion is natural & gradual enterprise grows without making major changes in its organisational structure. Expansion makes possible the effective utilization of existing resources of an enterprise Gradual growth of enterprise becomes easily manageable by the enterprise. Expansion result in economics of large, scale operations.

**Diversification:-**

Not possible for a business growth by adding the new product / market to the existing one, such an approach to growth by adding new products to the existing product line is called “diversification” other word defined as “a process of adding more product / market / service to the existing one.

L & T – engineering company – cement

LIC – mutual fund

SBI – merchant banking (expand their business activities)

**Advantages:-**

Diversification helps an enterprise make more effective use of its resource.

Diversification also helps minimize risk involved in the business.

Diversification adds to the competitive strength of the business.

**Types of diversification:-**

There are 4 types

1) Horizontal

2) Vertical

3) Concentric

4) Conglomerate

**Horizontal diversification:-**

The same type of product / market is added to the existing ones.

Adding refrigerator → to its original steel locks by Godrej.

**Vertical diversification:-**

Complementary products or service are added to the existing product or service line of the enterprise. AVT manufacturing start producing picture tube sugar will may develop a sugarcane farm to supply raw material or input for it.

**Concentric diversification:-**

An enterprise enters into the business related to its present one in terms of technology, marketing or both. Originally baby food □ Nestlé producer entered into related product like tomato ketchup magi noodles.

**Conglomerate diversification:-**

It is just contrary to concentric diversification an enterprise diversifies into the business which is not related to its existing business neither in terms of technology nor marketing inter into unrelated to its present one.

JVG → carrying newspaper & detergent calce & powder.

Godrej manufacturing steel safes & showing creams.

**Joint venture:**

- Type of external growth J.V. is a temporary partnership b/w two or more firms to undertake jointly a complete a specific venture.
- The parties who enter into agreement are called co-ventures.
- Parties are should b/w the co-ventures in their agreed ratio & in the absence of such agreement the profits or losses are should equally.

**Advantage:**

- 1) J.V. reduce risk involved in business.
- 2) It helps increase competitive strength of the business.

**Merger:**

- Merger means combination of 2 or more existing enterprise into one.
- In other words, when 2 or score existing enterprises are combined into one it is called merger.
- It takes place in 2 ways.

**Absorption:**

An enterprise or enterprises may be acquired by another enterprise is called absorption.

**Amalgamation:**

When two or more existing enterprises merge into one to form a new enterprise. It is called amalgamation.

**Advantage Merger:**

- 1) Provide benefits of economic scale in terms of production & sales.
- 2) It facilitate better use of resource.
- 3) It enables sick enterprise to merger into healthy ones.

**Disadvantage:-**

Leads to monopoly in the → particular some

**Sub-contracting system:-**

Sub-contracting system relationship exists when a company (called a contractor) places on order with another company (called sub-contractor) for the production of parts components, sub-assemblies or assemblies be incorporated into a product sold by the contractor.

Sub contract → Whirlpool →

Large scale industries do not produce all goods on their own instead they rely on small scale enterprises called sub-contractors for a great deal of production.

When the work assigned to small enterprise involves manufacturing wont it is called industrial sub-contracting.

In India sub-contracting has emerged in the name of an illarisation or ancillary units.

**Advantage:-**

It increases production in the fastest way without making much efforts.

The contractor can produce products without investing in plant & machinery.

It is suitable to manufacturing goods temporarily.

It enables the contractor to make use of technical & managerial abilities of the sub-contractor.

**Franchising:-**

Defined as a form of contractual arrangement in which a retailer (franchiser) enter into an agreement with a producer (franchiser) to sell the producers goods or services for a specified fee or commission.

**Advantages:-****Product franchising:**

Dealers were given the right to distribute goods for a manufacturer. e.g.: singer.

**Manufacturing franchising:**

Manufacturer given the dealer the exclusive right to produce & distribute the product in a particular area, soft drinks industry.

**Business format:**

Is an arrangement, under which the franchiser offers a wide range of service to the framer including marketing advertising strategic planning, training.

**Product Launch**

Launching a new product or service in the market is both exciting and a cautious effort on the part of the company. Before presenting the product to the masses, a few things are to be considered.

**Steps in Product Launch**

New strategies are required to get the attention one deserves. Following 10 steps are essential to be considered while launching a new product in the market –

- **Start early** – Reporters will write when there is news and not when you want. Get a head start and start preparing long before the release date. Initiate outreaching practices 6 to 8 weeks before the official release date and then keep the news and the level of practice going up and above the official release date.
- **Reach out to your influencers** – It is considered as a sub-step for the first step. Influencers can be cordial customers, aspects, prospects, or even bloggers who have a noticeable online presence. Motivating people to use the products or services and then documenting it to review articles or posts. These people are excellent resources to interact with analysts offering an excellent pre-launch platform.
- **Brief the industry analysts** – during the initial phase, it is very important to analyze the industry completely. Scheduling calls with industry analysts and investing time to document compelling briefing requests is very crucial.
- **Fill the social space with leaks** – Focus on people who are naturally anxious to learn about the offerings. For example, ‘arriving shortly’ tweets and ‘leaked’ photos of a product create intrigue and builds interest.
- **Don’t expect a "big bang" release** – Until and unless the product or service to be launched is truly revolutionary, or unless you have a huge release event planned, the official launch date should only represent the day that the product will be actually available.
- **Keep the release rolling** – Nobody knows when reporters will have time to write, so give them their own space and some chance to write about the offering after the official release date. Update the products with some fresh news like announcements concerning novel use of the product, discounts, customer stories, details about how the offering provides return on investment (ROI) to customers, etc. to stay in the news.

- **Do something unusual** – Do something out of the box, to generate curiosity about the product or service and grab attention rather than following the usual product launch method used by zillions of companies.
- **Involve all the partners** – Channel and marketing partners who have a financial stake in the successful launching of the product are natural allies. As the number of people that are talking about the launch increases, the better chances it will gain market share.
- **Make the product accessible** – Free trials, downloads, product videos, and demos make it very easy for the customers as well as the sellers to learn and study about the product or service, so this should be taken care of.
- **Ignore the elements that do not drive the business** – unless the contribution appeals to the mass customers, don't stress on likings on social site like the number of Face book likes and Twitter followers you collect. Instead try using these social channels for more meaningful engagement.

**Incubation:**

"Incubation is a unique and highly flexible combination of business development processes, infrastructure and people, designed to nurture and grow new and small businesses by supporting them through the early stages of development and change." (UKBI.2007).

Business incubation is a process of support for businesses with growth potential. It can be targeted at one or a combination of support to:

- Start-ups,
- Early stage businesses,
- Established businesses with new products/ new directions.

Business incubation supports the start-up and early stage of new business ventures by providing them with the safe harbour, intensive resources and a development environment in which they can flourish. A business incubator is usually the 'physical' manifestation of this process and generally involves the provision of a 'with-walls' facility through which concentrated business incubation support processes can be delivered. Businesses can thus gain from close proximity to like minded enterprises, mutual development and a shared learning environment. 'Virtual' business incubation programmes also exist, though they seek to deliver business incubation processes using means other than physical premises. Although even virtual business incubators frequently provide some contact or hot desking facilities i.e. client meeting rooms, conference mail and address hosting facilities. Business incubatees (either in situ or virtual), often are only a part of a larger mass of businesses supported by or at the business incubator.

'Traditional' business incubation normally consists of facilities usually include hot-desking and small units (from 200sqft to 500sqft). Companies are provided with their own office and pay rent (although it may be subsidized or ramped up over the period of their stay). Companies usually stay for up to three years. There are significant levels of support but usually on a diminishing basis to the point of exit. In some cases, support is subsidized, through financial

support from key partners such as RDAs, local authorities, and through in-kind specialist business and technical support from associated corporate. The level of subsidy is provided on a diminishing scale, with clients paying 'market rate' towards graduation. Anchor clients, through their payment of market rate often subsidise the process also.

A number of business incubators also target individuals and businesses that have not yet started formally/ officially. Support might consist of business planning, research support, training, management development, personal development and assistance raising finance. Facilities might include hot desking and 'drop-in' facilities. They also consist in supporting potential entrepreneurs in understanding the advantages and challenges of enterprise. By nature, they allow specific communities/groups and issues to be addressed at a very local level, with support being tailored for what they need and in a way they can readily apply. These programmes often act as pipelines for further 'business incubation' services.

### **Why is business incubation important?**

Business incubation features strongly in local, regional and national economic strategies and is a key component in the development of most overseas, developed and developing economies, particularly those aiming to develop a knowledge based economy.

The benefits of business incubators are numerous. Amongst other things, they can:

- Act as a catalyst for economic change development;
  - Help young companies to negotiate the hurdles that often lead to their early downfall;
  - Help entrepreneurs overcome the isolation and stress of starting a business;
  - Provide access to an array of expertise, mentors, investors and specialist advisors;
  - Provide visibility and credibility in the marketplace;
  - Facilitate linkages with and the commercialization of university or corporate research and new ideas utilizing research and development expertise and proof of concept functions;
  - Encourage faster sustainable growth and greater survival rates of new and existing companies;
  - Act as catalyst for urban and rural regeneration;
  - Enable growing companies to become stand alone entities within the community
- recent research shows a rapid increase, nationally and abroad, of business incubation environments. This is especially true in the late 1990's and early 2000's. This rapid national and international increase in business incubation activity (from around 20 in 1997 to more than 270 identified environments in 2008 in the UK) can be attributed to a number of factors, not least to a growth in regional policy interest and associated funding in recent years at local, regional and national levels. The process of business incubation has been identified as a means of meeting a variety of economic and social policy needs which are often represented in incubators' strategies - mission statement, objectives, and targets.

### **The Importance of Business Incubators:**

Business incubators support the development of start-ups by providing them with advisory and administrative support services. According to the National Business Incubation Association, an incubator's primary objective is to produce successful and financially viable



firms that can survive on their own. Early incubators focused on technology companies or on a combination of industrial and service companies, but newer incubators work with companies from diverse industries.

**Finance**

Incubators help start-ups save on operating costs. The companies that are part of an incubator can share the same facilities and share on overhead expenses, such as utilities, office equipment rentals, and receptionist services. Start-ups can also take advantage of lower lease rates if the incubator is located in low-rent industrial parks. Incubators may also help start-ups with their financing needs by referring them to angel investors and venture capitalists, and helping them with presentations. Start-ups may have better luck securing financing if they have the stamp of approval of incubator programs.

**Management**

In addition to financial help, start-ups also need guidance on how to compete successfully with established industry players. Incubators can tap into their networks of experienced entrepreneurs and retired executives, who can provide management guidance and operational assistance. For example, a biotechnology start-up would benefit from the counsel of retired pharmaceutical executives who have first-hand experience of the drug development and clinical approval process. Similarly, a restaurant entrepreneur could learn about the difficulties of overseas expansion from retired hospitality-industry executives. Start-ups usually benefit from having respected individuals on their boards of directors and scientific advisory panels, because these individuals bring invaluable connections and experience to the table.

**Synergy**

The close working relationships between an incubator's start-ups create synergies. Even after the start-ups leave an incubator, the connections and networks established through these relationships can endure for a long time. Start-up entrepreneurs can provide encouragement to one another, and employees may share ideas on new approaches to old problems. Start-ups may plan joint marketing campaigns and cooperate on product development initiatives. These synergies do not necessarily exist among start-ups funded by venture capitalists, because, as Kenneth Liss points out in a March 2000 Harvard Business School Working Knowledge article, the companies that receive the funds do not necessarily know one another and they may be located in different geographic locations.

**Economy**

By helping new businesses prosper, incubators assist in creating long-lasting jobs for their host communities. In a March 2003 Association for Small Business and Entrepreneurship conference paper hosted by the University of Central Arkansas Small Business Advancement National Center, Northwestern Oklahoma State University professor Patti L. Wilber and her colleague cited research to write that start-ups in incubation programs have greater viability and show superior financial performance over the long term. They create long-lasting jobs for new graduates, experienced mid-career personnel, and veteran executives. This benefits communities and drives economic growth.

**Venture Capital Financings for Startups:**

Startups seeking financing often turn to venture capital (VC) firms. These firms can provide capital; strategic assistance; introductions to potential customers, partners, and employees; and much more.

Venture capital financings are not easy to obtain or close. Entrepreneurs will be better prepared to obtain venture capital financing if they understand the process, the anticipated deal terms, and the potential issues that will arise. In this article we provide an overview of venture capital financings.

## UNIT V

### UNIT V MANAGEMENT OF SMALL BUSINESS

Monitoring and Evaluation of Business - Preventing Sickness and Rehabilitation of Business Units Effective Management of small Business.

Management of Small Business Monitoring & Evaluation Monitoring is the regular observation and recording of activities taking place in a project or programme. It is a process of routinely gathering information on all aspects of the project. Monitoring is the systematic collection and analysis of information as a project progresses. It is aimed at improving the efficiency and effectiveness of a project or organization. It is based on targets set and activities planned during the planning phases of work. It helps to keep the work on track, and can let management know when things are going wrong. What monitoring and evaluation have in common is that they are geared towards learning from what you are doing and how you are doing it, by focusing on:

- ⊖ Efficiency Effectiveness Impact

Efficiency tells you that the input into the work is appropriate in terms of the output. This could be input in terms of money, time, staff, equipment and so on. When you run a project and are concerned about its reliability or about going to scale, then it is very important to get the efficiency element right. Effectiveness is a measure of the extent to which a development programmes or project achieves the specific objectives it set. What is evaluation? Evaluation is the systematic assessment of the worth or merit of some object Evaluation is the systematic acquisition and assessment of information to provide useful feedback about some object.

#### **Why do monitoring and evaluation?**

In many organizations, “monitoring and evaluation” is something that that is seen as a donor requirement rather than a management tool. Donors are certainly entitled to know whether their money is being properly spent, and whether it is being well spent. But the primary (most important) use of monitoring and evaluation should be for the organization or project itself to see how it is doing against objectives, whether it is having an impact, whether it is working efficiently, and to learn how to do it better. Monitoring and evaluation are both tools which help a project or organization know when plans are not working, and when circumstances have changed.

Monitoring and evaluation can: (be useful in) (Importance)

- Help you identify problems and their causes
- Suggest possible solutions to problems
- Raise questions about assumptions and strategy
- Push you to reflect on where you are going and how you are getting there provide you with information and insight
- Encourage you to act on the information and insight

- Increase the likelihood that you will make a positive development difference.
- Analyzing the situation in the community and its project;
- Determining whether the inputs in the project are well utilized;
- Ensuring all activities is carried out properly by the right people and in time;
- Using lessons from one project experience on to another; and
- Determining whether the way the project was planned is the most appropriate way of solving the problem at hand.

**Monitoring involves:**

- Establishing indicators (See Glossary of Terms) of efficiency, effectiveness and impact
- Setting up systems to collect information relating to these indicators; Collecting and recording the information
- Analyzing the information
- Using the information to inform day-to-day management.
- Monitoring is an internal function in any project or organization.

**Evaluation involves:**

- Looking at what the project or organization intended to achieve – what difference did it want to make? What impact did it want to make?
- Assessing its progress towards what it wanted to achieve, its impact targets.
- Looking at the strategy of the project or organization. Did it have a strategy? Was it effective in following its strategy? Did the strategy work? If not, why not?
- looking at how it worked. Was there an efficient use of resources? What were the opportunity costs (see Glossary of Terms) of the way it chose to work? How sustainable is the way in which the project or organization works? What are the implications for the various stakeholders in the way the organization works? In an evaluation, we look at efficiency, effectiveness and impact.

**Methods of ways of doing evaluation:**

There are many different ways of doing an evaluation. Some of the more common terms you may have come across are:

**Self-evaluation:**

This involves an organization or project holding up a mirror to itself and assessing how it is doing, as a way of learning and improving practice. It takes a very self-reflective and honest organization to do this effectively, but it can be an important learning experience.

**Participatory evaluation:**

This is a form of internal evaluation. The intention is to involve as many people with a direct stake in the work as possible. This may mean project staff and beneficiaries working together on the evaluation. If an outsider is called in, it is to act as a facilitator of the process, not an evaluator.

**Rapid Participatory Appraisal:**

Originally used in rural areas, the same methodology can, in fact, be applied in most communities. This is a qualitative (see Glossary of Terms) way of doing evaluations. It is semi-

structured and carried out by an interdisciplinary team over a short time. It is used as a starting point for understanding a local situation and is a quick, cheap, useful way to gather information. It involves the use of secondary (see Glossary of Terms) data review, direct observation, semi-structured interviews, key informants, group interviews, games, diagrams, maps and calendars. In an evaluation context, it allows one to get valuable input from those who are supposed to be benefiting from the development work. It is flexible and interactive.

**External evaluation:**

This is an evaluation done by a carefully chosen outsider or outsider team.

**Interactive evaluation:**

This involves a very active interaction between an outside evaluator or evaluation team and the organization or project being evaluated. Sometimes an insider may be included in the evaluation team.

**Merits and demerits of internal and external evaluation:****Advantages of Internal Evaluations:**

- The evaluators are very familiar with the work, the organizational culture and the aims and objectives.
- Sometimes people are more willing to speak to insiders than to outsiders.
- An internal evaluation is very clearly a management tool, a way of self-correcting, and much less threatening than an external evaluation. This may make it easier for those involved to accept findings and criticisms.
- An internal evaluation will cost less than an external evaluation.

**Disadvantages**

- The evaluation team may have a vested interest in reaching positive conclusions about the work or organization. For this reason, other stakeholders, such as donors, may prefer an external evaluation.
- The team may not be specifically skilled or trained in evaluation.
- The evaluation will take up a considerable amount of organizational time – while it may cost less than an external evaluation, the opportunity costs may be high.

**Advantages of External Evaluation**

**External evaluation** (done by a team or person with no vested interest in the project)

- The evaluation is likely to be more objective as the evaluators will have some distance from the work.
- The evaluators should have a range of evaluation skills and experience.
- Sometimes people are more willing to speak to outsiders than to insiders.
- Using an outside evaluator gives greater credibility to findings, particularly positive findings.

**Disadvantages**

- Someone from outside the organization or project may not understand the culture or even what the work is trying to achieve.
- Those directly involved may feel threatened by outsiders and be less likely to talk openly and cooperate in the process.

- External evaluation can be very costly.
- An external evaluator may misunderstand what you want from the evaluation and not give you what you need.

**Qualities to look for in an external evaluator or evaluation team:**

- (1) An understanding of development issues.
- (2) An understanding of organizational issues.
- (3) Experience in evaluating development projects, programmes or organizations.
- (4) A good track record with previous clients.
- (5) Research skills.
- (6) A commitment to quality.
- (7) A commitment to deadlines.
- (8) Objectivity, honesty and fairness.
- (9) Logic and the ability to operate systematically.
- (10) Ability to communicate verbally and in writing.
- (11) A style and approach that fits with your organization.
- (12) Values that is compatible with those of the organization.
- (13) Reasonable rates (fees), measured against the going rates.

**Industrial Sickness:****Introduction**

In common term sickness means unhealthy like that during the course of its operation, sometimes a small enterprise falls sick. So sickness is not good to either man or for enterprise. So, we are going to see the various cause and remedies to overcome sickness.

**Concept of Industrial Sickness:**

In common expression sickness means not being healthy. A healthy unit is one which earns a reasonable return on capital employed and which builds up reserves after providing reasonable return on capital invested and creates reserves after providing reasonable return on capital invested and created reserve after providing for depreciation.

According to the RBI (Reserve Bank of India):

\_ A sick is one which incurs heavy cash losses for one year and, in the judgment of the bank, it is likely to continue to incur cash losses for the current year as well as for the following year. The unit has an imbalance in its financial structure such as current ratio, working debt equity ratio i.e., the ratio to total out-side liabilities to the net worth.

When the cumulative losses exceed capital and reserve. There are in number of signals of industrial sickness. The important signals of Sickness are:

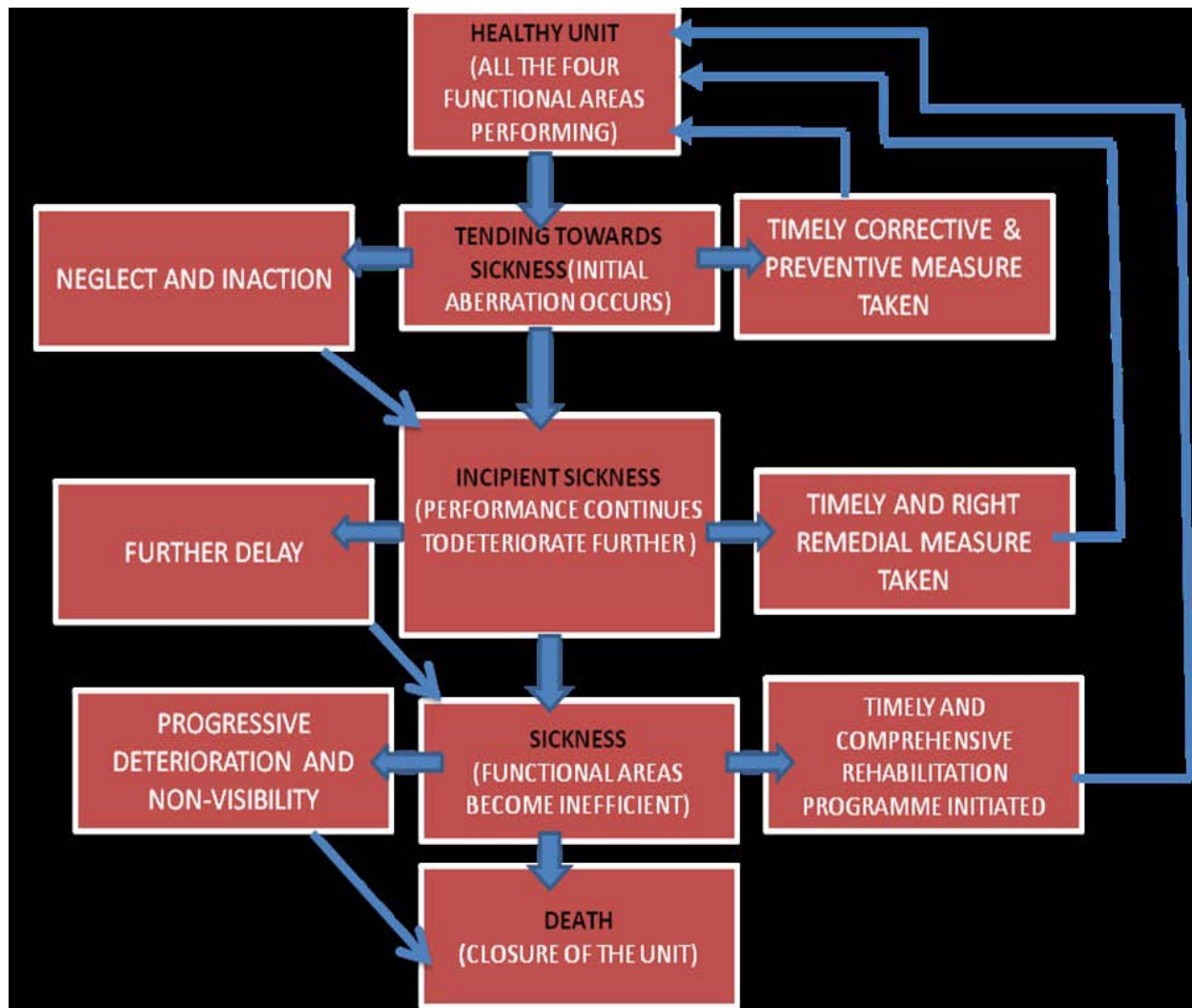
- Reduce in capacity utilization.
- Scarcity of liquid funds to met short term financial attributes.
- Inventories in excessive quantities.
- Non-submission of data to banks and financial institution
- Irregularity in maintaining bank accounts

- Continuous breakdown in plant and equipments
- Reduce in quality of product or service rendered
- Non-payment of statutory dues such as provident fund, sales tax, excise duty, etc.,
- Delay in correcting technical denying
- frequent labor turnover in the industry

The symptoms of sickness arrive from various signals over a long period of time. Some of the symptoms are,

- Shortage of cash
- Deteriorating financial ratio
- Wide spread usage of creative accounting
- The price of share decline continuously
- Frequent request to banks and financial institutions
- Default in payment of compulsory dues
- Delay in audit of annual accounts
- Humiliated in the employees role
- Disparities among the top and middle level management

**STAGES OF INDUSTRIAL SICKNESS**



### Symptoms of sickness:

The symptoms of sickness arrive from various signals over a long period of time. Some of the symptoms are,

- Shortage of cash
- Deteriorating financial ratio
- Wide spread usage of creative accounting
- The price of share decline continuously
- Frequent request to banks and financial institutions
- Default in payment of compulsory dues
- Delay in audit of annual accounts
- Humiliated in the employees role
- Disparities among the top and middle level management



**Causes of industrial sickness**

- a) Internal causes
- b) External causes
- a) ***External Causes***
  - Improper Credit Facilities
  - Delay in Advancing Of Funds
  - Unfavorable Investment Climate
  - Shortage of Inputs
  - Import Restrictions On Essential Inputs
  - Liberal Licensing Of Projects
  - Change in International Marketing Scene
  - Excessive Taxation Policy of Government
  - Market Recession
- b) **Internal Causes**
  - **Financial Constraints**
    - Inefficient Working Capital Management
    - Lack of Proper Costing and Pricing
    - Inappropriate financial structure
    - Absence of Financing, Planning & Budgeting
    - Improper Utilization or Diversion of Funds
    - Poor Utilization of Assets
  - **Production constraints**
    - Site selection
    - Improper layout
    - Inappropriate plant machinery
    - Inadequate maintenance
    - Inadequate material control
    - Lack of quality control
    - Lack of emphasis on R&D

***Marketing constraints***

- Inaccurate demand forecasting
- Selection of inappropriate product mix
- Absence of product planning
- Dependence on few buyers
- Lack of market research
- Inappropriate sales promotion
- **Personnel constraints**
  - Inappropriate wages & salary administration
  - Bad labour relations
  - Absence of man power planning
  - Bad training & development
- **Management constraints**
  - Improper corporate planning

- Lack of coordination& control
- Resistance to change
- Dispute to top management
- Lack of integrity in top management

**Consequences**

- Huge financial losses to the banks & financial institutions
- Loss to employment opportunities
- Emergence of industrial unrest
- Adverse effect on perspective investors and entrepreneurs
- Wastages of scarce resources
- Loss of revenue to government

**QUESTION BANK****UNIT – I****ENTREPRENEURIAL COMPETENCE****PART: A****1. What is an Enterprise?**

The enterprise is the basic unit for economic organization. It transacts with other unit in the economy, it produces a product worth more than the resources used.

**2. Define Entrepreneur.**

According to Noah Webster, Entrepreneur is “one who assumes the risk and management of business”

**3. What is Intrapreneurship?(April/May2018)**

Intrapreneurship is the process by which other new ventures are born within the confines of an existing corporation. It involves expansion by exploring new opportunities through new combinations of existing resources.

**4. List out the Characteristics of Entrepreneur.**

- Clear objectives
- Communication Ability
- Human Relational ability
- Technical knowledge
- Initiative
- Problem solver
- Risk taker

**5. Mention the different features of an Entrepreneur.**

1. Capacity and willingness to assume risk
2. Willingness to hard work
3. Vision and foresightedness
4. Creative and imaginative thinking
5. Innovative and willingness to change

**6. List out some of the qualities of true Entrepreneur.**

- Energetic, hard working
- Interested in expanding the scale of operations
- Visualize changes
- Firm believer in planning & systematic work.

**7. State the various functions of Entrepreneur**

- Idea generation & screening
- Determination of business objectives

- Determination of form of ownership
- Recruiting of Men
- Product analysis & market research

**8. What do you mean by Achievement motivation?**

According to McClelland achievement motivation can be developed through training and experience. Ambition is the lever of all motives and nourishes achievement motive.

**9. What are the types of Entrepreneur?**

1. Innovating Entrepreneur
2. Imitating Entrepreneur
3. Fabian Entrepreneur
4. Drone Entrepreneur

**10. What are the skills needed by an Entrepreneur?**

- Analytical skills
- Negotiation skill
- Interpersonal skills
- Flexibility to work under changing condition

**11. What are the characteristics of successful entrepreneurs?**

- be passionate about achieving their goals
- Have a spirit of adventure (in fact, the word "adventure" is derived from the Latin word meaning "to venture")
- Have a strong need to achieve and seek personal accomplishment
- be self-confident and self-reliant
- be goal-oriented

**12. Write any four qualities of Entrepreneur.**

- Inner Drive to Succeed
- Strong Belief in themselves
- Search for New Ideas and Innovation
- Openness to Change

**13. What are the Factors affecting Entrepreneurship growth?**

- Economic factors
- Social factors
- Cultural factors
- Personality factors
- Psychological and sociological factors.

**14. What are the Economic Factors?**

- Lack of adequate basic facilities
- Non- availability of capital
- Non- availability of raw materials and finished goods.

- Greater risk involved in business
- Non- availability of skilled labour

**15. What are the Social factors?**

- Customs and traditions
- Rationality of the society
- Social system
- Social set-up

**16. What are the Personality Factors?**

- Suspect personality
- Emergence of planning

**17. Define entrepreneurial personality. (April/May 2018)**

Entrepreneurial personality. Personality traits include the human characteristics, abilities, motives, attitudes and values which shape the individual person's experiences and actions. Hence, personality traits cause the mental and behavioural processes of individuals.

**PART: B**

1. Describe the types of Entrepreneurs? Which one do you think most suitable for India?
2. Elaborate the Concept of Entrepreneurial Personality with examples.
3. Discuss the knowledge & skills of Entrepreneur with neat sketch.
4. "Entrepreneurship as a Career"- comment this statement.
5. Write a short note on Entrepreneurship.
6. Explain the Characteristics of Successful Entrepreneurs.
7. How Entrepreneurship as a Career? Explain.
8. Explain the Qualities of Entrepreneur.
9. Write a note on Women Entrepreneur in India.
10. What are factors affecting Entrepreneurship growth?
11. What are the Basic Concepts & Characteristics of Entrepreneurship?

## UNIT – II

### ENTREPRENEURIAL ENVIRONMENT

#### PART: A

##### 1. What is Business Environment? (April/May2018)

Business environment is the sum total of all external and internal factors that influence business. You should keep in mind that external factors and internal factors can influence each other and work together to affect a business.

##### 2. List out the objectives of Entrepreneurial Training.

- Set/ reset the objectives of business
- To prepare for Accepting unforeseen risk
- To take strategic decision
- Scan business opportunities

##### 3. What is Entrepreneurship Development?

Entrepreneurial Development Programme means the programme designed to help a person in strengthening his entrepreneurial motive and in acquiring skills & capabilities necessary for playing his Entrepreneurial role effectively.

##### 4. List out the steps involved in Entrepreneurship Training Programme.

- Setting Training objectives
- Training objectives
- Developing course content

##### 5. List out the contents of EDP.

- General Introduction to Entrepreneurship
- Motivation Training
- Management skills
- Support system & procedure
- Fundamentals of project feasibility study
- Plant Visits

##### 6. What is DIC?

- DIC were established in May 1978 in order to cater to the needs of Small Units.
- Each district has a DIC at its headquarters.
- DIC responsibility is to act as a chief coordinator in respect of various Government departments and other agencies.

##### 7. Mention the Nature of International Entrepreneurship.

- Involvement of Two countries
- Language differences
- Government Interventions
- Payment in Foreign Currency & Differ from Internal Business

**8. Write a brief note on SISI.**

SISI was established in 1956. Small Industries Services Institute are setup one in each state to provide consultancy and training to small & prospective Entrepreneurs.

**Assistance:**

- Technical consultancy & advisory service
- Common Facility service
- Training Facilities
- Testing Facilities
- Marketing Assistance

**9. What is the role of the Entrepreneurship in economic development?**

- Capital formation
- Improvement in per capita income
- Generation of employment
- Balanced regional development
- Improvement in living standards
- Economic development.

**10. What are the objectives of EDPs?**

- Develop and strength their entrepreneurial quality.
- Analysis environmental set up relating to small industry and small business.
- Select product
- Formulate project for the product
- Know pros and cons in becoming an entrepreneurs
- Develop a broad vision about the business.

**11. What are the phases of EDPs?**

- Pre- training Phase
- Training Phase
- Post-training Phases

**12. Define Training.**

Training may be defined as any procedure initiated by an enterprise which intends to foster and enhance learning among the employees working in the enterprise. So far as the training in small scale units is concerned, the owner himself takes the responsibility for developing and conducting the training programmes.

**13. What are the objectives of training?**

- To improve job performance by enhancing employee's knowledge and skill
- To prepare employees well competent to discharge the new responsibilities.
- To impart skill how to operate the new machinery and equipments
- To reduce the wastage and accidents.
- To build a second line for more responsible positions at a later stage.

**14. What are the methods of training?**

- on the job training

- Apprenticeship training
- Job Rotation
- Outside training.

**15. What are the characteristics of a successful Training programme?**

- Its objectives and scope are clearly defined
- The training techniques are related directly to the needs and objectives of the organization
- It employs accepted principles of learning.

**16. What is on the job training?**

The oldest and most commonly used training techniques in the small scale units is the on the job training. It consists of the employees receiving training form their supervisors or other departmental members while they perform their regular jobs.

**17. What is Job Rotation?**

In this training programmed, employees are moved from job to job for a few hours a day, a few days at several weeks. Thus if one employee is absent, another employee can be well fill in the absence.

**18. What is Apprenticeship training?**

It combines both formal classroom learning and on the job experience. This kind of training programmed is provided mainly in the technical cadres. Plumbers, electricians and bankers are example or such training.

**19. How training is given in the small scale industries?**

The training opportunities for both skilled and unskilled employees.

- (i) Fear that the trained employees would demand for higher salaries
- (ii) Employees training will dislocate their schedule
- (iii) Imparting training to employees involves sizeable expenses.

**20. What is Development?**

Development is concerned with the growth of an employee in all respects. The term development is generally used for employees working in the managerial ladder.

**21. Write any four financial institution names.**

- IDBI
- IFCI
- ICICI
- LIC
- UTI

**22. List of Loans available for starting Industrial venture in India.**

- Industrial Development Bank of India (IDBI)
- Industrial Finance Corporation of India (IFCI)

**23. State the merits of international Business. (April/May2018)**

- A Country can consume those Goods which it cannot produce



- The Productive Resources of the World are Utilized to the Best Advantage of the Country
- Heavy Price Fluctuations are controlled
- Shortages in Times of Famine and Scarcity can be met from Imports from Other Countries
- Countries Economically Backward but Rich in Resources may Develop their Industries
- International Business Promotes Peace and Friendship

**PART: B**

1. List out phases of EDPs.
2. Write the essential components of training.
3. Write the Steps for Starting Small-Scale Industries.
4. What are the financial institutions which help entrepreneur?
5. What are the Entrepreneurial Initiatives in India- “Top Incubation Center”?
6. Is there any entrepreneurial Initiatives in India? Mention it.
7. What is a Micro, Small or Medium Enterprise?
8. What is the Role of Government in Supporting Entrepreneurship?
9. Is there any State Governments Incentives for Investors?
10. What are the Loans available for starting Industrial venture in India?

## UNIT – III

### BUSINESS PLAN PREPARATION

#### **PART: A**

##### **1. What is project identification?**

It is the process of identifying opportunities for new business ventures.

##### **2. What is selection of product?**

It is the first major step in the setting up of a business enterprise. Choice of the right product is to be produced is the first essential of success in entrepreneurship.

##### **3. What is project formulated?**

Project formulated is the systematic development of a project idea for the eventual purpose of arriving at an investment decision. It involves a step by step investigation and development of project idea.

##### **4. What is Technical feasibility?**

Identifying the technical specification of the product in terms of its functional design, adaptability of new customer demand, durability, and reliability of performance, acceptable level of obsolescence, safety and standardization.

##### **5. What are the assessments of project feasibility?**

- Technical Feasibility
- Economic Viability
- Financial Feasibility
- Managerial Competence
- Implementation Scheme

##### **6. What is financial planning?**

Financial planning is the process of formulating policies and strategy relating to the procurement, investment and administration of funds for an enterprise.

##### **7. What is debt equity consideration?**

Optimum capital structure implies the most economical and safe ratio between debt and equity. It is the ideal mix of ownership funds and borrowed funds. From a strictly financial point of view, the optimum capital structure is achieved by balancing the financial so as to achieve the lowest average cost of long term funds.

##### **8. What is IFCI?**

Industrial Finance Corporation of India is to make medium and long term credits more readily available to industrial concerns in India, particularly in circumstances where normal banking accommodation is inappropriate or recourse to capital issue methods is impracticable.

##### **9. What are the objects of ICICI?**

- To assist in the promotion expansion and modernization of industrial enterprise
- Encourage and promote the participation of private capital both Indian and foreign
- Promote private ownership of industrial investment and expansion of investment markets

**10. What is Venture capital?**

It is a form of equity financing of projects with high risk and return. It is meant for financing high technology projects.

**11. What is export finance?**

In order to encourage export from small scale sector, export credit is provided to small scale exporters. State Bank of India and other public sector banks provided export finance. The RBI and the IDBI provide refinance facility.

**12. What is IDBI?**

Industrial Development Bank of India was set up on July 1, 1964 as an apex institution in the field of industrial finance. It provides assistance to small scale units indirectly through its refinance and bills rediscounting schemes.

**13. What is the assistance by commercial bank?**

Term loan, Installment credit, Special schemes of assistance and credit guarantee scheme.

**14. What are the special characteristics of International Trade?**

- Rules and regulation
- Risk in transit
- Physical Distance
- Credit worthiness of dealers
- Difference in language
- Currency

**15. What is Tax holiday?**

Under section 80 IA of the Income tax Act, 1961, deduction is allowed in computing the taxable income in respect of profits derived from a new industrial undertaking or a ship or the business of a hotel.

**16. What are the basic elements of export procedure?**

- Registration of exporter
- Selection of export market and buyer
- Receipt of enquiries
- Receipt of intend
- Preparation of goods for export
- Arranging insurance coverage
- Obtaining the shipping order
- Dispatching goods
- Certificate of origin

**17. How is documentation for exports prepared?**

- Proforma invoice
- Intend
- Letter of credit
- Packaging list

- Marine Insurance Policy
- Bill of Lading
- Commercial invoice
- Bill of exchange
- Certificate of origin

**18. What is the role of the Institutional assistance for exporters?**

- Arranging participation in international exhibitions
- Arranging Indian exhibitions abroad
- Running show rooms in foreign countries
- Setting up trade centers in selected important markets outside India

**19. What are the groups of Export credit and Guarantee Corporation?**

- Standard policies issued to exporters to protect them against the risk of trading with overseas buyers on credit terms
- Financial guarantees issued by banks against the risk involved in providing credit to exporters
- Special policies

**20. What is International Collaboration?**

International / Foreign collaboration implies a business partnership/joint venture between an Indian entrepreneur and a foreign entrepreneur. It may be a technical collaboration where in the participant provides advanced technology and technical know-how to the Indian partner.

**21. What is Project?**

It is defined as a typically has a distinct mission that it is designed to achieve and a clear termination point, the achievement of the mission.

**22. What is Project Appraisal?**

It means the assessment of a project. Project appraisal is made both proposed and executed projects.

**23. Define prefeasibility study. (April /May2018)**

Prefeasibility studies are an early stage analysis of a potential mining project. Prefeasibility studies typically give an overview of a mining project's logistics, capital requirements, key challenges and other information deemed important to the decision-making process.

**PART: B**

1. How to identify your product?
2. How to appraise the project?
3. What do you know about Pre-feasibility Studies?
4. Explain the Classification of Ownership Structure.
5. How do you prepare Business Plan?

## UNIT – IV

### LAUNCHING OF SMALL BUSINESS

#### **PART: A**

##### **1. What is Market survey?**

Before the production actually starts, the entrepreneur needs to anticipate the possible market for the product. He has to anticipate who will be the possible customer for his product.

##### **2. What is market assessment?**

Different customer requires different types or qualities of a product. A small scale unit cannot meet the requirement of all types of customers. Therefore, it has to choose a target market or group of customers. After identifying the target market it should estimate the total demand.

##### **3. What is market segmentation?**

A market consists of heterogeneous customers who differ in terms of their needs, preference and buying capacity. A different marketing approach is necessary for every customer group.

##### **4. What is pricing policy?**

Price is an important element of marketing mix as it influences the profit margin and the sales volume. Pricing involves not only fixing the base price but also deciding the discount structure mode of payment, currency to be used, etc.

##### **5. Define co-operative organization.**

It is an association of person, usually of limited means who have voluntarily joined together to achieve a common economic end through the formation of a democratically controlled business organization, making equitable contributions of the capital required and accepting a fair share of risk and benefits of the undertaking.

##### **6. What are the types of co-operatives?**

- Producers
- Consumers
- Marketing
- Co-operative credit societies

##### **7. What are the types of growth strategy?**

- Expansion
- Diversification
- Mergers
- Sub contraction

##### **8. What is diversification?**

It is no longer possible for a firm to expand in the basic product market. Therefore the firm must add new products or markets to its existing business line this approach towards the growth is called as diversification.

##### **9. What is Joint Stock Company?**

It is a voluntary association of individuals for profit having a capital divided in to transferable shares.

**10. What is marketing mix?**

The entrepreneur always tries to choose a mix of alternatives/decisions amongst the alternatives that may yield the maximum returns for him/her. There are usually four main decision areas. Viz. products, price, promotion and place which constitute a mix of decisions.

**11. Define Branding.**

“A brand is a name, term, sign, symbol or design or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors.

**12. What is Packaging?**

Packaging is considered as an important element of product mix. Some marketers even consider it as a fifth „þ along with product, price, promotio n and physical distribution. Packaging has been variously defined.

**13. What is distribution channel?**

A channel of distribution or marketing channel is the structure of intra company organization units and extra-company agents and dealers, wholesale and retail through which a commodity, product or service is marketed.

**14. How to select a suitable channel?**

The success or failure of an enterprise inter alia depends upon to a great extent, the selection of a suitable channel of distribution. There are a number of factors that must be considered when a channel of distribution is to be selected.

**15. What is Man power planning?**

Under Man power planning the management needs to ask itself two basic questio9ns of

- (i) What kind of people do we need?
- (ii) How many people to do we need?

**16. What is the identification of job requirements?**

1. Conducting job analysis
2. Job Description
3. Job satisfaction

**17. Define venture capital. (April/May2018)**

Venture capital, also called VC, refers to the financing of a startup company by typically high-wealth investors who think the business has potential to grow substantially in the long run.

**PART B**

1. What are the Marketing Strategies involved in Entrepreneurship?
2. Explain the pricing methods/policies.
3. Detail notes on Distribution methods.
4. Detail notes on Working capital Management.
5. Write a note on Inventory Management.
6. Write a note on Production and Operation Management.

7. Detail notes on Growth strategies.

**UNIT – V**  
**MANAGEMENT OF SMALL BUSINESS**

**PART: A**

**1. State the Schumpeter's view of entrepreneur.**

An entrepreneur is an innovator who brings economic development through new combinations of factors of production.

**2. Define Sickness.**

According to Reserve Bank of India, a sick unit is one which incurs cash losses for one year and is likely to continue to incur cash losses for the current year as well as the following year.

**3. What are the symptoms of Industrial sickness?**

- Persisting of shortage of cash
- Deteriorating financial ratios
- Widespread use of creative accounting
- Continuous tumble in the price of the shares
- Frequent request to banks and financial institution for loan

**4. What are the consequences of industrial sickness?**

Financial loss, loss of employment, industrial unrest, harms to invest, wastage of scarce resources and loss of public revenue.

**5. What is an industrial estate?**

It is a method of organizing, housing and servicing industry, a planned clustering of industrial enterprises offering standard factory buildings erected in advance of demand and a variety of service and facilities to the occupants.

**6. What is self-sufficiency?**

Some firms grow to become independent in terms of marketing of raw material or marketing of products. They integrate the various stages of industry or acquire other firms to gain control over the supply of materials and marketing of finished goods.

**7. What are the major causes of sickness?**

Internal causes mainly relate to the poor quality of top management External causes relate to external factors arising outside the organization.

**8. What is the rehabilitation of sick units?**

- Sick Industrial companies Act 1985
- IDBI's Special cell
- Sick Industrial Undertaking Cell
- Co ordination committees
- Quarterly Bank Report
- Industrial Reconstruction Bank of India

**9. What are the roles of government in preventing the sick units?**

The number of industrial units in the country has increased enormously after the independence we have diversified industrial structure with widespread entrepreneurship. Government is responsible for this with its effort at creating infrastructure facilities, specialized industrial and packaging of incentives for entrepreneur.

**10. What are the institutions supporting the entrepreneurs?**

District Industrial center, Small Industries Development Organization, National Small Industries Corporation, National Industrial Development Corporation Ltd., Small Industries Extension Training Institute Hyderabad and State Trading Corporation of India.

**11. What are the roles of financial institution in preventing sickness?**

Apex financial institution like IDBI, IFCI, ICICI and nationalized commercial banks are in a favorable position to prevent industrial sickness. These are to remain in constant touch with the units with market conditions as well as the funded units are in an excellent position for receiving early warning of sickness.

**12. What are the various EDP's conducted in India?**

- EDP's among non engineers
- EDP's among self employment beneficiaries
- EDP's among women entrepreneur
- EDP's for rural artisans, students, weaker section of the society, physically handicapped person, etc.

**13. Define plant layout?**

Plant layout is referred to the arrangements and location of different departments and of the machinery with in a department so that an optimum utilization of space available can be made with a view to enabling plant to function in an effective manner.

**14. What is working capital?**

It is the amount of funds which an SSI must have to finance its day to day operation.

**15. How project report prepared?**

A project report is prepared by the entrepreneur himself or by his consultants or associates in order to present relevant facts before the decision makers to enable them to decide whether the project is worthwhile for the investment or not.

**16. What is feasibility report?**

A feasibility report or a project report of a new enterprise or of an expansion of the existing unit provides in general, primary economic information, financial data and technical data which serve a quite number of discrete economic processes or cost structure of the industry concerned.

**17. What is financial ratio analysis?**

It is a quantitative technique for assessing the financial health of a unit from the accounting data and helps to describe the significant relationship between two comparable figures in the financial statement.



**18. What is Fabian Entrepreneur?**

These are traditionally bounded entrepreneurs who would always be cautious and they neither introduce new changes and they neither introduce new changes, nor adopt new methods innovated by the most enterprising entrepreneurs. They are lazy, follow old customs, tradition, sentiments .etc.

**19. What is Drone Entrepreneur?**

These entrepreneurs never allow any change in their production and the style of functioning. They never explore opportunities and neither prepares to take any risk. They may even meet losses due to obsolete methods of production, but do not change their production methods and continue to adopt traditional ways in production processes.

**20. What are the entrepreneurial performances in India?**

- (a) socio-cultural background of the entrepreneur
- (b) Motivational force
- (c) Knowledge and ability of the entrepreneurs
- (d) Financial strength

**21. Define Gestation Period.**

It is defined as the time gap between the date of incorporation and the date of commencement of commercial production.

**22. What are tiny Units?**

These refer to undertakings having fixed investment in plant and machinery not exceeding of Rs.5lakhs. These also include undertakings providing services of laundry, repairs etc.

**23. Characteristics of small scale business.**

- Personal character
- Closely held
- Local area of operation
- Labour intensive
- Indigenous resources
- Limited scale of operations

**24. What is an Indigenous resource?**

Small scale units that use the local resources. Therefore, they have decentralized or dispersed location.

**25. What are the key factors influencing the mobility of entrepreneur?**

- Resources
- Experience
- Education

**26. What are the advantages of Internal Evaluations?**

- The evaluators are very familiar with the work, the organizational culture and the aims and objectives.
- Sometimes people are more willing to speak to insiders than to outsiders.

- An internal evaluation is very clearly a management tool, a way of self-correcting, and much less threatening than an external evaluation. This may make it easier for those involved to accept findings and criticisms.
- An internal evaluation will cost less than an external evaluation.

**27. What do you understand by evaluation of business? (April/May2018)**

Rigorous analysis of completed or ongoing activities that determine or support management accountability, effectiveness, and efficiency. Evaluation of completed activities is called ex-post evaluation, post-hoc evaluation, or summative evaluation.

**PART B**

1. Why do monitoring and evaluation of Business?
2. Explain Advantages and Disadvantages of Internal and External Evaluations.
3. What are the Different Approaches to Evaluation?
4. What are the stages in Industrial sickness?
5. What are the signals and causes in industrial sickness?
6. What are the Governmental measures to combat industrial sickness?
7. What are the guidelines given by RBI related to Entrepreneurship?
8. Discuss rehabilitation of business units.

## CASE STUDY

### 1. Read the following story:

A young man was passing through a site of construction. He saw three labourers working at the site. He went to one of them and asked "What are you doing here?" The worker answered, "Don't you see? I am making out a living. I am working to earn." The young man moved towards the second man and asked him the same question. He came the reply "Don't you see? I am constructing a wall". The young man moved towards the third man & repeated the question. The labourer replied "Don't you see? I am building a beautiful mansion".

### Answer the following questions:

- A. All the three were doing the same work, then what differentiates them?
- B. What is important to do a piece of work effectively and efficiently?
- C. Whose answer reflected a positive attitude?

### 2. Case Study: Dhirubhai Ambani and Reliance:

"Our dreams have to be bigger. Our ambition higher. Our commitment deeper. And our efforts greater. This is my dream for Reliance and for India." - Dhirubhai Ambani.

"The country has lost an iconic proof of what an ordinary Indian fired by the spirit of enterprise and driven by determination, can achieve in his own lifetime. Not only did Ambani build a large and diversified business conglomerate but also inspired many first generation entrepreneurs with his success." - Atal Bihari Vajpayee, Prime Minister, Republic of India.

"Dhirubhai built an empire that is rock solid and he will always remain an icon." - Kumar Mangalam Birla, Chairman, Aditya Vikram Birla Group.

### The Death of an Icon:

The 6th of July 2002 was a black day in the Indian corporate history. The Founder and Chairman of the Reliance group of Industries (Reliance), Dhirajlal Hirachand Ambani (Dhirubhai) died after a 13 day battle for survival. A perfect combination of entrepreneurship and leadership, Dhirubhai transformed Reliance from a company with a turnover of Rs 640 million in 1976, to one with a turnover of Rs 620 billion in 2002. Starting with a small textile mill in Naroda, in 1966, Dhirubhai took Reliance into various areas like petrochemicals, polyester filament yarn, oil and gas exploration and production, refining and marketing of petroleum, textiles, power, telecom services, information management and financial services (Refer Exhibit I for Reliance Group of Companies).

Dhirubhai never followed the textbook style of management. Instead, he evolved a unique style, which combined the American style of entrepreneurship, with the Japanese focus on the latest technology. And to this, he added the innate shrewdness of a Gujarati businessman. Analysts feel that he was a perfect manager of time, money and men and exhibited a passion to find solutions to problems. Dhirubhai started Reliance at a time when most companies in India were owned by the government, and the private players were given step-motherly treatment by the government while offering licenses and permits. Similarly, when most Indian business houses depended on

government – owned financial institutions for funds, Dhirubhai raised capital from the public by offering shares of his companies.

**Question:** State the success of Dhirubhai Ambani.

**3. Case study:** Mrs KKK, hails from a very poor family background, had no formal education, and is about 80 years of age at present. She is honest and sincere in whatever she is doing. She is a very industrious person since her childhood. She likes to go to the markets (Haat) (weekly market) in different villages which sometimes are as far as 20-30kms to do trading various products including rice, different varieties of fruits and soaps.

During this time, she learnt how to communicate with people and started building good relationships with regular customers and suppliers. She met many other great businesswomen and men at those times and made friendship with them. She worked so hard that very soon she became quite rich and able to support her family easily.

When she got married, she also got herself involved in agriculture, and produced lots of vegetables. She got considerable acres of land and hence was able to supply to various markets in plenty. She had several labourers and got them easily because of her earlier connections with many people from different villages in her earlier years. After 10 years of her work in agriculture she shifted her business to some construction and transport works, and invested in her first automobile, an old truck which in those days they called a ‘\_Dok Truck’. It helped her in various ways and especially in carrying agricultural produce in those days.

Later she bought a Jeep; again this had helped her in going from one village to the other. Due to her industriousness, she proved once again by making the transport business a success, and bought a short bus which was available at that time and an Ambassador car. This experience made her realize that business was profitable and she bought some more vehicles including buses and ambassadors which were better than the earlier ones. Lack of competitors in those days had brought her huge profits. Mrs KKK never took a loan or any financial support from anyone or even from the bank in those days since she believes that it is only hard work and living a simple and economical lifestyle is adequate to help oneself financially. Although the transport business later went down since the Supreme Court order to ban deforestation, she was not discouraged by that and in fact, she availed many other new opportunities and now her businesses include a general store and real estates.

She mentioned a few things which are the most inevitable constraints; finance, ill-health and pregnancies. Other constraints she mentioned were employees not being loyal towards work, transportation cost are very high, competition is increasing, inflation, marketing the products and difficulties in getting customers, maintenance of business, retaining of employees. Being illiterate, she has to depend on somebody to translate whatever is written on paper. However, these problems were overcome with experience, hard work, patience and family support. Instead of being a disadvantage, matrilineal has enabled Mrs KKK to exploit the greatest opportunity in being a successful entrepreneur. It has created in her the ability to be responsible, to be strong, to fight, and to foresee things.

4.

**Exit-Gates**

Saturday, June 28, 2008 at 2112 hrs Bill Gates kept his 2006 promise that he will quit from his day-to-day work at Microsoft—a company he founded in 1970 and which began its meteoric rise with the launch of MS-DOS in a tie-up with IBM in 1980. The master of PC software will now concentrate his efforts on philanthropy through the Bill and Melinda Gates Foundation, while remaining non-executive chairman of Microsoft. Ironically enough, he retires at a time when his company is facing its biggest challenges ever—it has found itself lagging behind Google in internet technologies which are fast replacing personal computer technologies as the cutting edge in the IT industry. Microsoft's failure to acquire Yahoo was a symptom of a deeper problem and challenge. Still, Google's march over Microsoft should give critics, who accused Microsoft of being a monopoly, something to think about. Ultimately, market forces caught up with Microsoft where government spending unnecessary millions on anti-trust lawsuits could not. While Microsoft did have a near monopoly of the software market for close to three decades, it was on the strength of its ability to continuously innovate. But perhaps its comfortable market position and high profits made it a trifle complacent about new technologies and sharper rivals—a thought which must cross Bill Gates' mind as he moves on.

Coincidental with the declining fortunes of Microsoft was the relative decline in Gates' wealth—he is now only the third richest man in the world. Still, it is hard to accuse him of being solely motivated to enriching himself. He has always maintained that 'great wealth means great responsibility'. The fact that he has devoted most of his personal fortune to his Foundation shows that he takes his words seriously. The Foundation has been a remarkable success, developing a number of market-friendly solutions for the challenges facing by the poor. The Foundation's work in the field of health, particularly HIV and malaria, has been noteworthy is more creative and superior to the work done by any government. Of course, nobody's perfect and nor is Bill Gates—he took a long time to see the PC revolution was being challenged, and the market made him see it. Still, given his remarkable legacy in software, his work in philanthropy should be fascinating to watch.

**Questions for Discussions**

1. Explain the contributions of Bill Gates as an Entrepreneur.
2. Explain the concept of Social Entrepreneur on the context of the case.
3. Briefly discuss the meaning of 'great wealth means great responsibility'.
4. What is your opinion on "Exit Gates"? Explain.

**5. A Case in Point: The Grameen Bank, a Model of Sustainability**

**Muhammad Yunus**, the founder of the Grameen Bank and winner of the 2006 Nobel Peace Prize, found a solution to the plight of poor Bangladeshis who are unable to acquire funds to start their own business – microcredit. He lent \$27 of his personal funds to a group of poor women, who quickly started a sewing business that was able to generate enough income to help them pay back the loan, and more importantly, to rise above poverty. Thus the idea of the Grameen Bank was born. According to Martin & Osberg, "Grameen Bank sustained itself by charging interest on its loans and then recycling the capital to help other women." Having thus proven microcredit to be a sustainable method of combating global poverty, Yunus continues to inspire organizations worldwide to adopt the Grameen model to combat poverty in their own communities.

Like the Grameen model, there have been instances of various self-help groups in India, which foster various models of sustainability. The success of AMUL in at Anand in Gujarat eventually led to the creation of various co-operative societies across the country.

**Example:** Co-operatives; **Saras** in Rajasthan, **Mother Dairy** in Delhi and **Aarey** in Maharashtra

## GLOSSARY

1. **A-Round Financing:** The first major step of startup funding. Founders have to demonstrate to external investors that their business is viable and profitable.
2. **Accelerator:** Accelerators support early-stage, growth-driven companies through education, mentorship, and financing and make an investment in return for equity.
3. **Add-on Service:** Non-monetary services provided by venture capitalists in order to help prepare a company for growth. For example, assembling resources etc.
4. **Adventure Capitalist:** An entrepreneur who occupies a position in the governing body of the organization. He/She helps other entrepreneurs financially.
5. **Advisor:** An entity that helps a company in the formative years by advising, supporting and providing useful professional contacts
6. **Agile:** A software development method which emphasizes on adaptability and promotes incremental development.
7. **Angel Investor:** Informal or private investors who support a startup financially in exchange for ownership equity.
8. **Benchmark:** A criterion by which a startup company calculates their current success. Growth measurement parameter for a start-up's success.
9. **Bridge loan:** A short-term gap financing arrangement also known as a swing loan.
10. **Bootstrapping:** Bootstrapping is the process of initializing a business without the assistance of any external help or capital. In this, the companies are funded via internal cash flow.
11. **Equity financing:** A process in which capital is raised by selling shares of the organization.
12. **Flipping:** The act of buying shares in an IPO and selling them immediately for a profit.
13. **Incubator:** Organization/Individual that aids in the development of early-stage ventures. This help is extended usually in exchange for equity in the company.
14. **IPO:** Initial public offering. The point at which a private organization turns into a public company. The shares of a company are made available to the general public.
15. **Minimum viable product:** It is a prototype of a company's product that is used to analyze and learn about its viability and potential to sell in the market.
16. **NDA:** Non-disclosure agreement. An accord between two entities to protect confidential and sensitive information like trade secrets from being disclosed to outside parties.
17. **Proof of concept:** A demo of startup idea or concept which validates its feasibility.
18. **ROI:** Return on investment. Percentage of money received back from investor by the startup.
19. **SaaS-** Software as a service
20. **Seed:** First stage of funding of a startup usually based on concept and prototype.

21. **Secondary public offering:** When a company offers up new stock for sale to the public after an IPO.
22. **Unicorn list:** A startup company that is valued at over \$1 billion is called a unicorn.
23. **Valuation:** The process by which a company's worth or value is determined.
24. **Venture capital:** Money provided by venture capital firms to small, high-risk, startup companies with major growth potential.
25. **Zombie Startup:** A company which claims to have continuing operations but which demonstrates little or no growth in website visitations or use in recent quarters.

**1) Accelerator (aka Incubator):**

This is not related to the mechanics of the car. Accelerator or AKA Incubator is a center where startups are incubated, mentored and sometimes funded. The process of incubation for startups is same for across the country so whether they are Accelerators or **Incubators in Mumbai**, Bangalore or any other city same process applies.

**2) Boot-Strapping:**

Boot-Strapping literally means a startup surviving on Maggi Noodles. In other words, it means a startup which is using personal cash or cash from friends and family to run its operations.

**3) B-to-B or B-to-C:**

B2B means Business to Business which means your startup business model is to sell products or services to other companies. B2C means Business to Consumer; it simply means you sell products and services to the public.

**4) Burn Rate (Run Rate):**

Investors are not very keen in putting their money where the burn rate is excessive. Apart then few exceptions like Flipkart. In simple words, its how fast you are blowing your cash!

**5) Deck (Pitch Deck):**

It's a short 10 slide PPT that covers all aspects of your startup. The pitch deck in nature should be compact & concise, but it should create a maximum impact. (Advice from CI **Business Mentors** : you can only create impactful deck when there is lot of collation a real feedback and not just some statistics that you downloaded from sites like Mckinsey & PwC. Real feedback can be like a small video clip of you actual consumers testifying about the product or the service.)

**6) FMA (First Mover Advantage):**

Not every startup that you see is the first to market startup. But in case if you are then you should definitely point it out to the investors. However, it's not necessarily a good thing to have a first to market advantage there are a couple of disadvantages of having a First Mover Advantage as well like for an instance you may have to educate your investors about a completely new, prevalent and untapped market. Convincing the investors to invest in a market which does not have clear established demand can be a tough nut to crack.

**7) Freemium:**

You probably must have heard this term a lot. What it simply means is that that you have created a model in which your basic product is free and your final endeavour is to upsell features to your



consumers once there is enough traction. This is a pure marketing ploy often used by Mar-Tech and Directory related startups.

#### **8) Lean Startup:**

**Lean startup** is more or less similar to Growth Hacking. The ideology behind starting lean is to prove your business concept as you go. It's about understanding what is working best for your consumers in the cheapest and effective way via constant feedback.

#### **9) MVP (Minimum Viable Product):**

**MVP** is one of the most important lean startup techniques. It's the bare-bones version of a product which is required to achieve proof of concept.

#### **10) Pivot:**

When a startup is 'Pivoting' it means that they may be using the established tech for an entirely new purpose. Changing directions of the company entirely or it can also mean doing business in a different market segment.

#### **11) Market Penetration:**

Market Penetration simply means what is the percentage of the potential market you hoping or have captured. The VCs would also want to know how fast you can capture it.

#### **12) ROI (Return On Investment):**

Simply put, it's what investors expect to get for what they put in. It can also mean your returns over a particular marketing campaign.

#### **13) SaaS (Software As A Service):**

Having a SaaS startup means you sell subscriptions to use the software you have designed.

#### **14) Sweat Equity:**

As the word suggests 'Sweat' in other words Hard work Equity. What it means is that the Startups giving an equity percentage to person for his or her hard work in the company. This is an excellent recruiting tool to attract passionate employees.

#### **15) Term Sheet:**

The Term Sheet is basically a document which tells what percentage of ownership and voting rights will the Investors get for putting funds in your business.

#### **16) Value Prop:**

What is the most unique or attractive feature of your product or service?

**UNIVERSITY QUESTION PAPER**

Reg. No. :

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**Question Paper Code : 40314**

M.B.A. DEGREE EXAMINATION, APRIL/MAY 2015.

Elective

BA 7032 — ENTREPRENEURSHIP DEVELOPMENT

(Regulation 2013)

Time : Three hours

Maximum : 100 marks

Answer ALL questions.

PART A — (10 × 2 = 20 marks)

Differentiate between creativity, innovation and entrepreneurship.

1. List out the skills required to become entrepreneur.
2. Describe the paradox of entrepreneurship.
3. Why is international business so important to an entrepreneur?
4. List out various criteria for selection of product.
5. How do you classify the projects?
6. What are the main characteristics of venture-capital investments?
7. How would you spread about a job opening in your firm?
8. List the causes of industrial sickness.
9. What is the role of the Board for Industrial and Financial Reconstruction.

PART B — (5 × 16 = 80 marks)

11. (a) Define an entrepreneur. Are all business owners entrepreneurs?

Or

- (b) State the various types of entrepreneurs. Discuss the characteristics of successful entrepreneur.

12. (a) Discuss how technological change creates entrepreneurial opportunities. What are some current changes ongoing and what opportunities do they create?

Or

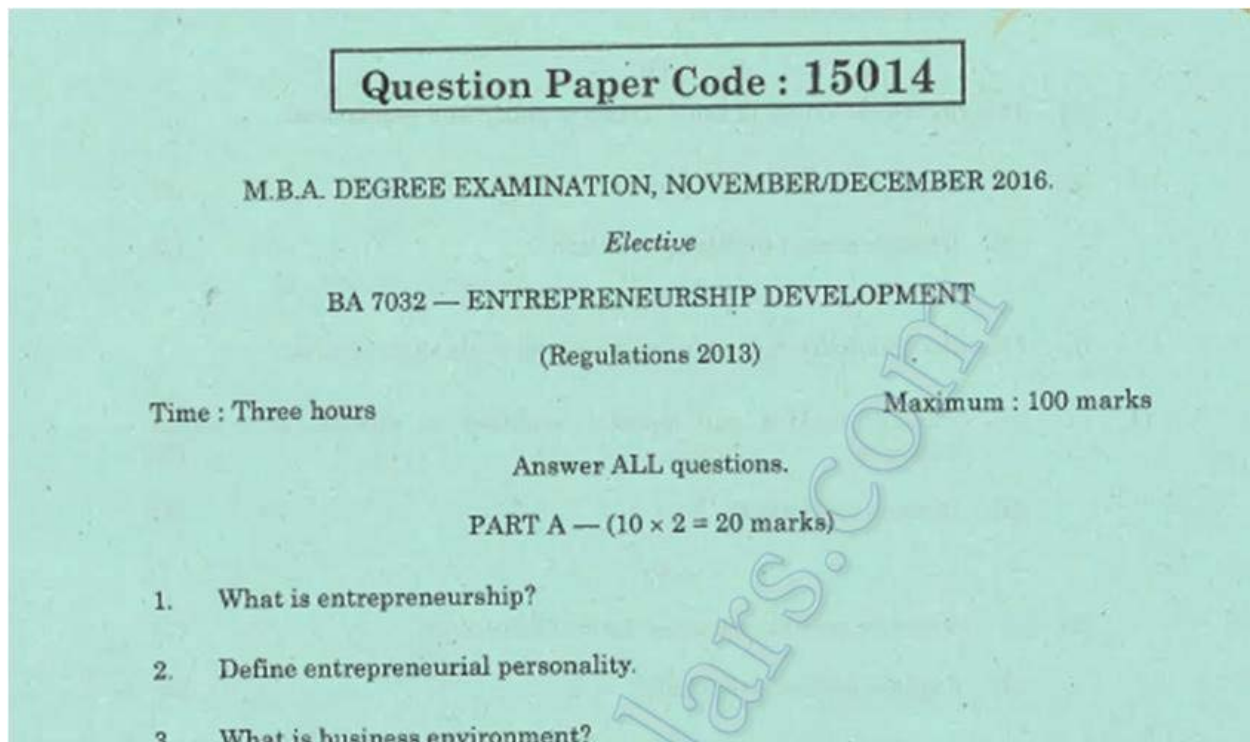
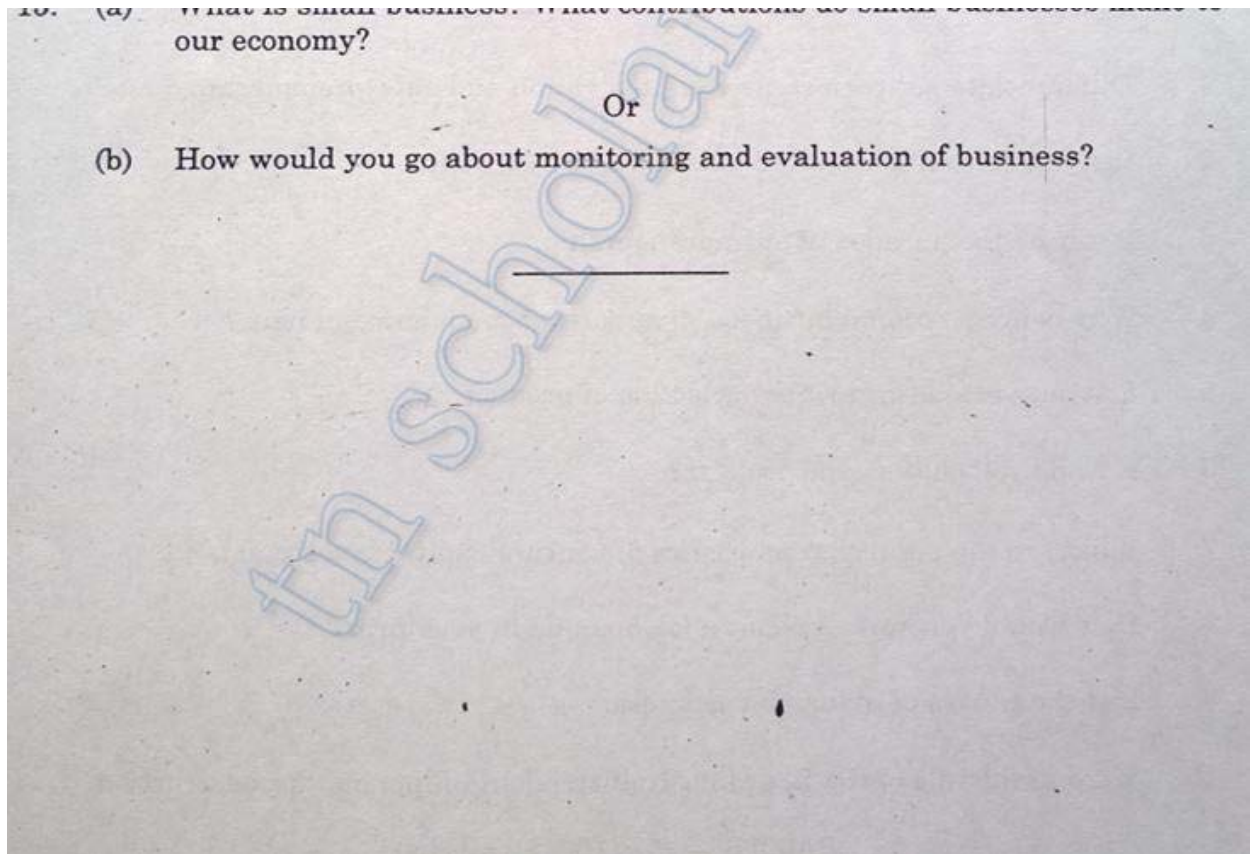
- (b) Critically evaluate the role of support institutions to promote entrepreneurs.
13. (a) Why is it necessary to update the business plan? What specific factors can enhance the need to update the business plan?

Or

- (b) What is a project? How are individual projects evaluated to select the one to be implemented?
14. (a) Discuss the main type of organizations that extend debt finance to new entrepreneurs in India.

Or

- (b) What are the characteristics of entrepreneurial marketing? How will you decide on your channel strategy?
15. (a) What is small business? What contributions do small businesses make to



4. List support organization services for entrepreneurship development.
5. Why prefeasibility study of a business is necessary?
6. What is capital?
7. What is operations planning?
8. Define venture capital.
9. List the reasons for sickness in small business.
10. Write the merits of small business.

PART B — (5 × 13 = 65 marks)

11. (a) Explain how one can make a career by entrepreneurship.

Or

- (b) Describe entrepreneurship development and training.

12. (a) (i) Discuss the business environment in Tamil Nadu. (8)
- (ii) Explain the opportunities for an Indian entrepreneur in international business. (5)

Or

- (b) Describe Government of India Industry policy and regulations.

13. (a) (i) Explain sources of product for business. (6)
- (ii) Discuss project profile preparation. (7)

Or

- (b) Describe feasibility report preparation and evaluation criteria.

14. (a) (i) Explain market and channel selection in relation to a small business. (7)
- (ii) Discuss incubation. (6)

Or

- (b) (i) Describe growth strategies for small business. (7)
- (ii) Explain product launching. (6)

15. (a) Discuss about preventing sickness and rehabilitation of business units.

Or

- (b) Explain effective management of small business.

PART C — (1 × 15 = 15 marks)

16. (a) Discuss the opportunities and threats in mobilization of finance and human resources for IT startups in India.

Or

- (b) Explain the sickness and rehabilitation measures in relation to Indian textile industry.
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