

UNIT – I:**Entrepreneurship****Who is an Entrepreneur?**

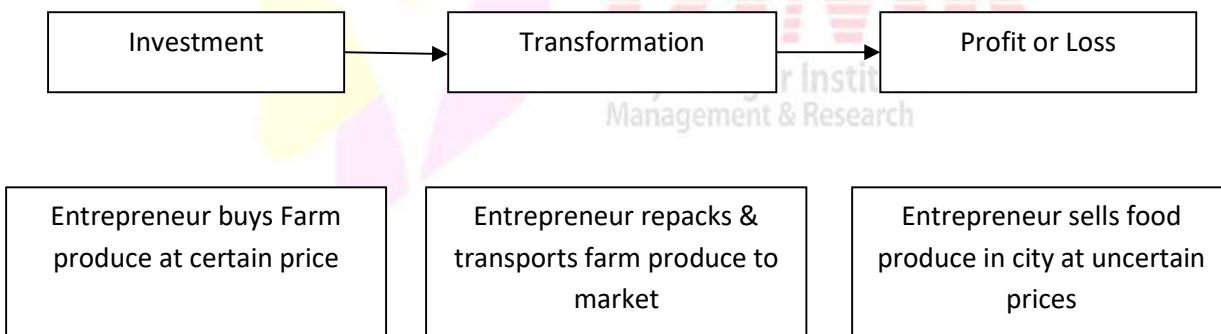
An Entrepreneur is a person who brings in overall change through innovation for the maximum social good. He is the one who is inspired to serve the society. He has firm belief in social betterment and carries out this responsibility with conviction.

In this process, he accelerates personal, economic as well as human development. The entrepreneur is a visionary and an integrated person with outstanding leadership qualities. With a desire to excel, he gives top priority to Research and Development while working for well-being of the society.

Definition of an entrepreneur:

The word 'entrepreneur' is derived from the French word 'Entreprendre' which means 'to undertake', i.e. the person who undertakes the risk of new enterprise

Richard Cantillon, an Irishman, living in France who first used the term entrepreneur to refer to economic activities. According to him, "An entrepreneur is a person who buys factor services at certain prices with a view to selling its product at uncertain prices." Thus to Cantillon, an entrepreneur is a bearer of non-insurable risk.

**Cantillon's Early View of Entrepreneurial Behaviour**

According to **A. P. Usher**, "Specialization or division of labour necessitates an entrepreneurial function the crux of which is to coordinate different economic activities. This view on entrepreneurship was very narrow and it reduced the entrepreneurship activities to no more than a managerial function."

F. H. Knight, “entrepreneurs are a specialized group of persons who bear risks and deal with uncertainty.”

With **J. A. Schumpeter**, the term entrepreneur had received a wide acclaim. He defined, “the entrepreneur as an innovator who carries out new combination to initiate the process of economic development through introduction of new products, new markets, conquest of new source of raw materials and establishment of a new organization of industry.”

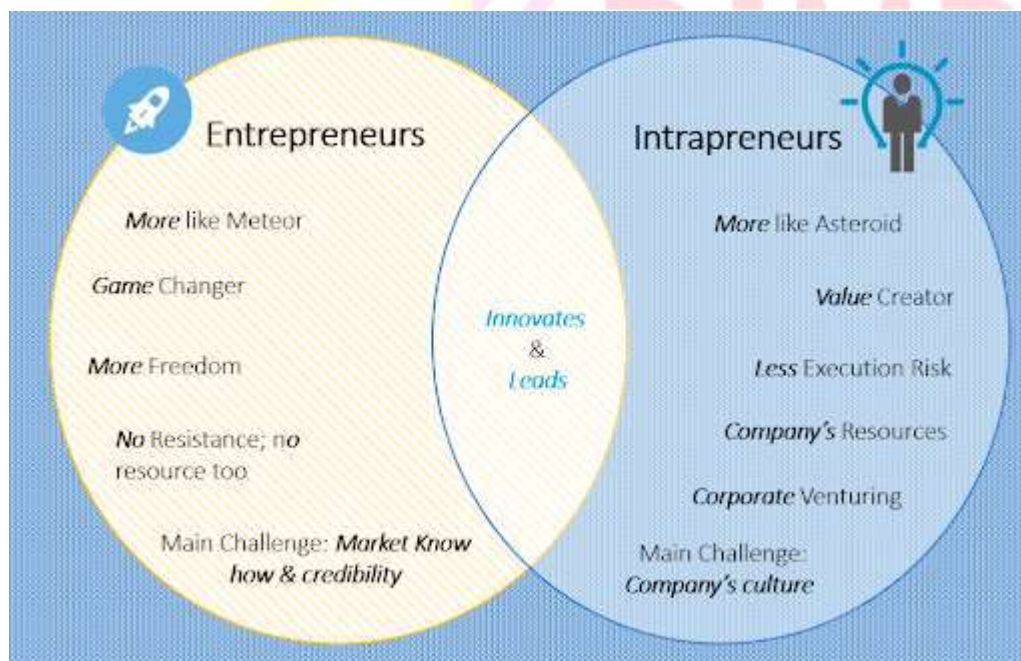
He said, “The carrying out of a new combinations we call enterprise, the individuals whose function is to carry them out we call as entrepreneurs.”

According to Schumpeter, “The process of development is a deliberate and continuous phenomenon which is actively promoted by the escort services of a change agent who provides economic leadership. This change agent is what is called entrepreneur.”

Intrapreneur:

He is an ‘intra corporate entrepreneur’ who pursues an innovation, becoming a champion for its development, but does so from within the security of his or her organizational position.

Difference between entrepreneur & Intrapreneur:



Classification of entrepreneurs

Pure entrepreneur:

A pure entrepreneur is **an individual who is motivated by psychological and economic rewards**. He undertakes an entrepreneurial activity for his personal satisfaction in work, ego, and status

Ex. **Dhirubhai Ambani, Jamshedji Tata, T.V. Sundaram Iyengar, Seshadriji, Birla, Narayanamurthi**, and Azim Premji

Induced Entrepreneur:

Induced entrepreneur is one who is **induced to take up an entrepreneurial task due to the policy measures of the government that provides assistance, incentives, concessions and necessary overhead, facilities to start a venture**.

Some NGO's also offers support to motivate youngsters to take up entrepreneurship

Motivated Entrepreneurs:

New entrepreneurs are **motivated by the desire for fulfilment**. They come into being because of the possibility of making and marketing some new product for the use of customers. If the product is developed to saleable stage, the entrepreneur is further motivated by reward in terms of profit.

Ex. Sridhar Vembu- Zoho, Mahesh Gupta- Kent RO; Kailash Katkar- Qickheal Technologies;

Spontaneous Entrepreneur:

They are **persons with initiative, boldness and confidence in their ability** which motivate them to undertake entrepreneurial activity. Such entrepreneurs have a strong conviction and confidence in their inborn ability

Elon Musk

Growth & Supergrowth Entrepreneurs:

Growth entrepreneur: Growth entrepreneurs are those who necessarily take up a high growth industry which has substantial growth prospects. Super growth entrepreneur: Super growth entrepreneurs are those who **have shown enormous growth of performance in their venture**.

Classical Entrepreneur:

A classical **entrepreneur** is a type of entrepreneur who identifies a need they believe they can address and focuses on supporting themselves through their *venture* of marketing said need.

Modern Entrepreneur:

If you're a **business owner** in 2018, you are a **modern entrepreneur**.

Types of Entrepreneurs:**1. Business Entrepreneur**

An individual who creates a new business, bearing most of the risks and enjoying most of the rewards

Ex. Ghanshyam Das Birla

2. Trading Entrepreneur

One who undertakes trading activities and is not concerned with the manufacturing work

Ex. Dilip Shanghvi started as one

3. Industrial Entrepreneur

A manufacturer

Ex. Jamsheji Tata, father of India Industry

4. Corporate Entrepreneur

An individual who conducts at least part of their creation activities at work using corporate resources, people, and/ or time

Ex. Infosys, ITC, Hindistan Uniliver, Google

5. Agricultural Entrepreneur

A person who manages and develops agricultural products

Ex. Padmashri Hukumchand Patidar

6. Fabian Entrepreneur

Individuals who do not show initiative in visualizing and implementing new ideas and innovations wait

Ex. Kodak

7. Drone Entrepreneurship

Entrepreneurs who do not like a change

EVOLUTION OF ENTREPRENEURSHIP:

16th Century (France): Person leading military troops Person engaged in daring work

17th Century (France): Person doing brave/daring work in business Contractor undertaking construction of Govt. work like roads, bridges etc. Person doing tax collection for Govt.

18th Century (France): People doing farming business

19th Century: Researcher presenting new inventions & ideas Coordinators of production process

20th Century: One who starts new business or one who does old business in newer ways, One having interest in new creations

Defining Entrepreneur & Entrepreneurship:

- Entrepreneur (Schumpeter): The person who seeks to reform or revolutionize the pattern of production by exploiting an invention or, more generally, an untried technological possibility for producing a new commodity or producing an old one in a new way, by opening up a new source of supply of materials or a new outlet for products
- Entrepreneurship (Schumpeter): It essentially consists in doing things that are not generally done in the ordinary course of business routine
- Entrepreneurship (Robert Ronstadt): It is the dynamic process of creating incremental wealth. This wealth is created by individuals who assume the major risks in terms of equity, time and/or career commitment of providing value for some product or service. The product or service itself may or may not be new or unique but value must somehow be infused by the entrepreneur by securing and allocating the necessary skills and resources

Difference between Entrepreneur & Manager:

	Entrepreneur	Manager
Skill	Needs intuition, creative thinking & innovative ability	Depends more on human relations & conceptual abilities
Status	Self-employed & his own boss	Salaried & not independent of his

		employer
Risk taking	takes calculated risk; Not a gambler but faces uncertainty & assumes risk	Less tolerant of uncertainty; doesn't face the uncertainty of a new venture with its potential for failure & financial loss
Reward	Motivated by profits	Motivated by externally imposed goals & rewards
Innovation	Doesn't live with the status quo, works to change in accordance with vision & values & is more than an inventor	Keeps running a business on established lines

Characteristics of successful entrepreneurs:

- Creativity
- Innovative
- Flexibility and multi-skilled
- Goal oriented
- Persistent
- Persevering
- Propensity to take calculated risks

Functions of an Entrepreneur:

- Idea Generation
- Determination of objectives
- Raising of Funds
- Procurement of Raw Material
- Procurement of Machinery
- Market Research
- Determination of Form of enterprise
- Recruitment of Manpower
- Implementation of the Project

Classification of Entrepreneurs:

Based on the type of business

- Business Entrepreneur
- Trading Entrepreneur
- Industrial Entrepreneur
- Corporate Entrepreneur
- Agricultural Entrepreneur

Social Entrepreneurs:

- **Ex. Bindeshwar Pathak** – Sulabh International
- **Muhammad Yunus** – Grameen Bank

Based on the use of Technology:

- Technical Entrepreneur
- Non-technical Entrepreneur
- Professional Entrepreneur

Based on Motivation:

- Pure Entrepreneur
- Induced Entrepreneur
- Motivated Entrepreneurs
- Spontaneous Entrepreneur

Based on Growth:

- Growth Entrepreneur
- Super-Growth Entrepreneur

Based on Stage of Development:

- First-generation Entrepreneur
- Modern Entrepreneur
- Classical Entrepreneur

Other Types of Entrepreneurs

- **Innovative Entrepreneurs**
- **Adoptive or Imitating Entrepreneurs**
- **Fabian Entrepreneurs** – skeptical / unconvinced in their approach in adopting or innovating new technology in their enterprise. They are not adoptable to changing environment. They imitate only in situations where it becomes necessary to do so. They only adopt new technology when they realize that failure to adopt will lead to loss or collapse of the enterprise
- Ex. Nokia
- **Drone Entrepreneurship** – They suffer losses as they refuse to make any modifications in the existing production methods
- **Aspiring Entrepreneurs**
- **Lifestyle Entrepreneurs**
- **Growth Entrepreneurs**
- **Opportunist Entrepreneurs**
- **E-Entrepreneurs**
- **Mompreneurs**
- **IT entrepreneurs**
- **Women entrepreneurs**

Role of Entrepreneur in Indian Economy:

What are the Drivers of Economic Development / Growth?

- Wealth Creation & Sharing
- Create Jobs
- Balanced Regional Development
- GDP & Per Capita Income
- Standard of Living
- Exports
- Community Development

Developing Entrepreneurial Culture:

- Culture of motivating leadership to lead the enterprise
- Culture of innovation
- Remove hidden obstacles
- Create an integrated enterprise culture
- Create a marketing culture
- Create a receptive & listening environment
- Absorb competing technologies & involve people
- Flexible & open for diversification & new ideas
- Always ready for change

Factors influencing Entrepreneurship Growth:**Economic –**

- **Capital-** Facilitates entrepreneur to bring together the land, machinery, raw material to be combined to produce goods.
- **Market-** Market Potential, size and composition
- **Labour-** Quality and quantity of labour
- **Raw Material-** Cheap and consistent supply of quality raw material from reliable sources.

Non-Economic Factors:**Social Conditions**

- **Legitimacy of Entrepreneurship:** The relevance of a system of norms and values within a socio-cultural setting for the emergence of entrepreneurship, in which the degree of approval or disapproval granted entrepreneurial behaviour influences its emergence & characteristics if it does emerge. Schumpeter recognizes the importance of such legitimacy in terms of appropriate social climate for entrepreneurship. Entrepreneurship will be more likely to emerge in a setting in which legitimacy is high

- **Social Mobility:** Degree of social and geographical mobility and the nature of mobility channels within a system
- **Marginality:** It refers to a state of being excluded from social activity as an outsider. It positively influence entrepreneurship. Individuals or groups on the perimeter of a given social system or between two social systems provide the personnel to assume the entrepreneurial roles
- **Social Security:** If individuals are fearful of losing their economic assets or of being subjected to various negative sanctions, they won't be inclined to increase their insecurity by taking up entrepreneurship.

Psychological Factors

- **Need Achievement:** According to David McClelland's theory of need achievement an array of personality characteristics which are indicative of high need achievement is the major determinant of entrepreneurship development. If the average level of need achievement in a society is relatively high, one would expect a relatively high amount of entrepreneurship development.
- **Withdrawal of Social Status Respect:** According to E. Hagen's Status Withdrawal Theory, a class which lost its previous prestige or minority group tends to show aggressive entrepreneurial drive. If a group feels that their values and status are not respected by society, they turn to innovation to get respect of society.

Profit or Not for Profit Entrepreneurs:

- For profit entrepreneurs operates with the goal of making money
- Most businesses are for-profit that serve their customers by selling a product or service.
- The entrepreneur earns an income from the for-profit and may also pay shareholders & investors from the profits
- Similar to non-profit a **Not-for-profit entrepreneur** does not earn profit for himself or other promoters
- All money earned through pursuing business activities or through donations goes right back into running the organization

- However, not-for-profit entrepreneurs are not required to operate for the benefit of the public good and can simply serve the goals of its promoters and members
- **Ex. Clubs, Community Service**

Constraints for the growth of Entrepreneurial Culture:

- **Financial constraints**

Poor access to debt/loans; Inadequate financing options; High collateral requirement; Lack of availability of equity capital; Lack of availability of Venture Capital firms, banks; Underdeveloped public markets etc.

- **Infrastructural constraints**

Intermittent energy, water & electricity supply; Lack of roads; Problems with technology production; Lack of local linkages; Difficulty accessing technology provider; Inadequate Research and Development activities; Unsafe location etc.

- **Constraints due to unfavorable BEP environment**

- Unfair competition from bigger players, black market and other informal economy
- Underdeveloped public markets
- Frequent changes in taxation procedures, high tax levels, cumbersome tax filing mechanisms
- Corruption, bribery, bureaucracy
- Complex business registration and other regulatory mechanisms
- Poor enforcement of private property rules and
- Other regulations; Political and economic instability; Fluctuating interest rates etc.

Constraints related to entrepreneurial training and education

- Lack of information/education about filing of patents
- Lack of courses related to management of business and entrepreneurship e.g. marketing skills, book keeping skills
- Insufficient knowledge of business and market economy rules.
- **Other Constraints**
- Lack of entrepreneurial culture, e.g. accepting failure, respect for entrepreneurs
- Easily replicable ideas etc.

Entrepreneurship as a Career:

- **A Small Business Ownership**

Majority small businesses are focused on providing established products or services in local market

Primary incentive is the independence gained from personal control over one's life
A small business entrepreneur may seek only to substitute for job income or to avoid working as an employee

- **The Growth Oriented Entrepreneur**

It is determined to expand through the commercialization of a new idea

Committed to growing new business

Not satisfied with the prestige of ownership but with the challenge of transforming ideas into commercially successful enterprise

- **Intra Corporate Entrepreneur**

They choose to remain within established companies as employees but realize their goals through individual efforts and innovations.

May be members of innovation teams who creates **spinoff** divisions or **subsidiaries** for their companies

Their success is measured in terms of personal achievement within the limits of their organizational career

Entrepreneurship as a style of Management

- Entrepreneurial leadership involves organizing and motivating a group of people to achieve a common objective through innovation, risk optimization, taking advantage of opportunities, and managing the dynamic organizational environment

Corporate Entrepreneurship

- It is the process by which individuals inside organizations pursue opportunities without regard to the resources they currently control

Objectives of Corporate Entrepreneurship

- Cultivate innovation and creativity within enterprise
- Creating an entrepreneurial organization
- Organizing around teams
- Assessing enterprises as "intelligent organizations"

Characteristics of Corporate Entrepreneurship

- New Business Venturing
- Innovativeness
- Self Renewal
- Proactiveness

Factors influencing Corporate Entrepreneurship

- Compensation and incentive system
- Organization Culture
- Top Management Support
- Organizational Structure
- Resource Availability
- Organization Policies
- Risk Taking & Failure Tolerance

Barriers to Corporate Entrepreneurship

- Resistance to change
- The inherent nature of large organizations
- Lack of entrepreneurial talent
- Inappropriate compensation method

Emerging Models of Corporate Entrepreneurship:



India's Start-up Revolution

- Start-up India
- GST
- Ease of doing business
- Mudra Loan
- Aadhar
- Jan Dhan

- Digital India – UPI
- National Education Policy (NEP) 2020

Business Incubators

- Business incubators are specially designed programs to help young startups innovate and grow. They usually provide workspaces, mentorship, education and access to investors for startups or sole entrepreneurs. These resources allow companies and ideas to take shape while operating at a lower cost during the early stages of business incubation. Incubators require an application process to join and usually require a commitment for a specific amount of time.

Rural Entrepreneurship

- Ensures value addition to rural resources in rural areas and engaging largely rural human resources

Need of Rural Entrepreneurship

- Employment Generation in Rural area
- Income Generation for Rural people
- Rural Development
- To build up rural republic
- To curb rural to urban migration

Scope for Rural Entrepreneurship

- Local Food
- Natural resources
- Forests
- Services
- Agriculture

What is Rural Industry?

- Located in rural area of population less than 10,000
- Produces any goods or renders any services with or without use of power

Type of Rural Entrepreneurship

- Agro based
- Forest based
- Mineral based
- Textile
- Handicrafts
- Engineering
- Services

Advantages of Rural Entrepreneurship

- Utilization of local resources
- Providing employment opportunities
- Avoid migration of rural population
- Balanced regional growth
- Promotion of artistic activities
- Encouragement of rural youth
- Enhanced standard of living
- Equitable distribution of income

Problems in growth of Rural Entrepreneurship

- Lack of infrastructural facilities
- Non supportive attitude of financial institutions
- Lack of technical knowhow
- Lack of communication facilities
- Rigidity of rules for providing loans
- Lack of quality management
- Lack of own finance

- Non-availability of skilled labours
- Fear of investment in a business
- Political & structural problems
- Poor knowledge of book keeping
- Purchasing power of rural people
- competition

Role of Rural Entrepreneurship in Economic Development

- Capital formation
- Balanced regional development
- Rural employment
- Improvement in standard of living
- Increase in per capita income
- National self-reliance
- Planned production
- Equitable distribution of wealth

Development of Rural Entrepreneurship

- Strengthening of raw material base
- Availability of funds on time at soft terms & conditions
- Development of entrepreneurial competencies through training
- Dissemination of information about available facilities
- Availability of modern infrastructural facilities
- NGO's in rural areas

Social Entrepreneurship

- The use of techniques by the start-up companies and entrepreneurs to develop, fund and implement solutions to social, cultural or environmental issues

Characteristics

- Takes up pressing social problems
- Profit making is a secondary objective
- Passionate people determined to get innovative & path breaking solutions to social issues
- Possess high level of motivation
- Visionaries and social change makers
- Recognize new opportunities to serve a cause and create a social value
- Act boldly and engage in innovation, adaptation and learning by exhibition of accountability
- Ambitious, resourceful and result oriented

Scope of Social Entrepreneurship

- Eradication of poverty and hunger
- Achievement of universal primary education
- Promotion of gender equality & women empowerment
- Reduction of child mortality
- Improvement in maternal health
- Combat life altering and threatening diseases
- Ensure environmental sustainability
- Global partnership for development

Challenges for Social Entrepreneurship

- Funding
- Strategy and long-term focus
- To stay true to the mission
- Lack of skilled and self motivated manpower or volunteers
- Social and cultural effect
- Lack of government support

Women Entrepreneurs

- A women or group of women who initiate, organize and runs a business enterprise

- Government of India has defined women entrepreneurs as owning and controlling an enterprise by a women having a minimum financial interest of 51% of the capital and giving at least 51% of the employment generated in the enterprise to women

Characteristics

- Accept challenges
- Ambitious
- Hard working
- Patient
- Motivator
- Adventurous
- Conscious
- Educated
- Intelligent

Challenges for Women Entrepreneurs

- Problems of raw material
- Problem of marketing
- Problem of finance
- Problem of infrastructure
- Competition
- Male dominated society and corporate set-up
- Low risk taking ability
- Lack of education
- Lack of business information
- Family problems

Government Initiatives

- Mahila Vikas Nidhi

- District Industries Centre
- Rashtriya Mahila Kosh
- Training Programs

Unit – II

Theories of Entrepreneurship

What is Theory?

- ⊙ A well substantiated explanation acquired through the **scientific method** and repeatedly tested and confirmed through **observation and experimentation**

Economic Theory

- ⊙ Entrepreneurship and economic growth takes place when **economic conditions are favourable**
- ⊙ **Economic incentives are the main motivators**
- ⊙ Economic incentives include:
 - **The taxation policy**
 - **Industrial policy**
 - **Sources of Finance and Raw Material**
 - **Infrastructural availability**
 - **Investment and marketing opportunities**
 - **Access to information**
- (a) **Market conditions**
- (b) **technology**

Richard Cantillon, an Irish French Economist

Entrepreneurs as an **agent who buys factors of production at certain prices in order to combine them with a view to selling it at uncertain prices in future**

Illustrated **farmer as an entrepreneur**, who pays out contractual incomes to the landlords and labourers, which are certain while sells his crop at a price, which is uncertain

Entrepreneur as a **risk taker**

⊙ **Limitations**

- According to William Baumol, it has failed to provide a satisfactory analysis of either the **role of entrepreneurship or its supply**
- It treats the entrepreneurial function like a **managerial function**

Sociological Theory

- ⊙ Entrepreneurship is likely to get a **boost in a particular social culture**
- ⊙ The **entrepreneurial behaviour** of individuals in a society is influenced by,
 - **Society's values**
 - **Religious beliefs**
 - **Customs**
 - **Taboos**

The entrepreneur merely **performs a role as per the expectations of the society**

- ⊙ According to **Jean Baptiste**, an aristocratic industrialist,
 - Entrepreneur **combines land of one, labour of another and the capital of yet another to produce a product**
 - By **selling** the product he **pays interest on the capital, rent on land and wages to labourers and what remains is profit**

First time distinction between the **capitalist as the financier and the entrepreneur as the organizer**

Innovation Theory

- ⊙ Theory proposed by **Joseph Schumpeter**, Austrian Economist
- ⊙ It ignores earlier two abilities
 - **Organising abilities and**

- **Risk taking abilities**

- An entrepreneur is a person who is **willing and able to convert a new idea or invention into a successful innovation**
- Entrepreneurship resulted in **new industries**, even though it entailed combining the existing inputs in a new way
- Merely the **application of existing technologies in a novel manner was entrepreneurial**

- ⊙ An entrepreneur innovates when he

- introduces a new product
- Introduces a new production method
- Open up a new market
- Finding new source of raw material
- Introduces a new organization in any industry

Distinction between innovator and inventor

Entrepreneurs boosts economic development

Development requires basic changes and entrepreneurs bring about the changes

- ⊙ **Limitations**

- Innovative functions required, ignores risk taking and organizing aspects
- Excludes individuals operating established business
- Assumes entrepreneurs as large scale business persons

Psychological Theory

- ⊙ Entrepreneurship gets boost when society has sufficient supply of individuals with necessary psychological characteristics
- ⊙ These psychological characteristics includes,
 - Need for achievement

- A vision foresight
- Ability to face opposition
- ⊙ These characteristics are formed,
 - During the individuals upbringing
 - By high standard of excellence
 - Self reliance

Imitating Theory of High Achievement

- ⊙ **David McClelland** identified,
 - **Need for achievement**
 - **Need for affiliation**
 - **Need for power**
- ⊙ As the basis of entrepreneurial personality, it was emphasized,
 - The importance of achievement motivation
 - Through which entrepreneurs fulfills,

Economic and social development

- ⊙ These three needs are not innate but learned through culture, age and experience

⊙ Need for Achievement

Desire to do better, solve problems or master complex problems

- They love challenges
- They like working alone or with other achievers
- They are self motivated
- They like feedback to assess their progress
- They will perform better if money is linked with their achievements

Need for affiliation

Desire for friendly and warm relationship with others

- ⦿ They are concerned in “being liked” and “being accepted”
- ⦿ They form informal relationships
- ⦿ They are very cooperative
- ⦿ They perform better in team

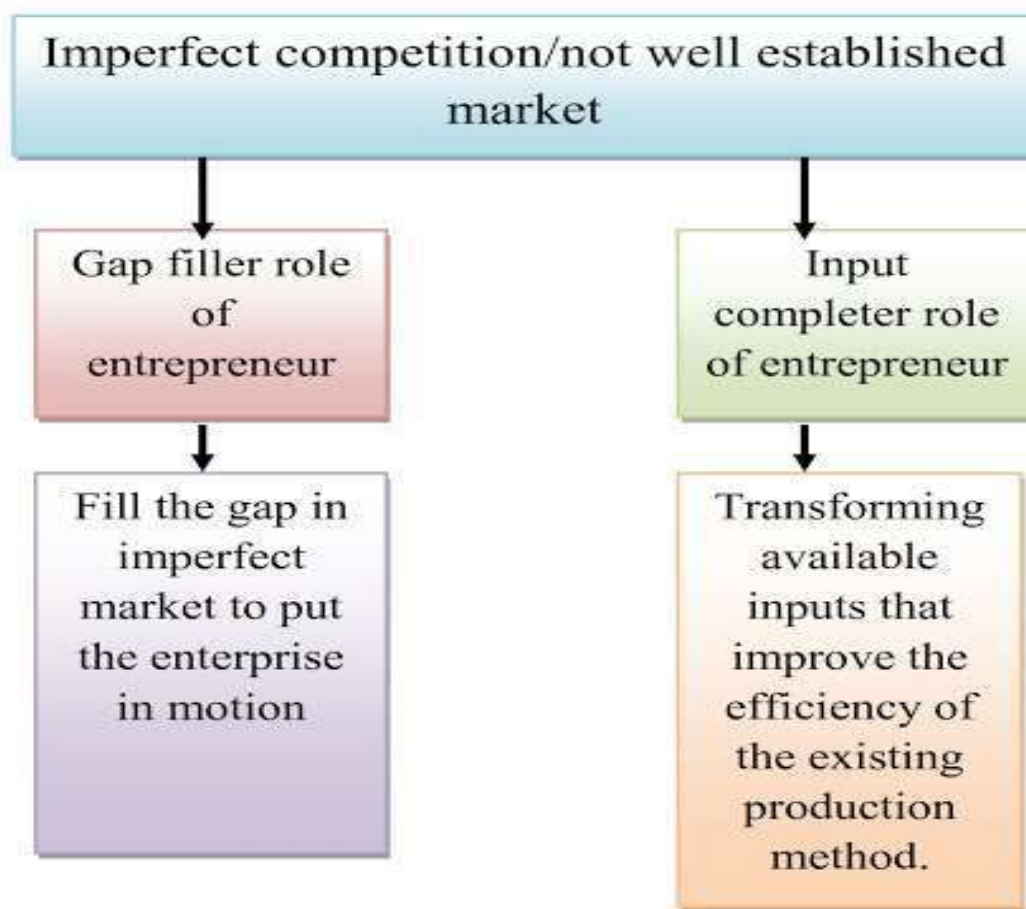
Need for Power

Desire to control others and influence their behaviour

- ⦿ They like to control others
- ⦿ They are argumentative
- ⦿ They have ability to influence people
- ⦿ They are suitable for leadership roles

X-Efficiency Theory by Leibenstein

- ⦿ X-Efficiency is the degree of inefficiency in the use of resources within the firm.
- ⦿ It measures the extent to which the firm fails to realize its productive potential
- ⦿ According to Leibenstein, when an input is not used effectively, the difference between the actual output and the maximum output attributable to that input is a measure of the degree of X-efficiency
- ⦿ X-efficiency arises either because the firm's resources are used in the wrong way or because they are wasted, that is not used at all.
- ⦿ Harvey Leibenstein identifies two main roles for the entrepreneur:
 - (i) A gap filler and
 - (ii) An input completer



Gap Filler Role

If not all factors of production are marketed or if there are imperfections in the markets, the entrepreneur has to fill the gaps in the market.

To put the enterprise in motion, the entrepreneur should fill enough of gaps

Input completer Role

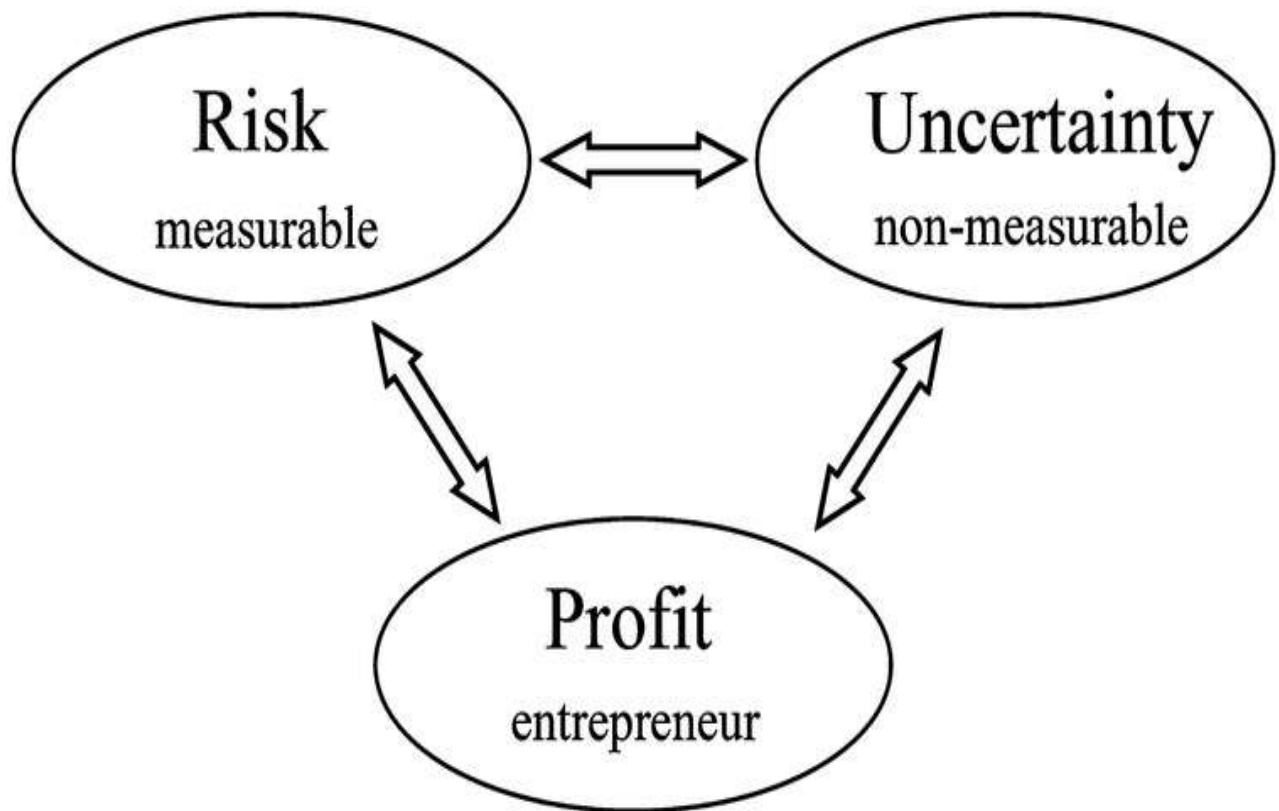
It involves making available inputs that improve the efficiency of existing production methods or facilitate the introduction of new ones.

The role of entrepreneur is to improve the flow of information in the market

Theory of Profit by Knight

- © Frank Knight saw 'Risk bearing' as the important function of entrepreneurs

- ⦿ A key element of entrepreneurship is risk bearing



- ⦿ Also known as 'Risk bearing Theory'
- ⦿ The entrepreneur earns profits because he undertakes risks
- ⦿ More risk more gain: The degree of risk varies in different industries.
- ⦿ Entrepreneurs undertake different degrees of risk according to their ability and inclination
- ⦿ The risk theory proposes that the more risky the nature of business, the greater must be the profit earned by it
- ⦿ Profit as reward and cost:

Profit is the reward of entrepreneur for assuming risks. Hence it is also treated as a part of the normal cost of production

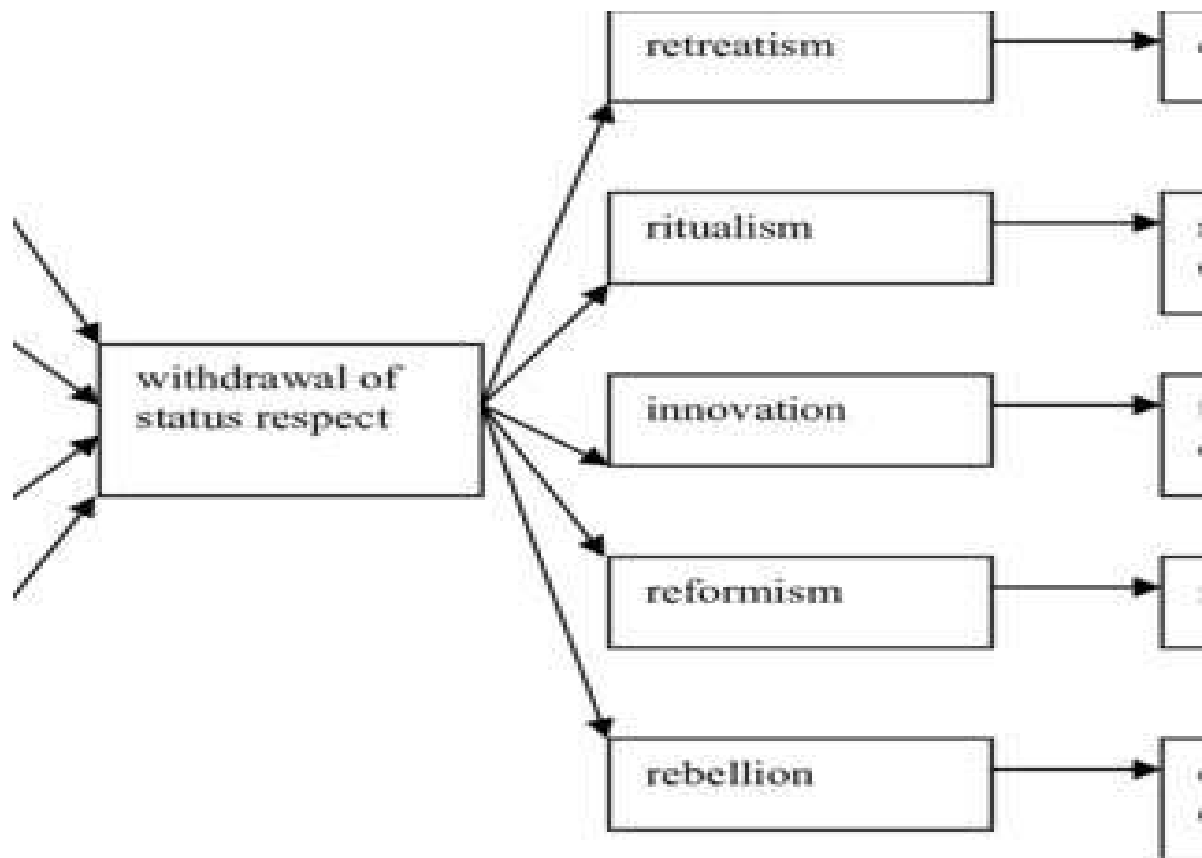
- ⦿ Entrepreneurs income is uncertain:

This theory summarizes that profit is the reward of an entrepreneur effort which arises for bearing non-insurable risks and uncertainties and the amount of profit earned depends upon the degree of uncertainty bearing

Theory of Social Change by Everett Hagen

- ⊙ Everette Hagen states how traditional society transforms into advanced society
- ⊙ He states entrepreneur's creativity as the key element of social transformation and economic growth
- ⊙ Interrelationship among physical environment, social structure, personality and culture plays an important part in transformation of society
- ⊙ Economic growth is a product of social change and political change
- ⊙ According to him most of the economic theories of underdevelopment are inadequate.
- ⊙ He rejected the idea that the solution to economic development lies in imitating western technology
- ⊙ According to him, entrepreneur is a creative personality who is interested in accelerating the change and is driven by achievement motivation
- ⊙ He tried to explain why this achievement motivation (McClelland) varies between societies and their classes and strata
- ⊙ In traditional societies the status of individuals is fixed and children learn to act according to established norms
- ⊙ If by external influences new group gains power, the status of the old elite is challenged and weakened.
- ⊙ The insecurity and frustration leads to changed behaviour which has consequences on the family structure
- ⊙ Children tend to become dissatisfied with the society and readily accept new values and become innovative personalities in time
- ⊙ These persons may become dominant groups causing economic development

Entrepreneurship is a function of Status withdrawal



Unit – III

Entrepreneurship Development of Management & Research

Entrepreneurial Competencies

Initiative

- Inner urge to do / initiate something
- Urge to do something different

Looking for Opportunity

- Always searching for opportunity
- Always ready to exploit it in the best interest of the organization

Persistence

- Never gets disheartened by failures

- Keep trying again and again for overcoming the obstacles that come in the way of achieving goals

Information seeker

- Always keeps his/her eyes and ear open
- Receptive to new ideas to help realizing goals
- Always ready to consult expert for getting expert advise

Quality Consciousness

- Do not believe in moderate or average performance
- Set high quality standards and put in their best for achieving these standards
- Believe in excellence that reflects in everything they do

Commitment to Work

- Prepared to make all sacrifices for honoring the commitments
- Take commitments as moral binding, irrespective of costs involved

Commitment to Efficiency

- Always keen to devise new methods aimed at promoting efficiency
- Keen to evolve and try new methods for making working easier, simpler, better & economical

Proper Planning

- Develop or evolve future course of action keeping in mind the goals to be realized
- Believe in developing relevant and realistic plans and ensure proper execution for attaining their goals

Problem Solver

- Take problem as a challenge
- Put in their best for finding out the appropriate solution to the problem
- Understand the problem and evolve appropriate strategy for overcoming the problem

Self confidence

- Never get cowed down by difficulties as they believe in their own abilities and strengths
- Have full faith in their knowledge, skill and competence
- Not worried about future uncertainties

Assertive

- Knows what to say, when to say, how to say and whom to say
- Believes in own abilities and ensures that others fall in line with his thinking, aimed at promoting the interest of the organization

Persuasive

- Shows ability to convince others to do the works the way he/she wants them to do, with his/her sound arguments and logical reasoning
- It is not physical but intellectual force he will use for convincing others

Effective Monitoring

- Ensures that everything is carried out in the organization as per their wish
- Ensure regular monitoring of the working so that the goals of the organization are achieved in the best possible manner

Employees Welfare

- Tries to promote organization's interest through promotion of the interest of the workers
- Takes personal interest in solving problems confronting workers and generates the feeling that there is interdependence of the interests of workers and the management

Effective Strategist

- Possesses ability to evolve relevant strategy, aimed at safeguarding or promoting organization's interests
- Strategy may be with respect to facing future uncertainties or challenges posed by competitors

Entrepreneurship Development:**Concept**

- ED refers to the process of **enhancing entrepreneurial skills and knowledge** through **structured training** and **institution building** programmes
- To create **entrepreneurship culture** within society
- The skills acquired through ED may not be immediately applicable but could be **useful in the long term**
- It **benefits** both **prospective and existing entrepreneurs**
- Contributes to the **development of an individual's creativity and initiative**
- Contributes to **job creation, economic growth** and **competitiveness**

Entrepreneurship Development Program (EDP)

- It is a program to **develop entrepreneurial abilities** among people
- To **inculcate, develop** and **polish entrepreneurial skills** into a person needed to **establish and successfully run the enterprise**
- To **widen the base of entrepreneurship** by **development, achievement and motivation**

What is the need of EDP?

- To **ensure superior performance of entrepreneurs**
- To **induce motivation and competence** among young budding entrepreneurs

Objectives of EDP

- To **develop & strengthen the entrepreneurial quality**
- To **analyze the environmental set up for MSME**
- To **understand the process and procedure involved in setting up a small enterprise**
- To **know the available sources of help and support for a small scale industry or a small business**
- To **acquire necessary managerial skills** required to run a small scale industry
- To **know the pros and cons** of becoming an entrepreneurs

Entrepreneur Training & Development in EDP

- **Three Phases of EDP**

(1) **Pre training phase**

(2) **Training phase**

(3) **Post training phase**

Pre Training Phase

- **Identification of promising area** having good **commercial prospects**
- **Selection of project faculty/course coordinator** who is a visionary and has relevant experience
- Arrangement of **infrastructural facilities** for the programme like location, availability of internet, computers, food and lodging arrangements (if participants are expected to be from different cities)
- Conducting **industrial survey/environmental scanning** for identification of good business opportunities
- Designing the **course contents**
- Getting **support** from various agencies such as **DICs, SFCs, SISI** etc.
- **Advertising and publicity** of EDP to reach prospective minds. Promotional campaigns through either with the help of print or electronic or digital media, leaflets, posters, etc.
- **Selection of participants** for the training program

Training Phase

Management

They should be taught **basic principles of management** and their **applications** in real life scenarios to realize the benefits and significance of the management functions like **planning, organizing, staffing, directing, controlling** and **coordinating**. The various techniques involved in the management process must be explained. The trainer can use **case studies, management games, role- plays** and **simulations** to polish the skills acquired by the trainees

Technical Competence

- Focus should be laid upon acquiring technical competence **suitable to the area selected**
- **Industry experts** may be called upon to **share their experiences**
- It's important for the trainees to **understand the basics of technology, rate of technological change** in that industry and **challenges ahead**
- A **comparative analysis** of present state of technology in developed and developing nations may be relevant at this stage
- Entrepreneurs can get **ideas best suited to their regional environments**
- The program may cover as **details of technology, plant and machinery, major suppliers, life span, special features of the machinery** etc., **raw materials** and their **availability, manufacturing process** and **human resource requirements**
- It's important for the entrepreneurs to understand that they **should not park substantial funds in fast changing technology as obsolescence is a big risk**
- **Field trips** may also be organized

Motivation and Stress Management

- The entrepreneurial training programs are designed to **elevate and sustain the motivation levels** of the trainees
- **Stress management** is an important component of EDPs as entrepreneurs have to struggle through different phases before finally getting results
- They should be taught **stress management techniques** and should also be counseled to **hold-on to their beliefs and ideas**
- The **importance of family members** need to be highlighted here
- Entrepreneurs are strong-willed individuals who may need **family support during tough times**
- Family members are the ones closest to entrepreneurs
- Each session in the training programme should aim at **strengthening their confidence and expanding their vision**
- Motivation level must be raised to a greater extent because **only motivated participants will survive through starting and sustaining a new venture**

Post Training / Follow-up Phase

- Assistance in **registration** of the enterprise
- **Loan procedures** and **documentation**
- **Facilitating infrastructure** like **land, plant layout**, purchase of **plant and machinery, power connection** etc.
- Securing **subsidies and grants** and utilizing **incentives** given by **Centre and State government**
- **Management consultancy** and **trouble shooting**
- Providing **up-to-date information** on the industry
- **Meeting with EDP organizers and participants**

Evaluation of EDP

- It is important to **review** each aspect of EDP from **pre-training to post- training** phase
- This helps in charting '**lessons learnt**' and in guiding the organizers to **plan better** and **remove loopholes** in the next program
- EDP evaluation should be **planned alongside every phase of the program to identify and correct deviations**, if any
- **Financial results**
- **Gestation period**
- **Capacity utilization**
- **Expansion and diversification**
- **Value addition**

Role of EDP

Capital Formation

- An entrepreneur mobilizes idle savings of the public and puts them to productive use. Thus, he helps in capital formation. This is very essential for the industrial and economic development of a country

Employment Opportunities

- EDPs enable **prospective entrepreneurs** in the **setting up of their own enterprises**. This enables them to get **self-employment**. By setting up more and more enterprises by the entrepreneurs, both on small and large scale, many **job opportunities are created for others**

Local Resources

- The **proper use of local resources** promote the **progress and development of the area at lower cost**. EDPs help in the proper use of local resources **by providing guidance, assistance, education and training to the prospective entrepreneurs**

Balanced Regional Development

- EDPs help in **accelerating the pace of industrialization in remote and backward areas**. Thus, they **reduce the concentration of economic power** in the hands of a few. This results in the **development of backward areas and balanced regional development**

Improved Per Capita Income

- EDPs promote the **setting up of more enterprises**. This will help in the **generation of more employment and income**

Improved Standard of Living

- Entrepreneurs now make **efficient use of the resources and produce better quality products at lower costs**. The consumers get better quality products at **lower prices**. This leads to **improved standard of living of the society**

Economic Independence

- Entrepreneurs can **produce wide variety of better quality goods and services at competitive prices**. They enable a country to **earn foreign exchange by selling these products in the foreign market**. This helps in **promoting economic independence of the country**

Preventing Industrial Slums

- EDPs can help in **preventing spread of industrial slums**. They can **support entrepreneurs for setting up their enterprises in industrially backward areas**. This will help in **reducing pollution**

Prevention of Social Tension

- EDPs can **help the unemployed youth for setting up enterprises by providing proper guidance, training and assistance**. This results in **self-employment and prevention of social tension and unrest**

Overall Development

- EDPs promote **setting up of various types of enterprises** which **mutually require the outputs of other**. This leads to the **overall development of an area**

Methods of EDP

- Individual instruction
- Group instruction
- Lecture method
- Demonstration method
- Written instruction method
- Conference
- Meetings



EDP Cycle

Simulatory Role

- Registration of unit
- Arrangement of finance
- Provision of land, shed, power, water etc.
- Guidance for selection and acquiring machinery
- Supply of scarce raw material
- Getting import and other licenses

- Provision of common facilities
- Granting tax relief and other subsidies
- Offering management consultancy
- Help in marketing the products

Support Role

- Entrepreneurial education
- Planned publicity for entrepreneurial opportunities
- Identification of potential entrepreneurs through scientific methods
- Motivational training to new entrepreneurs
- Help & guide in selecting products & preparing project reports
- Facilitating access to techno-economic information
- Evolving locally suitable new products and processes
- Facilitating access to local agencies with trained personnel for entrepreneurial counseling and promotions
- Organizing entrepreneurial forum

Sustaining Role

- Help modernization
- Help diversification, expansion etc.
- Additional financing for full capacity utilization
- Deferring repayment / interest
- Diagnostic industrial extension / consultancy
- Production units / Legislation / Policy Change
- Creating new avenues for marketing
- Quality testing and service improvisation
- Need based common facilities centre

EDP Content

- Introduction to entrepreneurship
- Motivation training
- Essentials of management
- Fundamentals of project feasibility study
- Organising the business
- Plant visit

Role of Mentors

- A mentor is an established professional, who has experienced firsthand the pitfalls of running a business. Learning how to overcome them and excel in their field, he or she can educate others on how to avoid common mistakes to progress in their own ventures
- Understanding the challenges of entrepreneurship, the right mentor, despite time constraints, offers patience when teaching mentees. Mentors give practical advice and encourage action
- With an interest in paying it forward, a mentor possesses a business style that appeals to a mentee. The way he or she leads a company is one to emulate, making the mentor an ideal person to shadow
- Sharing **knowledge & experience** beyond books
- **Amplified chances of success** in life and business by having the right mentor
- An **access to unlimited network** of people who can benefit the business and career
- **Reassurance** with positive effect on young entrepreneurs, **placating fears** and boosting **self-confidence**
- Helping to **stay in business longer**
- Helping in **developing stronger EQ**, with more maturity to have greater **control over their emotions**
- Help to encourage and **keeping high morale during failures and hard times**

DIC

- In the Industrial policy announced by the Government of India in the year **1977**, laid special stress on the **development of Small Scale, Village and Cottage Industries**.
- The policy statement indicated that the District would be the main focus of efforts and the agency for promotion of small scale, village and cottage industries would be a new organization called "**District Industries Centre**".
- The District Industries Centre was started on the objective to **find out the Micro, Small and Medium Enterprises in the District** & to **provide all assistance** to Micro, Small and Medium Enterprises **under One Roof**, thereby reducing the time taken to finish all government procedures.

Enterprise	Investment in Plant & Machinery (Manufacturing)	Investment in Equipment (Service)
Micro	Up to Rs. 25 Lakhs	Up to Rs. 10 Lakhs
Small	Above Rs. 25 Lakhs up to Rs. 5 Crore	Above Rs. 10 Lakhs up to Rs. 2 Crore
Medium	Above Rs. 5 Crores up to Rs. 10 Crore	Above Rs. 2 Crore, up to Rs. 5 Crore

Objectives of DIC:

- Accelerate the overall efforts for **Industrialization of the district**
- Rural Industrialization and **development of rural industries and handicrafts**
- Attainment of **economic equality** in various regions of the district
- Providing the **benefit of the government schemes** to the new entrepreneurs
- **Centralization of procedures** required to start a new industrial unit and minimization of the efforts and time required to obtain various permissions, licenses, registrations, subsidies etc.
- To act as the **Nodal Promotional Agency** in the development of industries and industries activities in the State as a whole
- To provide a **focal point for the promotion of small, tiny and cottage industries** and to provide all the service and support to the decentralized

industries under a single roof at pre investment, investment and post investment stage

Role of DIC:

- Acts as the **focal point of the industrialization of the district**
- Prepares the **industrial profile of the district**.
- **Statistics and information** about existing industrial units in the district in the large, Medium, small as well as co-operative sectors.
- **Opportunity guidance** to entrepreneurs
- **Compilation of information** about local sources of raw materials and their availability
- Organizes **entrepreneurship development training programs**
- **Provides information** about various government schemes, subsidies, grants and assistance available from the other corporations set up for promotion of industries.
- Acts as a **link** between the entrepreneurs and the lead bank of the district
- Helps entrepreneurs in **obtaining licenses** from the Electricity Board, Water Supply Board, No Objection Certificates etc.
- Assist the entrepreneur to **procure imported machinery and raw materials**.

Functions of DIC:**Identification of entrepreneurs:**

Develops new entrepreneurs by conducting entrepreneurial motivation programmes throughout the district.

Projects Selection:

Offers technical advice to new entrepreneurs for the selection of projects.

Provisional Registration of Units:

- Once the projects are selected, entrepreneurs are given provisional SSI registration.

- This enables them to obtain assistance from Financial Institutions

Fixed Assets Purchase:

- Sponsors the loan applications to State Industrial Investment Development Corporation (SIDCO) and banks for the purchase of land and buildings.
- Sanctions margin money under Rural Industries Project Loan Scheme payable to other financial agencies regarding the purchase of plant & machinery.

Clearances from connected departments:

- Takes the initiative for clearances.
- Takes follow-up measures to get speedy power connection

Raw material supplies assistance:

- Makes necessary recommendations to the raw material suppliers.
- Issues the certificates for import of raw materials & machinery required

Interest free sales tax (IFST) loan:

- SSI's in rural areas get IFST loan, up to 8% of the total fixed assets (max) from SIDCO; sanction order issued from DIC.
- Recommends the SSI units to National Small Industries Corporation (NSIC) for registration for Government purchase programme.

Assistance to village artisans & handicrafts:

Arranges for the financial assistance with the lead banks of nationalized banks in the respective areas.

Subsidy Schemes:

Assists SSI units and rural artisans to get subsidies like power subsidy, interest subsidy for certain classes, subsidy under Integrated Rural Development Programme (IRDP) etc.

Training Programmes:

- Arranges training to rural entrepreneurs.
- Assists other units to give training to SSI entrepreneurs

Self Employment for unemployed educated youth:

Schemes for youths between 18 to 25 Years of age with preferences given to SSLC, Technocrats and women.

Small Industries Service Institute (SISI):

- Located in **Hyderabad**
- Set-up by **Ministry of Industry**, Govt. of India, in year **1956**.
- Primary objective of rendering extension service for the promotion and development of small scale industries thereby supplementing the activities of the State Government

Functions of SISI:

- Economic advisory service
- Technical advisory service
- Management & Technical training service
- Enterprise counseling
- Common facility service
- **Financial Assistance**
- Ancillary development
- Promotional activities like:
 - (a) Arranging hire-purchase of machinery
 - (b) Enlistment of small scale units with the National Small Industries Corporation
 - (c) Export promotion
 - (d) Industrial seminars & exhibitions

Services offered by SISI:

Economic Advisory Services:

- To conduct **industrial surveys** of less developed areas & suggest scope for development of small industries based on locally available raw materials.

- To conduct **economic surveys** of various industries & suggest programmes for their future development.
- To **guide small units** on the sources of availability of **finance** from different agencies
- To provide **relevant economic & commercial information** on different industries.

Technical Advisory Services:

- Manufacture of quality & standardized products.
- Selection & use of raw materials & substitutes
- To prepare **designs & drawings for special equipments** such as dies, jigs, fixtures, tools
- To provide **workshop & laboratory facilities** to small scale units & to demonstrate the use of modern technical processes on different machines & equipments.

Managerial & Technical Training Services:

- To conduct **adhoc training** courses in small units areas.
- To conduct **technical training courses** for supervisors & artisans in various technical subjects
- To conduct **general industrial management training courses** & other courses in specialized subjects for the advantages of small scale units
- To conduct **export promotion training** courses for small entrepreneurs.

Management Consultancy Services:

- To **guide small units** in proper methods of industrial management, in **costing, marketing, finance, production management** etc.
- To provide **adhoc managerial advice** on specific problems to small scale units.
- To conduct **complete in-plant studies** or studies of individual small scale units
- To provide special **techno-managerial advice** on **cost reduction** and **economy for using raw materials & quality improvement**.

Common Facility Service:

This includes supply of **designs & drawing** & provision of **workshop facilities** for the manufacture of dies, tools, jigs, fixtures & components.

Training Facilities:

- Training is provided for **workers in basic trades** in the **workshops attached to SISI & its extension centers**, to increase their productivity & this helps to encourage development of small scales industries in rural areas.
- Training in various aspects of **industrial & business management** is also provided for the benefit of small industrialists.
- A training course in small industries **entrepreneurship & management to young engineers** with emphasis on the practical aspects of small industries management is conducted. This has been instrumental in creating a new class of qualified entrepreneurs.

Testing Facilities:

Basic testing facilities (both **physical & chemical**) are provided in the laboratories & workshops attached to SISI at concessional rates.

Marketing Assistance:

- Economic information on the **nature & extent of the market** for specific products is collected & furnished to small industrialist at their request. The institute offers **export promotion service** by counseling on **export procedures & trends in foreign markets**.
- **Market survey** for specific products of small enterprises is also undertaken on a regional basis to enable the small industrialist to increase the sales of his products, in the region.

Other Services:

- **Dissemination of information** on **project ideas & selection of investment opportunities**.
- Bringing about **project profiles on various types of products** to the new entrepreneurs & providing guidelines.
- Conducting **techno-economic surveys** in districts & publishing study reports
- Coordinating the **activities of ancillary industries** in the state
- Conducting **practical training programmes** on various trades

- Arranging **displays of various items of big industries/PSUs** to assist SSIs to take manufacture of the same & for supplying the same to industries/PSUs
- Participating in **plant level committee meetings** as an important member

Entrepreneurship Development Institute of India (EDII):

- Was jointly set-up at Ahmedabad in 1983 by Gujrat Government, SBI & All India financial institutions & sponsored by IDBI, IFCI, ICICI
- An apex agency for creating the institutional infrastructure required for entrepreneurship development.
- Autonomous & not-for-profit institute which runs a range of educational programs, for first generation entrepreneurs, women entrepreneurs, agri business, family business inheritors

Vision of EDII:

To become an **acclaimed international resource center** facilitating all facets of entrepreneurship.

Mission of EDII:

- Augment supply of new entrepreneurs
- Enterprise creation & employment generation
- Increase competitiveness of Indian SMEs
- Act as repository of knowledge in the area of women entrepreneurship
- Create a group of trained social entrepreneurs

Functions of EDII:

- To **promote micro enterprises in rural areas**
- To participate in **institution building** efforts
- To **inculcate spirit of 'Entrepreneurship'** in youth
- To **develop new knowledge & insights** on entrepreneurship theory
- To **improve managerial capabilities**
- To **collaborate with other organizations**

National Institute of Entrepreneurship & Small Business Development (NIESBUD):

- Established by **Govt. of India**, registered as a **Society** & started functioning from **6th July, 1983**.
- Actively engaged in creating a **climate conducive to emergence of entrepreneurship** & in **developing favourable attitude** amongst general public to support those who opt for entrepreneurial career.

Objectives of NIESBUD:

- To serve as an **Apex National-Level Resource Institute** to **accelerate process of entrepreneurship development** ensuring its impact throughout the country & among all strata of the society.
- To help/support & **affiliate institution/organization** in carrying out **training & other Entrepreneurship Development related activities** with greater success.
- To **evolve standardized materials & processes of selection, training, support & sustenance** to potential entrepreneurs
- To provide **vital information support to trainers, promoters & entrepreneurs** by **organizing research & documentation** relevant to entrepreneurship development.
- To **identify, train & assist potential entrepreneurs** for **setting up enterprise/self-employment ventures** in small industries including services & small business mainly through sponsored EDPs
- To provide **national/international forums** for **interaction & exchange of experiences** helpful for **policy formulation & modification** at various levels.
- Evolving **effective training strategies & methodology**
- **Standardizing model syllabus** for training various target groups
- **Formulating scientific selection procedures**
- Developing **training aids, manuals & tools**
- **Facilitating & supporting central/state & other agencies** in executing EDPs.
- Conducting such programmes for **promoters, trainers & entrepreneurs** which are not undertaken by other agencies
- Maximizing their benefits & **accelerating the process of entrepreneurship development**

- Organizing all those **objectives** that help develop entrepreneurial culture in the society.

National Entrepreneurship Development Board (NEDB):

- **Apex body for entrepreneurship development** in the country
- It **devises & recommends to the Government, the schemes for promotion of entrepreneurship**, for encouraging self employment in small scale industries & small business.
- The board also **recommends suitable facilities & incentives for entrepreneurship training**

Functions of NEDB:

- To support **skill up-gradation & renewal of learning processes among entrepreneurs & managers**
- To **support agencies in the area of entrepreneurship** about the current requirement of growth.
- To act as **catalyst to entrepreneurship development by supporting & strengthening state level institutions** for entrepreneurship development.

Innovation and Entrepreneurship:

- Innovation and entrepreneurship are **interrelated**
- Innovation is the specific **tool of entrepreneurs**, the means by which they **exploit change as an opportunity** for a different business or a different service.
- It is **capable of being presented as a discipline, capable of being learned, capable of being practiced**
- Entrepreneurs need to **search purposefully for the sources of innovation**, the changes and their symptoms that indicate opportunities for successful innovation
- **Peter Drucker** argued that innovation should be viewed as **an economic or social phenomenon rather than a technological term**.
- Innovation is not about making new inventions, but rather about **recognizing how to take advantage of opportunities and changes**

- “**Systematic innovation** therefore consists in the **purposeful and organized search for changes**, and in the **systematic analysis of the opportunities** such changes might offer for **economic or social innovation**”.

Innovation Degrees:

- **Incremental innovations** are **small-scale improvements on what is already being done**, often with the intention to **improve efficiencies**, to **reduce costs**, or to **improve products or services offered**.
- **Evolutionary innovations** involve **doing new things for existing customers and markets**, and also **doing things that extend product offerings to new customers and new markets**.
- **Revolutionary innovations** are when businesses **pursue new products, businesses, customers, and markets**

The **impacts** from these types of innovations can be much **higher** than from either incremental or evolutionary innovations

Types of Innovation:

- Products
- Customer Experiences
- Solutions
- Systems
- Processes
- Business and Managerial Models

Innovation Thresholds:

- Organizations should strive to achieve their **innovation threshold**
- An innovation threshold is a **marker** that each business sector needs to achieve in order **to be competitive**
- **To thrive**, an organization **cannot under-innovate**, while **over-innovation would be wasteful and ineffectual**
- Innovation thresholds range from **low to high**, and are **different for each business sector**

Innovation Diffusion:

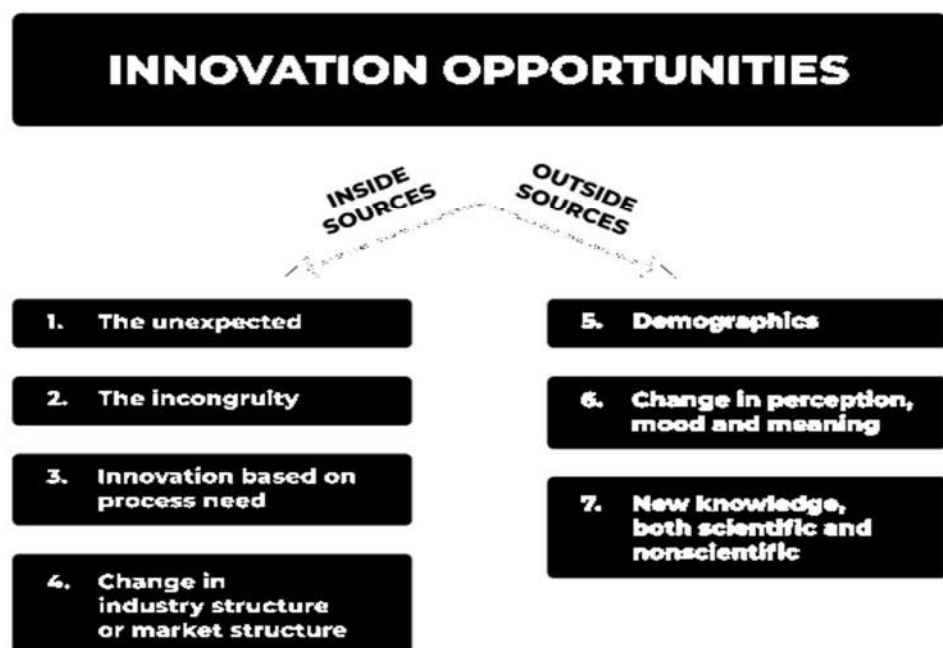
Theory of the Diffusion of Innovation can help us understand what we must do in terms of **implementing steps and processes for innovations to be diffused into the areas of practice where they are needed.**

- Four elements of Innovation Diffusion theory
 - ***The innovation***
 - ***Communication***
 - ***Time:*** innovators, early adopters, early majority, late majority, and laggards

Social system

Disruptive Innovation:

- Disruptive innovations are **different than incremental, evolutionary, and revolutionary innovation degrees**
- A disruptive innovation is **not a revolutionary innovation** that makes other innovations, such as products and services, better.
- Rather, a disruptive innovation **transforms any type of innovation that historically was expensive and complicated into an innovation that is affordable, simple, and available to broader markets**



Peter F. Drucker suggested that purposeful, systematic innovation begins with the analysis of the opportunities and classifies "**Seven Sources of Innovative Opportunity**"

The unexpected:

Does your organization have some success/failure that needs to be further explored?

The Incongruity:

Do you use your customers' feedback to determine incongruity and create the opportunity for innovation?

Innovation Based on Process Needs:

Have you spotted some inefficiencies in your processes?

Changes in Industry Structure or Market Structure:

Do you track market changes and treat them as opportunities?

Demographics:

Have you explored what can Millennials bring to your innovation process?

Changes in Perception, Mood & Meaning:

Do you follow changes in perception among today's consumers to improve your products and services?

New Knowledge, both Scientific & Non-Scientific:

Are you applying new knowledge to generate new ideas?

Design Thinking Process:

- Design Thinking is a mindset of combining creative and analytical thinking and applying it towards solving a specific problem.
- Design Thinking is an **iterative process** in which we seek to **understand the user, challenge assumptions**, and **redefine problems** in an attempt to **identify alternative strategies and solutions** that might not be instantly apparent with our initial level of understanding.
- Design Thinking provides a **solution-based approach to solving problems.**
- It is a **way of thinking and working** as well as a **collection of hands-on methods**

Five Phases of Design Thinking Process:

- **Empathise** – with your users
- **Define** – your users' needs, their problem, and your insights
- **Ideate** – by challenging assumptions and creating ideas for innovative solutions
- **Prototype** – to start creating solutions
- **Test** – solutions

Empathise:

- To gain an empathic understanding of the problem you are trying to solve
- Find out more about the area of concern through observing, engaging and empathizing with people to understand their experiences and motivations.
- Immersing in the physical environment to gain a deeper personal understanding of the issues involved.
- It allows design thinkers to **set aside** their **own assumptions** about the world in order to **gain insight** into users and their **needs**.

Define (the Problem):

- Putting together the **information created and gathered** during the Empathise stage.
- **Analyse observations and synthesise** them in order to **define the core problems**

“We need to increase our nutrition food-product market share among young boys & girls (Millennial) by 5%,”



“Young boys & girls (Millennial) need to eat nutritious food in order to thrive, be healthy and grow.”

Ideate:

- Start to **"think outside the box"** to identify **new solutions** to the problem statement created, and start to look for alternative ways of viewing the problem.
- It is important to get **as many ideas or problem solutions as possible** at the beginning of the Ideation phase

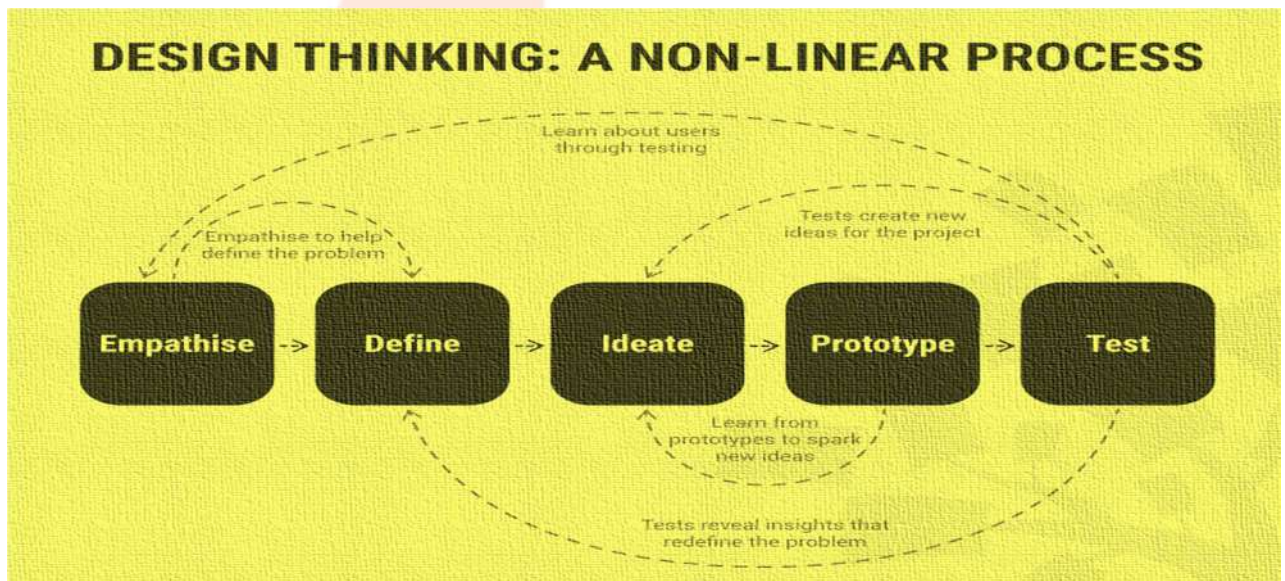
Prototype:

To produce a number of **inexpensive, scaled down versions of the product** or specific features found within the product, so as to investigate the problem solutions generated in the previous stage.

Test:

To **test the complete product rigorously** using the **best solutions identified** during the prototyping phase.

Design Thinking is an Iterative and Non-linear Process



Role of Consultancy Organizations in promoting Entrepreneurs:

- To help the enterprises through their various processes and systems and guide them through proper directions.
- To help in facilitating the business of the entrepreneurs by assisting them through evaluating the marketing scenario and looking for better opportunities.

- To **advice** the **entrepreneurs** regarding effective **utilization** of the **resources** and **highlighting** the opportunities and **benefits** for the **organizations** through **study** of the **markets**
- To guide the **entrepreneurs** through their **findings** and **information** with bringing in the **required changes** in the processes for the **improvement** of the enterprise
- To help with identifying important **training programs** and **technologies** for benefiting the entrepreneurs.

Problems and difficulties of entrepreneurs:

Marketing Problems:

- Dependence on single or limited number of customers and single or limited number of products
- Poor sales realization
- Defective pricing policy
- Booking of large orders at fixed prices in an inflationary market
- Weak market organization
- Lack of market feedback and market research
- Unscrupulous sale purchase practices.
- Finding **right marketing channels**
- **Loss of creative method of marketing** to make the presence felt
- **Lack of exposure**
- **Effective use of digital marketing tools & Social media presence**
- **Funding the marketing activities**
- **Selection of Advertising media** that would work.

Finance Problems:

- **Poor resource management & financial planning**
- **Faulty costing**

-
- **Dividend policy**
- General **financial indiscipline & allocation of funds** for unauthorised purposes
- **Deficiency of funds**
- **Initial Capital**
- **Insufficient or inadequate Working capital**
- **Absence of cost consciousness**
- **Long term funds**
- **Raising right type of fund**
- **Underestimating startup costs**
- **Right product pricing**
- **Offering too many sales promotion**
- **Low profits** in spite of good sales
- **Poor cash flow management**
- **Managing and controlling monthly expenses**
- **Market credits and poor recovery mechanism**

Human Resource Problems:

- **Finding good employees**
- Recruiting the **right people**
- Deciding the **pay**
- Employee **training**
- Ignorance of **Employee engagement**
- **Performance management**
- Employee **retention** / Keeping hold of best people

Production Problems:

- Inappropriate product mix
- Poor quality control
- Poor capacity utilization
- High cost of production
- Poor inventory management
- Inadequate maintenance & replacement
- Lack of timely and adequate modernization
- High wastage
- Poor production facility

Research Problems:

- **Big corporate** – Set up of **own R & D**
- **Middle Level corporate** – **Outsourcing R & D Agencies**
- **Small enterprise** – **Dependency** on Research activities in market

External Problems:

- Infrastructural problems like location, water, power, communication, transportation, non-availability or irregular supply of raw material
- Taxation
- Industrial and financial regulations
- Technology / technical feasibility like inadequate technical know-how, locational disadvantages, outdated production process
- Government policies
- Competitive environment
- Economic viability

Mobility of Entrepreneurs:

- Movement and mobility is an integral part of human life. Entrepreneurs, being human beings, do also move from **one location to another and also from one occupation to another**. This movement of entrepreneurs from one location to another and from one occupation to another occupation may be termed as entrepreneurial mobility.
- It means movement of entrepreneurs from one place to another and likewise from one profession to another, which **affect the swiftness and pattern of entrepreneurship development**.

Occupational Mobility:

- It denotes movement or changes in occupation. This may take place in two forms:
 1. **Inter-generational mobility:** movement of a son/daughter from the principal occupation of his/her father.
 2. **Intra-generational mobility:** drift in one's own occupation during his/her occupational career

Location Mobility:

- Earlier locational mobility was simply determined by the distance characteristics of **inputs and outputs**, because the industrial structure was heavily dominated by the **natural resources base & consumer markets**
- But over a period of time, the very consideration for locating industries in a particular region has **undergone a considerable change**.
- Ex. Shifting of **Tata Nano** plant from Singur, PB to Sanand, Gujrat; **Enron-Dabhol** Power Project in Ratnagiri

Factors influencing entrepreneurial Mobility:

- **Education:**

An entrepreneur must be an educated person. An educated entrepreneur tends to be more mobile than an uneducated one.

- **Training and Experience:**

An entrepreneur must be properly trained and must have some past experience in business or industry. Technical knowledge and experience influence entrepreneurial mobility.

- **Availability of facilities:**

The entrepreneurs may move from the areas with no or fewer facilities to the areas with more and better facilities.

- **Political Conditions:**

The entrepreneurial mobility is also influenced by political factors, such as tax policy, political stability, trade restrictions etc.

- **Size of enterprise:**

Generally, larger **business** houses are more mobile than smaller **business** houses, because a large **size** of the **enterprise** will have the capability to start a new **business** at a new place.

Unit – IV

Role of Central Government & State Government in Promoting Entrepreneurship

Need & Importance of Government Role:

- To **encourage entrepreneurs to undertake new ventures**
- To **develop their units in backward areas**
- To **promote balanced regional development** & to ensure uniformity in the development process of all regions
- To **encourage first generation entrepreneurs** to work for **industrial development** of the country.
- To **improve the competitive strength of entrepreneurs** to face competitive environment of the industry.
- To **remove impediments and economic constraints** in the way of entrepreneurial development
- To **create motivational force to improve productivity** of entrepreneurs
- To **initiate expansion and modernization programme**
- To **accelerate the process of industrialization.**
- To **build infrastructural facilities** for setting up units

Incentives, Subsidies & Grants:

- The term '**Incentive**' is a general one and includes **concessions, subsidies** and **bounties**
- **Subsidy:** denotes a single lump sum which is given by a government to an industry; granted to an industry which is considered essential in the national interest; Ex. Agriculture, Renewable Energy
- **Bounty:** denotes bonus or financial aid which is given by a government to an industry to help it compete with other units in a nation or in a foreign market; given in proportion to its output; it confers benefits on a particular industry, while a subsidy is given in the interest of the nation.
- **Concession:** is the act of conceding; something granted specially by a government to be used for a specific purpose.
- Incentive means **encouraging action**
- **Motivational force** making an entrepreneur take a right decision and act upon it
- Economic incentives, both financial and non-financial, push an entrepreneur towards decisive decision and action
- Incentives are **financial & promotional assistance** provided by the Government to the industries for boosting up **industrial development in all regions.**

Objectives of Incentives:

- To spread **industrial development of all regions** uniformly
- To encourage **tiny, small scale entrepreneurs** to start industries
- To encourage **export oriented units** to obtain foreign exchange
- To spread **industrial entrepreneurship in all areas**
- To **develop more new entrepreneurs** as this leads to entrepreneurial development
- To **increase the ability of entrepreneurs to face competition** successfully.
- To **reduce the overall problems of small scale entrepreneurs**

Needs for subsidies & incentives:

- To promote entrepreneurship & strengthen the **entrepreneurial base** in the economy

- To **correct regional imbalances** in development
- To provide **competitive strength, survival and growth**.
- To **generate more employment**

Government Grants:

- It is a free '**Gift**' which is not to be returned
- It could be either '**tied grant**' or '**untied grant**'
- **Tied grant:** government will insist for its utilization for the purpose given; industries generally receive tied grants; Ex. If Japan gives a grant for establishing a Bullet train project between Mumbai & Ahmedabad, it is a conditional grant.
- **Untied grant:** can be used for anything; it is not sanctioned for specific purpose; Ex. If a grant is given by World Bank to the flood affected area of Assam, the local administration can use it, for any purpose they deem fit.

Role of Government in promoting 'Export Oriented Units':

- International trade is vital for entrepreneurs to **"go global"**
- For those entrepreneurs with products and services that can be exported, there are many **exciting overseas opportunities**
- Therefore export promotion of products manufactured in the **small scale sector** has been given considerable importance and efforts are being made to **increase its share in total exports**
- The **Small Industries Development Organization (SIDO)** along with its field offices continued to provide **techno-managerial assistance and guidance** for the development & promotion of exports of small industry products.
- **Training programmes in export marketing, packaging for exports and workshops/seminars** on various aspects of export development in the small-scale sector were organized in collaboration with other organizations.

Need for export promotion:

- To **compete in hyper competitive global economy**
- To conduct **business activities across national boundaries**

- To satisfy the needs & wants of target consumers in more than one country
- To correct the adverse balance of payment
- To enhance industrial development
- To pay for imports
- To increase earnings of foreign exchange.
- To enter into world markets
- To create substantial purchasing power to import essential consumer goods
- To expand the capacities of the existing units & find market for the products of new units
- To create repaying capacity
- To increase in employment opportunities
- To increase self-reliance
- To enjoy economies of scale
- To make optimum use of productive resources

Objectives of Export Promotion:

- To compensate the exporters for the high domestic cost of production
- To provide necessary assistance to the new as well as those exporters who are in infancy stage to develop the export business.
- To increase the relative profitability of the export business vis-à-vis the domestic business

Institutional Set-up for Export Promotion:

- ☐ **The Ministry of Commerce:** Export assistance like export credit, cash assistance, import replenishment, licensing transport bottlenecks, free trade zones, dry ports, quality control, pre-shipment inspection, guidance to set-up ventures abroad
- ☐ **Attached & subordinate offices:**

- (i) **Office of the Director General of Foreign Trade (DGFT)** – responsible for the execution of the export & import policies of the Government
- (ii) **Director of Exhibitions** – (a) arranging participation in international exhibitions (b) arranging Indian exhibitions abroad (c) running showrooms in foreign countries (d) setting up trade centres in selected & important markets outside India

Director General of Commercial Intelligence & Statistics – conducts studies on various topics relating to promotion of trade, publications on trade statistics which are utilised in framing economic policies, formulating trade agreements with foreign countries, helps in settlement of commercial disputes, providing letter of introduction to Indian businessmen going abroad, maintain commercial library to be used by the exporters, importers, research scholars.

☐ **Autonomous Bodies:**

- (i) **Commodity Boards** – to help exporters in the trade of traditional items like All India Handloom & Handicraft Board. The functions like (a) to undertake promotional activities (b) to provide intensive assistance to exporters (c) to participate in exhibitions & fairs abroad (iv) to advise government on matters of Government policies such as signing trade agreement, fixing quota etc. There are five statutory Commodity Boards responsible for production, development and export of tea, coffee, rubber, spices and tobacco
- (ii) **Export inspection council** – responsible for the enforcement of quality control and compulsory pre-shipment inspection of various exportable commodities

Indian Institute of Foreign Trade – engaged in (a) training of personnel in modern techniques of international trade (b) organization of research in problems of foreign trade (c) organization of marketing research, area surveys, commodity surveys and market surveys (d) dissemination of information arising from its activities relating to research and market studies (e) keeping India abreast with the international development in the field of packaging (f) organizing training programs on packaging technology.

- ☐ **Indian Institute of Packaging:** to undertake research on raw materials for the packaging industry, to organize training programs on packaging technology, to stimulate consciousness of the need for good packaging technology.
- ☐ **Export Promotion Councils (EPCs):** renders services such as – (i) to undertake market research studies and furnish the results to the trade (ii) to assist the exporters in framing export plans and policies and to make them aware of the assistance available from the Government (iii) to carry out sales promotional campaigns through exhibitions, showrooms, bulletins and other media of publicity (iv) to act as an arbitrator in the settlement of commercial disputes between an exporter and his foreign buyer (v) to

provide commercially useful information & assistance to their members in developing & increasing their exports (vi) to offer professional advice to their members in areas such as technology upgradation, quality & design improvement, standards and specifications, product development, innovation etc. (vii) to organize visits of delegations of its members abroad to explore overseas market opportunities (viii) to organize participation in trade fairs, exhibitions & buyer-seller meets in India & abroad (ix) to promote interaction between the exporting community and the Government both at the central & state levels (x) to build a statistical base & provide data on the exports & imports of the country, exports & imports of their members as well as other relevant international trade data.

- ❑ **Federation of Indian Export Organizations:** is an apex body of various export promotion organizations & institutions. It also serves as a primary servicing agency to provide integrated assistance to Government recognized Export Houses & as a central coordinating agency in respect of export promotion efforts in the field of consultancy services in the country

- ❑ **Indian Trade Promotion Organization:** The objectives of ITPO are –

Develop & promote exports, imports & upgrade technology through fairs in India & abroad

Compile & disseminate trade related information

Undertake publicity through the print & electronic media

Organize visit of foreign buyers & trade

Delegations to industry & trade establishments in India with a view to promote trade contracts

Assist Indian companies in trade development, organize export development programs, buyer-seller meets & conduct promotion Programmes & integrated marketing promotion Programmes for the trade & industry in India

- ❑ **Indian Council of Arbitration:** promotes arbitration as a means of settling commercial disputes & popularises arbitration among traders, particularly those engaged in international trade
- ❑ **Marine Products Export Development Authority:** responsible for development of the marine products industry with special reference to exports.

- ❑ **Agricultural & Processed Food Products Export Development Authority (APEDA):** serves as the focal point for agriculture particularly the marketing of processed foods in value added forms.

- ❑ **Public Sector Undertakings:**

- (i) **Industrial Raw Materials Assistance Centre (IRMAC):** to render assistance for supply of imported raw materials particularly to small-scale industries

- (A) **State Trading Corporations (STC):** the major functions are –

1. to facilitate exports of 'difficult to sell' items through (a) direct assistance from STCs Trading Development Fund (b) developing new lines of export (c) organizing production to meet export demand & helping production units to overcome difficulties of raw materials & other essential requirements to meet export orders.
2. To arrange for exports where bulk handling & long-term contracting are advantageous.
3. To ensure implementation of trade plans with the State Trading Countries & other special agreements by way of (a) undertaking imports of such commodities where such procurement is advantageous & (b) undertaking imports of specified commodities in short supply & other speculative items

- (B) **Minerals & Metal Trading Corporation:** deals exclusively in minerals & metal trade

- (C) **Export Credit Guarantee Corporation:** covers both commercial & political risks on assignment of export credit transactions

- ❑ **Advisory Board:**

Central Advisory Council on Trade: advise Government on – (i) export & import policy programme (ii) operation of import & export trade controls (iii) organization & development of commercial services (iv) Export Credit Guarantee Corporation.

- ❑ **Other Supportive Institutions/Organizations:**

1. **Export Promotion Assistance from Small Industries Development Organization (SIDO):** (i) creating export consciousness among the entrepreneurs (ii) identifying the potential of small scale units & motivating them to undertake production of export worthy items (iii) disseminating exports marketing information to export worthy units (iv) providing export consultancy services in respect of export procedures, documentation & export incentives (v) organizing training programmes in export marketing in various SISI's (vi) maintaining liaison with the export promotion organizations and department for solving the problems of small scale exporters (vii) sponsoring small scale units in sale-cum-study teams & trade delegations to be sent abroad (viii) arranging meetings, seminars & open house discussions in collaboration with the concerned export promotion agencies (ix) publication of quarterly small industry export bulletin to highlight the areas of interest to small scale exporters.
2. **EXIM Bank of India:** The functions are – (i) financing of exports from, & imports into, not only India, but also third countries of goods & services (ii) financing of exports &

imports of machinery & lease equipment on lease basis (iii) financing of joint ventures in foreign countries (iv) providing loans to an Indian party so as to contribute to the share capital of a joint venture in a foreign country (v) undertaking limited merchant banking functions such as under-writing stocks, shares & bonds or debentures of companies engaged in export & import; & providing technical, administrative & financial assistance to parties in connection to export or import (vi) developing & financing export oriented industries (vii) undertaking transactions involving a combination of Government & commercial credit for the purpose of export or import (viii) giving lines of credit to foreign government & foreign financial institutions in developing countries by participation in the share capital of such institutions (ix) providing refinance facilities to commercial banks by discounting export bills for supporting their offers of export credit guarantees (x) undertaking certain type of transactions in all permissible currencies which are incidental to its normal functions (xi) conducting techno marketing studies with a view of promoting exports & (xii) coordinating the working of institutions engaged in financing & importing goods & services to promote the country's international trade.

Fiscal & Tax Concessions:

- Tax holidays to **new industrial undertaking set up in backward States & Union Territories**
- Tax holiday for the **power sector**
- Taxation benefits:
 - **Depreciation allowance:** a SSI is eligible to get a deduction on depreciation account of **plant & machinery, land & buildings**
 - **Development rebate:** a sum, by way of development rebate is allowed in respect of **new plant or machinery other than office appliance or road transport vehicles of small scale unit, which is wholly used for the purpose of production**
 - **Rehabilitation allowance:** to **small scale units**, whose business has been disturbed by riot or civil disturbance, floods, typhoons, hurricanes cyclones, earthquakes or other natural disasters, accidental fire or explosions or action by an enemy
- **Sales tax concessions:** Certain products like some vegetables, fish products, silk, khadi, handlooms and certain services like plant cultivation & animal husbandry, renting/leasing of agro machinery etc. are exempted from GST.
- Tax benefits for **Amalgamation of sick units**

Women Entrepreneurs:

Schumpeter defined Women Entrepreneur as:

“Women entrepreneurs are those women who innovate, initiate or adopt a business activity”

Government of India has defined Women Entrepreneur as:

“A woman entrepreneur is defined as an enterprise owned and controlled by a woman having a minimum financial interest of 51 percent of the capital and giving at least 51 percent of the employment generated in the enterprise to women.”

Facts & Features of Women Entrepreneur:

- Most women with small income are likely to become entrepreneurs
- Women with small facilities are likely to become entrepreneurs
- A majority of women entrepreneurs are married. With the support of their husband they accepted entrepreneurship.
- A large number of women with little or no education and training enter into the business field.
- Many women become entrepreneurs out of economic necessity
- Women's sincerity and hard work is the cause for sustainability and growth
- Women entrepreneurs are security oriented rather than growth oriented
- Most women prefer stabilization of income and minimization of risk.
- Business enterprises of women lack working capital, this causes low profit margin.

Why women become entrepreneurs?

- To become economically independent
- To establish their own enterprise
- To establish their identity in the society
- To achieve Excellency in their endeavour
- To build confidence to themselves

- To develop risk assuming ability
- To claim equal status in the society.
- To secure greater freedom and mobility

Qualities of Women Entrepreneur:

- Accept challenges
- Ambitious
- Hard working
- Patience
- Motivator
- Adventurous
- Conscious
- Educated
- Intelligent

Role of Women Entrepreneur:

- In this dynamic world, women entrepreneurs are a significant part of the global expedition for sustained economic development and social progress. Due to the growing industrialization, urbanization, social legislation and along with the spread of higher education and awareness, the emergence of Women owned businesses are highly increasing in the economies of almost all countries.
- In former days, for Women there were 3 Ks- Kitchen, Kids, Knitting, then came 3 Ps- Powder, Pap pad, Pickles and now at present there are 4 Es- Electricity, Electronics, Energy, Engineering. Indian women had undergone a long way and are becoming increasingly visible and successful in all spheres and have shifted from kitchen to higher level of professional activities.
- Women entrepreneurs are fast becoming a force to reckon with in the business world and are not only involved in business for survival but to satisfy their inner urge of creativity and to prove their capabilities. Educated Women is contributing to a great extent to the social transformation and in the future, will be seen that more women venturing into areas traditionally dominated by men

- Today's women are taking more and more professional and technical degrees to cope up with market need and are flourishing as designers, interior decorators, exporters, publishers, garment manufacturers and still exploring new avenues of economic participation. It is perhaps for these reasons that Government Bodies, NGO's, Social Scientists, Researchers and International Agencies have started showing interest in the issues related to entrepreneurship among women in India.

Problems of Women Entrepreneurs:

- Financial Constraints
- Over Dependence on Intermediaries
- Stiff Competition
- Scarcity of Raw Materials
- High Cost of Production
- Limited Mobility
- Family Ties
- Legal formalities
- Lack of Education
- Social Attitudes
- Male Dominated Society
- Low Need for Achievement
- Low risk-bearing capacity
- Lack of entrepreneurial aptitude
- Limited managerial ability
- Lack of self confidence

Prospects for the Development of Women Entrepreneurs:

- Throughout the world, it is observed that the ratio of Women entrepreneurs is increasing tremendously. The emergence as well as development of Women entrepreneurs is quite visible in India and their over- all contribution to Indian economy is also very significant.
- Today the role of Women entrepreneurs in economic development is inevitable because women are entering not only in selected fields but also in fields like Trade, Industry and Engineering.
- The industrial structure and the enterprises are undergoing a radical change. Information Technology has transformed the very technique of doing business individually. Business ownership provides women with the independence they crave and with the economic and social success they need. Nationally, business ownership has great importance for future economic prosperity. Globally, women are enhancing, directing and changing the face of how business is done today. Ultimately, female business owners must be recognized for who they are, what they do, and how significantly they impact the World' Global Economy.
- Training on professional competence and leadership skills should be extended to Women entrepreneurs. Activities in which women are trained should focus on their marketability and profitability. State Finance Corporations and financing institutions should permit by statute to extend purely trade related finance to Women entrepreneurs. And lastly women Development Corporation has to gain access to open-ended financing.

Measures to develop Women Entrepreneurs:

- Considering women as specific target group for all developmental programmers
- Better educational facilities and schemes should be extended to women folk from government part
- Adequate training programmed on management skills to be provided to women community
- Encourage women's participation in decision-making
- Vocational training to be extended to women community that enables them to understand the production process and production management.
- Skill development to be done in women's polytechnics and industrial training institutes. Training on professional competence and leadership skill to be extended to women entrepreneurs.

- Training and counseling on a large scale of existing women entrepreneurs to remove psychological causes like lack of self-confidence and fear of success
- Counseling through the aid of committed NGOs, psychologists, managerial experts and technical personnel should be provided to existing and emerging women entrepreneurs
- Continuous monitoring and improvement of training programmes
- Activities in which women are trained should focus on their marketability and profitability
- Making provision of marketing and sales assistance from government part

Assistance Programme for Small Scale Units – Institutional Framework:

- Assistance & Institutional support system is necessary at **three stages** of enterprise development:
 1. **Inception or Promotion**
 2. **Day-to-day management**
 3. **Expansion and Diversification**
- **Three dimensions** of institutional support system are:
 1. **Central Government**
 2. **State Government**
 3. **Non-government Support System**

CENTRAL GOVERNMENT INSTITUTES:

- **SMALL SCALE INDUSTRIES BOARD:**

Established in **1954** to **provide effective coordination and inter-institutional linkages** for the benefit of small scale sector.

- It consists of the following members:
 - Union Industry Minister
 - State Industry Minister
 - Selected members of Parliament

-
- Secretaries of department concerned
 - Financial Institutions
 - Selected Public Enterprises
 - Industry Associations
 - Eminent experts in the field
 - **NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT (NABARD):**
 - Services offered by NABARD:
 - Attracting youth to rural non-farm sector
 - District Industries Rural Project (DRIP).
 - Rural Entrepreneurship Development Programme (REDP)
 - **SMALL INDUSTRIES DEVELOPMENT ORGANISATION (SIDO):**
 - Constituted in 1954 to develop support services for promotion of SSI
 - Main objectives of SIDO are:
 - To formulate policy for promotion of SSI
 - Provide coordination of policies of state government
 - To collect and disseminate information
 - To provide wide range of extension services through allied institutions
 - To promote facilities for technology upgradation.
 - To offer consultancy services
 - **Services Rendered by SIDO:**
 - Entrepreneurship development and Management training
 - Efforts for skill development
 - Preparation of feasibility reports for different products
 - Provision of testing services
-

- Availability of tool room facilities
- **NATIONAL SMALL INDUSTRIES CORPORATION (NSIC):**
 - Set up by government of India in 1955
 - Main functions are:
 - Supply of machinery and equipment
 - Provision of financial assistance
 - Assistance for arrangement of raw materials
 - Establishment of technology transfer centers
 - Arrangement of marketing assistance
 - Priority in government purchase programme
- **SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA (SIDBI):**
 - Subsidiary of IDBI, setup as an act of parliament
 - Provides assistance for:
 - Setting up of new SSI units, small hotels, hospitals and so on
 - Technological upgradation and modernization, expansion and diversification
 - Quality upgradation
 - Development of markets
 - Development of infrastructure
 - Discounting of bills of manufacturer-seller in selling either equipments or components

STATE GOVERNMENT INSTITUTES:

- **STATE FINANCIAL CORPORATIONS (SFC):**
 - Objectives:
 - Provide term loans for the acquisition of land, building, plant and machinery

- Promotion of self-employment
- Encourage women entrepreneurs
- Expansion of industry
- Provide seed capital assistance

▪ **STATE SMALL INDUSTRIES DEVELOPMENT CORPORATION (SSIDC):**

- Important functions performed are:
 - Procurement and distribution of raw materials
 - Supply of machine on hire-purchase basis
 - Construction of industrial estates

Providing assistance for marketing of products of SSI

▪ **TECHNICAL CONSULTANCY ORGANISATION:**

- Services of TCOs include:
 - Preparation of project profiles
 - Undertaking industrial potential surveys
 - Identification of potential entrepreneurs
 - Undertaking market research
 - Project supervision and rendering technical and administrative assistance
 - Conducting EDPs

▪ **KHADI AND VILLAGE INDUSTRIES COMMISSION (KVIC):**

- It is engaged in the development of khadi and village industries in rural areas
- Main objectives of KVIC are:
 - Providing employment in rural areas
 - Skill improvement

- Rural industrialization
- Transfer of technology

NON-GOVERNMENT INSTITUTES

- **INDIAN COUNCIL OF SMALL INDUSTRIES (ICSI):**

- It was established in 1979
- Main functions are:
 - Information dissemination
 - Entrepreneurship development
 - Consultancy and managerial support
 - Training and research

- **LAGHU UDYOG BHARTI (LUB):**

- It was founded in 1995
- It is responsible to undertake:
 - Entrepreneurial training
 - Technology upgradation
 - Marketing services

**Role of SSI sector in the economy:**

- Small scale industries contribute 40% of gross industrial value & provide foreign exchange
- Small industries lead to balanced regional balance
- It also provides a space for entrepreneurship, low cost of production
- Due to small size of industries , quick & timely decision can be taken
- Small scale industries have an ability adopting to situation
- They create greater Employment Opportunities through Labor Intensive processes & thereby help in tackling the Unemployment Problem

- They have Low Gestation Period & thereby Expensive Financial Resources are not idled unproductively for long periods
- They can be set up easily in Rural & Backward Areas
- They need Small / Local / Regional Market
- They encourage growth of Local Entrepreneurship
- They create Decentralized pattern of Ownership
- They foster Diversification of Economic Activities
- They Innovate & Introduce New Products particularly to cater to Local Needs
- They influence & improve Standard of Living of Local People
- They provide equitable dispersal of enterprises throughout Rural & Backward Areas
- They earn Vital Foreign Exchange for the Country through their Exports of Goods / Services
- They Increase Revenue to Central & State Govt.s by way of Taxes Paid by them

SSI Units – Failure, Causes & Preventive Measures:

- Some of the **major causes** for sickness in small scale industries are:
 - **Inadequacy of working capital**
 - **Non-availability of credit**
 - **Poor and obsolete Technology**
 - **Non-availability of raw material**
 - **Marketing Problems**
 - **Erratic power supply**
 - **Labour Problems**
 - **Poor Management**
 - **Inadequate attention to R & D**

- **Diversion of resources**
- **Globalization**
- **Dispute among partners**
- **Overambitious projects**
- **Preventive measures** to curb and overcome the failure of SSI Units are:
 - ✓ **Identifying sickness at initial stage**
 - ✓ **Financial assistance:**
 1. Increasing **working capital limit**
 2. Enhancing the powers of bank managers of specialized banks branches in **offering credit** to SSI
 3. Strengthening the mechanism for **discounting bills**
 4. **Reduced rate of interest**
 - ✓ **Improving infrastructure**
 - ✓ **Technology up-gradation**
 - ✓ **Marketing assistance**
 - ✓ **Liquidation**
 - ✓ **Government interventions**
 - ✓ **Training**
 - ✓ **Rehabilitation**

Future of ED & Government:

Start Up India:

- It is a revolutionary scheme launched on 16th January 2016, to help the people, who start their own business.
- Startup India Initiative has rolled out several programs with the objective of supporting entrepreneurs, building a robust startup ecosystem and transforming India into a country of job creators instead of job seekers.
- **Meaning of Start Up:**
 - Private limited company or a registered partnership firm or LLP incorporated or registered in India

- Such entities should not be formed by splitting up of a business already in existence
- Annual turnover not exceeding Rs. 25 Crore in any preceding financial year.
- Working towards innovation, development; deployment or commercialization of new products; processes or services driven by technology or intellectual property.

Objectives of Start Up India:

- To **boost/promote start-ups** and entrepreneurship
- To **boost banking and finance sector**
- To **limit state policy dependency** for new businesses
- To **promote women entrepreneurship**
- To **generate maximum employment**
- To **encourage the people** who have potential to innovate and **start their own business**

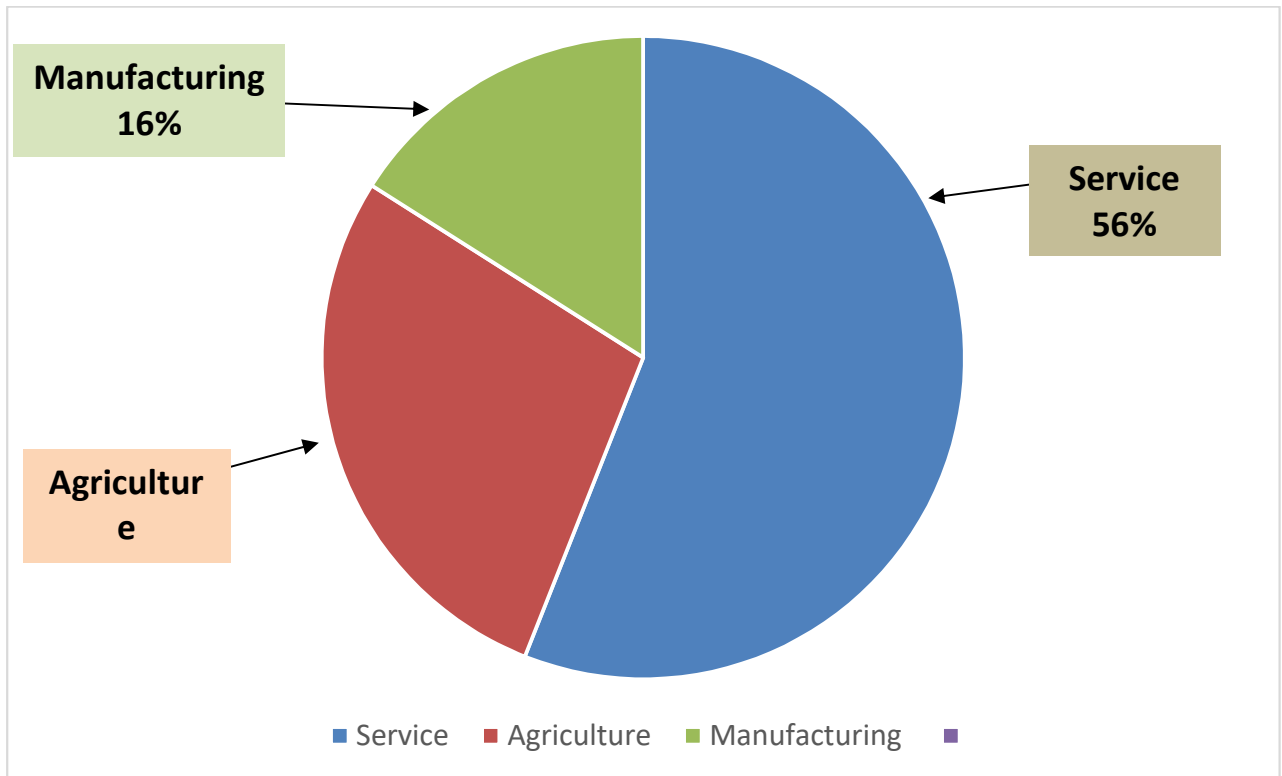
Key Features of Start Up India:

- ☐ **Single window clearance** online or with the help of mobile application
- ☐ **80% reduction in patent registration fees**
- ☐ **Modified and more friendly Bankruptcy code** to ensure 90 day exit window
- ☐ **No Government inspection** for years
- ☐ **Freedom from capital gain tax** for years
- ☐ **Freedom from Tax in profits for 3 years**
- **Impact of Start Up India on India Economy:**
 - ❖ **Boost GDP**
 - ❖ **Increase of Export**
 - ❖ **Creation of Jobs**
 - ❖ **Increased production lowers the goods prices**

Make in India:

- It was launched on **25 September 2014** to **encourage companies to manufacture their products in India** and enthruse with dedicated investments into manufacturing.
- As a strategy it is the **road map to respond to glocal (global + local) challenges** through preparations for a World class manufacturing status & knowledge infrastructure that should create further knowledge for stepping on to global competitiveness.
- **Objectives of Make in India:**
 - ✓ to **make India a renowned manufacturing hub** for key sectors
 - ✓ **Companies across the globe would be invited to make investment** and set up factories and expand their facilities in India.
 - ✓ **Using India's highly talented and skilled manpower** to create world class zero defect products.
- **Purpose of Make in India:**
 - ❖ **Job Creation**
 - ❖ **Economic Development**
 - ❖ **Global Recognition Mission of Campaign:- "Manufacture in India and sell the products worldwide."**

Contribution by various sectors to economy:



▪ **Sectors involved in campaign:**

- ✓ Automobiles
- ✓ Auto components
- ✓ Aviation
- ✓ Biotechnology
- ✓ Chemicals
- ✓ Construction
- ✓ Defense manufacturing
- ✓ Electrical machinery
- ✓ Electronic system design and manufacturing
- ✓ Food processing
- ✓ IT and BPM
- ✓ Leather

-
- ✓ **Media and entertainment**
 - ✓ **Mining**
 - **Sectors involved in campaign:**
 - ✓ **Oil and gas**
 - ✓ **Pharmaceuticals**
 - ✓ **Ports**
 - ✓ **Railways**
 - ✓ **Renewable energy**
 - ✓ **Roads and highways**
 - ✓ **Space**
 - ✓ **Textiles**
 - ✓ **Thermal power**
 - ✓ **Tourism & Hospitality**
 - ✓ **Wellness**
 - **How would Make in India help Entrepreneurship?**
 - **Skill development programs** would be launched especially for people from rural and poor ones from urban cities
 - **25 key sectors have been short listed** such as telecommunications, power, automobile, tourism, pharmaceuticals and others
 - Individuals aged **15-35 years** would get high quality training in the following key areas such as welding, masonries, painting, nursing to help elder people
 - **Skill certifications** would be given to make training process, a standard. Currently manufacturing in India suffers due to low productivity rigid laws and poor infrastructure resulting in low quality products getting manufactured.
 - Over 1000 training centers would be opened across India.
 - **New Initiatives under Make in India:**
-

- ✓ **Process of applying for Industrial License & Industrial Entrepreneur Memorandum** made online on 24×7 basis through eBiz portal
- ✓ **Validity** of Industrial license **extended to three years**
- ✓ Major **components of Defense products'** list excluded from industrial licensing
- ✓ **Dual use items having military as well as civilian applications deregulated**
- ✓ **Services of all Central Govt. Departments & Ministries will be integrated with the eBiz**
- ✓ Process of **obtaining environmental clearances made online**
- ✓ **All returns should be filed on-line** through a unified form.
- ✓ **A check-list of required compliances is placed on Ministry's/Department's web portal**

Unit – V

Enterprise Promotion

Creating Entrepreneurial Venture:

What is needed to create an 'Entrepreneurial Venture'?

According to **Hickman & Michael Silva** following New Age Skills are needed to create an 'Entrepreneurial Venture':

Creative Insight: To get at the roots of the Problems



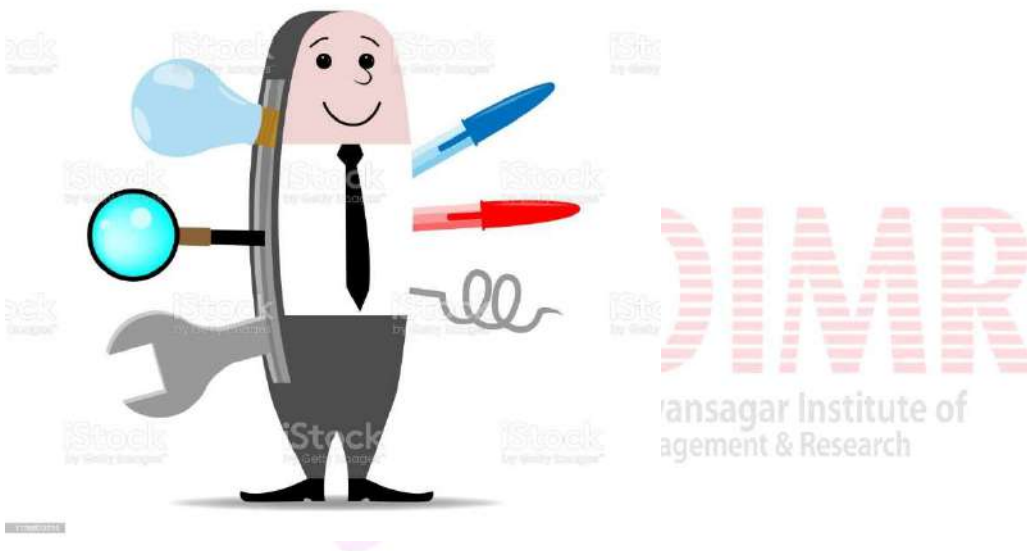
Sensitivity: Don't judge a man until you have walked a mile in his shoes



Vision: Leaders who develop clear vision can mentally travel from known to the unknown, creating the future from facts, figures, hopes, dreams, dangers and opportunities



Versatility: To respond to the changes rapidly



Focus: Building competence through undivided attention



Patience: Impatience compromises lasting performance Patience produces staying power & leads to lasting excellence



Steps involved in creating Entrepreneurial Venture:



Essential Requirements:

- Venture must be feasible at all times
- Promoters must have entrepreneurial abilities to make the venture successful
- Necessary finance required for the venture should be available

(Primary source – promoters in the form of share capital &

Secondary source – availability of loan facility, if required)

Project Identification:

- a) Meaning
- b) Characteristics of a project
- c) Conceiving Project Ideas
- d) Selecting Right type of Business
- e) Project in Service Sector

a) Meaning:

“Project identification is concerned with the collection, compilation and analysis of economic data for the purpose of locating possible opportunities for investment.”

Peter Drucker laid down **three kinds of opportunities:**

- 1) **Additive opportunity** – enabling an entrepreneur to utilize the existing resources without making any change (**Lowest risk**)

- 2) **Complementary opportunity** – involves the introduction of new ideas resulting in a certain amount of change in the existing business structure (**Moderate risk**)
- 3) **Breakthrough opportunity** – involves drastic and fundamental changes in the existing business (**Highest risk**)

How to define opportunity as a good project?

- ❖ where the present and future market shows a **growing potential**
- ❖ where the entrepreneur will have the **necessary knowledge, skill and the attitude to run the project.**
- ❖ where the entrepreneur will be able to **raise the necessary finance** through his own contribution and through the borrowings, if required

b) Characteristics of a project:

Three Dimensions of project:

Inputs:

- Raw material
- Manpower
- Energy
- Organizational set-up

Outputs:

- Goods & Services
- Revenue
- Employment Potential

Social Cost & Benefits:

- Sacrifice society has to make
- Benefits to the society

C) Conceiving Project Ideas:

Personal Informal Sources (People sources)

- Family
- Customers
- Friends
- Colleagues
- Salesmen
- Social Contacts
- Employees
- Solicitors

Impersonal Written Sources (Paper Sources)

- Magazine
- Newspapers, Periodicals
- Journals
- Books
- Newsletters
- Catalogues

Personal Formal Sources

- Bankers
- Business Councilors
- Chamber of Comm.
- Entrepreneur Asso.
- Suppliers
- Technical Consultants
- College/University
- Research Laboratories

- Small Business Club

Impersonal Verbal Sources

- Trade Shows
- Seminar/Workshops
- Suppliers/Dealers
- Small Business Org.
- Professional Org.
- Federations, unions

d) Selecting Right Type of Business:

Follow **guidelines to identify market opportunities:**

- (i) when **demand exceeds the supply** for a product or service, observed on account of non-availability, stock-outs, overcharging or longer delivery periods
- (ii) when **products are not available locally** and have to be brought from outside gives an opportunity for import substitution
- (iii) when certain **products not having good opportunities in local markets** but have excellent export potential like handicrafts, some horticultural products like strawberries, mushrooms etc.

Select product line by considering:

- (i) Market segment
- (ii) Availability of raw material
- (iii) Place of manufacture
- (iv) Investment criteria
- (v) Technical knowhow
- (vi) Availability of skilled manpower

Products classified under following categories:

- (i) Engineering

- (ii) Non-engineering
- (iii) Foot-loose type
- (iv) Demand-based
- (v) Technology-based
- (vi) Need-based

Different **product lines** to choose from:

- (i) **Consumer durables** like steel furniture, electrical iron, voltage stabilizer, water heaters, water purifiers, television sets, Refrigerators etc.
- (ii) **Consumer non-durables** like plastic items, cosmetics, readymade garments, food items
- (iii) **Industrial non-durables** like bolts, nuts, screws, spacers, washers, springs etc.
- (iv) **Intermediate goods** like paints, varnish, pharmaceutical formulations, dye stuff etc.

Who will be the **end user**?

- (i) **Domestic consumer:** urban, semi-urban, rural areas, high, low and middle income groups
- (ii) **Industrial consumer / Institutional consumer**

e) Project in Service Sector:

- Personal Services: quick print shops, software engineers, interior designers, tailors, management or tax consultants
- Professional Services: Doctors, attorneys, CA, Architects,
- Information Services: Computers & telecom. Tech, newspapers, social & digital media services, graphic & design, news & entertainment
- Distributive Services: trading, physical movement of products, wholesaling, brokerage services, import-export transactions

Preparation of Project Report:

- ❖ Brief Introduction of the proposed project
- ❖ Brief History: Why did the entrepreneur decide to set-up this particular project?
- ❖ The Unit: Attach relevant documents like,
 - (a) Constitution of the unit (Proprietorship, partnership, private limited company etc.). Share of each partner in case of partnership
 - (b) Nature of unit: whether ancillary to some large unit or not
 - (c) Details of associate concerns, if any
- ❖ The promoter & key personnel (proprietor, partners, directors)
 - (a) Brief background detail with reference to experience in related fields & how it will help him/her in successfully running the unit
 - (b) Enclose bio data (education, previous employment details, business/industrial activities undertaken)
- ❖ Product
 - (a) Description of the product to be manufactured
 - (b) Where is the product used or consumed
 - (c) Product range – various types of products to be manufactured
- ❖ **Marketing & Competition**
 - (a) General market trends
 - (b) Estimated overall demand
 - (c) Segmentation of estimated demand, the proposed share of the unit & projected sales for first 3 years
 - (d) Region or segments proposed to be covered by the unit
 - (e) Competition and how does the unit propose to face the competition?
 - (f) Price & quality: how the unit's product will compare with those of its competitors?

(g) Marketing strategy:

- (i) If selling directly to customer, then details of showroom, sales force etc.
- (ii) If selling through agents, their details, period of contract, commission payable, security etc. to be offered by them & payment terms
- (h) Value of orders in hand (already received & expected shortly)

❖ **Manufacturing process:**

- (a) Process flow chart, giving the manufacturing flow from one process to the next & from one machine to the next
- (b) Various operations for each item, sequence of operations & time taken for each operation
- (c) Input / output ratios between raw material & finished products
- (d) Any special techniques involved

❖ **Machinery & plant capacity:**

- (a) Details of the machinery required for the project
- (b) Capacity of each machine & power required
- (c) Technical details & specifications of machinery
- (d) Details of suppliers
- (e) Price of each machine
- (f) Procurement time & availability in market
- (g) Spare parts required & their availability
- (h) Reasons for selecting a particular supplier, alongwith quotations for each item from at least 2 or 3 different suppliers.

❖ **Raw material:**

- (a) Details of various raw materials required
- (b) Specifications of each type of raw materials

- (c) Availability
- (d) Names of suppliers
- (e) Sources
- (f) Whether quota, non-quota or imported items
- (g) Procurement time from time of ordering to receipt of material
- (h) Minimum order quantity
- (i) Whether any credit is available from suppliers
- (j) Details of consumable item

❖ **Land & Building in case own building is to be constructed:**

- (a) Total area & cost of land required
- (b) Cost of land development
- (c) Covered & uncovered area
- (d) Estimate of building including utilities like water, electricity etc.

❖ **General management & technical staff:**

- (a) Duties of promoters
- (b) Indirect staff such as sales-cum-purchase assistant, account-cum-store keeper etc.
- (c) Direct labour strength such as skilled workers, unskilled workers, semi-skilled workers
- (d) Salary or wages, incentives, bonus etc. of each worker

❖ **Cost of the project:**

Land, building, plant & machinery, furniture & fixture, pre-operative expenses, contingencies, working capital required

❖ **Means of Finance:**

- (a) Term loan from bank
- (b) Government subsidy, if any
- (c) Deferred payments
- (d) Promoters contribution
- (e) Loans from friends & relatives
- (f) Equity assistance

❖ **Working capital required:**

- (a) Anticipated monthly sales
- (b) Cost of raw material consumed per month
- (c) Total monthly production cost
- (d) Average raw material stocking level for various raw materials & consumable items
- (e) Average period of processing or work-in-process
- (f) Finished goods stocking level
- (g) Cash sales
- (h) Credit sales & n period of bill realization
- (i) Average credit available from market

❖ **cost of production & profitability:**

- (a) Details of raw material content for each item
- (b) Details of monthly expenses
- (c) Bifurcation of monthly expenses into fixed & variable expenses
- (d) Item wise cost of production & total annual cost of production
- (e) Item wise annual sales turnover

(f) Total annual profit

(g) Total cash accruals

- ❖ Profitability & Break Even Point
- ❖ Project implementation schedule
- ❖ Repayment schedule as desired by promoter
- ❖ Internal rate of return
- ❖ Security offered
- ❖ Any other details

Entrepreneurship Development Cycle:

Simulatory / Encouragement:

- Entrepreneurial Education
- Planned advertisement & propaganda for entrepreneurial opportunities
- Search of possible entrepreneurs through the scientific method
- Motivational training to the new entrepreneurs
- Assistance and guidance for selection of a product and preparing project report
- Technical and financial information and information about production
- Developing production and processes which are suitable to the local levels
- Availability of local institutions having trained officers for industrial consultancy
- Manufacturing industrial machines
- Giving introduction of essential factors to the entrepreneur

Assistance:

- Business registration
- Raising finances and capital
- Supply of land, industrial shade, fuel, water etc.
- Guidance for selection of machines and acquiring them
- Supply of raw material which is in shortage
- Getting import and other licenses
- Providing general facilities
- Getting tax and other concessions
- Making available managerial consultancy
- Assistance in production and marketing
- Supply of information

Support / Sustaining:

- Assistance for modernization
- Assistance for standardization, expansion and alternative production
- More money supply for complete use of capacities
- Repayment of loans and interest
- Industrial consultancy service
- Regulations about production institutions and change in policy
- Reserved production / making new field available for marketing
- Assessment of quality and improvement in service
- General facilities center on the basis of needs

Business Planning Process:

What is Business Plan?

- A written proof that the entrepreneur has performed the necessary research and has studied the business activity adequately
- It is an entrepreneur's best insurance against launching a business destined to fail or mismanaging potentially successful company
- It is a formal written expression of the entrepreneurial vision, describing the strategy and operations of the proposed venture
- It is a communication more about the top management team than simply the scope of their entrepreneurial vision.
- It is an entrepreneur's road map on the journey towards building a successful business
- It is a document which provides the information about the direction of the company and its goals and objectives
- It is a tool for raising money or getting corporate approvals
- It is a conversion of intuitive vision into an action plan

Business Plan as an entrepreneurial tool:

It involves documentation of the following aspects of the business:

- ✓ Vision statement
- ✓ Mission, purpose and objectives of a business
- ✓ The strategy of a business
- ✓ Market plan
- ✓ Manufacturing and operations
- ✓ Prospects of the business
- ✓ The obstacles the business may encounter
- ✓ Planning for overcoming these obstacles in future

Tools provided by the Business Plan

- **Mission:**

- broad statement of the company's long term purpose and intentions
- It explains the reasons for the existence and operations of an enterprise
- It indicates what is the enterprise's business and what should it be
- It reflects enterprise's identity
- **Objectives:**
 - Decision roles which enable entrepreneur to guide and measure the firm's performance towards its purpose
 - These are the end results to be achieved by a plan and these may be tangible or intangible
- **Goals:**
 - Objectives need to be made explicit and operational by translating them into goals and targets
 - Entrepreneurial goals are determined on the basis of social, political, economic and personal factors
- **Strategy:**
 - The ways in which an enterprise reacts to its environment by deploying its principal resources and marshals its efforts in pursuit of its mission and objectives
 - It is a plan designed to meet the threats and to exploit the opportunities created by environmental changes
- **Policies:**
 - It is a broad guideline for decisions and actions on the part of subordinates
 - It is a general statement of understanding created for the attainment of objectives
 - It is a standing answer to recurring problems, a continuing decision that applies to repetitive situations

Functions of Business Plan:

- i. Guides the ventures operations by charting its future course and devising a strategy for success
- ii. It helps in attracting lenders and investors

- iii. While developing a business, the plan forces potential entrepreneurs to look at their business ideas in the harsh light of reality

These tools enables:

- a) Entrepreneurs to lead a company successfully
- b) Managers and employees get a sense of direction
- c) Everyone targets to shoot for by providing a yardstick for measuring actual performance against those targets, creating a plan forces entrepreneurs to subject their ideas to the test of reality

Elements of Business Plan:**Executive Summary:**

- An entrepreneur should describe market size and location with customer details, the founders, key persons and their roles.
- It also consists of estimates of revenue and expenses, founders equity debts and capital needed

Purpose & Objectives of the Venture:

The entrepreneur should explain the nature of the business by clearly defining how the firm will operate and what the founders intend to accomplish.

Details of Products & Services:

- An obvious requirement of every business plan is to explain the product or service concept.
- Entrepreneur should explain functions and nature of products and service, proprietary interest and technical details

Market Research & Analysis:

Entrepreneur should provide a credible summary of potential customers, markets, competitors and assumptions about pricing, promotion and distribution.

Market Plan & Competitor Analysis:

- It is essential to identify competitors and to analyze how competitor's role is likely to change when the new venture becomes established
- A market exists only when there are qualified purchasers, but entrepreneurs must remember that the business plan is a prediction of future markets, not merely those which exists

Manufacturing or Operational Process:

- Depending on the nature of the business, a manufacturing or operations plan may be varied.
- For ventures, that manufacture, design, or sell products as well as for service firms, that require capital equipment, this manufacturing or operations plan is important

Profit of Founders & Management:

- Entrepreneurs must take care to profit the entrepreneurial team honestly but effectively
- They should emphasize team members' strengths, past history, their success and positive characteristics
- Entrepreneurs should include brief resumes of the team leaders.
- Each person's role in the new venture should be described briefly including board members

Financial Documentations:

- Financial statement for a new venture, called proforma, are projections based on operating and marketing assumptions
- An income statement is required to show revenue, cost of goods sold, operating expenses and net income
- Cash flow budget reflect information from the profit and loss statement adjusted properly for credit sales, non-cash expenses and cash obtained and used outside of operations income.
- A projected balance sheet will summarize assets and liabilities and breakeven analysis will reveal when entrepreneur activity begins to turn a profit

Format of Business Plan:

Executive Summary:

- a) Company name, address & phone numbers
- b) Names, addresses & phone numbers of all key people
- c) Brief description of the business, its products & services and the customer problems they solve
- d) Brief overview of the market for your products & services
- e) Brief overview of the strategies that make your firm a success
- f) Brief description of the managerial & technical experience of key people
- g) Brief statement of the financial request & how the money will be used
- h) Charts or tables showing highlights of financial forecasts

Vision & Mission Statement:

- Entrepreneur' vision for the company
- What business are we in?
- Values & principles on which the business stands
- What makes the business unique? What is the source of its competitive advantage?

Company History (For Existing Businesses only):

- Company founding and classical approach behind
- Financial & operational highlights
- Significant achievements, historical events

Business & Industry Profile:☐ **Company Goals & Objectives**

1. Operational
2. Financial
3. Other

☐ **Industry Analysis**

1. Industry background & overview
2. Significant trends
3. Growth rate
4. Key success factors in the industry
5. Outlook for the future

Business Strategy:

- a) **Desired image & position in market**
- b) **SWOT Analysis**
 1. Strengths
 2. Weaknesses
 3. Opportunities
 4. Threats
- c) **Competitive Strategy**
 1. Cost-leadership
 2. Differentiation
 3. Focus

Company Products & Services:

- a) **Description**
 1. Product or service features
 2. Customer benefits
 3. Warranties & guarantees
 4. Uniqueness
- b) **Patent or Trademark protection**
- c) **Description of production process (if applicable)**

1. Raw material
2. Costs
3. Key suppliers

d) Future product or service offerings

Marketing Strategy:

a) Target market

1. Complete demographic profile
2. Other significant customer characteristics

b) customers' motivation to buy

c) Market size & trends

1. How large is the market?
2. Is it growing or shrinking? How fast?

d) Advertising & promotion

1. Media used – reader, viewer, listener profiles
2. Media costs
3. Frequency of usage
4. Plans for generating publicity

Marketing Strategy:

e) Pricing

1. Cost structure
 - Fixed
 - Variable

2. Desired image in market

Comparison against competitors' prices

f) Distribution Strategy

1. Channels of distribution used
2. Sales techniques & incentives

Location & Layout:

a) Location

1. Demographic analysis of location vs. target customer profile
2. Traffic count
3. Lease / rental rates
4. Labour needs & supply
5. Wage rates, wage structure

b) Layout

1. Size requirements
2. Amenities with disabilities compliance
3. Ergonomics issues
4. Layout plan (suitable for an enterprise)

Competitor Analysis:

a) Existing competitors

1. Who are they? Create a competitive profile matrix
2. Strengths
3. Weaknesses

b) Potential competitors: Companies that might enter the market

1. Who are they?
2. Impact on your business if they enter

Description of Management Team:

- ☐ Key managers & employees
- 1. Their backgrounds
- 2. Experience, skills and know-how they bring to the company
- 3. Resumes of key managers and employees

Plan of Operation:

- a) Form of ownership chosen and reasoning
- b) Company structure (Organization chart)
- c) Decision-making authority
- d) Compensation & benefits packages

Financial Forecasts:

- a) **Financial statements**
 1. Income statement
 2. Balance sheet
 3. Cash flow statement
- b) **Break-even analysis**
- c) **Ratio analysis with comparison to industry standards** (most applicable to existing businesses)

Loan or Investment Proposal:

- a) Amount requested
 - b) Purpose and uses of funds
-

- c) Repayment or “cash out” schedule (exit strategy)
- d) Timetable for implementing plan and launching the business

Appendices:

Supporting documentation, including market research, financial statements, organization charts, resumes and other items.

Objectives:

- ▶ Any entrepreneur desirous of starting a venture should have a clear picture of the objectives of his / her project
- ▶ It is advisable to prepare a comprehensive check list of the objectives, embracing all the important matters

1. Does your venture have scope for development? (Consult DIC/KVIC/MSED/MIDC)

2. Is there enough demand for the item you propose to manufacture?

3. Do you have some experience of,

(a) Manufacturing?

(b) Marketing?

4. Have you studied the viability of your scheme? (Consult the Small Industries Service Institute)

5. Is SSI units space available

- a) In the industrial estate?
- b) In the industrial area?
- c) In some approved place?

6. Have you obtained the necessary license from the local body / administration?

7. Are the necessary raw materials available?

- a) Indigenously or
- b) Are they to be imported?

8. Are facilities available for

- a) Tooling
- b) Quality control

9. Is necessary labour available?-

- a) Of skilled workers?
- b) Of semi-skilled workers?
- c) Of unskilled workers?

10. Have you got the necessary technical background for

- a) The erection of the machinery?
- b) Operations?

11. Have you studied your product in respect of

- a) The manufacturing of various parts, spares
- b) Production planning
- c) Inspection & Quality Control
- d) Assembly
- e) Packaging
- f) Distribution

12. Have you got the necessary finance?

- a) Are you a client of any bank?
- b) Has any bank offered to lend you
 - i. Short-term loans
 - ii. Medium-term loans
 - iii. Long-term loans
- c) Have you got any assets?

- d) Are your assets adequate for obtaining the necessary funds
- e) Have you got other sources / ways of raising money?
- f) Have you approached the Director of Industries/State Financial Corporations for financial help?
- g) Do you propose to approach the NSIC/SSIC for machinery on hire-purchase basis?
- h) Have you got adequate cash/bank arrangement to furnish the earnest money required by the NSIC?

13. What are your markets?

- a) Local
- b) Country wide
- c) Export

14. How would you market your products? Through –

- a) Retailers
- b) Wholesalers
- c) Agents
- d) Franchises

15. Are the necessary transportation facilities available by –

- a) Road
- b) Rail
- c) Water

16. Have you attended Orientation Programmes on:

- a) Production, planning & control
- b) Purchasing & Marketing
- c) Finance & Cost Control
- d) Personal Management (HRM)

e) General Industrial Management

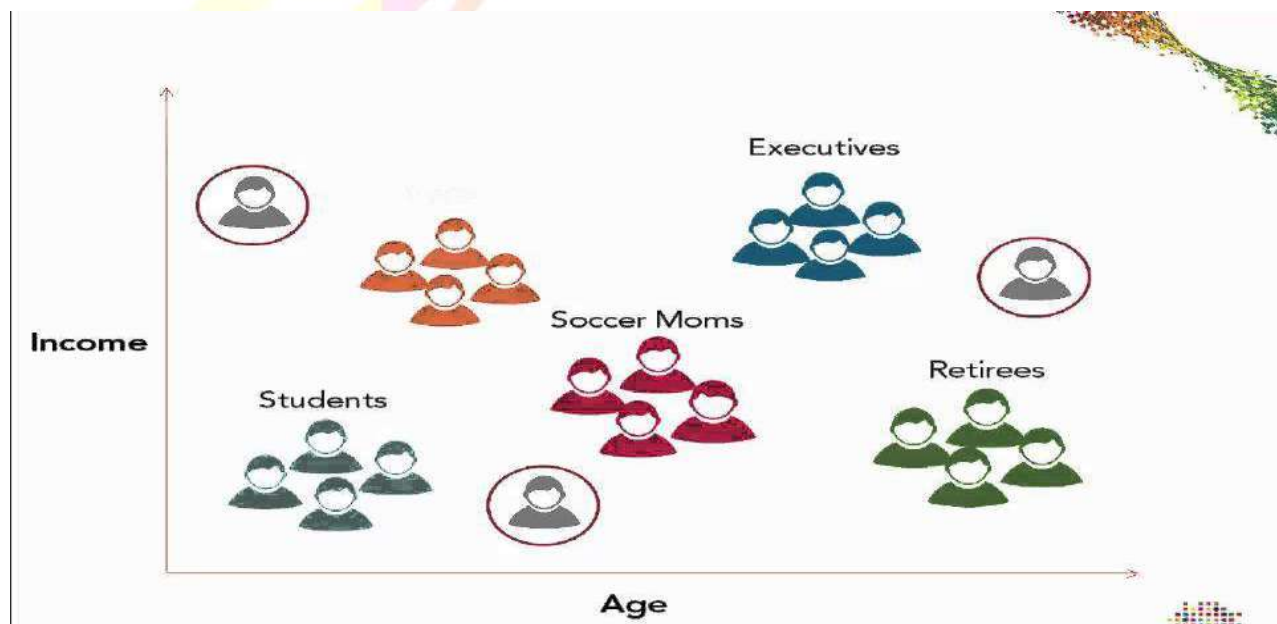
f) Import & Export Management

Market Analysis:

► The objective of market analysis is to establish that a **market exists for the proposed venture**

► It must provide a credible summary of

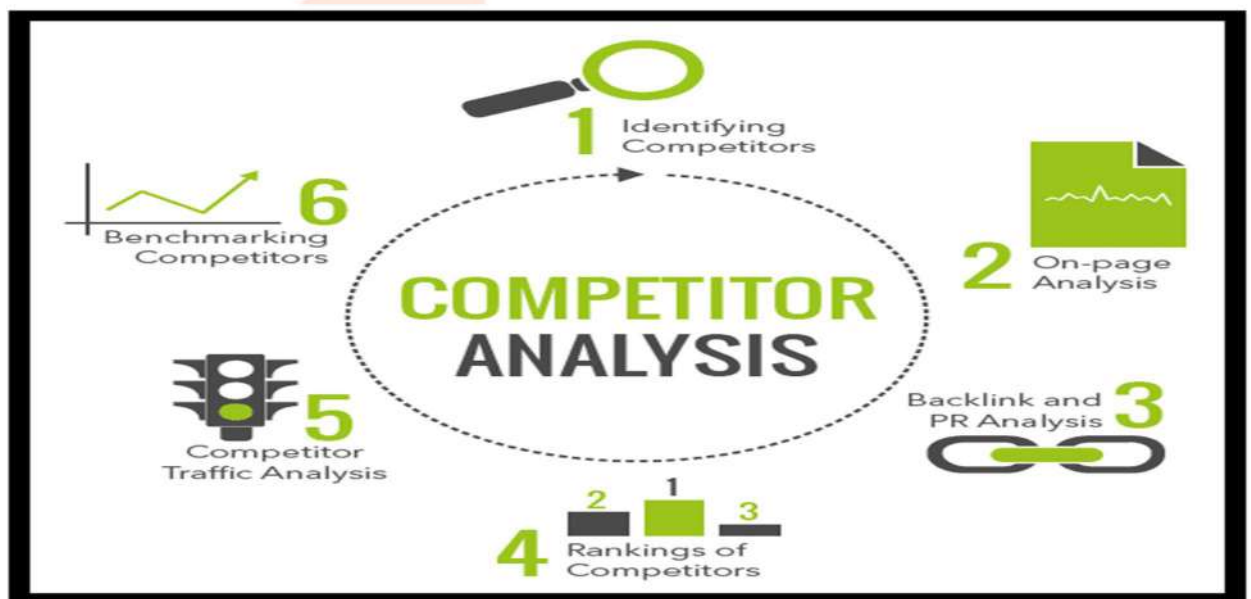
- i. **Potential customers**
- ii. **Market trends**
- iii. **Competitors**
- iv. **Pricing System**
- v. **Promotion & Distribution**



Market Research and Analysis should describe a customer profile that includes demographic information



Market trends are important to identify including unusual opportunities for the ventures



It is essential to identify competitors and to analyse how competition is likely to change when new venture is established



Market analysis is predicated on a price system that helps describe the venture's market



The choice of a distribution system often defines the market niche, pricing system and promotional activities

Development of Product/Idea:

The Idea Generation:

- ✓ Conscious identification of a product that logically addresses an opportunity
- ✓ How this idea would come?

- Entrepreneurial insight
- Creative mind mapping
- By accidentally stumbling upon it, through a corridor of related activity
- ✓ It synthesizes an idea for new product or process & draft of idea with time line for product development
- ✓ Once it begins to take a shape, put it down on paper, design & if appropriate make a 'bench model'

Incubation:

- ✓ A transition activity takes place in which decisions are made whether to pursue the idea or not
- ✓ If it is pursued, an incubation period occurs in which an inventor is free to explore product ideas & try different types of 'bench test' models
- ✓ At this stage entrepreneur prepares preliminary design & drawings with bench-top prototype

Illumination / Implementation:

- ✓ Another transition stage occurs as the inventor puts forward a formal proposal for product development requiring a commitment of time & money
- ✓ When this is achieved, the illumination stage occurs, in which the venture gears up for test production, complete patent work, develops an engineered prototype and at the end actually produces a limited run of new products
- ✓ It is a progress from first prototype to final design and limited manufacturing

Diffusion:

- ✓ New product is **tested, markets are studied** and various **approvals are secured** before the venture enters the final stage
- ✓ It is the process of **expanding into production and into consumer markets** while continuing to **improve the product** to meet consumers' expectation
- ✓ It is very important part of product development process as **product design work is incomplete until the product has proved to be effective & profitable.**

Resources:

- ❖ A firm makes more money than its rivals if its business model creates and **offers superior customer value** (lower cost or more differentiated products than those of competitors)
- ❖ This requires **resources**

Ex. Serum Institute, Pfizer, Astra Zeneca, Johnson & Johnson needed well equipped R & D Laboratories, a good team of scientists, patent rights etc. to manufacture medicines or Covid19 Vaccines

- ❖ Resources by themselves do not produce customer value and profit
- ❖ Firms must have the ability or **capacity to turn resources into customer value and profit**
- ❖ Ex. For **'Shell'** to make money from oil, it needs not only resources such as exploration rights, sophisticated exploration equipment and geologists, but also the ability to find the oil and turn it into something that its customers want
- ❖ So the **resources and an ability to use them with the value adding activities** that a firm needs to perform so as to offer its customers the type of value they want.
- ❖ Resources can be **'Property based'** or **'Knowledge based'**
- ❖ **Property based** resources are **tangible** resources and give the entrepreneur **"rights"** and enable a firm to **control its environment**. Ex. **Physical resources like plant, equipment, financial capital in the form of cash**
- ❖ **Knowledge based** resources are **intangible** that enable the firm to adopt to a changing environment. These are **not identified in financial statements**, but can be an **excellent source of profits**. Ex. **Non-physical or non-financial resources like patents, brands, copyrights, trade marks, market research data and findings, knowledge, database, relationship with vendors etc.**
- ❖ Resources can be divided into **three** types:

Financial resources

Human Resources

Operating Resources

Financial Resources:

- Resources which take the form of, or can be readily **converted to cash**
- Cash which is **liquid and flexible** readily to buy other resources
- **Ex. Cash in hand, Overdraft facilities, loans, outstanding debtors, investment capital, investment in other businesses** People and the efforts, knowledge, skills and insights they contribute to the success of the venture

Ex. Productive labour, technical expertise, provision of business services, communication skills, strategic and leadership skills etc.

Operating Resources:

- The **facilities** which allows people to do their jobs and used by business **to deliver its outputs to the marketplace**

Ex. Premises, motor vehicles, production machinery, raw materials, storage facilities, office equipment etc.

Human Resources:

- **People and the efforts, knowledge, skills and insights they contribute to the success of the venture**

Ex. Productive labour, technical expertise, provision of business services, communication skills, strategic and leadership skills etc.

Capabilities & Competence:

- ❖ It takes more than resources/assets to offer value to customers
- ❖ A firm needs to have the ability to convert its resources/assets to customer value

Ex. Patients do not buy patents, technology, and knowledge of skilled scientists, R & D laboratories or Medicine / Vaccine manufacturing machinery from Pharmaceutical Company, but they buy medicines / vaccines that have been developed by skilled scientists using their knowledge embedded in patents, using technology, research laboratories and manufacturing facility

- ❖ **Resources / Assets must be converted into something that customers want**
- ❖ A firm's capacity to turn its resources into customer value is called a **competence or capability**
- ❖ It usually involves the **integration of more than one resource/asset**

Ex. **Coca Cola, KFC's** ability to turn its secret formula and brand into a product that most of the customers perceive as being preferable to its rival products; **Apple's iOS** makes it's mobile phones unique and class apart from the other brands

Strategic Resources:

- ☐ That **creates competitive advantage**
- ☐ Distinct from non-strategic / common resources
- ☐ All capital assets / resources are not strategically important
- ☐ **Common resources are necessary for carrying out the firm's usual activities**, but no specific advantages, such as some equipment, office furniture

How to identify attributes of Strategic Resources?

By doing VRISA Analysis

- **Value**
- **Rareness**
- **Imitability**
- **Substitutability**
- **Appropriability**

Value:

- Does the resource make a **significant contribution** toward the value that customers perceive?
- Does the resource provide **customers with something they value?**

Ex. **Honda's** expertise in combustion engine manufacture

Rareness:

- Is the resource **rare**? That is, is the firm **only one with the resource**; if not if its **level of resource higher than that of its competitors?**
- Is the firm only one with the **capability**, if not is its **level of capability higher than that of its competitors?**

- The **contribution that the resource makes to customer value should be superior** to that made by competitors resources
- This will be the case if,
 - (i) The **resource is uniquely held by the firm**
 - (ii) If it is widely held, the firm's **level of resource is higher than that of its competitors**

Ex. **Batteries** made up from rare materials like Lithium, Nickel, Cadmium

Imitability:

- Is it easy for other firms to **imitate the resource**
- **How long the resource can keep making its owner money** is a function of its imitability – the extent to which the resource can be imitated
- If a resource can be **copied**, the owner of the resource will suddenly have many competitors whose resources make the same significant contribution to customer value as the owners resource does
- **Imitability is said to be high if the resource can not be imitated or substituted**

Ex. **Drug patent**, Specially grown/cultivated and selectively picked coffee beans used by **Nescafe**

Substitutability:

- Can another resource offer customers the same value that your firm's resource does?
- Is the resource **difficult to substitute**?

Appropriability:

- To what extent can the firm **appropriate value from the resource**?
- Who makes money from the resource

Opportunity Analysis:

It involves:

- ☐ **Opportunity Identification**
- ☐ **Opportunity – Organization Matching**
- ☐ **Opportunity Evaluation**

Opportunity Identification:

- Identifying new types or classes of buyers
- Uncovering unsatisfied needs of buyers
- Creating new ways or means for satisfying buyer needs

Opportunity – Organization Matching:

- Determines whether an identified opportunity is **consistent** with an organization's business, mission and competencies
- **SWOT** analysis is often employed to do the matching
- Sometimes even financially attractive opportunities may have to be rejected at this stage due to **lack of match**

Opportunity Evaluation:

- **Qualitative Evaluation:**

Evaluates the likelihood of capitalizing on a market niche

- **Quantitative Evaluation:**

Yields estimates of market sales potential and company sales forecasts

Opportunity Evaluation Matrix:

Market Niche Criterion	Competitive Activity	Buyer Requirements	Demand / Supply	Political, Technological & Socio-economic Forces	Organizational Capabilities
Buyer Type					
Buyer Needs					
Means for Buyer Needs					

Innovator or Imitator:

Innovator:

- ❖ An **innovative** entrepreneur is the one who:

- **launches new products**
- **discovers new markets**
- **establishes new methods of production**
- **restructures the enterprise**
- ❖ They can work only when definite level of progress has already been achieved
- ❖ They focus on revolutionisation and development

Imitator:

- ❖ Imitative entrepreneurs **adopt victorious innovations launched by the innovative entrepreneurs**
- ❖ They **duplicate the technology and techniques** innovated by others
- ❖ This approach is **more suitable for underdeveloped and developing countries**

SWOT Analysis:

Analyzing Internal & External Environment:

Situation Analysis:

1. **Internal Analysis**
 - (a) **Strengths**
 - (b) **Weaknesses**
2. **External Analysis**
 - (a) **Opportunities**
 - (b) **Threat**

Strengths:

- Characteristics of the business or team that give it an advantage over others in the industry
- Positive tangible & intangible attributes, internal to an organizations
- Beneficial aspects of the organization or the capabilities of an organization, which includes human competencies, process capabilities, financial resources, products & services, customer goodwill and brand loyalty

Ex. Well-known brand name, lower cost raw material or processes, superior management talent, better marketing skills, good distribution skills, committed employees etc.

Weaknesses:

- Characteristics that place the firm at a disadvantage relative to others
- Detract the organization from its ability to attain the core goal and influence its growth
- These are the factors which do not meet the standards we feel they should meet. However sometimes weaknesses are controllable. They must be minimized and eliminated

Ex. Limited financial resources, limited distribution, higher costs, out-of-date products / technology, weak market image, poor marketing skills, limited management skills

Opportunities:

- ❑ Chances to make greater profits in the environment – External attractive factors that represent the reason for an organization to exist and develop
- ❑ Arise when an organization can take benefit of conditions in it environment to plan and execute strategies that enable it to become more profitable
- ❑ Organization should be careful and recognize the opportunities and grasp them whenever they arise. Opportunities may arise from market, competition, industry / government and technology

Ex. Rapid market growth, changing customer needs / tastes, new uses for product discovered, Economic boom, sales decline for a substitute product.

Threats:

- External elements in the environment that could cause trouble for the business – External factors, beyond an organization's control, which could place the organization's mission or operation at risk
- Arise when the conditions in external environment jeopardize the reliability and profitability of the organization's business

Ex. Entry of foreign competitors, changing customer needs / tastes, rival firms adopt new strategies, increased government regulation, Economic downturn.

Objectives of SWOT Analysis:

- ❖ To help decision makers share and compare ideas
- ❖ To bring a clearer common purpose and understanding of factors for success
- ❖ To organize important factors linked to success and failure in the business world
- ❖ To provide linearity to the decision making process allowing complex ideas to be presented systematically.

When to use SWOT Analysis?

- ☐ Explore possibilities for new efforts or solutions to problems
- ☐ Make decisions about the best path for your initiative. Identifying your opportunities for success in context of threats to success can clarify directions and choices.
- ☐ Determine where change is possible. If you are at a point of making a decision, an inventory of your strengths and weaknesses can reveal priorities as well as possibilities.
- ☐ Adjust and refine plans mid-course. A new opportunity might open wider avenues, while a new threat could close a path that once existed
- ☐ Offers a simple way of communicating and is an excellent way to organize information you have gathered from studies or surveys.

How to conduct SWOT Analysis?

- Establishing the objectives for which the SWOT analysis is carried out – This could be wide / narrow, general / specific
- Select contributors – Expert opinion may be required for SWOT
- Allocate research and information gathering tasks – This may be carried out in two stages – explorative and detailed.
- Creating a workshop environment that enables free flow of information among the people involved.
- Listing strengths, weaknesses, opportunities and threats
- Evaluating listed ideas against objectives – sorting and grouping ideas in relation to the stated objectives
- Carry the findings forward by making sure that SWOT analysis is used in subsequent planning. It is also helpful to revisit the findings at suitable intervals.

Pitfalls of SWOT Analysis:

- ❖ SWOT can be very subjective. Two people rarely come up with the same version of a SWOT. It can only be used as a guide but not as a prescription
- ❖ May cause organizations to view circumstances as very simple due to which certain key strategic contacts may be overlooked.
- ❖ Categorizing aspects as strengths, weaknesses, opportunities and threats might be very subjective as there is great degree of uncertainty in real world.
- ❖ To be effective SWOT needs to be conducted very regularly. The pace of change makes it very difficult to anticipate developments
- ❖ The data used in the analysis may be based on assumptions that subsequently prove to be unfounded (good and bad)
- ❖ It lacks detailed structure, so key elements may get missed

Internal & External Environment Analysis:

- ☐ Internal Environment (Within the organization)
- ☐ External Environment
- ✓ Micro (Tasks / Operations)
- ✓ Macro (General / Remote)

Internal Environment:

- **Promoters' values**
- **Mission and objectives**
- **Management structure**
- **Internal power relationship**
- **Company image**
- **Physical facilities / assets**

- **R & D / Technological capabilities**
- **Human Resources**
- **Internal relationships** like jobs, wages, safe & hygienic work place, security etc.

External Environment – Micro:

- **Customers**
- **Suppliers**
- **Competitors**
- **Public**
- **Financers**
- **Marketing intermediaries**
- **Economic factors**
- **Social & Cultural factors**
- **Demographic factors**
- **Political factors**
- **Natural factors**
- **Technological factors**
- **Global factors**

Political factors:

- How stable is the political environment?
- Will government policy influence laws that regulate or tax businesses?
- What is government's position on marketing ethics?
- What is government's policy on the economy?
- What view does government have culture and religion?
- Is the government involved in trading agreements with EU, ASEAN etc.

Economic factors:

- Interest rates
- Level of inflation, employment
- Long-term prospects of the economy like GDP, per capita income growth

Socio-cultural factors:

- Which is the dominant / majority religion?
- What are the attributes to foreign products & services?
- Does language impact upon the diffusion products into the markets?
- How much time do consumers have for leisure?
- What are the roles of men and women within society?
- What is the quality of life & life expectancy? Are older generations wealthy?
- Do the population have a strong/weak opinion on green issues

Technological factors:

- Does technology allow the products & services to be produced cost effectively & of better quality standard?
- Does technology offers consumers & businesses more innovative products & services like digital banking, AI & ML based tools etc.?
- How does technology affect distribution system like e-commerce?
- Does technology offers new ways to the companies to communicate with consumers like CRM, Social and digital media?

Environmental factors:

They have become important due to the increasing strain on the limited resources, increasing scarcity of certain raw materials, rising pollution, ethical, eco-friendly and sustainable business practices, carbon footprint targets set by government.

Legal factors:

- ❖ Health and safety, equal opportunities, advertising standards, consumer rights and laws, product labelling and safety
- ❖ A clear understanding about what is legal and what is not, in order to trade successfully
- ❖ In case of global operations and trading, it is tricky to understand the unique codes and set of rules and regulations of each country.

Industry Analysis:**History:**

- ☐ How did you come up with this business idea?
- ☐ Is this a new industry or older one
- ☐ How did the industry evolve?
- ☐ How is your business going to be unique in comparison to others?

Size:

- How many **similar businesses** are there
 - locally
 - country wide
 - globally
- What is the size of your business and how do you compare it with the others around?
- What percentage does the industry **contribute** to the market and the GDP etc.?

Growth Potential:

- ❖ Is there enough **scope for growth** in the industry?
 - Locally
 - Nationally
 - Globally

What is the current **growth rate** of the industry / your business? How has it grown since last five years?

Competition:

- Who are the competitors in the industry?
- Which businesses are your biggest competitors? Why?
- How are you going to compete with your competitors?
- How are you going to acquire, keep and retain the customers from competition?
- What are your competitors good at? What can you learn from them?

Trends:

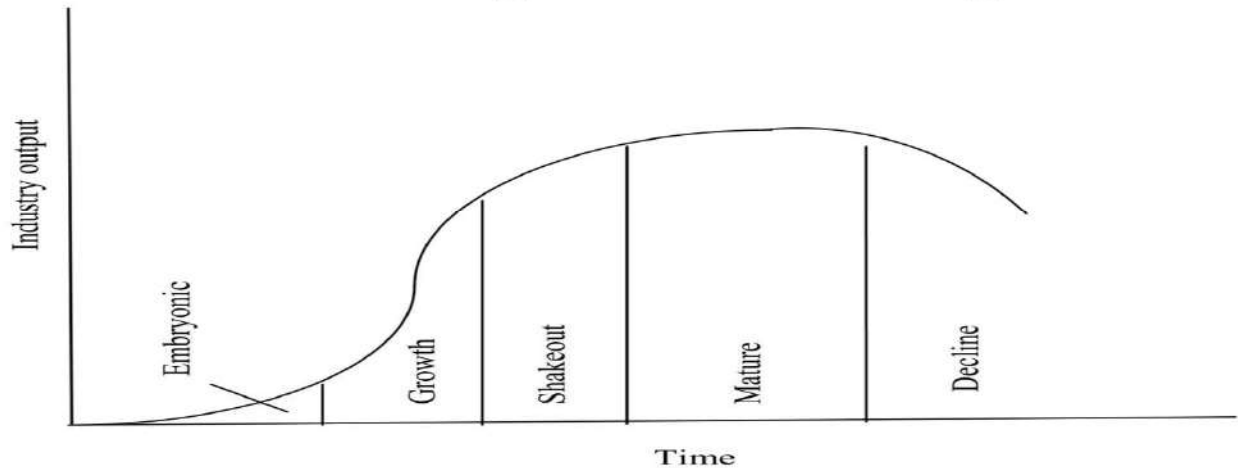
- What are the **popular products or services** in the industry?
- Predictions about the **upcoming trends** for the products and services in the industry
- Why do you need to know the changing trends and how can you use that information to make yourself **future ready** for product / service up gradation, inventory etc.

Opportunities:

- What strategies would you adopt to be successful in the industry?
- What opportunities do you foresee in the coming year and how will you use those to gain advantages or competitive advantages?

Embryonic Companies & Spin Offs:

Industry Life Cycle



iEduNote.com

e-on

Operationally separate
since January 1, 2016

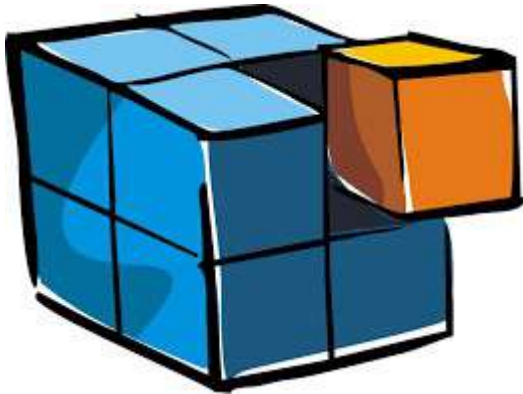
**Annual Shareholders
Meeting**
June 8, 2016

**Spin-off
takes effect**

Spin-off and legal
separation

e-on
New energy world

**uni
per**
Conventional energy world



- ▶ A start-up which is at its **starting point** of business is referred to as '**Embryonic company**'. This stage is characterized by the idea, feasibility, verification, demonstration & commercialization
- ▶ When a company **creates a new independent company** by selling or distributing new shares of its existing business, this is called a 'Spinoff'.
- ✓ A company creates a spinoff expecting that it will be **worth more** as an independent entity
- ✓ A spinoff is the **creation of an independent company** through the sale or distribution of new shares of an existing business or division of a parent company.
- ✓ When a corporation spins off a business unit that has its **own management structure**, it sets it up as an independent company under a renamed business entity

Assume a company, Mykaa Ltd, has multiple lines of businesses like manufacturing:

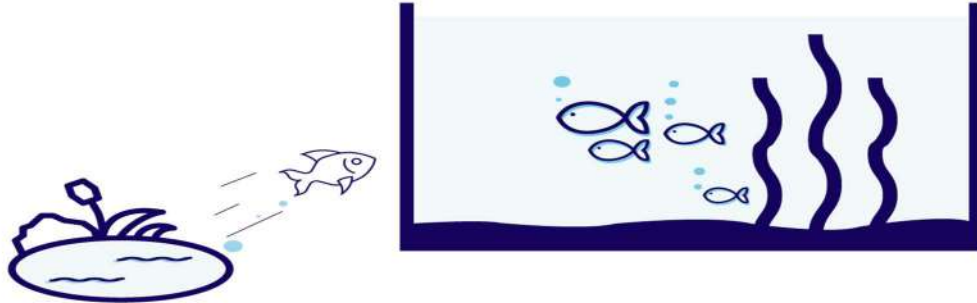
- Lipstick
- Sportswear
- Handbags
- Shoes
- One day the company realizes that its sportswear segment is doing extremely well but since the company's primary segment is cosmetics, it is not able to focus on the sportswear segment.
- This is when Mykaa Ltd decides to spinoff the sportswear company on its own with an independent management team, CEO, resources etc.
- Spin offs can be both **positive and negative**.

Porter's Five Forces Model:

► Michael E. Porter of Harvard University, proposed Five Forces in his model:

- ✓ Threat of new entrants
- ✓ Threat of substitutes
- ✓ Bargaining power of buyers
- ✓ Bargaining power of suppliers
- ✓ Rivalry inside the industry

Threat of new entrants:



- ✓ The market is full of competition.
- ✓ Not only the existing firms pose threat to the business, but the arrival of new entrants is also a challenge.
- ✓ As per the ideal scenario, the **market is always open for entry and exits**, resulting in comparable profits to all the firms.
- ✓ But, this is not applicable in the real picture market.
- ✓ In reality, all industries have some traits that protect their high profits and help them in **warding off potential new entrants by erecting barriers**.

Threat of substitutes:



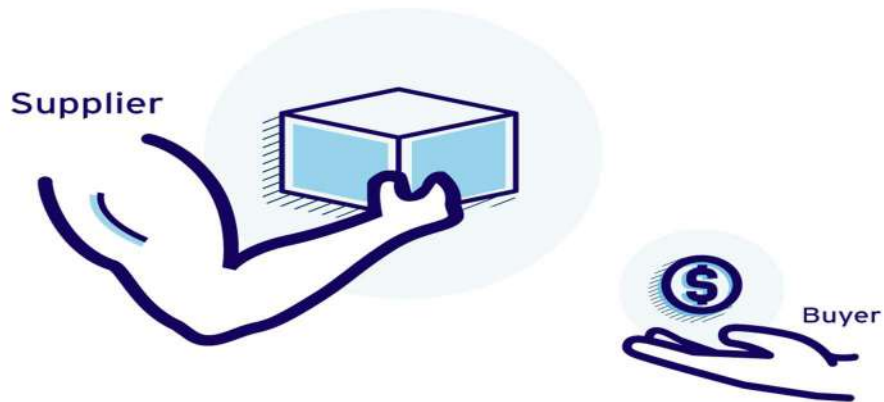
- ✓ The substitutes can be defined as the **products of other industries that have the ability to satisfy similar needs**
- ✓ Example: **Coffee can be a substitute for tea**, as it can be also used as a caffeine drink in the morning
- ✓ When **price of a substitute** product changes, the demand of a related product also gets affected
- ✓ When the **number of substitute product increases**, the competition also increases as the customers have more alternatives to select from.
- ✓ This forces the companies to raise or lower down the prices. Hence, it can be concluded that the competition created by the substitute firms is '**price competition**'.

Bargaining power of buyers:



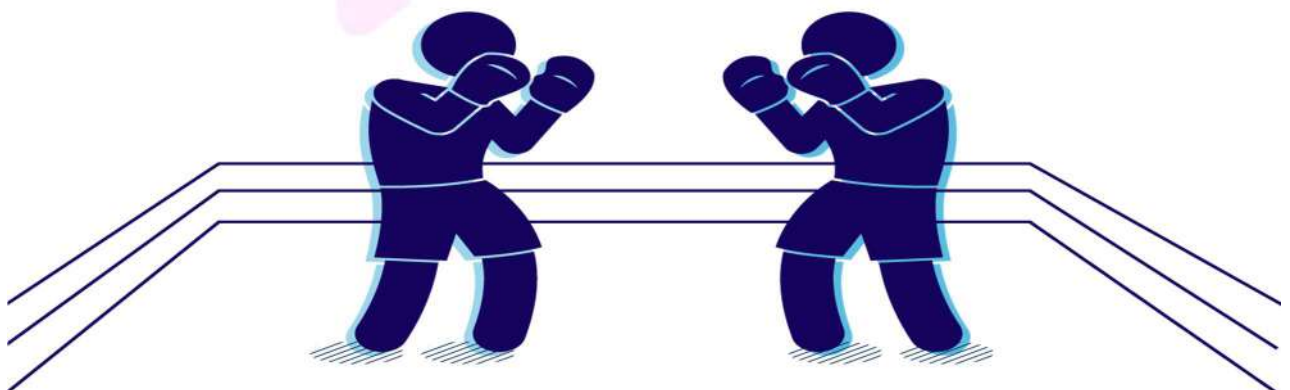
- ▶ This has an important effect on the manufacturing industry.
- ▶ When there many producers and there is a single customer in the market, then that situation is called as 'monopsony'.
- ▶ In these markets, the position of the buyer is very strong and he sets the price.
- ▶ In reality, only a few monopsony markets exists.
- ▶ The bargaining power of the buyers compels the firms to reduce the prices and may also demand a product or service of higher quality at low price.

Bargaining power of suppliers:



- ✓ Since the company needs raw material for producing, therefore the producers have to build a relationship with its suppliers.
- ✓ When suppliers have the power in their hands, they can exert influence on the producing firms by selling them raw materials at higher prices.
- ✓ Example: **Wal-Mart** as an organization thrives on the basis of its relationship with its suppliers.

Rivalry inside the industry:



- ❖ For most industries the intensity of competitive rivalry is the major determinant of the competitiveness of the industry.

❖ **Potential factors:**

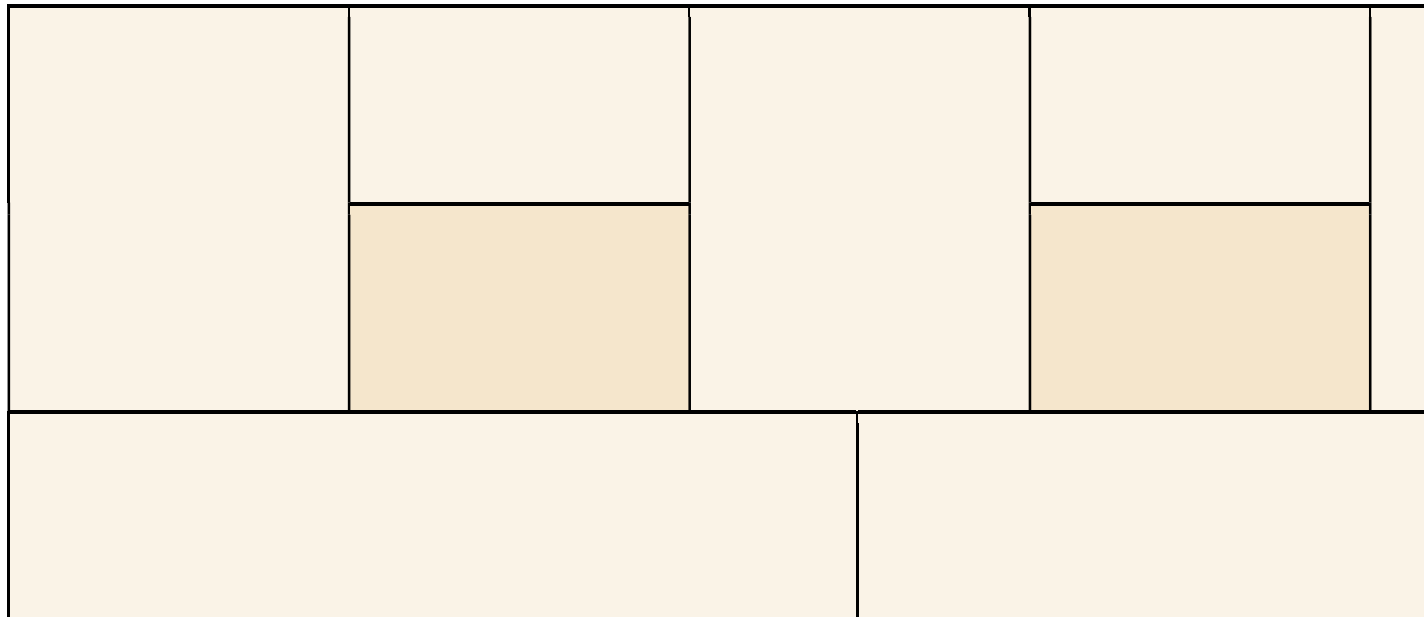
- Sustainable competitive advantage through innovation
- Competition between online and offline companies
- Level of advertising expense
- Powerful competitive strategy
- Firm concentration ratio
- Degree of transparency

Identifying the right Business Model Canvas:



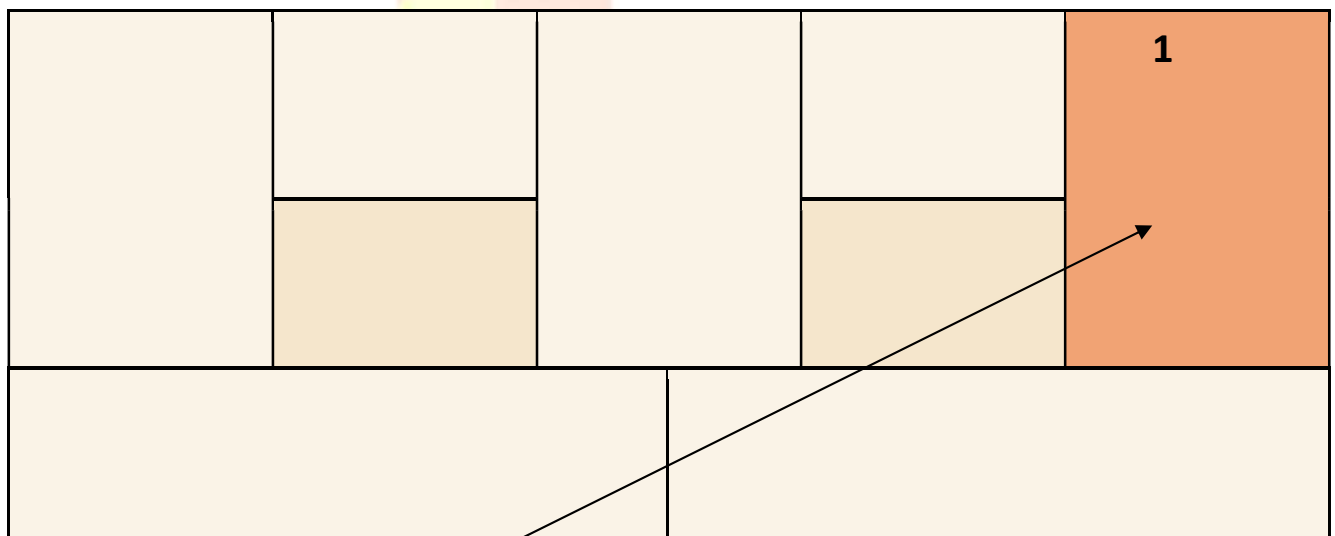
Definition of Business Model:

A business model describes the rationale of how an organization **creates, delivers and captures value**.



9 Building Blocks

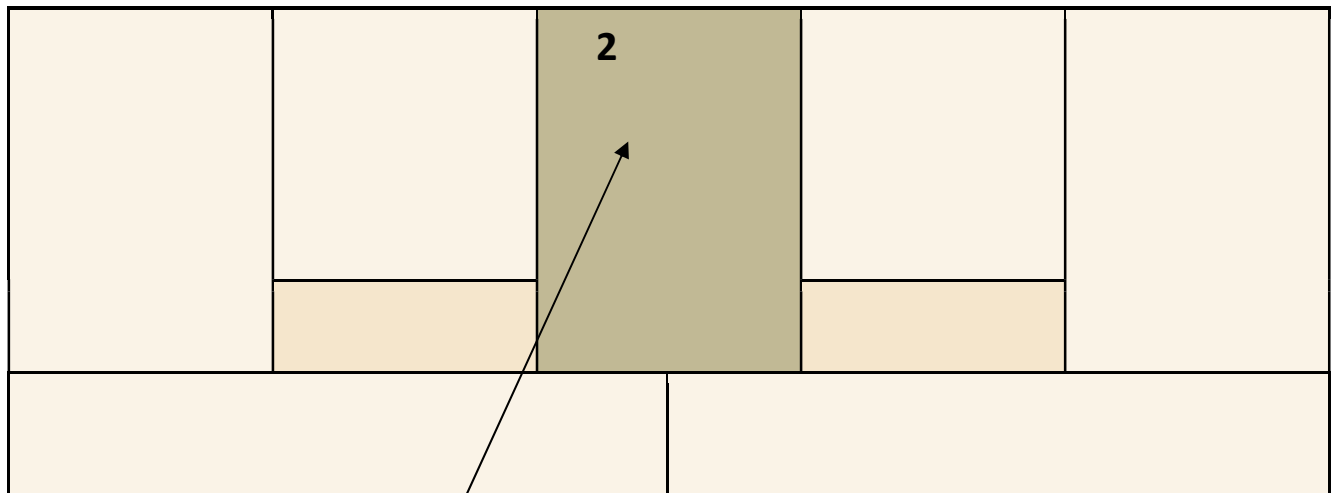
Customer Segments:



Which customers and users are you serving?

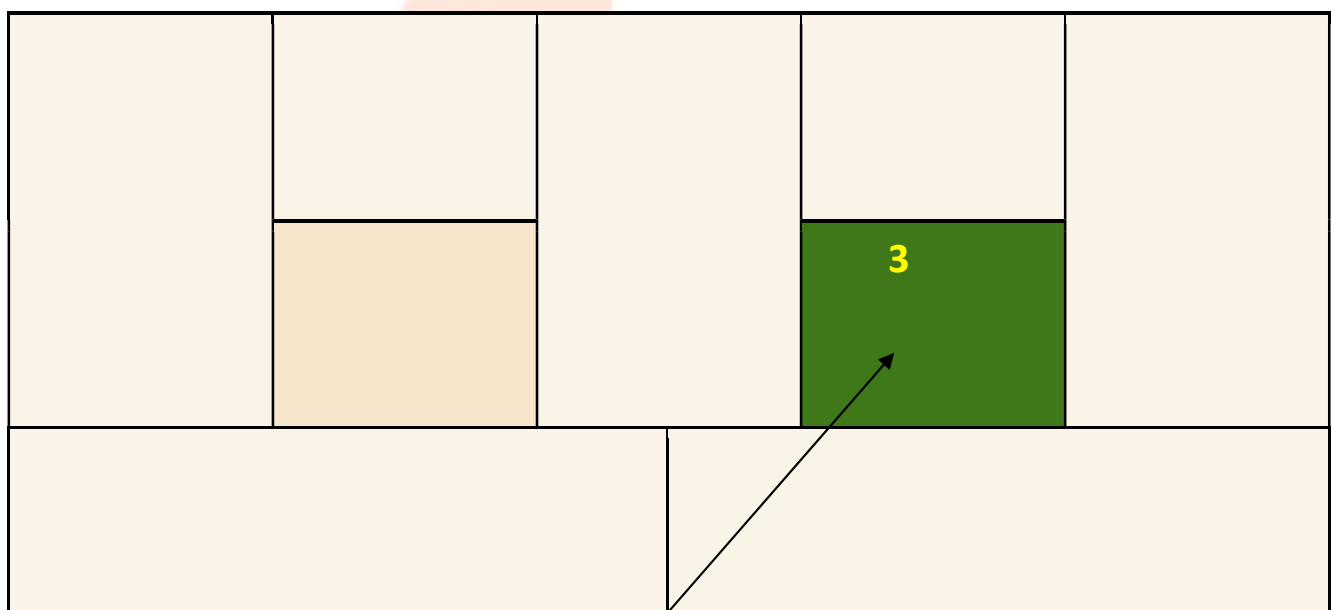
Which jobs do they really want to get done?

Value Proposition



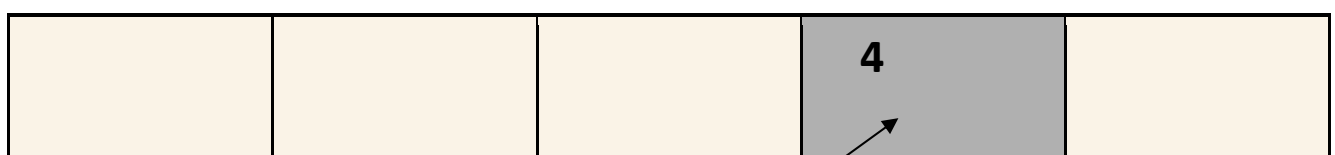
What are you offering them? What is that getting done for them? Do they care?

Channels



How does each customer segment want to be reached? Through which interaction points?

Customer Relationship



What relationships are you establishing with each segment?

Personal/automated/acquisitive/retentive?

Revenue Streams

			5	

What are customers really willing to pay for? How? Are you generating transactional or recurring revenues?

Key Resources

6

Which resources support your business model?

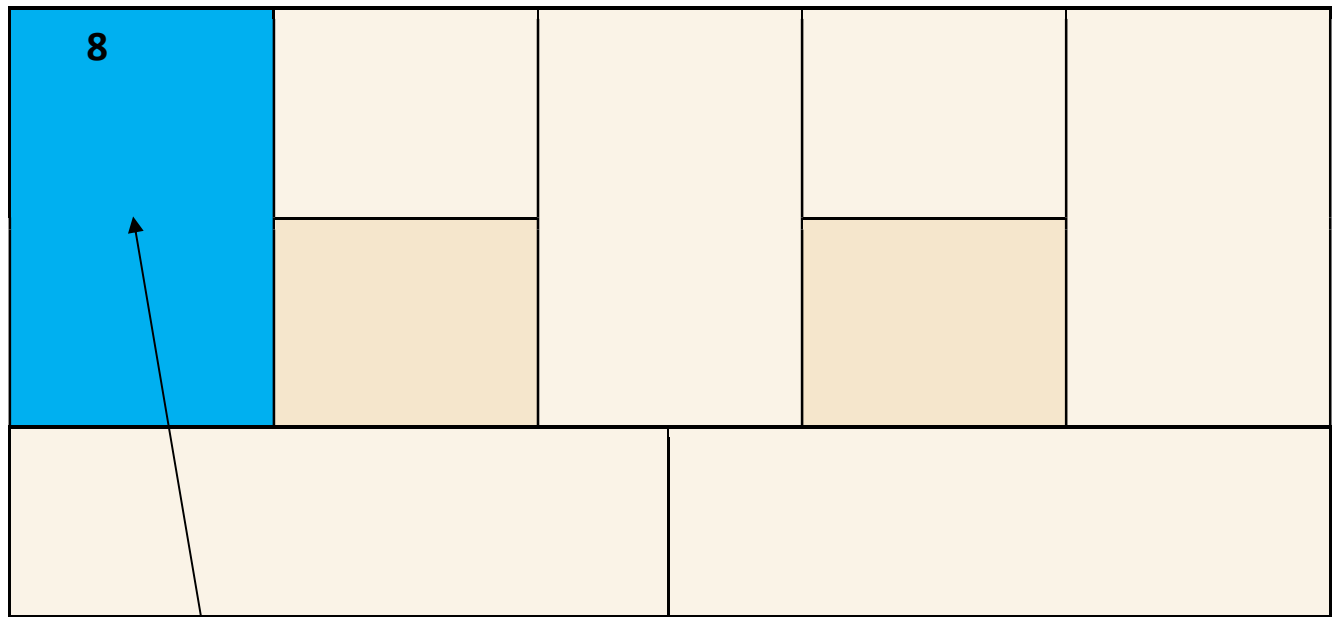
Which assets are essential?

Key Activities

7

Which activities do you need to perform well in your business model? What is crucial?

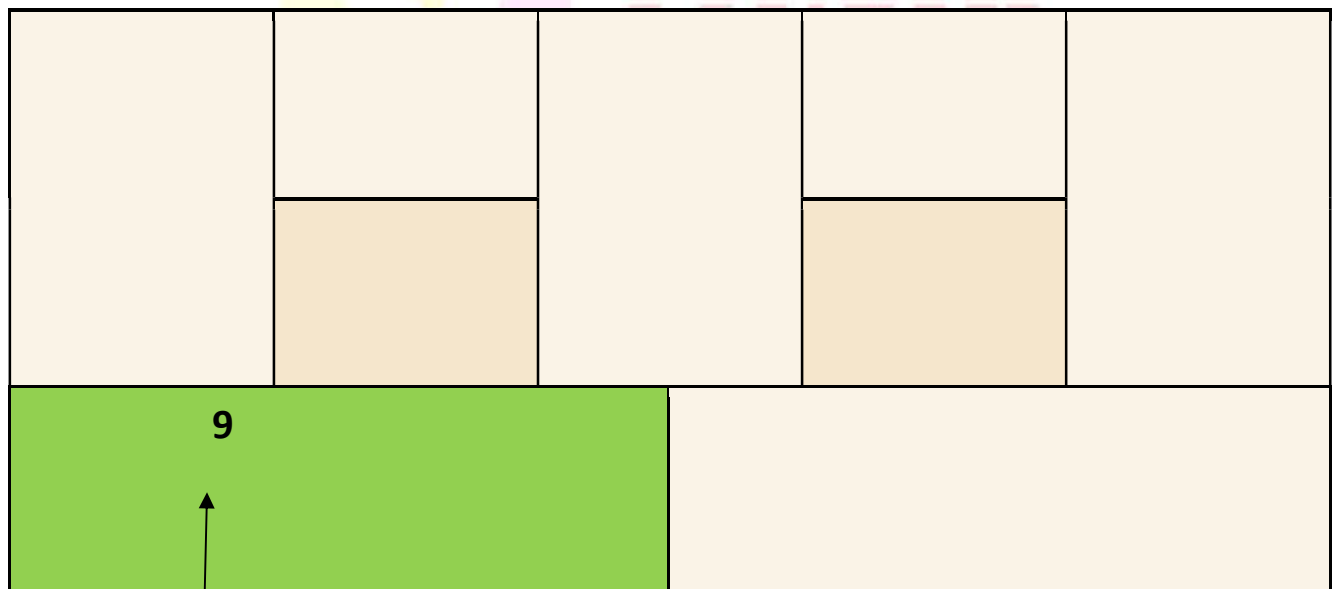
Key Partners



Which partners and suppliers leverage your model?

Who do you need to rely on?

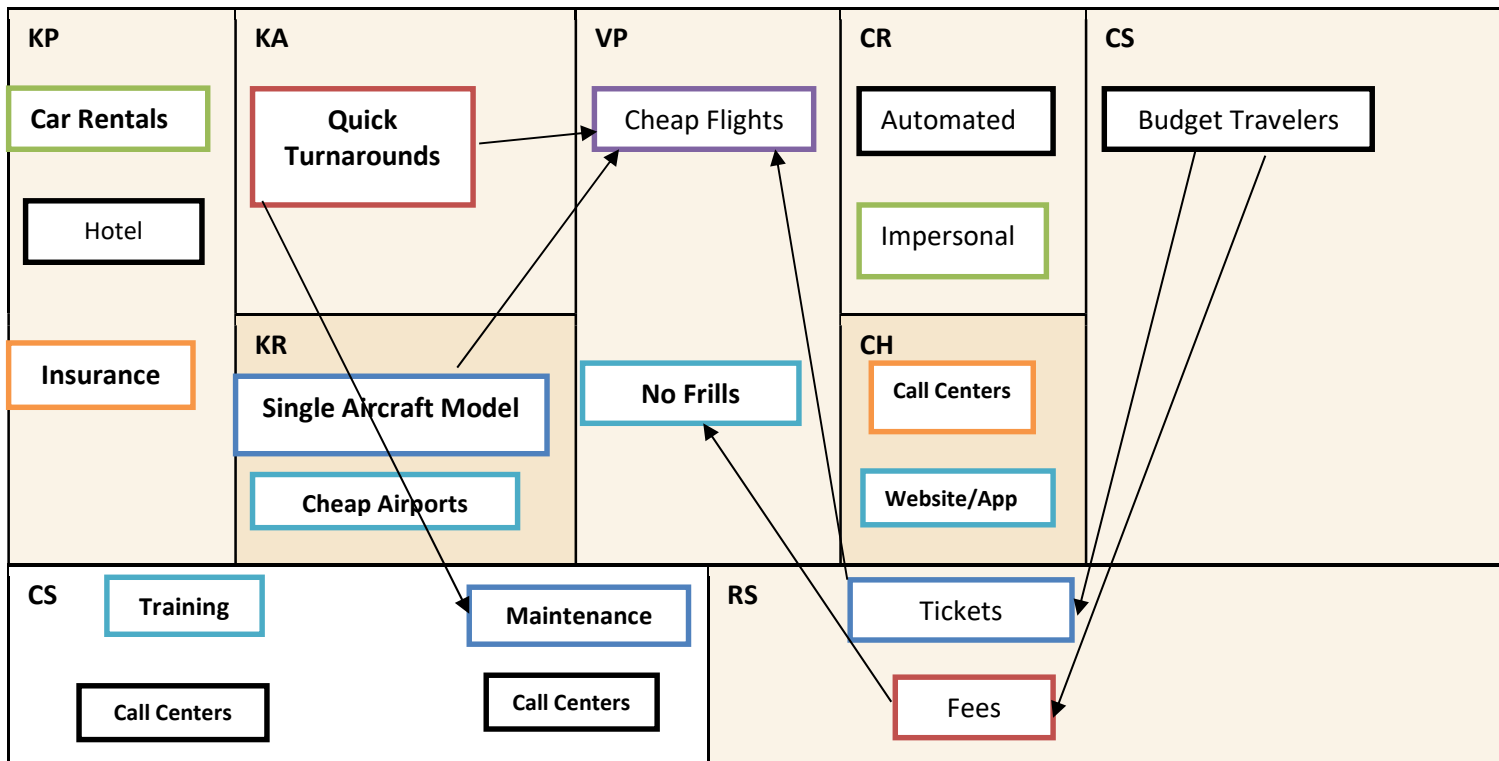
Cost Structure



What is the resulting cost structure?

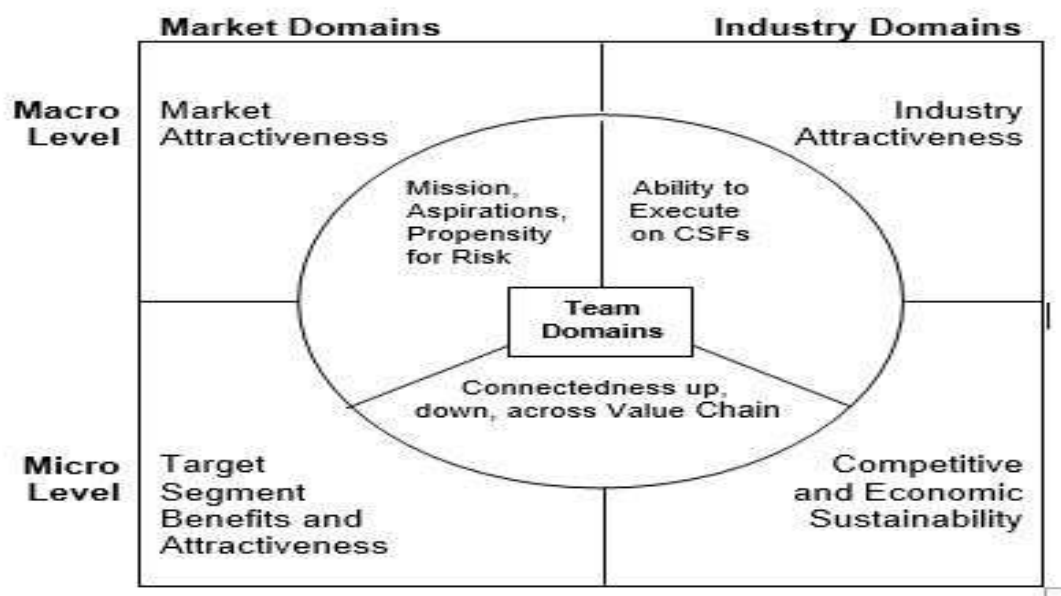
Which key elements drive your costs?

Low Cost Airlines Business Model Canvas



Seven Domains of John Mullins:

The Seven Domains of Attractive Opportunities



The **Seven Domains** are:

- Market Domain – Macro Level - Market attractiveness
- Market Domain – Micro Level - Target segment benefits & attractiveness
- Industry Domain – Macro Level - Industry attractiveness
- Industry Domain – Micro Level - Competitive and economic sustainability
- Team Domain - Mission, aspirations, values, propensity for risk
- Team Domain - Ability to execute on CSFs (Critical Success Factors)
- Team Domain – Connections or networks-value chain
- These seven domains are not equally important
- A simple scoring sheet may not work
- Wrong combination of domains can kill a venture
- Sufficient strength in some domains can mitigate weaknesses in others whereas good opportunities can be found in not-so-attractive markets and industries

Entrepreneurial Opportunities in Emerging, Transition & Decline Industries:

- ☐ **Emerging Industries** are created by **technological innovations, emergence of new customer needs or shift in relative cost relationship**
- ☐ Ex. Upcoming 5G Telecom services, convergence of AI, ML technology in e-commerce & Retail, Telecom, Healthcare etc.
- ☐ There is technological uncertainty, strategic uncertainty, high initial costs but steep cost reduction, scope for emergence of embryonic companies & spin offs, first time buyers/customers
- ☐ An opportunity lies in the emerging industries to be a '**Pioneer or first mover**'; Can explore the changing roles of suppliers and channels
- ☐ In **Transition or Maturing industries** the growth rates are reaching at saturation stage
- ☐ It can be **delayed by innovations** and other events that fuel continuous growth for industry players
- ☐ **Strategic breakthroughs** may also cause transition industries to regain their rapid growth

- ☐ Firms compete for market share and competition is concentrated on **cost and service**
- ☐ The **customers are more experienced** and are repeat buyers
- ☐ Firms can find an opportunity by **rationalizing the product mix combined with correct pricing and right buyer selection**
- ☐ Firms can work on **process innovation**
- ☐ **Decline industries** face an absolute decline in unit sales over a sustained period
- ☐ The decline results due to **slower economic growth, product substitution & continued technological changes** in the areas like electronics, computer, chemicals
- ☐ Ex. Jute, Ceramics etc.
- ☐ The **demand is unsure** and there are **exit barriers** so firms have to keep competing amid falling demand with costly price wars
- ☐ Effective leadership can make the firms sail through, **identifying a niche** would be the key, **harvest relationships** and be ready for **divestment**

Entrepreneurial Opportunities at BoP:

- ❖ **Untapped potential** (Billions of customer at the bottom)
- ❖ **Top line growth** (New sources of revenue; large latent demand)
- ❖ **Reduced costs** (Outsourcing; relocating service operations)
- ❖ **Innovation** (Hotbeds of technological experimentation)
- ❖ **Strategies** (Must put aside pre conceived notions or preconceptions)

Entrepreneurial Opportunities in Social Sector:

- ☐ Waste Management
- ☐ Deep Cleaning Services
- ☐ Green Infrastructure
- ☐ Water Management

Entrepreneurial Opportunities arising out of Digitization:

“Customers are Online which means companies need to be online too”

5 Pillars of Entrepreneurship in Digital Era are:

- ▶ **The Digital Knowledge Base**
- ▶ **Digital Business Environment**
- ▶ **Digital Skills**
- ▶ **Digital Banking & Financial Environment**
- ▶ **Digital entrepreneurial mindset**

Entrepreneurial Opportunities of Digitization are:

- ✓ **Digital Marketing Activities**
- ✓ **Digital Selling**
- ✓ **Digitization of Processes**
- ✓ **Digital nature of Goods & Services**

Entrepreneurship in Digital World would offer:

- New ways of **finding customers** for entrepreneurial ventures
- New ways of **designing and offering products**, and services
- New ways of **generating revenue**, and reducing cost
- New opportunities to **collaborate with platforms** and partners
- New sources of **opportunity, risk, and competitive advantage**

Marketing:

- Marketing consists of a multitude of activities that include decisions about **company's products or services, pricing policies, promotion and methods of distribution** etc.
- The ultimate goal is to **facilitate exchanges between an enterprise and its customers**

- Marketing involves **inter-related activities designed to satisfy customer needs** & thereby achieve organizational goals
- Once the most promising markets are chosen, a detailed analysis is done to design appropriate product pricing, distribution & promotional strategies. The key market characteristics to be examined are:

Size and growth rate of market

Stage of product life cycle

Stage of market development

Buyer behaviour characteristics

Socio-cultural environment

Physical factors

Marketing institutions like communication media, distribution systems, marketing services etc.

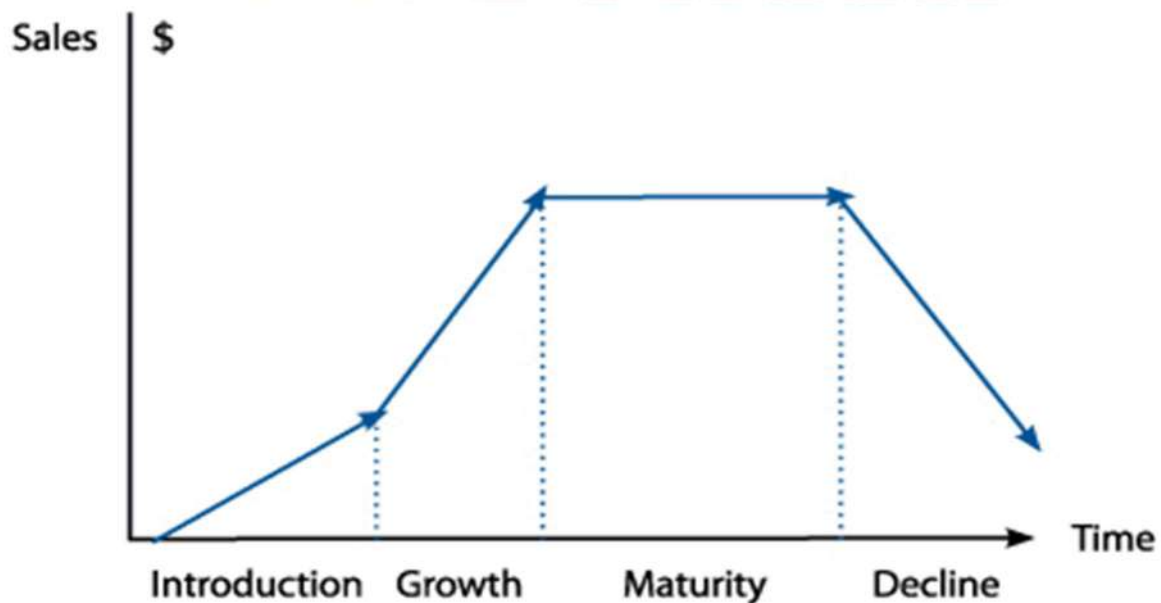
Industry conditions, i.e. competitive size, technical development

Laws & regulations concerning marketing

Finance:

- The various **sources of capital employed and their relative proportion** make up the financial structure of a venture
- Most ventures will need '**Seed Capital**' during the **pre-start-up and start-up phases**, which is the cash needed for product development, market research and the initial operating expenses before sales revenue can begin to offset business expenses
- Entrepreneurs should carefully prepare monthly **projected / proforma financial statements** for the operations of next three years, covering pessimistic, most likely & optimistic conditions to reflect the uncertainty of the future
- Potential lenders and investors want to know how the entrepreneur has worked out:
 - Forecasts for sales
 - Accounts payable to suppliers
 - Cost of goods sold

- Inventory
 - Operating expenses
 - Taxes and other liabilities
 - Accounts receivable
 - Other items
 - Collection of debts
 - Loans and advances
- The loan or investment proposal should state following information:
- The purpose of financing
 - Amount required / requested
 - Plans for repayment of debts
 - An attractive exit strategy

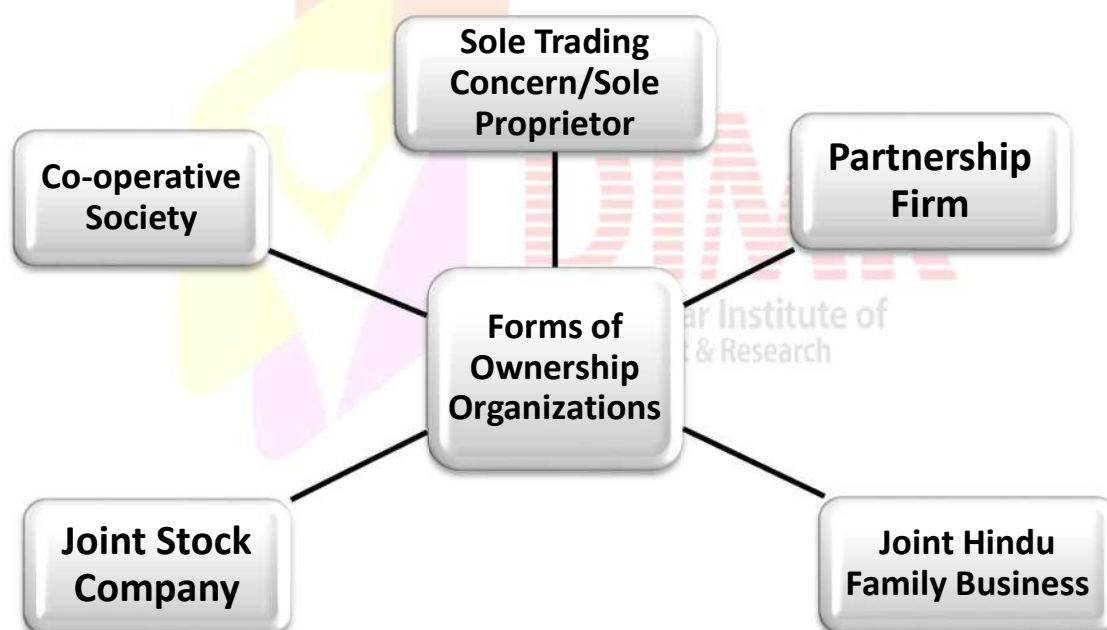
Organization & Management:

- ❑ Through the initial **start-up and revival stages**, entrepreneur has to change the role from founding entrepreneur to the manager, who has a '**Transaction orientation**' that permits him to maintain psychological distance between his personal lives & business decisions.

He tends to focus on operational tasks & solving organizational problems at the initial stage.

- ❑ As the venture **grows** he should be able to handle **management functions like planning, organizing and controlling an expanding business**. He should be concerned with gaining new resources, finding expansion capital, increasing manpower and developing new products or services.
- ❑ As the competitive forces increases and the venture evolves towards **maturity**, he should become capable of **consolidating his assets and repositioning his venture**.
- ❑ When things **slow down**, these functions are reversed. **New resources** may be required, but in **lesser quantities**, **capital become scarce** and **organization may have to be trimmed down in size**

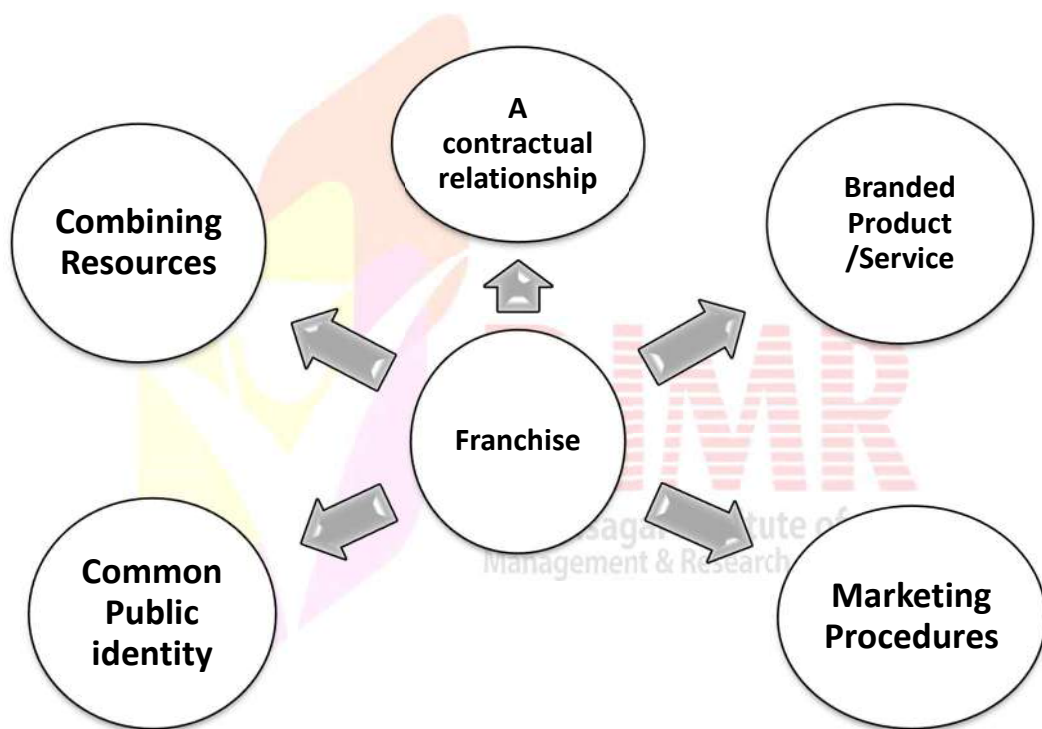
Ownership:



Franchising:

- ❑ It is a system used by a company (franchisor) that grants others (franchisees) the right and license (franchise) to market a product or service under the franchisor's trade names, trademarks, service marks, know-how and methods of doing business

- ☐ It is system of distributing products or services through independent resellers
- ☐ It is a format of mutual dependence which allows both the franchisor and the franchisee realize profits and benefits
- ☐ **Franchisor:** The licensing company in the franchise agreement.
- ☐ **Franchisee:** The independent owner of a franchise outlet who enters into an agreement with a franchisor.
- ☐ **Franchise:** The right to use a specific business name and sell its goods or services in a specific city, region or country



❖ **Benefits:**

- It helps to restore individual entrepreneurship
- It provides easily recognized & accepted products / service
- It gives a ground to compete with big businesses
- It allows consumers to buy good quality items or services at the right price

- It provides entrepreneurs a means to enter business with a low capital investment and risk
- Less stake of capital or deferred payment facility
- Easy to manage credit
- Easy/cost-free advise and consultancy is available
- Ready market and clients
- Low promotion and advertisement cost

❖ **Disadvantages:**

- Profits need to be shared with the parent company
- After initial agreement, unfavourable terms are often imposed
- Compliance of technology, very little scope for any R & D and innovation
- It wants to remain only franchisee
- No decision making freedom as most important decisions are taken by the parent company
- Binding of getting most of the supplies from the parent company at higher prices in spite of availability of better alternatives

Networking & Alliances:

- ☐ A **collaboration** between two or more firms that join together on a loose, non-contractual basis.
- ☐ Many firms no longer manufacture their products themselves, but have a complex **network** of companies which supply them with complex products
- ☐ **Strategic alliances** are cooperative agreements between two or more companies to work together and share resources to achieve a common business objective, Each company maintains its autonomy while gaining a new opportunity
- ☐ A global strategic alliance is an agreement among two or more independent firm to co-operate for the purpose of achieving common goal such as a competitive advantage or customer value creation while remaining independent.

- ❑ Strategic alliances are agreements between companies (partners) to **reach objectives of a common interest**. Alliances are among the various options which companies can use to achieve their goals. They are based on cooperation between Companies

Purpose of Networking & Alliance:

Sharing resources like products, distribution channels, manufacturing capability, project funding, capital equipment, knowledge, expertise, or intellectual property, to **create Synergy to gain Competitive Advantage**.

- ❖ Alliances enable buying & supplying firms to **combine their individual strengths & work together** to reduce non-value-adding activities & facilitate improved performance
- ❖ In order for both parties to remain committed to this form of relationship, mutual benefit must exist (i.e. a **"win-win" relationship**) **1+1=3**
- ❖ You can't do everything
- ❖ Adding value to product
- ❖ Improving market access
- ❖ Strengthening operations
- ❖ Adding technological strength
- ❖ Enhancing strategic growth
- ❖ Building finance strength
- ❖ New market entry information

Motives for Alliance:

- Reducing risks
- Less expensive access to needed competencies and complementary resources
- Credibility
- Test new strategies
- Reduce/share costs
- Provide access to more potential customers

- To broaden service offerings and increase customer satisfaction
- Gain foothold in international marketplace
- Innovate in the industry
- Establish a unique position in the market
- Boost market presence
- Provide added value to customers
- Expand customer base
- Access knowledge & expertise beyond company borders
- Increase sales and profitability
- Reduce overhead through sharing costs or outsourcing completely
- Enhance R&D capability and to conduct R&D
- Strengthen reputation in the industry as a result of associating with world class organizations
- Extend product offerings
- Speed entry into particular market
- Secure position as front runner in marketplace
- Provide marketing
- Establish advantageous Purchaser/Supplier relationships
- Set up Distribution Networks
- Augment selling effort
- Manufacture cost effectively

Types of alliances:

- **Joint venture:** is a strategic alliance in which two or more firms create a legally independent company to **share some of their resources and capabilities to develop a competitive advantage**

- **Equity strategic alliance:** is an alliance in which two or more firms **own different percentages** of the company they have formed by combining some of their resources and capabilities to create a competitive advantage.
- **Non-equity strategic alliance:** is an alliance in which two or more firms develop a **contractual-relationship to share some of their unique resources and capabilities** to create a competitive advantage.
- **Global Strategic Alliances:** working partnerships between companies (often more than two) across national boundaries and increasingly across industries. Sometimes formed between **company and a foreign government, or among companies and governments**
- **Vertical Alliances:** are relationships between organizations in **different industries**. This is a type of alliance most commonly found in the **service sector where collaboration of expertise can be coordinated to offer complete solutions to clients**
- **Horizontal Alliance:** include firms from the **same industry**. Alliances are usually used to achieve **scale, to adjust for seasonal changes or handle niche areas of expertise**.

Types of alliances according to purpose:

- **Technology development alliances:** like research consortia, simultaneous engineering agreements, technology commercialization agreements, licensing or joint development agreements
- **Operations and logistics alliance:** which involves either pooling the cost of establishing manufacturing facilities or taking advantage of an existing investment in a country by a local firm
- **Marketing, sales and service alliances:** in which a company makes use of the marketing infrastructure etc. of another company, in the foreign market for its products. This may help easy penetration of the foreign market and preemption of potential competitors
- **Multiple activity alliance:** which involves two or more types of alliances. While marketing alliances are often single country alliances, as international firms take on different allies in each country, technology development and operations alliances are usually multi-country since these kinds of activities can be employed over several Countries.

Advantages of Alliance:

- ✓ Improve organization efficiency
- ✓ Offer to access new market and technologies

- ✓ Reduce the impact of risk
- ✓ Learning from partners
- ✓ Alliance could help a company develop a more effective process, expand into a new market or develop an advantage over a competitor (Competitive Advantage)

Disadvantages of Alliance:

- Significant differences between the objectives
- Irreconcilable differences in business culture and management styles
- Loss of control over such important issues as product quality, operating costs, employees, etc.

Examples of Alliance:

- Mahindra & Ford / Renault
- Hero & Honda
- Maruti & Suzuki
- Ranbaxy & Eli Lilly
- Taj Group of Hotels & British Airways
- Tata & Starbucks
- McDonald & Disney

Buying an Existing Business:

- ☐ Buying an existing business could be one of the entrepreneurial option in which the buyer takes over full ownership of the **business**
- ☐ The largest advantage is having an **existing** blueprint that can include important factors like an **established** customer base, defined operating expenses, and fully trained employees
- ☐ Some entrepreneurs choose to buy existing businesses rather than starting their own. In a typical year millions are businesses are bought and sold. Buying an established business can offer many advantages, if the entrepreneur knows what they are really buying and if the business is priced right

Getting the things right:

- ▶ A prospective owner must ask several key questions before buying an existing business
- ▶ Is it the right type of business for the market?
- ▶ What experience do I bring to the venture?
- ▶ What is the success potential?
- ▶ What changes are needed? How extensive are they, to realize the full potential of the value of the business?

Advantages of buying an existing business:

- ✓ A successful existing business may continue to be successful
- ✓ An existing business may already have the best location
- ✓ Employees and suppliers network is established
- ✓ Equipment, machinery, assembly line is already installed and productive capacity is known
- ✓ Inventory is in place and trade credit is established
- ✓ The new business owners hits the ground running
- ✓ The new owner can use the experience of the previous owner
- ✓ Easier to raise the future finances

Disadvantages of buying an existing business:

- The business may be for sale because it is either not making profit or non-profitable
- Prevailing problems may get inherited with the purchase of an existing business
- Capital required to purchase an existing business may be too high

Critical Risk Contingencies of the Proposal, Scheduling & Milestone:

Major events, critical risk factors and activities which constitute progressive checkpoints provide the entrepreneur with a set of control for monitoring the new venture.

Major Events:

- ❑ **Lining up Facilities:** choosing a location for physical facility, securing a lease or purchasing a store, assuring transportation services, dealing with legal issues like zoning ordinance. The facilities include fixtures, furniture, equipment, parking space and necessary renovations
- ❑ **Testing Prototype:** A working model of an innovation used to be tested or demonstrated for checking & ensuring its practical capabilities
- ❑ **Hiring Personnel:** Summarization of Human resource requirement with information on the number or personnel & type of skills needed for management and technical staff
- ❑ **Acquiring Inventory:** Description of inventory control plan, right from inventory purchase methods, inventory management and logical inventory forecasts
- ❑ **Staging a Grand Opening:** Extent of R & D efforts, vendor relations, supply requirements, maintenance expectations, transport requirements, QC policies, various processes, production and safety requirements

Scheduling after start of business activities:

► **Periodic Performance Reviews:**

- A performance appraisal system is to be developed for all functions of a business
- A promotional policy should be developed based on periodic reviews of manpower record and design appropriate appraisal forms for each department.
- In new venture, a weekly performance review should be recorded by an entrepreneur

► **Meeting with Stockholders:**

- They are the real owners of a corporation and corporate benefits from the introduction of new-value added products or necessary services by entrepreneurs
- Entrepreneurs meetings with the stockholders are essential to protect their interest

► **Special Promotions designed to position the Business in new Markets:**

- Marketing must be integrated with other functions, looking at the natural barriers that divide specializations as manufacturing prefer simplicity and function over form whereas marketing persons prefer exciting designs and fancy packaging
- Entrepreneur has to plan to minimize these conflicts by using marketing research to illustrate the best points from everyone's perspective

- Entrepreneurs can design special promotions to increase the sales volume by implementing plans based on quality products and reasonable marketing strategy
- Successful entrepreneurs tend to have a clear vision of both existing and potential customers.

