# INSTITUTE OF MANAGEMENT AND INFORMATION TECHNOLOGY: CUTTACK

**(A Constituent College of Biju Patnaik University of Technology, Odisha)**

**STUDY MATERIAL**

**ENTREPRENEURSHIP DEVELOPMENT**

**(18MBA209)**

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**Syllabus**
**(Entrepreneurship Development)**

**Module-I: Entrepreneurship:** Concept of entrepreneurship and intrapreneurship, Types of Entrepreneur, Nature and Importance, Entrepreneurial Traits and Skills, Entrepreneurial Motivation and Achievement, Entrepreneurial Personality, Entrepreneurship as a career, Role of family, Society EDIs. Sickness of Small-Scale Industries, Causes and symptoms of sickness, cures of sickness, Role of Banks and Governments in reviving industries.

**Module II: Environmental Analysis for Enterprise:** Entrepreneurial Environment, Identification of Opportunities, Converting Business Opportunities into reality. Start-ups and business incubation, Setting up a Small Enterprise. Issues relating to location, Environmental Problems and Environmental pollution Act, Industrial Policies and Regulations, identifying big idea, preparation of Business Plan. Need to know about Accounting, Working capital Management, Marketing Management, Human Resources Management, and Labour Laws. Organizational support services - Central and State Government Incentives and Subsidies.

**Module III: Startup and Business Incubation:** Start up; Definition, Startups ecosystem: support organizations, big companies, universities, funding organizations, service providers, research organizations, Startup development phases, Ideating, concepting, committing, validating, scaling, establishing, Startup business partnering, Startup culture, Co-founders, Preparing to Launch : Financing startups : Different stages of financing; Co-founders, FFF, Angels; Venture Capitals, Business Incubation : Business Incubation Definition and Principles, Incubator Models and Success Factors, Business Incubation, Incubator Operation, Roles of business incubation.

**Reference Book:**

1. Entrepreneurship Development and Management, Vasant Desai, HPH
2. Entrepreneurship Management, Bholanath Dutta, Excel Books
3. Entrepreneurial Development, Sangeeta Sharma, PHI
4. Entrepreneurship, Rajeev Roy, Oxford University Press

## Module 1:- ENTREPRENEUESHIP

**Concept of Entrepreneurship and Intrapreneurship**

**An entrepreneur** is an individual who creates a new business, bearing most of the risks and enjoying most of the rewards. The entrepreneur is commonly seen as an innovator, a source of new ideas, goods, services, and business/or procedures.

Entrepreneurs play a key role in any economy, using the skills and initiative necessary to anticipate needs and bring good new ideas to market. Entrepreneurs who prove to be successful in taking on the risks of a startup are rewarded with profits, fame, and continued growth opportunities. Those who fail, suffer losses and become less prevalent in the markets.

The word "entrepreneur" or "entrepreneurship" (the word "entrepreneur" comes from the **French verb** Entreprendre, meaning "**to undertake**").

**Definitions**

According to Jean Baptiste Say, “An entrepreneur is the economic agent who unties all means of production, the labour force of the one and the capital or land of the others and who finds in the value of the products his results from their employment, the reconstitution of the entire capital that he utilizes and the value of the wages, the interest and the rent which he pays as well as profit belonging to himself.”

According to David Ricardo, a contemporary of J. B. Say, “The foremost motive of a risk taker is to mass capital and capital accumulation is the sine qua non of economic development.”

J. S. Mill viewed the word entrepreneur as organizer who was paid for his non-manual type of work. According to him, “Extraordinary skills acted as the bedrock in production process that ought to be possessed by the entrepreneur.”

**Division of Definition of Entrepreneur:**

Thus, the definitions of Entrepreneur may be divided into three parts:

1. Based on Traditional Approach
2. Based on Modern Approach
3. Based on Synthesized Approach.

**1. Based on Traditional Approaches:**

Alfred Marshall, “Entrepreneur is an individual who brings together the capital and labour required for the work, who adventures or undertake risks, who arrange or engineers its general plan.”

J.B. Say, “The entrepreneur is a person who shifts economic resources out of the area of lower yield and into an area of higher and greater yield.”

Frank H. Knight, “The Entrepreneur is a specialized person or group of persons who bear risks and meet the uncertainty.”

**2. Based on Modern Approaches:**

Peter F. Drucker, “Entrepreneurs create something new, something different, they change and transmute value.”

Arthur dewing, “Entrepreneur is one who transforms ideas into a profitable business.”

**3. Based on Synthesized Approaches:**

Joseph A. Schumpeter, “Entrepreneur is a person who foresees the opportunity and try to exploit it by introducing a new product, a new method of production, new market, new source of raw material or new combination of factors of production.”

Frantz, “Entrepreneur is an innovator and promoter as well as generally he is more than a manager.”

An entrepreneur may be defined as an individual who intends to add value to the economy by creating a new business venture through the able utilization of his knowledge, passion, dream, and desire.

An entrepreneur is thought to be a person who intends and evaluates the new situation in the environment and directs the making of such adjustments or alteration in the economic or manufacturing system as he thinks necessary for achieving desired results.

**Entrepreneurship**

An entrepreneur is a person who undertakes a venture with some profit potential and involving a considerable amount of risk and therefore, entrepreneurship is the venture undertaken by the entrepreneur. The most obvious example of entrepreneurship is the starting of a new business.

Entrepreneurship can be of varying degrees and is not necessarily alike. It can be categorized into various subcategories, starting with small and home businesses to multidimensional industries that were started from the ground level.

**Characteristics of Entrepreneurship**

While there can be as many characteristics of entrepreneurship as there are people in this world with opinions, there are some characteristics that are considered indispensable or necessary in an entrepreneur. These are listed here as follows.

- ✓ **Ability to take Risks**

This is the first and foremost trait of entrepreneurship. Starting any business involves a considerable amount of risk of failure. Therefore, the courage and capacity to take the said risk are essential for an entrepreneur.

**2. Innovation**

In a world, where almost everything has been done, innovation is a priceless gift to have. Innovation basically means generating a new idea with which you can start a business and achieve a substantial amount of profits. Innovation can be in the form of a product, i.e., launching a product that no one is selling in the market. It can also be in the form of process, i.e., doing the same work in a more efficient and economical way.

An easy example of product innovation could be the launching of touch screen cell phones when the world was still using a keypad on cell phones.

Process innovation can be seen in capital-intensive industries that have to replace manual labour with machines, therefore, increasing their production and reducing their costs.

Another type of innovation can be the one concerned with usage. For examples, cell phones are now used for various functions such as viewing, creating and editing various files and documents, thus, eliminating the need for computers to a large extent.

**3. Visionary**

Every entrepreneur needs to be a visionary. Without a vision for the future of his venture, he or she would just be working aimlessly without reaching any point of success.

**4. Leadership**

An entrepreneur has a vision. However, it takes a lot of resources to turn that vision into reality. One of these resources are the people that the entrepreneur hires to perform various functions like production, supplying, accounting, etc.

A single person cannot perform all the tasks and therefore it is important to bring some more people to do it. This also makes leadership very important as a leader provides the required direction to the efforts of the employees. Without proper leadership, everyone would be working independently without achieving the desired results.

**5. Open Minded**

A good entrepreneur realizes that every situation can be a business opportunity. Thus can be utilized for the benefit of the organization. For example, Paytm realized the significance of demonetization and recognized that the need for online transactions was more than ever during this time and so it utilized and grew massively during this period.

**6. Confident and Well Informed**

An entrepreneur needs to be confident about his ideas and skills. This confidence also inspires the confidence of the people working for him as well as the other stakeholders involved in his business.

**7. Learn more about Stakeholders and their Information Requirement**

This confidence comes from being well informed about the industry and environment. Various legal and political policies enhance business and trade opportunities, while some hinder them. Having knowledge about these can really help an entrepreneur make the right decision at the right time.

**Differences between Entrepreneurship and Intrapreneurship**

| Points of difference | Intrapreneurship | Entrepreneurship |
|---|---|---|
| Definition | Intrapreneurship is the entrepreneurship within an existing organization. | Entrepreneurship is the dynamic process of creating incremental wealth. |
| Core objective | To increase the competitive strength and market sustainability of the organization. | To innovate something new of socio-economic value. |
| Primary motives | Enhance the rewarding capacity of the organization and autonomy. | Innovation, financial gain tad independence. |
| Activity | Direct participation, which is more than a delegation of authority. | Direct and total participation in the process of innovation. |
| Risk | Hears moderate risk. | Bears all types of risk. |
| Status | Organizational employees expecting freedom at work. | The free and sovereign person doesn't bother with status. |
| Failure and mistakes | Keep risky projects secret unless it is prepared due to high concern for failure and mistakes. | Recognizes mistakes and failures to take new innovative efforts. |
| Decisions | Collaborative decisions to execute dreams. | Independent decisions to execute dreams. |
| Whom serves | Organization and intrapreneur himself. | Customers and entrepreneur himself. |
| Family heritage | May not have or a little professional post. | Professional or small business family heritage. |
| Relationship with others | Authority structure delineates the relation. | A basic relationship based on interaction and negotiation. |

| | | |
|---|---|---|
| Time orientation | Self-imposed or organizationally stipulated time limits. | There is no time-bound. |
| The focus of attention | On Technology and market. | Increasing sales and sustaining competition. |
| Attitude towards destiny | Follows self-style beyond the given structure. | Adaptive self-style considering Structure as inhabitants. |
| Attitude towards destiny | Strong self-confidence and hope for achieving goals. | Strong commitment to self-initiated efforts and goals. |
| Operation | Operates from inside the organization. | Operates from outside the organization. |

**Comparison of Managers, Intrapreneurs and Entrepreneurs:-**

To understand more about managers, intrapreneurs, and entrepreneurs; we have to compare them in their activities and roles.

| Features | Managers | Entrepreneurs | Intrapreneurs |
|---|---|---|---|
| Primary Motive | Promotion and other traditional corporate rewards, such as office, staff, and power. | Independence, opportunity to create, and money | Independence and ability to advance with the corporate rewards |
| Time orientation | Short-term-meeting quota and budgets; weekly, monthly, quarterly, and the annual planning horizon. | Survival and achieving 5-to 10-years growth of a business | Between entrepreneurial and traditional managers, depending on urgency to meet the self-imposed and corporate timetable. |
| Activity | Delegates and supervises more than direct involvement. | Direct Involvement. | Direct involvement more than delegation. |
| Risk | Careful | Moderate risk-takers | Moderate risk taker |

| | | | |
|---|---|---|---|
| Status | Concerned with status symbols. | No concern with status symbols. | Not concerned with traditional status symbols- desires independence. |
| Failure and Mistakes | Tries to avoid mistakes and surprises | Deals with mistakes and failures | Attempts to hide risky projects from view until ready |
| Decisions | Usually agrees with those in upper management positions. | Follows dream with decisions. | Able to get others to agree to help achieve a dream. |
| Who serves | Others | Self and customers | Self, customers, and sponsors |
| Family history | Family members worked for large organizations. | Entrepreneurial small business, professional, or farm background | Entrepreneurial small-business, professional. or firm background |
| Relationship with others | hierarchy as a basic relationship | Transactions and deal-making as the basic relationship | Transactions within hierarchy |

**<u>Types of Entrepreneurs:-</u>**

Entrepreneurs can be classified on various basis. Clarence Denhof Classifies entrepreneurs on the basis of stage of economic development: some others have classified on the basis of their functions and characteristics. In the initial stages of economic development, entrepreneurs tend to have less initiative and drive. As development proceeds, they become more innovating and enthusiastic. The various types of entrepreneurs are classified on certain parameters. Some important classifications are described below:

**1. On the Basis of Economic Development:**

Clarence Danhof classified entrepreneurs into four groups on the basis of economic development.

**A. Innovating Entrepreneurs:** This type of entrepreneurship is characterized by aggressive assemblage of information and the analysis of results deriving from novel combination of factors of production. Entrepreneurs falling in this class are generally aggressive in experimentation and exhibited shrewdness in putting attractive possibilities into practice. They are the entrepreneurs who have creative and innovative ideas of starting a new business. An innovating entrepreneur sees the opportunity for introducing a new technique or a new product or a new market. He may raise money to launch an enterprise, assemble the various factors, and choose top executives and the set the organization going. Schumpeter's entrepreneur was of this type. Innovative entrepreneurs thus, results in the creation of something new. They are the contributors to the economic development of a country. Innovating entrepreneurs are very commonly frond in undeveloped countries. There is dearth of such entrepreneurs in developed countries. Innovating entrepreneurs played the key role in the rise of modern capitalism, through their enterprising sprit, hope of moneymaking, ability to recognize and exploit opportunities, etc.

There is a second group of entrepreneurs generally referred as imitative entrepreneurs. The imitative entrepreneurs copy or adopt suitable innovations made by the innovative entrepreneurs. They does not innovate the changes himself. They only imitates technology innovated by others. Such entrepreneurs are particularly important in developing courtiers because they contribute significantly to the development of such economies. Imitative entrepreneurs are most suitable for the developing regions because in such countries people prefer to imitate the technology, knowledge and skill already available in more advanced countries. In highly backward countries there is shortage of imitative entrepreneurs also. People who can imitate the technologies and products to the particular conditions prevailing in these countries are needed. Sometimes, there is a need to adjust and adopt the new technologies to their special conditions. Imitative entrepreneurs help to transform the system with the limited resources available. However; these entrepreneurs face lesser risks and uncertainty then innovative entrepreneurs. While innovative entrepreneurs are creative, imitative entrepreneurs are adoptive.

**C. Fabian Entrepreneur:** The third type is Fabian entrepreneur. By nature these entrepreneurs are shy and lazy. This type of entrepreneurs have neither will to introduce new changes nor desire to adopt new methods of production innovated by the most entrepreneurs. They follow the set procedures, customs, traditions and religions. They are not much interested in taking risk and they try to follow the footsteps of their predecessors. Usually they are second generation entrepreneur in a business family enterprise.

**D. Drone Entrepreneur:** The fourth type is Drone entrepreneurs who refuse to copy or use opportunities that come on their way. They are conventional in their approach and stick to their set practices products, production methods and ideas. They struggle to survive not to grow. In such cases the organization looses market, their operations become uneconomical and they may be pushed out of the market.

**2. On the Basis of Type of Business:**

Under this category we can classify entrepreneurs as described below:

**A. Business Entrepreneurs:**

They are the entrepreneurs who conceive an idea for a new product or service and then create a business to materialize their idea into reality. They tap the entire factor of production to develop a new business opportunity. They may set up a big enterprise or a small scale business. When they establish small business units they are called small business entrepreneurs. In a majority of cases, entrepreneurs are found in small trading and manufacturing business.

**B. Trading Entrepreneur:**

There entrepreneurs undertake trading activities and are not concerned with the manufacturing work. They identifies potentiality of their product in markets, stimulates demand for their product line among buyers. They may go for both domestic and overseas trade. These entrepreneurs demonstrated their ability in pushing many ideas ahead which promoted their business.

**C. Industrial Entrepreneur:** Industrial entrepreneur is essentially a manufacturer who identifies the needs of customers and creates products or services to serve them. He is product-oriented who starts through an industrial unit to create a product like electronic industry, textile unit, machine tools.

**D. Corporate Entrepreneur:** These entrepreneurs used his innovative skill in organizing and managing a corporate undertaking. A corporate undertaking is a form of business organization which is registered under some statute or Act like a trust registered under the Trust Act, or a company registered under the Companies Act. These corporate work as separate legal entity. He is thus an individual who plans, develops and manages a corporate body.

**E. Agricultural Entrepreneur:** Agricultural entrepreneurs are those who undertake agricultural activities as through mechanization, irrigation and application of technologies to produce the crop. They cover a broad spectrum of the agricultural sector and include agriculture and allied occupations.

**3. According to the Use of Technology:**

The application of new technology in various sectors of the national economy is essential for the future growth of business. We may broadly classify these entrepreneurs on the basis of the use of technology as follows:

**A. Technical Entrepreneurs:** With the decline of joint family business and the rise of scientific and technical institutions, technically qualified persons have entered the field of business. These entrepreneurs may enter business to commercially exploit their inventions and discoveries. Their main asset is technical expertise. They raise the necessary capital and employ experts in financial, legal- marketing and other areas of business. Their success depends upon how they start production and on the acceptance of their products in the market.

**B. Non-technical Entrepreneur:** Non-technical entrepreneurs are those who are not concerned with the technical aspects of the product or service in which they deal. They are concerned only with developing alternative marketing and promotional strategies for their product or service.

**C. Professional Entrepreneur:** Professional entrepreneur is an entrepreneur who is interested in establishing a business but does not have interest in managing it after establishment. A professional entrepreneur sells out the existing business on good returns and starts another business with a 59 new idea. Such an entrepreneur is dynamic and conceives new ideas to develop alternative projects.

**4. According to Motivation:**

Motivation is the main force that promotes the efforts of the entrepreneur to achieve his goals. An entrepreneur is motivated to achieve or prove his excellence in their performance. According to motivation we can classify entrepreneur as

**A. Pure Entrepreneur:** A pure entrepreneur is the one who is motivated by psychological economical, ethical considerations. He undertakes an entrepreneurial activity for his personal satisfaction in work, ego or status.

**B. Induced Entrepreneur:** This type of entrepreneur is one who induced to take up an entrepreneurial task due to the policy reforms of the government that provides assistance, incentives, concessions and other facilities to start a venture. Most of the small scale entrepreneurs belong to this category and enter business due to financial, technical and several other facilities provided to them by the various agency of Govt. to promote entrepreneurship. Today, import restrictions and allocation of production quotas to small units have induced many people to start a small scale unit.

**C. Motivated Entrepreneur:** New entrepreneurs are motivated by the desire for self-fulfillment. They come into being because of the possibility of making and marketing some new products for the use of consumers. They are motivated through reward like profit.

**5. According to Growth:**

The industrial units are identified as high growth, medium growth and low growth industries and as such we have ‘Growth Entrepreneur’ and ‘Super Growth Entrepreneur.’

**A. Growth Entrepreneur:** He necessarily takes up a high growth industry and chooses an industry which has sustained growth prospects. Growth entrepreneurs have both the desire and ability to grow as fast as large as possible.

**B. Super-Growth Entrepreneur:** This category of entrepreneurs is those who have shown enormous growth of performance in their venture. The growth performance is identified by the high turnover of sales, liquidity of funds, and profitability.

**6. According to Entrepreneurial Activity:** Based on entrepreneurial activity, entrepreneurs are classified as novice, serial, and portfolio entrepreneur.

**A. Novice Entrepreneur:** A novice is someone who has started his/her first entrepreneurial venture. A novice entrepreneur is an individual who has no prior business ownership experience as a business founder, inheritor of a business, or a purchaser of a business. It is not similar to early starter; a novice can also be a 50 year old with over 25 years of experience in the industry.

**B. A Serial Entrepreneur:** A Serial Entrepreneur is someone who is devoted to one venture at a time but ultimately starts many. It is the process of starting that excites the starter. Once the business is established, the serial entrepreneur may lose interest and think of selling and moving on.

**C. Portfolio Entrepreneur:** A portfolio entrepreneur is an individual who retains an original business and builds a portfolio of additional businesses through inheriting, establishing, or purchasing them. A portfolio entrepreneur starts and runs a number of businesses. It may be a strategy of spreading risk or it may be that the entrepreneur is simultaneously excited by a variety of opportunities. Also, the entrepreneur may see some synergies between the ventures.

7. **Other Entrepreneurs:**

**A. First-Generation Entrepreneurs:** This category consists of those entrepreneurs whose parents or family had not been into business and was into salaried service. The booming economy of India has led to a multitude of business opportunities, and with deregulation, it has become easier to set up businesses. Also, with a change in the mindset of the middle class, it is now more acceptable to become an entrepreneur. A first-generation entrepreneur is one who starts an industrial unit by means of an innovative skill. He is essentially an innovator, combining different technologies to produce a marketable product or service.

**B. Modern Entrepreneur:** A modern entrepreneur is one who undertakes those businesses which go well along with the changing scenario in the market and suits the current marketing needs.

**C. Women Entrepreneurs:** Women as entrepreneurs have been a recent phenomenon in India. The social norms in India had made it difficult for women to have a professional life. Now this has changed. Progressive laws and other incentives have also boosted the presence of women in entrepreneurial activity in diverse fields. In 1988, for the first time, the definition of Women Entrepreneurs' enterprise was evolved that termed an SSI unit/industry-related service or business enterprise, managed by one or more women entrepreneurs in proprietary concerns, or in which she/they individually or jointly have a share capital of not less than 51 % as partners / shareholders / directors of a private limited company / members of a cooperative society, as a Woman Enterprise.

**D. Nascent Entrepreneur:** A nascent entrepreneur is an individual who is in the process of starting a new business.

**E. Habitual Entrepreneur:** A habitual entrepreneur is an individual who has prior business ownership experience. The nascent entrepreneur can either be a novice or a habitual entrepreneur.

**F. Lifestyle Entrepreneurs:** Lifestyle entrepreneurs have developed an enterprise that fits their individual circumstances and style of life. Their basic intention is to ear an income for themselves and their families.

**G. Copreneurs:** It is related to the married couples working together in a business. When a married couple share ownership, commitment and responsibility for a' business, they are called "copreneurs". As copreneurs, couples struggle in ventures to establish equality in. their relationships. Such couples represent the dynamic interaction of the systems of love and work.

**H. IT Entrepreneurs:** IT entrepreneurs are creating a new business platform that takes them straight to the top. They are confident, ambitious innovative and acquired creativity in the competitive global environment and created a niche of their self. They are the brave new bunch of entrepreneurs who are raring to take on the world of information technology.

**I. Social Entrepreneur:** Social entrepreneur is one who recognizes the part of society which is stuck and provides new ways to get it unstuck. Be it dedicated efforts for child upliftment, fighting for the conservation of Assam's rainforests, working for the betterment of the blind or initiatives to empower women, the entrepreneur's passion is very strong. Freedom, wealth, exposure, social mobility and greater individual confidence are driving this huge wave of social innovation and entrepreneurship. After all are tired with the Inefficiency of governments and the indifference of corporate, and want to make a change and this is the case everywhere.

**J. Forced Entrepreneurs:** The money-lenders of yesterday, who are thrown out of their family business because of government legislation, the neorich Indians returning from abroad and the educated unemployed seeking self-employment form this class of entrepreneurs.

**K. Individual and Institutional Entrepreneurs:** In the small scale sector individual entrepreneurs are dominant. Small enterprises outnumber the large ones in every country. Such entrepreneurs have the advantage of flexibility, quick decision making. But a single individual can establish, operate and control an organization up to a limit. Thereafter, it becomes necessary to institutionalize entrepreneurship. The business will have to acquire a number of new entrepreneurial skills through a corporate body. A group of entrepreneurs has to be developed to handle the increasingly complex network of decision making. The central function of the entrepreneur remains the same but the basic decisions like the line of business, the amount of capital employed, etc. are taken collectively by the promoters at the helm of affairs. Thus, individual entrepreneur and institutional entrepreneur coexist and support each other. Corporate sector the symbol of institutionalized entrepreneurship.

**L. Entrepreneurs by Inheritance:**

At times, people become entrepreneurs when they inherit the family business. In India, there are a large number of family controlled business houses. Firms in these houses are passed from one generation to another.

**Entrepreneurial Traits and Skills:-**

To be a successful entrepreneur, there are skills and traits that you have to possess. These traits are beyond your credentials and they determine how your business will move to the next step. These skills determine if you get funding from venture capitalists, angel investors, strangers, or your family and friends.

Here are the 10 skills and traits you need to possess:

**1. Leadership skills**

Do you possess good leadership skills? Do people like your leadership and does your leadership style inspire change? As a business owner, you must be able to manage your employees and the teams involved.

Businesses that are meeting their goals and aspirations have gotten where they are because of having leaders with the capacity to guide the businesses through the different challenges, but still come out on the other side having achieved what they set out to do. Being a great leader means that your employees work with you, question your moves at other times, and basically communicate well with you just to ensure that your business reaches its goals.

**2. Excellent communication skills**

For you to get the end product you had in mind when starting, you should be able to clearly communicate your goals to all the teams involved in the production and processing process. An entrepreneur needs to understand their employees, know their strengths or weaknesses, then help them use these effectively, making the business and the employee better. This is only possible through communication.

Communication must be two way and you should also listen. Good written and spoken communication skills are important out of the business establishment as well. Communication is integral when looking for funding, when handling complaints from customers, or when negotiating new deals.

**3. Ambition**

To change the world with your business, you need to have ambitious projects. Ambitious projects are often referred to as the disruptive ventures. To get on top of things and the industry, yours should be the project that will disrupt the society's status quo.

As an entrepreneur, your 'holy grail' is a product or a service that will shake up the industry radically. This includes the ability to change the way people view things, interact or label things.

**4. Risk taker**

An entrepreneur is the definition of a risk taker. Business growth depends on your ability to dive into the future of uncertainty while embracing all the challenges and the problems that will cross your path. You should be willing to risk your money, time, and other unknown factors. To deal with these risks and the unknown, you should set aside resources, bandwidth, and plans to deal with the unknown.

**5. Fearlessness**

You cannot run a business when you are afraid of every turn you are about to make. Being a risk taker requires a fearless spirit. There will be scary moments, but your ability to maneuver and win over the fear is the power that will propel you and your business to greater heights.

**6. Ability to listen to your gut instincts and to trust them**

There isn't one successful entrepreneur who faults or regrets trusting their instincts. In a normal consumer life as well as the business world, you have to listen to that little voice and step out when your gut says so.

As a result of the impressive results reported by entrepreneurs who always trust their instincts, gut instincts have been dubbed the sixth sense. This sixth sense is very powerful and you should be able and willing to trust and rely on it. It doesn't matter what the rest of the team thinks.

**7. Visionary**

You cannot take on the entrepreneurship bull by the head and ride it without falling over or getting it to trample on you if you have a solid vision in mind. Perceptive and creative business visionaries tend to twist normal views, distorting reality and eventually change the way people see the world. To be in the top entrepreneurial league, you should be able to cultivate these visions in your mind so as to make the big breakthroughs, which could never be envisioned by an ordinary person.

**8. Motivation and passion**

The most important trait ingrained in successful entrepreneurs is passion in what one does and the motivation to hit the big business storms every day without giving up. Because of passion, you will stay up late to complete unfinished tasks, wake up earlier for your customers to get their deliveries in time, work endlessly on the same thing without getting bored, willingness to make the business better and stronger, and the ability to be in love with that which you wake up to, every day. Without this and the internal motivation to make things work, you will not succeed in business.

**9. Tech savviness**

You don't have to be a pro in all matters tech and programming but in this digital age, you should have the least possible capacity to market your products or services online and to connect to your customers, competitors, or suppliers through social media platforms. Digital marketing is crucial and you should do some basic SEO. You should also use the company's and your personal social media platforms to build and enhance your business brand.

**10. Good financial management skills**

You need to manage your money. Even when you have a CFO, you still have to control things and help in making business decisions concerning money. Besides financial management, you must have the ability and the capacity to raise funds. To get investors interested in your business, you should be able to show them what you have and what their investment can do for your business.

In conclusion, the success of your business depends on these skills and traits. A rapidly growing business is one that is not only disruptive, but also one that leaves a positive impact in society. Your goal in business shouldn't just be raising a lot of money, but you should have the vision to change things around to benefit the whole society.

**Entrepreneurial Motivation and Achievement:-**

Motivation is the set of forces that causes people to engage in one behaviour rather than some alternative behaviour.

The term, "Motivation" has come from the Latin word **'movere'** the meaning of the same is **"to move".** That means to move from present situation to better situation. Motivation is the willingness to do something, and is conditioned by this action's ability to satisfy some need for the individual. The common man thinks that people go for business to earn money, but it is not always true.

Scott has defined motivation as "Motivation means a process of stimulating people to action to accomplish desired goals."

As against this McFarland has defined it as, "Motivation refers to the way in which urges, drives, desires, aspirations, strivings needs direct, control, or explain the behaviour of human beings."

Motivating Factors

| Internal | External |
|---|---|
| ✓ Educational Qualifications | ✓ Assistance from Govt. |
| ✓ Occupational Experience | ✓ Assistance from financial Institutions |
| ✓ Desire to work independently in manufacturing line | ✓ Availability of technology/ raw-materials |
| ✓ Desire to branch out to manufacturing from present occupation. | ✓ Demand of a particular product |
| ✓ Family background | ✓ Wanted to utilize excess money |
| ✓ To earn profits and to possesses wealth | ✓ Financial help from nongovernment sources. |
| ✓ To engage family members along with himself | |
| ✓ To possess social prestige | |

All the factors cannot be equally important for all types of entrepreneurs and, therefore, entrepreneurs make their own preferences for different types of factors.

**Motivation for the Entrepreneurship:**

Motivation is a behaviourial related general phenomenon, but to motivate entrepreneur there are some social goals which are listed hereunder:-

1. Achievement
2. Power
3 Affiliation
4. Independence
5. Extension
6. Personal achievement
7. Social achievement, etc.

From the above listed goals for entrepreneurship development the following three goals are very important:

1. Need for achievement: - A strong desire of an individual to achieve the standard of excellence.
2. Need for power: - Some persons are crazy for power. One can motivate them by giving them more and more power or authority. Such persons can be a manager or supervisor.
3. Need for affiliation:-Some persons desire to create, increase and maintain the relations with others. Such persons are generally devotee and always try to avoid the conflicts.

**Achievement Motivation**

According to Moore Achievement motivation means "desire and efforts to achieve something, to coordinate and control physical resources, men and their thinking. To do these things independently and as soon as possible, to overcome all obstacles and achieve the standards of excellence to use one's talent successfully and increase self-regard or self-satisfaction."

**Characteristics of The Person Who Possesses Achievement Motivation:-**

The persons who are highly achievers can be successful entrepreneurs. Their characteristics derived from different studies are as under:-

1. High achievers search for areas of greater personal responsibility and they readily accept it.
2. They take calculated risk.
3. They set challenging yet achievable goals.
4. They make detailed and comprehensive planning to achieve the goals and get ready for the future.
5. They are ready to accept measurable feedback.
6. They reach for profitable industrial opportunities.
7. They show an attitude of sticking to the work even in unfavourable conditions.

8. They tends to do something new.

9. They show certain inter personal competence.

10. High achievers have an attitude of bearing uncertainties.

11. They are ready to migrate and start business at any place.

12. They are adventurous.

**Entrepreneurial personality:-**

Oxford Dictionary (2015) defines personality as "the combination of characteristics or qualities that form an individual’s distinctive character".

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

The human’s psychology and personality aspects might play a significant role in the individual propensity towards entrepreneurial actions.

In his Meta analysis, Brandstätter (2011) assessed the correlation between personality traits and entrepreneurial behaviour. He explored the personality traits of entrepreneurs by comparing personality scores of those with the scores of managers. It was found that while being more open to new experiences (Openness), entrepreneurs are also slightly more dutiful (Conscientiousness) and rather energetic towards the social and material world (Extraversion) compared to managers. At the same time entrepreneurs tend to score lower in agreeableness and neuroticism. This suggests that there is an entrepreneurial personality.

1. Openness to experience: describes the breadth, depth, originality, and complexity of an individual’s mental and experimental life.
2. Conscientiousness: describes socially prescribed impulse control that facilitates task- and goal-orientated behavior.
3. Extraversion: implies an energetic approach toward the social and material world and includes traits such as sociability, activity, assertiveness, and positive emotionality
4. Agreeableness: contrasts a prosocial and communal orientation toward others with antagonism and includes traits such as altruism, tender-mindedness, trust, and modesty.
5. Neuroticism: contrasts emotional stability and even-temperedness with negative emotionality, such as feeling anxious, nervous, sad, and tense.

(The Big Five Model)

## Entrepreneurship as a Career:-

The greatest challenge before the youngsters in India today is to build the country into an economic global giant. The obvious questions that come to the minds of most of them are - “Why should we in India think of being an entrepreneur? Why not work as part of a larger organization where the opportunities and resources to scale ideas are perhaps far greater?

Entrepreneurship is important for two reasons.

One, it furthers innovation to find new solutions to existing and emerging demands. Two, it offers far greater opportunities for wealth creation for self and the society than anything else.

Entrepreneurship has its challenges. It is about 20 per cent luck and 80 per cent effort, clarity, courage, confidence, passion and above all smartness.

What leads a person to take up entrepreneurship as a career option? There can be a number of reasons including displacement from a job, frustration in the present job, not getting a job of his/her choice, etc. Sometimes a person realizes much in advance that his/her job is in jeopardy, as the organization is moving towards closure. At times a deserving employee getting superseded in promotion is compelled to quit the job and look for doing something on his own. Some people object to a system wherein reward is often based on seniority rather than merit.

Above facts are corroborated by the research findings of Gilad and Levine (1986). They proposed two closely-related explanations of entrepreneurial motivation, the “push” and the “pull” theory. The **“push” theory** argues that individuals are pushed into entrepreneurship by negative external forces, such as job dissatisfaction, difficulty in finding employment, insufficient salary, or inflexible work schedule. The **“pull” theory** contends that individuals are attracted into entrepreneurial activities seeking independence, self-fulfillment, wealth, and other desirable outcomes. Research (Keeble et at., 1992; Orhan and Scott, 2001) indicates that individuals become entrepreneurs primarily due to “pull” factors rather than “push” factors.

1) Some of the prominent pull factors that attract individuals towards entrepreneurship as a career option are: High Need for Independence: There are personalities who would like to have freedom about: with whom to work, when to work, with whom to do business at what terms etc. It is this instinct in them that pushes such personalities to start something of their own.
2) To satisfy the dream of having high Financial Rewards: To satisfy the need to derive high financial rewards as an outcome of efforts leads some to start a business of their own. The fundamental difference between job and own venture lies in the degree of financial rewards for the efforts put in to achieve organizational goals.
3) Opportunity to deal with all aspects of a business: No job can provide an opportunity to learn and deal effectively with a wide spectrum of business activities starting from idea generation, conceptualization, design, and creation, marketing to customer response and customer satisfaction.
4) Vision to leave a long lasting mark: Entrepreneurship creates an opportunity to make definite contribution to the society by lifting the people in and around the venture. A continuous zeal to innovate helps in touching the heads and hearts of people at large.

5) A strong urge from within to start a business, combined with workable innovative ideas, careful planning, and hard work can lead to a very engaging, self-satisfying, enjoyable and profitable endeavour. The greatest contributory factor to entrepreneurship is an intention i.e. a strong purpose in life coupled with determination to produce desired results.
6) There is no age bar to entrepreneurship. But youth is certainly more suited to take up an entrepreneurial venture because they are technologically precocious, do not fear from change and challenge, and have greater ability to see things differently.

Thus, leaving aside the pull and push factors leading to entrepreneurship, the fundamental decision to take up entrepreneurship as a career option gets guided by a three part process in which an individual weighs the desirability of self-employment with the desirability of working for others, possession of competencies and capabilities to undertake entrepreneurial venture. The fact remains that present environment provides great entrepreneurial opportunities and more and more youngsters are consciously opting for it a as career option.

**Role of family:-**

A lot has been documented about the importance of the entrepreneur's access to financial capital, as well as educational achievement and progress, to the enterprise's ultimate success. The family background of an entrepreneur is often an unrecognized aspect of success. Few facts regarding the role of family for entrepreneurs are −

- Two to three times more business is owned by the children of industrialists than those whose parents don't own a business. So it is pretty clear that, business ownership runs within the family but the question here is does it lead to success?
- Entrepreneurs working in their family business before starting a business of their own, tend to be 10 to 40 percent more successful than they would be otherwise.
- The would-be entrepreneur gains valuable experience through informal learning and apprenticeship that occurs while working in a family business.
- Who can teach us better than our own parents? A brilliant way of learning the "name of the game" of running an own business is first working in the family business.
- Family business is a golden ticket for family members to hold human capital linked to operating a business. It is not necessary to gain this experience in the same industry, probably because basic business experience is what counts.

The major scope through which families shift their business success across generations is by working through experience. However, a major drawback is the cycle of low rates of business ownership could be easily broken and relatively worse business outcomes could be passed from one generation to the next. It is very important to address the lack of opportunities to work in family businesses.

**Role of society:-**

The major role of the society in entrepreneurship is support. Entrepreneurs contribute to the society in the following ways −

- Business yields and allots products and services to meet certain public requirements. Business has to be very flexible and frequent research on consumer demands should be done to increase profit.
- Entrepreneurs create job opportunities. Income is ensured through entrepreneurship. It is a very important factor to consider.
- Entrepreneurship has its own contribution in the national well-being. It ensures it in different ways, assisting the government to preserve and manage all kinds of public, social institutions and services, etc.

Entrepreneurs facilitate in enlightening and educating people and motivating their growth at a personal level. Due to high level of competition in the market, it is important for both businessmen as well as their employees to be involved in the constant process of learning and improving personal skills and abilities like creativity, determination, communication skills and vision for new business chances.

**Sickness of Small-scale Industries, causes and symptoms of sickness, cures of sickness:-**

Industrial sickness is defined all over the world as

"An industrial company which has, at the end of any financial year, accumulated losses equal to, or exceeding, it's entire net worth and has also suffered cash losses in such financial year and the financial year immediately preceding such financial year."

- **Internal causes for sickness:-**

a) Lack of Finance:

This including weak equity base, poor utilization of assets, inefficient working capital management, absence of costing & pricing, absence of planning and budgeting and inappropriate utilization or diversion of funds.

b) Bad Production Policies:

Another very important reason for sickness is wrong selection of site which is related to production, inappropriate plant & machinery, bad maintenance of Plant & Machinery, lack of quality control, lack of standard research & development and so on.

c) Marketing and Sickness:

This is another part which always affects the health of any sector as well as SSI. This including wrong demand forecasting, selection of inappropriate product mix, absence of product planning, wrong market research methods, and bad sales promotions.

d) Inappropriate Personnel Management:

Another internal reason for the sickness of SSIs is inappropriate personnel management policies which includes bad wages and salary administration, bad labour relations, lack of behavioural approach causes dissatisfaction among the employees and workers.

e) Ineffective Corporate Management:

Another reason for the sickness of SSIs is ineffective or bad corporate management which includes improper corporate planning, lack of integrity in top management, lack of coordination and control etc.

- **External causes for sickness:-**

a) Personnel Constraint:

The first for most important reason for the sickness of small scale industries are non-availability of skilled labour or manpower wages disparity in similar industry and general labour invested in the area.

b) Marketing Constraints:

The second cause for the sickness is related to marketing. The sickness arrives due to liberal licensing policies, restrain of purchase by bulk purchasers, changes in global marketing scenario, excessive tax policies by govt. and market recession.

c) Production Constraints:

This is another reason for the sickness which comes under external cause of sickness. This arises due to shortage of raw material, shortage of power, fuel and high prices, import-export restrictions.

d) Finance Constraints:

Another external cause for the sickness of SSIs is lack of finance. This arises due to credit restrains policy, delay in disbursement of loan by govt., unfavourable investments, fear of nationalization.

e) Credit squeeze initiated by the government policies.

**<u>Remedial Measures to Overcome Sickness</u>**

Some of the remedial measures to curb and overcome sickness in industrial undertakings are as follows:

1. Identifying Sickness at Initial Stage:

Sickness in Small Scale Industries are not a sudden phenomenon but it is a gradual process taking 5 to 7 years eroding the health of a unit beyond cure. Therefore, the identification and detection of the sickness at incipient stage is the first and foremost measure to detect and reduce industrial sickness. Sickness must be identified at initial stage.

2. Financial Assistance:

Lending agencies need to relax their lengthy process and other norms for extending credit to the SSIs. To combat the incidence of sickness financial institutions should grant credit without delay to SSI sector.

A number of initiatives can be undertaken to overcome credit problems such as:

i. Increasing Working capital limit.
ii. Enhancing the powers of bank managers of specialized bank branches in offering credit to SSI.

iii. Strengthening the mechanism for discounting bills.

iv. Reduced rate of interest.

These measures would improve the flow of credit and keep a check on the incidence of sickness.

3. Improving Infrastructure

Infrastructure facilities can be improved by setting up industrial estates. Common testing centres etc., infrastructural problems can be solved by improving the roadways, waterways, establishing telecommunication systems.

4. Technology Up-Gradation

Funds may be provided by the financial institutions for adoption of advanced technology. Similarly, some sort of training may be provided for use of the latest technology to overcome technological problems. Technological up-gradation can help to overcome technological obsolescence.

5. Marketing Assistance

Marketing assistance may be provided to entrepreneurs for marketing the goods produced by them. Government must help to market the goods. Government and Non-Government Organizations (N.G.Os) can come forward for marketing the goods produced by the SSI sector. The problem of poor marketing of the products can be solved by coordinated efforts of entrepreneurs and promotional agencies.

6. Liquidation

It is better to wind up the business when there is no possibility to revive the unit.

7. Government Interventions

Interventions must be made by the government to prevent sickness. Periodic review of financial statements can help to identify and prevent sickness at initial stage.

8. Training

A proper environment must be created where an entrepreneur will be educated and will have a proper knowledge, skill and experience about internal and external environment of business to compete with large-scale industries and multinational companies.

9. Rehabilitation

Potentially viable sick units should be dealt well for the purpose of rehabilitation. Rehabilitation is a remedy considered for industrial units, which have already become sick and for the units that are on the verge of collapse.

**Role of Banks and Governments in reviving industries:-**

Furthermore the government should set up a ‘Screening Committee under the chairmanship of the Secretary, Industrial Development with representatives of the Finance Ministry, Reserve Bank of India and Financial Institutions, to make recommendations.

For the sick units in the small sector, it has been suggested that the State Financial Corporation and commercial banks should devise a scheme for rehabilitation of sick industries in the small-scale sector and the assistance given by them for the revival of such units should be eligible for refinancing by the Industrial Reconstruction Corporation of India Ltd., or the Industrial Development Bank of India at a concessional rate of interest.

Further, the Government and other purchasers of the products of small-scale industry be directed to settle dues of small-scale units on a priority basis and commercial banks be asked to ensure that the credit given to large-scale units for working capital is applied first towards meeting dues of small scale suppliers. Furthermore, the small-scale units promoted by technical entrepreneurs, if forced to close down for reasons beyond their control, the interest of entrepreneurs must be safeguarded by evolving a suitable scheme of risk insurance.

The government policy on industrial sickness as announced by the Ministry of Industries concerns with:-

1) **Monitoring Arrangements:** Financial institutions and banks should evolve a system of monitoring the accounts and wherever required should strengthen the same so that it is possible to take timely corrective action to prevent sickness at the incipient stage. The financial institutions should also get a feedback in respect of the working of the assisted units to enable them to monitor utilization of loans as also the performance of individual units. 'The financial institutions should maintain a panel of qualified persons experienced in the various industries. From such panel, they should make nomination of directors on the board of sick units or those units which are showing signs of sickness'.3 Such nominee directors be asked to submit periodic reports to the financial institutions so that they know the latest developments taking place in the unit.
2) **Assistance from Government Agencies :** In case, the banks and the financial institutions alone are not able to find effective remedial measures for nursing a sick industrial unit, the financial assistance from government agencies particularly where rationalization of labour, infrastructural inputs and control of raw-materials are involved, is required. Such cases should be tackled by the Department of Industrial Development, which may take up the matter with the concerned central ministries and state government.
3) **Role of Administrative Ministries:** These ministries have been asked to play a pivotal role in monitoring sickness and coordinating actions for revival and rehabilitation of sick industrial undertakings. 'The ministry should also take remedial action to prevent sickness and, if required, should work out policy measures to meet the situation'. These should set up the standing committees for major industrial sectors where sickness is widespread for reviewing the extent of sickness periodically and suggest policy measures required to tackle the problem.
4) **Take-over of the Unit by the Government:** As policy guidelines, banks and financial institutions should submit a detailed report to the Department of Industrial Development in respect of those sick units, whose revival appears doubtful. The Department of Industrial Development may refer the matter to the Administrative Ministry concerned. The Administrative Ministry, in consultation with the Department of Industrial Development, should decide whether the unit should be nationalized or whether any other alternative including workers' participation in the management can be considered for revival of the unit.

5) **Rehabilitating Sick Units:** Banks should undertake diagnostic study in respect of units, which are showing signs of sickness. These should provide rehabilitation finance for revival of the unit after assessing the viability and ensuring that they can restore to unit a healthy state. The ministry has also suggested that IDBI should consider creating a cadre of professional managers, who could be entrusted with the job of managing the sick units in which the financial institutions have made substantial investment. 'The approach towards the rehabilitation of sick units has to be very selective and systematic. There is no point in throwing away further resources in support of units which are irretrievably sick. Only such units as are found to be potentially viable need be taken up for the formulation or rehabilitation packages to restore them to health'.

## MODULE-2:- ENTREPRENEURIAL ENVIRONMENT

### Introduction

- Entrepreneurship environment refers to the various facets within which enterprises- big, medium, small and other have to operate. The environment therefore, influences the enterprise. By and large, an environment created by political, social, economic, national, legal forces, etc. influences entrepreneurship.
- Entrepreneurial environment is broadly classified into six important segments, namely, (1) Political environment, (2) Economic environment, (3) Social environment, (4) Technological environment, (5) Legal environment, and (6) Cultural environment.

### Environment

- Political-Political Atmosphere, Quality of Leadership
- Economic-Economic Policies, Labour, Trade, Tariffs, Incentives, Subsidies
- Social-Consumer, Labour, Attitudes, Opinions, Motives
- Technological-Competition And Risk, Efficiency, Productivity, Profitability
- Legal-Rules, Regulations
- Cultural-Structure, Aspirations And Values

### Significance of Entrepreneurial Environment

A study of socio-political and economic environment has a great social and economic significance to the growth of entrepreneurship. Modern business is treated as a social and economic institution and is affected by the political, social and economic forces. The political environment, industrial policy, licensing policy, foreign exchange regulations, backing policy, technological development and social change form the framework within which an enterprise has to work. It is for these reasons that all business plans must be based on the immediate environment. An entrepreneurial plan cannot be framed and finalized for its implementation without its relevance to the political, social, economical and technological requirements. In fact, it is environment, which regulates entrepreneurial activities. Business environment has a positive relationship with the development of entrepreneurship.

### Identification of Opportunities

Opportunity identification is emerging as an important content area in entrepreneurship education. We propose that opportunity identification is a competency that can be developed as are other unique competencies and that the entrepreneurship classroom is an appropriate venue for developing the skills necessary to improve the ability to identify opportunities.

The start-up ecosystem grew from many would-be entrepreneurs have more opportunities than ever to start their own projects. The success of regional entrepreneurs sparks a sense of competition, and motivates others to think seriously about their own projects.

Less-than-ideal circumstances also drive potential entrepreneurs to develop their own concepts, either to achieve their long-term goals, or to escape their narrow prospects to achieve independence.

When entrepreneurs take the decision to launch their own startup, most usually go through several important phases, the first and most important of which is coming up with a feasible idea. Some entrepreneurs have ideas running through their heads for years before actually implementing them, while others might find themselves searching for an idea when an opportunity presents itself. Both groups, however, must be able to recognize not only opportunities for new ideas, but also the best ways to implement them.

**How to recognize an opportunity?**

I. Internal Reasons: When the entrepreneur decides to establish a company, he/she starts looking in the market for opportunities and needs that he/she can meet by offering a certain product or service.

II. External Reasons: When the entrepreneur notes a gap or a need in the market, he/she establishes a company that offers solutions and products for people with this need.

An opportunity should have several specific qualities, such as the right timing, the right product, or an added value that the service offers to consumers to encourage them to purchase it.

**The three key approaches to identify the best investment opportunities are:**

1. Observing Trends

   Study how customers interact with products. For instance, the latest PayPal report points to the fact that mobile transactions in the Arab world are set to increase from 10% to 20% by 2015. Such information shows that there is both a desire and a trend in our markets for mobile shopping, and an entrepreneur might find in this case an opportunity to build a mobile application for purchases from major local stores.

   Observing such trends can be done through statistical reports published free of charge based on research done by specialized companies and institutions. Some reports may not be free; these usually contain more valuable and detailed information.

2. Solving a Problem

   Recognize problems and develop innovative ways to solve them. Anti-virus software companies are entirely built on this approach. The Wasselni app, for to take a regional example, is a start-up project in the Arab world that ameliorates an issue faced by almost everyone: traffic.

3. Gaps in the Marketplace:

   Look for very specific segments of customers that other companies do not serve because they prefer to target broader groups. Do you remember how Maktoob offered an Arabic language e-mail interface back in 1998? At that time, big e-mail service providers such as Yahoo! and Hotmail were not paying any attention to the Arab markets. Maktoob successfully took advantage of the opportunity to build one of the biggest web companies in the Arab world.

These approaches might be helpful for entrepreneurs still in the planning phase, but they can also be useful for entrepreneurs with existing projects looking for opportunities to develop and expand their businesses.

**Converting Business Opportunities into reality**

All well-established businesses started with a great idea. After all, everyone has problems that need solving either by a product or some kind of service and it is entrepreneurial people like you that see the opportunity to solve these problems.

Unfortunately, a lot of people have genius ideas that never see the light of day, as the process of turning such concepts into reality is definitely a huge challenge.

Turning your business idea into reality is difficult, yes, but it is doable. Take a look at the five steps discussed below to get your entrepreneurial journey going.

**Step 1: Draft a plan to turn your business idea into reality:-**

With a good business plan, you will have to conduct market researches either online or offline. You will have to define and conduct research on who your target market is, and at the same time, look at your competitor and how you can make your products or services different. Indeed, with a good business plan, you will ensure that you don't leave any stone unturned. The objectives you set will assure you of the viability of your business idea. Without a business plan, even the best ideas won't work.

**Step 2: Consider your financing:-**

Of course, you can always get a loan from the bank, but in times of economic downturn, their interest rates may not be very friendly to upcoming small businesses. You can also get funded by individual investors, but make sure that theirs and your visions align.

At the end of the day, many small businesses start with minimal to no capital. Once you have a running, functioning business, it will be considerably easier to access finance to allow for growth.

Do not be tempted to get a loan just to finance an expensive office in the best area of town and overpriced equipment that you don't need, or you may be forfeiting your future as an entrepreneur.

**Step 3: Register your business:-**

In many countries, registering your business is easy and doesn't cost a lot of money, so you should do that as soon as possible. This will give you the freedom to start selling without having to worry about the technical aspects of it, like getting the bank to approve your business bank account.

Registering early also prevents somebody else from taking your business name first before you get around to it.

The same goes for domain names; once you have a good business idea, register the domain name immediately as the cost is almost negligible but not having it will have a major impact on your marketing later on.

**Step 4: Hire technical staff:-**

Take a look at your strengths and weaknesses and how they affect your business. Accept the fact that you can't be good at everything, and that you are better off spending your time building your business than getting mired in the nitty-gritty of running a company.

For example, keeping track of your finances for tax and accounting purposes take a lot of time, and so does organizing your paperwork. You're better off hiring someone to take care of those things so you can focus on more strategic tasks.

If you want to do something yourself personally, though, consider getting extra training to update your skills. You can get free courses online in areas like sales and marketing, as well as general business management.

This is especially important if your core skills are technical. No matter how good your product is, you'll need to be able to sell it and manage the cash flow as well, or understand how it's done, so you can be on top of all the crucial tasks your company needs done.

**Step 5: Advertise your business prior to launch:-**

Don't advertise only once you have launched. Even before, it is important to let people know about your product.

Make sure to leverage the power of social media and advertise your company to build up excitement over your launch. Continue your marketing efforts afterwards; your business idea is not unique, and you have a lot of competitors.

Even if you are not a salesperson, or you have someone assigned to sales specifically, make it a point to put your business out without being obnoxious about it. Ask your family and friends as well to pass on the word in their own circles and neighborhoods.

The best way to advertise, of course, is through your website. It has a potential reach of millions of people worldwide, and you can't afford not to have that reach.

You don't even need to worry about websites costing thousands of dollars to make. There are website builders, like Bookmark, that uses artificial intelligence to design a professional looking website in your niche within just a few minutes.

Take the first step to fulfill your dream of entrepreneurial success. Act on your business idea; with a good business plan, clear business strategies, and an online presence through your website and social networks, you will definitely have a chance of turning your business idea into reality.

**Setting up of a Small Business Enterprise**

Who do establish small business enterprises?

Broadly, there are two types of people who establish small enterprises. One people who want to take the advantages of opportunities available. Two, people who have no option for making a livelihood.

These two types of entrepreneurs are also termed as **'entrepreneurs by choice'** and **'entrepreneurs by compulsions'** respectively. Starting an enterprise is not so simple and cannot be set up just. In fact, there are several **steps involved** in setting up a small business enterprise.

Step 1- Information Collection

Step 2- Information Organization

Step 3-Acquiring Required/Vocational Skills

Step 4- Financial Requirements

Step 5- Market Assessment

Step 6- Provision for Crisis

**1) Information Collection:**

The first step involved is to decide which enterprise one wants to set up. This begins with collecting information about the units already working in that field of concern. This can be done by various ways such as going through the telephone directories or by visiting the registrar's office of the small-scale units.

This will enable the prospective entrepreneur to make an assessment of the present market situation in that business activity. Based on this information, they can weigh the pros and cons involved in entering into that business activity.

**2) Information Organization:**

Having collected information about enterprise concern, the prospective entrepreneur needs to organize the same in an orderly and systematic manner to derive the meanings from them. This will help to make assessment about the minimum requirements to start an enterprise in a particular business line.

**3) Acquiring Required/Vocational Skills:**

The third step is to understand the need for upgrading one's vocational skills if it is a pre-requisite for your Small Enterprise Unit (SEU). The importance of acquisition of required skills is justified by the statement that "it is better to teach a man to fish than to provide him with fish everyday".

There is a need to build on one's strengths in order to gain and feel confident of implementing your project of setting an SEU. Awareness and training in required subject can remove structural barriers. You will feel sure of yourself in taking loans and as also taking risk. Risk is a part of setting up an SEU.

**4) Financial Requirements:**

The fourth step involved is ascertaining the financial requirements for setting up a small business enterprise. This is particularly important because generally small entrepreneurs do not have their own funds. Hence, they depend upon borrowed funds from family members or relatives or friends or financial institutions.

While planning for finance, the prospective entrepreneur needs to consider issues like sources, availability, estimation and management of working capital. One should have the basic knowledge of preparing income and expenditure statements.

One should also go for insurance cover provided by the concerned financial institutions. Providing financial services in a commercial way is gaining a lot of credence these days.

There are well-planned credit schemes for small enterprises available offered by the banks and co-operatives.

**5) Market Assessment:**

No business enterprise can be thought of without market. Enterprise exists, survives and thrives because of market. Production has no value or meaning if it is not sold /marketed. Therefore, while planning for establishing a small business enterprise, the prospective entrepreneur needs to know who will buy his/her product.

Here, the trite saying about the importance of market seems worth citing: "A manufacturer of iron mails must know before manufacturing who will buy his/her iron nails." In sum and substance, a prospective entrepreneur needs to identify market for his/her product before it is actually produced. Market survey or market research helps the entrepreneur assess market for his/ her product. How much significance market assumes in success and failure of a product is exemplified with the story of a young entrepreneur Pradeepta Sethi.

**6) Provision for Crisis:**

The last but not the least step involved in setting up a business enterprise is the preparedness to manage crisis situations, if any. Yes, some may not consider it as a necessary step because foreseeing any crisis and its handling is simply an additional step.

Even many may view why to think in a negative way for the worst which may not happen at all. Admitting that optimism helps, there is no harm in being prepared for any eventuality, if it arises. It is always useful to remain prepared for something unexpected in terms of resources, policies, finances and natural calamities takes place. Seeking insurance cover is the best way to deal with these situations.

**Issues Relating To Location:-**

Despite the increasingly pace of technology and digital enterprise, there will almost always be a requirement for a bricks and mortar presence, whether that's to house your staff, store stock in a secure warehouse, or provide a physical brand presence for your customers.

There are many things to consider when choosing a location for your business venture, whether setting up an office or a shop for the first time, or looking to expand into new areas.

**1. Accessibility.**

Does your business rely on frequent deliveries? If so, it's important to consider local transport links, particularly main roads and motorways. Property rental and purchase prices are often steeper in higher density, more commercialised areas, so there are certainly cost benefits to seeking a more out of town location, providing your daily business operations won't be hampered by poor transport links. Equally, if you rely on high customer footfall, then ensuring your location is accessible by car, bus and even train will all be important considerations. Don't forget your employees too, as a good location is often a critical factor in recruiting the right people into your business, particularly if they have been offered several jobs and need to evaluate the pros and cons of each.

**2. Security.**

Believe it or not, your location can increase your odds of being affected by crime, which in turn can influence your insurance premiums, as well as the additional security measures you made need to take to keep your premises safe. It's fair to say that in business, we all make decisions based on information, intuition and probability mixed in with a little luck. But knowing the chances of crime in the areas you are considering is an important part of the decision making process. We recently analysed released statistics from the UK government crime report and compared this to population data to help businesses make an informed decision about where to set up a new shop, office or warehouse. This report conveniently provides a quick snapshot of how safe a particular area is - simply enter your postcode here for your stats summary. Knowing the risks of potential criminal activity can help you better prepare and take adequate precautions.

**3. Competition.**

Your proximity to other competing businesses could be crucial to your success. Could they provide a benefit to your business or cause a hindrance? Establishing which competitors are in your area and their offering could help guarantee you choose the right location for your business. If there is too much competition then it may be a warning sign to expand your horizons to a new location. There are exceptions to this such as car dealerships who want to be near each other as customers compare and choose the best car deal, hence their close proximity. Likewise, if you have an element of your offering that is unique or offers some kind of new innovation, then choosing an area that already has a ripe market could be the ideal way to pick up customers very quickly and establish a presence in a new area in a relatively short time frame.

**4. Business Rates.**

Cash is king! Cash flow is critical as it determines the viable ability for a business to survive and pay its bills. Therefore, it is important to research the average Business Rates including rent, utility bills and taxes in the area to ensure you can afford the premises. Simple hidden costs such as deposits and whether you need to pay to park need to be snuffed out before committing to a location. Estimating the living cost of the location will prevent a commitment outside your means.

**5. Skill base in the area.**

Find out the skill base in the area - can it fulfill your needs? Take into account employment rates as well. If you rely on skilled workers it is best to go to where there is a healthy bank of talent. Employees are often a business's biggest asset thus choosing a location that's lacking in required talent may be the start of your business's downfall. Some recruitment agencies will happily send you CVs on spec to gauge the market, only charging if you subsequently decide to interview and hire someone. Alternatively, posting a free job via an online jobsite will quickly show you the calibre of employees in a particular area.

**6. Potential for growth.**

Will the premises be able to accommodate business growth or a spike in demand? Moving premises is a big upheaval and can be time consuming and costly. A decision needs to be made as to whether the premise you are choosing is a short-term location or if you would like to stay there for the long haul. Consequently, a location's flexibility could be a very important factor regarding the premises' suitability for your business needs.

## Industrial Policies & Regulations

Industrial policy can be defined as a statement stating the role of government in industrial development, the position of public and private sectors in industrialization of the country, the comparative role of large and small industries. the industrial policy formally represents the spheres of activity of the public and private sectors.

**Objectives:-**

It enlists the rules and procedures that will monitor the growth and pattern of industrial activity. The industrial policy is neither fixed nor flexible. It is constructed, modified and further modification is done according to the changing situations, requirements and perspectives of developments.

**The major objectives of industrial policy are discussed below:-**

I. **Rapid Industrial Development**
The industrial policy of the Government of India focuses at increasing the level of industrial development. It explores ways to construct favorable investment environment for the private sector and also for mobilizing resources for the investment in public sector. In this way, the government roots to promote rapid industrial growth in the country.

II. **Balanced industrial Structure**
The industrial policy is crafted to correct the prevailing downgraded industrial structure. Say for example, India had some fairly developed consumer products industries before independence but the capital goods sector was not at all developed, also basic and heavy industries were by and large absent.
Thus, industrial policy had to be enclosed in such a way that imbalances in the industrial structure are corrected by laying stress on heavy industries and development of capital goods sector. Industrial policy explores methods to maintain balance in industrial structure.

III. **Prevention of Concentration of Economic Power**
The industrial policy explores to facilitate a borderline of rules, regulations and reservation of spheres of activities for the public and private sectors. This is targeted at minimizing the dominating symptoms and preventing focus of economic power in the hands of a few big industrial houses.

IV. **Balanced Regional Growth**
Industrial policy also targets at correcting differences of region in industrial development. It is a well-known fact that some regions in our country are quite developed industrially, like Maharashtra and Gujarat, while others are marked as industrially backward regions, like Bihar and Orissa. It is the job of industrial policy to amend some programs and policies, which will result in the development of industries or industrial growth.

## Industrial Policy Resolution 1956

In April 1956, the Indian Parliament adopted Industrial Policy Resolution of 1956 (IPR 1956). It is marked as the first comprehensive documented statement on industrial development of India. It systematizes three different groups of clearly defined industries.

The policy of 1956 regulated to design the basic economic policy for a very long time. The Five-Year Plans of India confirmed this fact. With respect to this Resolution, the establishment of a socialistic pattern of society was seen through the objective of the social and economic policy in India. It ensured more powers to the governmental authorities.

**Companies were grouped into categories. These categories were:-**

Schedule A − Those companies which were considered as an exclusive responsibility of the state or the society.

Schedule B − Companies which were marked as progressively state-owned and in which the state would basically establish new companies, but in which private companies would be anticipated only to supplement the effort of the state.

Schedule C − The left companies and their future development would, in general, be neglected and would be entirely dependent to the initiative and enterprise of the private sector.

Even though there was a category of companies left to the private sector that is those companies that are above Schedule C. The sector was monitored by the state by a system of licenses. So to set up a new company or to widen production, obtaining a license from the government was a prerequisite to be fulfilled. Launching of new companies in economically backward areas was incentivized through easy licensing and subsidization of important inputs, like electricity and water. This step was taken to encounter regional differences that existed in the country. In fact, the license to boost the production was issued by convincing the government that the economy required more of the products and services.

Some other salient behavior of the IPR 1956 was fair and non-biased treatment for the private sector, motivating the village and small-scale companies, eradicating regional differences, and the requirement for the provision of amenities for labor, and attitude to foreign capital. This Industrial Policy of 1956 is also referred to as the Economic Constitution of the country.

**Policy Measures**

Some of the essential policy measures were declared and procedural simplifications were undertaken to opt for the above stated objectives**. Following are some of the policy measures**:-

I. Liberalization of Industrial Licensing Policy

A list of goods demanding compulsory licensing is reviewed on an ongoing regular basis. Currently, only six industries are monitored under compulsory licensing mainly on account of environmental, safety and strategic considerations that need to be taken care of. In the same way, there are only three industries reserved specifically for the public sector. The lists of goods under compulsory licensing and industries reserved for the public sector are included in Appendix III and IV respectively.

II. Introduction of Industrial Entrepreneurs' Memorandum (IEM)

Companies which don’t require compulsory licensing are expected to file an Industrial Entrepreneurs' Memorandum (IEM) to the Secretariat for Industrial Assistance (SIA). Industrial approval is not needed for these types of exempted industries. Amendments are also permitted to IEM proposals filed after 1.7.1998.

III. Liberalization of the Locational Policy

A crucially reformed locational policy in tune with the liberalized licensing policy is in place. Approval from industries are not required from the Government for locations not within the range of 25 kms of the periphery of cities having a population of more than one million apart for those industries, where industrial licensing is compulsory. Non-polluting enterprises like electronics, computer software and printing can be located within 25 kms of the periphery of cities with more than one million population. Other industries are allowed in such locations only if they are located in an industrial area so designated prior to 25.7.91. Zoning and follow land use regulations as well as environmental legislations.

IV. Policy for Small Scale Industries

Reservation of goods that are manufactured exclusively for small scale industries ensures effective measure for protecting this sector. Since 24th December 1999, entrepreneurial undertakings with a maximum investment up to rupees one crore are within the small scale and ancillary sector.

V. Non-Resident Indians Scheme

The general policy and provisions for Foreign Direct Investment as available to foreign investors or company are completely applicable for NRIs as well. With addition to this, the government has broadened some concessions mostly for NRIs and overseas corporate bodies having more than 60% stake by the NRIs. These include investment by NRI/OCB in the real estate and housing sectors, domestic airlines sector up to 100%.They are also permitted to invest up to 100% equity on non-repatriation basis in all activities except for a small negative list.

VI. EHTP vs STP Scheme

For constructing strong electronics company along with a view to modify export, two schemes viz. Electronic Hardware Technology Park (EHTP) and Software Technology Park (STP) are in function. Under EHTP/STP scheme, the inputs are permitted to be procured free of duties.

VII. Policy for Foreign Direct Investment (FDI)

Promotion of FDI forms a vital part of India's economic policies. The role of FDI in boosting economic growth is by way of infusion of capital, technology and modern management activities. The Department has put in place a liberal and transparent foreign investment engine where all the practices are opened to foreign investment on automatic route without any limit on the extent of foreign ownership.

## ENTREPRENEURS NEED TO KNOW ABOUT ACCOUNTING

Every business owner needs to know at least the basics of accounting, and contrary to popular belief, it is not as daunting a task as what entrepreneurs believe it to be. There are three basic questions when record-keeping for a business: Who owes me money? To whom do I owe money? How much money do I have in the bank? These three questions clearly provide answers to the debtors, creditors and cash flow questions in the business respectively, and if the entrepreneur is able to understand these three basic questions, they will have a good handle on their business from an accounting point of view. Some of the other points covered in this topic include:-

• Income statement

• Balance sheet

• Management accounts

• What is income?

• What are expenses?

The system provides information that's required and needed. The law requires that certain pieces of financial information be tracked for tax-reporting purposes. Obviously, these items (which comprise a basic income statement and balance sheet) must be measured and tracked. However, it's equally important to include information that you'll need to run your business successfully.

` **Balance Sheet** is the 'statement of financial position'. It describes what the company looks like at a specific date.

` Balance Sheet is set up as an equation: Assets = Liabilities + Equity

` In order for correct accounting, this equation must always be followed:-A = L + E

` Assets – the lifeblood of your business. If you have no assets, you have no business.

Assets are not just money, but also intangible things like your skills or knowledge, people who help your business, goods or equipment used to operate your business.

For this discussion, we are focused on assets that can be accounted for, i.e. Cash, property, goods, equipment, etc.

` Liabilities - the opposite of assets, the obligations of one company to another

` Liabilities allow you to operate your business with the least amount of capital possible.

` Liabilities in this exercise include rent and materials expense, salaries and notes payable.

` Equity – net worth. The amount left over after subtracting liabilities from assets.

` Equity consists of Owners Capital and Retained Earnings.

` Equity is the value of a business due to operations over a period of time. Equity can be positive or negative.

` Positive equity is what all business owners are seeking. It allows you to sell the business to another company, person or to borrow more money from the Bank.

**Income Statement**

` Revenue – Expenses = Net Income

` Income Statement can be used for 1 month period, 3 months, 6 months or 1 year.

` It is depending on the preference of the business owner. Month to month is more accurate and allows for adjustment.

Statement of Cash flow is the result of the following:

◦ Operating Activities

◦ Investing Activities

◦ Financing Activities

The Ending Cash Balance may be positive or negative.

It is simply a picture of the current cash flow. It is possible to have net profit, but negative cash flow due to Investing and Operating activities.

## WORKING CAPITAL MANAGEMENT:

Any firm, from time to time, employs its short-term assets as well as short-term financing sources to carry out its day to day business. It is this management of such assets as well as liabilities which is described as working capital management. Working capital management is a quintessential part of financial management as a subject. It can also be compared with long-term decision-making the process as both of the domains deal with the analysis of risk and profitability.

**Definition of Working Capital**

Working capital is formally arrived at by subtracting the current liabilities from current assets of a firm on the day the balance sheet is drawn up. Working capital is also represented by a firm's net investment in current assets necessary to support its everyday business. Working capital frequently changes its form and is sometimes also referred to as circulating capital.

According to Gretsenberg, "circulating capital means current assets of a company that are changed in the ordinary course of business from one form to another."

**Types of working capital**

Working capital, as mentioned above, can take different forms. For example, it can take the form of cash and then change to inventories and/or receivables and back to cash.

i. Gross and Net Working Capital:
   The total of current assets is known as gross working capital whereas the difference between the current assets and current liabilities is known as the net working capital.

ii. Permanent Working Capital:
This type of working capital is the minimum amount of working capital that must always remain invested. In all cases, some amount of cash, stock and/or account receivables are always locked in. These assets are necessary for the firm to carry out its day to day business. Such funds are drawn from long term sources and are necessary for running and existence of the business.

iii. Variable Working Capital:
Working capital requirements of a business firm might increase or decrease from time to time due to various factors. Such variable funds are drawn from short-term sources and are referred to as variable working capital.

**The Working Capital Cycle**

The working capital cycle refers to the minimum amount of time which is required to convert net current assets and net current liabilities into cash. From a more simplistic viewpoint, working capital cycle is the amount of time between the payment for goods supplied and the final receipt of cash accumulated from the sale of the same goods.

**Properties of a healthy working capital cycle**

It is essential for the business to maintain a healthy working capital cycle. The following points are necessary for the smooth functioning of the working capital cycle:

a) **Sourcing of raw material:** Sourcing of raw material is the beginning point for most businesses. It should be ensured that the raw materials that are necessary for producing the desired goods are available at all times. In a healthy working capital cycle, production ideally should never stop because of the shortage of raw materials.
b) **Production planning:** Production planning is another important aspect that needs to be addressed. It should be ensured that all the conditions that are necessary for the production to start are met. A carefully constructed plan needs to be present in order to mitigate the risks and avert unforeseen issues. Proper planning of production is essential for the production of goods or services and is one of the basic principles that must be followed to achieve smooth functioning of the entire production lifecycle.
c) **Selling:** Selling the produced goods as soon as possible is another objective that should be pursued with utmost urgency. Once the goods are produced and are moved into the inventory, the focus should be on selling the goods as soon as possible.
d) **Payouts and collections:** The accounts receivables need to be collected on time in order to maintain the flow of cash. It is also extremely important to ensure timely payouts to the creditors to ensure smooth functioning of the business.
e) **Liquidity:** Maintaining the liquidity along with some room for adjustments is another important aspect that needs to be kept in mind for the smooth functioning of the working capital cycle.

**Significance of Adequate Working Capital**

Maintenance of adequate working capital is extremely important because of the following factors:

a) Adequate working capital ensures sufficient liquidity that ensures the solvency of the organization.

b) Working capital ensured prompt and on-time payments to the creditors of the organization that helps to build trust and reputation.

c) Lenders base their decisions for approving loans based on the credit history of the organization. A good credit history can not only help an organization to get fast approvals but also can result in reduced interest rates.

d) Earning of profits is not a sufficient guarantee that the company can pay dividends in cash. Adequate working capital ensures that dividends are regularly paid.

e) A firm maintaining adequate working capital can afford to buy raw materials and other accessories as and when needed. This ensures an uninterrupted flow of production. Adequate working capital, therefore, contributes to the fuller utilization of resources of the enterprise.

**Major Functions of Marketing Management**

We need to understand the major functions of marketing management in order to understand and groom our organization. The following are some of the major functions of marketing management −

1.Selling
2.Buying and Assembling
3.Transportation
4.Storage
5.Standardization and Grading
6.Financing
7.Risk Taking
8.Market Information

The marketing process performs certain activities as the products and services move from the producer to consumer. All these activities or jobs are not performed by every company.

**Selling**

Selling is the crux of marketing. It involves convincing the prospective buyers to actually complete the purchase of an article. It includes transfer of ownership of products to the buyer.

Selling plays a very vital part in realizing the ultimate aim of earning profit. Selling is groomed by means of personal selling, advertising, publicity and sales promotion. Effectiveness and efficiency in selling determines the volume of the firm’s profits and profitability.

**Buying and Assembling**

It deals with what to buy, of what quality, how much from whom, when and at what price. People in business purchase to increase sales or to decrease costs. Purchasing agents are much tempted by quality, service and price. The products that the retailers buy for resale are selected as per the requirements and preferences of their customers.

Assembling means buying necessary component parts and to fit them together to make a product. ‘Assembly line ‘marks a production line made up of purely assembly functions. The assembly operation includes the arrival of individual component parts at the work place and issuing of these parts for assembling.

Assembly line is an arrangement of employees and machines in which each individual has a particular job and the work is passed directly from one employee to the next until the product is complete.

**Transportation**

Transportation is the physical means through which products are moved from the places where they are produced to those places where they are needed for consumption. It creates locational utility.

Transportation is very important from the procurement of raw material to the delivery of finished products to the customer's places. Transportation depends mainly on railroads, trucks, waterways, pipelines and airways.

**Storage**

It includes holding of products in proper, i.e., usable or saleable, condition from the time they are produced until they are required by customers in case of finished products or by the production department in case of raw materials and stores.

Storing protects the products from deterioration and helps in carrying over surplus for future consumption or usage in production.

**Standardization and Grading**

Standardization means setting up of certain standards or specifications for products based on the intrinsic physical qualities of any item. This may include quantity like weight and size or quality like color, shape, appearance, material, taste, sweetness etc. A standard gives rise to uniformity of products.

Grading means classification of standardized items into certain well defined classes or groups. It includes the division of products into classes made of units possessing similar features of size and quality.

Grading is very essential for raw materials; agricultural products like fruits and cereals; mining products like coal, iron and manganese and forest products like timber.

**Financing**

Financing involves the application of the capital to meet the financial requirements of agencies dealing with various activities of marketing. The services to ensure the credit and money needed and the costs of getting merchandise into the hands of the final user are mostly referred to as the finance function in marketing.

Financing is required for the working capital and fixed capital, which may be secured from three sources — owned capital, bank loans and advance & trade credit. In other words, different kinds of finances are short-term, medium-term, and long-term finance.

**Risk Taking**

Risk means loss due to some unforeseen situations. Risk bearing in marketing means the financial risk invested in the ownership of goods held for an anticipated demand, including the possible losses because of fall in prices and the losses from spoilage, depreciation, obsolescence, fire and floods or any other loss that may occur with the passage of time.

They may also be due to decay, deterioration and accidents or due to fluctuation in the prices induced by changes in supply and demand. The different risks are usually termed as place risk, time risk, physical risk, etc.

**Market Information**

The importance of this facilitating function of marketing has been recently marked. The only sound foundation on which marketing decisions depend is timely and correct market information.

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## Human Resource Management and Labour Laws

Human Resource Management is an operation in companies, designed to maximize employee performance in order to meet the employer's strategic goals and objectives. It is a process of recruiting, selecting employees, providing proper orientation, induction and training and developing skills.

HRM also includes employee assessment like performance appraisal, facilitating proper compensation and benefits, encouragement, maintaining proper relations with labor and with trade unions, and taking care of employee safety, welfare and health by complying with labor laws of the state or country concerned.

**The Scope of HRM**

The scope of HRM is very wide. It consists of all the functions that come under the banner of human resource management. The different functions are as follows:-

1. **Human Resources Planning**
   It is the process by which a company identifies how many positions are vacant and whether the company has excess staff or shortage of staff and subsequently deals with this need of excess or shortage.
2. **Job Analysis Design**
   Job analysis can be defined as the process of noticing and regulating in detail the particular job duties and requirements and the relative importance of these duties for a given job.
   Job analysis design is a process of designing jobs where evaluations are made regarding the data collected on a job. It gives an elaborate description about each and every job in the company.
3. **Recruitment and Selection**
   With respect to the information collected from job analysis, the company prepares advertisements and publishes them on various social media platforms. This is known as recruitment.

A number of applications are received after the advertisement is presented, interviews are conducted and the deserving employees are selected. Thus, recruitment and selection is yet another essential area of HRM.

**4.Orientation and Induction**

After the employees are selected, an induction or orientation program is organized. The employees are updated about the background of the company as well as culture, values, and work ethics of the company and they are also introduced to the other employees.

**5.Training and Development**

Employees have to undergo a training program, which assists them to put up a better performance on the job. Sometimes, training is also conducted for currently working experienced staff so as to help them improve their skills further. This is known as refresher training.

**6.Performance Appraisal**

After the employees have put in around 1 year of service, performance appraisal is organized in order to check their performance. On the basis of these appraisals, future promotions, incentives, and increments in salary are decided.

**7.Compensation Planning and Remuneration**

Under compensation planning and remuneration, various rules and regulations regarding compensation and related aspects are taken care of. It is the duty of the HR department to look into remuneration and compensation planning.

**Features of HRM**

- Human Resource Management as a discipline includes the following features −
- It is pervasive in nature, as it is present in all industries.
- It focuses on outcomes and not on rules.
- It helps employees develop and groom their potential completely.
- It motivates employees to give their best to the company.
- It is all about people at work, as individuals as well as in groups.
- It tries to put people on assigned tasks in order to have good production or results.
- It helps a company achieve its goals in the future by facilitating work for competent and well-motivated employees.
- It approaches to build and maintain cordial relationship among people working at various levels in the company.

Basically, we can say that HRM is a multi-disciplinary activity, utilizing knowledge and inputs drawn from psychology, economics, etc.

**HRM - Ethical Issues:-**

Human resources managers strive to hire candidates who fit in with an organization's culture. They must also keep an eye on diversity and equal opportunity as well as both traditional and legal hiring practices.

In short, an organization's culture can be at odds with what's the best thing to do for HR managers. As conflict arises, the HR manager must be adept at resolving conflicts between the demands of company culture and those of ethical behavior.

**Major Issues in Ethical Management**

Some of the major issues an organization deals with is handling ethical challenges in workforce diversity. The following are some of the major ethical challenges an organization faces in ethical management −

i. Harming Some While Benefitting Others

   HR managers do much of the screening while the hiring process is still on. By its very nature, screening leaves some people out and permits others to move forward. In short, the ones left out will be affected by not getting the job, no matter how much they need it. HR managers can neglect the emotionalism of such situations by adhering strictly to the skill sets and other needs of the position, but there will always be a gray area where HR managers may scale how much each applicant wants and needs the job.

ii. Equal Opportunity

   The HR managers must regularly monitor the company's hiring practices to make sure there is no discrimination in the hiring process based on ethnicity, sexual orientation, race, religion and disability. However, simply abiding with Equal Employment Opportunity Commission (EEOC) guidelines does not guarantee ethical behavior.

   For example, if an HR manager recommends a candidate in order to fill a quota, that decision is unethical, because it will remove other applicants that may be more qualified.

iii. Privacy

   Privacy is always a sensitive matter for an HR manager. Though a company culture may be friendly and open and motivates employees to freely discuss personal details and lifestyles, the HR manager has an ethical obligation to keep such matters private. This specifically comes into play when the competing company calls for a reference on an employee. To remain ethical, HR managers must abide with the job-related details and leave out knowledge of an employee's personal life.

iv. Compensation and Skills

   HR managers can suggest compensation. While these recommendations may be based on a salary range for each position, ethical dilemmas arise when it comes to compensating employees differently for the same skills.

   For example, a highly sought-after executive may be able to negotiate a higher salary than someone who has been with the company for several years. This can become an ethical problem when the lower-paid employee learns of the discrepancy and questions whether it is based on characteristics such as gender and race.

   Human resources departments must handle a host of ethical and legal issues from the regulations of the EEOC to the principles and practices of organizations such as the Human Resource Management Institute.

v. Labor Costs

HR must cope with conflicting needs to keep labor costs as low as possible and to invite fair wages. Ethics come into action when HR must select between outsourcing labor to countries with lower wages and harsh living conditions and paying competitive wages. While there is nothing illegal about outsourcing labor, this issue has the potential to build a public relations problem if consumers object to using underpaid workers to save money.

vi. Opportunity for New Skills

If the HR department selects who gets training, it can run into ethical issues. As training is a chance for development and broadened opportunities, employees who are left out of training may debate that they are not being given equal opportunities in the workplace.

vii. Fair Hiring and Justified Termination

Hiring and termination decisions must be made without regard to ethnicity, race, gender, sexual preference or religious beliefs. HR must take precautions to eliminate any bias from the hiring and firing process by making sure such actions adhere to strict business criteria.

viii. Fair Working Conditions

Companies are basically expected to provide fair working conditions for their employees in the business environment, but being answerable for employee treatment typically means higher labor costs and resource utilization.

Fair pay and benefits for work are more obvious factors of a fair workplace. Another important factor is provision of a non-discriminatory work environment, which again may have costs engaged for diversity management and training.

By now it’s pretty clear that while working in an organization, we come across people with different backgrounds, cultural beliefs and we need to respect their beliefs. In case an employee feels left out due to some problem, it may not work in the favor of the organization.

## Organizational support services - Central and State Government Incentives and Subsidies

Government provides many types of incentives to entrepreneurs. These incentives help to increase productivity. It acts as a motivating force for the entrepreneur. These incentives are categorized as **concession**, **subsidies** and **bounties**. Subsidies are a onetime lump sum amount given to the entrepreneur by the government. It is a financial help to cover the cost. Bounty is a financial help provided to an industry so that it can compete with other units of the country as well as any foreign industry in the same business.

**Aims and Objectives of Incentives:-**

1. To eliminate Economic constraints:

Entrepreneurs face many types of constraints. e.g. lack of adequate infrastructure, far flung locations of supporting offices for projects, lack of related knowledge by entrepreneurs viz., managerial know how, market intelligence, etc. Thus government incentives in the form of availability of power, concessional finance, capital investment subsidies, transport subsidies etc aims at eliminating such constraints and promote entrepreneurship.

2. To bring about regional parity in development:

In our country there is imbalance in the development across different regions. Some are well established and some are underdeveloped. In order to see that there is equal development of all the regions, government provides special incentives for establishing entrepreneurs in the backward regions.

3. To enhance competitive capability:

In this competitive world small scale enterprises established by entrepreneurs face stiff competition from big firms. If they are not provided appropriate support from the government then they can't survive and grow. Thus certain incentives are required.

E.g. reservation policy, price preference, preferential purchase, etc., help to improve their competitive strength.

Entrepreneurs in the present globalized market economies are the engine of economic development. Due to their private ownership for majority of cases, entrepreneurial spirit, their flexibility and adaptability and also their capability to react to challenges and changing environments, enterprises lead to sustainable growth and employment generation in a significant manner. Enterprises, specially small and medium enterprises are considered to have strategic importance in national economy for many reasons. Therefore government helps enterprises including small and medium ones by supporting entrepreneurs. By doing so, it is possible to create new job positions, increase gross domestic product (GDP) and rising living standard of population. Government provides support to entrepreneurs in the following ways.

4. Training:

Basic training varies from product to product but will necessarily emphasize on sharpening of entrepreneurial skills. In this regard central and state government's technical institutions provide need based technical training. Entrepreneurship development programmes are conducted by many government organizations and non-government institutions.

5. Marketing assistance:

Government and non-government agencies provide marketing assistance to entrepreneurs. Government promotes MSME products through exhibitions. NSIC directly markets the MSME product in the national and international market, NSIC manages single point registration scheme for manufacturers for government purchases. Enterprises registered under this scheme obtain the benefit of free tender documents and exemption from earnest money deposit and performance guarantee.

6. Promotional schemes:

Government provides highest preference for development of MSME by formulating and implementing conducive policies and government schemes. Government provides development land and sheds on actual cost basis with appropriate infrastructure. The government has designed the special schemes for specific purposes such as quality upgradation, common facilities, entrepreneurship development and consultancy services at minimal charges. The government provides financial support to entrepreneurs to obtain ISO 9000 certificate by providing up to 75% of actual cost with maximum ceiling of Rs 75000/-.

7. Concession of Excise duty:

Government provides exemption to MSME units for a particular level of annual turnover from paying excise duty. The limit of turnover is variable.

8. Credit facility:

Credit to micro, medium and small scale sector is covered under priority sector lending by banks. Small industries development bank of India (SIDBI) is mainly responsible for implementing various schemes of providing financial support to small entrepreneurs. Loans are also provided to small entrepreneurs by scheduled banks without collateral security. This limit is variable.

**Schemes of State Governments**

All the state governments also provide technical and other support services to small enterprises through their directorate of industries and district industries center. In general all the state governments extend support of following types.

a) Deferment/ suspension of sales tax.

b) Power subsidy

c) Capital investment subsidies to new enterprises established in some selected districts.

d) Margin money/seed capital assistance schemes.

e) Priority in providing power connection/water connection.

f) Technical and consultancy support.

## MODULE 3: STARTUP AND BUSINESS INCUBATION

### STARTUP

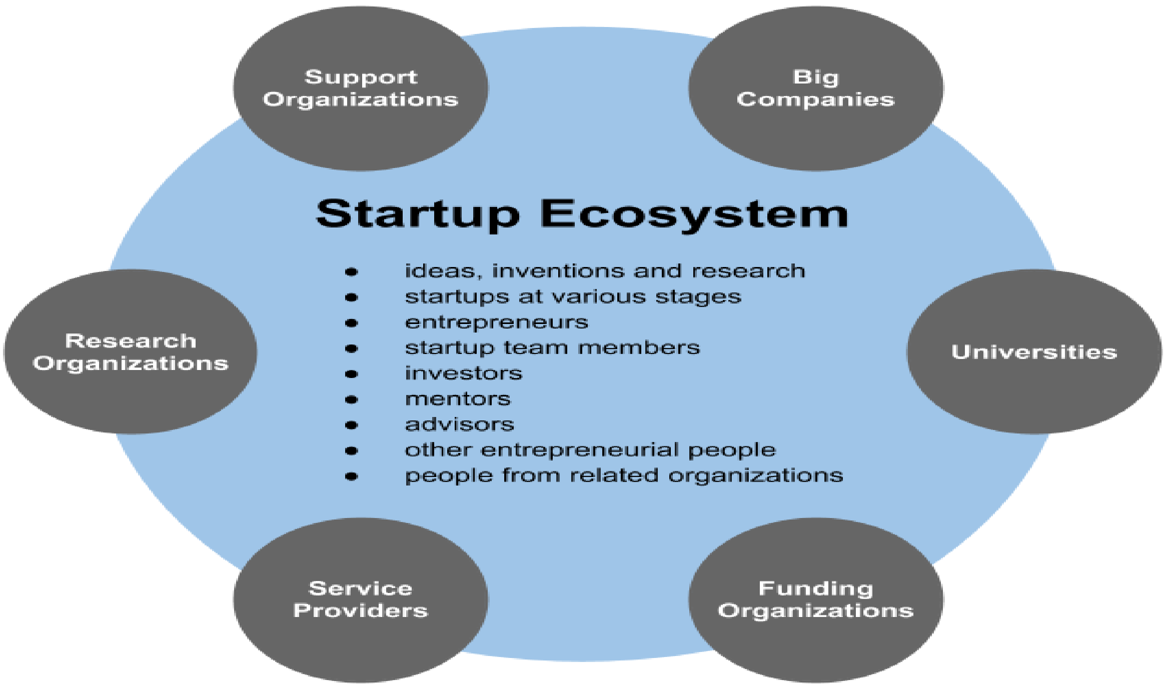
The term startup refers to a company in the first stage of its operations. Startups are founded by one or more entrepreneurs who want to develop a product or service for which they believe there is a demand. These companies generally start with high costs and limited revenue which is why they look for capital from a variety of sources such as venture capitalists.

- A startup is a company that's in the initial business stage.
- Until the business gets off the ground, a startup is often financed by its founders and the startup attracts outside investment.
- There are many different ways to fund startups including family and friends, venture capitalists, crowdfunding, and credit.
- Startups also have to consider where they'll do business and their legal structure

### STARTUP ECOSYSTEM:-

A startup ecosystem is formed by people, startups in their various stages and various types of organizations in a location (physical and/or virtual), interacting as a system to create new startup companies.

These organizations can be further divided into categories: universities, funding organizations, support organizations (like incubators, accelerators, co-working spaces etc.), research organizations, service provider organizations (like legal, financial services etc.) and large corporations. Different organizations typically focus on specific parts of the ecosystem function and/or startups at their specific development stage(s).



**Elements Of Startup ecosystem**

- ideas, inventions and researches
- start-ups at various stages
- entrepreneurs
- start-up team members
- angel investors
- start-up mentors
- start-up advisors
- other entrepreneurial minded people
- third people from other organizations with start-up activities

**Organizations and activities with start-up activities**

- universities
- advisory & mentoring organizations
- startup incubators
- startup accelerators
- co working spaces
- Service providers (consulting, accounting, legal, etc.)
- event organizers
- start-up competitions
- investor networks
- venture capital companies
- crowd funding portals
- Other funding providers (loans, grants etc.)
- start-up blogs & other business media
- other facilitators

People from these roles are regarded as linked together through shared events, activities, locations and interactions.

As startup ecosystems are generally defined by the network of interactions among people, organizations and their environment, they can come in many types but are usually better known as startup ecosystems of specific cities or online communities (although some may say that due to social networks, the entire globe is just one big network of startup ecosystems).

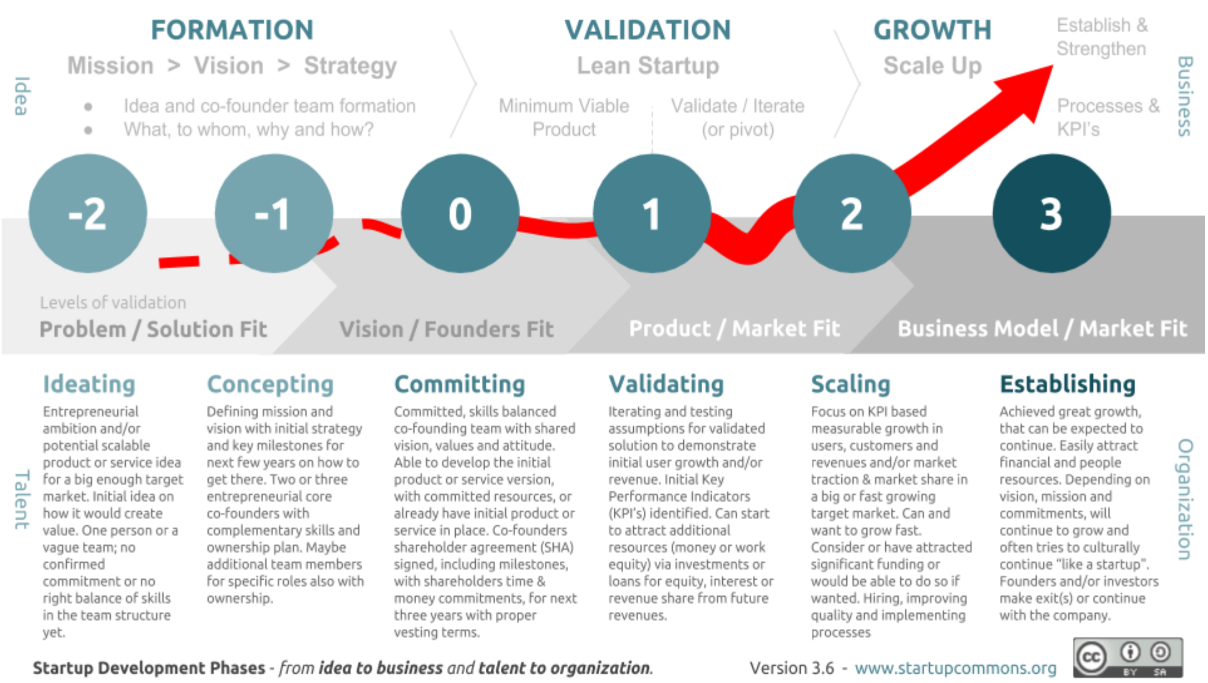
**Start-up ecosystems are controlled by both external and internal factors**. **External factors** as financial climate, big market disruptions and big companies transitions, control the overall structure of an ecosystem and the way things work within it. Start-up ecosystems being dynamic entities—invariably, they are initially in formation stages and once established are subject to periodic disturbances (like the financial bubbles) passing afterwards to the recovering process from some of those past disturbances.

Start-up ecosystems in similar environments but located in different parts of the world can end up doing things differently simply because they have a different entrepreneurial culture and resources pool. The introduction of non-native people knowledge and skills can also cause substantial shifts in the ecosystem functions.

**Internal factors** not only control ecosystem processes but are also controlled by them and are often subject to feedback loops. While some of the resource inputs are generally controlled by external processes like financial climate and market disruptions, the availability resources within the ecosystem is controlled by internal factors like people and organizations ability to contribute towards the ecosystem. Other internal factors include startups success and failures succession along types of people and available skills. Although people exist and operate within ecosystems, their cumulative effects are large enough to influence external factors like financial climate.

People diversity also affects startup ecosystem functions, as do the processes of disturbance and succession. Startup Ecosystems provide a variety of goods and services upon which other people and companies depend on and thus, the principles of startup ecosystem management suggest that rather than managing individual people or organizations, resources should be managed at the level of the startup ecosystem itself. Classifying start-up ecosystems into structurally similar units is an important step towards effective ecosystem management.

## Startup Development Phases




Basically, the business life cycle and particularly the process of startup development might be divided into the phases of the formation, validation and growth.

At the first stage of **formation** of your business, the start-up will go from mission to vision and to strategy. It is crucial to identify your start-up idea and do market research by answer such questions as what to whom? And Why and how? The next stage - **validation** means you will be following from visionary idea to product creation with the market fit. At this point launching Minimum Viable product and validation/iteration is crucial to frame the start-up and improve its product. The stage of **growth** suggests that a start-up will transform into the business model that has already been established. Your business will continue to grow with your/your team support.

## Business Incubation

### Meaning

Business Incubation is the name given to the process, wherein an individual or an organization supports the establishment and growth of a start-up. Those supporting the start-up or new companies are called business incubators. These business incubators see the growth potential and weigh the opportunity before supporting or funneling funds into any start-up. The selection of a start-up involves a high level of research before any decision is taken to support or fund a start-up. In a nutshell, we can say the goal of incubation is to increase the success chances of business.

**Definition**

**According to Sherman and Chappe**l, a business incubator is an "economic development tool primarily designed to help create and new businesses in a community."

Further, Sherman and Chappel note that

The business incubator support emerging businesses with several services, such as assistance in building management teams, developing business and marketing plans, funds, professional services, shared equipment and more.

The number of incubators has grown considerably in recent years. This rise is due to several factors, such as corporate downsizing, increased entrepreneurship, new technologies, economic globalization and the transfer of technology.

**Importance of Business Incubation**

There is no dearth of start-ups that work on a brilliant idea with a huge scope of scaling. However, these companies have little knowledge about management, and therefore, burn cash rapidly. Business incubators help the start-ups to manage finances and ensure proper utilization of the money. Managing a business at a very local level play a significant role in making the foundation strong and scale it. Business incubators essentially perform the same function.

There are various business incubators that target businesses that want to establish themselves formally in the market. Such businesses with great growth potential might require various types of support such as planning, training and development, research support and so on.

**Stages of Business Incubation**

The whole process of business incubation is broadly divided into three categories:-

1. PHYSICAL FACILITY SUPPORT
   This refers to the incubation service provided within the physical facility.
2. NETWORKING FACILITIES
   After the physical facility, business incubators help the start-up with networking facilities so as to grow the business.
3. SUPPORT SERVICES
   Once the business is up and running, the incubators offer various support services to the businesses in order to run the business smoothly.

**Incubators – Who Are They?**

Incubators are usually a partnership or collaboration between one more pro-business organizations. These organizations can be:-

- Economic development organizations
- Government entities
- Local colleges and universities
- For-profit ventures

- Trade associations

**Services Offered By Business Incubators**

Start-ups usually have a rich idea but lack the resources to execute it. Thus, they require business incubators to perform significant roles or fill the gap. Following are the most common services offered by the business incubators:

- Help a start-up to start basic operations and financial management.
- Offer marketing and PR assistance to new companies to set up a brand name.
- Business incubators have a strong network of influential people, and therefore, they can connect the business with the same to grow.
- Incubators also provide assistance and resources for conducting market research.
- They also help the start-ups in sorting their accounting books.
- Incubators bring credibility to the company. This helps the company to get loans and credit facilities from financial institutions.
- Often the start-ups do not know how to create an effective presentation to impress angel investors, venture capital and other investors. Business incubators, with plenty of experience behind them, help these companies with the presentations as well.
- Business incubators also act as mentors and advisors and assist the start-ups in all sorts of business-related issues.