

INNOVATION & ENTREPRENEURSHIP

Lecture Details:

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I & E/ MBA

Presented By:

DR. M. VIJAY KUMAR

Designation: PROFESSOR

Department: DMS

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UNIT I

Entrepreneurship: Definition of Entrepreneur, Entrepreneurial motivation and barriers; Internal and external factors; Types of entrepreneurs; Theories of entrepreneurship; Classification of entrepreneurship. Creativity and Innovation: Creative Problems Solving, Creative Thinking, Lateral Thinking, Views of De Bono, Khandwa land others, Creative Performance in terms of motivation and skills.

Entrepreneur

- Any one who runs business is called an entrepreneur.
- Entrepreneur is one who understands the market dynamics and searches for change respond to it and exploit it as an opportunity.

Drucker's Views on Entrepreneur

“An entrepreneur is the one who always searches for change, responds to it and exploits it as an opportunity. Innovation is the specific tool of entrepreneurs, the means by which they exploit changes as an opportunity for a different business or different service”

Evolution of Entrepreneurship

- The word *entrepreneur* is derived from the French word *entreprendre*. It means to undertake.
- Around 1700 A.D. the term was used for architects and contractor of public works.

History of Entrepreneurship in India

The history of entrepreneurship is important worldwide, even in India.

In the pre colonial times the Indian trade and business was at its peak. Indians were experts in smelting of metals such as brass and tin.

Following that period, in around 1600 A.D., India established its trade relationship with Roman Empire. Gold was pouring from all sides. Then Portuguese and the English came to the India. They captured the Indian sea waters and slowly entered the Indian business. They forced the entrepreneurs to become traders and they themselves took the role of entrepreneurs. This was the main reason for the downfall of Indian business in the colonial times which had its impact in the post-colonial times too. The colonial era make the Indian ideas and principles rigid.

It has the world's twelfth largest economy at market exchange rates and the fourth largest in purchasing power at the time of freedom. Economic reforms since 1991 have transformed it into one of the fastest growing economies.

Industries and handicrafts in pre- British India

- The popular belief that India had never been an industrial country is incorrect. It was true that agriculture was the dominant occupation of her people but the products of Indian industries enjoyed a worldwide reputation.
- The chief industry spread over the whole country was textile handicrafts.

Decline of Indian handicrafts and **progressive ruralisation.**



- Before the beginning of Industrial Revolution in England, the East India Company concentrated on the export of Indian manufactured goods, textiles, spices, etc., to Europe where these articles were in great demand. The Industrial Revolution reversed the character of India's foreign trade. Tremendous expansion of productive capacity of manufactures resulted in increased demand of raw materials for British industry and the need to capture foreign markets.

Process of industrial-transition in India.

The process of industrial transition in the British period is broadly divided into -

industrial growth during the 19th century and

industrial progress during the 20th century.

Only after the First World War some protection was granted to Indian industries otherwise Indian industry had to face world competition on its own strength. This explains the slow growth of industrialisation.

Private enterprise and industrial growth in the 19th century

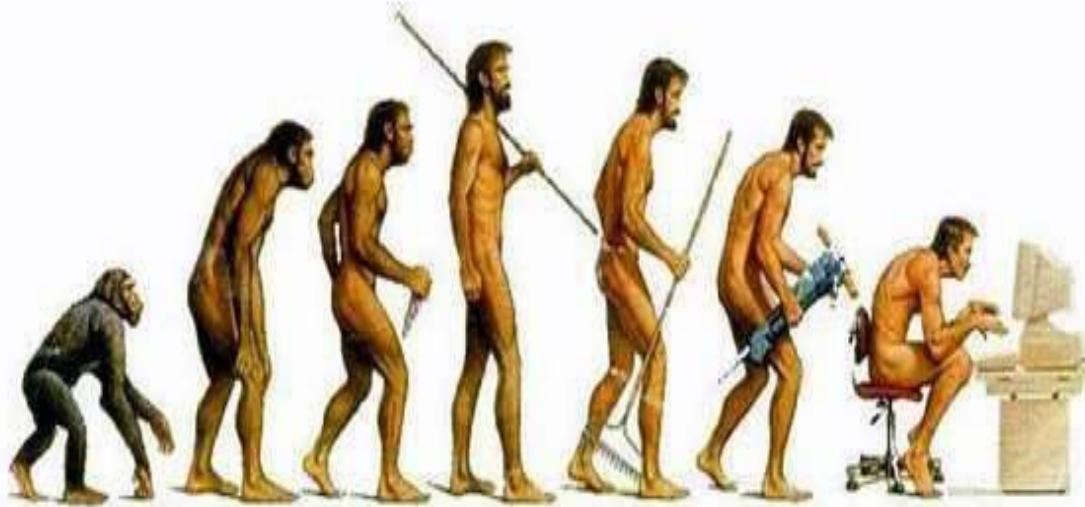
The outstanding industrial events of the 19th century were-
declining of indigenous
industries and rise of large-
scale modern industries.

This change was brought about by private enterprise. The rise
of large-scale industries was slow in the beginning but by the
close of the 19th century, the movement was more rapid.

Further,

Entrepreneurship as a topic for discussion and analysis was introduced by the economists of the eighteenth century, and it continued to attract the interest of economists in the nineteenth century. In the twentieth century, the word became synonymous or at least closely linked with free enterprise and capitalism. Also, it was generally recognized that entrepreneurs serve as agents of change; provide creative, innovative ideas for business enterprises; and help businesses grow and become profitable.

Evolution of Entrepreneurship in India



History Of Entrepreneurship in India

- The history of entrepreneurship in India starts in the era of Indus Valley Civilization.
- During the Early Harappa period (about 3200–2600 BCE)
- This age is also called as copper age, the Indus Valley Civilization area showed ceramic similarities with southern Turkmenistan and northern Iran which suggested considerable mobility and trade.
- Apart from agriculture and hunting, the Indus people supported themselves by trading goods like exchange of Potteries, ornaments, exchanges of animals etc...

Growth of Entrepreneurship

Retrospect and Prospect



- **Indus valley civilization:** organized enterprise at a time when the world just belonged to clothe itself.
- **The early years (1000 B.C-500 B.C):** Indian trader introduced re-exporting bought silk from Chinese and sold to central Asia. Bought horses from west Asians and sold to the Chinese.
- **The Maurya Era:** In modern times the Maurya Empire is remembered as one of the golden ages of Indian history, a time when the country was united and independent.
- Vast territory, better trade. Widespread use of metallic money, Missions to Sri Lanka and Southeast Asia increase trade.
- The people were divided into seven endogamous groups--philosophers, peasants, herdsmen, traders, soldiers, government officials, and councilors.

- **The Gupta Era: (400 A.D – 600 A.D)** - Traders from associations to protect interests Codification of transnational business.
- **The Middle ages-(700 A.D-1300 A.D):** Paper, Printing invented.
Dams, roads ease trade, south –East Asia & indoasiea.
- **The Mughal age (1500 A.D-1600 A.D):** Dominated world commerce, large quantities of gold and silver flow into the country.
- **The Mughal Era II (1600 A.D-1700 A.D):** British arrive in this era.
The person named Surat merchant virji Vora among first entrepreneurs.
- **The colonial era I (1700 A.D-1850 A.D):** Europe was then the hotbed of technological innovation. The traders brought with them plenty of new ways of doing business. Seizing the opportunities that emerged, many Indians became entrepreneurs.
- **Dwarkanath Tagore**, who formed India's first Joint Venture with a foreigner, **Carr Tagore Nanabhai Davar**, who put up the country first textile mill in 1854. But could not able to run that.

- **The colonial ERA II (1850 A.D-1900A.D):** Railways set up (1853). **cowasjee Nanabhai Davar** first cotton mill in Bombay. Sir **J.N Tata** founded Jamshedpur steelworks. Foundations of jute mills, pharmaceutical industry were laid.
- Major players of the era were Ghanshyam das, Birla, Goenkas, khaitans, jamsetjee jejeebhoy, Mafaltal Gagalbhai, Laxmanrao kirlsokar, walchand Hirachand, Nusserwanjee wadia, pirojsha Godrej, K.Gopalakrishnan, L.K.singhania, Gujar- lal modi and Lala shriram
- **The colonial era III (1900 A.D-1947A.D):** New crop arises in this Period. Change makers like JRD Tata, MS Oberai, jamnalal Bajaj lead the way for Indian entrepreneurs.
- **After Independence:** scale industrialization entrepreneurs like Dirubai Ambani emerge. Globalisation arrives, and with it the premjis, the Narayana murthys, the Rajesh Jains etc., Over the last 68 years, India has seen the entrepreneur evolves in different role.
- The modern entrepreneurs are wealth creators, communicators, change agents, entertainers etc.

- **Entrepreneurship-Present Era:** *C.K.Prahlad, —Fortune at the bottom of the pyramid* states that the need for innovation in entrepreneurship.
- Nation urges Entrepreneurs to Explore domestic opportunities
- To succeed, one need to continuous innovation & to have continuous innovation, one need to tap thinking of every one in enterprise. Innovation plays a key factor in an entrepreneurial quality.
- **Importance of Innovation In entrepreneurship:** The starter face toothache and hick ups at the early stage ,where as existing business face different problems, limitations, management problems and constraints in the market etc. Both the cases it needs to learn many things and should be innovative for the survival in the business market.

- **Future of Entrepreneurship:** Technology plays a crucial role in the future of entrepreneurship. Entrepreneurs have the chance to do both strategic planning and administrative work for their business.
- The Internet and especially social media tools makes it possible to turning passion into a thriving business.
- Once an entrepreneur is in possession of these two, it is a matter of learning and mastering the different tools available online to turn your idea into a thriving business.
- As someone said —failures are the stepping Stones for Success||. If we observe the way any entrepreneur, their life is not a bed of roses. They faced many obstacles in the way of entrepreneurial achievement.

FUNCTIONS OF AN ENTREPRENEUR

Who is an entrepreneur?



Functions of an entrepreneur



Identifying the problem



Identify opportunities:







- ☐ yes
- ☐ no
- ☐ maybe

Conclusion



ENTREPRENEURE

The term 'entrepreneur' is derived from the French word '*entrprendre*' which means 'go between' or 'to undertake'.

Thus

an entrepreneur is any person

who undertakes the risk of

establishing and running of a new enterprise. There are different types of entrepreneurs on the modes or objectives or ventures. These classifications are not mutually exclusive.



TYPES OF ENTREPRENEURS

1) ACCORDING TO THE TYPE OF BUSINESS

i) Business entrepreneurs:- who start business units after developing ideas for new products/services.

ii) Trading entrepreneurs:- who undertake buying & selling of goods, but not engage in manufacturing.

iii) corporate entrepreneurs:- who establish and manage corporate form of organization which have separate legal existence.

iv) Agricultural entrepreneurs:- who undertake activities like raising and marketing of crops, fertilizers and other allied activities.

2) ON THE BASIS OF STAGES OF DEVELOPMENT



i) First generation entrepreneurs:- who do not possess an entrepreneurial background. They start industry by their own innovative skills. ii) Second generation entrepreneurs:- who inherit the family business and pass to next generation. iii) Classical entrepreneurs:- who aims to maximize his economic returns at a level consistent with the survival of the unit with or without an element of growth.

3) ON THE BASIS OF MOTIVATION

i) Pure entrepreneurs:- who are basically motivated to become entrepreneurs for their personal satisfaction, ego etc..

ii) Induced entrepreneurs:- who are induced to take up entrepreneurial role by the assistance and policy of government including incentives, subsidies etc.



4) ON THE BASIS OF TECHNOLOGY

i) Technical entrepreneurs:- who are task oriented and 'craftsman type'. They prefer doing to thinking.

ii) Non-technical entrepreneurs:- who are not concerned with technical side, but rather with marketing and promotion.

iii) Professional entrepreneurs:- who start a business unit, but later sell the running business and start a new unit later



5) ON THE BASIS OF CAPITAL OWNERSHIP

- i) Private entrepreneurs:- individual or group set up enterprise, arrange finance, share risk etc..
- ii) State entrepreneurs:- means the trading or industrial venture undertaken by the state or the government itself.
- iii) Joint entrepreneurs:- the combination of private and government entrepreneurs.



OTHER CLASSIFICATIONS

6) ACCORDING TO GENDER AND AGE

i) Man entrepreneurs ii) Women entrepreneurs
iii) Young entrepreneurs iv) Old entrepreneurs
v) Middle-aged entrepreneurs

7) ACCORDING TO AREA

i) Urban entrepreneurs
ii) Rural entrepreneurs



.8)ACCORDING TO SCALE

- i) Large scale entrepreneurs
- ii) Medium scale entrepreneurs
- iii) Small scale entrepreneurs
- iv) Tiny scale entrepreneurs

9)OTHERS

- i) Spiritual Entrepreneur
- ii) Social entrepreneurs
- iii) Edupreneurs



Different Approaches To Entrepreneurship

1. The Personalities And Traits Approach.
2. The Process Approach.
3. The Method Approach.

1. **The Personalities And Traits Approach.** The first approach is focused on teaching the personalities and traits of entrepreneurs. This approach uses various personality and psychometric tests aimed at discovering who can be an entrepreneur. Research has yet to provide a strong correlation between personality types and the ability to become a successful entrepreneur. There are successful entrepreneurs who are extroverts and introverts, males and females, educated and uneducated, young and old, and from all cultures and nationalities. There are just too many variables at play making it nearly impossible to define the personality and traits associated with being an entrepreneur.
- **2. The Process Approach.** The second approach is focused on process. The process approach emphasizes the actions of the entrepreneurs rather than their personalities and traits. Similar to an assembly line, the steps or phases of starting a business is the path aspiring entrepreneurs take in a linear fashion. Most academic institutions follow this approach

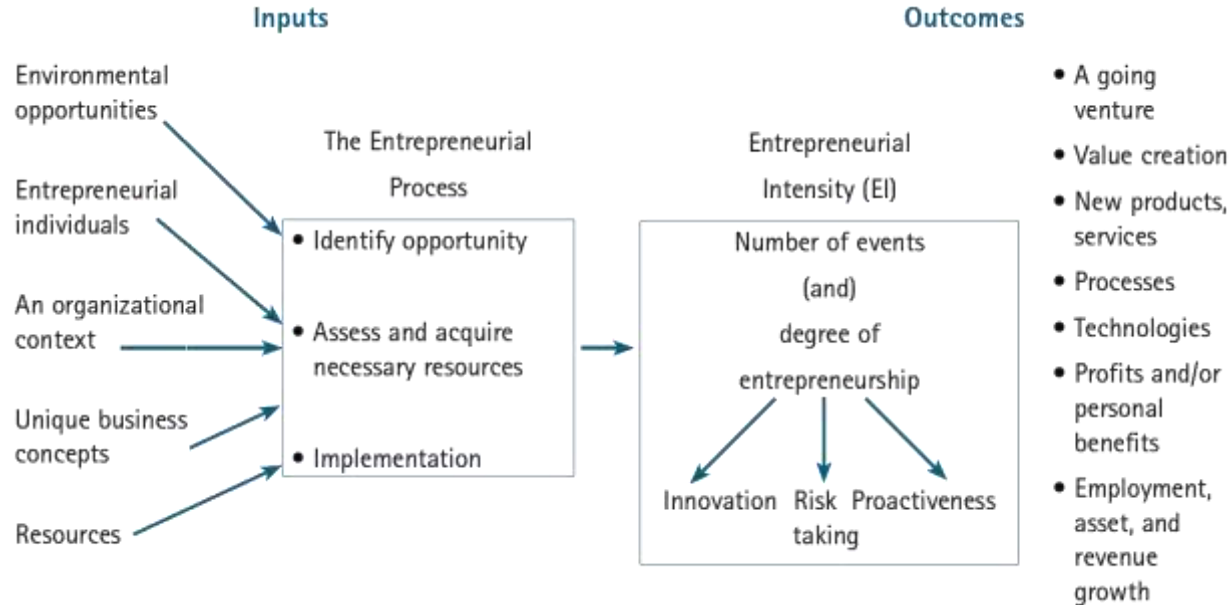
- when teaching entrepreneurship. These are often taught as courses in conjunction with or within business and management courses. Similarly, this approach has its limitations, as it confines the entrepreneurial process in a linear fashion and implies a specific destination. In addition, a process assumes given inputs and outputs, which is often unknown in entrepreneurship. This doesn't consistently result in the success stories aspiring for at the end of the assembly line.
- **3. The Method Approach.** Babson College, the leading academic institute worldwide in entrepreneurship education promotes a new approach of teaching entrepreneurship as a "method." This approach [focuses on learning by practice](#). The 'method approach' represents a body of skills or techniques relevant to entrepreneurs rather than the rigid inputs and outputs presented by the process approach. The distinction is made clearer in the figure below. Dr. Heidi Neck, a leading expert on entrepreneurship education from Babson

- College, suggests five practices to develop an entrepreneurial mindset. These important practices are: play, empathy, creation, experimentation and reflection.
- **1. Play.** The practice of play opens the student's minds to new ideas with all the possibilities and not limited by what exists around them. Examples: Mind-mapping, Brainstorming, Blue Sky Exercise.
- **2. Empathy.** The practice of empathy allows the students to develop deep understanding of the customer's feeling, behaviors and ultimately what they need. Examples: Value Proposition Canvas.
- **3. Creation.** The practice of creation pushes students to develop solutions that really meet the needs of customers. Examples: Marshmallow Challenge, Lego.
- **4. Experimentation.** The practice of experimentation encourages students to go out and collect their own research and leaving existing info to test the impact of your idea. Examples: Business Model Canvas.

- Integrative Approach

- Built around the concepts of inputs to the entrepreneurial process and outcomes from the entrepreneurial process.
- Focuses on the entrepreneurial process itself and identifies five key elements that contribute to the process.
- Provides a comprehensive picture regarding the nature of entrepreneurship that can be applied at different levels.

An Integrative Model of Entrepreneurial Inputs

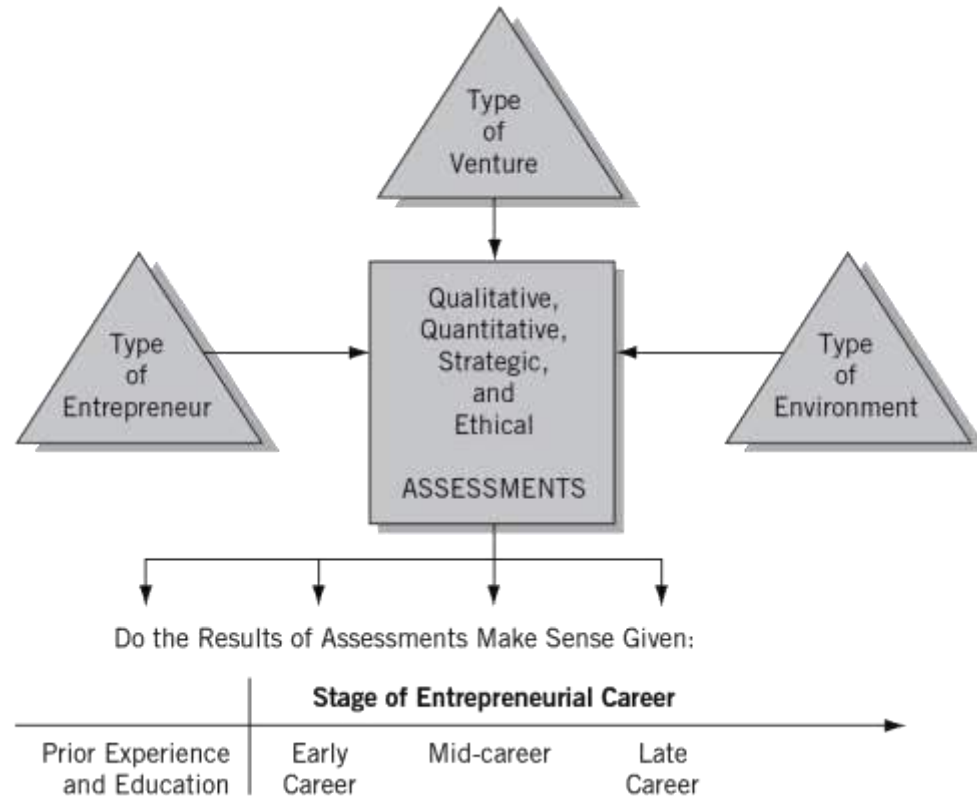


Process Approaches... (cont'd)



- Entrepreneurial Assessment Approach
 - Stresses making assessments qualitatively, quantitatively, strategically, and ethically in regard to the entrepreneur, the venture, and the environment
- Multidimensional Approach
 - Views entrepreneurship as a complex, multidimensional framework that emphasizes the individual, the environment, the organization, and the venture process.

Entrepreneurial Assessment Approach



UNIT II

Creativity and Entrepreneurial Plan: Idea Generation, Screening and Project Identification, Creative Performance, Feasibility Analysis: Economic, Marketing, Financial and Technical; Project Planning, Evaluation, Monitoring and Control, segmentation, Targeting and positioning of Product, Role of SIDBI in Project Management.

The Entrepreneurial Journey

- Entrepreneurs emerge as a function of value- creation process.
 - emergence of the opportunity
 - emergence of the venture and
 - emergence of the entrepreneur.
- Socially situated process that involves numerous actors and events.
- Processes include emotions, impulses, and physiological responses as individuals react to a diverse, multifaceted, and imposing array of activities, events and developments.

- Steps That Begin Your Entrepreneurial Journey
- Nobody is born an entrepreneur. Different people take different paths to achieve success, and there is no set-in-stone instruction for becoming one. Entrepreneurs take on a number of different roles and these roles can vary depending on what field you choose to enter.
- While there is no perfect guide to entrepreneurship, there are a few steps that should be taken before beginning the endeavor, however. As with most forms of success, one way to achieve your goal is by avoiding mistakes. Following these pieces of advice could prevent you from starting off your life as an entrepreneur on the wrong foot.

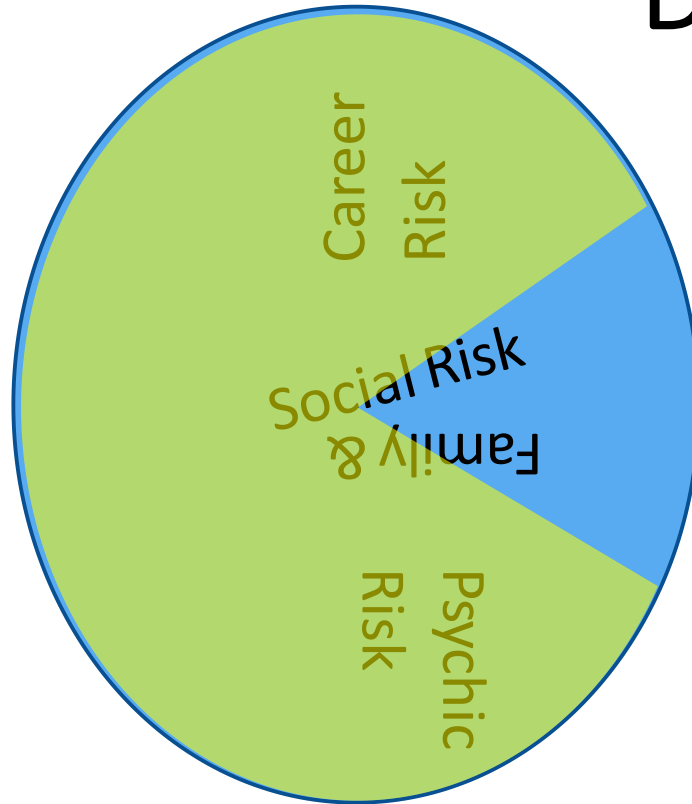
- 1. Have the right mindset.
- I often see people who want to be an entrepreneur and can't figure out why their goal isn't working. In the end, they simply aren't thinking like an entrepreneur. The first thing that new entrepreneurs need to know is that failure is likely and success is not given. Understand the risk you are taking, and also understand that you will most likely not succeed immediately.
- 2. Be honest with yourself.
- The life of an entrepreneur can be great -- you're your own boss, you make the rules, you run the business. However, all of these are easier said than done. Entrepreneurship isn't an easy path. Instead, it is often much more difficult than getting a regular job.
- One reason entrepreneurship isn't easy is because, at the end of the day, you can only ever blame yourself. At a corporation you can blame your boss, or perhaps the economy as a whole. As an

- entrepreneur, you will be looking for a niche in the market that you can fill. Excuses won't cut it in this field. If your business failed, chances are that you researched poorly, you hired the wrong people or you just weren't prepared.
- 3. Start thinking.
- Just because some college drinking buddies want to open a bar doesn't mean they should. Likewise, just because you've come up with what you think is a good idea doesn't mean it's perfect. There's a lot of research, planning and general deep thought needed to succeed as an entrepreneur. Without proper preparation, your dream business could fail quite quickly.
- At the same time, no amount of preparation is going to ensure that your business will succeed. You need to be the one who knows when you're

- ready. Decisiveness is important to have, but you should have ample preparation before the big decisions need to be made.
- 4. Find a mentor.
- This is one of the most important steps you can take to lay a foundation for success. When you have expert guidance, support, and motivation -- you are 100 times more unstoppable than you are alone. Mentorship allows you to quantum leap straight to the head of the game more rapidly than if you tediously faced down every beginner's hurdle. Avoid pitfalls, mistakes that could cost you your future, and rash decisions by having someone in your corner.

- 5. Commit.
- Once your business idea is prepared and you're ready to be an entrepreneur, the last thing you need to do is commit. If you truly want to succeed, put in 100 percent effort. Effort will always trump luck and skill, so if you're serious about being an entrepreneur then you should never stop trying.

Different Types of Risk



THE DARK SIDE OF
ENTREPRENEURSHIP



THE DARK
SIDE OF
ENTREPRENEURSHIP

Financial
Risk

Stress and the Entrepreneur

What is entrepreneurial stress?

- Discrepancies between a person's expectations and ability to meet demands → need to be looked up to by your staff, need to build up the company fast, need to put systems in place, market to difficult markets → do you have the ability to do it? → the bigger the gap, the higher the stress becomes
- Discrepancies between the individual's expectations and personality

Stress and the Entrepreneur

- Engage in constant communication activities interacting with customers, suppliers, regulators, lawyers & accountants (stakeholders) → people in your company, outside your company, behind the scenes
- Entrepreneurs must bear the cost of their mistakes while playing a multitude of roles – salesperson, recruiter, spokesperson & negotiator → need to wear a lot of different hats

Stress and the Entrepreneur

- Lack of support from colleagues that may be available to managers in a large corporation
- Require a large commitment of time & energy, often at the expense of family & social activities.

Sources of Stress



FOREVER ALONE

Loneliness – isolated from persons in whom they can confide

Sources of Stress



Immersion in Business – most entrepreneurs are married to the business.

Sources of Stress

- People problems
- Successful entrepreneurs are to some extent perfectionists and know or insist how they want things done
- (need to have vs good to have!)
- Need to achieve
- Achievement brings satisfaction

Stress and the Entrepreneur

- What kind of behaviour does an entrepreneur exhibit when stressed?



Stress and the Entrepreneur

- Stress can result from personality
- 'Type A' behaviour
 - Impatient, demanding & over strung
 - Chronic & severe sense of urgency → want to be better than competitors
 - Constant involvement in multiple projects subject to deadlines
 - Neglect all aspects of life except work
 - Tendency to take on excessive responsibility
 - Tendency to speak faster than most people

Dealing With Stress

Networking

**Getting
away from it
all**

**Communicating
with employees**

**Finding
satisfaction
outside the
company**

Delegating

**Mental health
check-up (or
counselling)**

**Knowing self
and
business/life
partners**

What Role Does Ego Play in Entrepreneurs?

- Entrepreneurs need a very healthy ego to succeed. Many might be self-effacing and humble, but there still has to be a deep-seeded, positive sense of self and ego. Some might call it drive. That's part of it. Courage and belief in one's own abilities is also important. Natural leadership qualities and a desire to lead are driven by ego.
- Ego is important. Without a healthy ego entrepreneurs don't have the necessary internal reserves to survive the daily rigors of startup life.

Theories of Motivation

- Many theories have been proposed to explain people's behavior.
- These theories explain human motivation through human needs and human nature.
- Important theories of motivation are
 - Maslow's Need Hierarchy Theory
 - McGregor's Theory 'X' and Theory 'Y'
 - Herzberg and et al's Motivation-Hygiene Theory

Maslow's Need Hierarchy Theory

- According to Maslow, an individual's motivation depends on the order of needs that he wants to satisfy.
- His model of 'Hierarchy of Needs' indicates the following aspects of human behavior.
 - Physiological needs
 - Safety needs
 - Social needs
 - Esteem needs
 - Self-actualization needs



Maslow's Hierarchy of Needs



1. Physiological Needs

- These are the basic needs of food, Copeny thirst, shelter and
- These needs are independent of each other.
- They are cyclic, i.e. satisfied for a very short period. They reappear after a certain time period.

2. Safety Needs

- After satisfying physiological needs, needs for protection against danger and threats arise.

3. Social Needs

- After satisfying the physiological and safety needs, need for love and affection and belongingness arise.
- Anin dividual wants friendly relationships with people and wants to have a respected place in the society.

4. Esteem Needs

- Everyone has a need for self-respect.
- This produces the desire for strength, confidence, prestige, recognition and appreciation.
- These needs are rarely fully satisfied.

5. Self-actualization Needs

- The term “self-actualization” was coined by **Kurt Goldstein** and means, to become what one is good at.
- A person may achieve self-actualization in being the ideal fitter, supervisor, mother or an artist.

Theory X and Theory Y

- The quality of an organization depends on the belief of the management on how to control its human resources.
- Professor Douglas McGregor proposed two opposite sets of Assumptions
- Theory X and Theory Y.

Theory X is based on traditional beliefs while Theory Y is based on researches in behavioral science concerned with modern social views on man at work.

Assumptions of Theory X-----

- It implies that the supervisor has a low opinion of the workers and has low expectations from his workers.
- These beliefs reduce supervisor's effort to improve work satisfaction.
- Workers feel that work is very unpleasant.
- Management assumes that employees are lazy and try to avoid work.
- Workers need close supervision while they are on work.

Assumptions of Theory Y-----

- Management assumes that employees may be ambitious, self-motivated, accept greater responsibility and are self-controlled and self-directed.
- Employees enjoy their work.
- If given a chance, employees want to be creative.
- Productivity increases when employees are given freedom to work without bounding them by rules.
- Theory Y assumes that higher order needs lead
- people. It implies that on the job satisfaction is necessary.

Herzberg et al's Motivation Hygiene Theory



- According to Herzberg and his associates one group of needs consisting of supervision, working conditions, interpersonal relations, salary, status, job security, and personal life are only dissatisfiers and not motivators. They do not lead to motivation but their absence results in dissatisfaction. Hence, their presence is essential.
- These are known as maintenance or hygiene factors.
- The second group of needs consist of achievement, recognition, challenging work, advancement, and growth in the job. Their presence will give satisfaction.
- These are known as job content factors and are real motivators.

Herzberg's Two-Factor Theory

Hygiene Factors	Motivational Factors
• Company policies • Quality of supervision • Relations with others • Personal life • Rate of pay • Job security • Working conditions	• Achievement • Career advancement • Personal growth • Job interest • Recognition • Responsibility

Classes of Motivators

- Motivators may be financial or non-financial.
- Non-financial motivators may be individual, group, or company.
- Individual motivators are people's basic needs like food, shelter, clothing, etc.
- Stimuli that arise due to social interactions are also good motivators.



Employees and Motivation

- Neither direct pressure nor good treatment can motivate employees to do a job satisfactorily.

Factors to be used as guidelines for motivating people are

- People are motivated by themselves and are rarely directly motivated by other people. So, there should be no direct manipulation, instead an atmosphere should be created that
 - will help individual to greater achievement.
 - Motivation of people depends on their image of themselves.
 - A person's psychological needs affect his self-image.
- Achievement is always a result of motivation.

Suggestions for developing an atmosphere that is favorable to motivation:



- Establish clear objectives and standards.
- Evaluate a person's progress against these standards.
- Discuss the progress with him and help him to make necessary adjustments.
- Take corrective action when necessary.
- Use rewards when results are good.
- Encourage and appreciate excellence among people.
- Keep your expectations according to the person's capacity.
- Assign intermediate goals so that the person gets a feeling of achievement.
- Give difficult challenges occasionally.

Motivation Techniques

- According to Michael Jucius, motivating employees consists of two parts:
 - What is to be done? (Steps in motivation)
 - How and why it is to be done? (Rules regulating the steps)

The steps of motivation are

- 1. Size up situation requiring motivation:** The first step of motivation is to identify motivational needs. All employees need motivation but their reaction to the stimuli is not same. Hence, executives have to make out how much and what kind of motivation is needed by each individual.

The motivation process follows certain rules which should be based on the following principles:

- Self-interest and motivation: Motivation is built on selfishness. Selfishness is a part of life. The aim should be learn more about selfishness.
- Attainability: Motivation must set achievable goals. What is set for a particular person, should be achievable



Eight Ways To Motivate Plant Employees



According to a study conducted at manufacturing plants of General Electric Company, Sorcher and Meyer have given following ways to improve motivation of employees in routine jobs:

1. Provide assembly line employees with more than minimum training.
2. Create sub-goals to measure what has been achieved.
3. Provide regular feedback on performance.
4. At the work situation, conversation between employees should be easy or there should be provision for conversation.
5. Maintain neat and systematic work area.

6. Increase the number of tasks performed by one employee. It provides the following advantages:

- The risk of errors is
- reduced Training
- costs are minimized

Management can hire employees at lower wages.

6. Jobs should be structured so that workers can occasionally move within the work area. Physical movement can also be provided by asking employees to get their tools themselves or by adding work which requires some physical activity.
7. Search for ways to assign greater personal responsibility. One way to increase responsibility is to ask employee to check his own work.



Distinction Between Morale and Motivation

- Morale and motivation are related terms but don't mean the same.
- Motivation is individualistic while morale is a group character.
- Morale is on account of many favorable attitudes and friendly atmosphere in an organization.
- Motivation is natural and can be improved by external factors.



Morale and Motivation – A Winning Combination



- An organization achieves best results when it has both, high morale and high motivation.
- Some tips to improve motivation and morale in an organization are:
 1. Highlight the positive. Spend time on focusing on good aspects.
 2. Reward members and volunteers when their performance is better than expectation. It would make the individual feel good and encourage others.
 3. Ask for input from others, get their opinions and suggestions.
 4. Provide regular feedback when employees achieve something.
 5. Members and volunteers should be made answerable for their performance.

6. Get members' and volunteers' opinion about issues and decisions that affect the organization and involve them in such decisions.
7. Give a schedule for completing the tasks. It should be flexible.
8. Give members and volunteers information that they require to complete the task.
9. Set up effective and user-friendly channels of communication.
10. Tell the truth, but the manner of telling the truth should be friendly.
11. As far as possible, use "we" instead of "I".
12. Always celebrate success.
13. The mix between morale and motivation should be very careful. It can take organization and its members to great heights.

CYCLE OF MOTIVATION

Motivation

- Is a internal & external factors that stimulate desire and energy in people to be continually interested and committed to a job, role or subject or to make an effort to attain a goal.

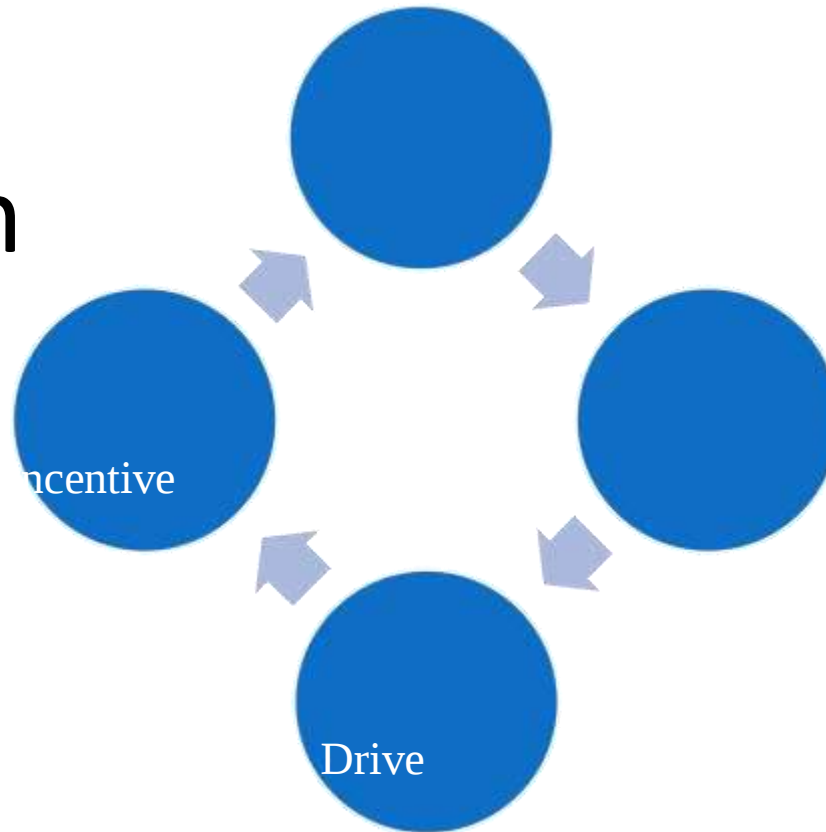
Reasons of motivation..

- Intensity of desire.
- Reward value of the goal.
- Expectations of individual.

Motivation cycle...

- Circular movement of a individual to achieve his or her desire, goal, called a motivation cycle.
- Phases of the motivation cycle are-
 - a. Need
 - b. Drive
 - c. Incentive
 - d. Reward.

Flow diagram



Need..

- It's a product of physical and physiological in the body.
- Its what which is lack in our body or in life.
- Desire of homeostatic condition.
- If stimuli constant don't feel need.
- Type:-
 - A. physiological:-basic physical need. example:-hanger, oxygen
 - B. psychological:-individual happiness & wellbeing example:-love, power

Drive

- Internal motivation state created by the need.
- Motion to fulfill the desire of the motivated behavior.
- Internal tension state, stay till the satisfaction of it.
- Can produce more than one responses.
- Example :- hunger drive.

Incentive

- It motivates or encourage someone to do something.
- Next ,appropriate object and situation towards goal in cycle.
- Eases need and reduces drive.
- Incentive can be positive and negative.
- Example :-for hunger food is a incentive.
- Making food is positive.
- Chocolate is negative.

Reward

- State of achievement of the incentive.
- Feel of pleasure, satisfaction gives rewards to self.
- Restore homeostatic condition.
- Types:-
 - A. fully achieved:-feeling inspired.
example:- cook food & eat
 - B. partial achieved:-not fully satisfied ,may be requirement to restart a cycle.

example:-chocolate

Conclusion

- Individual should be motivated.
- If one's need is fulfilled, another will be lined up.
- If one's need is not fulfilled, it starts again until it achieves a goal.
- All this happens if one has a strong desire to achieve a goal.
- One is dominated by its motivation.



Entrepreneurial Competencies

Entrepreneurial Competencies: Introduction

A competence is an underlying characteristic of a person which led to his or her effective or superior performance in a job.

The term 'competence refers to the combination of Knowledge, Skills, Motive, Attitude and Habits. Every role requires some particular competencies.

Entrepreneurial Competencies:

- Initiative
- Seeking and Acting on opportunities
- Persistence
- Information seeking
- Concerns for high quality of work
- Commitment to work contract
- Efficiency orientation
- Systematic planning
- Problem solving
- Self confidence

Entrepreneurial Competencies:

- Persuasion
- Use of influence strategies
- Assertiveness
- Monitoring
- Concern for other`s welfare

Initiative

Taking actions that go beyond job requirements or demands of the situation.

- Doing things on own before being asked for; or being forced to by events.
- Taking actions to expand the business into new areas, products or services.

Seeing and Acting on Opportunities

Looking for and taking actions to seize opportunities.

- Seeing and acting on opportunities for business development or for personal growth.
- Seizing unusual opportunities to obtain and mobilize necessary resources.

Persistence

Taking repeated actions to overcome obstacles that get in the way of achieving goals.

Taking suitable actions in the face of a significant obstacle.

Ensuring all efforts to solve a problem or barrier.

Information Seeking

Taking action on own to help reach objectives.

- Personally undertaking research or to find out answer of some problem.
- Seeking information to clarify what is needed.
- Using contacts & networksto obtain desired information.

Concern for High Quality of Work

- Stating a desire to produce work of high quality.
Doing things that meet or beat existing standards of excellence.
- Comparing own/ company's work favorably to that of others.
- Making all out efforts to ensure the quality of products or services.

Commitment to Work Contract

Placing highest priority for getting a job completed.

- Taking extra-ordinary efforts or making personal sacrifices to complete a job.
- Accepting full responsibility for failures, if any.
- Expressing utmost concern for the customers.
- Readiness to work even at workers' places to get work done.

Efficiency Orientation

Constantly looking for ways to do things faster or with fewer resources or at a lesser cost.

- Using information or business tools to increase personal or professional efficiency.
- Expressing concern for assessing costs versus rewards of some improvements, changes or action.

Systematic Planning

Developing and using logical, step-by-step plans to reach goals.

- Breaking a large task down into several sub-tasks.
- Developing plans after duly anticipating obstacles.
- Evaluating alternatives on merits and demerits.
- Taking a logical and systematic approach to activities, in general.

Problem Solving

Identifying and applying new and potentially unique ideas to reach the goals.

- Identifying the root-cause of the problem or objectives.
- Developing strategy in the light of objectives, resources and constraints.
- Keeping alternatives, wherever necessary.
- Generating new ideas or innovative solutions

Persuasion

Persuading others successfully.

- Convincing someone successfully to do something else than what he/she would have done.
- Selling someone a product or service.
- Making someone agree to provide resources on extra-ordinary conditions.
- Asserting own confidence & competence in personal or company's strengths.

Assertiveness

Confronting problems others directly And issues with

- Speaking politely but firmly.
- Telling others clearly what they have to do.
- Reprimanding those who fail to perform as expected, however close they may be.

Monitoring

Ensuring smooth progress of project or work

- Ensuring that the work is completed or it is of high quality.
- Personally supervising all aspects of the work.
- Developing a system of supervision & monitoring.

Concern for Others' Welfare



Having a concern & taking suitable actions to improve others' welfare.

- Taking actions to improve the welfare of society.
- Responding positively to employees' specific needs.
- Having a concern for the welfare of employees and their families.

Conclusion

- These fifteen competencies are very common in good entrepreneur. It can vary with one person to another but mostly these are very common and important for an entrepreneur.

Entrepreneurial mind sets

Creative capacity... Entrepreneurial mind sets

Young people have always been entrepreneurial (in both senses of the word), after all risk appears to be a more acceptable word to the young than the more mature, and some young people have set up extremely successful businesses by the time their peers have started university.

Indeed, there are well-documented case studies of successful businessmen and women who started up their businesses at a young age, going on to be huge successes. These stories fire the imagination of successive generations, along with reality TV series such as The Apprentice and Dragons Den, which bring the idea of setting up their own business into the homes of young people.

Creative capacity... Entrepreneurial mind sets

Rather than viewing entrepreneurship just as a means to self-employment, this guide is built on the premise that **entrepreneurship is a transversal skill** of relevance to all young people because of the numerous ways it can be used to further their goals and enhance their life skills.

The natural forum and non-formal learning environment youth work organisations provide, enhance the creative and innovative capacities of young people in ways that are relevant to all aspects of young people's lives and help them in overcoming disadvantages.

Developing entrepreneurial thinking

By developing the entrepreneurial thinking in our young people, we will enable them to think more creatively and, as a result, to approach problem solving and team work in a more creative way.

These skills then have a direct effect in terms of their future employability in terms of being able to work with others effectively and to solve work based issues, as well as their ability to improve their personal lives in relation to financial and relationship issues.



Developing entrepreneurial thinking

Young people should be encouraged to develop self-awareness of their own enterprising and entrepreneurial qualities, as well as the motivation and self-discipline to apply these flexibly in different contexts in their lives to achieve desired results.

This might include recognising themselves, for example, as a creative or resourceful person; or as someone who can translate ideas into actions; or as a person who is prepared to challenge assumptions through investigation and research.

Developing entrepreneurial thinking

An entrepreneurial mind set includes:

- Aspects of personality and social identity
- Personal ambition and goals
- Personal confidence and resilience
- Self-discipline and personal organisation
- Understanding of one's own motivation
- Ability to go beyond perceived limitations and achieve results
- Tolerance of uncertainty, ambiguity, risk, and failure
- Personal values: ethical, social and environmental awareness.

How to develop an entrepreneurial mind set

1. Activities shouldn't focus solely on enterprise awareness stage, they should aim to **develop a knowledge and skills base that relates to specific areas and contexts within a young person's life**. These activities can help young people develop their own entrepreneurial mind set and an awareness of their individual interests and aspirations.
2. Activities should be based around an **active learning mode**, exploring problems and opportunities as vehicles for active learning and creative problem solving, to enable young people to develop generic skills in enterprise.

How to develop an entrepreneurial mind set

3. **Business simulations** can also be valuable. Activities are often group-based, especially when team-working skills are desired outcomes. Learning through action and reflection features prominently.
4. Entrepreneurs i.e. local business owners who relate well to young people can make important contribution to entrepreneurship education. This helps to bring the concept of new venture creation to life, as well as getting the young person started in developing personal contacts and networks.

How to develop an entrepreneurial mind set

5. Some young people who are more experienced in enterprise can offer peer support to others through various initiatives, for example through engagement in the teaching process or assisting in the evaluation of other young peoples' progress.
6. Youth workers/facilitators within your organisation can also play an important role, especially if they have experience of entrepreneurship or the subject area, and can model self-presentation and communication skills.



The Nature of Corporate Entrepreneurship

- Defining The Concept
 - Corporate Entrepreneurship

Activities that receive organizational sanction and resource commitments for the purpose of innovative results.

- A process whereby an individual or a group of individuals, in association with an existing organization, creates a new organization or instigates renewal or innovation within the organization.
- A process that can facilitate firms' efforts to innovate constantly and cope effectively with the competitive realities that companies encounter when competing in international markets.

The Need for Corporate Entrepreneuring

Rapid growth in the number of new and sophisticated competitors

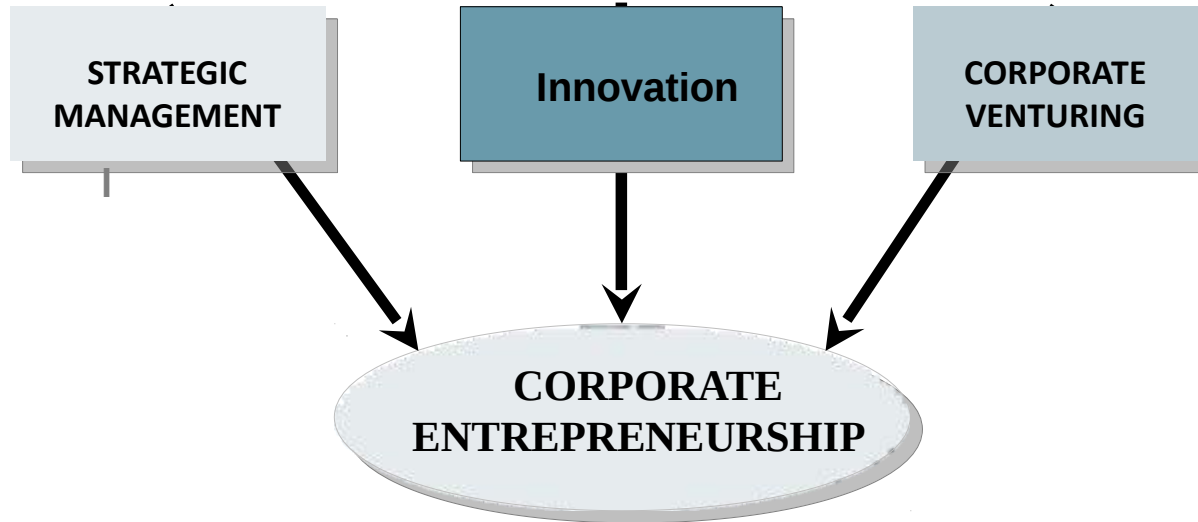
Sense of distrust in the traditional methods of corporate management

An exodus of some of the best and brightest people from corporations to become small business entrepreneurs

International competition Downsizing of major corporations

An overall desire to improve efficiency and productivity

The Corporate Entrepreneurship Process



INNOVATION

Types of Innovation



- Radical Innovation
 - The launching of inaugural breakthroughs.
 - These innovations take experimentation and determined vision, which are not necessarily managed but must be recognized and nurtured.
- Incremental Innovation
 - The systematic evolution of a product or service into newer or larger markets.
 - Many times the incremental innovation will take over after a radical innovation introduces a breakthrough.

Rules for an Innovative Environment



1. Encourage action.
2. Use informal meetings whenever possible.
3. Tolerate failure and use it as a learning experience.
4. Persist in getting an idea to market.
5. Reward innovation for innovation's sake.
6. Plan the physical layout of the enterprise to encourage informal communication.
7. Expect clever **bootlegging** of ideas—secretly working on new ideas on company time as well as personal time.
8. Put people on small teams for future-oriented projects.
9. Encourage personnel to circumvent rigid procedures and bureaucratic red tape.
10. Reward and promote innovative personnel.

STRATEGY

Conceptualizing Corporate Entrepreneurship Strategy



- Corporate Entrepreneurship Strategy
 - A vision-directed, organization-wide reliance on entrepreneurial behavior that purposefully and continuously rejuvenates the organization and shapes the scope of its operations through the recognition and exploitation of entrepreneurial opportunity.
 - It requires the creation of congruence between the entrepreneurial vision of the organization's leaders and the entrepreneurial actions of those throughout the organization.

Critical steps of a corporate entrepreneurial strategy

- Developing the vision
- Encouraging innovation
- Structuring for an intrapreneurial climate
- Developing individual managers for corporate entrepreneurship
- Developing venture teams.

CORPORATE VENTURING

CORPORATE VENTURING

- Reestablishing the drive to innovate:
 - Invest heavily in *entrepreneurial activities* that allow new ideas to flourish in an innovative environment.
 - Provide nurturing and information-sharing activities.
 - Employee perception of an innovative environment is critical.
- Corporate Venturing
 - Institutionalizing the process of embracing the goal of growth through development of innovative products, processes, and technologies with an emphasis on long-term prosperity.

Developing Individual Managers for Corporate Entrepreneurship

1. The Breakthrough Experience
2. Breakthrough Thinking
3. Idea Acceleration Process
4. Barriers and Facilitators to Innovative Thinking
5. Sustaining Breakthrough Teams
6. The Breakthrough Plan

Preparing for Failure

- “Learning from Failure”
 - Recognizing the importance of managing the grief process that occurs from project failure.
 - Understanding how organizational routines and rituals are likely to influence the grief recovery.
 - Ensuring that the organization’s social support system can encourage greater learning, foster motivational outcomes, and increase coping self-efficacy in affected individuals.

SUCCESSFUL CORPORATE ENTREPRENEURSHIP



- Think big . . . really big.
- Bring in the A-team.
- Start small.
- Establish unique measurement techniques.

UNIT III

Operation problems: Incubation and Take-off, Problems encountered Structural, Financial and Managerial Problems, Types of Uncertainty. Institutional support for new ventures: Supporting organizations; Incentives and facilities; Financial Institutions and Small-scale Industries, Govt. Policies for SSIs.

Concept of Creativity



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Creativity is the ability to develop new ideas and to discover new ways of looking at problems & opportunities

Innovation is the ability to apply creative solutions to those problems & opportunities to enhance or to enrich people's lives.

Creativity is thinking new things & innovation is doing new things

Methods of Generating Ideas and Solving Problems



3. Reverse Brainstorming

- It is similar to brainstorming, except the criticism is allowed. The technique is based on finding fault by asking question.

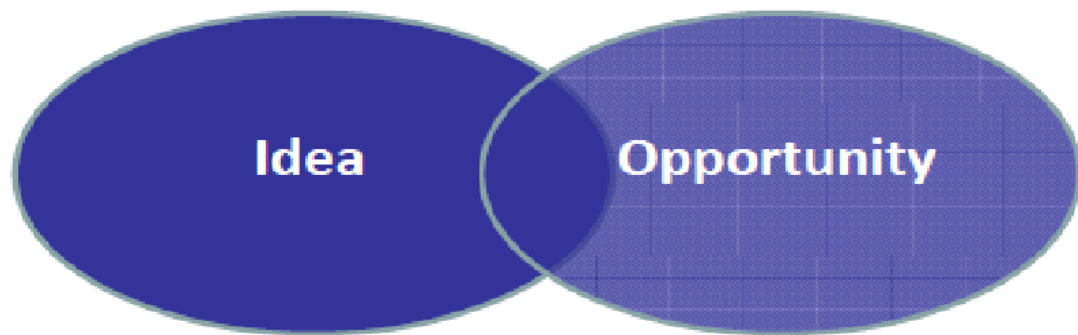
How many ways can this idea fail?

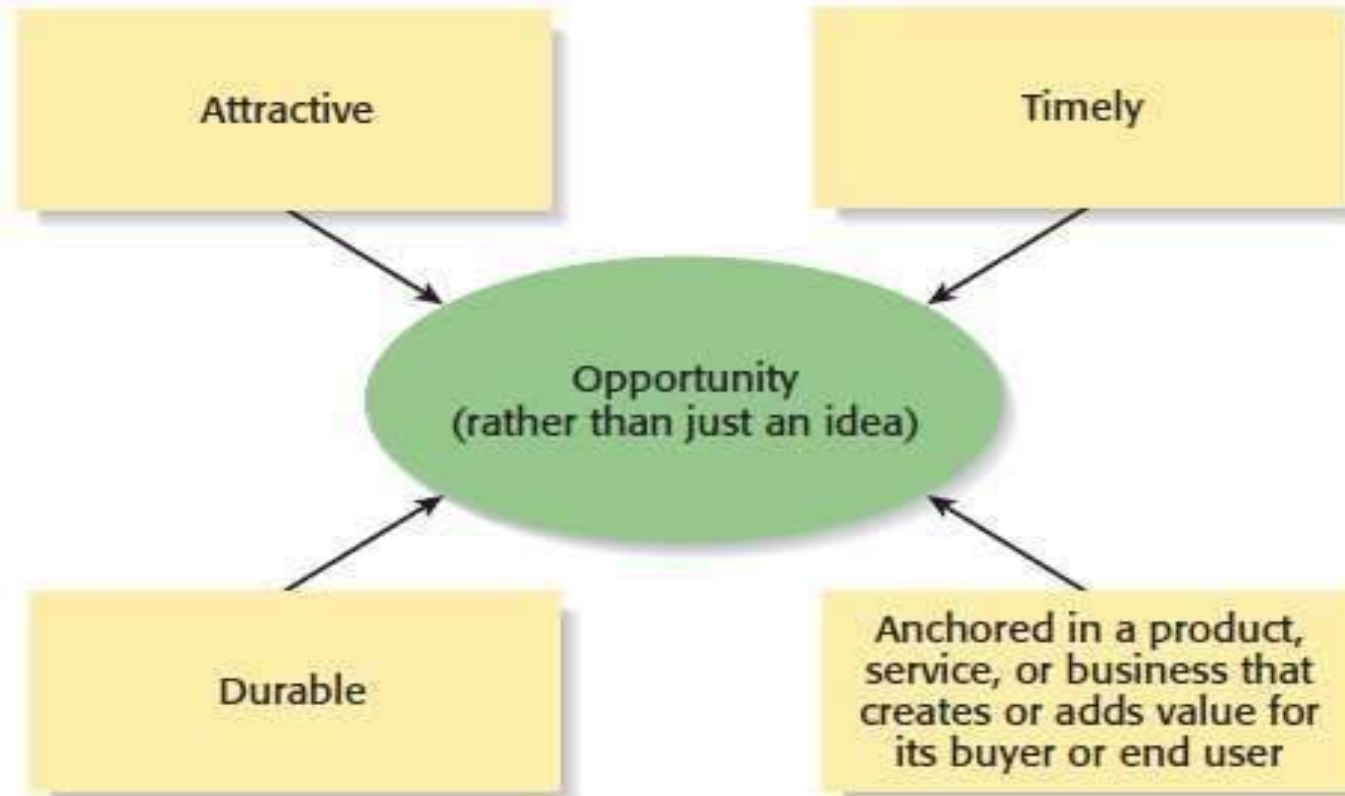
4. Brain writing

- Brain writing is easy. Instead of asking the participants to shout out ideas, they are **told to pen down their ideas** pertaining to a specific problem or question on sheets of paper, for a small number of minutes. After that, each participant can pass their ideas over to someone else. This someone else reads the ideas on the paper and adds some new ones.

It is important to understand that there is a difference between an opportunity and an idea.

- a. An idea is a thought, impression, or notion
- b. May or may not meet the criteria of an opportunity.
- c. Many businesses fail not because the entrepreneurs that started them didn't work hard, but because there was no real opportunity to begin with.





- HOW TO FIND THE GAP ON
- ESTABLISHED MARKET
- USE THESE 4 STEPS TO FIND THE GAP
- & BECOME DOMINANT MARKET PLAYER

1. START WITH YOUR STRENGTHS

- Create a list with your most Significant strengths
- Describe the strengths you have listed in the previous step
- List what you can do depending on Those strengths
- Associate strengths and things You can do with the problems you can solve on the market

2. FIND A NICHE ON EXISTING MARKET WITH UNSOLVED PROBLEMS

- Look at your strengths and interests and find a relation with the market and problems that companies solve on that market
- Make a list of specific problems that aren't solved yet, but you can solve them
- Make a list of specific improvements of current problem-solving processes
- Test your conclusions from previous steps. Ensure that you Make a test with potential customers on the market you select

- 3. COPY AND IMPROVE
- Is there some gap that you can fill with your competencies and strengths?
- What will be extra value for customers if you fill those gaps?
- Are potential customers ready for improvements that you will provide? Can they afford what
- You will offer to them?
- Is it hard for other companies to fulfill the same gap you are discovering?

CREATIVITY AND INNOVATION IN ENTREPRENEURSHIP

CREATIVITY

- ❑ Creativity is defined as the tendency to generate or recognize ideas, alternatives, or possibilities that may be useful in solving problems, communicating with others, and entertaining ourselves and others.
- ❑ Creativity is the ability to come up with new ideas and to identify new and different ways of looking at a problem and opportunities.
- ❑ A process of assembling ideas by recombining elements already known but wrongly assumed to be unrelated to each other. This definition has several key elements that are worth considering:
 - **Process:** Creativity is also a process (implying, among other things, that it is more like a skill than an attitude, and that you can get better at it with practice).
 - **Ideas:** Creativity results in ideas that have potential value.
 - **Recombining:** The creative process is one of putting things together in unexpected ways.

THREE REASONS WHY PEOPLE ARE MOTIVATED TO BE CREATIVE:

1. Need for novel, varied, and complex stimulation.
2. Need to communicate ideas and values.
3. Need to solve problems.

In order to be creative, you need to be able to view things in new ways or from a different perspective. Among other things, you need to be able to generate new possibilities or new alternatives. Tests of creativity measure not only the number of alternatives that people can generate but the uniqueness of those alternatives. the ability to generate alternatives or to see things uniquely does not occur by change; it is linked to other, more fundamental qualities of thinking, such as flexibility, tolerance of ambiguity or unpredictability, and the enjoyment of things heretofore unknown.

Thus, creativity is the development of ideas about products, practices, services, or procedures that are novel and potentially useful to the organization.

BARRIERS TO CREATIVITY

- ▶ Excessive focus on extrinsic motivation
- ▶ Limits set by superiors
- ▶ Critical evaluation
- ▶ Close, controlling supervision
- ▶ Competition in a win-lose situation
- ▶ Control of decision making
- ▶ Control of information
- ▶ Blindly following the rules
- ▶ Constantly being practical
- ▶ Becoming overly specialized
- ▶ Fearing looking foolish
- ▶ Fearing mistakes and failure

INNOVATION

- ❑ Innovation is the implementation of new ideas at the individual, group or organizational level.
- ❑ A process of intentional change made to create value by meeting opportunity and seeking advantage.
 - **Process:** Innovation is a process (implying, among other things, that it can be learned and managed).
 - **Intentional:** That process is carried out on purpose.
 - **Change:** It results in some kind of change.
 - **Value:** The whole point of the change is to create value in our economy, society and/or individual lives.
 - **Opportunity:** Entrepreneurial individuals enable tomorrow's value creation by exploring for it today: having ideas, turning ideas into marketable insights and seeking ways to meet opportunities.
 - **Advantage:** At the same time, they also create value by exploiting the opportunities they have at hand.

TYPES OF INNOVATIONS



There are four distinct types of innovation, these are as follows:

- **Invention** - Described as the creation of a new product, service or process. Something that has not been tried before.
- **Extension** - The expansion of an existing product, service or process. This would mean that the entrepreneur takes an existing idea and applies it differently.
- **Duplication** - Copying (replicating) an existing product or service and then adding the entrepreneurs own creative touch. In order to improve it.



THE INNOVATION PROCESS



1. Analytical planning
2. Resource organization
3. Implementation
4. Commercial application

5 myths of innovations

1. Innovation is planned and predictable.
2. Technical specifications should be thoroughly prepared in advance.
3. Creativity relies on dreams and blue-sky ideas.
4. Big projects will develop better innovations than smaller ones.
5. Technology is the driving force of innovation and success.

ENTREPRENEURSHIP

- ▶ Derived from French word *Entreprendre* which means „to undertake“.

: Entrepreneurs are non-fixed income earners who pay known costs of production but earn uncertain incomes.

- ▶ **Jean-Baptiste Say:** An entrepreneur is an economic agent who unites all means of production- land of one, the labour of another and the capital of yet another and thus produces a product. By selling the product in the market he pays rent of land, wages to labour, interest on capital and what remains is his profit. He shifts economic resources out of an area of lower and into an area of higher productivity and greater yield.
- ▶ **David McClelland:** An entrepreneur is a person with a high need for achievement [N-Ach]. He is energetic and a moderate risk taker.
- ▶ **Peter Drucker:** An entrepreneur searches for change, responds to it and exploits opportunities. Innovation is a specific tool of an entrepreneur hence an effective entrepreneur converts a source into a resource.
- ▶ **Ronald May:** An Entrepreneur is someone who commercializes his or her innovation.

- ▶ **Schumpeter:** Entrepreneurs are innovators who use a process of shattering the status quo of the existing products and services, to set up new products, new. They employ *"the gale of creative destruction"* to replace in whole or in part inferior offerings across markets and industries, simultaneously creating new products and new business models. Thus, **creative destruction** is largely responsible for the dynamism of industry and long-term economic growth.

- ▶ **Frank H. Knight:** entrepreneurship is about taking **risk**. The behavior of the entrepreneur reflects a kind of person willing to put his or her career and financial security on the line and take risks in the name of an idea, spending much time as well as capital on an uncertain venture. Knight classified three types of uncertainty.
 - **Risk**, which is measurable statistically (such as the probability of drawing a red color ball from a jar containing 5 red balls and 5 white balls).
 - **Ambiguity**, which is hard to measure statistically (such as the probability of drawing a red ball from a jar containing 5 red balls but with an unknown number of white balls).
 - **True Uncertainty**, which is impossible to estimate or predict statistically (such as the probability of drawing a red ball from a jar whose number of red balls is unknown as well as the number of other colored balls).

CREATIVITY, INNOVATION AND ENTREPRENEURS

Creativity is thinking new things, and innovation is doing new things.

- **Creativity** is the ability to develop new ideas and to discover new ways of looking at problems and opportunities.
- **Innovation** is the ability to apply creative solutions to those problems and opportunities in order to enhance people's

lives or
to enrich society.

Entrepreneurship = creativity + innovation

FROM CREATIVITY TO ENTREPRENEURSHIP

Creativity

Thinking new things



Innovation

Doing new things



Entrepreneurship

Creating value in the marketplace

CREATIVITY, INNOVATION AND ENTREPRENEURS



- **Creativity** is the ability to develop new ideas and to discover new ways of looking at problems and opportunities.
- **Innovation** is the ability to apply creative solutions to those problems and opportunities in order to enhance people's lives or to enrich society.
- **Entrepreneurship** is the result of a disciplined, systematic process of applying creativity and innovation to needs and opportunities in the marketplace.
- **Entrepreneurs** are those who marry their creative ideas with the purposeful action and structure of a business.

Researchers believe that entrepreneurs succeed by thinking and doing new things or old things in new ways.

SUMMARY AND CONCLUSION

- ▶ The change that entrepreneurs bring about is through creativity and innovation. Therefore, it is not surprising to see that entrepreneurs are among the more creative and innovative players of organizational change.
- ▶ Creativity requires someone (like an entrepreneur) to add value in the marketplace through the innovation process.
- ▶ From the idea generation to the successful product development and launch, innovation is the seed-bed for change. Charged with the coordination of the innovation process are the entrepreneurs.
- ▶ It is the job of the entrepreneurs to be creative in identifying the gap in the market and innovate a product to fill this gap.

A SUCCESSFUL ENTREPRENEUR'S CASE STUDY



SHIV NADAR

INTRODUCTION

- ❖ “**SHIV NADAR**” Is The Founder-chairman Of **HCL** (Hindustan Computers Limited).
- ❖ Known As **Father Of India’s IT Industry**.
- ❖ Native Of **MOOLAIPOZHI** Village In **TUTICORIN** District (Tamil Nadu).
- ❖ Went To **PSG** College Of Technology Coimbatore (Graduation).
- ❖ In 1968, He Moved To Delhi Where He Worked As Engineer With **DCM**.
- ❖ His Dream Was To Startup His Own Company To Manufacture Computer In India.

HISTORY



- ❖ To raise fund initially, he floated a company called “**Microcomp Limited**” to sell scientific calculators.
- ❖ Ventured along with five of his friends (Arjun Malhotra, Subhash Arora, Ajay Chowdhary, DS Puri & Yogesh Vaidya).
- ❖ Received support from the Uttar Pradesh government to setup their manufacturing unit in **Noida**.
- ❖ Mr. Nadar founded **HCL** in 1976 with dream of making personal computers.
- ❖ After expansion of business, Mr. Nadar decided to increase demand for **IT education** and **Computer Training**.
- ❖ In 1981 he setup **NIIT** to impart high quality education.
- ❖ In 1991 HCL entered partnership with **HP(Hewlett-Packard)** to form **HCL HP Ltd**.

HISTORY



- ❖ Looking beyond PCs, HCL tied up with **Nokia** for distributing cell phones and with **Ericsson** for distributing switches.
- ❖ In 1996 HCL became an enterprise which comprises two companies listed in India, **HCL Technologies** and **HCL Infosystems**.
- ❖ HCL has been managing orders at India's **National Stock Exchange**.
- ❖ In mid-90's, HCL automated the NSE across 261 cities through a network of 3,000 tiny satellites.
- ❖ HCL is involved in the making of **Boeing 787-Dreamline**.
- ❖ Shiv Nadar is a member of the Executive Board of the **Indian School of Business (ISB)**, Hyderabad.
- ❖ He founded the **SSN college of Engineering** in Chennai which is a premier institute in India.

HCL INFOSYSTEM'S LEADERSHIP INITIATIVES



- ▶ They gave the country's first Desktop PC in 1976.
- ▶ India's first branded home PC **BusyBee** in 1985.
- ▶ **Beanstalk** was launched in 1995 by HCL.
- ▶ HCL also gave India's first Pentium 4 based PC at a sub Rs. 40,000 price mark .
- ▶ They also boast of providing India's first Media Center PC.

TODAY HCL OFFERS

- ✓ Research and Development
- ✓ Technology Services
- ✓ Enterprise & Application Consulting
- ✓ Remote Infrastructure Management
- ✓ BPO
- ✓ IT Hardware
- ✓ System Integration
- ✓ Technology & Telecom Product

REWARDS



- ▶ In 2008, Government of India awarded Nadar with **Padma Bhushan**, the third highest civilian award, for his contribution to IT industry.
- ▶ In 2007, Madras University awarded him honorary **doctorate degree** (D Sc) for his contributions in promoting software technology. Nadar was also recognized as **E&Y Entrepreneur of the Year 2007 (Services)**.
- ▶ In 1995 he became the **Dataquest IT Man** of the year.
- ▶ In 2005 he was bestowed with **CNBC Business Excellence Award**.
- ▶ In 2006 received an **Honorary Fellowship** of All India Management Association-**AIMA**.
- ▶ In 2008 honored by Government Of India with **Padambhushana**.
- ▶ In 2009 he was counted amongst Forbes 48 Heroes of Philanthropy in Asia Pacific.
- ▶ In 2010 received **Dataquest Lifetime Achievement Award**.

NADAR AN SUCCESSFUL ENTREPRENEUR

- ✓ Mr. Nadar & his team have proven the technological expertise, the ability to scale up operations or the confidence to manage big and critical assignment without a hitch.
- ✓ HCL today is a conglomerate worth \$4.1 billion.
- ✓ Staff strength of 47,000 in 17 countries.
- ✓ More than 500 global clients.

“ SHIV NADAR HAS ALL THE REASONS TO BE PROUD OF HIS FEAT - HE WOULDN'T BE SATISFIED THOUGH ”



VIDYA
KNOWLEDGE PARK



**Launching
Venture !**

A New

13 Steps To Starting A Business In India



Starting a new business has always been a challenging and exciting process. Here's a step-by-step guide to starting a business in India:

1. Obtain Director Identification Number (DIN)

Obtain the provisional DIN by filing application Form DIN-1 online. The application form must then be printed and signed and sent for approval to the ministry along with proof of identity and address. Upon verification and approval, a permanent DIN is issued.

2. Obtain Digital Signature Certificate

The digital signature certificate can be obtained from one of six private agencies authorized by MCA 21. Company directors must submit the prescribed application form along with proof of identity and address.

3. Reserve the company name online

Company name approval must be done electronically. The applicant can check the availability of the desired company name on the MCA 21 web site. A maximum of 6 names may be submitted. Once approved, the selected name appears on the website.

4. Stamp the company documents

The request for stamping the incorporation documents should be accompanied by unsigned copies of the Memorandum and Articles of Association (MAA), and the payment receipt. The Superintendent returns the copies, one of which is duly stamped, signed, and embossed. Then the MAA must be signed by the company promoters and required information filled in their own handwriting.

5. Get the Certificate of Incorporation

Forms e-form 1; e-form 18; and e-form 32 are required to be electronically filed on the [website](#) of the Ministry of Company Affairs: Scanned copies of the consent of the initial directors, and also of the signed and stamped form of the MAA must be attached to Form 1. One copy of the MAA, Articles of Association, Form 1, Form 32, Form 18 and the original name approval letter, consent of directors and stamped power of attorney must be submitted to the Registrar of Companies. The certificate of incorporation is sent automatically to the registered office of the company by registered mail.

6. Make a seal

Companies require a seal to issue share certificates and other documents. The cost depends on the number of words to be engraved, the number of seals required, and the time period for delivery.

7. Obtain a Permanent Account Number (PAN)

The PAN application is made using Form 49A. After PAN is obtained a printed PAN card would be delivered. The application for PAN can also be made online but the documents still need to be physically sent for verification.

8. Obtain a Tax Account Number (TAN)

The application for TAN must be filed using Form 49B and submitted at any TIN Facilitation Center. After verification of application, the same is sent to the Income Tax Department and the TAN is issued. The application for a TAN can be made either online through the NSDL website or offline.

9. Register with the Office of Inspector, Shops and Establishment Act (State/Municipal)

A statement containing the employer's and manager's names and the establishment's name, postal address, and category must be sent to the local shop inspector with the applicable fees. Establishments must be registered within 30 days of the opening of the business.

10. Register for GST

Every business whose Annual turnover exceeds Rs 20 lakh (for special states, the amount is Rs 10 lakh) has to [register](#) for GST. Please go to the GST portal and follow the procedure instructed.

11. Register for Profession Tax at the Profession Tax Office (State)

According to section 5 of the Profession Tax Act, every employer (not being an officer of the government) is liable to taxation and shall obtain a certificate of registration from the prescribed authority. The company is required to apply to the registering authority using Form 1.

12. Register with Employees' Provident Fund Organization (National)

The employer is required to provide necessary information to the concerned regional Provident Fund Organization (EPFO) in the prescribed manner for allotment of Establishment Code Number. No separate registration is required for the employees.

13. Register for Medical Insurance

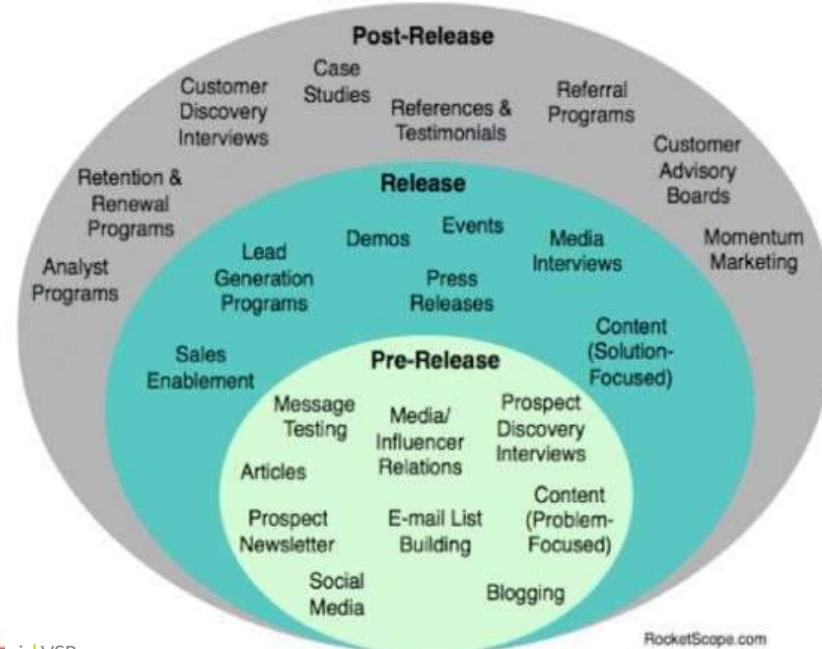
Registration is the process by which every paid employee is identified for insurance purposes and their individual records are set up for them. As per the Employees' State Insurance (General), Form 01 must be submitted by the employer for registration after which the Employer Code Number is issued.

Once your business is off the ground, you will need to sell your range of products too. One of the most profitable ways is [to sell online is Amazon. With its vast experience in online sales, Amazon would be happy to help you. Please register as a seller on Amazon and discover the world of e-commerce.](#)

Launching A New Business

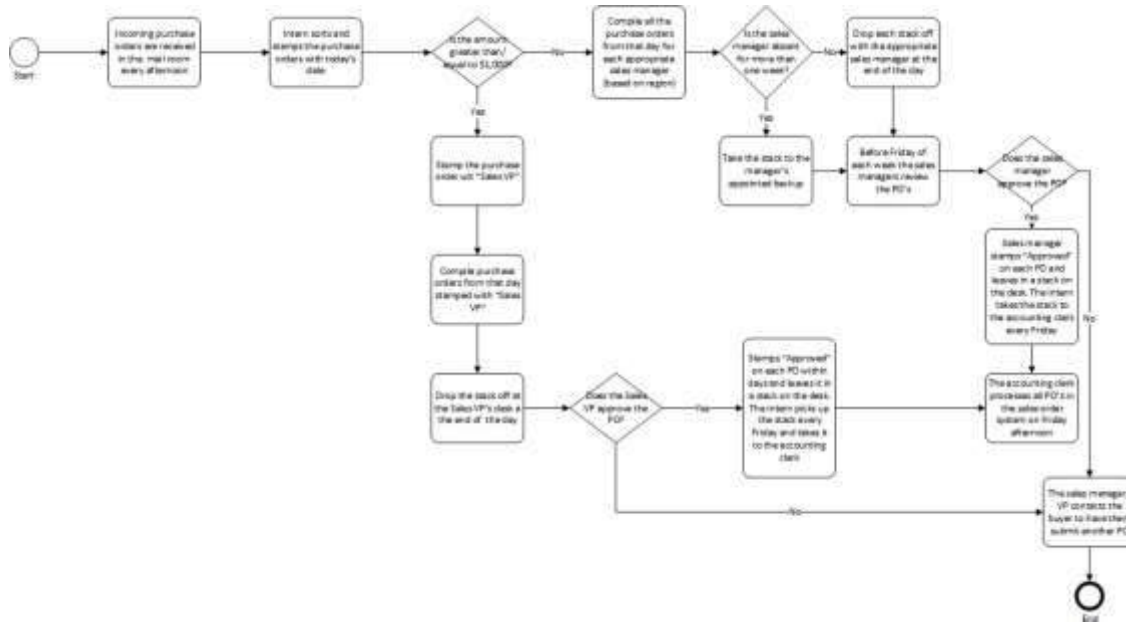


3 Phases of a Launch



RocketScope.com

Process Charts for launching a new venture



Process Chart Symbols				
Sym	Name	Action		Examples
	Operation	Adds Value		Saw, Cut, Paint, Package
	Transport	Moves Some Distance		Convey, Fork Truck, OTR Truck
	Inspect	Check For Defects		Visual Inspect, Dimension Inspect
	Delay	Temporary Delay/Hold		WIP Hold, Queue
	Storage	Formal Warehousing		Warehouse or Tracked Storage Location
	Handle	Transfer Or Split		Re-Package, Transfer To Conveyor
	Decide	Make A Decision		Approve/Deny, Push/Release

When you put everything in a diagram, the gaps and flaws become clear and so is there handling and removal

Types of Business Ownership

Sole Proprietorship

A business owned and operated by one person. Approximately 74% of all U.S. businesses are sole proprietorships.

Advantages:

- Easy to start the business.
- Owner makes all of the decisions.
- Owner gets to keep all of the profits.
- Owner is his/her own boss.

Disadvantages:

- Owner is liable for all debts (money owed) and assets (property).
- Owner must work long hours.
- Difficult to raise capital (money) to start the business.
- If the owner becomes ill or dies, the business ends.
- The risk of losing money is not shared by anyone but the owner.

Partnership

A business owned and operated by two or more people. Each person contributes money, property, labor or skill, and expects to share in the profits and losses of the business.

Approximately 10% of all U.S. businesses are partnerships.

Advantages:

- Easy to start the business.
- More ways to raise capital (money to start and operate the business).
- More skills are available (since there is more than one owner).
- Shared decision-making between partners.

Disadvantages:

- Each partner is liable for the business debts.
- Each partner can make decisions (more than one boss).
- Partnership can end if one partner quits or dies.
- Profits are shared.
- Conflicts can arise between partners disagreeing.

Corporation

A business owned by a number of people and operated under written permission from the state in which it is located (called a Certificate of Incorporation).

Approximately 38% of all U.S. businesses are corporations.

Advantages:

- Easy to raise capital (money to start and operate the business).
- Limited liability (owners are only liable up to the amount they invest in the business).
- Ownership can be easily transferred.
- Unlimited life of business.
- Hire specially skilled and knowledgeable employees.
- The risk is shared by many.

Disadvantages:

- Can be difficult to start.
- Owners do not have as much control of day-to-day decisions.
- Double taxation on the corporation and the individual owners.
- Profits are shared.

Other Types of Businesses

LLC (Limited Liability Corporation)

A limited liability corporation is the newest form of business organization and is currently available in 49 states. An LLC is a hybrid entity that combines favorable aspects of a corporation and partnership.

Franchise

Individual business people buy and operate a business that already exists. A certain percentage of sales or profits go back to the original franchise corporation. Some examples of franchises are McDonald's, Subway, and Starbucks.

Non-profit Organization

A non-profit organization (not-for-profit) is an institution that tries to cover its operating costs. This type of business usually offers a service that is considered beneficial to society; for example, The Red Cross.

Acquiring an Established Venture

Acquiring an Established Venture

- Represents less of a gamble (risk) than starting a new business.
- Established business comes with an existing customer base & you can start trading straight away.
- But buying a business is complex & time consuming process.
- Need to check:
 - Business records
 - Plans & Operations
 - Familiarize yourself with your competitors & industry
 - Check Licenses, Permits & Registrations (Which of above mentioned are transferable)

Acquiring an Established Venture

- Before Acquiring an Established Venture understand:
 1. Which markets to enter.
 2. When to enter & on what scale.
 3. Which entry mode to use.

Advantages of Acquiring an Established Venture



- Buying a business is generally considered less risky.
- The difficult start-up work has already been done. The business should have plans and procedures in place.
- Buying an established business means immediate cash flow.
- The business will have a financial history, which gives you an idea of what to expect and can make it easier to secure loans and attract investors.
- You will acquire existing customers, contacts, goodwill, suppliers, staff, plant, equipment and stock.
- A market for your product or service is already established

Disadvantages of Acquiring an Established Venture



- The business might need major improvements to old plant and equipment.
- You often need to invest a large amount up front, and will also have to budget for professional fees for solicitors and accountants.
- The business may be poorly located or badly managed, with low staff morale.
- External factors, such as increasing competition or a declining industry, can affect future growth.
- Under-performing businesses can require a lot of investment to make them profitable.

Evaluating an Established Venture



1. Income statements
2. Records of accounts receivable and payable
3. Balance sheets and tax returns including business activity statements (last 3-5 years)
4. Profit and loss records (last 2-3 years)
5. Cash deposit records
6. Bank loans and lines or letters of credit
7. Minutes of director's meetings/management meetings

8. the seller's claims about their business (e.g. their reasons for selling, the business's reputation)
9. privacy details (e.g. of employees, trading partners, customers)
10. stock
11. details about plant, equipment, fixtures, vehicles (are they in good working order and licensed?)
12. intellectual assets of the business (e.g. intellectual property, trademarks, patents)
13. existing contracts with clients/staff
14. partnership agreement
15. lease arrangements

Meaning of Franchising

Franchising is a system used by a company (franchisor) that grants others (franchisees) the right and license (franchise) to market a product or service under the franchisor's trade names, trademarks, service marks, know-how and method of doing business. It is a system for distributing products or services through independent resellers. It is a format of mutual dependence which allows both the franchisor and the franchisee realize profits and benefits.



Meaning of Franchising (Cont'd)

Some Terms Regarding Franchising

Franchisor:

The licensing company in the franchise agreement.

Franchisee:

The independent owner of a franchise outlet who enters into an agreement with a franchisor.

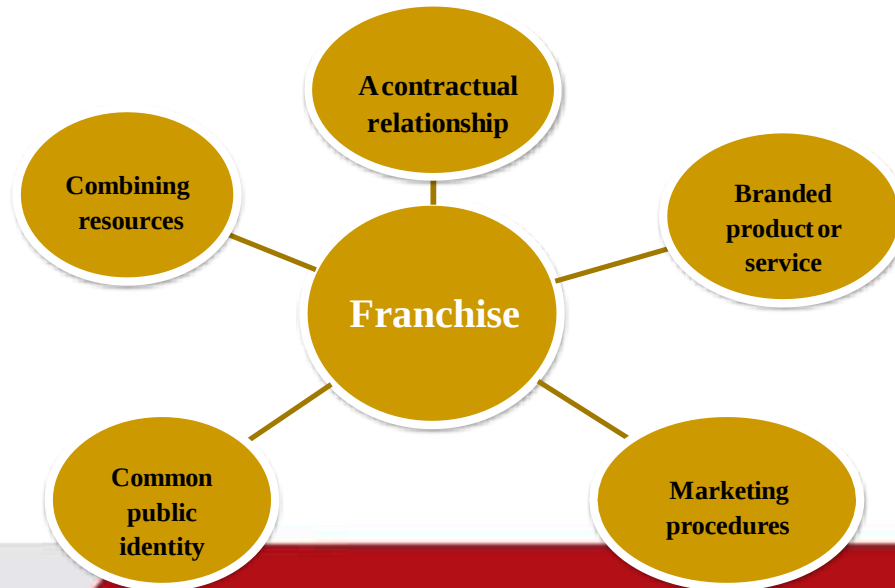
Franchise:

The right to use a specific business name and sell its goods or services in a specific city, region or country.

Meaning of Franchising (Cont'd)

Basic Ingredients of the Franchise:

The description of franchise system points out the crucial ingredients of a franchise business. They are-



Purposes of Franchising

The main purposes that are set to be achieved through business include the following-

- ☐ To restore individual entrepreneurship.
- ☐ To provide an easily recognized and accepted product or service.
- ☐ To compete with big business.
- ☐ To allow consumers to buy good quality items or services at the right price.
- ☐ To provide entrepreneurs a means to enter business with a low capital investment and risk.



Types and Arrangements of Franchise

Franchises are found in practice as under:

- ❖ Sales Type Franchise
- ❖ Store Type Franchise
- ❖ Service Type Franchise

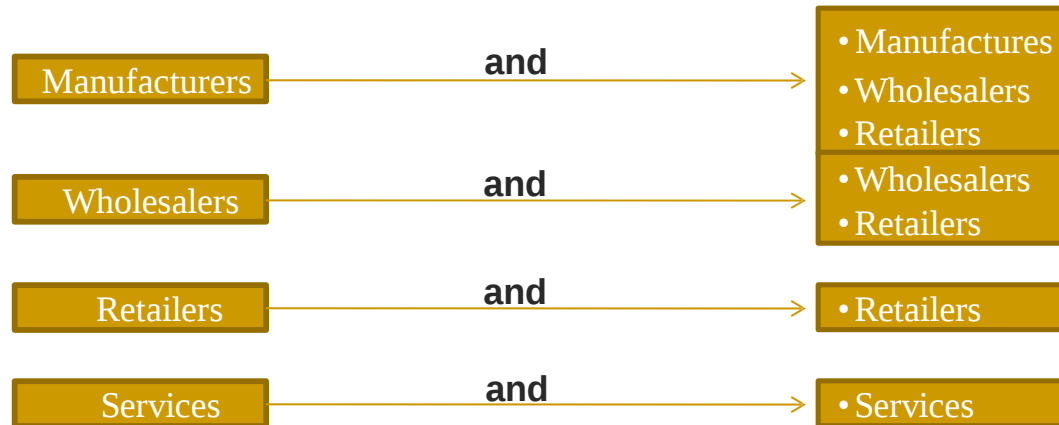


Figure: Channel link of Franchising

Types and Arrangements of Franchise (Cont'd)

Franchising agreements:

	Type	Description
01	Business Format Franchises	Based on a specific operating system; consist mainly of retail and service businesses.
02	Area Franchises	Franchisees that have the right to run franchise on territorial basis; this allows franchisee to develop entire city, state or region.
03	Single Unit Franchises	Franchisees that have the right to run franchise at only one site.
04	Multi Unit Franchises	Franchisees that have rights to open several franchise units at once.

Types and Arrangements of Franchise (Cont'd)

	Type	Description
05	Trade-name Franchises	Franchises that develop from supplier relationship in ways similar to distributorship agreement.
06	Sub franchises	Franchised outlets sold by area franchisees to other business people in their areas.
07	Piggyback Franchises	Two or more franchised businesses that share space to offer a more comprehensive product or service to customers.
08	Convention Franchises	Independent business that become franchised units of existing franchises.
09	Distributorships	Franchisees that distribute products manufactured by franchisor or some other source.

Benefits and Problems of Franchise

Benefits:

- ✓ Less stake of capital-installment and or deferred payment facility
- ✓ Easy to manage credit
- ✓ Management/ technical is obtainable with little/ no cost
- ✓ Easy/ cost-free advises/ Consultancy is available
- ✓ Available market and clients
- ✓ Promotion and advertisement cost is very minimum

Problems:

- ✓ Profits need be shared with the parent company
- ✓ After initial agreement, unfavorable terms often imposed
- ✓ Compliance of the technology, very little scope for any R&D and inn
- ✓ If wants to remain only franchisee, franchise agreement may appear expensive
- ✓ Most important decisions are taken by the parent company, hence no freedom of making such decisions
- ✓ Most of the supplies at a higher prices to be had from the parent in spite of better



Favor Obtainable from the Parent Company

Some favors that a franchisee normally enjoys from his parentfranchisor:

- ☐ Location selection and advice
- ☐ Product, product design and product development
- ☐ Marketing strategy, with emphasis on advertising
- ☐ Help in the development of uniform image creating advertising modes & languages
- ☐ Initial employee and management training
- ☐ Negotiation of leases
- ☐ Store Design and equipment purchasing
- ☐ Standardized policies and procedures
- ☐ Centralized purchasing with savings
- ☐ Continued management counseling
- ☐ Develop a set of customer service standards
- ☐ Financing at the start-up and afterwards



World Famous Franchise Business

Top 10 Franchise in the United States:

	Franchise	Parent Company	Industry
1.	Dominos Pizza	Dominos Pizza Inc.	Fast food
2.	Chem-Dry	Harris Research Inc.	Maintenance
3.	McDonald's	McDonald's Corp	Fast food
4.	Jazzercise	Jazzercise Inc	Health
5.	Packy the Shipper	PNS Inc	Business Service
6.	Jani King	Jani-king intl	Maintenance
7.	Novus Windshield Repair	Novus Franchising Inc	Auto Maintenance
8.	Subway Sandwiches & Salads	Doctors Associates	Fast food
9.	Burger King	Pillsbury Co.	Fast food
10.	Coverall	Coverall North America	Maintenance

World Famous Franchise Business (Cont'd)



UNIT IV

Family and non-family entrepreneurs: Role of Professionals, Professionalism vs. family entrepreneurs, Role of Woman entrepreneur, Sick industries, Reasons for Sickness, Remedies for Sickness, Role of BIFR in revival, Bank Syndications.

Introduction



The 21'st century was termed as the century of knowledge. However, merely having the knowledge is not enough, the protection of that knowledge and conversion of that knowledge in to profit are important for the survival of any high-tech business and economy. The intellectual property laws & the food and drug laws provide the pharmaceutical and biotechnology industry with unparalleled protection.

INTELLECTUAL PROPERTY RIGHTS

“Protection of property created by the
intellect of human mind”



- Intellectual Property Rights (IPR) are the statutory rights once granted allows the creator(s) or owner(s) of the intellectual property to exclude others from exploiting the same commercially for a given period of time.
- It allows the creator(s)/owner(s) to have benefits from their work when these are exploited commercially.
- IPR are granted to an inventor or creator in lieu of the discloser of his/her knowledge.



COPYRIGHTS

- Copyright means exclusive right to do or authorize others to do certain acts in relation to
 - Literary, dramatic, music, and artistic works.
 - Books
 - Cinema/TV programmes
 - Sound recordings
- Permission is needed to reproduce the copyrighted material.

- **Term:** Author's life plus sixty years
(Books) 60 years (Films, photographs)
25 years (Broadcasting)
- It protect the publications of the studies.
- Information provided by the drug companies may be protected by copyright law.
- Pharmaceutical companies routinely copyrighted their package insert yet the generic approval dictated that the package insert of the generic drug to be the same as the reference listed drug.

DESIGN



- The protection only for the appearance of the article and not how it work.
- Design registration protects designs having industrial or commercial use.
- Designs of stamp, labels, tokens, cards, or cartoons and part of an article sold separately can not be registered.
- Duration protection- 10 years and extendable for another term of 5 years.

TRADEMARK



- A trade mark is any design that can distinguish the goods of one trader from those of another.
- It includes words, logos, pictures, or combination of these.
- A trademark is used as a marketing tool for product positioning.
- The consumer will rely on the labels attached to the product with certain expectation of the quality of said product.
- Term: 10 years

- To register a trade mark the mark must be distinctive and not contrary to law or morality and not identical to the earlier mark for the same or similar goods
- The notion ® may be used for the trademark only if it is federally registered.
- In pharmaceutical arena, trade names for certain drug may be registered as a trademark



Bristol-Myers
Squibb Company



Boehringer
Ingelheim



Abbott



genzyme



Ironwood



SANOFI

- Essential features of a trademark
- It must be a mark, brand, name label of goods
- It must be capable of being represented graphically.
- It must be capable of distinguishing the goods services of one person from those of others.
- The use must be of a printed or other visual representation of the mark.

- Trademark which are not registerable

comprises of any matter likely To hurt the religious section of the citizens of India.

scandalous or obscene matter.

- Mark which has nature as to deceive the public or cause confusion.
- Mark prohibited under the regulation act

TRADE SECRETS

- A trade secret is something that offers an advantage in business if it keep as a secret.
- A trade secret can be a client list, the formula for a product, etc.
- A trade secret does not have to be patentable, but it must be capable of being maintained.
- For instance, a client list can be protected by computer password, and the formula can be safeguarded by disclosing it to a limited number of people.
- Trade secrets are not registered with any products

GEOGRAPHICAL INDICATIONS

- An indication used to identify agricultural, natural or manufactured goods originating from a definite territory in India.
- It should have a special quality or characteristics or reputation based up on the climatic or production characteristics unique to the geographical location.
- The registration of a geographical indication is from a period of 10 years.
- Renewal is possible for further period of 10 years each.

PATENT

DEFINITION:

Exclusive right for being the true and first inventor of a product or process, granted by the govt. for a limited period, to exclude others from making, using, selling or importing the patented product or process with out his consent, in exchange of full disclosure of his invention.

Term: 20 years from the Date of Filing

Patent jurisdictions

- A patent is only valid in the jurisdiction in which it is granted
 - ✓ Mumbai
 - ✓ Chennai
 - ✓ New Delhi
 - ✓ Kolkata
- } Patent office branches
- ❖ WIPO (World Intellectual property Organization-1967)
 - ❖ PCT(Patent cooperation Treaty) - 1970
 - ❖ WTO - 1995

Lifecycle of a patent



What is patentable ?

- A product
- The apparatus for producing the product
- The process
- The composition of matter

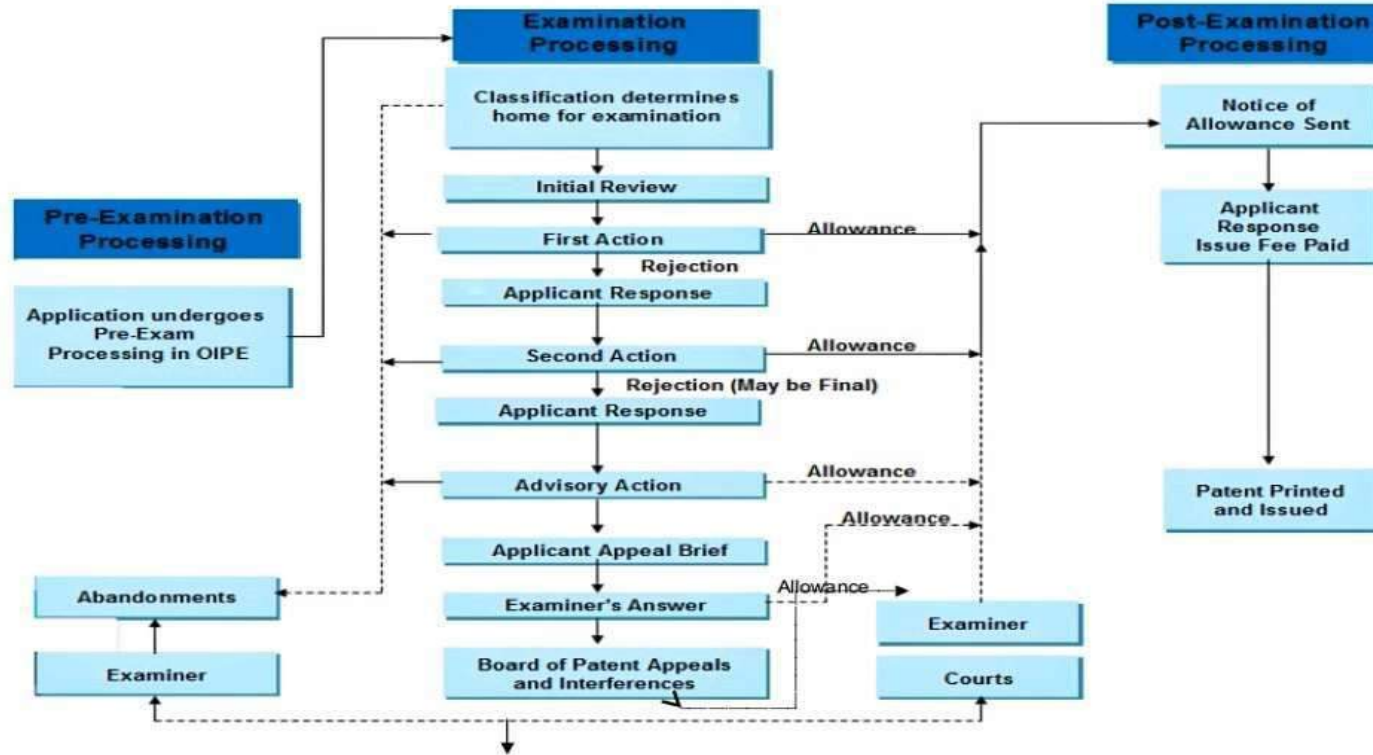
What is not patentable

- Computer programmes
- Medical and Surgical treatments
- Mathematical methods
- Business methods
- Discoveries
- Aesthetic creation
- New species of plant or animal
- The invention which are contrary to moral standards and public order
- Invention related to atomic energy

Documents required for filing a patent application

1. Application Form (Form 1)
2. Specification (Provisional/ Complete) (Form 2)
3. Drawings
4. Undertaking under section 8 (Form 3)
5. Power of Authority

The patent process



Patent Laws

1856

- Patent rights were introduced in India.

1872

- The Patent and Design Protection Act.

1888

- Invention and Design Act

1911

- The Indian Patent And Designs Act.

1970

- The Patent Act

2005

- Product Patent regime in Pharmaceutical

What does patent system do ?

- It encourages research
- Induce an inventor to disclose his invention
- Encourage establishment of new industries
- Reasonable assurance for commercialization
- Facilitate technology transfer
- Stimulate R&D at Universities and Research centers
- Acts as catalysts for new technologies and new business

Compulsory Licence



- Any time after three years from the date of sealing of a patent, application for compulsory license to the government can be made by any other party interested in using that invention provided.
 1. Reasonable requirements of public have not been met.
 2. patented invention is not available to public at a reasonably affordable price.
 3. patented invention is not worked in India.

INFRINGEMENT

imports an embodiment of the invention without the permission of the patent owner.

- Direct infringement
- Indirect infringement

Cosequences of infringement

If you infringe someone else's patent you may risk:

- Injunction, which means that all your products may be removed from the market.
- Destruction of your products.
- Paying damages to the patent owner.
- Being sendded to imprisonment.

CONCLUSION

- Intellectual property (IP) is a category of property that includes intangible creations of the human intellect, and primarily encompasses copyrights, patents, and trademarks
- It also includes other types of rights, such as trade secrets, publicity rights, moral rights, and rights against unfair competition.
- The main purpose of intellectual property law is to encourage the creation of a large variety of intellectual goods. This gives economic incentive for their creation, because it allows people to profit from the information and intellectual goods they create. These economic incentives are expected to stimulate innovation and contribute to the technological progress of countries, which depends on the extent of protection granted to innovators.

AVOIDING TRADEMARK PITFALLS

- Your trademark is your brand identifier. You can trademark anything from sounds to smells to colors to [holograms](#). In essence, your trademark is just another way of referring to your [brand](#).
- When you get ready to get your trademark, make sure you look out for these toxic trademark pitfalls:
 1. **Avoid generic words:**
 - You shouldn't brand your dairy product with the single word "Milk." Or simply call your wonderful bonding product "Glue." A generic word is

- non-distinctive, and trademark experts agree that non-distinctive trademarks are weak and don't hold up in court.
- **2. Don't ignore trademark ownership:**
- Is the trademark in your name, your attorney's name, or your corporation's name? Get it clear and get it straight from the get-go. If this is not clear, there will be trouble if and when the brand, or trademark, is sold in the future. Who gets paid for it?

- A startup's trademark should be fanciful, independent, and suggestive. These are all strong brand identifiers. They make it very easy and have gotten it every time.
- **3. Don't overlook office actions:**
- During the registration process you might get an office action letter from the PTO. If you blithely file it away and forget about it you're headed for trouble. An office action letter indicates there is a problem or issue with your trademark application. You should immediately respond to it, or have your attorney respond to it, because if you ignore it for too long your application is abandoned.

- **4. Watch your language:**
- There are some [legal strictures](#) when it comes to the use of profanity, obscenity and other “vulgar” words and phrases, as defined by the courts and the WIPO.
- **5. Be thorough:**
- You must search state trademark registries, industry publications, and especially internet domain names. A careless mistake here could mean years of legal action and attorney’s fees down the road.

- **6. Don't overestimate your trademark:**
- “My trademark will cover all goods and services no matter what they are or who else has them!”
Maybe; maybe not. In general, trademark ownership for one class will not allow you to enforce your brand against a different class of goods or services using the same trademark name.
- **7. Always protect your trademark:**
- once your trademark is registered properly it will not expire, you can still lose your trademark's power in a number of ways, such as improper use

- by employees or third parties, or, most importantly, by knock-offs. [Apple Watch](#) knock-offs were available 24 hours after it was launched in San Francisco.

Feasibility Analysis



Update Yourself - It saves a lot of extra effort

What Is Feasibility Analysis?

- Feasibility Analysis
 - Feasibility analysis is the process of determining whether a business idea is viable.
 - It is the preliminary evaluation of a business idea, conducted for the purpose of determining whether the idea is worth pursuing.
 - Feasibility analysis takes the guesswork (to a certain degree) out of a business launch, and provides an entrepreneur with a more secure notion that a business idea is feasible or viable.

When To Conduct a Feasibility Analysis

- **Timing of Feasibility Analysis**

- The proper time to conduct a feasibility analysis is early in thinking through the prospects for a new business.
- The thought is to screen ideas before a lot of resources are spent on them

- **Components of a Properly Conducted Feasibility Analysis**

- A properly conducted feasibility analysis includes four separate components.

Outline for a Comprehensive Feasibility Analysis

Part 1: Product/Service Feasibility

- A. Product/service desirability
- B. Product/service demand

Part 2: Industry/Target Market Feasibility

- A. Industry attractiveness
- B. Target market attractiveness

Part 3: Organizational Feasibility

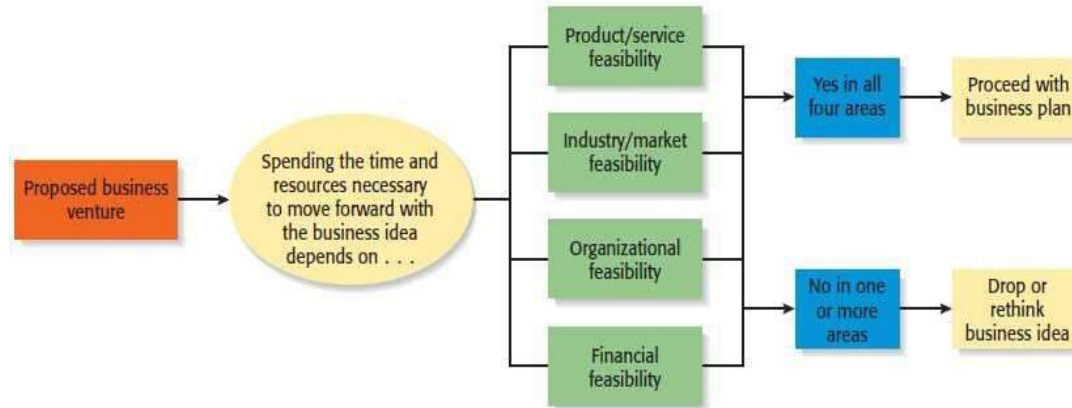
- A. Management prowess
- B. Resource sufficiency

Part 4: Financial Feasibility

- A. Total start-up cash needed
 - B. Financial performance of similar businesses
 - C. Overall financial attractiveness of the proposed venture
- Overall Assessment
-

Feasibility Analysis

Role of feasibility analysis in developing business ideas.



Product/Service Desirability

First, ask the following questions to determine the basic appeal of the product or service.

- Does it make sense? Is it reasonable? Is it something consumers will get excited about?
- Does it take advantage of an environmental trend, solve a problem, or take advantage of a gap in the marketplace?
- Is this a good time to introduce the product or service to the market

1. Product/Service Feasibility Analysis

- **Product/Service Feasibility Analysis**

- Is an assessment of the overall appeal of the product or service being proposed.
- The idea is that before a prospective firm rushes a product or service into development, it should be confident that the product or service is what its prospective customers want.
- The two components of a product/service feasibility analysis are:

Product/Service
Desirability

Product/Service
Demand

Product/Service Desirability

- Second, Administer a ***Concept Test***
 - A concept statement should be developed.
 - A concept statement is a one page description of a business, that is distributed to people who are asked to provide feedback on the potential of the business idea.
 - The feedback will hopefully provide the entrepreneur
 - A sense of the viability or the product or service idea.
 - Suggestions for how the idea can be strengthened or “tweaked” before proceeding further.

Developing a Business Concept

In developing a business concept, consider the **features** and **benefits** your proposed product or service will offer.



features distinctive aspects, qualities, or characteristics of a product or service

benefits things that promote or enhance the value of a product or a service to the customer

When developing a business concept an entrepreneur must ask the following questions:

- ✓ What is the product or service being offered
- ✓ Who is the customer?
- ✓ What is the benefit that is being provided?
- ✓ How will the benefit be delivered to the customer?

Product/Service Demand

- There are three steps to assessing product/service demand.
- **Step 1: Administer a Buying Intentions Survey**- an instrument that is used to gauge customer interest in a product or service.
- **Step 2: Conduct library, Internet, and Gumshoe research**
- **Step 3: Usability Testing**
 - Usability tests are sometimes called user tests, beta tests, or field trials, depending on the circumstances involved
 - **Prototype**
 - **Virtual Prototype**
 - **Standard Test Market**
 - **Controlled Test Market**



Table 3.3 BUYING INTENTIONS SURVEY

Distributed to a different group of people than those who completed the initial concept statement test

How likely would you be to buy the product or service described above, if we make it?

- ☐ Definitely would buy
- ☐ Probably would buy
- ☐ Might or might not buy
- ☐ Probably would not buy
- ☐ Definitely would not buy



Additional questions that are sometimes included in the survey:

How much would you be willing to pay for the product or service?

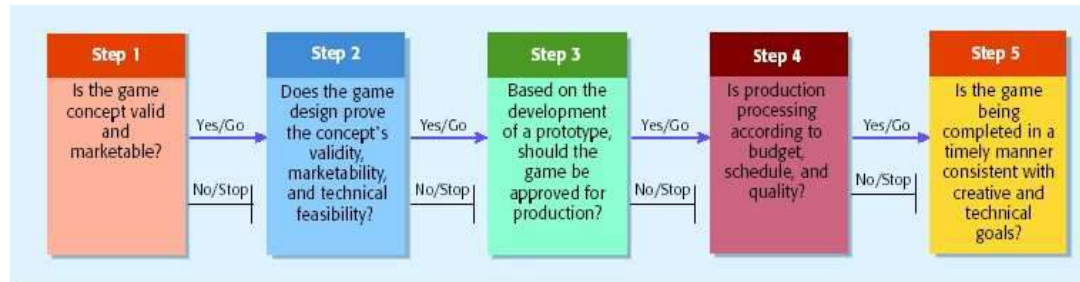
Where would you expect to find this product or service for sale?

- ✓ One of the most effective things an entrepreneur can do to conduct a thorough product/service feasibility analysis is to hit the streets and talk to potential customers.

Product/Service Feasibility Analysis in Action

Role of feasibility analysis in the development of successful business ideas at Activision (an electronic games company)

The Activision “Green Light Process”



2. Industry/Target Market Feasibility Analysis

- It is an assessment of the overall appeal of the industry and the target market for the proposed business.
- An industry is a group of firms producing a similar product or service.
- A firm's target market is the limited portion of the industry it plans to go after.

For industry/market feasibility analysis, there are three primary issues that a proposed business should consider:

Industry
attractiveness,
market timeliness,
and the
identification of a
niche market.

Industry Attractiveness

- Industries vary in terms of their overall attractiveness.
- In general, the most attractive industries have the characteristics depicted on the next slide.
- Particularly important—the degree to which environmental and business trends are moving in favor rather than against the industry .

Industry Attractiveness

Table 3.4 CHARACTERISTICS OF ATTRACTIVE INDUSTRIES

- Are young rather than old
- Are early rather than late in their life cycle
- Are fragmented rather than concentrated
- Are growing rather than shrinking
- Sell products or services that customers “must have” rather than “want to have”
- Are not crowded
- Have high rather than low operating margins
- Are not highly dependent on the historically low price of a key raw material, like gasoline or flour, to remain profitable

- In addition to evaluating an industry’s growth potential, a new venture will want to know more about the industry it plans to enter.
- This can be accomplished through both primary and secondary research, as explained in the next slide.

**First mover advantage
or
Second-mover advantage
.....?**

Entry Strategy For New Entry Exploitation

❖ **First Mover**- Launching new to the world product or service or at least new to the market. (*Pioneer advantage*)

1. First mover faces less competitive rivalry
2. First movers can secure important channels
3. First movers are better positioned to satisfy customers
4. Above-average returns
5. Customer loyalty
6. An early hold on market share

Disadvantages of 'Being First'

1. **Demand Uncertainty:** Considerable difficulty in accurately estimating the potential size of the market, how fast it will grow, and the key dimensions along which it will grow.
2. **Technological Uncertainty:** Considerable difficulty in accurately assessing whether the technology will perform and alternate technologies will emerge and leapfrog (game) over current technologies.
3. **Uncertainty of Customers:** Customers may have considerable difficulty in accurately assessing whether the new product or service provides value for them.

Second Mover –

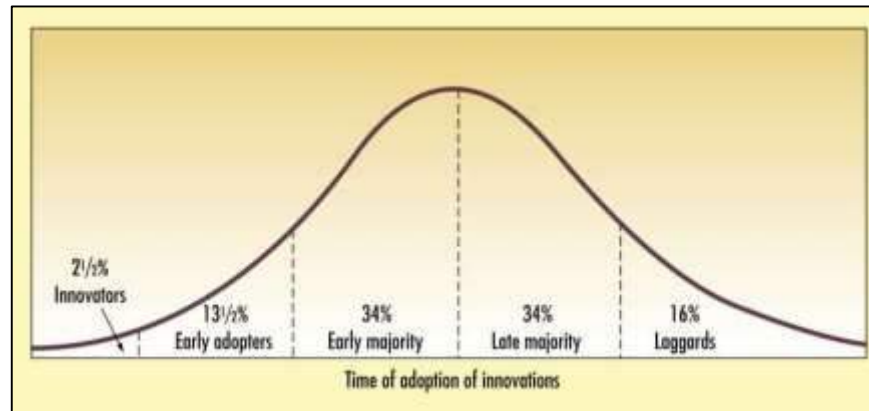
- Responds to first mover, typically through imitation
- Is more cautious than first movers
- Tends to study customer reactions to product innovations
- Tends to learn from the mistakes of first movers, reducing its risks
- Takes advantage of time to develop processes and technologies that are more efficient than first movers, reducing its costs
- Reduce the entrepreneur's costs associated with R&D.
- Reduce customer uncertainty over the firm.

Late Mover –

- Responds to market opportunities only after considerable time has elapsed since first and second movers have taken action
- Has substantially reduced risks and returns

New Product Adopters Groups

1. **Innovators**- Venturesome, they try new ideas at some risks
2. **Early adopters**- they adopt new ideas early but carefully
3. **Early majority**- Adopt new ideas before average person
4. **Late majority**- Adopt new idea after a majority of people tried it.
5. **Laggards**- people suspicious to changes and adopt new product



Identification of a Niche Market

- Identification of a Niche Market
- Niches do not 'exist' but are 'created' by identifying needs, wants, and requirements that are being addressed poorly or not at all by other firms.
- For a new firm, selling to a niche market makes sense for at least two reasons.
- It allows a firm to establish itself within an industry without competing against major competitors head on.
- A niche strategy allows a firm to focus on serving a specialized market very well instead of trying to be everything to everybody in a broad market, which is nearly impossible for a new entrant.
- Target Market Attractiveness
- The challenge in identifying an attractive target market is to find a market that's large enough for the proposed business but is yet small enough to avoid attracting larger competitors.

3. Organizational Feasibility Analysis

- It is concerned with determining whether the business itself has sufficient skills and resources to bring a particular product or service idea to market successfully.
- Focuses on non-financial resources.
- There are two primary issues to consider in this area:
 - Management prowess.
 - Resource sufficiency.

Management Prowess

- Management Prowess
 - A firm should candidly evaluate the prowess, or ability, of its management team to satisfy itself that management has the requisite passion and expertise to launch the venture.
 - Two of the most important factors in this area are:
 - The passion that the solo entrepreneur or the founding team has for the business idea.
 - The extent to which sole entrepreneur or the founding team understands the markets in which the firm will participate.
- ✓ Solo entrepreneurs or founding teams with established social and professional networks also have an advantage

Management Competence



- An indication of passion is the willingness of a new venture team to complete comprehensive feasibility analysis.

Resource Sufficiency

- This topic pertains to an assessment of whether an entrepreneur has sufficient resources to launch the proposed venture.
- The focus here should be on nonfinancial resources in that financial feasibility is considered separately.
- To test resource sufficiency, a firm should list the 6 to 12 most critical nonfinancial resources that will be needed to move the business idea forward successfully.
 - If critical resources are not available in certain areas, it may be impractical to proceed with the business idea.

Resource Sufficiency

- Availability of affordable office or lab space.
- Likelihood of local and state government support of the business.
- Quality of the labor pool available.
- Proximity to key suppliers and customers.
- Willingness of high quality employees to join the firm.
- Likelihood of establishing favorable strategic partnerships.
- Proximity to similar firms for the purpose of sharing knowledge..

4. Financial Feasibility Analysis

- For feasibility analysis, a quick financial assessment is usually sufficient.
- The most important issues to consider at this stage are:
 - Total start-up cash needed.
 - Financial performance of similar businesses.
 - Overall attractiveness of the proposed venture.

Total Start-Up Cash Needed

- business to make its first sale.
- An actual budget should be prepared that lists all the anticipated capital purchases and operating expenses needed to generate the first \$1 in revenues.
- The point of this exercise is to determine if the proposed venture is realistic given the total start-up cash needed.

When projecting start-up expenses, it is better to ***overestimate rather than underestimate*** the costs involved.

Financial Performance of Similar Businesses

- Estimate the proposed start-up's financial performance by comparing it to similar, already established businesses.
- There are several ways to doing this, all of which involve a little ethical detective work.
 - First, there are many reports available, some for free and some that require a fee, offering detailed industry trend analysis and reports on thousands of individual firms.
 - Second, simple observational research may be needed. For example, the owners of New Venture Fitness Drinks could estimate their sales by tracking the number of people who patronize similar restaurants and estimating the average amount each customer spends.

Overall Financial Attractiveness of the Proposed Venture

- Overall Financial Attractiveness of the Proposed Investment
 - A number of other financial factors are associated with promising business startups.
 - In the feasibility analysis stage, the extent to which a business opportunity is positive relative to each factor is based on an estimate rather than actual performance.
 - The table on the next slide lists the factors that pertain to the overall attractiveness of the financial feasibility of the business idea.

Financial Factors Associated With Promising Business Opportunities

- Steady and rapid growth in sales during the first 5 to 7 years in a clearly defined market niche.
- High percentage of recurring revenue—meaning that once a firm wins a client, the client will provide recurring sources of revenue.
- Ability to forecast income and expenses with a reasonable degree of certainty.
- Internally generated funds to finance and sustain growth.

INDUSTRY ANALYSIS

Introduction

An investor ultimately invests his money in the securities of one or more specific companies. Each company can be characterized as belonging to an industry. The performance of companies would, therefore, be influenced by the fortunes of the industry to which it belongs. The performance of companies will depend, among other things, upon the state of the industry to which they belong. Industry analysis refers to an evaluation of the relative strengths and weakness of particular industries.

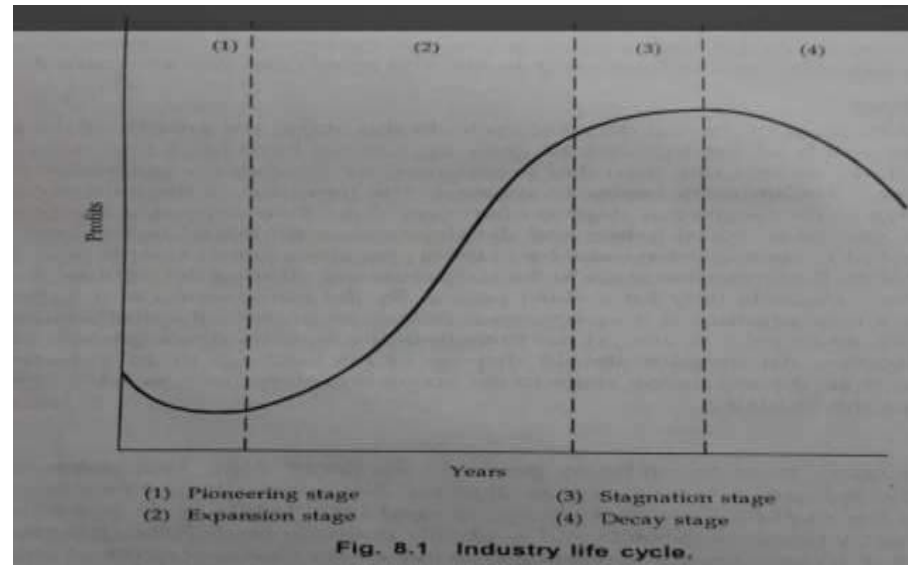
Industry Life Cycle

Marketing experts believe that each product has a life cycle. They have identified four stages in the life of a product, namely introduction stage, growth stage, maturity stage and the decline stage. In the same way, an industry is also said to have a life cycle. This industry life cycle theory is generally attributed to Julius Grodinsky.

According to Julius Grodinsky the first step in industry analysis, therefore, is to determine the stage of growth through which the industry is



Industry Life Cycle



Pioneering Stage

This is the first stage in the industrial life cycle of a new industry where the technology as well as the product are relatively new and have not reached a state of perfection. The pioneering stage is characterised by rapid growth in demand for the output of industry. As a result there is a great opportunity for profit. Many companies compete with each other vigorously.

Expansion Stage

Once an industry has established itself it enters the second stage of expansion or growth. The industry now includes only those companies that have survived the pioneering stage. These companies continue to become stronger. Each company finds a market for itself and develops its own strategies to sell and maintain its position in the market. The competition among the surviving companies brings about improved products at lower prices.

Stagnation Stage

This is the third stage in the industry life cycle. In this stage, the growth of the industry stabilises. The ability of the industry to grow appears to have lost. Sales may be increasing but at a slower rate than that experienced by competitive industries or by the overall economy.

Two important reasons for this transition are change in social habits and development of improved technology.

Example TV

Decay Stage

From the stagnation stage the industry passes to the decay stage. This occurs when the product of the industry are no longer in demand. New products and new technologies have come to the market. Customers have changed their habits, style and liking. As a result, the industry becomes obsolete and gradually ceases to exist. Thus, changes in social habits, changes in technology and declining demand are the causes of decay of an industry.

Industry Characteristics

These features broadly relate to the operational and structural aspects of the industry. They have a bearing on the prospects of the industry. Some of these are discussed below :

- 3. Permanent
- 4. Labour conditions
- 5. Attitude of

Demand Supply Gap

The demand for a product usually tends to change at a steady rate, whereas the capacity to produce tends to change at irregular intervals, depending upon the installation of additional production capacity. As a result, an industry is likely to experience under-supply and over-supply of capacity at different times. Excess supply reduces the profitability of the industry through a decline in the unit price realisation.

Competitive Conditions in the Industry

Another significant factor to be considered in industry analysis is the competitive conditions in the industry. The level of competition among various companies in an industry is determined by certain competitive forces. These competitive forces are barriers to entry, the threat of substitution, bargaining power of the buyers, bargaining power of suppliers and the rivalry among competitors.

Permanence

In this age of rapid technological change, the degree of permanence of an industry is an important consideration in industry analysis. Permanence is a phenomenon related to the products and the technology used by the industry.

* Vanish in short period ** foolish to invest in such a industry.

Labour Conditions

The state of labour conditions in the industry under analysis is an important consideration in an economy such as ours where the labour unions are very powerful. If the labour in a particular industry is rebellious and is inclined to resort to strikes frequently, the prospects of that industry cannot become bright.

* TCS , * PowerDistribution Companies, * Railways for salary hikes

Attitude of Government

The attitude of the government towards an industry has a significant impact on its prospects. The government may encourage the growth of certain industries and can assist such industries through favorable legislation.

Disfavor in some industries , in india this has been the experience of alcoholic drinks and cigarette industries. The govt. may place different kindsof legal restrictions on its development.

Supply of Raw Materials

The availability of raw materials is an important factor determining the profitability of an industry. Some industries may have no difficulty in obtaining the major raw materials as they may be indigenously available in plenty. Other industries may have to depend on a few manufactures within the country or on imports from outside the country for their raw materials supply.

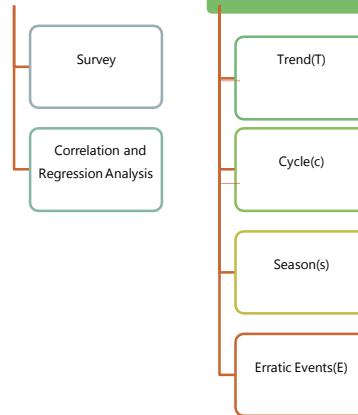
* Imported vehicles , bikes, car, machinery like gold smith

Cost Structure

Another factor to be considered in industry analysis is the cost structure of the industry. The proportion of fixed costs to variable costs. The higher the fixed cost component, higher is the sales volume necessary to achieve break-even point. Conversely, the lower the proportion of fixed cost relative to variable cost, lower would be the BEP. Lower break-even point provides higher margin of safety. An analyst would consider favorably an industry that has a lower BEP.

INDUSTRY FORECASTING METHODS

Methods



Market

Market Profile

A market profile consists of those endogenous characteristics which have a significant bearing on demand or the way in which it can be developed.

The Basic elements of it are :

1. Number of establishments,
2. Geographical location of establishment
3. Number of employees
4. Value of sales
5. Value added by manufacturing
6. Capital expenditures
7. Importance of their output in the national total.

Cumulative Method

- 1) Survey : Surveys are carried-out by research agencies, consultants, industry association and research bureau in order to predict future demand and proposed investment and thereby identify the expansion prospects vis a vis demand gap.
- 2) Correlation and regression analysis : Statistical method like correlation and regression analysis can be of much help in demand measurement.

Time Series

Time series analysis consists of decomposing the original sales series over a period of time.

1. Trend : it is result of basic developments in population capital formation and technology. It is found by fitting straight of curved line through past sales.
2. Cycle : It captures the wave like movement of sales .Many sales are affected bt swings in general economic activity , which tends to be some what periodic. The Cyclical component can be useful in intermediate range forecasting.
3. Season : It refers to a consistent pattern of sales movements within the year. The term season describes any recurrent sales pattern. The season component may be related to weather factors, holiday, and trade customs. The seasonal pattern provided a norm forecasting short-range sales.
4. Erratic Events : It refers to the unpredictable sales caused by unforeseen events like strikes, riots, war scares, floods, and other disturbances.

COMPETITORS ANALYSIS

COMPETITORS ANALYSIS

✗ Definition:

Competitive Analysis is a process of gathering and analyzing information about your competitors, their practices, products, strengths and weaknesses and business trends in order to assess your position in the market and improve your products and marketing *strategies*.

WHAT IS THE PURPOSE OF COMPETITIVE ANALYSIS

In today's market, you must know what your competitors are doing and what to do to stay ahead of the competition. Many businesses believe they are providing a good product to their customers, but do not have reliable information showing how customers perceive their product or how it compares to the competition.

A Competitive Analysis performed by an unbiased third party is an invaluable tool because it can help you identify ways to attract new customers, as well as keep the ones you have satisfied with your products.

COMPETITORS ANALYSIS CAN HELP YOU DETERMINE

Steps of determining Competitors Analysis :

- ✗ Strengths and weaknesses:
- ✗ Identify your competition:
- ✗ Improvements:
- ✗ Marketing:

COMPETITIVE ANALYSIS CAN HELP YOU DETERMINE THE FOLLOWING:



COMPETITIVE ANALYSIS CAN HELP YOU DETERMINE THE FOLLOWING:



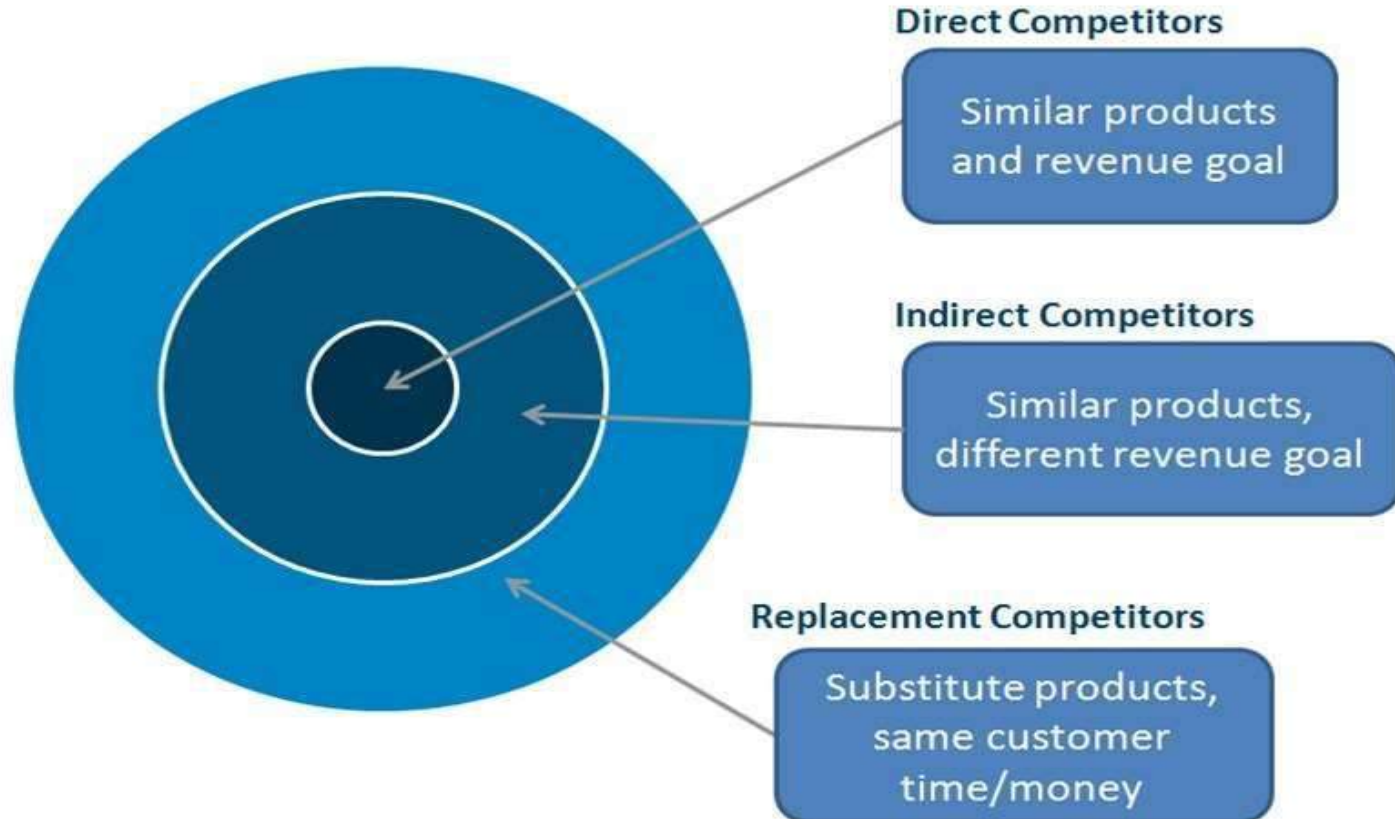
- ✘ **Strengths and weaknesses:** How your product stacks up against the competition and in what areas they have an edge over your product and in what areas your product is superior.
- ✘ **Identify your competition:** Verify who your primary and secondary competitors are.
- ✘ **Improvements:** How and in what areas your product, processes, and practices must be improved to meet market demands or to stay ahead of the competition.
- ✘ **Marketing:** What improvements you need to make in your marketing approach – you may want to highlight why your product is ahead of the competition, or the unique features that consumers desire.

WHAT WILL COMPETITIVE ANALYSIS REVEAL ABOUT MY PRODUCTS?



- ✗ What products compete with yours
- ✗ What advantages your products have over the competition
- ✗ What disadvantages your products have when compared to the competition
- ✗ The readiness of a new product in the market

TYPES OF COMPETITORS ANALYSIS



TYPES OF COMPETITOR

✕ **Direct Competitor:**

- + Same Market
- + Same Goals

✕ **Indirect Competitor:**

- + Different Product
- + Same Market
- + Same or Different Goals

✕ **Replacement Competitor:**

- + Substitute Product
- + Same Market
- + Time/Money

Formulation of ENTREPRENUERAL PLAN

The Business Plan Creating and Starting The Venture

BUSINESS PLAN



- The business plan should be prepared by the entrepreneur .
- The entrepreneur may consult with many other sources in its preparation, such as
 - lawyers,
 - accountants,
 - marketing consultants and engineers.

Scope and Value of the Business Plan

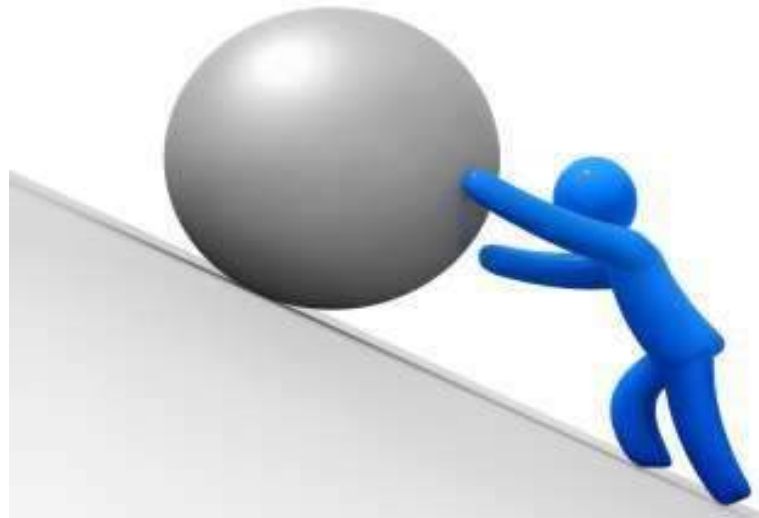
BUSINESS START-UP

- CHALLENGES

- What are the biggest challenges faced during a Start-up?

- Assessment of Risk
- Evaluate weakness of business
- New technologies
- Contingency Plans

“Big opportunities come with big challenges and big

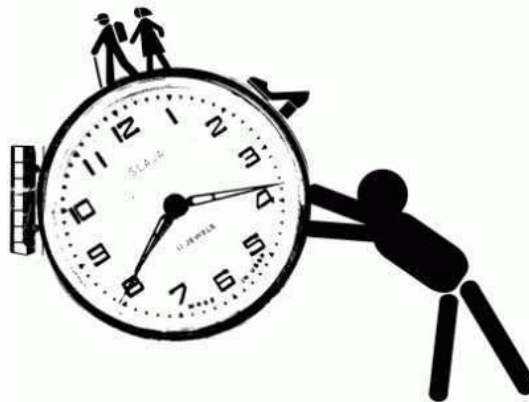


Financial Issues

-
-



Time Management Issues



Market Problems

-
-



A Weak Team

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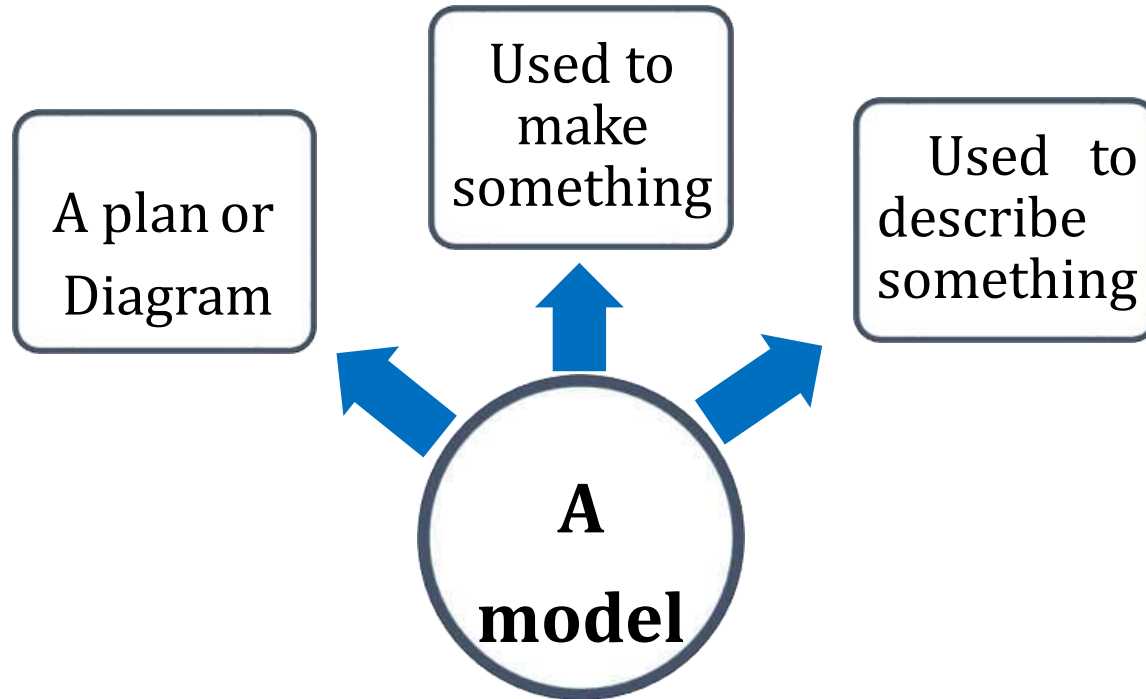


Legal Issues



Developing an Effective Business model

What is a model?

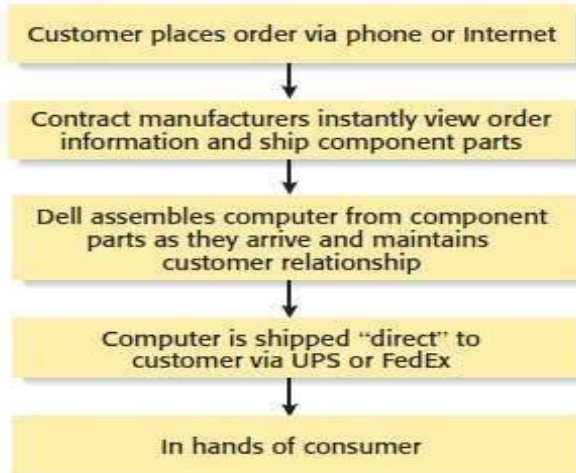


Business model: an example

Traditional Manufacturer (e.g., Hewlett-Packard or IBM)



Dell



Importance of a business model

- Serves as an ongoing extension of feasibility analysis
- Focuses attention on how all the elements of a business fit together and constitute a working whole.
- Describes why the network of participants needed to make a business idea viable are willing to work together.
- Articulates a company's core logic to all stakeholders.

Emergence of a business model

- **The Value Chain**

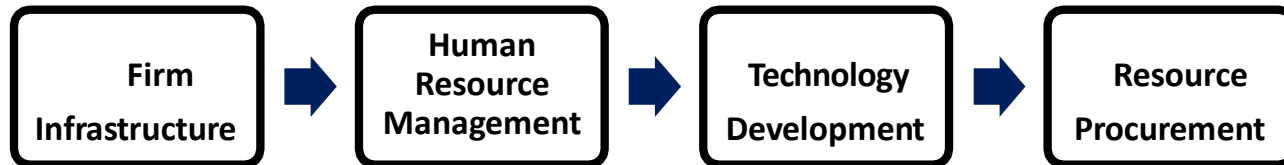
- The string of activities that moves a product from the raw material stage, through manufacturing and distribution, and ultimately to the end user.
- Developed by an academic researcher
- Used to identify opportunities
- Explains how business models emerge and develop
- Consists of primary activities and support activities

Emergence of a business model

- **Primary activities**



- **Support activities**



Creating a business model isn't simply about completing your business plan or determining which products to pursue. It's about mapping out how you will create ongoing value for your customers.

Where will your business idea start, how should it progress, and when will you know you've been successful? How will you create value for customers? Follow these simple steps to securing a [strong business model](#).

1. Identify your specific audience.

Targeting a wide audience won't allow your business to hone in on customers who truly need and want your product or service. Instead, when creating your business model, narrow your audience down to two or three detailed buyer personas. Outline each persona's demographics, common challenges and the solutions your company will offer. As an example, Home Depot might appeal to everyone or carry a product the average person needs, but the company's primary target market is homeowners and builders.

- **2. Establish business processes.**
- Before your business can go live, you need to have an understanding of the activities required to make your business model work. Determine key business activities by first identifying the core aspect of your business's offering. Are you responsible for providing a service, shipping a product or offering consulting? In the case of [Ticketbis](#), an online ticket exchange marketplace, key business processes include marketing and product delivery management.

3. Record key business resources.

- What does your company need to carry out daily processes, find new customers and reach business goals? Document essential business resources to ensure your business model is adequately prepared to sustain the needs of your business. Common resource examples may include a website, capital, warehouses, intellectual property and customer lists.

- **4. Develop a strong value proposition.**
- How will your company stand out among the competition? Do you provide an innovative service, revolutionary product or a new twist on an old favorite? Establishing exactly what your business offers and why it's better than competitors is the beginning of a strong value proposition. Once you've got a few value propositions defined, link each one to a service or product delivery system to determine how you will remain valuable to customers over time.
- **5. Determine key business partners.**
- No business can function properly (let alone reach established goals) without key partners that contribute to the business's ability to serve customers. When creating a business model, select key partners, like suppliers, strategic alliances or advertising partners. Using the previous example of Home Depot, key business partners may be lumber suppliers, parts wholesalers and logistics companies.

- **6. Create a demand generation strategy.**
- Unless you're taking a radical approach to launching your company, you'll need a strategy that builds interest in your business, generates leads and is designed to close sales. How will customers find you? More importantly, what should they do once they become aware of your brand? Developing a demand generation strategy creates a blueprint of the customer's journey while documenting the key motivators for taking action.
- **7. Leave room for innovation.**
- When launching a company and developing a business model, your business plan is based on many assumptions. After all, until you begin to welcome paying customers, you don't truly know if your business model will meet their ongoing needs. For this reason, it's important to leave room for future innovations. Don't make a critical mistake by thinking your initial plan is a static document. Instead, review it often and implement changes as needed.
- Keeping these seven tips in mind will lead to the creation of a solid business plan capable of fueling your startup's success.

Various Source of financing

Why finance matters

- A start-up can't survive without sufficient finance
- There are various sources of finance available for new businesses
- However, many start-ups struggle to raise finance until the business is established.
- Finance provided from the personal sources of the entrepreneur is very important

Key considerations

- How much finance is required?
- When and how long the finance is needed for?
(this links in with cash flow forecasting)
- What security (if any) has to be provided?
- Whether the entrepreneur is prepared to give up some control (ownership) of the start-up in return for investment?

Main types of finance sources

- External Sources
 - Bank Loan
 - Business angels.
 - Venture capital.
 - Trade credit.
 - Issue of share and debentures.
 - Commercial paper.
 - Discounting bill of exchange.
 - Public deposit.
- **Internal Sources**
 - Founder finance (various personal Bank overdraft sources of the entrepreneur)
 - Retained profits
 - Friends & family
 - Credit cards

Personal sources of the entrepreneur

Entrepreneurs find various personal sources to finance their start-ups:

examples

- Cash and investments
- Inheritances
- Personal credit cards
- Re-mortgaging.
- Putting time into the business for free

Personal sources -Re-mortgages

- Raising new capital by re- mortgaging.
- Most popular form of secured loan finance for start-ups.
- Long-term finance.
- Impact of credit crunch may restrict this source in future

Personal sources - credit cards

- The most popular source of short-term finance for small businesses.
- 30 days free credit for business-related expenses.
- Helps control over start-up costs

Putting time in for free

- The entrepreneur works for nothing (or very little)
- Entrepreneurs multi-task until the start-up can afford staff.

Retained profits

- This is the cash that is generated by the business when it trades profitably.
- Retained profits can generate cash the moment trading has begun.
- For example, a start-up sells the first batch of stock for £5,000 cash which it had bought for £2,000. That means that retained profits are £3,000 which can be used to finance further expansion or to pay for other trading costs and expenses

Share capital

- **Share capital – invested by the founder**
- The founding entrepreneur (/s) may decide to invest in the share capital of a company, founded for the purpose of forming the start-up. This is a common method of financing a start-up. The founder provides all the share capital of the company, retaining 100% control over the business.
- **Share capital- invested by shareholders.**
- A start-up company can also raise finance by selling shares to **external investors** .
- In return for there investment shareholders gain a share of the ownership of the company.

Issue of Shares

- A **private** company cannot invite the general public to subscribe for its share capital and its shares are also not freely transferable. But for **public** limited companies there are no such restrictions. There are two types of shares:-
- **Equity shareholders** are the owners of a company and initially provide the equity capital to start the business.
- **Preference Shares**
- A preference share is a type of share capital that generally enables shareholders to fixed dividends ahead of the company's common shares and to a stated rupee value per share in the event of liquidation.
- Typically, the preferred shareholder occupies a position between that of a company's creditors and its common shareholders.

Issue of Debentures

- Companies generally have powers to borrow and raise loans by issuing debentures.
- The rate of interest payable on debentures is fixed at the time of issue and the debentures have a charge on the property or assets of the company, which provide the necessary security.
- The company is liable to pay interest even if there are no profits.
- Debentures are mostly issued to finance the long-term requirements of business and do not carry any voting rights.

COMMERCIAL PAPER

- An unsecured, short-term debt instrument issued by a corporation, typically for the financing of accounts receivable, inventories and meeting short-term liabilities.
- Maturities on commercial paper rarely range any longer than 270 days.
- The debt is usually issued at a discount, reflecting prevailing market interest rates.
- proceeds from this type of financing can only be used on current assets (inventories) and are not allowed to be used on fixed assets, such as a new plant, without SEC involvement.

Bank loans

- Long-term finance
 - Loan provided over fixed period
 - Rate of interest either fixed or variable
 - Timing and amount of repayments are set
 - Start-up provide some security for the loan
- Good for financing investment in production capacity (e.g. buildings, equipment).
- But, don't provide much flexibility.
- Hard to get because of the credit crunch

Bank overdrafts

- Short-term finance, widely used by start-ups and small businesses.
- An overdraft is really a loan facility – the bank lets the business “owe it money” when the bank balance goes below zero, in return for charging a high rate of interest.
- A flexible source of finance, in the sense that it is only used when needed
- Bank overdrafts are excellent for helping a business handle seasonal fluctuations in cash flow or when the business runs into short-term cash flow problems (e.g. a major customer fails to pay on time)

Business angels

- **Business angels** are the other main kind of external investor in a start-up company.
- Business angels are professional investors
- They prefer to invest in businesses with high growth prospects.
- Angels tend to have made their money by setting up and selling their own business – in other words they have proven entrepreneurial expertise.
- In addition to their money, Angels often make their own skills, experience and contacts available to the company.
- Getting the backing of an Angel can be a significant advantage to a start-up, although the entrepreneur needs to accept a loss of control over the business

What is Venture Capital?

- Venture Capital is “equity support to fund a new concepts that involve a higher risk and at the same time, have a high growth and profit.”
- Stages in venture capital
- **Seed Money:** Low level financing needed to prove a newidea.
- **Start-up:** Early stage firms that need funding for expenses associated with marketing and productdevelopment.
- **First-Round:** Early sales and manufacturingfunds.
- **Second-Round:** Working capital for early stage companies that are selling product, but not yet turning a profit.
- **Third-Round:** Also called Mezzanine financing, this is expansion money for a newly profitable company
- **Fourth-Round:** Also called bridge financing, it is intendedto finance the "going publicprocess"

Trade credit

- **Amounts owed to suppliers** for goods supplied on credit and not yet paid for
- Delayed payment means that the business retains cash longer.
- Have to be careful not to damage firm's credit reputation and rating.
- Some firms habitually delay payment to creditors in order to enhance their cash flow - a short sighted policy and raises ethical issues

Discounting Bills of Exchange

- This method is widely used by companies for raising short-term finance.
- When the goods are sold on credit, bills of exchange are generally drawn for acceptance by the buyers of goods.
- Instead of holding the bills till the date of maturity, companies can discount them with commercial banks on payment of a charge known as bank discount.
- The rate of discount to be charged by banks is prescribed by the Reserve Bank of India from time to time.
Generally used by companies who are into export and imports Business of goods.

Public Deposits



- Companies often raise funds by inviting their shareholders, employees and the general public to deposit their savings with the company.
- The Companies Act permits such deposits to be received for a period up to 3 years at a time.
- The rate of interest payable by the company on public deposits is lower than the interest on loans from banks and other financial institutions. Such an interest is a tax deductible expense.
- Public deposits can be raised by companies to meet their medium-term as well as short-term financial needs.
- It helps the company to borrow funds from a larger segment of public and thus reduces the dependence of the company upon financial institutions.

- **Critical Factors for New-Venture Development**
- 1. Uniqueness - A new venture's range of uniqueness can be considerable, depending on the amount of innovation required during prestart-up.
- 2. Investment - The capital investment required to start a new venture can vary considerably.
- 3. Growth of Sales - The growth of sales through the start-up phase is another critical factor.
- 4. Product Availability - Product availability refers to the availability of a salable good or service, at the time the venture opens its doors.
- 5. Customer Availability – Venture risk is affected by customer availability for start-up.

- **Why New Ventures Fail**
- **Product/Market Problems**
 - Poor timing
 - Product design Problems
 - Inappropriate distribution strategy
 - Unclear business definition
 - Overreliance on one customer
- **Financial Difficulties**
 - Initial undercapitalization
 - Assuming debt too early
 - Venture capital relationship problems
- **Managerial Problems**
 - Concept of a team approach
 - Human resource problems

UNIT V

Introduction to Innovation management, Managing Innovation within Firms, Business strategy & organization Knowledge, New Product Strategy & Managing New Product Development, Role of Technology in Management of innovation, Managing for Intellectual Property Right.

Strategic Planning

Strategic planning is the art of formulating business strategies, implementing them, and evaluating their impact based on [organizational objectives](#). The concept focuses on integrating various business departments ([accounting](#) and [finance](#), research and development, production, marketing, information systems, management) to achieve organizational goals. The term strategic planning is synonymous with strategic management, only that the former is used in the corporate world and the latter in the academic setting.

The concept of strategic planning originated in the 1950s but only became popular in the mid-1960s and the mid-1970s. During that time, managers and the entire corporate world believed that strategic planning provided answers to most if not all business problems. In the 1980s, however, the hype reduced since some plans did not produce the expected returns. Its application was later revived in the 1990s and remains relevant in modern business.

Strategic Planning Process

The application of strategic planning in business is a result of difficult managerial decisions that comprise good and less desirable courses of action. The development and execution of strategic plans is a well-thought-out plan performed in three critical steps:

1. Strategy Formulation

In the formulation of strategies, the business assesses its current situation by performing an internal and external audit. Strategy formulation also involves identifying the organization's strengths and weaknesses, as well as opportunities and threats ([SWOT Analysis](#)). As a result, managers get to decide which new markets they can venture or abandon, how to allocate the required resources, and

whether to expand its operations through [a joint venture](#) or mergers.

Business strategies result in long-term effects on organizational success; only top business executives understand their impact and are authorized to assign the resources necessary for their implementation.

2. Strategy Implementation

After the strategy formulation, the company needs to establish short-term goals (usually one-year goals), devise policies, and allocate resources for their execution. It is also referred to as the action stage and is the most important phase of strategic planning. The success of the implementation stage is determined by the firm's ability to nurture an environment and a culture that motivates employees to work. A manager's [interpersonal skills](#) are critical during this stage.

Effective strategy implementation also involves developing a functional organizational structure, maximum utilization of information systems, and redirecting marketing efforts.

3. Strategy Evaluation

Any savvy business person knows that success today does not guarantee success tomorrow. As such, it is important for managers to evaluate the performance of various strategies after the implementation phase. Strategy evaluation involves three crucial activities: reviewing the internal and external factors affecting the implementation of the strategies, measuring performance, and taking corrective steps.

All the three steps in strategic planning occur in three hierarchical levels: the corporate, middle, and operational levels. Thus, it is imperative to foster communication and interaction among the employees and managers in all the levels so as to help the firm to operate as a functional team.

A Corporate Positioning Strategy

Effective positioning creates a clear corporate identity in the minds of customers and can help increase sales and profitability. When you develop a positioning strategy that clearly differentiates your company from competitors, you can provide customers with compelling reasons to buy from you. Implementing such a strategy is a key to being able to set the prices you want and achieve long-term goals.

Company

An effective positioning strategy is to take a company characteristic and leverage it into an advantage. If you are a small company, you can position yourself as small and flexible, as more responsive to customers or as more efficient. If your location is convenient, add

other convenient features such as free parking and quick service to position yourself as the business most oriented toward customer convenience. The key is to choose a characteristic that is unique and clear.

Product

Positioning your company based on its major product can create a competitive advantage as long as the product has a favourable image in the marketplace. Such a strategy usually works only for companies that are among the leading suppliers of the type of product to a particular market. If you were the first to supply the product, you can position yourself as the original. If your product is of the highest quality, you can become the "best." You have to promote a credible product characteristic for the positioning to be effective.

Consumers

Depending on your products, you may be able to position your company through the market segment that uses your products the most. If many families use your products, you can promote yourself as family-oriented. If young singles represent your most important market segment, you may promote your company in youthful lifestyle ads. This positioning strategy works best if one market segment dominates sales for your company. If your sales are spread over many segments with different types of consumers, you risk alienating some consumers by positioning yourself in one particular way.

Experience

You can make a compelling case for purchasing certain products by emphasizing the experience their use makes possible. Linking a

particular experience to your company through the experience of its products is effective positioning that can lead to loyal customers. If your product is used outdoors or in connection with specific activities, focusing your promotion on the related experience identifies your company with enjoyment of the activity. To be effective, your contribution to the experience must be different from that of other companies, and it must be clear what your products contribute to the activity.

Positioning Strategies



- A product can be positioned based on 2 main platforms
 - 1. The Consumer
 - 2. The Competitor
- When the **positioning** is on the basis of CONSUMER, the campaigns and messages are always targeted to the consumer himself.
- When its based on Competition these campaigns are targeted towards competing with other players in the market.

1. By Product Attributes and Benefits

Examples.....



→ Positioned on its durability and style for its cycle.

Toothpaste



Strengthens Teeth with
Active Fluoride



- Fights cavities
- Cleans teeth thoroughly
- Leaves your whole mouth feeling clean
- Strengthens teeth
- Freshens breath
- Great regular flavor

2. BY PRICE AND QUALITY

Certain product categories where high price is automatically associated with quality, or where low price is often considered to be synonymous with inferior quality.

Example:

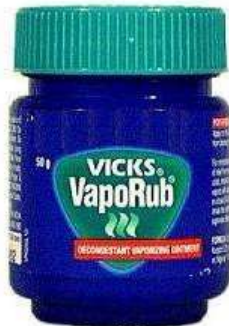


BE INDIAN BUY INDIAN. ZENITH COMPUTERS. MNC QUALITY - INDIAN PRICE

3. BY USE AND APPLICATION

Associating the product with a specific use.

Example....



Used during
cold and
Flu.....

4. BY PRODUCT CLASS

Some brands need to compete against products of similar class.

Example....



Airlines companies has to compete with other modes of transport.

CD Players must compete with cassette Industry as well as with the I-pods and the latest Gadgets who serve similar purposes.



5. BY PRODUCT USER

Strategy of associating the product with a particular type or class of user.

Example....



AXE targets men Specifically the Youth.

6. BY COMPETITOR

Positioning strategy consists in making consumers think that your brand is better than, or as good as the competitors

Example....



Nimbooz.....
Ek dum Asli
Indian



Ek dum Ghar
Jaisa

7. BY CULTURAL SYMBOLS

Positioning strategy consist in identifying something that is very meaningful to people.

Example....



Maharajah of Air India has become a world figure

It lays Emphasis on the royal Indian Comfort

Business stabilisation



Business stabilisation is a corporate restructuring process designed to help a business through short term and unexpected financial distress, such as the loss of a big contract. The need for Business Stabilisation will arise as a result of some form of crisis. Business stabilisation will involve the implementation of short-term measures usually designed to enhance cash-flow and generate liquidity.

1. Stay positive. A negative attitude results in negative actions. If we have no control over the situation, then what's the use of worrying about it? Distract yourself by coming up with new ideas to increase your business.

2. Keep strong opinions and emotions about the war to yourself when conducting business. You may be offending one of your customers, suppliers or employees because they may view the situation differently. Talking about current events may be unavoidable. I suggest this topic be approached with caution. Control your emotions.

3. **Create an emergency fund.** During military action or bad news, sales tend to slow down for a short period of time. Your emergency fund will help you through these times. You can easily start building this fund by transferring a percentage of every sale you make into it.
4. **Collect any overdue revenues** owed to your business. Send out overdue notices, reminders or make some polite personal calls. This will help stabilize your cash flow.
5. **Stock up on products and supplies** that your business depends upon, especially if you rely on international items. You may encounter delays or difficulties in receiving these products.
6. **Take time to do some cost cutting.** Focus on areas where money is being spent unproductively.

7. This is a good time to liquidate all non-profitable assets. This may consist of stock, equipment, furniture, etc. Have a sale to eliminate your unwanted stock and place classified ads to sell off your non-profitable assets.

8. When times change, people's attitudes change. Look for ideas that can help cater to your customers' needs during this time. Think of an idea that will benefit your customers and strengthen your business. For example, security is on everyone's mind. Can you provide your customers with a security-related product that is associated with your business? Can you provide extra precautions at your establishment that will make your customers feel safer? The ideas are endless. Take some time to think of a few.

9. Keep an amount of cash on hand in case of a network breakdown and you're unable to use a banking machine. This doesn't have to be

Stages of Organizational Growth

... in an Entrepreneurial Business

Stages of Growth in an Entrepreneurial Business

- ♣ **Businesses grow through stages with distinct needs**
- ♣ **Entrepreneur & business need to grow & mature through each stage**



- ♣ Passage from stage to stage marked by crisis points
- ♣ Nature & characteristics of the entrepreneurial process are different at each stage of growth of business

- To most small business owners, no matter whether you live they see their business as their baby. And we all want better for our children right? The life cycle of a business follows the same maturity and growth stages of a child. This post will discuss each of those stages and how to get the most out of each cycle, while also, extending the lifespan of your business.
- The four growth stages of a business life cycle are:
 - Infancy
 - Adolescence
 - Growing Pains
 - Maturity

Infancy

- This is generally consider the technician's phase or the craftsman's phase, which is the owner. At this early point, the relationship between the business and the owner is that of a parent and new baby. There is an impenetrable bond that is necessary to determine the path your business will follow.
- This phase requires constant vigilance and monitoring. Much like making sure your baby gets regular feeding and staying up late nights figuring out what is going on, but also, that as a new business owner, you are still riding high and don't mind spending

- every waking minute with “your new baby”. I can go on and on about the similarities of becoming a new parent and having a new business, but I believe you can get the analogy here. The key is to know your business must grow in order to flourish. You cannot stay in this stage forever, it isn’t healthy for you nor your business to stay here longer than necessary.

Adolescence

- Responsibility, decision making and lots of learning define this stage. In this stage you need to start bringing your support staff together to delegate to and allow growth to happen. You begin to test the limits and explore what is possible for your business. This cycle belongs to the manager. The plan stage needs to start and a relationship should be built with the entrepreneur or owner, to have a vision for and plan for the future.

Growing Pains

- There's a point in every business when business explodes and becomes chaotic. This is referred to as growing pains. It's a good problem to have, but a problem that cannot be ignored (or unexpected) nonetheless. You are often faced with a number of choices:
 - 1. Avoid growth and stay small (safe and comfortable)
 - 2. Go broke
 - 3. Push forward into the next cycle

Maturity

- The last cycle is maturity, though this doesn't mean the end of your business. Your passion for growth must continue in order for your business to succeed. You need to keep an entrepreneurial perspective in order to push your business forward.
- Through this phase you continue to grow and decision making becomes easier because you have more experience. By this point you have surrounded yourself with good coaches and advisors. You have a strong trust in the business and the staff you have put in place. The business needs much less of your time and more of your wisdom.

Definitions



Growth Strategy- An organization substantially broadens the scope of one or more of its business in terms of their respective customer group, customer functions and alternative technologies to improve its overall performance.

Intensive/Internal Growth

Expansion

Modernisation

Diversification

External/Integrative Growth

Merger

Acquisition

Joint Ventures

Strategic
Alliance

Internal Growth Strategies

Internal growth strategies relate to the following actions:-

- * Designing and developing new
- * products/services Building on existing
- * products/services for new opportunities
- * Increase sales of products/services through better
- * market reach
- * Expanding existing product lines and service
- * offerings Reaching out for new markets
- * Expansion into foreign markets

Ansoff's Product-Market Expansion Grid



Market Penetration



- 1.To maintain or grow the market share of the current product range
- 2.Become the dominant player in the growth markets
3. Drive out competitors
- 4.Increase the usage of a company's products by its current customers

Market Development

- ❖ Expand sales in new markets through expanding geographic representation
- ❖ An organization's current product can be changed improved and marketed to the existing market.
- ❖ The product can also be targeted to another customer segment. Either way, both strategies can lead to additional earnings for the business.

Product Development



- * Increase sales through new products/services
- * An organization that already has a market for its products might try and follow a strategy of developing additional products, aimed at it's current market.
- * Even if the new products are need not be new to the market, they remain new to the business.

Diversification

Diversification Strategy is the development of new products in the new market. Diversification strategy is adopted by the company if the current market is saturated due to which revenues and profits are lower.

It is of two types:-

- Synergistic

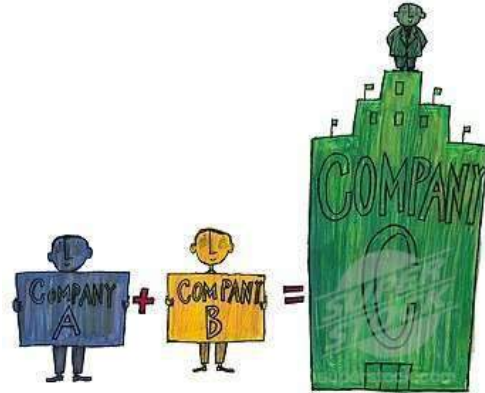
- Conglomerate

Diversification strategy examples

- * **Virgin Media** moved from music producing to travels and mobile phones
- * **Walt Disney** moved from producing animated movies to theme parks and vacation properties
- * **Canon** diversified from a camera-making company into producing whole new range of office equipment.

What Does Merger Mean?

The combining of two or more companies. In merger two companies agree to move ahead and exist as a single new company.



Example: Glaxo Wellcome + SmithKline Beecham =

GlaxoSmithKline

What Does Acquisition Mean?

When one company takes over another company and clearly establishes itself as the new owner, the purchase is called an acquisition.

- * **Acquisition can be friendly or Hostile.**

Example: **Acquisition of Corus by Tata Steel.**



Benefits of M&A

Diversification of product and service offerings

Economies of scale Increase in plant

capacity Acquiring new technology

Improved market reach and industry visibility

Types of Merger

1. Horizontal Merger
2. Vertical Merger
3. Conglomerate Merger
4. Concentric Merger

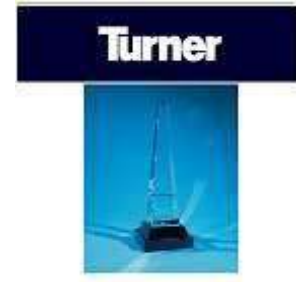
Horizontal Merger

- A horizontal merger involves two firms operating and competing in the same kind of business activity.
- * Example = Merger of Exxon and Mobil.

The logo for Exxon Mobil, featuring the word "EXXON" in red and "Mobil" in blue.

Vertical Merger

- * Vertical mergers occur between firms in different stages of production operation in same industry.
- * Example: Time Warner Incorporated, a major cable operation, and the Turner Corporation, which produces CNN, TBS, and other programming



Conglomerate Merger

A merger between firms that are involved in totally unrelated business activities.

Two types of conglomerate mergers:

1. Pure conglomerate mergers involve firms with nothing in common.
2. Mixed conglomerate mergers involve firms that are looking for product extensions or market extensions.

- * Walt Disney Company and the American Broadcasting Company.



Concentric Merger

Concentric mergers take place when two firms from different but "adjacent" industries merge

Example: **Merge of Concentric With NextLink**



Type of Acquisition:

Hostile Takeover

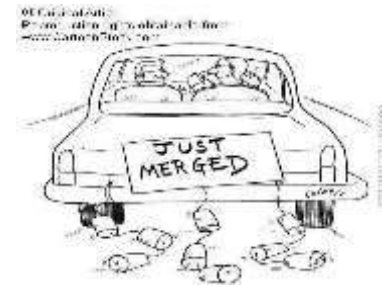
A takeover attempt that is strongly resisted

by the target firm



Friendly Takeover

Target company's management and board of directors agree to a merger or acquisition by another company.



Hostile Takeovers: Defensive Tactics



Shareholders Rights Plan

- Known as a poison pill or deal killer
- Can take different forms but often
 - Gives shareholders the right to buy 50 percent more shares at a discount price in the event of a takeover.

Selling the Crown Jewels

- The selling of a target company's key assets that the acquiring company is most interested in to make it less attractive for takeover.
- Can involve a large dividend to remove excess cash from the target's balance sheet.

White Knight

- The target seeks out another acquirer considered friendly to make a counter offer and thereby rescue the target from a hostile takeover

Joint Ventures

Joint Ventures

- * A joint venture is an entity created when two or more firms pool a portion of their resources to create a separate, jointly owned organization. All involved will
- * have an equity stake in the new venture

It is a legal partnership between two(or more) companies where in they both make a new (third)

- * entity for competitive advantage

Unlike mergers and acquisitions, in joint venture the

- * parent companies does not cease to exist

Why Joint Venture?

A joint venture may be formed to:

run production
facilities in
another country

establish a
marketing
and
distribution
presence

use complementary
technologies held by
each participant.

Advantages

- * Provide companies with the opportunity to gain new capacity and expertise.
- * Allow companies to enter related businesses or new geographic markets or gain new technological knowledge.
- * access to greater resources, including specialised staff and technology.
- * sharing of risks with a venture partner.
- * Joint ventures can be flexible. For example, a joint venture can have a limited life span and only cover part of what you do, thus limiting both your commitment and the business' exposure.

Disadvantages

- * It takes time and effort to build the right relationship and partnering with another business can be challenging.
- * There is an imbalance in levels of expertise, investment or assets brought into the venture by the different partners.
- * Different cultures and management styles result in poor integration and co-operation.
- * Potential financial losses if project fails.

Tata with Marcopolo and Fiat



Tata Motors has formed a 51:49 joint venture in bus body building with Marcopolo of Brazil.

*The joint venture will absorb technology and expertise in chassis and aggregates from Tata Motors, and Marcopolo will provide know-how in processes and systems for bodybuilding and bus body design. Tata and Marcopolo have launched a low-floor city bus which is widely used by Chennai, Chandigarh, Delhi, Mumbai, Lucknow and Bengaluru transport corporations.

Tata Motors also formed a joint venture with Fiat and gained access to Fiat's diesel engine technology. Tata Motors sells Fiat cars in India through a 50/50 joint venture Fiat Automobiles India Limited, and is looking to extend its relationship with Fiat and Iveco to other segments.

Strategic Alliance

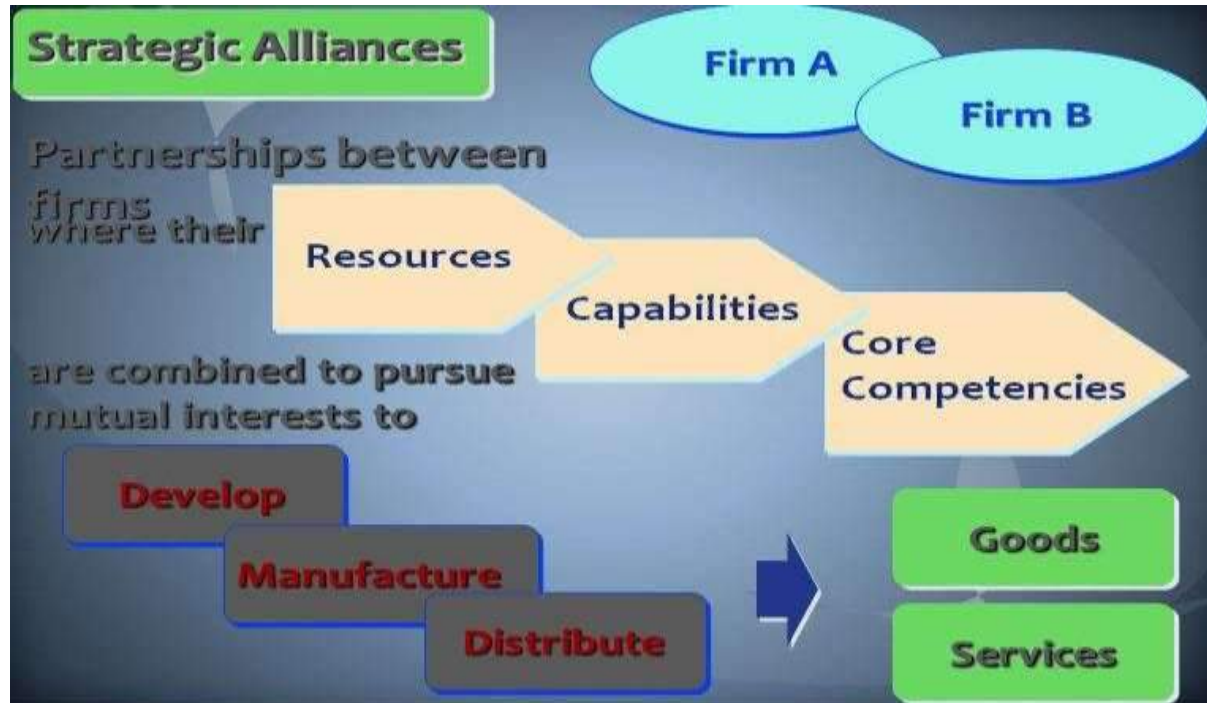


- * A Strategic Alliance is a formal relationship between two or more parties to pursue a set of agreed upon goals or to meet a critical business need while remaining independent organizations.
- * It is a kind of partnership between two entities in which they take advantage of each other's core strengths like proprietary processes, intellectual capital, research, market penetration, manufacturing and/or distribution capabilities etc.
- * They simply would want to work with the other organizations on a contractual basis, and not as a legal partnership.

Type of Alliance	Description
Technology Alliances	Feature cooperation in research and development, engineering, and manufacturing
Marketing Alliances	Typically match a company with a distribution system with a company that has a product to sell.

Reasons for strategic alliance

- * **Market entry** -A strategic alliance can ease entry into a foreign market .
Eg: strategic alliance between British Airways and American Airlines.
- * **Share risk & expenses** -firms involved can share risks. Eg: In early 1990's film manufacturers Kodak and Fuji joined with camera manufacturers Nikon, Canon, and Minolta to create cameras and film for an "Advanced Photo System.
- * **Synergistic Effects of Shared Knowledge and Expertise**- help a firm gain knowledge and expertise
$$\text{Skills} + \text{brand} + \text{market knowledge} + \text{assets} = \text{synergizing effect}$$
- * **Gaining Competitive Advantage**



Impediments

- * Lack of trust & commitment.
- * Perceived misunderstanding among partners. Conflicting goals & interests.
- * Inadequate preparation for entering into partnership.
- * Loss of proprietary information

Jet airways-Kingfisher Alliance market leaders

with share of Jet – 30% Kingfisher – 29%



- Economic slowdown and high ATF prices resulted in decline of air travel both in international and domestic segments of the air travel market.
- Airline sector is set to incur a loss of \$ 2bn (Rs.10,000 Crore) this year
- Thus Jet and Kingfisher have decided to form an alliance in fields including fuel management, ground handling, sharing of technical resources and crew for training and cross-utilization on similar aircraft types.
- This will help both carriers to significantly rationalize and reduce costs and provide improved standards of service and a wider choice of air travel options to consumers with immediate effect.
- They could not merge as of rule that two airline companies with
• combined market share greater than 40 % can not merge in India. So they formed an alliance

5 MAJOR CONCERNS OF SMALL BUSINESSES AS THEY GROW



- All businesses begin small. And it is these small businesses that are incubators for innovation in any economy. They foster new ideas and generate employment opportunities.
- While a business owner might control many things in his business, the larger aspects that drive or doom businesses are beyond an owner's control. These factors include natural disasters, economy shift, change in government regulations and tax policies, healthcare policies, etc.

- **1.Economic and Regulatory Changes**
- Market conditions and changing economy steer the companies from running into losses to progressive heights. And since [small businesses constitute around 50% of GDP](#), even an iota of change in economic policies directly affects the influencers of country's annual growth rate.
- Variation in existing laws give rise to anticipatory insecurities within the workforce and destabilizes businesses. Sometimes exhaustive laws are implemented to encourage green practices, and as a result heavy fines are levied on small businesses adding to their deficit. Such penalties are capable of closing down firms unable to meet up the change.

- Foreign trade has increased globally beyond doubts and there are multiple commercial transactions happening with more than one country. Whenever there are alterations in any of the country's foreign trade policy, the impact has to be borne by the stakeholders on both sides. As small businesses are more vulnerable they are considerably affected.
- However, an efficient leadership can elevate deteriorating businesses. Good leaders play a significant role in driving growth through their people's skills and articulate decision making. In such times, organize meetings with people to mitigate their insecurities and boost morale. Plan your finances in advance; and don't hesitate to revise your strategy foreseeing a need.

- To avoid major setback as an SMB owner you need to constantly observe your company's performance with any impacting change. The magnitude of impact experienced by your company will determine its future sustenance capacity. A company that survives vexing times promises a higher growth potential.
- **2. Capital availability**
- Businesses require regular cash inflow. And the question that mulls over most SMBs is #— How to raise this capital? We know that profits are marginal in [small businesses and are banked for next term investments](#). And once your business venture has attained a subsequent growth where you have recruited 200-500 employees. Your liabilities have increased. Along with your staff salaries you require surplus funds to invest into new business prospects. Also a contingency planning is mandatory irrespective of the company size and age.

- There are banks associated with Small Business Administration which are ready to invest in businesses running short of working capital. Even traditional banks grant easy loans to promising businesses that have earned credibility. As these banks offer a low interest rate they are the most feasible options to repay for small to medium firms. You may have to approach a couple of banks for your requirement and negotiate a several times for reasonable terms and conditions, remember nothing comes easy. To generate capital for your business that helps you afloat in the most vexing economic recessions, this is but a small deal.
- Don't use your personal funds as far as possible, for two reasons namely: 1.They may be sufficient for a onetime investment, but a business requires continuous inflow of funds to support routine activities.
- 2. Once you have utilized your contingency fund, you have nothing to look up to in crisis.

- **3. Resource Management**
- A small business has cost constraints preventing you from hiring expensive resources from the market. This compels you to settle for optimum performing resources at minimum wages. However suitability of these resources is of absolute importance. Hire them mindfully and retain them peacefully is the motto. Where a small team of 10 doesn't need special handling, a workforce of 50 above requires a proper Human Resource Management Officer. This resource manager ensures proper enforcement of rules and regulations along with up keeping employee satisfaction levels.
- Sometimes small businesses with pressure of outperforming their successful competitors work 24 hours. And the workforce is divided in different shifts. Management of their shift timings can be an additional task; you can use readymade [scheduling template](#) available in the market to manage employee timings and wages. Employee engagement programs and trainings help

- maintain work life balance. A happy workforce is the key to running a successful business.
- **4. Security Issues**
- All organizations are dependent on internet as a major source of communication. At the same time opening your gates to internet also renders you vulnerable to malicious virus attacks and security issues. Sometimes entire intranet lines are forced to shut down owing to malwares. Small businesses cannot afford costly prevention mechanisms for a data breach or virus attack. But protection of information is essential for all businesses, whether it is from an unauthorized person entering your server rooms or from accessible open networks.
- For all these reasons many new businesses resort to cloud computing. As they implement strict ISO security standards and host the entire system in a secured location, the chances of your important information being compromised are least.

- **5. Increasing employee health insurance costs**
- The impact of rising health insurance costs has taken a toll on small business owners. With a new insurance plan – [The Affordable Care Act](#) (ACA) brought into practice the firms above 100 employees will have to insure 95% of their full time employees by 2016. This has burdened the SMBs with more cost coverage compared to previous insurance practices. This has mandated employers to cover most of their employees under high premium health insurance scheme. To alleviate the problem businesses that are unable to bear the premium are asking their employees to pay higher premiums, this again will lead to unsatisfied employees opting out of either jobs or their health coverage.
- However, there are better ways to manage such costs. You can reduce employee work hours; prioritize tasks in hand to avail time-effective productivity from your employees. You can also cut down on investment costs rather than staff salaries.

- Addressing these business challenges by proper and ethical practices will not just survive your business in difficult times but ensure a steady growth with market credibility. Keeping in loop all the factors – from raising capital to managing employees, abiding state laws at the same time and undertaking security measures one can work at softening these concerns to maximum effect.



Government missions, schemes
and other key organizations in
skill development, training
and employment



www.nationalskillsnetwork.in

GOVERNMENT SCHEMES FOR ENTREPRENEURS

GOVERNMENTAL SCHEMES



The Government of India has undertaken several initiatives and instituted policy measures to foster a culture of innovation and entrepreneurship in the country.

With a significant and unique demographic advantage, India, however, has immense potential to **innovate, raise entrepreneurs and create jobs** for the benefit of the nation and the world.

START-UP INDIA:



- Through the Startup India initiative, Government of India promotes entrepreneurship by **mentoring, nurturing and facilitating** startups throughout their life cycle.
- With a 360 degree approach to enable startups, the initiative provides a comprehensive four-week free online learning program.
- More importantly, a 'Fund of Funds' has been created to help startups gain access to funding.

MAKE IN INDIA:



- The make in india initiative was launched in september 2014. It came as a powerful call to india's citizens and business leaders, and an invitation to potential partners and investors around the world to overhaul out-dated processes and policies, and centralize information about opportunities in India's manufacturing sector.
- This has in turn helped procure investments, foster innovation, develop skills, protect intellectual property and build best-in-class manufacturing

ATAL INNOVATION MISSION (AIM):



- AIM is the Government of India's endeavour to promote a culture of innovation and entrepreneurship, in technology driven areas.
- In order to foster curiosity, creativity and imagination right at the school, Atal Incubation Centres (AICs) are another programme of AIM created to build innovative start-up businesses as scalable and sustainable enterprises.



SUPPORT TO TRAINING AND EMPLOYMENT PROGRAMME FOR WOMEN (STEP):



STEP was launched by the Government of India's Ministry of Women and Child Development to train women with no access to formal skill training facilities, especially in rural India.

The Ministry of Skill Development & Entrepreneurship and NITI Aayog recently redrafted the Guidelines to reaches out to all Indian women above 16 years of age To impart skills in several sectors such as agriculture, horticulture, food processing, handlooms, traditional crafts like embroidery, travel and tourism, hospitality, computer and IT services



JAN DHAN- AADHAAR- MOBI (JAM):

- JAM, for the first time, is a technological intervention that enables direct transfer of subsidies to intended beneficiaries and, therefore, eliminates all intermediaries and leakages in the system, which has a potential impact on the lives of millions of Indian citizens.
- Besides serving as a vital check on corruption, JAM provides for accounts to all underserved regions, in order to make banking services

BIOTECHNOLOGY INDUSTRY RESEARCH ASSISTANCE COUNCIL (BIRAC):



BIRAC is a not-for-profit Public-Sector Enterprise, set up by **Department of Biotechnology** to strengthen and empower emerging biotechnology enterprises. It aims to embed strategic research and innovation in all biotech enterprises, and bridge the existing gaps between industry and academia.

BIRAC has initiated partnerships with several national and global partners for building capacities of the Indian biotech industry, particularly start-ups and SME's, and has facilitated several rapid developments in medical

STAND-UP INDIA:



Towards this end, at least one women and one individual from the SC or ST communities are granted loans between Rs.1 million to Rs.10 million to set up greenfield enterprises in manufacturing, services or the trading sector.

The Stand-Up India portal also acts as a digital platform for small entrepreneurs and provides information on financing and credit guarantee.

TRADE RELATED ENTREPRENEURSHIP ASSISTANCE AND



To address the critical issues of access to credit among India's **underprivileged women**, the TREAD programme enables credit availability to interested women through non-governmental organizations (NGOs).

As such, women can receive support of registered NGOs in both accessing loan facilities, and receiving counselling and training opportunities to kick-start proposed enterprises, in order to provide pathways for women to take up non-farm activities

PRADHAN MANTRI KAUSHAL VIKAS YOJANA (PMKVY):



Skill Development & Entrepreneurship (MSDE), this is a Skill Certification initiative that aims to train youth in industry-relevant skills to enhance opportunities for **livelihood creation and employability** (Training and Assessment fees are entirely

Government under this program)

NATIONAL SKILL DEVELOPMENT MISSION:

The seven sub-missions proposed across India are:

- (i) Institutional Training
- (ii) Infrastructure
- (iii) Convergence
- (iv) Trainers
- (v) Overseas Employment
- (vi) Sustainable Livelihoods
- (vii) Leveraging Public Infrastructure





**HERE'RE 9 SCHEMES FOR
WOMEN ENTREPRENEURS
IN INDIA**

Woman Entrepreneur Support Programs in India

S.No	Scheme	Agency/Bank	Details
1	TREAD scheme for women	Ministry of Small and Medium Enterprises	30 percent of total project cost as government grant, 70 percent by the appraising institution
2	Bharatiya Mahila Bank	Bharatiya Mahila Bank	Working capital and term loan up to INR 20 Cr. Specific Loan schemes for setting up home catering, beauty salons and day-care centers. Since the bank do not insist on collateral, the loans of up to INR 1 Cr are insured with Credit Guarantee Fund Trust for MSMEs
3	ALEAP and CGTSI	Andhra Bank	Credit facility up to Indian rupees 10 million without collateral security or third party guarantee for a tenure of five years.
4	Akshaya Mahila Arthik Sahay Yojna	Bank of Baroda	Movable and immovable asset-based term loans and working capital limits.

Woman Entrepreneur Support Programs in India

S.No	Scheme	Agency/Bank	Details
5	Schemes for professional and self-employed women	Oriental Bank of Commerce	Term Loan - Maximum Indian rupees 500,000 including working capital limit of Indian rupees 100,000 for Five to seven year tenure
6	Dena Shakti Scheme	Dena Bank	Term loans and working capital limits with a ceiling of Indian rupees 2 million
7	Stree Shakthi Package	State Bank of India	Interest concessions of 5 percent based on business enterprise for self-employed women
8	Cent Kalyani	Central Bank	Loans up to Indian rupees 10 million without any collateral security or third party guarantee.
9	Marketing Fund for Women (MFW)	SIDBI	Provides assistance to women entrepreneurs and organizations involved in marketing products manufactured by women entrepreneurs to increase their reach in domestic and international markets.