

SYLLABUS

Class: - B.B.A. IV Semester

Subject: - Entrepreneurship

UNIT - I	<p>Introduction to Entrepreneurship Definition of Entrepreneur, Entrepreneurial Traits, and Entrepreneur vs. Manager; Entrepreneur vs. Entrepreneur. The Entrepreneurial decision process. Role of Entrepreneurship in Economic Development, Ethics and Social responsibility of Entrepreneurs. Opportunities for Entrepreneurs in India and abroad. Woman as Entrepreneur</p>
UNIT - II	<p>Creating and Starting the Venture Sources of new Ideas, Methods of generating ideas, creating problem solving, product planning and development process</p>
UNIT - III	<p>The Business Plan Nature and scope of Business plan, Writing Business Plan, Evaluating Business plans, Using and implementing business plans. Marketing plan, financial plan and the organizational plan, Launching formalities.</p>
UNIT - IV	<p>Financing and Managing the new venture Sources of capital, Record keeping, recruitment, motivating and leading teams, financial controls. Marketing and sales controls. E-commerce and Entrepreneurship, Internet advertising</p>
UNIT - V	<p>New venture Expansion Strategies and Issues Features and evaluation of joint ventures, acquisitions, merges, franchising. Public issues, rights issues, bonus issues and stock splits.</p>
UNIT-VI	<p>Institutional support to Entrepreneurship Role of Directorate of Industries, District Industries, Centers (DICs), Industrial Development Corporation (IDC), State Financial corporation (SFCs), Commercial banks Small Scale Industries Development Corporations (SSIDCs), Khadi and village Industries Commission (KVIC), National Small Industries Corporation (NSIC), Small Industries Development Bank of India (SIDBI)</p>

UNIT- 1
ENTREPRENEURSHIP

Introduction

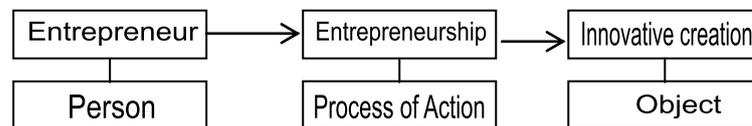
Word entrepreneur comes from a French background derived from word 'entreprendre' meaning between taker or go between or undertaker. Near about 15th century, 1000 A.D. the word entrepreneur was used to mean an actor and person in charge of large scale production projects. Therefore in early 16th century leading military expeditions were also referred to as entrepreneur. Later in 17th century a person bearing risk of profit/loss in a fixed price contract with government was denoted as entrepreneur. Francis walker in 1876 included in entrepreneur a person who receives profit from managerial capabilities & distinguished them from person who supplies funds and receives interest. In 1961 David Mc Clelland defined entrepreneur as an energetic moderate risk-taker.

The concept of Entrepreneurship has assumed prime importance for accelerating economic growth both in developed and developing countries. It is a basis of free enterprise. It promotes capital formation and creates wealth in the country. It is the hope and dream of millions of individuals around the world. It has the thrill of risk, change, challenge and growth. It builds wealth. It is a pathway to prosper. It reduces unemployment and poverty.

MEANING OF ENTREPRENEURSHIP

Entrepreneurship is the process of identifying opportunities in the market place, arranging resources required to exploit the opportunities for long term gains. It is creating wealth by bringing together resources in new ways to start and operate an enterprise. It is the process of planning, organising, operating and assuming the risk of a business venture. It is the ability to take risk independently to make more earnings in the market oriented economy.

It refers to a process of action an entrepreneurship undertakes to establish an enterprise. It is a creative and innovative skill and adapting response to environment. This concept can be seen in



DEFINITIONS OF ENTREPRENEURSHIP

After looking at various definitions of entrepreneurship, we can conclude the entrepreneurship.

(1) Classical View : This view is expressed by classical economists like Cantillon, Frank Knight, Adam Smith, J.B. Say, J.S. Mill, David Ricardo etc. It involves:

- a) ability to bear the risks and uncertainties of business.
- b) ability to organize and co-ordinate productive resources.
- c) Ability to convert productive resources into a productive entity through superintendence and control.

(2) Neo-Classical View: This view is expressed by economists like Walters, Alfred Marshall and Joseph Schumpeter; According to this view, entrepreneurship is :

- a) the ability to direction and control.
- b) the ability to bring new changes.

This view applies to new developing economics.

(3) Modern View: The new view of entrepreneurship is innovative. It is the ability:

- a) to create changes to exploit them.
- b) to explore and to maximise opportunities to obtain results.
- c) to innovate new things and to create unique or at least distinct in a meaningful area.
- d) to earn economic results only by leadership, not by mere competence.

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- e) to allocate resources to opportunities rather than problems.
- f) to create effectiveness rather than efficiency.
- g) to redirect resources from areas to low or diminishing returns to areas of high or increasing results and to optimize the yield from these resource.
- h) to create tomorrow.

The concept of entrepreneurship is depicted in

Relationship between Entrepreneur and Entrepreneurship

Entrepreneur	Entrepreneurship
Person	Process
Organiser	Organisation
Innovator	Innovation
Risk-bearer	Risk-bearing
Motivator	Motivation
Creator	Creation
Visualiser	Vision
Leader	Leadership
Imitator	Imitation

ENTREPRENEUR VS. INTRAPRENEUR

Intrapreneurs : It is the practice of beginning and developing new business ventures within the structure of an existing organization. Intrapreneurs found their management not receptive to new ideas. Hence they left their parent organization and started ventures of their own.

Entrepreneur strives for creating something new of values, organizes resources, assumes risks and owns the rewards while an intrapreneur is an employee who commits time & energy to create innovative new products/ services by using company resources, without much personal investment, risks & without owning the rewards.

Operations and decisions of entrepreneur is independent as he is not answerable directly to someone where as intrapreneur is bounded with his line of authority and is dependent on the organizational systems.

Capital investment in the new venture is made by entrepreneur while intrapreneur utilizes financial resources of organization.

Comparatively entrepreneur has more risk involved in establishing new venture such as financial, psychological and social compared to intrapreneur with reference to rewards, entrepreneur owns the reward generated from creating new things of value, while intrapreneur does not own reward generated against his new product & services but is given bonus incentives, perks on increased remuneration.

ENTREPRENEUR VS. MANAGER

Manager is a person in an organization, who gets things done by other, diverts & control so that they perform in concerted effects. He maintains a suitable balance among conflicting forces for accomplishing the predetermined goals.

Innovation, organizing, motivating, risk taking are functions of entrepreneur where as managers primary functions include planning, organizing staffing directing & controlling with reference to innovation, manager ordinarily translator the ideas of entrepreneur into practical shape he executes the plan & programmes.

As manager is a salaried employee he does not assumes much risk of business while entrepreneur taken financial & social risk

Strategic view of entrepreneur is driven by perception of opportunity where as manager is driven by organizational resources currently available & controlled.

As entrepreneur is more a true leader and less a manager. He innovates and keeps eye on the horizon. He

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has long perspective in his work. He focuses on people and inspires trust.

Peter Kilby has listed the following functions of an entrepreneur.

- Perceiving market opportunities
- Gaining command over scarce resources
- Marketing the product
- Purchasing inputs
- Dealing with bureaucrats
- Managing human relations within the firm
- Managing customer and supplier relations
- Managing finance
- Managing production
- Acquiring and overseeing assembly of the factory
- Industry engineering
- Upgrading process and product.
- Introducing new production techniques and products
- Capital formation
- Technological break through
- Market expansion

FUNCTIONS OF AN ENTREPRENEUR

An entrepreneur performs all the necessary functions which are essential from the point of view of operation and expansion of the enterprise. The main functions of entrepreneur are as follows :

- Planning
- Risk and Uncertainty Bearing
- Organization Building
- Managing
- Decision-Making
- Innovation
- Leading
- Managing Growth

NATURE AND CHARACTERISTICS OF ENTREPRENEURS

Considerable research has been dedicated to the task of identifying the traits and characteristics of the typical entrepreneur. According to John Hornaday the characteristics of successful entrepreneurs are as follows :

- | | |
|------------------------------------|---------------------------------------|
| • Self-confidence | • Perseverance, determination |
| • Energy, diligence | • Resourcefulness |
| • Ability to take calculated risk | • Need to achieve |
| • Creativity | • Initiative |
| • Flexibility | • Independence |
| • Positive Response to Challenges | • Foresight |
| • Dynamism, Leadership | • Profit orientation |
| • Ability to get along with people | • Perceptiveness |
| • Responsiveness to suggestions | • Optimism |
| • Responsiveness to criticism | • Versatility |
| • Knowledge of market | • Knowledge of product and technology |

TRAITS OF SUCCESSFUL ENTREPRENEURSHIP

As entrepreneur is more a true leader and less a manager. He innovates and keeps eye on the horizon. He has long perspective in his work. He focuses on people and inspires trust.

1. **Visionary** – An entrepreneur understands the environment, being visionary and future-oriented. To establish a successful venture, he must be creative and have board understanding of internal and external environment. He must be visionary leader-a person who dreams great dreams.
2. **Urge to achieve** – Entrepreneurial leaders are challenged by opportunity. They are willing to work hard to achieve something.
3. **Sense of Purpose** – Being a leader, entrepreneur sets the stage for top performance. Agreeing on a mission builds strength.
4. **Teamwork** – An entrepreneurial leader builds teamwork.
5. **Persistence** – Through the establishment of any new venture, frustration and obstacles will occur. Only through the entrepreneur's persistence will a new venture be created.
6. **Open discussion** – An entrepreneurial leader encourages open discussion in order to develop a good team for creating something new.
7. **Strategic expertise** – The entrepreneur's success as a leader is related to his ability to link his enterprise or project to the strategy of the business.
8. **Risk Taking Quality** - Risk taking is the specific function of the entrepreneur. He is motivated to undertake the risks of business. He is an enterprising genius to assume risks involved in introducing new ideas, ventures and new plans. He visualizes new opportunities. He makes plans for expansion of business. All this requires the talent of highest order.

Other Qualities and Roles of successful entrepreneur

- Ability to Innovate
- Business Oriented Tendency
- Organizing Function
- Managerial and Leadership Function
- Knowledge based Practice
- Based on Principles, not on Intuition Essential in Every Activity

ENTREPRENEURIAL DECISION MAKING

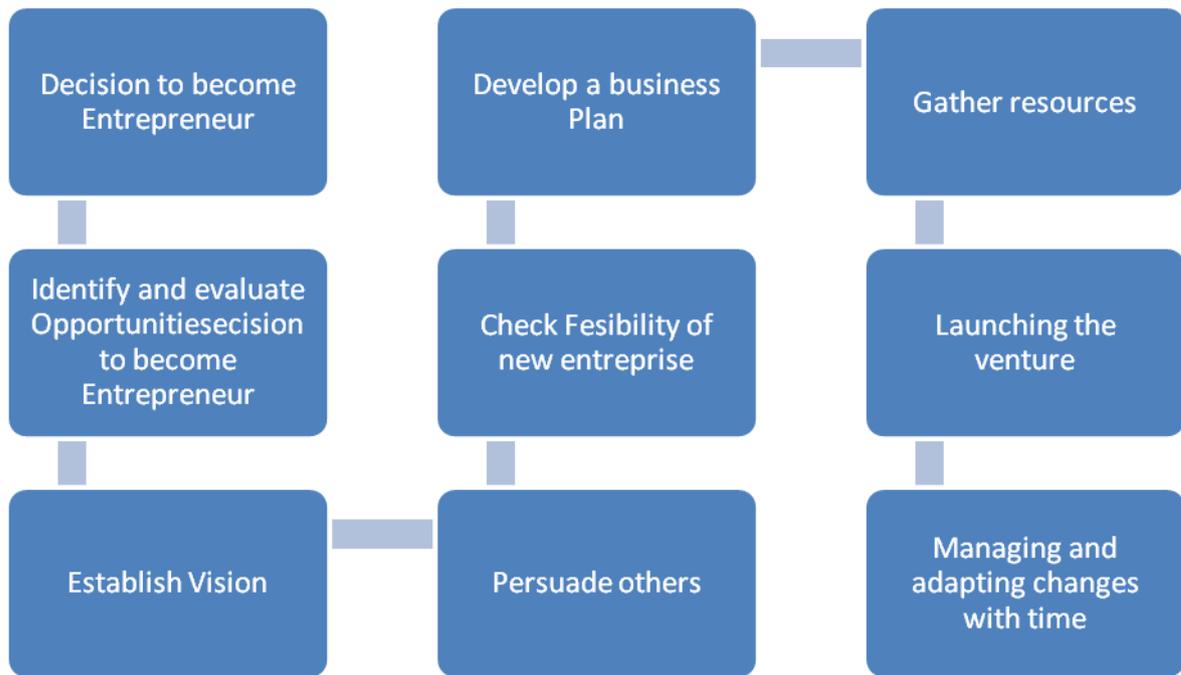
An entrepreneur must realize that "there are no problems, only opportunities." Decision making is an important task of an entrepreneur. It can be said that "only entrepreneurs make decision because every decision involves an amount of risk, reward and opportunities; it defines performance and result." Effective entrepreneurs, therefore, make potential and profitable decisions make strategic decisions. They make 'right' rather than acceptable decisions. Entrepreneurial decisions are not based only on good intentions; rather they contain action commitments.

Factor to consider for making better strategic decisions

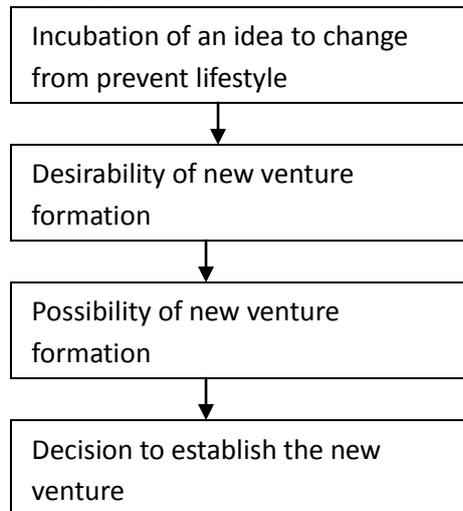
1. Concentrate on opportunities
2. Have a vision of direction
3. Evaluate current performance results
4. Scan the external environment
5. Scan the internal environment
6. Pinpoint problem areas
7. Generate, evaluate and select the best alternative strategy
8. Implement selected strategic decisions
9. Evaluate implemented decisions

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ENTREPRENEURIAL DECISION PROCESS



ROLE OF ENTREPRENEURSHIP IN ECONOMIC DEVELOPMENT

An Economic Theory

Mark Casson, in his book *The Entrepreneur – An Economic Theory*, presented a functional definition of the entrepreneur and considered why the entrepreneurial function is so valuable. He emphasised that the demand for entrepreneurship stems from the need to adjust to change, and that the supply of entrepreneurship is limited firstly, by the scarcity of the requisite personal qualities, and secondly, by the difficulty of identifying them when they are available. He suggested that there are four main qualities which are crucial for a successful entrepreneur of which one – imagination is almost entirely innate. The other three qualities may be enhanced. The problems encountered in screening for these qualities, and in enhancing the ones that are deficient, have a number of important implications for the development of a successful entrepreneurial career.

The various types of entrepreneurs are classified on certain bases. Some important classifications are discussed below:

Some of the types of Entrepreneurs

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Pure Entrepreneur : He is motivated by psychological and economic rewards. He starts activities for his personal satisfaction is work, ago or status.

Induced Entrepreneur : Such entrepreneur is induced to take up an entrepreneurial task due to the policy measures of the government.

Motivated Entrepreneur : Such an entrepreneur is motivated by the desire for self-fulfilment. He is also motivated by the desire for innovations and profit.

Growth Entrepreneur : These entrepreneurs choose an industry which has high growth prospects.

Super-Growth Entrepreneur : He is an individual who has shown enormous growth performance in has venture.

First-Growth Entrepreneur : He is one who starts an industrial unit by means of an innovative skill.

Modern Entrepreneur : He is one who undertakes those ventures which go well along with the changing demand in the market. He cares for the current marketing needs.

Copreneurs : It is related to the married couples working together in a business. When a married couple shares ownership, commitment and responsibility for a business, they are called 'copreneurs'.

Young Entrepreneurs and Part-Time Entrepreneurs : Starting a part-time business is a popular gateway to entrepreneurship. Part-time entrepreneurs can easily enter into business without sacrificing their service benefits. They have lower risk in case the venture flops. Many part-timers can test their "entrepreneurial skill" to see whether their business ideas will work or not.

Entrepreneurship on the Basis of Stages of Economic Development

Clarence Danh of classifies entrepreneur into four type :

1. Innovative: An Innovating entrepreneur is one who introduces new products, new methods of production and new technology.

2. Imitative or Adoptive: Imitative entrepreneur is characterized by readiness to adopt successful innovation initiated by innovating entrepreneurs.

3. Fabian: Fabian entrepreneurs are lazy and shy. They lack the will to adopt new methods of production.

4. Drone: Drone entrepreneur is one who follows the traditional methods of production.

Entrepreneurship is basic source of productive economic energy. It fasters economic growth; it increases productivity; it creates new technologies, products, and services; and it changes and rejuvenates market competition. The significance of entrepreneurship to the national economy are :

- Improvement in living standards
- Employment generation
- Managing resources
- Balanced regional development & Economic Growth
- Import export promotions & Capital Formation
- Technological Advancements
- Marketplace Change
- Contribution to Large Businesses
- Provides International Opportunities
- Social and Ethical Awakening

ETHICS AND SOCIAL RESPONSIBILITY OF ENTREPRENEURS

Ethics and social responsibility are very important aspects in entrepreneurship ventures. Ethical mindset reminds entrepreneurs to make trustworthy and profitable decisions where as the social responsibility component help entrepreneurs in making entrepreneurial decisions that can enhance benefits to society and avoid losses of the stakeholders interest.



An entrepreneur has some obligation of a business to meet his economic and legal responsibilities. Social responsibility is basically a business intention, beyond its legal and economic obligation to do the right things and act in ways that are good for society.

Social problems are creating many interruptions in development of entrepreneurship in our country. Existence of many castes in any society due to which a feeling of hatred and disgrace is developed is harmful, that is a reason caste system is a great hindrance in development of entrepreneurship in our country. Entrepreneurship can be developed extensively in our country after equality of labour force comes into existence and hesitation in performing physical labour is removed. In many western countries performing any physical labour is treated equal to performing other activities. Some orthodox and traditions practices encourage extravagance of money and are great problems for development of entrepreneurship and wastage of limited resources. Social responsibility is beneficial for business community and at the same time for global community.

Today young people are choosing entrepreneurship as their primary career path. They are setting the pace in starting businesses thus it is important to understand the Ethical and Social responsibilities of Entrepreneurs.

While ethics and social responsibilities of an entrepreneur and businesses undertake the plan and consider social responsibility a vital event in their activities, everybody benefits. The effect could be noticed within local communities and ultimate profit making from their business. With the extension of cooperation for businesses, governments and NGOs, they encourage in the matter of corporate social responsibility and entrepreneurship and take steps to improve the mechanism for its potential growth. Therefore, in regards ethics and social responsibilities, an entrepreneur has to become aware about his role and strive to obey them in perfect manner which would be beneficial to him as well as the community as a whole.

OPPORTUNITIES AND SCOPE OF ENTREPRENEUR

The world economy requires innovators and entrepreneurs to both advance and sustain global community. Expansion on the global front, is enhancing the possibilities of new ventures and more and more are attracted towards this field both in india and abroad.

With right environment and skills entrepreneur can enable smart functioning and establishment of new ventures. The Scope of activities of entrepreneur is very wide in india as well as abroad. Entrepreneurs

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establish operate industries, trade and different types of services.

1. Genetic Industries – Genetic industries involve breeding or reproduction of plants and animals.
2. Extractive Industries – These industries extract or draw out different materials or products from natural sources. e.g., earth soil, water, air, etc.
3. Manufacturing Industries – These industries are concerned with the conversion or transformation of raw materials and semi -finishes products into finished products or goods.
 - a. Analytical Industries
 - b. Synthetical Industries
 - c. Processing Industries
 - d. Assembling Industries
4. Construction Industries – These industries are engaged in the erection or construction of buildings, bridges, roads, dams, canals, wells, etc. Construction industries used the products of extractive industries. Construction industries create the basic infrastructure for development.

Commerce or Trade

Commerce is an organized system or an organized institution for exchange of goods and services among members of business world.

1. Internal Trade or Home Trade – It means the buying and selling of goods or products within the boundaries of a country.
 - a. Wholesale Trade – It includes the purchase and sale of goods of a specific variety in bulk.
 - b. Retail Trade – It includes the sale of goods to the ultimate consumers.
2. International or Foreign Trade – It includes of the exchange of goods am services between persons or organizations operating in two or inure nations. International trade involves the use of foreign currency (known as foreign exchange) and international means of transport. International trade may be further classified into the following categories:
 - a. Import Trade
 - b. Export Trade
 - c. Entrepot Trade

Services

Services mean such functions which are performed by entrepreneurs either with the help of only knowledge and intelligence or with the help of knowledge, intelligence and some physical resources.

1. Professional Services – Professional services are those services which are provided by entrepreneurs to others with the help of their knowledge, intelligence and experience, e.g. pleading in courts, keeping and preparing accounts, providing medical counseling, and economic consultancy, to sing songs, to play a drama, to prepare computer software etc
2. **Commercial Services** – Entrepreneurs provide following services under commercial services:
 - a. Warehousing or Storage Services – It includes the holdings and presentation of goods until they are finally consumed.
 - b. Transportation Services – Transportation carries goods from manufactures to traders and finally to consumers.
 - c. Advertising Services – Advertising brings goods and services to the knowledge of prospective buyers.
 - d. Banking Services – Banks are traders of money and credit
 - e. Insurance Service – It facilitates trade by providing a cover 10itist the loss or damage of goods in the process of transit and storage.
3. **Personal Service** – Operation of beauty parlours, laundries restaurants, hotels, etc are included in such types of service.

Thus entrepreneurs play their role in industries, trade and Services. Hence scope of entrepreneurs is very comprehensive and wide.

OPPORTUNITIES FOR ENTREPRENEURS IN INDIA & ABROAD

1. Tourism

Tourism is a booming industry in India. With the number of domestic and international tourists rising every year, this is one hot sector entrepreneurs must focus on. India with its diverse culture and rich heritage has a lot to offer to foreign tourists. Beaches, hill stations, heritage sites, wildlife and rural life, India has everything tourists are looking for.

But this sector is not well organized. India lacks trained professionals in the tourism and hospitality sector. Any business in this sector will thrive in the long run as the demand continues to grow every year. Foreign tourist arrivals during January-March were 15.63 lakh with a growth rate of 12.8 percent compared to 13.86 lakh during the first three months last year.

2. Automobile

India is now a hot spot for automobiles and auto-components. A cost effective hub for auto components sourcing for global auto makers, the automotive sector is potential sector for entrepreneurs. The automobile industry recorded a 26 per cent growth in domestic sales in 2009-10.

The strong sales have made India the second fastest growing market after China. India being one of the world's largest manufacturers of small cars with a strong engineering base and expertise, there are many segments that entrepreneurs can focus on in India's automobile and auto components sector.

3. Textiles

India is famous for its textiles: Each state has its unique style in terms of apparels. India can grow as a preferred location for manufacturing textiles taking into account the huge demand for garments. Places like Tirupur and Ludhiana are now export hubs for textiles. A better understanding of the markets and customers' needs can boost growth in this sector.

4. Social ventures

Many entrepreneurs are taking up social entrepreneurship. Helping the less privileged get into employment and make a viable business is quite a challenge. There are many who have succeeded in setting up social ventures. With a growing young population in rural areas who have the drive and enthusiasm to work, entrepreneurs can focus on this segment.

5. Software

India's software and services exports are likely to rise with export revenue growth projected at 13 to 15 percent to hit about \$57 billion by March 2011. With one of the largest pool of software engineers, Indian entrepreneurs can set higher targets in hardware and software development. The information technology-enabled services have contributed substantially to the economy. With more companies outsourcing contracts to India, business to business solutions and services would be required. Entrepreneurs can cash in on the rise in demand for these services with innovative and cost effective solutions.

6. Engineering goods

India continues to be one of the fastest growing exporters of engineering goods, growing at a rate of 30.1 per cent. The government has set a target of \$110 billion by 2014 for total engineering exports. Entrepreneurs must capitalize on the booming demand for products from the engineering industry.

7. Franchising

India is well connected with the world. Hence, franchising with leading brands who want to spread across the country could also offer ample opportunities for young entrepreneurs. With many small towns developing at a fast pace in India, the franchising model is bound to succeed.

8. Education and Training

There is a good demand for education and online tutorial services. With good facilities at competitive rates, India can attract more students from abroad. Unique teaching methods, educational portals and tools can be used effectively to make the sector useful and interesting.

9. Food Processing

India's mainstay is agriculture. Entrepreneurs can explore many options in the food grain cultivation and marketing segments. Inefficient management, lack of infrastructure, proper storage facilities leads to huge losses of food grains and fresh produce in India.

Entrepreneurs can add value with proper management and marketing initiatives. The processed food market opens a great potential for entrepreneurs be it fast food, packaged food or organic food. Fresh fruits and vegetables too have a good demand abroad. A good network of food processing units can

help potential exporters build a good business.

10. Corporate demands

There will be a good demand for formal attire with more companies opening their offices in India. People who can meet this demand in a cost effective way can make a good business. With corporate gifting getting very popular, this is also a unique business to explore.

11. Ayurveda and traditional medicine

India is well known for its herbal and ayurvedic, products. With increasing awareness about the ill-effects allopathic medicines, there will be a huge demand for cosmetics, natural medicines and remedies.

12. Organic farming

Organic farming has been in India since a long time. The importance of organic farming will grow at a fast pace, especially with many foreigners preferring only organic products. Entrepreneurs can focus on business opportunities in this sector. There are many small-time farmers who adopted organic farming but the demand is still unmet, offering many opportunities for those who can promote organic farming on a large scale.

13. Media

The media industry has huge opportunities to offer young entrepreneurs. With the huge growth of this segment, any business in this field will help entrepreneurs reap huge benefits. Television, advertising, print and digital media have seen a boom in business.

Digitization, regionalization, competition, innovation, process, marketing and distribution will drive the growth of India's media and entertainment sector, according to Ficci.

14. Floriculture

India's floriculture segment is small and unorganized. There is a lot to be done in this lucrative sector. The global trade in floriculture products is worth \$9.4 billion percent India's share in world trade is just 0.18 per cent. This is a huge market to be tapped considering the rising demand for fresh flowers. More awareness and better farming and infrastructure can boost exports.

15. Healthcare sector

India's healthcare sector is dismal. The private sector can play a vital role in developing this sector. With medical tourism also gaining momentum, the sector can attract foreigners who are looking for cost effective treatment in countries like India

16. Biotechnology

After the software sector, biotechnology opens a huge potential. Entrepreneurs can look at a plethora of options with the application of biotechnology in agriculture, horticulture, sericulture, poultry, dairy and production of fruits and vegetables.

17. Recycling business

E-waste will rise to alarming proportions in the developing world within a decade, with computer waste in India alone to grow by 500 per cent from 2007 levels by 2020, according to a UN study. This sector opens a viable business opportunity for entrepreneurs in terms of e-waste management and disposal.

Ethics and social responsibility of Entrepreneurs

Ethics and social responsibility are very important values in entrepreneurship ventures. This is particularly essential in decision making process. Ethical conscience reminds entrepreneurs to make trustworthy and 'pep Citable entrepreneurship decisions.

WOMAN AS ENTREPRENEUR

In 1988 definition of women entrepreneurship came into existence by GOI, an enterprise owned and controlled by a women having a minimum financial interest of 51% of the capital and giving at least 51% of the employment generated by women. Half of the world's population is of women and India has maximum working women in the world including female employees and workers at all levels

- Problems faced by Woman as Entrepreneur
- Male dominance
- Family issues
- Lack of education

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- Limited mobility
- Financial problems
- Stiff competition conditions
- Limited marketing and sales force
- Role conflicts
- Societal pressure

Education and training of women can help to overcome the above hindrances. Easy finance and subsidy can motivate more and more women to become Entrepreneur and self-reliable. With development of gender equality and sensitivity in the society if improved further can improve acquiring of potential skills and funds for Woman as Entrepreneur

Various workshops and training sessions are conducted by NGOs & institutions to develop Woman as Entrepreneur. Bank of India has sponsored more than 300 Entrepreneurial development institutes of India exclusively for women. Some more such institutions are SISI, IED, TCO, EDI.

UNIT - II
CREATING & STARTING THE VENTURE

Source of new ideas for Entrepreneurs

Entrepreneurs frequently use the following sources of ideas:

1. **Consumers**-The potential consumer should be the final focal point of ideas for the entrepreneurs. The attention to inputs from potential consumers can take the form of informally monitoring potential ideas or needs or formally arranging for consumer to have an opportunity to express their concerns. Care needs to be taken to ensure that the new idea or the needs represents a large enough market to support a new venture.
2. **Exciting Companies**- With the help of an established formal methods potential entrepreneurs and entrepreneurs can evaluate competitive products & services on the market which may result in new and more market appealing products and services.
3. **Distribution channels**- members of the distribution channels are familiar with the needs of the market and hence can prove to be excellent sources of new ideas. Not only do the channel members help in finding out unmet or partially met demands leading to new products and services, they also help in marketing the offering so developed.
4. **Government**- it can be a source of new product ideas in two way firstly, the patent office files contain numerous product possibilities that can assist entrepreneurs in obtaining specific product information, and secondly, response to government regulations can come in the form of new product ideas.
5. **Research & development**- Entrepreneur's own R&D is the largest source of new idea. A formal and well-equipped research and development department enables the entrepreneur to conceive and develop successful new product ideas.
6. **Personal experience**- Many ideas come to entrepreneurs from their day-to-day dealings in life, or from their hobbies and interests. From some of us, frustrating or bad experiences are a source of irritation. For the entrepreneur they might suggest a business opportunity, it is often said that one of the best ways to spot a business opportunity is to look for example of poor customer service (complaints, product returns, persistent queues etc.).Such examples suggest that there is an opportunity to do something better, quicker or cheaper than the exciting products. Hobbies and interests are also a rich source of business ideas, although you have to be careful avoid assuming that, just because you have a passion for collecting rare tin openers, there is a ready market from people with similar interests. Many people have tried to turn their hobby into a business and found that generates only a small contribution to household income.
7. **Observation**- Simply observing what goes on around you can be a good way of spotting an idea. Often an idea will be launched in another country and has not yet been tried in other, similar economies. When Stephen Warring was in the USA attending a wedding, by luck he sat next to someone who ran a household service business (treating lawns). After some brief market research, Stephen found out that here was no similar business in the UK, so he launched one. It has since become a hugely successful franchise business.

Methods of Generating New Idea for Entrepreneurs

The entrepreneurs can use several methods to help generate and test new ideas including focus groups, brainstorming and problem inventory analysis.

The following are some of the key methods to help generate and test new ideas:

1. **Focus Groups** – These are the groups of individuals providing information in a structural format. A moderator leads a group of people through an open, in-depth discussion rather than simply asking questions to solicit participant response. Such groups form comments in open-end in-depth discussions for a new product area that can result in market success. In addition to generating new ideas, the focus groups are an excellent source for initially screening ideas and concept.
2. **Brainstorming** – It is a group method for obtaining new ideas and solutions. It is based on the fact that people can be stimulated to greater activity by meeting with others and participating in organized group experiences. The characteristics of this method are keeping criticism away. Freewheeling of idea, high quantity of ideas, combinations and improvements of ideas. Such type of

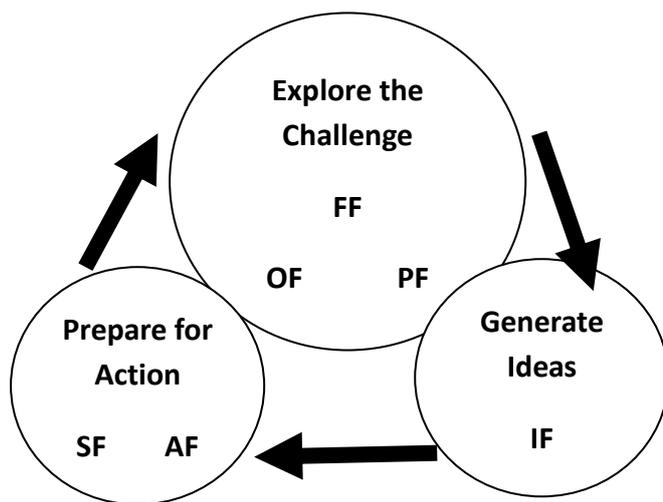
session should be fun with no scope for domination and inhibition. Brainstorming has a greater probability of success when the effort focuses on specific product or market area.

3. **Problem inventory analysis** – It is a method for obtaining new ideas and solution by focusing on problems. This analysis uses individuals in a manner that is analogous to focus groups to generate new product areas. However, instead of generating new ideas, the consumers are provided with list of problems and then asked to have discussion over it and it ultimately results in an entirely new product idea.

The entrepreneur is not limited by only the three methods presented in this article. There are other creative problem solving methods and techniques that are also available.

Creative problem solving is the mental process of creating a solution to a problem. It is a special form of problem solving in which the solution is independently created rather than learned with assistance. Creative problem solving always involves creativity.

Creative problem solving is a proven method for approaching a problem or a challenge in an imaginative and innovative way. It's a tool that helps people re-define the problems they face, come up with breakthrough ideas and then take action on these new ideas. Alex Osborn and Sidney Parnes conducted extensive research on the steps that are involved when people solve problems, the result of which is the following 6 steps that are broken down into 3 stages:



Explore the Challenge

Objective Finding (Identify Goal, Wish or Challenge)-This could be a wish or a goal. It might be the initial dissatisfaction or a desire that opens the door to using the CPS process.

Fact Finding (Gather Data)- Assess and review all the data that pertains to the situation at hand. Who's involved, what's involved, when, where, and why it's important. Make a list of the facts and information, as well as the more visceral hunches, feelings, perceptions, assumptions and gossip around the situation. In this step, all the data is taken into consideration to review the objective and begin to innovate.

Problem finding (Clarify the problem) – In this step, explore the facts and data to find all the problems and challenges inherent in the situation, and all the opportunities they represent. This is about making sure you're focusing on the right problem. It is possible to come up with the right answer to the wrong problem. Re-define what you want or what's stopping you.

Generate Ideas

Idea Finding (Generate Ideas) – Generating ideas is much more than brainstorming. During this step, be vigilant about deferring judgment and coming up with wild, outrageous, out-of-the-box ideas. This is where you explore ideas that are possible solutions and have the most fun. It's also where you need to stretch to make connections, take risks, and try new combinations to find potentially innovative solutions.

Prepare for Action

Solution Finding (Select and Strengthen Solutions) – First, try to strengthen and improve the best ideas

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generated. Next, generate the criteria that need to be considered to evaluate the ideas for success. Apply that criteria to the top ideas and decide which are most likely to solve the redefined problem. The best idea needs to meet criteria that make it actionable before it becomes the solution. A creative idea is not really useful if it won't be implemented.

Acceptance Finding (Plan for Action) – In this step, look at who's responsible, what has to be done by when, and what resources are available in order to realize this idea as a full-fledged, activated solution.

Product planning & development

In business and engineering, new product development (NPD) is the term used to describe the complete process of bringing a new product to market. A product is a set of benefits offered for exchange and can be tangible (that is, something physical you can touch) or intangible (like a service, experience, or belief). There are two parallel paths involved in the NPD process: one involves the idea generation, product design and detail engineering; the other involves market research and marketing analysis. Companies typically see new product development as the first stage in generating and commercializing new products within the overall strategic process of product life cycle management used to maintain or grow their market share.

The process of development

1. Idea Generation is often called the “fuzzy front end” of the NPD process
 - Ideas for new products can be obtained from basic research using a SWOT analysis (Strengths, Weakness, Opportunities & Threats), Market and consumer trends, companies R&D department, competition, focus groups, employees, salespeople, corporate spies, trade shows, or Ethnographic discovery methods (searching for use patterns and habits) may also be used to get an insight into new product lines or product features.
 - Lots of ideas are being generated about the new product. Out of these ideas many ideas are being implemented. The ideas use to generate in many forms and their generating places are also various. Many reasons are responsible for generation of an idea.
 - Idea Generation or Brainstorming of new product, service, or store concepts – idea generation techniques can begin when you have done your OPPRTUNITY ANALYSIS to support your ideas in the Idea Screening Phase (shown in the next development step).
2. **Idea Screening**
 - The object is to eliminate unsound concepts prior to devoting resources to them.
 - The screeners should ask several questions:
 - ❖ Will the consumer in the market benefit from the product?
 - ❖ What is the size and growth forecasts of the market segment/target market?
 - ❖ What is the current or expected competitive pressure for the product idea?
 - ❖ What are the industry sales and market trends the product idea is based on?
 - ❖ Is it technically feasible to manufacture the product?
 - ❖ Will the product be profitable when manufactured and delivered to the customer at the target price?
3. **Concept Development and Testing**
 - Develop the marketing and engineering details
 - ❖ Investigate intellectual property issues and search patent data bases
 - ❖ Who is the target market and who is the decision maker in the purchasing process?
 - ❖ What product features must the product incorporate?
 - ❖ What benefits will the product provide?
 - ❖ How will consumer react to the product?
 - ❖ How will the product be produced most cost effectively?
 - ❖ Prove feasibility through virtual computer aided rendering, and rapid prototyping
 - ❖ What will it cost to produce it?
 - Testing the Concept by asking a sample of prospective customers what they think of the idea. Usually via Choice Modeling.
4. **Business Analysis**

- Estimate likely selling price based upon competition and customer feedback
 - Estimate sales volume based upon size of market and such tools as the Fourt-Woodlock equation
 - Estimate profitability and break-even point
- 5. Beta Testing and Market Testing**
- Produce a physical prototype or mock-up
 - Test the product (and its packaging) in typical usage situations
 - Conduct focus group customer interviews or introduce at trade show
 - Make adjustments where necessary
 - Produce an initial run of the product and sell it in a test market area to determine customer acceptance
- 6. Technical Implementation**
- New program initiation
 - Department scheduling
 - Finalize Quality management system
 - Supplier collaboration
 - Resources estimation
 - Logistics plan
 - Requirement publication
 - Resource plan publication
 - Publish technical communications such as data sheets
 - Program review and monitoring
 - Engineering operation planning
 - Contingencies – what-if planning
- 7. Commercialization** (often considered post-NPD)
- Launch the product
 - Produce and place advertisements and other promotions
 - Fill the distribution pipeline with product
 - Critical path analysis is most useful at this stage
- 8. New Product Pricing**
- Impact of new product on the entire product portfolio
 - Value Analysis (internal & external)
 - Competition and alternative competitive technologies
 - Differing value segment (price, value and need)
 - Product Costs (fixed & variable)
 - Forecast of unit volumes, revenue and profit

UNIT - 3 THE BUSINESS PLAN

Business Plan

A business plan is a formal statement of a set of business goals the reasons why they are believed attainable, and the plan for reaching those goals. It may also contain background information about the organization or team attempting to reach those goals. Business plans may also target changes in perception and branding by the customer, client, taxpayer or larger community. when the existing business is to assume a major change or when planning a new venture a 3 to 5 year business plan is required, since investors will look for their annual return in that timeframe.

The Different Types of Business Plans

Business plan are also called strategic plans, investment plans, expansion plans, operational plans, annual plans, internal plans, growth plans, product plans, feasibility plans and many other names. These are all first year.

- **The most standard business plan is a start-up plan**, which defines the steps for a new business. It covers standard topics including the company, product or service, market forecasts, strategy, implementation milestones, management team and financial analysis. The financial analysis includes projected sales profit and loss, balance sheet, cash flow and probably a few other tables. The plan starts with an executive summary and ends with appendices showing monthly projections for the first year.
- **Internal plans** are not intended for outside investors, banks or other third parties. They might not include detailed description of company or management team. They may or may not include detailed financial projection that become forecasts and budget. They may cover main points as bullet points in slides (such as Power Point slides) rather than detailed texts.
- **An operations plan** is normally an internal plan, and it might also be called an internal plan or an annual plan. It would normally be more detailed on specific implementation milestones, dates, deadlines and responsibilities of teams and managers.
- **A strategic plan** is usually also an internal plan, but it focuses more on high-level options and setting main priorities than on the detailed dates and specific responsibilities. Like most internal plans, it wouldn't include description of the company of the management team. It might also leave out some of the detailed financial projections. It might be more bullet points and slides than text.
- **A growth plan or expansion plan or new product plan** will sometimes focus on a specific area of business, or a subset of the business. These plans could be internal plans or not, depending on whether or not they are being linked to loan applications or new investment. For example, an expansion plan requiring new investment would include full company descriptions and background on the management team, as much as a start-up plan for investors. Loan applications will require this much detail as well. However, an internal plan, used to set the steps for growth or expansion funded internally, might skip these descriptions. It might not include detailed forecasts of sales and expenses for the new venture.
- **A feasibility plan** is a very simple start-up plan that includes a summary, mission state most standard business plan is a start-up plan, which defines the steps for a new business. It covers standard topics including the company, product or service, market, forecasts, strategy implementation milestones, management team and financial analysis. The financial analysis include projected sales, profit and loss, balance sheet, cash flow and probably a few other tables. The plan starts with an executive summary and ends with appendices showing monthly projections for the first year.
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How to write a business plan

ANALYSIS
SOLUTION
PROCESS
OBJECTIVES
TEAMWORK
VISION
SALES

Here is a quick nine0step guide to what you will need in your company's plan:

1. An executive summary outlining goals and objectives.

The executive summary introduces your business strategy and probably is the most important section for lending institutions. If you can't persuade a loan officer in the first two or three pages that you've got a viable business proposal, you're going to leave empty-handed. This summary is also important as a communication tool for employees and potential customer who need to understand – and get behind your ideas.

2. A brief account of how the company began.

Clearly explain the origins behind the company's creation and how you or your business associate came up with the idea to start your business.

3. Your company's goals.

Explain in a few paragraphs your short-and long term goals for the company. How first do you think it will how? Who will be primary customers?

4. Biographies of the management team.

The management section should include the names and backgrounds of lead members of the management team and their respective responsibilities.

5. The service or product you plan to offer.

A key aspect of this section will be a discussion of how your product or service differs from everything else on the market.

6. The market potential for tour service or product.

Remember that you've got to convince leaders, employees and other that the market you're after is relatively large and growing. You'll need to do some research for this section. If it's a locally based business, you need to assess the demand for your offering within an xx-mile radius, based what you determine is a reasonable distance from your business. If it's a Web-based business or a business that realize on both the Internet and local traffic for revenues, you'll need to evaluate demand on a local and/or a national basis. A research report from sites such as Forrester Research can cost hundreds to

thousands of dollars. But you may be able to get some basic information simply by using the Web and its many search engines and directories.

7. A marketing strategy.

How do you plan to tell the world you're open for business? Will you rely exclusively on word of mouth (not a good plan unless you've already got to a reputation)? Will you advertise in print, television or on the Web (or all three)? Will you use online services to get your company listed on search engines and advertised on other Web sites? You'll also need to include how much you plan to spend on marketing.

8. A three-to five year financial projection.

All good business plans include a section that lays out the benchmarks you'll use in deciding to call it quits. The strategy could be used on a dollar figure, revenue growth the market's reception to your idea, or a consensus among top officers.

9. An exit strategy.

Some people may disagree with me here. But no speaker wants to be chatting to a crowd that's busy reading a summation of her remarks. Unless it is imperative that people follow a handout while you're presenting, wait until you're done to distribute them.

Business plan significance for new entrepreneurs

A business is an important document that not only keeps the business growing and expanding, but on the other hand, it also helps new entrepreneurs to start a new business. Writing a solid business plan is not an easy task. Many entrepreneurs don't know the skills of writing a good business plan. You can run a business successfully if you have a solid business plan.

Following are some business plan significance:

- At the time of your meeting with potential investors and lenders, your business plan becomes your calling card. It will tell them who you are, what products or services you are selling, and the purpose of your business.
- A business plan is an important document for companies seeking for funds – and your business plan needs to be investor ready.
- A business plan is a roadmap, towards a growth of a new business.
- It will tell entrepreneurs where they are and where they want to be.
- Marketing analysis section of your business plan tells investors and lenders about your target and potential market and customers, competitors, marketing size, characteristics, growth prospects, marketing strategy, budget for advertising, marketing mix, trends etc. This will also tell them how you can make product useful for your customers, sales potential product/service category and what the benefits of your product or service.
- The management plan section of a business plan must clearly express your dedication to your business. Many entrepreneurs are mainly concerned with good management and for this, it is necessary to express your knowledge and passion to your business as best as you can.

Marketing plan

A marketing plan may be part of an overall business plan. Solid marketing strategy is the foundation of a well-written marketing plan. While a marketing plan contains a list of actions, a marketing plan without a sound strategy foundation is of little use.

The marketing plan then, is a dynamic document which focuses on bringing marketing strategies to life, serving as a roadmap for carrying out marketing activities and implementing marketing strategies. It is a multi-step process, which considers the following:

- 1) Formulating a new strategy of your company or your division and making sure that appropriate linkages are made between company strategy and marketing activity planning.
- 2) Analyzing the environment within which you do business to make sure you consider the marketplace the industry, competitors and other influences.
- 3) Carrying out market profiling, enabling you to identify market segment, target customer types and overall demand. Additionally, analysis of the industry and competitors, coupled with analysis of customer types, enables the creation of demand possibilities and the resulting forecasts. It also allows you to formulate appropriate value propositions and to position the product's key benefits to the target audience and finally,

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why a customer would choose your solution versus the competition and expressing key values and benefits to the target audience

4) The marketing mix, which considers a combination of activities which some come together harmoniously, in bringing the product to market and sustaining it while in the market, which includes: Deciding on which products meet the need the identified market targets ii. Pricing those products so that the true, competitive value is recognized by the markets, iii. Defining promotional programs to reach those targets, which can include communications and advertising programs. Iv. Creating channels to effectively distribute your products to your target audience.

5) Determine who you'll need to work with in successfully bringing the product to market, including sales teas (to make sure that volumes can be attained),

6) Launching new products or product line extensions as needed.

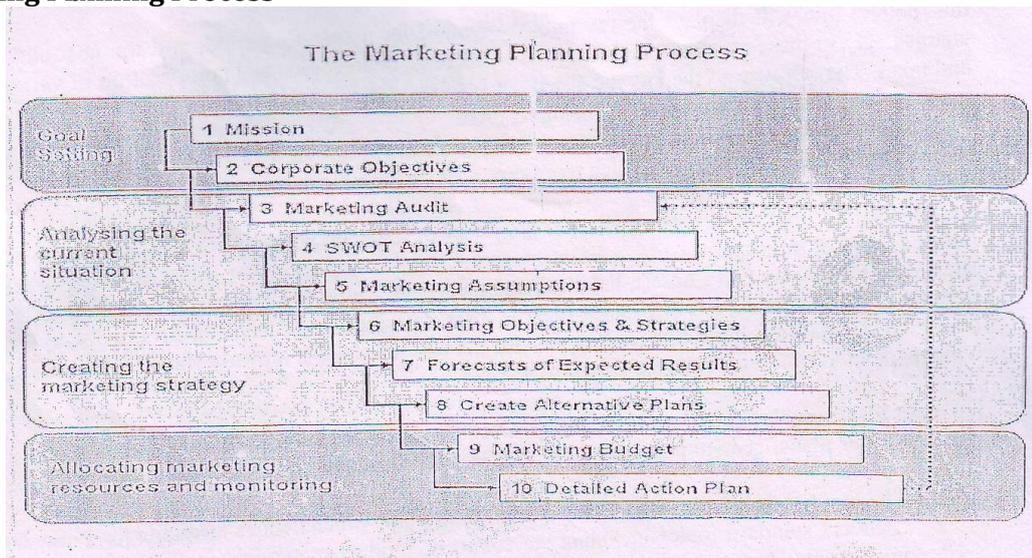
7) Training the sales force to competitively position the product or service.

8) Budgeting of marketing programs so that the appropriate sales goals and corporate strategies can be attained.

9) Executing on the plan – creating marketing project plans, and understanding dependencies on other organizations. Also included are measurements to determine the success of your marketing activities.

10) Identifying risks.

The Marketing Planning Process



Financial plan

A comprehensive evaluation of an investor's current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans is called financial plan.

Definition for financial plan:

In business, a financial plan can refer to the three primary financial statements (balance sheet, income statement and cash flow statement) created within a business plan. Financial forecast or financial plan can also refer to an annual projection of income and expenses for a company, division or department. A financial plan can also be an estimation of cash needs and a decision on how to raise the cash, such as through borrowing or issuing additional shares in a company.

Cash flow statement

A cash flow statement, also known as statement of cash flows or funds flow statement is a financial statement that shows how changes in balance sheet accounts and income affect cash and cash equivalents, and breaks the analysis down to operating, investing and financing activities. Essentially, the cash flow statement is concerned with the flow of cash in and cash out of the business. The statement captures both the current

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operating results and the accompanying changes in the balance sheet. As an analytical tool, the statement of cash flows is useful in determining the short-term viability of a company, particularly its ability to pay bills. International Accounting Standard 7 (IAS 7), is the International Accounting Standard that deals with cash flow statements.

Income statement

Income statement (also referred to as profit and loss statement (P&L), revenue statement, statement of financial performance, earning statement, operating statement or statement of operations) is a company's financial statement that indicates how the revenue (money received from the sale of products and services before expenses are taken out, also known as the "top line") is transformed into the net income (the result after all revenues and expenses have been accounted for, also known as Net Profit or the "bottom line"). It displays the revenues recognized for a specific period, and the cost and expenses charged against these revenues, including write-offs (e.g. depreciation and amortization of various assets) and taxes. The purpose of the income statement is to show managers and investors whether the company made or lost money during the period being reported.

The important thing to remember about an income statement is that it represents a period of time. This contrasts with the balance sheet, which represents a single moment in time.

Balance sheet

In financial accounting, a balance sheet or statement of financial position is a summary of the financial balance of a sole proprietorship, a business partnership, a corporation or other business organization, such as an LLC or an LLP. Assets, liabilities and ownership equity are listed as of a specific date, such as the end of its financial year. A balance sheet is often described as a "snapshot of a company's financial condition" of the four basic financial statements; the balance sheet is the only statement which applies to a single point in time of a business calendar year.

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UNIT-IV
FINANCING & MANAGEMENT FOR STARTUP COMPANIES

TYPES OF FINANCING FOR STARTUP COMPANY

- Owner money
- Family & Friends
- Banks
- Commercial loans
- Public offering
- L.P.O.

Internal source of Finance

- Retained earning
- Sale of assets
- Reducing stocks
- Trade credits

External source of Finance

- Personal savings
- Commercial bankers
- Shares issue
- Internal
- Venture capital

RECORD KEEPING

Type of record

- Bank record
- Contract
- Accounting & book keeping record
- Employee record
- Correspondence
- Marketing record
- Advertising record
- License & permits
- Tax record
- Stock records

Need of records

- To control expenses
- To monitor inventory
- To determine profit margin
- To improve cash flow
- To measure performance
- To meet our payroll requirements

Importance of record keeping

- Evaluation performance of business
- Helps in future planning
- Helps in forecasting future
- Manages cash flow of the organization.

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Process of recruitment

- A. Internal
- B. External

A. Internal

- Job Posting
- Self Selection
- Proficiency surveys
- Returns

B. External

- Training institutions
- Advertisement
- Self Presentation
- Employment agencies
- Other professional institutions

Common recruitment mistakes

- Emphasizing certain skills
- Poor interview techniques
- Relative comparisons
- Presenting a poor job description
- Poor advertisement

Financial control

It refer to the control of all financial activities aimed at achieving objectives & returns tools of financial control

- Financial statements
- Financial ratios

Financial Statements

- Balance Sheet
- The Income Statement
- The Cash Flow Statement

Financial Ratios- All ratios for judging financial position

Marketing Control

It is that process of monitoring the proposed plan as they proceed. It involves measurement, evaluation & monitoring.

Approaches to control

- Ratio Analysis
- Quality control
- Sales analysis
- Market share
- Cash flow statements
- Location of Buyers
- Distribution support
- Market section
- Customer relationship management

Marketing Planning & Control Process

- Research (Marketing Mix & Control)

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- Financial forecasting
- Objective setting
- Marketing Strategy & Action Program
- Control

E-Commerce

It refers to a wide range of online business activities for products and services. It involves parties interacting electronically

Types of E-Commerce models:-

1. B 2 C (Business to Consumer)
2. B 2 B (Business TO Business)
3. C 2 C (Consumer to Consumer)
4. P 2 P (Peer to Peer)
5. M-Commerce
6. B 2 G (Business to Government)
7. B 2 E (Business to Employee)

Unit- V
NEW VENTURE EXPANSION STRATEGIES & ISSUES

Joint Venture

A Joint Venture (JV) is a business agreement in which parties agree to develop, for a finite time, new entity new assets by contributing equity. They exercise control over the enterprise and consequently share revenues, expenses and assets. There are other types of companies such as JV limited by guarantee, joint ventures limited by guarantee with partners holding shares.

With individuals, when two or more persons come together to form a temporary partnership for the purpose of carrying out a particular project, such partnership can also be called a joint venture where the parties are “**co-ventures**”.

The venture can be for one specific project only – when the JV is referred to more correctly as a consortium (as the building of the Channel Tunnel) – or a continuing business relationship. The consortium JV (also known as a cooperative agreement) is formed where one party seeks technological expertise or technical service arrangements, franchise and brand use agreements, management contracts, rental agreements, for one-time contracts. The JV is dissolved when that goal is reached.

Some major joint ventures include down corning, Miller Coors, Sony Ericsson, Penske Truck leasing, Norampac and Owens-Corning.

A joint venture takes place when two parties come together to take on one project in a joint venture, both parties are equally invested in the project in terms of money, time and effort to build on the original concept. While joint ventures are generally small projects, major corporations also use this method in order to diversify. A joint venture can ensure the success of smaller projects for those that are just starting in the business world or for established corporations. Since the cost of starting new projects is generally high, a joint venture allows both parties to share the burden of the project, as well as the resulting profits.

Since money is involved in a joint venture, it is necessary to have a strategic plan in place. In short, both parties must be committed to focusing on the future of the partnership, rather than just the immediate returns. Ultimately, short term and long term successes are both important. In order to achieve this success, honesty, integrity and communication within the joint venture are necessary.

- The objectives of the venture are not 100 per cent clear and communicated to everyone involved.
- 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.
- The partners don't provide enough leadership and support in the early stages.
- Success in a joint venture depends on thorough research and analysis of the objectives.

Embarking on a Joint Venture can represent significant reconstruction to your business. However favorable it may be to your potential for growth, it needs to fit with your overall business strategy.

It's important to review your business strategy before committing to a joint venture. This should help you define what you can sensibly expect. In fact, you might decide there are better ways to achieve your business aims.

You may also want to study what similar businesses are doing, particularly those that operate in similar markets to yours. Seeing how they use joint ventures could help you decide on the best approach for your business. At the same time, you could try to identify the skills they use to partner successfully.

You can benefit from studying your own enterprise. Be realistic about your strengths and weaknesses – consider performing strengths, weaknesses, opportunities and threats analysis (swot) to identify whether the two businesses are compatible. You will almost certainly want to identify a joint venture partner that complements your own skills and failings.

Remember to consider the employee's perspective and bear in mind that people can feel threatened by a joint venture. It may be difficult to foster effective working relationships if your partner has a different way of doing business.

When embarking on a joint venture it's imperative to have your understanding in writing. You should set out the terms and conditions agreed upon in a written contract, this will help prevent misunderstandings and provide both parties with strong legal recourses in the event the other party fails to fulfill its obligations while under contract.

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A written Joint Venture Agreement should cover:

Action is more precisely referred to as a “merger of equals”. The firms are often of about the same size. Both companies stocks are surrendered and new company stock is issued in its place. For example, in the 1999 merger of Glaxo Wellcome and SmithKline Beecham, both firms ceased to exist when they merged and a new company, GlaxoSmithKline, was created. In practice, however, actual mergers of equals don’t happen very often. Usually, one company will buy another and as part of the deal’s terms, simply allow the acquired firm to proclaim that the action is a merger of equals, even if it is technically an acquisition. Being bought out often carries negative connotations; therefore, by describing the deal euphemistically as a merger, deal makers and top managers try to make the takeover more palatable. An example of this would be the takeover of Chrysler by Daimler-Benz in 1999 which was widely referred to as a merger at the time.

Purchase deals will also be called a merger when both CEOs agree that joining together is in the best interest of both of their companies. But when the deal is unfriendly (that is, when the target company does not want to be purchased) it is always regarded as an acquisition, **OR**

Though the two words mergers and acquisitions are often spoken in the same breath and are also used in such a way as if they are synonymous, however, there are certain differences between mergers and acquisitions

Merger	Acquisition
The case when two companies (often of same size) decide to move forward as a single new company instead of operating business separately.	The case when one company takes over another and establishes itself as the new owner of the business.
The stocks of both the companies are surrendered, while new stocks are issued afresh.	The buyer company “swallows” the business of the target company, which ceases to exist.
For example, Glaxo Wellcome and SmithKline Bechcam ceased to exist and merged to become a new company, known as Glaxo SmithKline.	Dr. Reddy’s Labs acquired Betapharm through an agreement amounting \$597 million.

The franchisor’s success depends on the success of the franchises. The franchisee is said to have a greater incentive than a direct employee because he or she has a direct stake in the business.

Thirty three countries, including the United States, China and Australia have laws that explicitly regulate franchising, with the majority of all other countries having laws which have a direct indirect on franchising.

There are three basic types of franchises:

Product Franchises.

Manufacturers use the product franchise to govern how a retailer distributes their product. The manufacturer grants a franchisee the authority to distribute goods by the manufacturer and allows the owner to use the name and trademark owned by the manufacturer. The franchisee must pay a fee or purchase a minimum inventory of stock in return for these rights. Examples of Product Franchises include: Mobil, Goodyear, Baskin Robbins and Ford Motor Company.

Business Format Franchising.

This is the most popular form of franchising. In this approach a company provides a franchisee with a proven method for operating a business using the name and trademark of the company. The company will usually provide a significant amount of assistance to the business owner in starting and managing the company. The franchisee pays a fee or royalty in return. Examples of Business Format Franchises include: McDonalds, Dunkin Donuts, Carvel, AMMCO and Fantastic Sam’s.

Manufacturing Franchise,

These types of franchises provide an organization with the right to manufacture a product and sell it to the public, using the franchisor’s name and trademark. This type of franchise is found most often in the food and beverage industry, but can be applied to other industries. Examples of Manufacturing Franchise include: Coca-Cola, and Sealmaster.

Rights Offering (Issue)

A rights issue is an issue of additional shares by a company to raise seasoned equity offering. The rights issue is a special form of shelf offering or shelf registration. With the issued rights, existing shareholders have the privilege to buy a specified number of new shares from the firm at a specified price within a specified time. A rights issue is in contrast to an initial public offering, where shares are issued to the general public

- (a) Public issue
- (i) Initial public offer (IPO)
- (ii) Further public offer (FPO)
- (b) Rights issue
- (c) Bonus issue
- (d) Private placement
- (i) Referential issue
- (ii) Qualified institutional placement
- (a) Public issue:**

When an issue offer of securities is made to new investors for becoming part of shareholders family of the issuer³ it is called a public issue. Public issue can be further classified into initial public offer (IPO) and further public offer (FPO). The significant features of each type of public issue are illustrated below:

- (i) Initial public offer (IPO):** When an unlisted company makes either a fresh issue of securities or offers its existing securities for sale or both for the first time to the public, it is called an IPO. This paves way for listing and trading of the issuer's securities in the Stock Exchanges.
- (ii) Further public offer (FPO) or follow on offer:** When an already listed company makes either a fresh issue of securities to the public or an offer for sale to the public, it is called a FPO.
- (b) Rights issue (RI):**
When an issue of securities is made by an issuer to its shareholders existing as on a particular date fixed by the issuer (i.e. record date), it is called an rights issue. The rights are offered in a particular ratio to the number of securities held as on the record date.
- (c) Bonus issue:**
When an issuer makes an issue of securities to its existing shareholders as on a record date, without any consideration from them, it is called a bonus issue. The shares are

UNIT-VI

INSTITUTIONAL SUPPORT TO ENTREPRENEURSHIP

Entrepreneur is such an area which covers wide spectrum of activities. That is why it is sometimes beyond the control of the entrepreneur to arrange even basic facilities like finance, raw materials, water, power, connecting road, communication facilities and others to start the business activities.

Perhaps that is the reason for which any of the stages are yet to develop industrially due to lack of non-availability of those basic facilities. Neither entrepreneur could be able to arrange nor the stage come to their rescue in meeting their requirements to commence the units.

In this regard it can be said that it is an established fact that industry occupies a key position in the economic development of any nation. The countries which are considered developed today; this is only because of their extraordinary growth in the field of industries.

Thus every stage should come forward in motivating the budding entrepreneurs with the basic provisions and assistance to start such ventures. Because adding up every individual business unit will not only be the stage which will accrue innumerable advantages in form of direct and indirect employment, export, tax revenue and others.

Thus, every stage must provide the minimum level of built up infrastructural facilities to attract more and more entrepreneurs to take up the economic activities at their level.

The Central and State Government institutions have come forward to help small entrepreneurs in this regard by providing different types of assistance support and facilities. Creation of infrastructure facilities involves huge funds which small entrepreneurs cannot afford.

Government helps to make the economic environment more conducive to business and industry by arranging infrastructural facilities through different institutional support.

Institutional Support – Why?

We are living in a country of abundant natural resources; our human capital is the best among the other nations of the world. We top in the field of information technology, producing technical manpower, world's largest English speaking people and what not.

But unfortunately we are the back benchers in the field of industrial development irrespective of all the above facilities. The reasons are obvious. Our country failed in harnessing the vast untapped prospective entrepreneurs. The old age concepts that entrepreneurs are born and not made are no more valid.

Thus all attempts should be made by all corners to motivate the young, interested youths to take up entrepreneurship as their career. Once they are motivated to become a successful entrepreneur. But it is not easy on the part of a small talented man to start any industrial venture without the basic facilities and resources.

To start with the most vital resources i.e. finance, it is impossible to carry out such economic activity without finance. Finance is considered as the life blood of business. But it is beyond the capacity and capability of any single individual to contribute the required capital for the purpose.

Unless financial institution comes forward, the dream of having an economic unit will be stopped then and there similar is the situation as regard to infrastructural facilities. A small business unit cannot take the construction of approach road, water facilities provision for electricity, drainage, communication linkage and so on.

Unless it is being provided no one can be able to make the provision for the same and start the unit. In other cases like technical assistance, export import promotion, marketing assistance, fiscal concessions and others, if there is no support and facilities, setting up any economic unit on the part of a small entrepreneur becomes a stupendous task.

That is why since inception of our planning era, we have been giving much more stress on this vital sector to grow by providing many support and assistance through different bodies and institutions. There are briefly discussed in subsequent paras as follows:

1. To prepare project profiles and feasibility on behalf of entrepreneur.
2. To undertake industrial potential surveys with a view to provide first hand information regarding raw material, required labour etc.
3. To identify potential entrepreneurs and provide the technical and managerial assistance.

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4. To undertake market researches and surveys for specific products, so that in future the unit may not take any difficulty in marketing products.
5. To undertake export consultancy for export oriented projects based on modern technology to facilitate export.
6. To conduct entrepreneurship development programmes with a view to aware, create and groom entrepreneurs.
7. To procure and distribute scarce raw materials as and when required.
8. To supply machinery on hire purchase system.
9. To render marketing assistance to small-scale industries with a view to effectively sell their products in competitive era.
10. To provide consultancy and trading services to strengthen the competitive ability and gain advance knowledge in the field.
11. To help in development and up gradation of technology and implementation of modernization programmes by replacing old and outdated equipments.
12. To undertake the mass construction of industrial estates with all basic facilities.
13. To provide infrastructure and accommodation facilities to the entrepreneurs.

The National Small Industries Corporation Ltd (NSIC) was set up in 1955 as central government undertaking, the main aim of which is to fulfill the requirement of machinery and equipment for the development of the small entrepreneurs. It is observed that the main constraint faced by the entrepreneurs in the dearth of investible funds to purchase machinery and equipment. Non-availability of finance deprives many new entrepreneurs from availing entrepreneurial opportunities.

Functions Small Industries Corporation Ltd (NSIC)

The head office of NSIC is situated at New Delhi with four regional offices at New Delhi, Mumbai, Kolkata and Chennai and eleven branch offices at important cities spread over the entire country.

They provide a wide range of service mostly promotional in character to small scale industries. The important functions NSIC perform are grouped as under:

1. Provides financial assistance by way of hire-purchase scheme for purchase of machinery and equipment, required for the setting up industries.
2. Provides various equipments on lease basis.
3. Assists in marketing of the products of SSIs.
4. Helps in exporting the product of SSIs.
5. Provides training to workers of SSIs in various trades.
6. Helps in the development and up gradation of technology and modernization of the industries.
7. Undertakes construction of industrial estates.
8. Purchase huge quantity of important raw materials and distribute the same to SSIs at reasonable rates.
9. Develops prototype machines and equipments to pass on to SSIs for commercial production.
10. Sets up small scale industries in other developing countries on turn-key basis.

So in the above way NSIC plays a prominent role for the development of entrepreneurship as well as industrialization, in the country.

STATE SMALL INDUSTRIES DEVELOPMENT CORPORATIONS (SSIDC)

The State Small Industries Development Corporation (SSIDC) were set up in various states under the companies act 1956, as state government undertakings to cater to the primary development needs of the small tiny and village industries in the state/union territories under their jurisdiction.

The important functions performed by the SSIDCs include:

- To procure and distribute scarce raw materials.
- To supply machinery on hire purchase system.
- To provide assistance for marketing of the products of small-scale industries.
- To construct industrial estates/sheds, providing allied infrastructure facilities and their maintenance.

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- To extend seed capital assistance on behalf of the state government concerned provide management assistance to production units.

DISTRICT INDUSTRIES CENTERS (DIC)

The District Industries Centers (DICs) programming was started in 1978 with a view to provide integrated administrative framework at the district level for promotion of small scale industries in rural areas. The DIC's are envisaged as a single window interacting agency at the district level providing service and support to small entrepreneurs under a single roof.

The main functions of DIC are:

- (1) To prepare and keep model project profiles for reference of the entrepreneurs.
- (2) To prepare action plan to implement the scheme effectively already identified.
- (3) To undertake industrial potential survey and to identify the types of feasible ventures which can be taken up in ISB sector, i.e., industrial sector, service sector and business sector.
- (4) To guide entrepreneurs in matters relating to selecting the most appropriate machinery and equipment, source of its supply and procedure for importing machineries.
- (5) To provide guidance for appropriate loan amount and documentation.
- (6) To assist entrepreneurs for availing land and shed equipment and tools, furniture and fixture.
- (7) To appraise the worthiness of the project-proposals received from entrepreneurs.
- (8) To help the entrepreneurs in obtaining required licenses/permits/clearance.
- (9) To assist the entrepreneurs in marketing their products and assess the possibilities of ancillarization.
- (10) To conduct product development work appropriate to small industry.
- (11) To help the entrepreneurs in clarifying their doubts about the matters of operation of bank accounts, submission of monthly, quarterly and annual returns to government departments.
- (12) To conduct artisan training programme.
- (13) To act as the nodal agency for the district for implementing PMRY (Prime Minister Rojgar Yojna).
- (14) To function as the technical consultant of DRDA in administering IRDP and TRYSEM programme.
- (15) To help the specialized training organizations to conduct Entrepreneur development programmes.

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA (SIDBI)

The government of India has set up the Small Industries Development Bank of India (SIDBI) under Special Act of Parliament in 1989 as a wholly owned subsidiary of the IDBI for ensuring larger flow of financial and non-financial assistance to the small scale sector. The SIDBI has taken over the outstanding portfolio of the IDBI relating to the small scale sector.

The important functions of IDBI are as follows:

- (1) To initiate steps for technological up gradation and modernization of existing units.
- (2) To expand the channel for marketing the products of SSI sector in domestic and international markets.
- (3) To promote employment oriented industries especially in semi-urban areas to create more employment opportunities and thereby checking migration of people to urban areas.

Khadi and Village Industries Commission

The Khadi and Village Industries Commission (KVIC) is a statutory body formed by the Government of India, under the act of Parliament, 'Khadi and Village Industries Commission Act of 1956'. It is an apex organization under ministry of micro, Small Medium Enterprises (Govt. of India), with regard to khadi and village industries within India, which seeks to – "plan, promote, facilitate, organize and assist in the establishment and development of khadi and village industries in the rural areas in coordination with other agencies engaged in rural development wherever necessary." In April 1957, it took over the work of former All India Khadi and Village Industries Board.