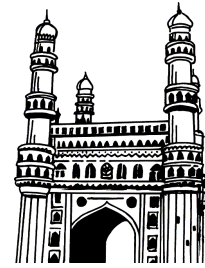


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ENTREPRENEURSHIP AND DESIGN THINKING

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Understanding Entrepreneurial Mindset: The Evolution of Entrepreneurship, Qualities, Skills, Functions of Entrepreneurs, Types of Entrepreneurs, Approaches to Entrepreneurship, Process Approach, Role of Entrepreneurship in Economic Development.

The individual Entrepreneurial Mindset and Personality: The Entrepreneurial Journey, Stress and the Entrepreneur, The Entrepreneurial Ego, Entrepreneurial Motivations, Motivational Cycle, Entrepreneurial Motivational Behavior, Entrepreneurial Competencies, Entrepreneurial Stress.

UNIT - II

Strategic Perspectives in Entrepreneurship: Strategic Planning, Strategic Actions, Strategic Positioning, Business Stabilization, Building the Adaptive Firms, Understanding the Growth Stage, Internal Growth Strategies and External Growth Strategies, Unique Managerial Concern of Growing Ventures.

UNIT - III

Opportunities and Challenges of Entrepreneurship: Initiatives by the Government of India to Promote Entrepreneurship, Social and Women Entrepreneurship. Feasibility Analysis, Industry and Competitor Analysis, Formulation of the Entrepreneurial Plan, The Challenges of New Venture Startups, Developing an Effective Business Model, Blue and Red Ocean Strategies, Sources of Finance, Critical Factors for New venture Development, Evaluation Process. Intellectual Property Protection: Patents, Copyrights, Trademarks and Trade Secrets, Avoiding Trademark Pitfalls.

UNIT - IV

Design Thinking – An Introduction: Principles of Design Thinking, Process of Design Thinking, planning a Design Thinking Project, Understanding of the Problem, Problem Analysis, Reformation of the Problem, Empathetic Design Methods.

UNIT - V

Prototype, Testing Ideas, Implementing Design Thinking: Creativity, Creativity Process, Creativity Techniques, Business Idea, Evaluation of Ideas, Kano Method, Finding Gaps in the Market Place, Prototype, Lean Startup Method, Visualization, Presentation Techniques, Desirability Testing, Methods to Initiate Ventures, Creating New Ventures, Acquiring an Established Venture, Franchising, Advantages and Disadvantages, Implementing Design Thinking, Agility for Design Thinking.

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Frequently Asked & Important Questions

UNIT - I

1. Enumerate the Evolution of entrepreneurship.

Ans : (May-22, Nov.-21, Feb.-17, Dec.-19, Imp.)

Refer Unit-I, Q.No. 4.

2. Take example of an Indian Enicorn. Explain the process of entrepreneurship with this example.

Ans : (May-22)

Refer Unit-I, Q.No. 6.

3. Enumerate the characteristics of an Entrepreneur.

Ans : (May-22, Jan.-16)

Refer Unit-I, Q.No. 8.

4. Explain the Functions of Entrepreneurs.

Ans : (Dec.-19, Dec.-18, Imp.)

Refer Unit-I, Q.No. 11.

5. What is the macro view of entrepreneurship? Elaborate on the environmental, financial and displacement school of thought.

Ans : (May-22, Nov.-22, July-18, Imp.)

Refer Unit-I, Q.No. 15.

6. What do you understand by process approach to entrepreneurship ? Explain the inputs and outcomes of entrepreneurial process.

Ans : (May-22, Nov.-22, Nov.-20, Imp.)

Refer Unit-I, Q.No. 17.

7. Do entrepreneurs contribute to economic growth? State how do entrepreneurs contribute to economic growth.

Ans : (Dec.-19, Dec.-18, June-18, Imp.)

Refer Unit-I, Q.No. 18.

8. Explain about twenty first century trends in entrepreneurship.

Ans : (Nov.-20, Feb. -17, Imp.)

Refer Unit-I, Q.No. 19.

9. Explain the preventive measures to overcome the overall business position.

Ans : (Feb.-17)

Refer Unit-I, Q.No. 30.

10. Relate between Stress and Entrepreneur.

Ans : (Nov.-22, May-22, Dec.-19, July-18, Aug.-16, Imp.)

Refer Unit-I, Q.No. 31.

11. Explain the various measures to overcome the stress.

Ans : (Nov.-22, July-18, Imp.)

Refer Unit-I, Q.No. 32.

12. Describe Maslow's need hierarchy model of motivation.

Ans : (May-22, Imp.)

Refer Unit-I, Q.No. 37.

13. What factors motivate entrepreneurship?

Ans : (July-18, Imp.)

Refer Unit-I, Q.No. 40.

14. What competencies are required by the entrepreneurs in the present context?

Ans : (Nov.-22, Dec.-19, Dec.-18, Imp.)

Refer Unit-I, Q.No. 41.

UNIT - II

1. How does strategic entrepreneurship help firms in creating wealth?

Ans : (Imp.)

Refer Unit-II, Q.No. 2.

2. Explain the major steps in strategic planning.

Ans : (Dec.-18, July-18, Feb.-17, Imp.)

Refer Unit-II, Q.No. 6.

3. Why all businesses don't have the potential to be aggressive growth firms?

Ans : (Aug. - 16)

Refer Unit-II, Q.No. 7.

4. Infer the criticality of strategic positioning.

Ans : (Dec.-19, Imp.)

Refer Unit-II, Q.No. 10.

5. Explain the important points to be considered in business stabilization.

Ans : (Dec.-19)

Refer Unit-II, Q.No. 11.

6. How can you build an adaptive firm? Explain the different ways of building adaptive firms.

Ans : (July-18, Imp.)

Refer Unit-II, Q.No. 12.

7. Explain key factors in understanding the growth stage.

Ans : (July-18, Aug.-15)

Refer Unit-II, Q.No. 13.

8. Identify and discuss five Unique Managerial Concern of Growing Ventures.

Ans : (Imp.)

Refer Unit-II, Q.No. 27.

9. "A most critical factor that contributes most to the success of a venture is the ability of its initial leadership to foresee and manage effectively new challenges as the business evolves". Consider two concrete examples of start-up ventures and analyze the implication of leadership on their growth.

Ans : (Aug.-18)

Refer Unit-II, Q.No. 29.

UNIT - III

1. Elaborate on the government initiatives to promote entrepreneurship in India.

Ans : (May-22, Nov.-20, Dec.-18, Imp.)

Refer Unit-III, Q.No. 1.

2. What do you mean by Social Entrepreneurship. Discuss any examples?

Ans : (May-22, Imp.)

Refer Unit-III, Q.No. 2.

3. Explain the characteristics of Women Entrepreneur.

Ans : (Imp.)

Refer Unit-III, Q.No. 5.

4. Devise appropriate strategies to the challenges of women entrepreneurs in India.

Ans : (Oct.-22, Nov.-21, Dec.-19, Imp.)

Refer Unit-III, Q.No. 8.

5. What are the various training programs conducted by the government for the growth of women entrepreneurship in India?

Ans : (Nov.-21)

Refer Unit-III, Q.No. 10.

6. Define Feasibility Analysis. Explain the contents of Feasibility Analysis.

Ans : (Imp.)

Refer Unit-III, Q.No. 11.

7. Why is industry and competitive analysis important to start a business? What happens if no such analysis is done?

Ans : (Nov.-22, Dec.-18, July-18)

Refer Unit-III, Q.No. 14.

8. Critically analyze the challenges of new venture start-ups.

Ans : (Dec.-19, Aug.-15, Imp.)

Refer Unit-III, Q.No. 16.

9. Discuss briefly about Blue and Red Ocean Strategies?

Ans : (Imp.)

Refer Unit-III, Q.No. 22.

10. Explain about the sources of finance available to an entrepreneur?

Ans : (Dec.-18)

Refer Unit-III, Q.No. 23.

11. While selecting a new venture, which are the critical factors, the entrepreneur should consider and why?

Ans : (Nov.-21)

Refer Unit-III, Q.No. 28.

12. Elaborate on the following causes of new venture failure product/market problems, financial difficulties and management problems with suitable examples.

Ans : (Nov.-21, Aug.- 17, 16, Imp.)

Refer Unit-III, Q.No. 30.

UNIT - IV

1. Define Design Thinking. Explain the origin of Design Thinking.

Ans : (Imp.)

Refer Unit-IV, Q.No. 1.

2. Describe the Principles of Design Thinking.

Ans : (Imp.)

Refer Unit-IV, Q.No. 3.

3. Describe the applications of Design Thinking,

Ans : (Imp.)

Refer Unit-IV, Q.No. 4.

4. List out the various sectors using design thinking concept.

Ans : (Imp.)

Refer Unit-IV, Q.No. 5.

5. Explain briefly about Empathic Design.

Ans : (Imp.)

Refer Unit-IV, Q.No. 12.

6. Explain the process of Empathetic Design.

Ans : (Imp.)

Refer Unit-IV, Q.No. 13.

UNIT - V

1. Define Creativity. What are the components of Creativity?

Ans : (Dec.-19, Imp.)

Refer Unit-V, Q.No. 1.

2. Examine the Nature of Creativity.

Ans : (Nov.-22, Imp.)

Refer Unit-V, Q.No. 2.

3. Being creative is essential to be successful entrepreneur. What in your opinion are the major components in the creative process?

Ans : (May-22, Nov.-22, Dec.-19, Imp.)

Refer Unit-V, Q.No. 3.

4. Discuss about the Kano Model.

Ans : (Imp.)

Refer Unit-V, Q.No. 8.

5. How do you find gaps in the market place for launching entrepreneurial venture?

Ans : (Dec.-19, Dec.-18)

Refer Unit-V, Q.No. 9.

6. Define Prototype. Explain different types of Prototypes.

Ans : (Imp.)

Refer Unit-V, Q.No. 10.

7. Explain briefly about Lean Startup Method.

Ans : (Imp.)

Refer Unit-V, Q.No. 12.

8. Explain the different pathways for entrepreneurs to create new ventures?

Ans : (May-22, Nov.-21, Dec.-18)

Refer Unit-V, Q.No. 17.

9. What are the advantages and disadvantages of being the first in the market with a radical new product?

Ans : (Aug.-17)

Refer Unit-V, Q.No. 18.

10. Explain the advantages and Limitations of Franchising ?

Ans : (Nov.-20)

Refer Unit-V, Q.No. 21.

11. Explain the agility for design thinking.

Ans : (Imp.)

Refer Unit-V, Q.No. 25.

UNIT I

Understanding Entrepreneurial Mindset: The Evolution of Entrepreneurship, Qualities, Skills, Functions of Entrepreneurs, Types of Entrepreneurs, Approaches to Entrepreneurship, Process Approach, Role of Entrepreneurship in Economic Development.

The individual Entrepreneurial Mindset and Personality: The Entrepreneurial Journey, Stress and the Entrepreneur, The Entrepreneurial Ego, Entrepreneurial Motivations, Motivational Cycle, Entrepreneurial Motivational Behavior, Entrepreneurial Competencies, Entrepreneurial Stress.

1.1 THE EVOLUTION OF ENTREPRENEURSHIP

Q1. Define the term Entrepreneurship.

Ans :

(Nov.-22)

Introduction

The term 'entrepreneur' is often used interchangeably with 'entrepreneurship'. But conceptually they are different. An entrepreneur is an individual, whereas the activities for starting up the enterprise are collectively referred to as entrepreneurship.

Entrepreneurship is the tendency of a person to organize his own business and run it profitably, exploiting the qualities of leadership, decision making, managerial calibre, etc. Entrepreneurship is concerned with the development and coordination of entrepreneurial functions. Entrepreneurship is a role played by or the task performed by an entrepreneur.

Definitions

The word 'entrepreneurship' typically means to undertake. It owes its origin to Western societies. But even in the West, the meaning has undergone changes from time to time. In the early sixteenth century, the term was used to refer to army leaders. In the eighteenth century, it represented a dealer who bought and sold goods at uncertain prices. The famous Austrian Political Economist Joseph Schumpeter used the term 'innovator' for entrepreneur. Entrepreneurship is recognized all over the world in countries such as USA, Germany, and Japan and in developing countries like India. From the economic standpoint, initially the economists used to discuss three factors of production:

- (a) Land
- (b) Labour and
- (c) Capital

To bring these three factors of production together a new factor of production is recognized, i.e. 'entrepreneur'. Entrepreneurship is the process of creating or seizing an opportunity, and pursuing it regardless of the resources currently controlled.

Entrepreneurship = Entrepreneur + Enterprise

- (i) **According to A. H. Cole**, "Entrepreneurship is the purposeful activity of an individual or a group of associated individuals, undertaken to initiate, maintain or aggrandize profit by production or distribution of economic goods and services".
- (ii) **According to Schumpeter**, "Entrepreneurship is based on purposeful and systematic innovation. It included not only the independent businessman but also company directors and managers who actually carry out innovative functions".

Q2. Explain the scope of Entrepreneurship

Ans :

Entrepreneurship works in different ways in different economic systems such as capitalism, socialism and mixed economy.

1. Capitalism

A capitalist economy represents free enterprise, means freedom to save and invest, free competition, consumer sovereignty and very less interference from the government.

Price of the product will be determined on the basis of the force of demand and supply with reference to cost of production. The entrepreneur controls all the activities with reference to the process of production and distribution. Entrepreneurs play vital and prominent role in the enterprise because; they controls domestic market by assuming the role of a competitor.

2. Socialism

Private entrepreneurship is absent in a socialist economic system. Economic and financial experts play important role in the development of entrepreneurship in the system. Such entrepreneurship is there mainly to serve the society not to mint money or to make profit only.

Central Authority in the socialism economy is appointed by the Government to make policies, frame plans and procedures for the proper and efficient mobilization of resources, and mobilization and allocation of resources into those industries of national prominence. In this system of economy private entrepreneur has neither a role nor responsibility.

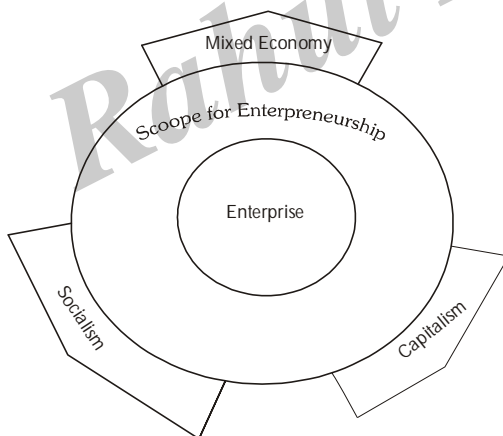


Fig. : Scope of Entrepreneurship

3. Mixed Economy

The mixed economy is characterized by coexistence of both the private and public sectors in the same line of production. Consumer goods are left to the private enterprises. Government undertakes the

production of capital goods.

In a mixed economy, restrictions are placed by the Government to eliminate the problems of monopoly capitalism. Government under this type of economy curbs the growth of monopolies and encourages competition. Mixed economy has built-in stabilizers, which solve the problems of production, pricing and distribution in a better manner, apart from satisfying and helping in the various enterprise goals, mixed economy also helps in reducing of inequality of incomes among people, fixation of minimum wages, etc., in an efficient and effective way.

Thus entrepreneurship plays a great and vital role in all major economic systems. Its importance stands beyond challenges and making of huge profit in every economic system.

Q3. Explain the characteristics of Entrepreneurship.

Ans :

(i) Decision-making

The decision-making ability of a person is one of the fundamental features of entrepreneurship. This means the entrepreneur has the ability to choose a course of action from multiple alternatives to achieve the desired result. Decision-making involves decisions which have components of both risk and uncertainty; therefore, it is a critical characteristic of entrepreneurship.

(ii) Accepting challenges

Entrepreneurship requires a commitment to an idea and the ability to accept challenges and disappointments amidst risk and uncertainty. The entrepreneur has to accept the challenges and convert these into viable business opportunities.

(iii) Risk taking

The ability to assess and take risk is an important characteristic of entrepreneurship. This means not only to extract profit, but also assuming responsibility for loss that may occur

due to unforeseen circumstances or poor judgement. Entrepreneurship flourishes in individuals with deep insight who can analyse situations objectively and reduce risks to enhance profit.

(iv) Building organization

Organization building skill is a critical requirement for successful entrepreneurship. Entrepreneurship has to be characterized by the initiative and skill that can build organizations, delegate authority, and provide proper leadership.

(v) Skillful management

Entrepreneurship involves management skills. For effective management of an enterprise, entrepreneurship is characterized by the entrepreneur managing the idea and identifying new opportunities and threats.

(vi) Innovation

Innovation is one of the most important characteristics of entrepreneurship. It is the capacity to innovate that separates a good entrepreneur from a bad one.

(vii) Mobilization of resources

Entrepreneurship involves resource mobilization. This is a fundamental characteristic of entrepreneurship. Resources are required to carry out activities that result in the goals being accomplished. Entrepreneurs have to have an innate capability to mobilize resources to put their ideas into operation.

Q4. Enumerate the Evolution of entrepreneurship

(OR)

Explain in detail the origin and development of Entrepreneurial activities in India during last decade.

Ans. : (May-22, Nov.-21, Feb.-17, Dec.-19, Imp.)

The word entrepreneur is derived from the French *entreprendre*, meaning "to undertake." The entrepreneur is one who undertakes to organize, manage, and assume the risks of a business. In recent

years, entrepreneurs have been doing so many things that it is now necessary to broaden this definition. Today, an entrepreneur is an innovator or developer who recognizes and seizes opportunities; converts those opportunities into workable/marketable ideas; adds value through time, effort, money, or skills; assumes the risks of the competitive marketplace to implement these ideas; and realizes the rewards from these efforts.

The entrepreneur is the aggressive catalyst for change in the world of business. He or she is an independent thinker who dares to be different amid a background of common events. The literature of entrepreneurial research reveals some similarities, as well as a great many differences, in the characteristics of entrepreneurs. Chief among these characteristics are personal initiative, the ability to consolidate resources, management skills, a desire for autonomy, a strong desire to achieve, perseverance, hard work combined with high activity level, and an ability to take risks. Other characteristics include aggressiveness, competitiveness, goal-oriented behavior, confidence, opportunistic behavior, intuitiveness, reality-based actions, the ability to learn from mistakes, and the ability to employ human relations skills.

Although no single definition of entrepreneur exists and no one profile can represent today's entrepreneur, research is beginning to provide an increasingly sharper focus on the subject. A brief review of the history of entrepreneurship illustrates this. In India, the liberalization, which was started in 1991, and the information technology boom of the mid-late 90s have been significant factors leading to a wave of entrepreneurship sweeping through the country.

Entrepreneurship during Pre-Independence

- The evolution of the Indian entrepreneurship can be traced back to even as early as Rigveda, when metal handicrafts existed in the society. This would bring the point home that handicrafts entrepreneurship in India was as old as the human civilization itself, and was nurtured by the craftsmen as a part of their duty towards the society.
- Before India came into contact with the West, people were organized in a particular type of

economic and social system of the village community. Then, the village community featured the economic scene in India. The Indian towns were mostly religious and aloof from the general life of the country.

- The elaborated caste-based diversion of workers consisted of farmers, artisans and religious priests (the Brahmins). The majority of the artisans were treated as village servants. Such compact system of village community effectively protecting village artisans from the onslaughts of external competition was one of the important contributing factors to the absence of localization of industry in ancient India.
- Evidently, organized industrial activity was observable among the Indian artisans in a few recognizable products in the cities of Banaras, Allahabad, Gaya, Puri and Mirzapur which were established on their river basins. Very possibly, this was because the rivers served as a means of transportation facilities. These artisan industries flourished over the period because the Royal Patronage was to them to support them.
- The workshops called 'Kharkhanas' came into existence. The craftsmen were brought into an association pronounced as 'guild system'.
- On the whole, perfection in art, durability beyond doubt and appeal to the eye of the individual were the distinguishing qualities inherent in the Indian craftsmanship that brought much ever lasting laurels of name and fame to the illustrious India in the past. To quote, Bengal enjoyed world-wide celebrity for corah, Lucknow for chintzes, Ahmedabad for dupptas and dhotis, Nagpur for silk-bordered cloths, Kashmir for shawls and Banaras for metal wares.
- Thus, from the immemorial till the earlier years of the eighteenth century, India enjoyed the prestigious status of the queen of the international trade with the help of its handicrafts.
- Unfortunately, so much prestigious Indian handicraft industry, which was basically a cottage and small sector, declined at the end of the eighteenth century for various reasons.

These may be listed as:

1. Disappearance of the Indian Royal Courts, who patronised the crafts earlier;
2. The lukewarm attitude of the British Colonial Government towards the Indian crafts;
3. Imposition of heavy duties on the imports of the Indian goods in England;
4. Low-priced British-made goods produced on large scale which reduced the competing capacity of the products of the Indian handicrafts;
5. Development of transport in India facilitating the easy access of British products even to far-flung remote parts of the country;
6. Changes in the tastes and habits of the Indian, developing craziness of foreign products, and
7. Unwillingness of the Indian craftsmen to adapt to the changing tastes and needs of the people.

Entrepreneurship during Post-Independence

- After taking a long sigh of political relief in 1947, the Government of India tried to spell out the priorities to devise a scheme for achieving balanced growth.
- For this purpose, the Government came forward with the first Industrial Policy, 1948 which was revised from time to time. The Government in her various industrial policy statements identified the responsibility of the State to promote, assist and develop industries in the national interest.
- It also explicitly recognized the vital role of the private sector in accelerating industrial development and, for this, enough field was reserved for the private sector.
- The Government took three important measures in her industrial resolutions:
 - (i) to maintain a proper distribution of economic power between private and public sector;
 - (ii) to encourage the tempo of industrialization by spreading entrepreneurship from the existing centres to other cities, towns and villages, and

- (iii) to disseminate the entrepreneurship acumen concentrated in a few dominant communities to a large number of industrially potential people of varied social strata.
- To achieve these adumbrated objectives, the Government accorded emphasis on the development of small-scale industries in the country. Particularly since the Third Five Year Plan, the Government started to provide various incentives and concessions in the form of capital, technical know-how, markets and land to the potential entrepreneurs to establish industries in the industrially potential areas to remove the regional imbalances in development.
 - This was, indeed, a major step taken by the Government to initiate interested people of varied social strata to enter the small-scale manufacturing field.
 - Several institutions like Directorate of Industries, Financial Corporations, Small-Scale Industries Corporations and Small Industries Service Institute were also established by the Government to facilitate the new entrepreneurs in setting up their enterprises.
 - Expectedly, the small-scale units emerged very rapidly in India witnessing a tremendous increase in their number from 121,619 in 1966 to 190,727 in 1970 registering an increase of 17,000 units per year during the period under reference.
 - The recapitulation of review of literature regarding entrepreneurial growth in India, thus, leads us to conclude that prior to 1850, the manufacturing entrepreneurship was negligible lying dormant in artisans.
 - The artisan entrepreneurship could not develop mainly due to inadequate infrastructure and lukewarm attitude of the colonial political structure to the entrepreneurial function. The East India Company, the Managing Agency Houses and various socio-political movements like Swadeshi campaign provided, one way or the other.
 - Proper seedbed for the emergence of the manufacturing entrepreneurship from 1850 onwards.
 - The wave of entrepreneurial growth gained sufficient momentum after the Second World War. Since then the entrepreneurs have increased rapidly in numbers in the country. Particularly, since the Third Five Year Plan, small entrepreneurs have experienced tremendous increase in their numbers. But, they lacked entrepreneurial ability, however.
 - The fact remains that even the small entrepreneurship continued to be dominated by business communities though at some places new groups of entrepreneurs too emerged. Also, there are examples that some entrepreneurs grew from small to medium-scale and from medium to large-scale manufacturing units during the period.
 - The family entrepreneurship units like Tata, Birla, Mahatma, Dalmia, Kirloskar and others grew beyond the normally expected size and also established new frontiers in business in this period.
 - Notwithstanding, all this happened without the diversification of the entrepreneurial base so far as its socio-economic ramification is concerned.
-
- 1.1.1 Qualities**
- Q5. Explain the various Qualities of Entrepreneurship.**
- Ans :*
- There are many qualities that entrepreneurs develop over time, but there are a few qualities that every entrepreneur must have before opening their "doors" for business. A Successful entrepreneurs have to start with these qualities:
- 1. Self-Motivation**
- People who start their own businesses have typically worked in a larger organization and have enjoyed the amount of control and autonomy that self-employment gives them, when they see the direct rewards for their labor, they are motivated to setup their own business. Money is also a big motivator. Many

top entrepreneurs have had unhappy experiences in childhood, and are motivated by something negative. They want to go on and prove that they can succeed, and are driven by control and power. And while those negative experiences may drive many to set up their own businesses in the first place, motivation glows with the enterprise; those who run small businesses generally do so because their work is also their passion.

2. Self-Confidence

Every entrepreneur needs to be confident in themselves, their product and their business. One's needs to know that his product can truly help people and the price is charged are fair to him and his clients.

3. Ethics and Morals

Ethics and morals are the foundation of every good entrepreneur. Early on one must decide what he and his business will stand for and what lines he will refuse to cross. Many entrepreneurs close their doors because the dollar outshines their morals. If one stray too far from his morals he will give himself and his business a bad name. No one wants to do business with someone who will not stand up for his own morals.

4. Time Management

One should schedule his day and stick to that schedule. This cannot be emphasized enough. New entrepreneurs need to realize that every minute is valuable. When first starting out, most likely one will not have enough "work" to fill an eight hour day. This does not mean that he has time to take a three hour lunch with friends. He should utilize this time to learn more skills related to his business, find ways to advertise and contact potential clients.

5. Sales

No matter how much you do not like the idea of it, every business has to work with sales. Each industry and business has a unique way of handling its sales. As an entrepreneur, it is his job to figure out what type of sales he will prefer and what type is best for his services or products. If he had ever worked in retail

sales or advertising he already has an edge on most other hopeful business people. All entrepreneurs will benefit from sales seminars, books and motivational programs.

6. Administration Skills

If you can afford to hire an assistant who will organize office space and file papers and mails, lucky you! However, most start-up entrepreneurs cannot afford such luxuries. Over and above the tasks of managing, marketing and planning business, you also need to possess a great deal of administration skills. You need to file receipts so tax time will not be a trip to Hades. You need to do all the work in terms of billing, printing invoices, collecting payments, and managing receivables.

7. Financial Knowhow

When in business, knowledge of finance is a must. Knowing how to balance a check-book and keep track of numbered invoices is all most small businesses need to start out. The most important aspect of small business finance is scheduling time specifically for the finance management. Granted it helps to have an accounting degree or extensive quick books knowledge but these skills are not mandatory.

8. Vision and Leadership Skills

Many entrepreneurs go beyond focusing on objectives relating to task performance (i.e., carrying-out specific tasks). Instead they focus on vision - on what they want to achieve, and what their business can become. The lead entrepreneur would employ, amongst others, communication skills to communicate this vision clearly to employees and others, as this can greatly help the growth of new ventures. If the whole team is working towards a shared vision, that vision can be reached.

9. Conflict and Consensus Management Skills

In management science terms, conflict is generally defined as a process in which one person perceives that another person has taken or will soon take actions that are

incompatible with his/her interests, and this takes two basic forms:

- (i) **Emotional/Affective Conflict:** In this a strong element of anger or dislike is introduced into the situation. Here, the people involved take the conflict personally. This form of anger generally produces negative results.
- (ii) **Cognitive Conflict:** It is in contrast, one in which individuals become aware of contrasting ideas, perspectives or interests, and focus on these issues and not on one another as people. In other words, those involved do not take the conflict personally. Research indicates that cognitive conflict can be constructive, and can result in a solution that is acceptable to both sides.

10. Interpersonal Skills

Entrepreneur deal with people at all level and work with group which require interpersonal skills.

11. Communication Skills

Business people communicate by writing letters and memos, talking on the telephone, and meeting with customers, suppliers, bankers, employees, and others. To succeed as an entrepreneur, he will need to develop his writing, speaking, and listening skills because he will use them everyday:

- (i) **Writing Skills:** As an entrepreneur, a person will have to frequently communicate in writing with customers, suppliers, and employees, among others. To do so effectively, he will need to develop his business writing skills. Good business writing communicates ideas clearly. It also gets results by being positive and persuasive and by convincing readers that they should accept what the writer is communicating.
- (ii) **Speaking Skills:** Much of our communication as a business owner will be conducted verbally either over the telephone or face-to-face. How we present yourself will have a big impact on the people with whom we deal.

- (iii) **Listening Skills:** Problems in business often occur because people fail to listen to each other.

12. Problem-Solving Skills

Many entrepreneurs make decisions casually or base them on intuition. As a result, their decisions are based on faulty assumptions or illogical thinking. The best entrepreneurs use formal problem-solving mechanisms to gather information and evaluate different options.

For many kinds of problems, a person will need to make decisions alone. For other kinds of decisions, however, involving other people in the company in brainstorming and consensus-building techniques can make the most of group decision-making.

13. Technical Skills

Technical skill enable the entrepreneurs to understand, communicate with, and lead the technical staff of their organization, and they really need to be able to understand the technical language spoken by the staff and have a very good general understanding of what is faced by the team and organization to be able to effectively lead. This does not mean that the entrepreneur needs technical skills that are superior to the technical staff, but the level of technical understanding is important to the organization to provide the best results of the team efforts.

Q6. Take example of an Indian Enicorn. Explain the process of entrepreneurship with this example.

Ans :

(May-22)

The fast-growing unicorn sphere within the Indian startup ecosystem has witnessed unprecedented growth in the landmark year 2021. We have also seen an average of three unicorns coming up every month in 2021.

Running a startup has its share of challenges. It is the constant focus on the company's vision and a fight against these challenges that makes a startup a unicorn over time. Although every unicorn start-up is unique based on its idea and business model, there are some common features you can find in all of them. These include.

(i) Tech-based

The core business model of many unicorn startups runs on technology. For example, Paytm started by making it easier for people to pay for limited utilities like mobile and DTH recharges. The company has grown as a comprehensive platform having payment products for both consumers and businesses.

(ii) Pioneers in their niche

Many startups have achieved the status of a 'unicorn' by venturing into a field not known or targeted before. Being the starters in a specific industry has given them an edge against the competition to ensure consistent business growth.

However, things have changed now as startups that are not pioneers are also moving towards or beyond the mark of being a unicorn.

(iii) Innovation at the forefront for consumers

Most of the unicorn startups in India have resulted in disruption in the industry they fall into with the power of constant innovation. Oyo rooms, for example, have changed the way people used to book accommodation while traveling. Paytm, particularly Paytm Wallet, changed the way people paid for things offline and online. They all have the vision to become a part of the daily lives of the end consumers.

(iv) Privately owned

Privately owned startups in India have a greater chance of becoming a unicorn. It is because the company valuation grows when they receive funding from established investors – both Indian or global.

(v) Start with growth-driven MVPs

A unicorn begins with building a Minimum Viable Product (MVP) around their vision and then tests, adjusts, and scales it repeatedly towards achieving the goals.

1.2 ENTREPRENEUR**Q7. Define the term Entrepreneur.**

(or)

Who is an Entrepreneur ?*Ans :*

(Dec.-19)

Introduction

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

In the early 16th century, the Frenchmen, who organized and led military expeditions, were referred to as "entrepreneurs".

The term "entrepreneur" was applied to business initially by the Irish economist, Richard Cantillon, in the 18th century, to designate a dealer who purchases the means of production for combining them into marketable products.

Definitions

(i) According to Richard Cantillon, "An entrepreneur is a person who buys factor services at certain prices with a view to selling its product at uncertain price".

(ii) According to International Labor Organization (ILO), "Entrepreneurs are those people who have the ability to see and evaluate business opportunities, together with the necessary resources to take advantage of them and to initiate appropriate action to ensure success".

(iii) According to Mark Casson, "An entrepreneur is a person who specializes in taking judgmental decision about the coordination of scarce resources".

(iv) According to Adam Smith, "Entrepreneur as a person are those people who only provides capital without taking active part in the leading role in the enterprise".

(v) According to McClelland, "An entrepreneur is someone who exercises some control over the means of production and produces more than what he can consume in order to sell (or exchange) it for individual (or household) income".

- (vi) **According to Peter F. Drucker**, "An entrepreneur is 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 change as an opportunity for a different business or service".

Q8. Enumerate the characteristics of an Entrepreneur.

Ans.: (May-22, Jan.-16)

Entrepreneur is a key player in economic progress. They introduce new things in the economy. They are considered as the business leader and not as simple owner of capital. They have a telescopic faculty, drive and talent who perceive business opportunities and promptly seize them for exploitation. However, to be successful, an entrepreneur should have the following characteristics :

1. Need to Achieve

Entrepreneurs have got strong desire to achieve higher goals. Their inner self motivates their behavior towards high achievement.

2. Independence

Most of the entrepreneurs start on their own because they dislike to work for others. They prefer to be their own boss and want to be responsible for their own decisions.

3. Risk-Rearing

Entrepreneurs are the persons who take decisions under uncertainty and thus they are willing to take risk, but they never gamble with the results.

4. Locus of Control

Entrepreneurs believe in their own ability to control the consequences of their endeavor by influencing their socio-economic environment rather than leave everything to luck. They strongly believe that they can govern and shape their own destiny.

5. Positive Self-Concept

Entrepreneurs are always positive in their

action. Being an achiever, they direct their fantasies and dreams towards achievement of worthwhile goals and sets extraordinary standard of excellence in what they are doing. This is based upon their awareness of SWOT analysis.

6. Hope of Success

Hope of success is a significant quality of entrepreneurial personality. Entrepreneurs set their goals with a hope of success rather than fear of failure. This is because they set their goals on the basis of facts and their ability to make a plan.

7. Flexibility

Most of the successful entrepreneurs measure the pros and cons of a decision and tend to change if the situation demands. They never feel reluctant to revise their decisions.

8. Analytical Ability of Mind

Entrepreneurs are unaffected by personal likes and dislikes. At the time of their need they select experts rather than friends and relatives to assist them. They usually avoid emotional and sensitive attitude towards their business or problem.

9. Confronting Uncertainty

Successful entrepreneurs are always optimistic and take every odd as the opportunity. They deal their environment in such a way that the works get accomplished rationally. Thus, they win by the application of their extraordinary insight and skill.

10. Interpersonal Skills

Entrepreneurs are always comfortable while dealing with people at all levels. During the course of their action, they come across a cross section of individuals with whom they have to deal. They interact with raw material suppliers, customers, bankers, etc. for different activities. As successful entrepreneurs, they should be persons who like working with others possessing the much needed quality of interpersonal skill to deal with people.

11. Stress Takers

Entrepreneurs are capable of working for long hours and solving different complexities at the same time. As the captain of an industry or an enterprise, an entrepreneur faces a number of problems and in right moment they takes right decisions which may involve physical as well as mental stress.

12. Innovators

Successful entrepreneurs are innovators. They constantly put their efforts in introducing new products, new method of production, opening new markets, new source of supply and reorganizing the enterprise.

13. Business Communication Skill

In order to motivate others in the business, entrepreneurs must possess good communication skill. Both written and oral communication skills are necessary for the entrepreneurs for running enterprise efficiently.

14. Leadership

Entrepreneurs should possess the quality of leadership. Leadership is the ability to exert interpersonal influence by means of communication towards the achievement of goals. Entrepreneurs as the leaders should provide the necessary spark to motivation by guiding, inspiring, assisting and directing the members of the group for achievement of unity of action, efforts and purpose.

15. Ability to Mobilize Resources

Entrepreneurs must have the ability to mobilize all the inputs to obtain the end product. They have to mobilize 6 Ms, i.e. Man, Money, Material, Machinery, Market and Method effectively to realize the final product as entrepreneurship is a function of gap filling and input completing.

16. Self-Confidence

Entrepreneurs must have self-confidence to accomplish the task effectively and efficiently. They must take decisions on their own in uncertain and risky situation and should stick to it confidently even if an initial setback is occurred.

Q9. Explain the importance of an Entrepreneur.

Ans :

1. Develop New Markets

Under the modern concept of marketing, markets are people who are willing and able to satisfy their needs. In Economics, this is called effective demand. Entrepreneurs are resourceful and creative. They can create customers or buyers. This makes entrepreneurs different from ordinary businessmen who only perform traditional functions of management like planning, organization, and coordination.

2. Discover New Sources of Materials

Entrepreneurs are never satisfied with traditional or existing sources of materials. Due to their innovative nature, they persist on discovering new sources of materials to improve their enterprises. In business, those who can develop new sources of materials enjoy a comparative advantage in terms of supply, cost and quality.

3. Mobilize Capital Resources

Entrepreneurs are the organizers and coordinators of the major factors of production, such as land, labor and capital. They properly mix these factors of production to create goods and services. Capital resources, from a layman's view, refer to money. However, in economics, capital resources represent machines, buildings, and other physical productive resources. Entrepreneurs have initiative and self-confidence in accumulating and mobilizing capital resources for new business or business expansion.

4. Introduce New Technologies

Aside from being innovators and reasonable risk-takers, entrepreneurs take advantage of business opportunities, and transform these into profits. So, they introduce something new or something different. Such entrepreneurial spirit has greatly contributed to the modernization of economies. Every

year, there are new technologies and new products. All of these are intended to satisfy human needs in a more convenient and pleasant way.

5. Create Employment

The biggest employer is the private business sector. Millions of jobs are provided to the factories, service industries, agricultural enterprises, and the numerous small-scale businesses.

1.2.1 Skills

Q10. Discuss various skills of entrepreneur.

Ans :

i) Enthusiastic

Entrepreneurs should be enthusiastic and interested in various activities, thereby being able to gather knowledge and experience from various walks of life. The built-in and learned passion is the main thing that helps him to stand ahead of the crowd.

ii) Nurturing

No entrepreneur becomes successful overnight. Their success stories are the product of hope and believe that they carry with themselves. When paired with sustainable growth, developmental steps taken by them over the years towards creativity, it leaves behind a beautiful creation that is looked up to in the years to come.

iii) Tactful

The work of an entrepreneur is no less than a business tycoon. They have to be skillful and master the art of sensitively dealing with each stakeholder who are associated either directly or indirectly with their business by taking into consideration the long time perspective of their organizations survival.

iv) Righteous

Entrepreneurs are expected to be ethical, morally right and justifiable towards their work and their associates. By being righteous the entrepreneur will be able to keep the motivation of all associates high and at the same

time boost them to engage in the well being of his business.

v) Exceptional

Entrepreneurs are the ones who have an exceptional approach towards business. Their thoughts are often quite distinct from the ones existing, likewise is their way of working as well. It is because of this exceptional quality that they are able to attract a large number of people and engage them either directly or indirectly in their endeavour.

vi) Productive

The productivity of the entrepreneurs should be visible in their actions and not just merely be restricted to their thoughts. Without achieving the targets it would be very difficult for the entrepreneur to sustain himself and be able to win the trust of the people, because at the end all people are merely interested in the results.

vii) Revolutionary

Entrepreneurs should be able to bring about complete changes. Changes initiated towards the welfare of all is the key to all success as this would be able to bring about differences. Men today look for changes, crave for betterment and seek well-being.

viii) Efficient

Hardwork is the key to all success. The entrepreneurs should be able to work productively with no wastage of money, efforts and resources. This efficiency should be limited to not just to self but lined up and demanded from all stakeholders for healthy growth.

ix) Novelty

The quality of being new and unusual is what makes an entrepreneur different from common man. There are plenty of areas that are to be rebuilt and this requires the efforts of a person who is novel in their approach to make the situations better for a lot more people.

x) Exemplary

Entrepreneurs are the best of their kind. They

give others a reason to live, a reason to be happy and tension free. Their innovative steps are truly commendable as they in their own way are able to eradicate, if not all but a few problems of mankind.

xi) Utilitarianistic

It requires immense dare to do something different in the world. The entrepreneurs are able to fulfill their dreams only because they believe that the greatest happiness of the majority is the guiding principle that guides their behaviour.

xii) Rejuvenating

The realistic dreams that are set out by the entrepreneurs makes life more lively and youthful. The fact that the entrepreneurs are successful is because their dreams, beliefs and hopes find place in the world of a lot many who are not as daring as them to take the bold steps but, are happy to be a part of it.

xiii) Self-reliant

Successful entrepreneurs are proactive people, who set goals and always try to take full responsibility for their actions. They know the difference between what they are today and what they are going to be tomorrow. Everything depends upon their own choices and decisions.

xiv) Humanitarian

All entrepreneurs concentrate a lot in the human welfare. They are highly sociable people and the steps that they take engages a large number of people. Their sociable approach is greatly appreciated as they are allowed to operate in the society and not in isolation.

xv) Irrepressible

It is very difficult to restrain any entrepreneur from taking different steps. The way in which entrepreneurs analyses and interprets a situation is very different. It is this characteristic of the entrepreneurs that help them to compete and survive in the competitive and ever changing world.

xvi) Practical

Entrepreneurs believe more in actually doing something rather than just being restricted to theory. The entrepreneurs are more successful because they stress more on getting the things done rather than sticking to how to get the things done?

1.2.2 Functions of Entrepreneurs

Q11. Explain the Functions of Entrepreneurs.

(OR)

Examine the various Functions of Entrepreneurs.

Ans : (Dec.-19, Dec.-18, Imp.)

1. Organizational Function

An organizer mentally first of all decides certain things like what, how-, and how' much to produce. He estimates the demand for the commodity and initiates the production. He decides the location of the industry, scale of production, and estimates the availability of raw materials, labor, capital, etc.

Then he coordinates the other factors like land, labor, and capital in proper proportion, so that he can minimize the cost of production and reap more and more profit by producing more and more quantity at a cheaper price. He supervises the entire production activity. After production is over, he finds proper market for his product and sells them. From the sale proceeds, he distributes the remuneration for other factor owners.

2. Risk-Bearing Function

An organization not only organizes the entire production process but also undertakes risks and uncertainties. An organizer starts production with an anticipation of demand for his product. But when he actually brings the product to market, there may or may not be demand for his product. This is a non-insurable risk he has to undertake. Thus, a brave organizer has to shoulder certain insurable and non-insurable risks also.

3. Innovation Function

An entrepreneur must be an innovator to survive in the market and to retain the same position for his product. Innovation means introducing new changes in production or technology or market for the product. Profit as a reward for innovation is not a stable one. It appears, disappears, and re-appears. Only the imaginative skillful few will remain in the industry for ever.

1.3 TYPES OF ENTREPRENEURS

Q12. Discuss various types of Entrepreneurs.

(OR)

Explain the types of Entrepreneurs in detail.

Ans. : **(Nov.-21, Nov.-22)**

(A) On the basis of types of business**1. Business entrepreneur**

Entrepreneurs who deal in manufacturing and trading aspect of any business are called business entrepreneurs. They convert ideas into reality. For example, small trading houses, manufacturing business are few of them.

2. Trading entrepreneur

Entrepreneurs who undertake trading activities and are very much concerned with marketing activities at domestic and international levels are trading entrepreneurs. For example, export and import houses.

3. Industrial entrepreneur

Entrepreneurs who undertake only manufacturing activities such as new product development like textile, electronics etc., are known as industrial entrepreneur.

4. Corporate entrepreneur

Entrepreneurs who are interested in management part of the organisation and coordinate skills to manage a corporate undertaking like Ambanis, Tatas etc., are corporate entrepreneurs.

5. Agricultural entrepreneur

Entrepreneurs who are interested in the production and marketing of agricultural inputs and outputs like dairy, horticulture, forestry etc., are known as agricultural entrepreneurs.

(B) On the basis of technology**1. Technical entrepreneur**

Entrepreneurs who are interested in the production process and possess innovative skills in manufacturing, quality control, product design etc., are known as technical entrepreneurs.

2. Non-technical entrepreneur

Entrepreneurs who are interested in the marketing, distribution and development of cheaper products are known as non-technical entrepreneurs.

3. Professional entrepreneur

Entrepreneurs who are interested in creating new ideas or technology and selling them are known as professional entrepreneurs.

(C) On the basis of motivation**1. Pure entrepreneur**

Entrepreneurs who are motivated by psychological and economical rewards are known as pure entrepreneurs.

2. Induced entrepreneur

Entrepreneurs who are motivated by incentives, concessions, benefits offered by government are known as induced entrepreneurs.

3. Motivated entrepreneur

Entrepreneurs who are motivated by sense of achievement and fulfillment are known as motivated entrepreneur.

4. Spontaneous entrepreneur

Entrepreneurs with inborn traits of confidence, vision and initiative are known as spontaneous entrepreneur.

(D) On the basis of growth**1. Growth entrepreneur**

Entrepreneurs who enter a sector with a high growth rate and are positive thinkers are known as growth entrepreneurs.

2. Super growth entrepreneur

Entrepreneurs who enter a business and show a quick, steep and upward growth curve are known as super growth entrepreneur.

3. Classical entrepreneur

Entrepreneurs who give more importance to consistent returns than to growth and are concerned about customer and market needs are known as classical entrepreneurs.

(E) On the basis of stages in development**1. First generation entrepreneur**

Entrepreneurs who are innovators, risk takers and are among the firsts in family to enter into business are first generation entrepreneurs.

2. Modern entrepreneur

Entrepreneurs who consider feasibility of business and can adapt to changes and dynamic market are known as modern entrepreneurs.

(F) On the basis of areas**1. Rural entrepreneur**

Entrepreneurs who establish their business unit in rural areas to enhance the improvement of the living condition of the rural people is known as rural entrepreneur.

2. Urban entrepreneur

Entrepreneurs who are establishing their business unit in urban and developed areas are known as urban entrepreneur.

(G) Other categories of entrepreneurs

Besides the above classification, there are some other categories of entrepreneurs. They are:

1. Male entrepreneur

Any enterprise owned, managed and controlled by a male member is known as male entrepreneur.

2. Female entrepreneur

Any enterprise owned, managed and controlled by a female member is known as female entrepreneur.

3. Small-scale entrepreneur

An undertaking having an investment in plant and machinery of not more than ₹ 1 crore is known as small-scale entrepreneur.

4. Medium-scale entrepreneur

An undertaking where people are working on the optimum size to derive maximum efficiency in production.

5. Large-scale entrepreneur

Undertakings where large number of workers are working with power driven machines are known as large-scale entrepreneurs.

Q13. Entrepreneur is a leader. Do you agree with this statement? Justify with examples.

Ans :

(May-22)

- Entrepreneurial leadership as "organizing a group of people to achieve a common goal using proactive entrepreneurial behavior by optimising risk, innovating to take advantage of opportunities, taking personal responsibility and managing change within a dynamic environment for the benefit of an organisation"
- Such leadership aims to cultivate entrepreneurial individuals and teams that fully leverage their creative potential in creating value for an organisation.
- Entrepreneurial leadership does this by employing leadership practices that "develop the ability in employees to self-generate, self-reflect, and self-correct in their workplace".
- Within a sub-division of a large organisation, entrepreneurial leadership can involve effectively using the skills associated with successful individual entrepreneurs and applying those within the environment of the larger organisation.

- This may seem especially relevant within an organisation where those skills have been lost and replaced with a "corporate" mindset that focuses on process, systems and risk minimization rather than on entrepreneurial behaviour
- The entrepreneurial leader will work within a formalized organizational structure, but use the approaches normally expected of an entrepreneur to identify opportunities.
- Once an opportunity has been identified, they work towards creating a value proposition that will enable rapid testing of their key assumptions. Next to effective management of risk (rather than the minimization of risk often sought within corporate environments), they are required to operate with contextual awareness in order to create a value proposition that delivers value to the customer while taking into account the organizational requirements and strategic aims.
- The entrepreneurial leader must have the ability to learn fast and within environments of ambiguity and change while providing clarity and coherence for those around them

1.4 APPROACHES TO ENTREPRENEURSHIP

Q14. What are the various approaches to Entrepreneurship ?

Ans :

(May-22, Nov.-22)

In order to understand the nature, significance, process and practice of entrepreneurship, it is essential to study the basic theories of entrepreneurship. Entrepreneurship theories can be examined through 'schools of thought' approach. This approach categorizes entrepreneurship into specific activities. The conceptual nature of entrepreneurship can be explained through.

1. Macro view of entrepreneurship
2. Micro view of entrepreneurship

A theory of entrepreneurship is a verifiable and logically coherent formulation of relationships, or underlying principles, that either explain entrepreneurship, predict entrepreneurial activity (for example, by characterizing conditions that are likely to lead to new profit opportunities or to the formation of new enterprises), or provide normative guidance (that is, prescribe the right action in particular circumstances). It has become increasingly apparent in the new millennium that we need to have some cohesive theories or classifications to better understand this emerging field.

Q15. What is the macro view of entrepreneurship? Elaborate on the environmental, financial and displacement school of thought.

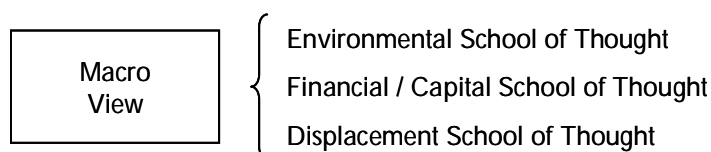
Ans :

(May-22, Nov.-22, July-18, Imp.)

The macro view of entrepreneurship provides a wide range of factors which influence the success or failure of an entrepreneur in the contemporary business world. These factors are external processes that are sometimes out of the control of an entrepreneur.

Schools of Thought in Macro View

There are three schools of entrepreneurial thought explaining the macro view of entrepreneurship.



1. Environmental School of Thought

This school of thought focuses on various external factors that influence the lifestyle of a potential entrepreneur. These factors can be either positive or negative towards developing the entrepreneurs. They are the sociopolitical environmental factors that include institutions, values etc. A supportive work environment, social group and support of relatives and friends influence the middle manager's desire to become an entrepreneur.

A study by "Legatum Institute Survey of Entrepreneurs: India" revealed that most of the Indian entrepreneurs get most of their spirit to become entrepreneurs from their family.

2. Financial/Capital School of Thought

This school of thought is evolved from the capital seeking process i.e., the search for seed capital and growth capital is the main emphasis of this thought. It views the entrepreneurial venture from financial perspective and identifies venture capital as the vital source of entrepreneur development. Business-planning guides and texts and the continuous development seminars focusing on funds or capital application are the major emphasis. The figure below depicts various financial decisions during venture process.

3. Displacement School of Thought

This school of thought emphasizes on the negative side of group phenomenon, where an individual feels displaced/away from the group. As per this thought, an individual develops a desire to become an entrepreneur when the group around him/her stops him/her from involving in other activities. For example, at the time of partition of India and Pakistan, many people got displaced and started involving in economic activities to survive in the world.

This school of thought can be explained with the help of three types of displacements/rejections.

(i) Political Displacement

The main factors responsible for political displacement range from entire political structure to government regulations and policies. A study by "Legatum Institute Survey of Entrepreneurs, India", revealed that most of the entrepreneurs have a positive attitude towards state and central government policies in promoting business. But, the three reasons for business failure in India are- bureaucracy, scarce financial resources and government regulations.

(ii) Economic Displacement

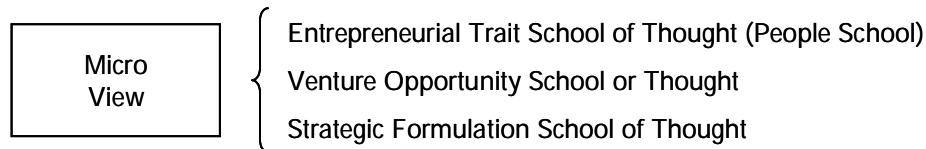
Problems of job loss, capital shrinkage etc., arise due to the issues of economic recession and depression. These problems are the foundations for entrepreneurial development. A study by "Legatum Institute Survey of Entrepreneurs, India" revealed the view 'corruption hurts enterprise' is known to every one in India. According to Political and Economic Risk Consultancy (PERC) survey, India stands at the tenth position among the corrupted nations in the world.

(iii) Cultural Displacement

Cultural displacement is concerned with the social groups who are restricted from entering into professional fields. Some of the factors which cause minority people experience displacement are - ethnic background, religion, caste, sex etc. This experience pulls the minority individuals away from standard business professions and takes them towards entrepreneurial ventures.

Q16. Elucidate the micro view of entrepreneurship.*Ans :***(May-22, Nov.-22, Imp.)**

The micro view of entrepreneurship examines the factors that are specific to entrepreneurship and are part of the internal locus of control. The potential entrepreneur has the ability, or control, to direct or adjust the outcome of each major influence in this view.

**(i) The Entrepreneurial Trait School of Thought**

Many researchers and writers have been interested in identifying traits common to successful entrepreneurs. This approach of the entrepreneurial trait school of thought is grounded in the study of successful people who tend to exhibit similar characteristics that, if copied, would increase success opportunities for the emulators. For example, achievement, creativity, determination, and technical knowledge are four factors that usually are exhibited by successful entrepreneurs. Family development and educational incubation are also examined. Certain researchers have argued against educational development of entrepreneurs because they believe it inhibits the creative and challenging nature of entrepreneurship.

(ii) The Venture Opportunity School of Thought

- The venture opportunity school of thought focuses on the opportunity aspect of venture development.
- The search for idea sources, the development of concepts, and the implementation of venture opportunities are the important interest areas for this school.
- Creativity and market awareness are viewed as essential. Additionally, according to this school of thought, developing the right idea at the right time for the right market niche is the key to entrepreneurial success.
- Another development from this school of thought is the previously described corridor principle: new pathways or opportunities will arise that lead entrepreneurs in different directions.
- The ability to recognize these opportunities when they arise and to implement the necessary steps for action are the key factors.
- The maxim that preparation meeting opportunity equals "luck" underlies this corridor principle. Proponents of this school of thought believe that proper preparation in the interdisciplinary business segments will enhance an entrepreneur's ability to recognize venture opportunities.

(iii) The Strategic Formulation School of Thought

- George Steiner once stated that "strategic planning is inextricably interwoven into the entire fabric of management; it is not something separate and distinct from the process of management.
- The strategic formulation school of thought approach to entrepreneurial theory emphasizes the planning process in successful venture development.
- One way to view strategic formulation is as a leveraging of unique elements. Unique markets, unique people, unique products, or unique resources are identified, used, or constructed into

effective venture formations. The interdisciplinary aspects of strategic adaptation are apparent in the following characteristic elements (and their corresponding strategies):

➤ **Unique markets**

Mountain versus mountain gap strategies, which refers to identifying major market segments as well as interstice (in-between) markets that arise from larger markets.

➤ **Unique people**

Great chef strategies, which refers to the skills or special talents of one or more individuals around whom the venture is built.

➤ **Unique products**

Better widget strategies, which refers to innovations that encompass new or existing markets.

➤ **Unique resources**

Water well strategies, which refers to the ability to gather or harness special resources (land, labor, capital, raw materials) over the long term.

1.4.1 Process Approach

Q17. Explain briefly about Process Approach to entrepreneurship.

(OR)

What do you understand by process approach to entrepreneurship ? Explain the inputs and outcomes of entrepreneurial process.

Ans :

(May-22, Nov.-22, Nov.-20, Imp.)

Process approach is one of the ways of understanding the various activities involved in entrepreneurship. There are two popular approaches to understand the entrepreneurial process. They are as follows,

1. Integrative Approach

Morris, Lewis and Sexton proposed an integrative model to the entrepreneurial process. This model is built with two components - inputs, outputs. It focuses on the inputs to the entrepreneurial process and outputs from entrepreneurial process.

(ii) **Inputs:** This component emphasises on entrepreneurial process and examines four key elements contributing to the entrepreneurial process.

(a) **Environmental Opportunities:** Environmental opportunities include demographic changes, advanced technology or changes in existing regulations.

(b) **Entrepreneurial Individuals**

Entrepreneurial individuals are the people who take up the responsibility of understanding and starting new venture.

(c) **Organizational Perspective**

The implementation of unique business concepts needs some kind of organizational context ranging from sole proprietorship to autonomous business unit.

(d) **Resources**

Resources include both financial and non-financial resources required to start new venture.

The above five key elements are then integrated together across the different stages of the entre-preneurial process.

(ii) Outputs / Outcomes

This component includes the level of entrepreneurship achieved. Entre-preneurial process may result in any number of events and the level of entrepreneurship may vary. Depending upon the level of EI, the final outcomes of entrepreneurial process includes continuing venture, achieved value, innovative products and services, advanced technologies, profit or personal benefits, employment, asset and revenue growth etc.

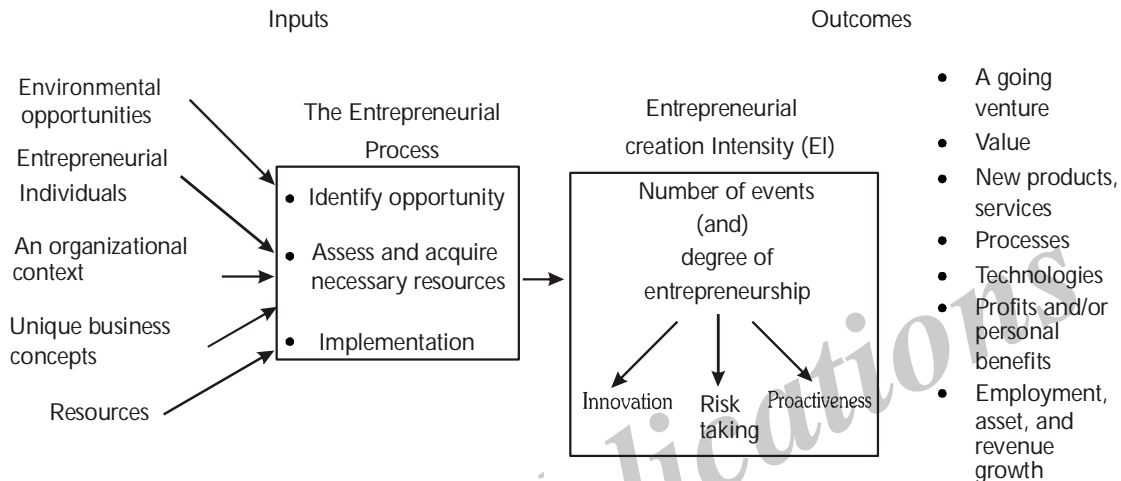


Fig. An Integrative Model of Entrepreneurial Inputs and Outcomes

2. Assessment Approach

Assessment approach or entrepreneurial assessment approach is developed by Robert C. Randstad. The assessment approach focuses on the thought that assessment has to be done quantitatively, qualitatively, ethically and strategically with respect to entrepreneur, venture and environment.

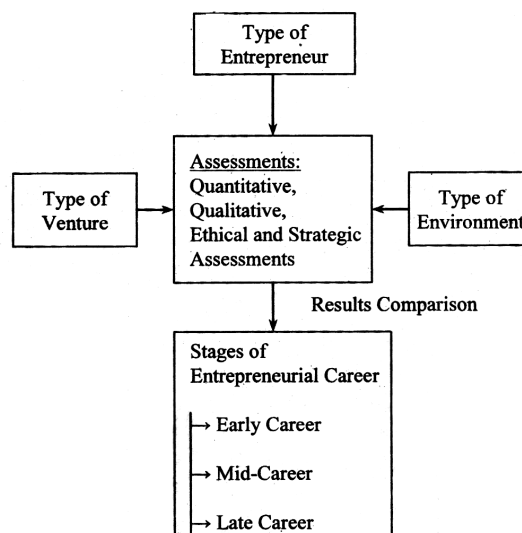


Fig. : Assessment Approach

1.5 ROLE OF ENTREPRENEURSHIP IN ECONOMIC DEVELOPMENT

Q18. Describe the Role of Entrepreneurship in Economic Development.

(OR)

Discuss with suitable examples, the impact of entrepreneurship on the economic development of India.

(OR)

Explain the role of entrepreneurship in economic development of India?

(OR)

Do entrepreneurs contribute to economic growth? State how do entrepreneurs contribute to economic growth.

Ans : (Dec.-19, Dec.-18, June-18, Imp.)

Entrepreneurship plays a vital role in the economic development in following ways:

1. Increase in National Income

National Income consists of the goods and services produced in the country and imported. The goods and services produced are for consumption within the country as well as to meet the demand of exports. The domestic demand increases with increase in population and increase in standard of living. The export demand also increases to meet the needs of growing imports due to various reasons. An increasing number of entrepreneurs are required to meet this increasing demand for goods and services. Thus, entrepreneurship increases the national income.

2. Balanced Regional Development

The growth of industry and business leads to a lot of public benefits like transport facilities, health, education, entertainment, etc. When the industries are concentrated in selected cities, development gets limited to these cities. A rapid development, when the new entrepreneur grows at a faster rate, in view of

increasing competition in and around cities, they are forced to set-up their enterprises in the smaller towns away from big cities. This helps in the development of backward regions.

3. Bringing Change in Structure of Business and Society

New enterprise and new products change the way we do the business. The entrepreneurial activity gives a new direction to the business and the way it is done. The classic example is that of India taking-up in a big way Information Technology (IT), Information Technology-Enabled Services (ITES), Bio-Technology (BT), and Research and Development (R&D) Services. Such avenues or services were not available 25 years ago. The new opportunities have been chosen by Indian entrepreneurs and thus bringing changes in the structure of Indian business, economy, and the way the society looks at them.

4. New Products, New Services, and New Business

An entrepreneur brings new ideas for business, production techniques, and services for horizontal, i.e., varieties and vertical, i.e., increase in volume and money growth of business.

5. Knowledge and Social Need Filling

An entrepreneur does the job of iterative synthesis, i.e., the combined role of social needs and product development process.

6. Dispersal of Economic Power

Industrial development normally may lead to concentration of economic powers in a few hands. This concentration of power in a few hands has its own evils in the form of monopolies. Developing a large number of entrepreneurs helps in dispersing the economic power amongst the population. Thus, it helps in weakening the harmful effects of monopoly.

7. Better Standards of Living

Entrepreneur plays a vital role in achieving a higher rate of economic growth. Entrepre-

neur is able to produce goods at lower cost and supply quality goods at lower price to the community according to their requirements. When the price of the commodities decreases the consumers get the power to buy more goods for their satisfaction. In this way, they can increase the standard of living of the people.

8. Creating Innovation

An entrepreneur is a person who always looks for changes. Apart from combining the factors of production, they also introduce new ideas and new combination of factors. They always try to introduce newer and newer technique of production of goods and services. An entrepreneur brings economic development through innovation.

9. Production Evolution Process

Entrepreneur understands and takes-up product evolution process. This is a process where innovation develops and an entrepreneur commercializes the new products. Here an entrepreneur combines different technologies and fuses them into products and services which turn into marketable items.

Q19. Explain about twenty first century trends in entrepreneurship.

Ans : (Nov.-20, Feb. -17, Imp.)

The Trends in Entrepreneurship

The 21st Century began with a boom in all the fields whether it's technology or academic. Technology remains flourishing till now and new researches keep on inventing every single day. As well as academic is concerned, a discipline like Entrepreneurship keeps on progressing with targeting domains. There are new trends seen in Entrepreneurship. From the start of 21st century till now it continues to emerge. More and more people seeks interest in this discipline of academic.

Some of the new trends that have been seen in Entrepreneurship are the areas which this discipline covers. The areas in which Entrepreneurship is applied in order to make better business are as follows:

1. Venture Financing

Venture Financing consists of both venture capital and angel capital. It has a mix of other financing methods that helps the business to flourish that emerged with an exceptional strength, powering entrepreneurship in the twenty-first century.

2. Corporate Entrepreneurship

Corporate Entrepreneurship deals with the adoption of entrepreneurship within large organizations. In Corporate Entrepreneurship, the entrepreneurial actions and cultures are followed inside the organization. Corporate entrepreneurship has attracted the attention of the C.E.O's of big firms over the past few years.

3. Social Entrepreneurship

This entrepreneurship is dealing with how entrepreneurs can help in dealing with the social problems. It mainly focuses on social problem solving.

4. Entrepreneurial Cognition

Entrepreneurial cognition helps us observing the great variety of entrepreneurs and the techniques they adopted to succeed in their lives and set an example for others to follow.

5. Women Entrepreneurship

Women entrepreneurship mainly covers 1/3 of all entrepreneurs worldwide. They rose in exceptional numbers. They have the power to face the obstacles and difficulties and to solve them with their thinking and experience.

6. Family Businesses

It has become a robust focus of research. The economic and social assistance of entrepreneurs with family businesses have been shown to make enormously inconsistent contributions to job creation, innovation and economic renewal.

7. Entrepreneurial Education

Entrepreneurial Education being the "hot" subject for everyone. In the 21st century, entrepreneurship is one of the most wanted disciplines in all the business schools and engineering universities all over the world. Enormous growth have been seen in the teaching this Entrepreneurial Education.

**1.6 THE INDIVIDUAL ENTREPRENEURIAL
MIND-SET AND PERSONALITY**

Q20. Write a note on individual Entrepreneurial mind set and Personality.

Ans : (Nov.-21)

Entrepreneurial Mind set

- The Entrepreneurial Mindset refers to a specific state of mind which orientates human conduct towards the Entrepreneurial activities and outcomes.
- Individuals with entrepreneurial mindsets are often drawn to opportunities, innovation and new value creation. Characteristics include the ability to take calculated risks and accept the realities of change and uncertainty.
- The Entrepreneurial Mindset offers a refreshingly practical blueprint for thinking and acting in environments that are fast-paced, rapidly changing, and highly uncertain.
- It provides both a guide to energizing the organization to find tomorrow's opportunities and a set of entrepreneurial principles you can use personally to transform the arenas in which you compete.
- They show how to eliminate paralyzing uncertainty by creating an entrepreneurial frame that shapes a shared understanding of what is to be accomplished; create a richly stocked opportunity register to redesign existing products, find new sources of differentiation, resegment existing markets, reconfigure market spaces, and seize the huge upside potential of breakthroughs; build a dynamic portfolio of businesses and options that continuously move your organization toward the future while simultaneously leaving the past behind; execute dynamically your ideas so that you can move fast, with confidence and without undue risk; and develop your own way of leading with an entrepreneurial mindset to create a vibrant entrepreneurial climate within your organization.

Personality

In order to organize and run a business successfully, an entrepreneur must possess certain traits important for driving success. Some of them are:

- **Self-confidence**
Others will trust you only when you trust yourself. This is the most important trait of an entrepreneur, who should have the confidence to take one's own decisions.
- **Risk-taking ability**
Business is all about taking risks and experimenting. Entrepreneurs need to have a risk-taking ability.
- **Decision-making ability**
Entrepreneurs should have the willingness and capability to take decisions in favor of the organization all the time.
- **Competitive**
Entrepreneurs should always be ready to give and face competition.
- **Intelligent**
Entrepreneurs always need to keep their mind active and increase their IQ and knowledge.
- **Visualization**
Entrepreneurs should have the ability to see things from different point of views.
- **Patience**
This is another virtue which is very important for entrepreneurship as the path to success is often very challenging and it requires a lot of patience for sustenance.
- **Emotional tolerance**
The ability to balance professional and personal life and not mixing the two is another important trait of an entrepreneur.
- **Leadership quality**
Entrepreneurs should be able to lead, control and motivate the mass.

➤ **Technical skill**

To be in stride with the recent times, entrepreneurs should at least have a basic knowledge about the technologies that are to be used.

➤ **Managerial skill**

Entrepreneurs should have the required skill to manage different people such as clients, employees, co-workers, competitors, etc.

➤ **Conflict resolution skill**

Entrepreneurs should be able to resolve any type of dispute.

➤ **Organizing skill**

They should be highly organized and should be able to maintain everything in a format and style.

➤ **High motivation**

Entrepreneurs should have high level of motivation. They should be able to encourage everyone to give their level best.

➤ **Creative**

They should be innovative and invite new creative ideas from others as well.

➤ **Reality-oriented**

They should be practical and have rational thinking.

Q21. If personal characteristics or personality traits do not predict a successful entrepreneur, why are they significant to the study of entrepreneurship?

Ans. : (Aug. - 17)

- The study and understanding of the personality traits, of an entrepreneur helps us to objectively understand the desired qualities and traits which need to be possessed by an entrepreneur.
- According to some research studies, study of personality traits helps to analyze and predict entrepreneurial behaviour such as business opportunity recognition, an entrepreneur's approach to challenging business situations and so on.

- The study of personality traits or personal characteristics of the entrepreneur are significant for the study of entrepreneurship.

- The study of entrepreneurship consists of various personality traits because of which the entrepreneur's meaning on the basis of personality traits is open ended.

- The personality approach to entrepreneurship aims to display the connection between personality traits and entrepreneurial behaviour like opportunity recognition etc.

- Entrepreneur's personal characteristics has an impact on the operation of small-business and entrepreneurship. Generation of behaviour taking into consideration a situation can be described with the help of personality characteristics.

- Thus entrepreneurship research must use personality characteristics. Entrepreneurship process is influenced by personal attitudes and individual's behaviour.

- The personal traits of entrepreneur would not help in predicting, who would be a successful entrepreneur. However studies states that these traits are significant as they influences the actions of those entrepreneurs who are running small business enterprise.

- For example, when the enterprise is in the growth and maturity stage, the traits required in an entrepreneur are being persistent and committed. Likewise, in case of introduction stage, the traits to be displayed by the entrepreneur need to include strong need for achievement, high risk taking ability and so on.

- During the growth stage, team building traits need to be displayed. Thus the study of these essential personality traits of a successful entrepreneur would help potential entrepreneurs to be motivated and be action oriented to make their enterprise a successful business.

Q22. Identify and describe the three major sources of information that supply data related to the entrepreneurial mind set.

Ans : (Nov.-22)

The entrepreneurial mindset consists of three key elements: Curiosity, Connections, and Creating Value

(i) Curiosity

Have a constant curiosity about our changing world and employ a contrarian view of accepted solutions.

(ii) Connections

Habitually connect information from many sources to gain insight and manage risk.

(iii) Creating Value

Create value for others from unexpected opportunities as well as persist through, and learn from, failure.

Q23. "Entrepreneurs have a tolerance for ambiguity are calculated risk takers and have high regard for integrity and reliability". Explain why these traits are crucial for entrepreneurial success.

Ans :

Some of the important traits of entrepreneurs are tolerance for ambiguity, calculated risk taking and high regard for integrity and reliability.

1. Tolerance for Ambiguity

Uncertainty and constant changes are obvious in an entrepreneurial environment which results in an ambiguity and stress at each and every aspect of an enterprise. An entrepreneur is said to have possessed a trait "Tolerance for ambiguity", if he/she is capable enough to tackle with the constant changes. 'Tolerance for ambiguity' trait is crucial for entrepreneurial success as with this trait entrepreneur can deal with uncertain changes which are obvious in the entrepreneurial environment.

2. Calculated Risk Taking

Successful entrepreneurs always try to mini-

mize risk. They are calculated risk takers. They carry out all venture activities in a very careful and calculated way. One of the strategy adopted by entrepreneurs to minimize risk is letting others share financial and business risks. As 'calculated risk taker' avoid taking unnecessary risk which there by improves profits level, this trait is considered to be crucial for entrepreneurial success.

3. High Regard for Integrity and Reliability

Small entrepreneurs consider "Integrity and reliability" traits as important for entrepreneurial success as these two traits assist in building trust and confidence which is essential for the success of an enterprise. Integrity and reliability bind successful individual and business relationship and make them last for a long time. Customers, creditors, partners and investors prefer these traits in an entrepreneur.

Q24. Differentiate between the traits in the entrepreneurial personality required to start up a venture with those to scale up the same.

Ans :

Traits in the Entrepreneurial Personality Required to Start-Up a Venture

Robert D. Hisrich has contributed eight characteristics of an entrepreneur. He suggests that an entrepreneur must be endowed with adequate commitment, motivation and skills to start a business. The list of characteristics according to him are as follows,

1. Motivator
2. Self-confidence
3. Long-term involvement
4. High energy levels
5. Persistent problem solver
6. Initiator
7. Goal setter/objective maker
8. Moderate risk bearer

Traits in the Entrepreneurial Personality Required to Scale-Up a Venture

The traits in an entrepreneurial personality required to scale-up a venture are,

1. Motivation

Motivation is the most important trait needed to scale up a business enterprise. If the reason for starting the business enterprise is to fully explain a market opportunity, there are a great number of chances that the enterprise would grow and prosper.

2. Previous Management Experience

The previous experience of entrepreneur is important trait that facilitates in growth as the entrepreneur can manage the business processes and employees based upon his previous experience.

3. Entrepreneur's Demographics

Entrepreneurial traits such as education and age do effect business growth. Middle aged entrepreneurs taking advantage of experience possess the energy to scale-up their business. High-tech and knowledge-based firms are founded by entrepreneurs who are highly educated which leads to high growth.

4. Number of Entrepreneurs Involved

Enterprises which are established by a group of entrepreneurs have high growth rate rather than enterprises found by a single person as they are exposed to broad range of experiences, resources and skills which are crucial for growth.

Q25. Some people start their own firms to pursue financial rewards. However, these rewards are often far fewer than imagined. Why it is so.

Ans :

The key factors that stimulate people to become entrepreneurs and start their own firms are,

1. To pursue their own business ideas
2. To be their own boss
3. Realize greater financial rewards.

There are many reasons for the entrepreneurial rewards which are less in number compare to the imagination of entrepreneur. A primary reason is lack of interest and dedication on the part of the entrepreneur after the enterprise has started.

Further, many entrepreneurs aim to not just earn and maximize financial rewards, they also focus upon other motivational aspects such as being their own boss and being able to create and develop an enterprise.

An average entrepreneur does not earn more than any individual with the same level of duty in a traditional job. The monetary attraction of entrepreneurship is due to its increased performance. Michael Dell of Dell Computer, Scott McNealy of Sun Microsystems and Jerry Yang of Yahoo by developing their firm made millions of dollars. These people told that money was not their basic motivation. The founder of Netscape, Marc Andreessen told that money was not the motivator or the measure of his success. Entrepreneurs insist that financial rewards related with entrepreneurship can be painful if it occur with losing the power of control of their firm.

Q26. How does an entrepreneur differ from a manager.

Ans :

S.No.	Nature	Entrepreneur	Manager
1.	Motive	The main motive of an entrepreneur is to start a venture by setting up an enterprise. He understands the venture for his personal gratification.	But, the main motive of a manager is to render his services in an enterprise already set up by someone else.
2.	Status	An entrepreneur is the owner of the enterprise.	A manager is the servant in the enterprise owned by the entrepreneur
3.	Risk-bearing	An entrepreneur being the owner of the enterprise assumes all risks and uncertainty involved in running the enterprise.	A manager as a servant does not bear any risk involved in the enterprise,
4.	Rewards	The reward an entrepreneur gets for bearing risks involved in the enterprise is profit which is highly uncertain.	A manager gets salary as reward for the services rendered by him in the enterprise. Salary of a manager is certain and fixed.
5.	Innovation	Entrepreneur himself thinks over what and how to produce goods to meet the changing demands of the customers. Hence, he acts as an innovator also called a 'change-agent'.	But, what a manager does is simply to execute the plans prepared by the entrepreneur. Thus, a manager simply translates the entrepreneur's ideas into practice.
6.	Qualifications	An entrepreneur needs to possess qualities and qualifications like high achievement motive, originality in thinking, foresight, risk-bearing ability and so on.	On the contrary, a manager needs to possess distinct qualifications in terms of sound knowledge in management theory and practice.

1.7 THE ENTREPRENEURIAL JOURNEY

Q27. Explain briefly about the Entrepreneurial Journey.

Ans :

The widespread view in the literature is that - entrepreneurs create and develop ventures. But when viewed narrowly, the process of entrepreneurship and the evolution of ventures and entrepreneurs is completely ignored.

As per the researchers - Donald F. Kuratko, Michael H. Morris and Minet Schindehutte, just as how painting develops depending upon the individual interaction, feeling and agonizing, venture is not simply developed by an entrepreneur.

An entrepreneur does not pre exist, he/she emerge from the new ideas, thoughts and experiences of the venture creation process. Venture creation is a live experience and results in the emergence of an entrepreneur.

Venture creation process involves the following three parallel steps,

- (i) Emergence of an opportunity
- (ii) Development of a venture
- (iii) Emergence of an entrepreneur.

All these three are not pre-identified, they are dependent and defined by one another. However, in the 21st century, this approach to entrepreneurship had attained new strength in the entrepreneurial research.

It has the following characteristics,

- (i) It encourages venture creation process as a dynamic and social activity involving many actors and events.
- (ii) Different actors feel different experiences as the process goes on.
- (iii) It highlights that venture creation is a rational thought process involving emotions, simulations and physiological responses of individual reactions.

Q28. Entrepreneurship has a "Dark Side." What is meant by this statement ?

Ans :

- A great deal of literature is devoted to extolling the rewards, successes, and achievements of entrepreneurs.
- However, a dark side of entrepreneurship also exists, and its destructive source can be found within the energetic drive of successful entrepreneurs.
- Starting or buying a new business involves risk. The higher the rewards, the greater the risks entrepreneurs usually face. This is why entrepreneurs tend to evaluate risk very carefully.
- In an attempt to describe the risk-taking activity of entrepreneurs, researchers

developed a typology of entrepreneurial styles.

- It illustrates these classifications in terms of the financial risk endured when a new venture is undertaken.
- In this model, the financial risk is measured against the level of *profit motive* (the desire for monetary gain or return from the venture), coupled with the type of activity. Profit-seeking activity is associated with the strong desire to maximize profit, and activity seeking refers to other activities associated with entrepreneurship, such as independence or the work of the venture itself.
- The thrust of this theory argues that entrepreneurs vary with regard to the relationship between risk and financial return.
- This typology highlights the need to explore within economic theory the styles or entrepreneurial motivations that deviate from the styles most characteristic of the rational person.

		Level of Personal Financial Risk	
		Low	High
Level of Profit Motive	Low	Risk avoiding Activity seeking	Risk accepting Activity seeking
	High	Risk accepting Profit seeking	Risk accepting Profit seeking

Fig. : Typology of Entrepreneurial Styles

It should be noted that "people who successfully innovate and start businesses come in all shapes and sizes. But they do have a few things others do not. In the deepest sense, they are willing to accept risk for what they believe in. They have the ability to cope with a professional life riddled by ambiguity, and a consistent lack of clarity. Most have a drive to put their imprint on whatever they are

creating. And while unbridled ego can be a destructive thing, try to find an entrepreneur whose ego isn't wrapped up in the enterprise.

"It would be appropriate to say that an entrepreneur takes only such risks where he can control the outcome. The feeling or awareness which is confirmed by experience that the outcome can be controlled by interventions marks the line between gambling and calculated risk taking.

Q29. What are the four Specific areas of risk that entrepreneurs face? Describe each.

Ans :

Entrepreneurs face a number of different types of risk. These can be grouped into four basic areas:

1. Financial Risk
2. Career Risk
3. Family and social risk
4. Psychic Risk

1. Financial Risk

In most new ventures, the individual puts a significant portion of his or her savings or other resources at stake, which creates a serious financial risk. This money or these resources will, in all likelihood, be lost if the venture fails. The entrepreneur also may be required to sign personally on company obligations that far exceed his or her personal net worth. The entrepreneur is thus exposed to personal bankruptcy. Many people are unwilling to risk their savings, house, property, and salary to start a new business.

2. Career Risk

A question frequently raised by would-be entrepreneurs is whether they will be able to find a job or go back to their old job should their venture fail. This career risk is a major concern to managers who have a secure organizational job with a high salary and a good benefit package.

3. Family and Social Risk

Starting a new venture requires much of the entrepreneur's energy and time, which can in turn create a family and social risk. Conse-

quently, his or her other commitments may suffer. Entrepreneurs who are married, and especially those with children, expose their families to the risks of an incomplete family experience and the possibility of permanent emotional scars. In addition, old friends may vanish eventually because of missed get-togethers.

4. Psychic Risk

The psychic risk may be the greatest risk to the well-being of the entrepreneur. Money can be replaced; a new house can be built; spouses, children, and friends usually can adapt. But some entrepreneurs who have suffered financial catastrophes have been unable to bounce back, at least not immediately. The psychological impact has proven to be too severe for them.

Q30. Explain the preventive measures to overcome the overall business position.

Ans : (Feb.-17)

An entrepreneur can improve the overall business position by taking preventive and corrective measures against the risks. The following are some of the measures to improve business,

1. An entrepreneur should avoid taking any type of risk which is beyond his capacity.
2. When taking financial risk, the entrepreneur should take all the measures to avoid the failure and loss of invested money and resources.
3. The entrepreneur should make sure that the business is carried out as per the set objectives.
4. He/she should adopt effective measures to deal with the problems whenever they arise.
5. The avoidable resources and knowledge should be utilized in an effective manner so as to improve the organizational performance.
6. It is very important for the entrepreneur to avoid stress and its sources such as loneliness, people problems, immersion in business etc. Consequently, the effective techniques should be implemented to cope up with the stress.

7. An entrepreneur is required to possess the knowledge about the motivation process and utilize this knowledge to maintain a good relationship between management and staff.
8. An entrepreneur should develop competencies such as skill, knowledge and personality, because it is the entrepreneurial competencies that make the entrepreneur successful.
9. The entrepreneur should provide freedom to the employees and encourage them to develop new and innovative ideas.
10. The entrepreneur should adopt a corporate strategy which helps in improving the productivity and makes the organization more successful.

1.8 STRESS AND THE ENTREPRENEUR

Q31. Define Entrepreneurial Stress. Explain the various sources of stress.

(OR)

Relate between Stress and Entrepreneur.

Ans : (Nov.-22, May-22, Dec.-19, July-18, Aug.-16, Imp.)

Stress in general can be defined as "the function of difference existing between an individual's expectations and their ability to meet demand". It is also defined as, "the difference existing between person's expectations and his/ her personality".

Inability of an individual to meet role demands results in job stress. In the same way, when entrepreneur's role demands and expectations remain unfulfilled and exceeds the abilities, a situation of stress is experienced. Following are the various reasons behind why entrepreneurs experience stress:

- (i) Risks involved in creating and managing a venture lead to high stress.
- (ii) Entrepreneurs need to communicate regularly with the players in the operating environment such as customers, suppliers, accountant etc. This is a stressful job again.

- (iii) Lack of knowledge about the available resources may result in mistakes and thereby leads to stressful job.
- (iv) Role clashes occur when multitude of roles are to be played simultaneously.
- (v) Stress can also occur from individual personality structure.
- (vi) Lack of support from employees, colleagues and social relations also result in high stress.

Sources of Stress

According to Researchers David R Boyd and David E. Gumpert have identified four causes of entrepreneurial stress:

1. Loneliness
2. Immersion in business
3. People problems, and
4. The need to achieve

1. Loneliness

Although entrepreneurs usually are surrounded by others employees, customers, accountants, and lawyers they often are isolated from people in whom they can confide. Long hours at work prevent them from seeking the comfort and counsel of friends and family members. Moreover, they tend not to participate in social activities unless they provide a business benefit. A sense of loneliness can set in because of the inner feelings of isolation.

2. Immersion in Business

One of the ironies of entrepreneurship is that successful entrepreneurs make enough money to partake of a variety of leisure activities, but they often cannot take that exotic cruise, fishing trip, or skiing vacation because their business will not allow their absence. Most entrepreneurs are married to their business—immersion in business can mean they work long hours and have little time for civic organizations, recreation, or further education.

3. People Problems

Entrepreneurs must depend on and work with partners, employees, customers, bankers, and professionals. Many experience frustration, disappointment, and aggravation in their experiences with these people. Successful entrepreneurs are to some extent perfectionists and know how they want things done; often they spend a lot of time trying to get lackadaisical employees to meet their strict performance standards. Frequently, because of irreconcilable conflict, partnerships are dissolved.

4. Need to Achieve

Achievement brings satisfaction. During the Boyd and Gumpert study, however, it became clear that a fine line exists between attempting to achieve too much and failing to achieve enough. More often than not, the entrepreneur was trying to accomplish too much. Many are never satisfied with their work, no matter how well it is done. They seem to recognize the dangers (for example, to their health) of unbridled ambition, but they have a difficult time tempering their achievement need. They appear to believe that if they stop or slow down, some competitor is going to come from behind and destroy everything they have worked so hard to build.

Q32. Explain the various measures to overcome the stress.

Ans. : (Nov.-22, July-18, Imp.)

It is important to point out that not all stress is bad certainly, if stress becomes overbearing and unrelenting in a person's life, it wears down the body's physical abilities. However, if stress can be kept within constructive bounds, it can increase a person's efficiency and improve performance.

Following are six specific ways entrepreneurs can cope with stress.

1. Networking

One way to relieve the loneliness of running a business is to share experiences by networking with other business owners. The objectivity gained from hearing about the triumphs and errors of others is itself therapeutic.

2. Getting Away from it All

The best antidote to immersion in business, report many entrepreneurs, is a holiday. If vacation days or weeks are limited by valid business constraints, short breaks still may be possible. Such interludes allow a measure of self-renewal.

3. Communicating with Employees

Entrepreneurs are in close contact with employees and can readily assess the concerns of their staffs. The personal touches often unavailable in large corporations such as company-wide outings, flexible hours, and small loans to tide workers over until payday are possible here. In such settings, employees often are more productive than their counterparts in large organizations and may experience less stress due to the personal touches that are applied.

4. Finding Satisfaction Outside the Company

Countering the obsessive need to achieve can be difficult, because the entrepreneur's personality is inextricably woven into the company fabric. Entrepreneurs need to get away from the business occasionally and become more passionate about life itself; they need to gain some new perspectives.

5. Delegating

Implementation of coping mechanisms requires implementation time. To gain this time, the entrepreneur has to delegate tasks. Entrepreneurs often find delegation difficult, because they think they have to be at the business all of the time and be involved in every aspect of the operation. But if time is to be used for alleviation of stress, appropriate delegates must be found and trained.

1.9 THE ENTREPRENEURIAL EGO

Q33. Define Entrepreneurial Ego.

(OR)

What do you mean by entrepreneurial ego? Is it good or bad for entrepreneur? Justify.

(OR)

Write about entrepreneurid ego?

Ans : (May-22, Nov.-20, Dec.-18)

- **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**

But I'm generally not attracted to huge egos without the parallel humbleness that should come with it and the recognition that any real success involves multiple factors. It's very rare that one person can take all the credit (or all the blame) When a successful person openly recognizes that other factors impacted their success - luck, for example - I know that person has a healthy ego, the kind of ego that helped drive that person to succeed without putting them over the edge.

Q34. Describe the factors associated with the Entrepreneurial Ego.

Ans : (Nov.-20)

- 1. Overriding Desire For Success**

High degree of ego is involved in entrepreneurial desire for success. Present day entrepreneurs in spite of being surrounded by high

competition and low success rate, tend to show higher desire for success. Once they reach the success, they try to demonstrate their success by constructing huge office buildings, imposing factory etc., These demonstrations make the individual more important than venture. This is a destructive side of Desire to succeed.

- 2. Unrealistic Optimism**

Optimistic view of entrepreneurs usually takes them towards success. High enthusiasm level maintained by entrepreneurs becomes external optimism that makes others believe in them during tough times and leads to a creative approach to business. A negative side of this optimism also arises when entrepreneurs neglect facts, trends and reports in a thought that everything will be fine.

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1.10 ENTREPRENEURIAL MOTIVATIONS

Q35. What is motivation? Explain the nature and Importance of motivation.

Ans :

Meaning

Motivation is the word derived from the word 'motive' which means needs, desires, wants or drives within the individuals. It is the process of stimulating people to actions to accomplish the goals. In the work goal context the psychological factors stimulating the people's behaviour can be:-

- Desire for money
- Success
- Recognition
- Job-satisfaction
- Team work, etc.

One of the most important functions of management is to create willingness amongst the employees to perform in the best of their abilities. Therefore the role of a leaders is to arouse interest in performance of employees in their jobs.

Definitions

- i) **According to Koontz and 'O' Donnell**, "Motivation is a general term applied to the entire class of drives, needs, wishes and similar forces".
- ii) **According to Stephen. P. Robbins**, "Motivation is a process that starts with physiological or psychological deficiency or need that activities behaviour or a drive that is aimed at a goal or incentive".
- iii) **According to Encyclopedia management**, "Motivation refers to degree of readiness of an organism to pursue some designated goal and implies the determination of the nature and locus of the forces, including the degree of readiness".
- iv) **According to Dale Breachus**, "Motivation is the willingness to expend energy to achieve goals and rewards."

- v) **According to Dubin**, "Motivation is the complex of forces starting and keeping a person at work in an organization".

Nature

1. Unending Process

Man has number of wants. These wants induce a man to work. All the wants cannot be satisfied at one time. If one want is satisfied, then another want emerges. Motivation is also an unending process just like the satisfaction of wants is an unending process.

2. Psychological Concept

Motivation deals with the psychology of workers. An efficient worker will not perform the work desirable well unless he is properly motivated. So, the effective performance requires proper motivation.

3. The Whole Individual is Motivated

An individual is motivated fully and not partly because motivation is related to psychology. The basic needs of a man determine motivation to a greater extent.

4. Motivation may be Financial or Non-monetary

Monetary motivation includes increase in wages, allowances, bonus etc. Non-monetary benefits are recognition, praise, more responsibility, decision making etc.

5. Goals are Motivators

Man works to achieve his individual goals. Whenever the goal is achieved, he will no longer be interested to work. So, management has to identify the goals of individuals, to persuade them to work by directions.

Importance

Motivation is an important factor in determining the efficiency of an organization. With its help a desire is born in the minds of the employees to achieve successfully the objectives of the enterprise. An enterprise may have the best of material, machines and other means of production but all these resources are meaningless so long as they are not utilized by properly motivated people. There was a time when the human resource of production was

treated like other non-human resources and was not given any special importance. But this old concept has lost all importance in this competitive age. The importance or need of motivation becomes clear from the following facts:

1. High Level of Performance

The efficiency of the motivated employees is better than the unmotivated people. It is important to achieve high level of efficiency for the organisation and this can be achieved only through motivation. Many researchers have proved the high degree of positive correlation between motivation and efficiency.

2. Low Employees Turnover and Absenteeism

The goodwill of an enterprise is adversely affected by the high level of employees turnover and absenteeism. This creates many problems for the managers. The problems of appointing the employees time and again, arranging for their education and training, etc., lead to wastage of time as well as money. It is impossible to face this wastage in today's competitive economy. Only motivation can save this wastage for the organisation. Motivated people work for a longer time in the enterprise and the rate of absenteeism also gets lowered.

3. Easy Acceptance of Organizational Changes

Changes continue taking place in the organisation - like technical changes, methods of work performance, etc. Generally, the employees do not accept changes in the method of their work performance they are accustomed to. But changes become necessary keeping in view the demands of time. These changes can be made acceptable only through motivation. Motivated people accept them enthusiastically and perform their work.

4. Sweet Relations between Owner and Employees

A high level of motivation establishes sweet relations among the appointors and the employees. Motivation fills the employees with enthusiasm and they start accepting orders

and information willingly. Thus, motivation makes a great contribution in establishing good human relations.

5. Good Image of Organisation

Where the employees are motivated through a proper method by satisfying their needs one after the other, a good image of the enterprise is created in the mind of the public. Qualified employees give preference to getting appointment in such an enterprise making the function of appointing the employees easier.

6. Increase in Morale

High level of motivation increases the morale of the employees and they face challenges and, in case of need, are not afraid of taking bold decisions.

7. Proper use of Human Resources Possible

Human resource has an important place among the resources of production. The success or failure of an enterprise depends on the proper use of this resource. Its proper use can be made with the help of various types of motivation. Motivated employees work at their full capability and their aim is the achievement of the objectives of the enterprise.

8. Helpful in Achieving Goals

The employees have to be shown the right way in order to achieve the pre-determined objectives of any enterprise through their medium. This aim can only be achieved through the weapon of motivation. Without motivation the achievement of goals is only a dream. Motivation is essential to realize this dream.

9. Builds Good Relations Among Employees

Since most of the needs of the motivated people are satisfied their behaviour assumes calmness. All the employees working in such a human group develop a sense of cooperation with one another. There is thus no conflict among them and there is no hindrance

in their work performance.

A study of the above facts makes it clear that motivation is an important tool in the hands of management for the attainment of objectives of the individual and the organisation economically and effectively. Through the medium of motivation the subordinates can be guided in the desired direction and the wastage of human and other resources of production can be minimized.

Q36. Explain the features of motivation.

Ans :

The analysis of definitions on motivation presents the following features:

1. Motivation is Individual's Internal Feeling

Motivation is a psychological process within individuals. Individual needs/desires are the feelings in the mind of a person regarding the deficiencies. These deficiencies include physical, social and psychological.

2. Motivation is concerned with the total person

Individuals are total persons. They are self-contained. Each individual is an inseparable unit and all his needs are interrelated. The individual feelings in the social area affect his physical and psychological areas also. Individual feelings and motivation is continuous process. They result in continuous and interrelated human behaviour.

3. Motivation = Anticipated values × Perceived Probability :

Motivation is the product of anticipated values from an action and the perceived probability that these values would be attained by the action. The anticipated value is called 'Valence' and the perceived probability is called 'Expectancy'. Thus the

$$\text{Motivation} = \text{Valence} \times \text{Expectancy}$$

4. Motivation is the willingness to exert high levels of effort towards organizational

goals, conditioned by the efforts and the ability to satisfy some individual need.

5. Motivation involves the arousal, direction and maintenance of behaviour towards a goal.

Q37. Explain the maslow's hierarchy needs and identify the needs which are most relevant for the entrepreneur's motivation.

(OR)

Describe Maslow's need hierarchy model of motivation.

Ans :

(May-22, Imp.)

Abraham Maslow developed the hierarchy of needs model in 1940-50s in USA, and the hierarchy of needs theory remains valid today for understanding human motivation, management training and personal development. Indeed, Maslow's ideas surrounding the hierarchy of needs concerning the responsibility of employers to provide a workplace environment that encourages and enables employees to fulfill their own unique potential (self-actualization) are today more relevant than ever.

Motivation is the psychological feature that arouses an individual to action towards a desired goal. Motivation can also be the reason for an individual's action or that which gives purpose and direction to behaviour. In other words, motivation is an incentive that generates goal-directed behaviour. Over the last 80 years there have been many theories developed to describe, how and why people are motivated to work. In the post-war period the key influence has been Maslow's hierarchy of needs theory developed in the early 1950s. This approach set the differing needs of all human beings in order of their importance, the first level needs having to be satisfied, at least to a minimum level, before one can proceed to the next stage. Maslow's theory is based on the following premises:

➤ **Man is wanting being**

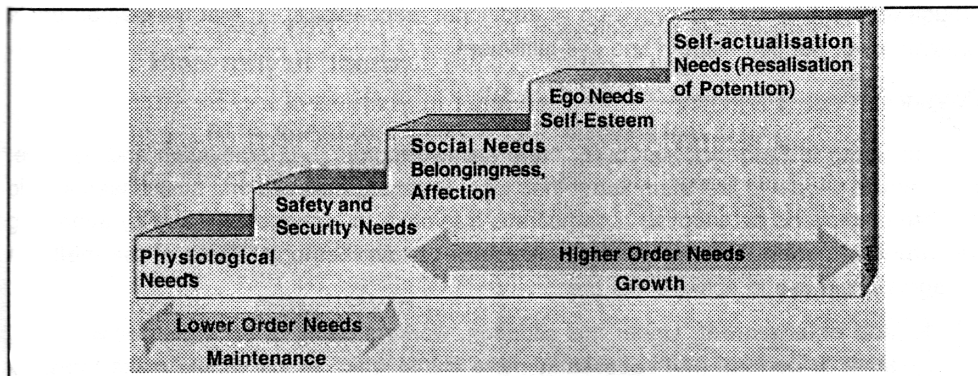
Human wants are unlimited. When one need is satisfied, another arises. This process is unending and it continues from birth to death.

➤ **Man's behaviour is motivated by unsatisfied needs**

The need which is satisfied no longer serves as a motivator of behaviour.

➤ **Man's needs are arranged in a hierarchy of importance**

As soon as needs at the lower level of hierarchy are satisfied, those at the higher level emerge and start demanding satisfaction. A graphical presentation of the hierarchy of needs postulated by Maslow is given below:



1. **Physiological needs**

These relate to the basic needs required to maintain life such as food, drink, oxygen, sleep, shelter and warmth. Obviously all human beings will seek to satisfy these at a basic level before proceeding upwards.

2. **Safety and security needs**

These are concerned with protection and security from external dangers. In the most basic sense, these relate to the protection of life although other elements become important in a work environment such as job security and physical safety. These latter needs are less categorical and do change from time to time.

3. **Social needs**

These relate to the feeling of belonging, being part of the work group with support and friendship from those one works with or at home with one's family and friends.

4. **Self-esteem or ego needs**

These are the requirements for self-confidence such as competence in work and the desire to perform well and be seen to do so. Recognition from others is an important element of this need.

5. **Self-actualisation needs**

This area relates to intellectual needs which can include the knowledge and understanding of one's position, the need for self-development and for aesthetic requirements such as art and music. It can also be the satisfaction that people achieve in reaching their potential and knowing that they are undertaking good work.

Although Maslow believes that each level needed to be satisfied before moving onto the next level, this satisfaction may only be to a basic degree. For instance, a person's requirements for physiological needs may increase from peer pressure and through the ability to develop a higher standard of living.

Q38. Explain the motivation theories of Frederick Herzberg. What are the various factors of based on the above theory.

Ans :

According to Frederick Herzberg, there are two factors, i.e., motivation and hygiene, which makes people to feel them about their jobs. Herzberg believed that businesses should motivate employees by adopting a democratic approach to management and by improving the nature and content of the actual job through certain methods. Some of the methods managers could use to achieve this are:

1. Job enlargement

Under this situation, workers being given a greater variety of tasks to perform (not necessarily more challenging) which should make the work more interesting.

2. Job enrichment

Under this situation, workers are given a wider range of more complex, interesting and challenging tasks surrounding a complete unit of work. This should give a greater sense of achievement.

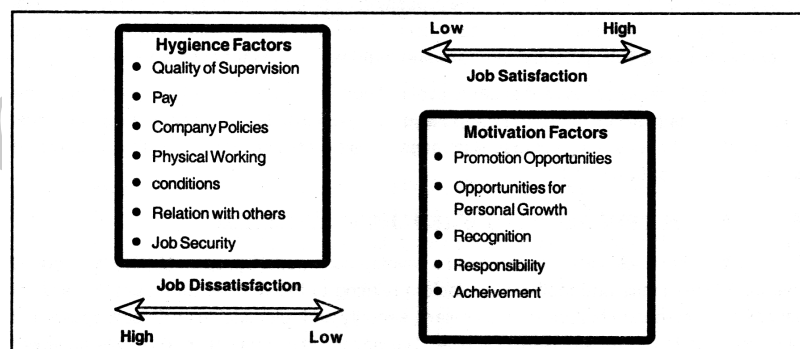
3. Empowerment

Under this situation, delegation is given to the employees to make their own decisions over areas of their working life.

He surveyed workers, analyzed the results and concluded that to understand employee satisfaction (or dissatisfaction), he had to divide work factors into two categories:

- **Motivation factors:** Those factors that are strong contributors to job satisfaction.
- **Hygiene factors:** Those factors that are not strong contributors to satisfaction but must be present to meet a worker's expectations and prevent job dissatisfaction.

Herzberg's Two-Factor Theory



1.11 MOTIVATIONAL CYCLE

Q39. Outline the process of Motivational Cycle.

(OR)

Describe the motivation of cycle.

Ans :

(Dec.-18)

An entrepreneur is required to possess knowledge about motivation process and utilize this knowledge for improving the organizational performance. Process of motivation can be used to make a

person perform effectively, build a good relationship between managers and staff, fulfill the social, economic and human-needs of an individual etc. The process of motivation or motivation cycle aims at achieving some goal. In motivational cycle, the three main elements are,

1. Motives
2. Behaviour
3. Goals

The following figure depicts "the process of Motivation".

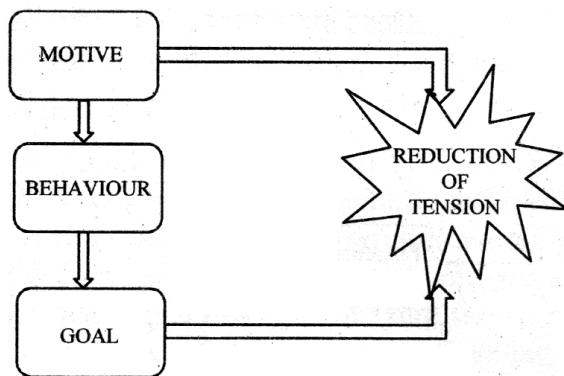


Fig. : Process of Motivation

1. Motives

The motivation process begins when motive persuade people to take action. Motives are highly subjective. Motives show the mental picture a person by specifying the reasons behind the human behaviour. Motives Occur on a continuous basis and identify the direction of a person's behaviour.

2. Behaviour

Motives make human behaviour a particular way. Behaviour consists of sequence of activities undertaken by a person who got motivated to attain the individual or organizational objectives. Motives direct a person towards the achievement of goals. Usually, motives create stage of disequilibrium. The main factor causing these disequilibrium stages might be lack of balance between psychological and physiological states of the person. A balance between psychological and physiological states of person can be achieved

through positive behaviour of a person towards the achievement of individual or organizational goals.

3. Goals

A person selects his 'goal' by taking into account various factors such as culture, values, abilities, impact of personal experiences and learning, the type and extent of change in the physical and social environment where the person is working.

Each and every person in the organisation set some motivational drivers by taking into consideration the cultural environment where the person works and goal driving behaviour of the person. Motivational drives influence the manner in which the people perceive their work and how they see their personal and professional life.

1.12 ENTREPRENEURIAL MOTIVATIONAL BEHAVIOR

Q40. "Entrepreneurial Behavior is the results of interactions of several internal and external factors." Comment.

(OR)

What factors motivate entrepreneurship?

Ans :

(July-18, Imp.)

Mc Celland has identified the following motivational factors that influence entrepreneurs to become successful in their business ventures:

1. Demonstration effect.
2. Business background
3. Technical knowledge
4. Stable market
5. Skilled labour
6. Self determination
7. Ancillarisation
8. Risk bearing capacity and
9. Success stories.

1. Demonstration effect

- Demonstration of successful business enterprises motivate entrepreneurs to enter into similar lines of businesses. In underdeveloped countries demonstration is normally being done by the Government. In India, the Government at present invite foreign investors who would like to invest their capital and new technology and develop new business enterprises.
- This in turn encourages and motivates the emerging entrepreneurs to set up similar lines of business. For instance, the aquaculture business was not very popular in the last decade.
- Now this business is getting popular and entrepreneurs of different types come forward to establish this business in and around the coastal areas. It is all due to the demonstration effect.
- Thus, the establishment of one successful business venture attracts and motivates entrepreneurs to develop and run similar business. Entrepreneurs also learn the demonstration effects through the foreign entrepreneurs.

2. Business Background

- Entrepreneurs who hail from business families are able to establish new business more easily than those who hail from agricultural families. Though, it is true, the research findings revealed different findings.
- Entrepreneurs who hailed from the agricultural families are found more successful in their business ventures than those who hailed from business families.
- Lack of employment opportunities is the main factor which motivates these entrepreneurs to enter into business ventures.
- However entrepreneurs with business background are able to identify business diversions and able to enter into profitable business ventures since they have managerial and organizing capacity.
- Nowadays, entrepreneurs start multi-lines of business so that they could be able to avoid

losses. i.e., the profit of one business line could be used to compensate the loss of another business and hence the chance for incurring heavy losses is found little.

3. Technical Knowledge

- People with technical knowledge are more interested in entering into new business ventures than people with less technical knowledge.
- With the help of technical knowledge, the entrepreneurs are motivated to set up their own business or industrial units and they themselves engage in the day to day operations.
- They have no fear in attending the repair and maintenance works and also able to direct subordinates and delegate their works easily.
- Thus, possessing the technical knowledge is the prime motivating factor for entrepreneurs to come out with a successful business venture. In these days we found that ITI students with the MBA degree would like to establish their own industrial units rather searching jobs elsewhere.
- Similarly, many engineers who served in big industrial establishments have come out from the existing job and try to set up their own industrial units.
- Thus, holding technical knowledge and experience is one of the motivating factors for entrepreneurs to enter into the business world.

4. Stable Market

- Stable market is one of the prerequisites for a growing economy. Stable market ensures long term planning.
- Stable market motivates entrepreneurs to manufacture goods on a large scale with the intention of capturing market. It attracts entrepreneurs to devote their time and energy towards 'Research and Development'.
- Unless the market is stable, the entrepreneurs cannot manufacture new products and plan to spend huge amount of money for research and advertisement.

- Entrepreneurs expect stable market not only at the national level but also at the international level. Stable market motivates entrepreneurs abroad to invest their money and technical know-how in other countries which in turn gives room for global market and as a result the consumers all over the world are able to enjoy the benefits at a time.

5. Skilled Labour

- Entrepreneurs however they are trained and experienced cannot become successful in their business ventures, unless they rely upon the skilled labour force. Specialization becomes the order of the day.
- Consultancy services are rapidly growing. The availability of skilled labour force in the local places motivate entrepreneurs to make use of their services at relatively cheaper prices. The success of any entrepreneurs depends upon the skilled personnel who are employed in his business ventures.
- Entrepreneurs seek their help and guidance and thus, the decision taken by them is always right and it gives scope for the development of "group entrepreneurs".

6. Self Determination

- Entrepreneurs are motivated by means of their 'will power' and 'self determination'. They fix the target for themselves and try to attain the target.
- They have power to resist and overcome all the obstacles and external or internal forces.
- They have strong determination in bringing out their business ventures successfully. They have no second thought soon after entering into a new line of business. Self determination depends upon the behaviour of the entrepreneurs.
- This self determination motivates the power of achievement of entrepreneurs.

7. Ancillarisation

- Establishment of big business ventures is always unthinkable. Big business houses need huge amount of capital and labour force. Besides, entrepreneurs have to observe cumbersome formalities.

- Small scale industrial units are mostly established in and around the existing large scale industries.

- The successful running of SSI depends upon the extent with which the large scale industrial units shall come forward to seek the help of SSI in manufacturing spare parts and ancillary products.

- As a result the large scale industrial units can concentrate on their main products.

- The entrepreneurs of SSI are thus motivated to set up their industrial establishments when there is a scope for ancillarisation. Entrepreneurs ensure stable market for their products.

- They can be able to identify the expectations of the large scale industrialists and determine the quality too. As a result, entrepreneurs could concentrate more on production and quality.

8. Risk Bearing Capacity

- The risk bearing capacity motivates entrepreneurs to establish businesses of different sizes. 'Risk' and 'Profit' are closely associated with each other.

- Higher the scope for profit higher would be the risk that an entrepreneur should bear and vice versa.

- It is because of the risk bearing capacity, entrepreneurs are found little in under-developed countries.

- In these countries; people hesitate to bear the risks. They seek employment opportunities instead of setting up of business units. Age is another factor that determines the risk bearing capacity of entrepreneurs. Entrepreneurs in their 30s could come forward to bear heavy risks when compared with the entrepreneurs who are in the age group of 40s or 50s.

- Thus, risk bearing capacity is one of the motivational factors that determines entrepreneurs whether to enter into new line of business or other similar lines of businesses.

9. Success Stories

- Publication of success stories motivate enthused and young entrepreneurs to set up their own business ventures.
- Success stories reveal and highlight the circumstances under which successful entrepreneurs started their business ventures. It also highlights the precautions to be taken and the practical difficulties involved in the proposed businesses.
- The success stories of manufactures like NIRMA and Dhabur Hair Oil Company motivate many entrepreneurs to enter into the manufacturing of detergents and hair oil.
- The success stories enable entrepreneurs to step into the shoes of the successful businessmen and develop similar business.
- Success stories of entrepreneurs must be published and screened through T.V. very often and in different and in different languages so that there is a chance for new entrants to venture into new business with all vigour.

1.13 ENTREPRENEURIAL COMPETENCIES

Q41. What do you understand by the term Entrepreneurial Competency? Can they be acquired?

(OR)

Appraise the competencies of Entrepreneurs.

(OR)

Write briefly about the entrepreneurial competencies?

(OR)

What competencies are required by the entrepreneurs in the present context?

Ans : (Nov.-22, Dec.-19, Dec.-18, Imp.)

Meaning

In simple terms, a competence is an underlying characteristic of a person which leads to his/her effective or superior performance in an job. A job competence is a good combination of one's

underlying characteristics such as one's knowledge, skill, motive, etc, which one uses to perform a given job well. It is important to mention that the existence of these underlying characteristics may or may not be known to the person concerned. This implies that the underlying characteristics may be unconscious aspects of the person. The underlying characteristics possessed by an entrepreneur which result in superior performance are called the 'entrepreneurial competencies' or 'traits'.

In order to understand more and better about entrepreneurial competencies, let us first understand its components, i.e., knowledge, skill and motive. These are explained one by one.

i) Knowledge

In simple terms, knowledge means collection and retention of information in one's mind. Knowledge is necessary for performing a task but not sufficient. Let us explain this with an example. A person having the knowledge of cricket playing could be in a position to describe how to play. But, mere description will not enable the listener to play cricket unless something more than knowledge is there. We see in real life that people possessing mere knowledge have miserably failed while actually performing the task.

What this implies is that one also needs to have skills to translate the knowledge into action/practice.

ii) Skill

Skill is the ability to demonstrate a system and sequence of behaviour which results in something observable, something that one can see. A person with planning ability, i.e., skill can properly identify the sequence of action to be performed to win the cricket match. Remember, while knowledge of playing cricket could be acquired by reading, talking or so on, skill to actually play cricket can be acquired by practice i.e., playing on a number of occasions. This means both knowledge and skill are required to perform a task.

iii) Motive

In simple terms, motive is an urge to achieve one's goal what McClelland terms 'Achievement Motivation'. This continuous concern of goal achievement directs a person to perform better and better. Coming back to the same example of cricket playing, one's urge to become the best player helps him constantly practice playing to look out for ways and means to improving his play.

Thus, in order to perform any task effectively and successfully including establishing and running an industrial unit, a person (entrepreneur) needs to possess a set of knowledge, skill and motive which could be together labelled as 'competencies' or 'traits'.

Q42. "Entrepreneurs are made not born." Comment.

Ans :

Initially there was a belief that, "entrepreneurs are bom riot made" and only those who had family business or ancestral business could become successful entrepreneurs. Subsequently, the emerging knowledge of entrepreneurial competencies in the last 40 years have changed this opinion and people started believing that, "Entrepreneurs are made and not born". Accordingly, individuals with good knowledge and skills with proper education and experience turn out to be successful entrepreneurs. To make this concept more clear, various research institutions and behavioural scientists have conducted several research studies and tried to solve the controversy as to what makes a successful entrepreneur. Few of the research studies are as follows,

- i) Entrepreneurship Development Institute of India (EDI) study.
- ii) Individual Research Studies (IRS).

i) Entrepreneurship Development Institute of India (EDI) Study

"Entrepreneurship Development Institute of India (EDI), Ahmedabad conducted a research study to identify what makes an entrepreneur successful. The study was conducted under the guidance of Professor David C. McClelland, a well known behavioural scientist in three countries-India, Malawi and Equador.

- The outcome of the study has been identification of a set of entrepreneurial competencies or characteristics that result in superior performance.
- The major finding of the study was that the possession of competencies is necessary for superior performance.
- This was cross culturally valid.

Following is a list of major competencies identified by the study that lead to superior performance of the entrepreneurs:

1. Initiative

It is entrepreneur who initiates a business activity.

2. Looking for Opportunities

He looks for an opportunity and takes appropriate actions as and when it arises.

3. Persistence

He follows the Japanese proverb "Fall seven times; stand up eight". He makes repeated efforts to overcome obstacles that get in the way of reaching goals.

4. Information Seeker

Takes individual research and consults experts to get information to help reach the goal.

5. Quality Conscious

He has always strong urge to excel to beat the existing standard.

6. Committed to Work

Does every sacrifice to get the task completed.

7. Efficiency Seeker

Makes always tenacious efforts to get the task completed within minimum costs and time.

8. Proper Planning

Formulates realistic and proper plans and then executes rigorously to accomplish the task.

9. Problem Solver

Always tries to find out ways and means to tide over the difficult times.

10. Self-Confidence

A strong believer in his strengths and abilities.

11. Assertive

Good in asserting his issues with others for the cause of his enterprise.

12. Persuasive

Able to successfully persuade others to do what he actually wants from them.

13. Efficient Monitor

Personally supervises the work so that it is done as per the standards laid down.

14. Employees' Well Wisher

Has great concern and also takes necessary measures to improve the welfare of the employees working in his enterprise. Treats employees as a factor of production having emotions and feelings.

15. Effective Strategist

Introduces the most effective strategies to effect employees to achieve the enterprise goal whatsoever it may be.

ii) Individual Research Studies

Several individual scholars have also undertaken research studies to identify the entrepreneurial competencies or the quality of a successful entrepreneur. The findings of some of the popular studies are given here.

In his study of entrepreneurial development of Madras city of India, James J. Bema listed the following competencies :

1. He is an enterprising person.
2. He is always growth-oriented.
3. He welcomes the introduction of advanced and improved technology.
4. He looks for any changes like a watch-dog.

In the opinion of Mc Crory, a successful entrepreneur possesses the following qualities:

1. He invests his incomes in his enterprise. He is always quality conscious.

2. He is enough versatile as well as resourceful with limited resources at his command.

3. He makes every possible effort to take advantage from any opportunity as and when it arises.

4. According to B.C. Tandon, a successful entrepreneur is characterised by the following four qualities:

- (i) He is enough risk-bearer.
- (ii) He is ready to adapt change, if the situations warrant.
- (iii) He has ability to marshall the resources at his command.
- (iv) He is a good organizer as well as a good manager.

Q43. Describe the process of developing Entrepreneurial competencies.

Ans :

The procedure involves four steps. These are:

1. Competency Recognition
2. Self-Assessment
3. Competency Application
4. Feed back

1. Competency Recognition

Acquisition of a new behaviour begins with understanding and recognition of what a particular behaviour means. In other words, the first step involved in developing a particular competence is first to understand and recognize a particular competence.

2. Self Assessment

Once the particular competence is understood and recognized, the next step towards acquiring a particular behaviour/competence is to see whether one possesses the particular competence or not. If yes, then to see how frequently one exhibits the same in his practical life.

Where one stands with respect to a particular competence or what is the level of one's competence can be ascertained by posing and answering relevant questions to a competence. Such questions, for example, are given in questionnaire 6.1.

3. Competency Application

Having known where one stands with respect to a particular competency, one needs to practice the same on continuous basis in various activities. In order to make a new behaviour a part of one's personality, the particular behaviour/ competency needs to be applied frequently even in the simplest activities that one performs in one's day-to-day life. This is because "practice makes a man perfect".

4. Feedback

After understanding, internalizing and practising a particular behaviour or competence, one needs to make an introspection of the same in order to sharpen and strengthen one's competency. This is called 'feedback'. In simple terms, feedback means to know the strengths and weaknesses of one's new behaviour. This helps one know how the new behaviour has been rewarding. This enables one to sustain or give up the exhibition of a particular behaviour or competence in his future life.

Rahul Publications

Short Question and Answers

1. Who is an Entrepreneur?

Ans :

Introduction

The term "entrepreneur" is derived from the French word entrepreneur which means, "to undertake" i.e. the person who under take the risk of new enterprise.

In the early 16th century, the Frenchmen, who organized and led military expeditions, were referred to as "entrepreneurs".

The term "entrepreneur" was applied to business initially by the Irish economist, Richard Cantillon, in the 18th century, to designate a dealer who purchases the means of production for combining them into marketable products.

Definition

- (i) **According to Richard Cantillon**, "An entrepreneur is a person who buys factor services at certain prices with a view to selling its product at uncertain price".

2. Relate between Stress and Entrepreneur.

Ans :

Stress in general can be defined as "the function of difference existing between an individual's expectations and their ability to meet demand". It is also defined as, "the difference existing between person's expectations and his/ her personality".

Inability of an individual to meet role demands results in job stress. In the same way, when entrepreneur's role demands and expectations remain unfulfilled and exceeds the abilities, a situation of stress is experienced. Following are the various reasons behind why entrepreneurs experience stress:

- (i) Risks involved in creating and managing a venture lead to high stress.
- (ii) Entrepreneurs need to communicate regularly with the players in the operating envi-

ronment such as customers, suppliers, accountant etc. This is a stressful job again.

- (iii) Lack of knowledge about the available resources may result in mistakes and thereby leads to stressful job.
- (iv) Role clashes occur when multitude of roles are to be played simultaneously.
- (v) Stress can also occur from individual personality structure.

3. Evolution of entre-preneurship.

Ans :

The word entrepreneur is derived from the French entrepreneur, meaning "to undertake." The entrepreneur is one who undertakes to organize, manage, and assume the risks of a business. In recent years, entrepreneurs have been doing so many things that it is now necessary to broaden this definition. Today, an entrepreneur is an innovator or developer who recognizes and seizes opportunities; converts those opportunities into workable/marketable ideas; adds value through time, effort, money, or skills; assumes the risks of the competitive marketplace to implement these ideas; and realizes the rewards from these efforts.

The entrepreneur is the aggressive catalyst for change in the world of business. He or she is an independent thinker who dares to be different amid a background of common events. The literature of entrepreneurial research reveals some similarities, as well as a great many differences, in the characteristics of entrepreneurs. Chief among these characteristics are personal initiative, the ability to consolidate resources, management skills, a desire for autonomy, a strong desire to achieve, perseverance, hard work combined with high activity level, and an ability to take risks. Other characteristics include aggressiveness, competitiveness, goal-oriented behavior, confidence, opportunistic behavior, intuitiveness, reality-based actions, the ability to learn from mistakes, and the ability to employ human relations skills.

4. Define Entrepreneurial Ego.*Ans :***➤ 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

But I'm generally not attracted to huge egos without the parallel humbleness that should come with it and the recognition that any real success involves multiple factors. It's very rare that one person can take all the credit (or all the blame) When a successful person openly recognizes that other factors impacted their success - luck

5. types of Entrepreneurs.*Ans :***(i) Business entrepreneur**

Entrepreneurs who deal in manufacturing and trading aspect of any business are called business entrepreneurs. They convert ideas into reality. For example, small trading houses, manufacturing business are few of them.

(ii) Trading entrepreneur

Entrepreneurs who undertake trading activities and are very much concerned with marketing activities at domestic and international levels are trading entrepreneurs. For example, export and import houses.

(iii) Industrial entrepreneur

Entrepreneurs who undertake only manufacturing activities such as new product development like textile, electronics etc., are known as industrial entrepreneur.

(iv) Corporate entrepreneur

Entrepreneurs who are interested in management part of the organisation and coordinate skills to manage a corporate undertaking like Ambanis, Tatas etc., are corporate entrepreneurs.

6. Entrepreneurship.*Ans :*

The term 'entrepreneur' is often used interchangeably with 'entrepreneurship'. But conceptually they are different. An entrepreneur is an individual, whereas the activities for starting up the enterprise are collectively referred to as entrepreneurship.

Entrepreneurship is the tendency of a person to organize his own business and run it profitably, exploiting the qualities of leadership, decision making, managerial calibre, etc. Entrepreneurship is concerned with the development and coordination of entrepreneurial functions. Entrepreneurship is a role played by or the task performed by an entrepreneur.

7. Importance of an Entrepreneur.*Ans :***(i) Develop New Markets**

Under the modern concept of marketing, markets are people who are willing and able to satisfy their needs. In Economics, this is called effective demand. Entrepreneurs are resourceful and creative. They can create customers or buyers. This makes entrepreneurs different from ordinary

businessmen who only perform traditional functions of management like planning, organization, and coordination.

(ii) Discover New Sources of Materials

Entrepreneurs are never satisfied with traditional or existing sources of materials. Due to their innovative nature, they persist on discovering new sources of materials to improve their enterprises. In business, those who can develop new sources of materials enjoy a comparative advantage in terms of supply, cost and quality.

(iii) Mobilize Capital Resources

Entrepreneurs are the organizers and coordinators of the major factors of production, such as land, labor and capital. They properly mix these factors of production to create goods and services. Capital resources, from a layman's view, refer to money. However, in economics, capital resources represent machines, buildings, and other physical productive resources. Entrepreneurs have initiative and self-confidence in accumulating and mobilizing capital resources for new business or business expansion.

8. Sources of Stress.

Ans :

(i) Loneliness

Although entrepreneurs usually are surrounded by others employees, customers, accountants, and lawyers they often are isolated from people in whom they can confide. Long hours at work prevent them from seeking the comfort and counsel of friends and family members. Moreover, they tend not to participate in social activities unless they provide a business benefit. A sense of loneliness can set in because of the inner feelings of isolation.

(ii) Immersion in Business

One of the ironies of entrepreneurship is that successful entrepreneurs make enough money to partake of a variety of leisure activities, but they often cannot take that exotic cruise, fishing trip, or skiing vacation because their business will not allow their absence. Most entrepreneurs are married to their business—immersion in business can mean they work long hours and have little time for civic organizations, recreation, or further education.

(iii) People Problems

Entrepreneurs must depend on and work with partners, employees, customers, bankers, and professionals. Many experience frustration, disappointment, and aggravation in their experiences with these people. Successful entrepreneurs are to some extent perfectionists and know how they want things done; often they spend a lot of time trying to get lackadaisical employees to meet their strict performance standards. Frequently, because of irreconcilable conflict, partnerships are dissolved.

9. What is motivation?

Ans :

Meaning

Motivation is the word derived from the word 'motive' which means needs, desires, wants or drives within the individuals. It is the process of stimulating people to actions to accomplish the goals. In the work goal context the psychological factors stimulating the people's behaviour can be:-

- Desire for money
- Success
- Recognition
- Job-satisfaction
- Team work, etc.

One of the most important functions of management is to create willingness amongst the employees to perform in the best of their abilities. Therefore the role of a leaders is to arouse interest in performance of employees in their jobs.

10. Entrepreneurial Competency.

Ans :

Meaning

In simple terms, a competence is an underlying characteristic of a person which leads to his/her effective or superior performance in an job. A job competence is a good combination of one's underlying characteristics such as one's knowledge, skill, motive, etc, which one uses to perform a given job well. It is important to mention that the existence of these underlying characteristics may or may not be known to the person concern. This implies that the underlying characteristics may be unconscious aspects of the person. The underlying characteristics possessed by an entrepreneur which result in superior performance are called the 'entrepreneurial competencies' or 'traits'.

In order to understand more and better about entrepreneurial competencies, let us first understand its components, i.e., knowledge, skill and motive.

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Choose the Correct Answer

1. Which of the following Entrepreneur is associated with MITTICOOL. [b]
(a) Mukesh Ambani (b) Mansukh Bhai Prajapati
(c) Nandita Bijur (d) Harish Handa
2. How many senses does an Entrepreneur develops through his exposure, experience, failures and following the concept of listening to understanding. [b]
(a) One to Five (b) Six to Nine
(c) One to Six (d) Six to eight
3. Which of the following term is the most suitable for the Entrepreneur? [a]
(a) Subject (b) Verb
(c) Object (d) None of the above
4. _____ are of the view that Entrepreneurs are the fourth factors of Production. [a]
(a) Economists (b) Sociologists
(c) Both (a) and (b) (d) None of the above
5. Which of the following term is the most suitable for the Enterprise? [c]
(a) Subject (b) Verb
(c) Object (d) None of the above
6. _____ are of the view that certain communities and cultures promote Entrepreneurship. [b]
(a) Economists (b) Sociologists
(c) Both (a) and (b) (d) None of the above
7. Which of the following term is the most suitable for the Entrepreneurship? [b]
(a) Subject (b) Verb
(c) Object (d) None of the above
8. Which of the following is the feature of an Entrepreneur? [d]
(a) Develops and owns his own business (b) Is innovative
(c) Is a persuader (d) All of the above
9. An individual who undertakes the formation of an organisation for commercial purposes by recognizing the potential demand for goods and services and there by acts as an economic agent and transforms demand and supply" Which of the following have Quoted above definition of An entrepreneur? [b]
(a) Ricardo Cantillon (b) Adam Smith
(c) Peter F. Drucker (d) Joseph Schumpter
10. "An Entrepreneur visualizes that there re opportunities for a particular type of business and it can profitably run." Which of the following Promotional function of an Entrepreneur is highlighted in quoted lines? [b]
(a) Detailed investigation (b) Discovery of an Idea
(c) Assembling the Requirements (d) Financing the Proposition

Fill in the blanks

1. _____ is the tendency of a person to organize his own business and run it profitably,
2. _____ is one of the most important characteristics of entrepreneurship.
3. Entrepreneurs should possess the quality of _____.
4. Successful entrepreneurs are _____.
5. _____ is the key to all success.
6. Entrepreneurs who enter a sector with a high growth rate and are positive thinkers are known as _____ entrepreneurs.
7. _____ consists of the goods and services produced in the country and imported.
8. _____ is the most important trait needed to scale up a business enterprise.
9. The _____ risk may be the greatest risk to the well-being of the entrepreneur.
10. _____ is the willingness to expand energy to achieve goals and rewards.

ANSWERS

1. Entrepreneurship
2. Innovation
3. Leadership
4. Innovators
5. Hardwork
6. Growth
7. National Income
8. Motivation
9. Psychic
10. Motivation

One Mark Answers

1. Classical entrepreneur.

Ans :

Entrepreneurs who give more importance to consistent returns than to growth and are concerned about customer and market needs are known as classical entrepreneurs.

2. Motivated entrepreneur.

Ans :

Entrepreneurs who are motivated by sense of achievement and fulfillment are known as motivated entrepreneur.

3. Induced entrepreneur.

Ans :

Entrepreneurs who are motivated by incentives, concessions, benefits offered by government are known as induced entrepreneurs.

4. Process Approach

Ans :

Process approach is one of the ways of understanding the various activities involved in entrepreneurship. There are two popular approaches to understand the entrepreneurial process.

5. Entrepreneurial Mind set.

Ans :

The Entrepreneurial Mindset refers to a specific state of mind which orientates human conduct towards the Entrepreneurial activities and outcomes.

6. Skill

Ans :

Skill is the ability to demonstrate a system and sequence of behaviour which results in something observable, something that one can see.

7. Knowledge.

Ans :

In simple terms, knowledge means collection and retention of information in one's mind. Knowledge is necessary for performing a task but not sufficient.

UNIT II

Strategic Perspectives in Entrepreneurship: Strategic Planning, Strategic Actions, Strategic Positioning, Business Stabilization, Building the Adaptive Firms, Understanding the Growth Stage, Internal Growth Strategies and External Growth Strategies, Unique Managerial Concern of Growing Ventures.

2.1 STRATEGIC PERSPECTIVES IN ENTREPRENEURSHIP

Q1. Define strategic entrepreneurship.

Ans :

- Strategic entrepreneurship is taking entrepreneurial action using a strategic perspective. More specifically, it involves engaging in simultaneous opportunity seeking and competitive advantage seeking behaviors to design implement entrepreneurial strategies to create wealth.
- These actions can be taken by individuals or by corporations. Such activity is particularly important in the evolving 21-st century
- The competitive Situation that has evolved in the 21-st century presents firms with substantial change, a global marketplace, and significant complexity and uncertainty. Because of this uncertain environment, firms cannot easily predict the future.
- As a result, they must develop strategic flexibility to have a range of strategic alternatives that they can implement as needed. To do so, they must acquire resources and build the capabilities that allow them to take necessary actions to adapt to a dynamic environment or to Protect in that environment.
- In this environment, entrepreneurs and entrepreneurial managers design and implement actions that capture more of existing markets from less aggressive and innovative competitors while creating new markets. In effect, they are trying to create tomorrow's business.

- Creating tomorrow's business requires identifying opportunities, and developing innovation. In other words, firms must be entrepreneurial and innovative.
- Innovations are critical to companies' efforts to differentiate their goods or services from competitors in ways that create additional or new value for customers.
- Thus, entrepreneurial competencies are important for firms to achieve and sustain competitive advantage for a period of time.

Q2. How does strategic entrepreneurship help firms in creating wealth?

Ans :

(Imp.)

In the current business environment, the success and survival of any firm mainly relies on their ability to constantly find of the new opportunities and promptly generate/create innovations to pursue them.

Newly established firms generally finds out various entrepreneurial opportunities while the well-established firms holds more resources and capabilities which they make use to identified opportunities.

The new firms are good enough in identifying opportunity and they have 'opportunity-seeking' dimension of strategic entrepreneurship and well-established firms are best in 'advantage-seeking' dimension of strategic entrepreneurship. Therefore, it can be stated that newer firms should learn how to be beneficial in a competitive advantage i.e., (advantage-seeking behaviour) and established firms should relearn as to how to traceout clearly the entrepreneurial opportunities i.e., opportunity-seeking skills.

Usually, the firms in order to be 'entrepreneurial', needs to improve the mind set of managers and the employees. The managers should basically focus upon the management of their resources especially, human capital and social capital. With strong and powerful human-capital any firm can identify and make use of the opportunities which are beneficial and maintain a competitive advantage. The social capital helps in easy access of the complementary resources from partners with an aim to compete in both domestic as well as international markets successfully.

The firms are usually free to get involved in any kind of international entrepreneurship with its ability and willingness because, many entrepreneurial opportunities continuously takes place in the international markets. If the firm enters into the global markets then it would get a chance/opportunity to learn about new technologies and management practices and spread it in the whole enterprise. As the knowledge which they gain would greatly contribute to their innovations. According to a research it was found that the firms operating in global markets are more innovative in nature.

Presently, large entrepreneurial ventures are constantly entering into international markets who are innovative enough to compete efficiently and successfully. Hence, it is being observed that by improving the resources both human and social capital, by gaining the advantage of opportunities in both the national and international markets and utilising the resources and knowledge acquired from these markets helps the firms to be innovative and gain competitive advantage which further helps the firms to creates value for their customers and shareholders.

The existing firms who are engaged in 'strategic entrepreneurship' would greatly contribute towards the country's economic development/growth. For instance, a country like Ireland, achieved spectacular economic growth when it changed its institutional rules for the business operating in the country and represents one type of institutional entrepreneurship. Similarly, firms who tries to introduce their technology as a standard one are engaged in 'strategic entrepreneurship' in order to introduce a standard which would provide competitive advantage for the firm.

Q3. Outline the process of strategic management.

Ans :

(Imp.)

Strategic management process is a process where decisions and actions used for creating and executing certain strategies will achieve a competitive advantage between the organization and its environment for attaining the organizational objectives. If the organizations carry out strategic management process effectively, then it can become successful as well as productive. The following figure depicts the steps involved in the strategic management process,

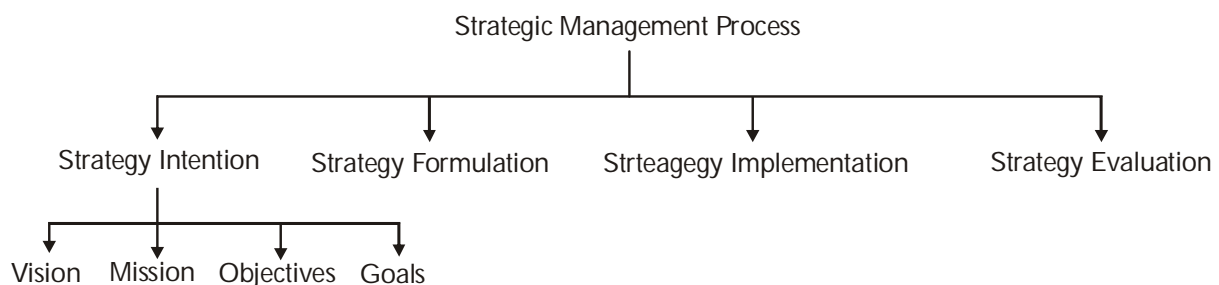


Fig.: Strategic Management Process

Step-1: Strategy Intention

The first step in the strategic management process is to create vision, mission, objectives and goals.

(a) Strategic Vision

Vision is an imaginary view of the future. So, the strategist has to firstly create a vision statement in the strategic management process. The vision statement helps the organizational members to know where the organization is going to be in future. Vision mainly deals with the “what and where” aspects of the company.

All the individuals should participate while creating a vision, so that it can be accepted by everyone in the organization.

A strategic vision is defined as an imaginary view of future which all the organizational members believe in and is not easily achieved. Strategic vision provides an overview of an organization in the coming future.

(b) Mission

The mission statement of an organization explains the aim of the organization and reason for its existence. It mainly deals with the organization's core values and core purposes. Mission is concerned with the “what” aspect of the organization. A mission statement is defined as “the long lasting statement of purpose which differentiates one company from other similar company”.

Mission statement includes the core values which summarizes guiding principles and ethical standards on the basis of which the organization will carry out its business.

(c) Objectives and Goals

Objectives are the expected result which an organization wants to achieve. Organizations formulate financial objectives as well as strategic objectives which includes sales, profits, return on investment, earnings per share, new customer, market or product types etc. The objectives that are set by the organizations should be Specific, Measurable, Achievable, Results based and Time specific (SMART). Goals gives us a sense of purpose as to why we are working to accomplish a given task. For the achievement of objectives, employees must accept goals and through participation, the employees can achieve the goals.

Step-2: Strategy Formulation

Strategy refers to a plan of action or set of plans and policies which tells about the way in which the organization will achieve its objectives. Strategies are mainly formulated for taking the advantage of different environmental opportunities like diversification, joint ventures, mergers and acquisitions, new product development etc. A strategy which considers the mission and objectives of the organization and concentrates on taking the advantage of those opportunities which matches with the strengths of the organization is regarded as an effective strategy. With the help of strategies, the organization can make changes according to the competitive environment. In order to be successful and to gain competitive advantage the strategic leaders should formulate strategies which concentrates on three important qualities which are,

(a) Core Competencies

The ability of the organization to carry out its operations extremely well in comparison to its competitors is its core competence. Core competence helps the organizations to gain competitive advantage over their competitors and have greater chance of improving the organizational performance.

(b) Synergy

When a strategy relating to organizational units interacts and produces results combinely which is more than, the sum of the parts acting alone, then synergy takes place. Creating synergistic opportunities provides number of benefits like reduced cost, higher market share and enhanced employee skills.

(c) Value Creation

The main aim of any organization is to deliver quality products to the customers. So, the main part of any strategy should be to deliver value to the customers. Value is the combination of benefits received and cost paid by the customer, i.e.,

$$\text{Value} = \text{Benefit} + \text{Cost}$$

Thus, while formulating a strategy, the strategic leaders should consider the company's core competence, synergy and value for customers.

Step-3: Strategy Implementation

The most essential part of strategic management process is strategic implementation, as turning formulated strategy into action is a very difficult task. In this step, the strategic leader has to deal with number of individuals who have different commitment, dedication and motivational levels. For implementing the strategy effectively, it is very important to have strong leadership, so the task of implementing the strategy must be performed only by strong and effective leaders. It is also very important for effective strategic implementation to match the decisions relating to organizational strategy, mission and objectives with the structural design, culture, pay systems, budget allocations, rules and policies of the organization, as mismatch of this would lead to poor organizational performance.

Step-4: Strategy Evaluation

The last step of strategic management process is strategy evaluation. It deals with assessing the extent to which the stated goals are being achieved or not. Strategy evaluation helps in finding out the effectiveness of the strategic choices made by the organization at the time of strategy formulation. Strategy evaluation deals with three important activities, which are as follows,

- (i) Examining the internal and external factors of current strategies.
- (ii) Measuring or analyzing the performance with respect to the stated objectives.
- (iii) Carrying out corrective actions.

A strategy evaluation is regarded as one of the most important tool used by the strategic leaders for determining the effectiveness of the organization's strategy towards the achievement of its objectives. With the help of strategy evaluation, strategic leaders can encourage communication and can share feedback in the organization. This will in turn help in making necessary changes in the organization.

Thus, with the help of strategic leadership a culture of teamwork is encouraged and promoted in the organization.

2.2 STRATEGIC PLANNING**Q4. Define Strategic planning.**

(OR)

What is Strategic planning?*Ans :*

(July-18)

Strategic planning is the formulation of long-range plans for the effective management of environmental opportunities and threats in light of a venture's strengths and weaknesses. It includes defining the venture's mission, specifying achievable objectives, developing strategies, and setting policy guidelines. Dynamic in nature, the strategic management process (see figure) is the full set of commitments, decisions, and actions required for a firm to achieve strategic competitiveness and earn above-average returns.

Relevant strategic inputs derived from analyses of the internal and external environments are necessary for effective strategy formulation and implementation. In turn, effective strategic actions are a prerequisite to achieving the desired outcomes of strategic competitiveness and above-average returns. Thus, the strategic management process is used to match the conditions of an ever-changing market and competitive structure with a firm's continuously evolving resources, capabilities, and core competencies (the sources of strategic inputs).

Effective strategic actions that take place in the context of carefully integrated strategy formulation and implementation actions result in desired strategic outcomes. Thus, strategic planning is the primary step in determining the future direction of a business. The "best" strategic plan will be influenced by many factors, among them are the abilities of the entrepreneur, the complexity of the venture, and the nature of the industry. Yet, whatever the specific situation, five basic steps must be followed in strategic planning:

1. Examine the internal and external environments of the venture (strengths, weaknesses, opportunities, threats).
2. Formulate the venture's long-range and short-range strategies (mission, objectives, strategies, policies).
3. Implement the strategic plan (programs, budgets, procedures).
4. Evaluate the performance of the strategy.
5. Take follow-up action through continuous feedback.

Q5. Explain the various reasons for the lack of strategic planning.

Ans :

The importance of new ventures to the economy is substantial in terms of innovation, employment, and sales, and effective planning can help these new firms survive and grow. Unfortunately, research has shown a distinct lack of planning on the part of new ventures. Five reasons for the lack of strategic planning have been found:

1. **Time Scarcity:** Entrepreneurs report that their time is scarce and difficult to allocate to planning in the face of day-to-day operating schedules.
2. **Lack of Knowledge:** Entrepreneurs have minimal exposure to, and knowledge of, the planning process. They are uncertain of the components of the process and the sequence of those components. The entrepreneurs also are unfamiliar with many planning information sources and how they can be used.
3. **Lack of Expertise/Skills:** Entrepreneurs typically are generalists, and they often lack the specialized expertise necessary for the planning process.

4. **Lack of Trust and Openness:** Entrepreneurs are highly sensitive and guarded about their businesses and the decisions that affect them. Consequently, they are hesitant to formulate a strategic plan that requires participation by employees or outside consultants.
5. **Perception of high cost:** Entrepreneurs perceive the cost associated with planning to be very high. This fear of expensive planning causes many business owners to avoid or ignore planning as a viable process.

In addition to these reasons, other factors have been reported as difficulties of the planning process. For example, both high-performing and low-performing small ventures have problems with long-range planning. Both time and expense are major obstacles. Additionally, low-performing firms report that a poor planning climate, inexperienced managers, and unfavorable economic conditions are problems. Quite obviously, strategic planning is no easy chore for new ventures. On the other hand, many benefits can be gained from such planning.

Q6. Explain the various steps involved in strategic planning.

(OR)

Write briefly about the strategic planning process.

(OR)

Explain the major steps in strategic planning.

Ans : (Dec.-18, July-18, Feb.-17, Imp.)

Step-1: Deciding on the Business Mission

As SBUs are operating in different market conditions, business mission needs to be established by considering both the overall corporate mission and objectives of the firm. Business mission must represent its motive of existence into business and about its role.

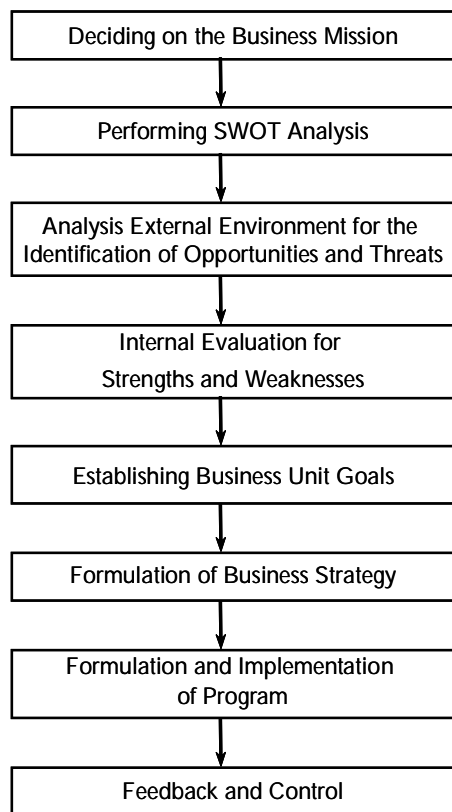


Fig.: Process of Strategic Planning

Step-2: Performing SWOT Analysis

SWOT analysis is conducted by the firm to evaluate strength, weakness, opportunity and threat of each and every business unit. Strengths and weakness analysis is done to analyse the internal strengths of the firm. Whereas, opportunity and threat analysis is done to analyse the external environment in order to determine the future risks and return opportunities associated with the business.

Step-3: Analysis External Environment for the Identification of Opportunities and Threats

External evaluation involves the determination of all those factors which are external to the organization and which provide opportunities or impose threats to the organisation. Both macro and micro environmental factors are analysed and monitored in the external analysis. Through such analysis, both potential opportunities and threats of the firm can be identified so as to optimally exploit the opportunities and to overcome threats. Market opportunity analysis is applied in determining the

market attractiveness and probability of success of the opportunity.

Step-4: Internal Evaluation for Strengths and Weaknesses

Internal evaluation is performed to be aware about the resources, behaviour, strengths, weaknesses, synergistic effects and distinctive competencies. It is an evaluation of the internal capability of the firm which can be optimally utilized for the exploitation of existing opportunities and for opposing the external threats of an environment.

SWOT analysis is very effective and useful in marketing analysis and strategy formulation. It helps in identifying the extent to which it is necessary to bring changes in a strategy.

Step-5: Establishing Business Unit Goals

The step ahead of the SWOT analysis involves the formulation of reliable and measurable goals for the business. Such goals are used to explain the objectives of business related to its marketing expenditure for a particular period of time. Achievement of a desired market share, profit, sales and level of reputation are some of the business goals. Gap analysis is a technique which is used to determine the gap existing between the current situation and the desired situation. Gaps may be in terms of profits, sales and risks. Its main purpose is to identify the reasons and causes of such gaps and also the methods through which they can be filled up.

Step-6: Formulation of Business Strategy

The long-term goal directed actions are usually referred to as a "strategy". An appropriate strategy is selected by considering the strengths and goals formulated for the business unit. Goals indicate what is to be achieved whereas, strategy represents the courses of action taken to achieve these goals.

According to Michael Porter, Firms can follow three different generic strategies for the accomplishment of organisational goals. They are cost strategy, differentiation strategy and the focus strategy. By following the cost Strategy, companies can grab large amount of market share by producing goods and by delivering services at lower cost than their competitors. However, by differentiating the prod-

ucts and services, firms can gain a competitive advantage over others. In a Focus Strategy, firms focus mainly on the needs and the satisfaction of specific group of customers.

Step-7: Formulation and Implementation of Program

After the business unit planning, the marketing manager needs to prepare comprehensive supporting programs. These programs need to be functional that are helpful in the implementation of strategies. Marketing managers must prepare a marketing plan which involves cost estimates, allocation of budget and investments related to a specific program. When program is implemented, it specifies the structures, responsibilities and role of every member of an organisation.

Step-8: Feedback and Control

The final step in strategic planning process is to assess and analyse the entire process at different points of time. Firm set standards and targets to evaluate the performance and measures performance as per these standards. After comparing, corrective actions need to be taken to fill the gap between the expected outcomes and actually achieved outcomes. The feedback is useful for the determination of the market response towards the effectiveness of marketing strategy. The entire planning process can be controlled by several methods such as, cost control, performance control and adaptability control.

Q7. Why majority of the entrepreneurs do not like to formulate strategic plan? Give reasons.

OR

Why all businesses don't have the potential to be aggressive growth firms?

Ans :

(Aug. - 16)

Development of new ventures benefit the economy in terms of innovation of unique products, employment to youth and sales volume. An effective strategic planning assist new ventures in sustaining and growing in the economy. Effective strategic planning benefits both the business and the economy. But, studies revealed that many of the potential entrepreneurs do not show interest in

formulating a strategic plan to support the functioning of their new venture. The five reasons behind the lack of strategic planning are,

1. Scarcity of Time

Many of the entrepreneurs do not find enough time to formulate strategic plans because of their busy day-to-day schedules.

2. Inadequate Knowledge

Most of the entrepreneurs neither have any experience or knowledge about the planning process nor they understand the flow or sequence of planning process components. Many of them do not even know the sources of information that support formulation of planning process.

3. Lack of Proficiency

Usually, entrepreneurs have only general knowledge about the venture. They doesn't possess any proficiency regarding the planning process and its components.

4. Lack of Trust

Most of the entrepreneurs are possessive towards their venture and decisions related to it. The participation of employees and external parties is essential for strategic planning. Entrepreneurs have a wrong belief that involving either employees or external parties in planning process of decision-making is risky job. Due to this reason, entrepreneurs avoid strategic planning.

5. Misperception about Costs

Most of the entrepreneurs perceive that planning process is a costly affair. For this reason, they tend to be away from strategic planning process.

Beside above reasons, researchers identified some other difficulties or reasons which stopped entrepreneurs from carrying out strategic planning. They are,

- (i) Lack of planning climate
- (ii) Inexperienced managers and personnel
- (iii) Unsupporting economic conditions.

Long-term plans proved disadvantageous for high-performing and low-performing firms.

Q8. How is the strategic plan of an engineer/scientist entrepreneur likely to be different from that of a sociopreneur?

Ans :

The strategic plan of engineer/scientist entrepreneurs will have a major emphasis on innovation/creativity, such as new products, new designs, new uses for existing products and so on. The strategic plan will have a goal post of having as many new products as possible using innovation/creativity as its major strength. The competitive advantage of such a company will also be creativity/innovation. The major manpower strength of such a company will also be largely made up of engineers/scientists

The strategic plan of an entrepreneur whose primary strength is in the manufacturing area will have a major emphasis on efficient and cost competitive production, timely deliveries, consistent quality of products and so on. Such an entrepreneur will also have knowledge of how quickly the operations can be scaled up.

2.3 STRATEGIC ACTIONS

Q9. Explain briefly about Strategic Actions.

Ans :

Meaning

- Entrepreneurship and strategic management are both dynamic processes concerned with firm performance.
- Strategic management calls for firms to establish and exploit competitive advantages within a particular environmental context. Entrepreneurship promotes the search for competitive advantages through product, process, and market innovations.
- A new venture typically is created to pursue the marketplace promise from innovations.
- Researchers argue that entrepreneurial and strategic actions often are intended to find new market or competitive space for a firm to create wealth.
- Firms try to find fundamentally new ways of doing business that will disrupt an industry's existing competitive rules, leading to the development of new business models that create new competitive life forms.

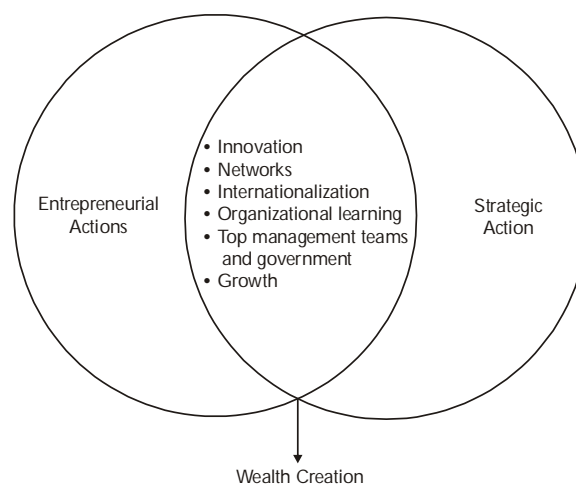


Fig. : The Integration of Entrepreneurial and Strategic Actions

- The degree to which a firm acts entrepreneurially in terms of innovativeness, risk-taking, and pro-activity is related to dimensions of strategic management.
- Within these commonalities between entrepreneurship and strategic management are specific domains of innovation, networks, internationalization, organizational learning, top management teams and governance, and growth.
- Understanding the critical intersections of these specific domains allow entrepreneurs to increase their knowledge, which in turn leads to higher quality entrepreneurial and strategic actions.

2.4 STRATEGIC POSITIONING

Q10. Infer the criticality of strategic positioning.

Ans :

(Dec.-19, Imp.)

Meaning

Strategic positioning refers to perception of new positions in the market that aim at drawing the attention of the customers from already reputed products. In other words, it is launching the new product in the market to attract the potential customers either of the related reputed products (competitors) or new customers. It is a high challenge on the part of the entrepreneur to find strategic positions.

Finding strategic positions require intense creativity and analysis. Sometimes, the left out opportunities prove to be unique and advantageous.

Fundamental Approaches

The fundamental approaches to strategic positioning includes - developing a defensive position, resources leverage for market dominance, seeking opportunity for setting new markets. The table below illustrates the fundamental approaches to strategic positioning.

S.No.	Criteria Approaches	Position	Leverage	Opportunity
1.	Objective	Develop a defensible position.	Leverage of resources. to set new markets.	Search for opportunities
2.	Strategic moves	Market identification and set defendable position	Develop vision, organize resources and leverage across markets.	Confusion, take a move and seek opportunity.
3.	Strategic question	Where the product should be?	What should we do to get the position?	How to proceed?
4.	Source of advantage	Unique and defensible position with strictly integrated activity system.	Unique and defensible resources.	Key processes and unique but simple rules.
5.	Movement	Slow moving and well structured markets.	Moderately moving and well-structured markets.	Rapidly changing ambiguous markets.
6.	Risk	It is difficult to change the position as per the changing situation.	Too slow in arranging resources as situations change.	Managers tend to be tentative in implementing promising opportunities.
7.	Goal	Earning high profits	Long-term dominance	Growth and development.

2.5 BUSINESS STABILIZATION

Q11. Explain the important points to be considered in business stabilization.

Ans : (Dec.-19)

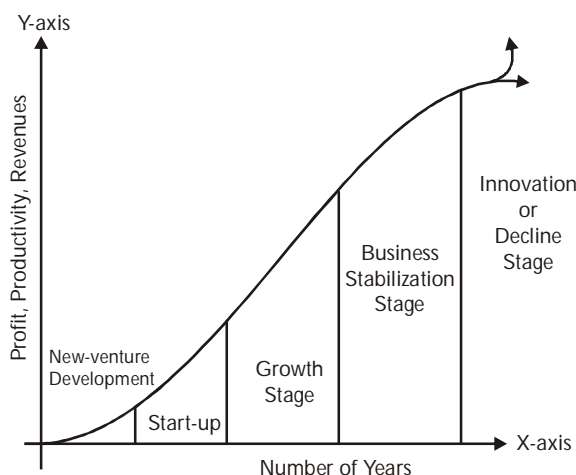
The typical life cycle of a venture has five stages, they are as follows,

1. New-Venture Development

The first stage of venture life-cycle includes all the activities required for developing a new venture. It is also the backbone of the dynamic entrepreneurial process. This stage requires acquisition and expansion of resources, creativity, evaluation and networking for entrepreneurial strategy formulation. Under this stage, firm's philosophy, goals, mission, vision, strategies etc are defined.

2. Start-up Stage

The start-up stage involves all the basic activities required to develop a business plan, capital search, marketing the venture and product and development of effective team. For successfully carrying out all these activities, a commitment towards starting a venture and strong entrepreneurial strategy are required. It also involves formulating strategic and operational plan aiming at achieving competitive advantage and exposure of sources of funds. Marketing the product or service and financial planning are the important activities of this stage.



3. Growth Stage

Usually, the growth stage necessitate reformulation of developed entrepreneurial strategy competition and other environmental issues enforces reformulation. This stage exposes the venture and the entrepreneur to new and complex situations that force the entrepreneur to develop more dynamic skills set. Growth stage shift the venture from an entrepreneur leadership to managerial team leadership.

4. Business Stabilization Stage

This stage of stabilization results from the combination of entrepreneurial hard-work and positive market situations. This stage comes after the venture has been successfully launched and the product is well placed. It involves developments such as, increased competition, consumer indifference towards products and market saturation by the arrival of similar products. The venture sales start stabilizing and the entrepreneur focuses on the venture's near future. This stage is also called a 'Swing stage' because a swing may occur in venture's position either towards higher profitability or decline. Innovation plays a significant role in this stage to attain success.

5. Innovation (or) Decline Stage

The last stage of the venture life cycle is innovation or decline. The result of a unsuccessful innovation is death of the venture. Usually, ventures which are financially sound make attempts to acquire other innovative firms and increase their growth level. Most of the firms develop new products/ services as a supplement to the existing products services. The figure below illustrates 'A venture's life cycle'.

2.6 BUILDING THE ADAPTIVE FIRMS

Q12. How can you build an adaptive firm? Explain the different ways of building adaptive firms.

Ans : (July-18, Imp.)

It is important for entrepreneurs to establish a business that remains flexible beyond start-up. An

adaptive firm increases opportunity for its employees, initiates change, and instills a desire to be innovative. Entrepreneurs can build an adaptive firm in several ways. The following are not inflexible rules, but they do enhance a venture's chance of remaining adaptive and innovative both through and beyond the growth stage.

1. **Share the Entrepreneur's Vision**

The entrepreneur's vision must be permeated throughout the organization for employees to understand the company's direction and share in the responsibility for its growth. The entrepreneur can communicate the vision directly to the employees through meetings, conversations, or seminars. It also can be shared through symbolic events or activities such as social gatherings, recognition events, and displays. Whatever the format, having shared vision allows the venture's personnel to catch the dream and become an integral part of creating the future.

2. **Increase the Perception of Opportunity**

This can be accomplished with careful job design. The work should have defined objectives for which people will be responsible. Each level of the hierarchy should be kept informed of its role in producing the final output of the product or service. This often is known as "staying close to the customer." Another way to increase the perception of opportunity is through a careful coordination and integration of the functional areas. This allows employees in different functional areas to work together as a cohesive whole.

3. **Institutionalize Change as the Venture's Goal**

This entails a preference for innovation and change rather than preservation of the status quo. If opportunity is to be perceived, the environment of the enterprise must not only encourage it but also establish it as a goal. Within this context, a desire for opportunity can exist if resources are made available and departmental barriers are reduced.

4. **Instill the Desire to Be Innovative**

The desire of personnel to pursue opportunity must be carefully nurtured. Words alone will not create an innovative climate. Specific steps, such as the following, should be taken.

(a) **A Reward System**

Explicit forms of recognition should be given to individuals who pursue innovative opportunities. For example, bonuses, awards, salary advances, and promotions should be tied directly to the innovative attempts of personnel.

(b) **An Environment that Allows for Failure**

The fear of failure must be minimized by the general recognition that often many attempts are needed before a success is achieved. This does not imply that failure is sought or desired. However, learning from failure, as opposed to expecting punishment for it, is promoted. When this type of environment exists, people become willing to accept the challenge of change and innovation.

(c) **Flexible Operations**

Flexibility creates the possibility of change taking place and having a positive effect. If a venture remains too rigidly tied to plans or strategies, it will not be responsive to new technologies, customer changes, or environmental shifts. Innovation will not take place because it will not "fit in."

(d) **The Development of Venture Teams**

In order for the environment to foster innovation, venture teams and team performance goals need to be established. These must not be just work groups but visionary, committed teams that have the authority to create new directions, set new standards, and challenge the status quo.

2.7 UNDERSTANDING THE GROWTH STAGE

Q13. Explain key factors in understanding the growth stage.

Ans : (July-18, Aug.-15)

Meaning

The growth stage often signals the beginning of a metamorphosis from a personal venture to a group-structured operation. Domination by the lead entrepreneur gives way to a team approach based heavily on coordination and flexibility.

Key Factors During the Growth Stage

Entrepreneurs must understand four key factors about the specific managerial actions that are necessary during the growth stage. These factors are control, responsibility, tolerance of failure, and change.

1. Control

Growth creates problems in command and control. When dealing with these problems, entrepreneurs need to answer three critical questions:

- Does the control system imply trust?
- Does the resource allocation system imply trust?
- Is it easier to ask permission than to ask forgiveness? These questions reveal a great deal about the control of a venture. If they are answered with "yes," the venture is moving toward a good blend of control and participation. If they are answered with "no," the reasons for each negative response should be closely examined.

2. Responsibility

As the company grows, the distinction between authority and responsibility becomes more apparent. This is because authority can always be delegated, but it is most important to create a sense of responsibility. This action establishes flexibility, innovation, and a supportive environment. People tend to look beyond the job alone if a sense of responsibility is developed, so the growth stage is bet-

ter served by the innovative activity and shared responsibility of all of the firm's members.

3. Tolerance of Failure

Even if a venture has avoided the initial start-up pitfalls and has expanded to the grown stage, it is still important to maintain a tolerance of failure. The level of failure the entrepreneur experienced and learned from at the start of the venture should be the same level expected, tolerated, and learned from in the growth stage. Although no firm should seek failure, to continually innovate and grow it should tolerate a certain degree of failure as opposed to punishing it.

Three distinct forms of failure should be distinguished :

(i) Moral failure

This form of failure is a violation of internal trust. Because the firm is based on mutual expectations and trust, this violation is a serious failure that can result in negative consequences.

(ii) Personal failure

This form of failure is brought about by a lack of skill or application. Usual responsibility for this form of failure is shared by the firm and the individual. Normally, therefore, an attempt is made to remedy the situation in a mutually beneficial way.

(iii) Uncontrollable failure

This form of failure is caused by external factors and is the most difficult to prepare for or deal with. Resource limitations, strategic direction, and market changes are examples of forces outside the control of employees. Top management must carefully analyze the context of this form of failure and work to prevent its recurrence.

4. Change

Planning, operations, and implementation are all subject to continual changes as the venture moves through the growth stage and

beyond. Retaining an innovative and opportunistic posture during growth requires a sense of change and variation from the norm. Entrepreneurs must realize, however, that change holds many implications for the enterprise in terms of resources, people, and structure. It is therefore important during growth that the flexibility regarding change be preserved. This allows for faster managerial response to environmental conditions.

2.8 INTERNAL GROWTH STRATEGIES AND EXTERNAL GROWTH STRATEGIES

Q14. Define :

- (a) Internal Growth Strategies
- (b) External Growth Strategies

Ans : (Dec.-18)

(a) Internal Growth Strategies

The strategies which are planned and executed within the organization are termed as internal growth strategies. It includes new product development, other strategies related to product and global expansion strategy with the objective to increase sales revenue and the profitability of the organization.

The unique feature of internal growth generation of a business is that it depends upon its own abilities, expertness, business practices and employees. Generally, internal generation growth can also be referred to as organic growth as the company does not depend upon the external interference. In the early stages of organizational life cycles, nearly all companies grows organically.

Even though internal growth strategies are competent but there are limitations to it, when a company reaches to its middle and later stages of life cycle, will it becomes very difficult for the company to achieve growth through internal method.

(b) External Growth Strategies

Establishing relationships with third parties in the form of merger, acquisition, licensing, strategic alliances, joint ventures and franchising for achieving company's, external growth is referred as external growth strategies. In order to enter into in-

ternational markets entrepreneurial companies adopt joint ventures, licensing and franchising as strategic options and achieve external growth.

External growth strategies provides more fast-paced and co-operative approach for firms growth when compared to the internal growth strategies which are slow paced in accomplishing growth. External growth strategies fills the gaps between the small scale and the large scale companies. Therefore, young companies acquire small scale or new companies firms to gain patents and proprietary techniques of other companies. Larger firms may take years to develop themselves on their own.

2.8.1 Internal Growth Strategies

Q15. Define New Product Development. Explain the process of New Product Development.

Ans : (Dec.-18, Imp.)

New products are completely new in the market which were not introduced earlier. New product development is a risky process. So, the marketer takes crucial steps before launching a new product in the market by working on new product development programme which satisfies the needs of the customers and increases the returns of the companies.

New product development passes through seven stages as follows.

1. Generating New Product Ideas

The process of new product development starts with the new ideas. New product ideas may be generated from both internal and external sources. Internal sources are the sources which are found inside the company. External sources are the outside resources or sources. Thus, the new product ideas may come from customers, dealers competitors (rivals) in company source or from research organization. Techniques such as brain storming and syntactics can be used for product idea generation. Idea generation is a continuous systematic search for new product opportunities.

2. Idea Screening

The next stage is idea screening. In this stage various new products are screened by the evalua-

tion committees. It emphasizes on the following questions,

- (a) Is the new product needed or not?
- (b) Whether it is an improvement over the existing product?
- (c) What areas must be considered for improvement in order to handling the product in a better way.

3. Concept Testing

Concept testing is nothing, but product concept test. This test is conducted in order to know the reaction response of the customers towards the product. The need for introducing the product or its satisfaction levels are determined by conducting the concept testing.

Quality Gates to Screen and Pass Product Ideas

Quality gates also known as phase gates. These are the checkpoints which verifies the quality of the product.

4. Business/Market Analysis

This stage is very important in the new product development. This stage considers all the important decisions related to the growth of the product from various perspectives like financial marketing etc. It also includes investment analysis and profitability analysis.

Estimating Demand for New Products

The two methods used for estimating demand for new products are,

- (a) Substitution/Displacement method
- (b) End use method.

5. Market Test

For marketing the new product the firms select various market segments and usually prefer full-scale manufacturer and marketing which are based on results of experimental marketing.

Market test is crucial for new products. With the help of the market test the firms can determine the status of the products and if they find that the products are not achieving the expected results then the firm can make an exit from the market and switch over to the new product,

Various methods of market test are,

- (a) Sales wave research
- (b) Simulated test marketing
- (c) Test marketing.

6. Test Marketing

In test marketing, the new products are launched in the market by using the selected marketing mix and are tested in few cities. This is test marketing acts as representative for the selection of the final market.

Test marketing is a lengthy process and utmost care must be taken while monitoring the market and analysis the interpreted results.

7. Commercialization

This is the last stage in the new product development process. The company commercializes its new products only when all the six stages are successfully completed. Then the company introduces the new product with the required investment in manufacturing and marketing.

Q16. Explain briefly about Global Business Strategy.

Ans :

Global Business Strategy

Global business strategy can be defined as the business strategies of businesses, companies or firms operating in a global business environment. These strategies are closely related to the strategies adopted by firms to meet their short and long-term objectives.

Various Global Strategies in International Business

Globalization and internationalization of established domestic companies has resulted in the emergence of global business strategies. Increased globalization and rise of global competition has forced the managers and academicians to re-think the formulation of global strategies.

The different strategies for entering international markets are,

1. Exporting

Since, many countries do not offer a large enough opportunity to justify local production, exporting allows a company to centrally manufacture its products for several markets and obtain economies of scale.

2. Wholly Owned Subsidiary

Many companies export directly to their own sales subsidiaries abroad, sidestepping independent middlemen. The sales subsidiary assumes the role of the independent distributor by stocking manufacturing products, selling to buyers, and assuming the credit risk. The sales subsidiary offers the manufacturers for control of selling operations in a foreign market.

3. Licensing

Under licensing, a company assigns the right to a patent or a trademark to another company for a fee or royalty. In licensing as a method of market entry, a company can gain market presence without an equity investment. The foreign company or license, gains the right to commercially exploit the patent or trademark either on an exclusive or unrestricted basis.

4. Franchising

Franchising is a special form of licensing in which the franchiser makes a total marketing program available to the franchisee including the brand name, logo, products and method of operation. In many cases, the franchiser provides supplies also.

A franchiser and a franchisee act almost like a vertically integrated company because the parties are interdependent and each produces part of the product or service that ultimately reaches the consumer.

5. Local Manufacturing

A common and widely practiced form of entry is the local production of a company's products. Many companies find it advantageous to manufacture locally instead of supplying the particular market with products produced elsewhere.

6. Contract Manufacturing

Under contract manufacturing, a company arranges to have its products manufactured by an independent local company on a contractual basis.

7. Management Contract

One of the most important assets a company may have at its disposal is management talent, which it can transfer internationally, primarily to its own foreign investments.

- Management contracts are means by which a company may transfer such talent by using part of its management personnel to assist a foreign company for a specified period for a fee.
- The company may gain income with little capital outlay.
- Contracts usually cover three to five years, and fixed fees or fees based on volume rather than profits are most common.
- Example, the British Airport Authority (BAA) has contracts to manage Airports in Naples (Italy) and Melbourne (Australia) because it had developed successful airport management skills.
- A management contract may also allow the supplier to gain foreign experience, increasing its capacity to internationalize.

8. Turnkey Operations

Turnkey operations are a type of collaborative arrangement in which one company contracts another to build complete, ready to operate facilities.

9. Assembly Operations

By assembly operations the international firm locates a portion of the manufacturing process in the foreign country'. Assembly consists only of the last stages of manufacturing and depends on the ready supply of components or manufactured parts to be shipped in from another country.

10. Integrated Local Production Operations

Since the building of a plant involves a substantial outlay in capital, companies go for it only when the demand arises. Out of many number of reasons for establishing factories in foreign countries the primary reason is to take advantage of lower costs in a country, thus providing a better basis for competing with local firms or other foreign companies already present.

11. Joint Venture

Under a Joint Venture (JV) arrangement, the foreign company invites. An outside partner to share stock ownership in the new unit. The particular participation of the partners may vary with some companies accepting either a minority or majority position.

12. Third Country Location

This entry strategy occurs between those countries where commercial transaction does not take place due to political reasons.

2.8.2 External Growth Strategies**Q17. Define Merger. Explain different types of mergers.**

Ans : (Dec.-18)

Introduction

Mergers and acquisitions are much-used strategic options. They are especially suited for situations in which alliances and partnerships do not go far enough in providing a company with access to the needed resources and capabilities. Ownership ties are more permanent than partnership ties, allowing the operations of the merger/acquisition participants to be tightly integrated and creating more in-house control and autonomy.

A merger is a pooling of equals, with the newly create company often taking on a new name. An acquisition is a combination in which one company, the acquire, purchases and absorbs the operations of another, the acquired. The difference between a merger and an acquisition relates more to the details of ownership, management control, and financial arrangements than to strategy and competitive advantage. The resources, competencies, and competitive capabilities of the newly created

enterprise end up much the same whether the combination is the result of acquisition or merger.

Types**1. Horizontal Mergers**

Horizontal mergers take place when there is a combination of two or more organizations in the same business, or of organizations engaged in certain aspects of the production or marketing processes. Four instance a company making footwear combines with another footwear company, or a retailer of pharmaceuticals combines with another retailer in the same business.

2. Vertical Mergers

Vertical mergers take place when there is a combination of two or more organizations, not necessarily in the same business, which create complementarily, either in terms of supply of materials (inputs) or marketing of goods and services (outputs). For instance, a footwear company combines with a leather tannery or with a chain of shoe retail stores.

3. Concentric Mergers

Concentric mergers take place when there is a combination of two or more organizations unrelated to each other, either in terms of customer functions, customer groups, or alternative technologies used, for example, a footwear company combining with pharmaceutical firm.

4. Conglomerate Mergers

Conglomerate mergers take place when there is a combination of two or more organizations unrelated to each other, either in terms of customer functions, customer groups, or alternative technologies used, for example, a footwear company combining with pharmaceutical firm.

5. Reverse Mergers

Reverse merger, also known as back door listing, or a reverse merger, is a financial transaction that results in a privately-held company becoming a publicly-held company without going the traditional route of filing a prospectus and undertaking an initial public offering (IPO).

Q18. What are the advantages and disadvantages of merger.

Ans :

Advantages

The following are the advantages of mergers and acquisitions.

1. A firm can get an easy access to the market and technology through mergers and acquisitions.
2. It become easy to gain access to patent rights and technology through mergers and acquisitions.
3. With the help of mergers and acquisitions, the firm can get the firms ownership and control immediately on the factories, technology, employees and distribution networks, of the acquired firm.
4. In mergers and acquisitions, when the industry had attained the optimum capacity level in the host nation, then this strategy will assist the economy of the host country.
5. The firms can attain more profits with the formulation of international strategy.

Disadvantages

The following are the disadvantages of mergers and acquisitions:

- (a) Many companies have landed themselves into financial and other problems due to indiscriminate acquisitions.
- (b) If the evaluations are not done properly, then the decision of acquisition can be wrong or ineffective.
- (c) If an enterprise is taken over, its problems are also usually taken over by the firms.
- (d) Certain units which have been acquired may have problems like obsolete technology, old plant, surplus labour etc.
- (e) In some situations, restrictions are levied by the host countries on the acquisition of domestic firms by the foreign firms.

Q19. What is acquisition / take over? Explain different types of acquisition.

Ans :

Meaning

- Acquisitions/Takeover is acquiring or purchasing an existing venture. It is one of the easy means of expanding a business by entering new markets or new product areas.
- An entrepreneur must be careful in structuring the payment so that he will not be financially overburdened. He must create a scope for phase wise payments so that the company generates funds to pay.
- An acquisition strategy is based upon the assumption that companies for potential acquisition will be available, but if the choice of companies is limited, the decision may be taken on the basis of expediency rather than suitability.
- The belief that acquisitions will be a time-saving alternative to waiting for organic growth to take effect may not prove to be true in practice.
- It can take a considerable amount of time to search and evaluate possible acquisition targets, engage in protracted negotiations and then integrate the acquired company into the existing organisation structure.
- The process of acquisition is a case of dominance of one company over the other. Here a bigger company will take over the shares and assets of the smaller company and either run it under the bigger company's name or might run it under a combined name.
- An acquisition is a transaction in which a firm buys a controlling interest in another firm with the intention of either making it a subsidiary business or combining it with its current business or businesses.
- It is important to understand that for some firms, an acquisition is a "one-time only" event.
- **For example,** a firm using a differentiation business-level strategy might decide to acquire

- only one other company because it has truly specialized skills that the local firm requires to create unique value for its customers.
- Most firms involved with acquisitions form an acquisition strategy.
- An acquisition strategy is an action plan that the firm develops to successfully acquire other companies.
- An effective acquisition strategy enables significant firm growth.

Types

Types of acquisitions are as follows:

1. Friendly Takeovers

- Before a bidder makes an offer for another company, it usually first informs the company's Board of Directors. If the board feels that accepting the offer serves shareholders better than rejecting it, it recommends the offer be accepted by the shareholders.
- In a private company, because the shareholders and the board are usually the same people or closely connected with one another, private acquisitions are usually friendly.
- If the shareholders agree to sell the company, then the board is usually of the same mind or sufficiently under the orders of the equity shareholders to cooperate with the bidder.

2. Hostile Takeovers

- It allows a suitor to take over a target company's management unwilling to agree to a merger or takeover.
- A takeover is considered "hostile" if the target company's board rejects the offer, but the bidder continues to pursue it, or the bidder makes the offer without informing the target company's board beforehand.
- A hostile takeover can be conducted in several ways.
- A tender offer can be made where the acquiring company makes a public offer at a fixed price above the current market price. Tender offers in the United States are regulated by the Williams Act.

- An acquiring company can also engage in a proxy fight, whereby it tries to persuade enough shareholders, usually a simple majority, to replace the management with a new one which will approve the takeover.
- Another method involves quietly purchasing enough stock on the open market, known as a "creeping tender offer", to effect a change in management. In all of these ways, management resists the acquisition, but it is carried out anyway.

3. Reverse Takeovers

- Reverse takeovers or RTOs are a type of merger used by private companies to become publicly traded without resorting to an initial public offering. Initially, the private company buys enough shares to control a publicly-traded company.
- The private company's shareholder then uses their shares in the private company to exchange for shares in the public company.
- At this point, the private company has effectively become a publicly traded one.

4. Back-Flip Takeover

- An uncommon type of takeover in which the acquire becomes a subsidiary of the acquired or targeted company, with business after the takeover conducted in the name of the acquired company.
- A backflip takeover gets its name from the fact that it runs counter to the norm of a conventional acquisition, where the acquirer is the surviving entity and the acquired company becomes a subsidiary of the acquirer.
- While the acquired company's assets are subsumed into the acquiring company, control of the combined entity is generally in the hands of the acquirer.
- This type of takeover can occur when a larger but less well-known company purchases a struggling company with a very well-known brand such as Texas Air Corporation takeover of Continental Airlines but taking the Continental name as it was better known.

Q20. What are the advantages and disadvantages of acquisition.*Ans :***Advantages**

1. Takeover helps the firm in utilising economies of scale in different business operations, such as production, marketing information systems, financing, etc.
2. It also helps in replacing an inefficient management team with an effective team, efficient workers of both the companies are combined to form a new management team.
3. Some economists have proclaimed, that takeovers are effective measures to protect the interest of shareholders.
4. Takeovers also help in generating economies of operations, which ultimately leads to synergistic benefits by combining two different businesses which are efficient in specific operation.
5. Takeovers save the companies which were managed inadequately by the incompetent managers.

Disadvantages

1. Takeover is regarded by some economists and authors as a destructor of jobs and local communities.
2. Usually, the commitments in takeovers are not fulfilled.
3. Takeovers involve many costs in it, such as remuneration to lawyers, management officials and all other people who support in preparing and carrying out a bid.
4. Peter Drucker believes, that takeovers destroy the confidence of employees.
5. Takeovers may also lead to redistribution of wealth which causes a reduction in efficiency.
6. Takeovers also involve agency costs which are related to agency conflicts that arise in the process of takeover.

Q21. What are the differences between merger and acquisition?*Ans :*

Sl. No.	Point of Differences	Mergers	Acquisition
1.	Meaning	Merger is an integration of two or more companies but only one company continues its business.	Acquisition is an activity in which one company controls the other company,
2.	Agreement	In mergers, the CEO's of both the companies agrees for combining their business.	In acquisitions, the company which is acquired may not be willing to combine.
3.	Financing	Mergers are financed by stock swap.	Acquisitions are financed by cash and debt combination.
4.	Types	Horizontal, vertical, conglomerate and congeneric mergers are the different types of mergers.	Horizontal, vertical, related and cross-border acquisitions are the different types of acquisitions,

5.	Nature	Merger is a narrow, technical term of specific legal procedure which may or may not follow acquisition.	Acquisition is a generic term used to explain a transfer of ownership.
6.	Ownership	In mergers, one company purchases the stock of other company and second company closes down its business.	In acquisitions, one company controls the other company by purchasing voting shares in large quantity i.e., 51 percent.
7.	Advantages	<p>Mergers helps in preventing competitors.</p> <ul style="list-style-type: none"> ➤ It helps in combining the resources and efforts of two companies. ➤ It minimizes companies operating costs and increases their growth level. 	Acquisitions reduce competition by acquiring the
8.	Disadvantages	A company faces cultural and managerial problem while merging two firms into one.	The acquiring firm may have aggressive culture and the acquired company may have different culture of its own.
9.	Example	Example: ITC Kakatiya and Sherton merged into a single entity.	Example: Walt Disney company acquired capital cities/ABC Inc.

Q22. Define Licensing. Explain the various reasons for Licensing.

Ans :

Meaning

Under licensing, a company assigns the right of a patent or a trademark to another company for a fee or royalty. In licensing, as a method of market entry, a company can gain market presence without an equity investment. The foreign company gains the right to commercially exploit the patent or trademark either on an exclusive or unrestricted basis. Licenses are signed for a variety of time periods. The license will make all the necessary capital investment such as machinery, inventory and so on and market the products in the assigned sales territories, which may consist of one or several countries. Licensing arrangements are subject to negotiation and tend to vary considerably from company to company and from industry to industry.

Reasons

Some of the reasons behind why companies prefer licensing mode of entry are listed down below,

1. The company aiming at expanding its business in various market might drop its idea due to lack of sufficient funds. But through licensing, companies can enter foreign market without investing any capital.

2. The cost involved in starting a manufacturing unit in the foreign country and tariff and non-tariff barriers associated with it can be avoided through licensing.
3. Licensing mode of entry is beneficial to licensee. Investing on already established techniques involves less risk. For introducing new product, huge amount has to be invested on research and development. Licensee can avoid this cost by entering into a licensing agreement.
4. Licenser receives royalty from licensee as a fee for the license. Royalty is paid as a percentage of sales. Royalty paid to licenser increases with increase in sales.
5. One more advantage for licenser from licensing agreement is that he will have control on the licensee. Licensee is supposed to use the intellectual property leased by licenser as per the agreement.
6. Licensing is beneficial to the countries which have less market potential to start new manufacturing units or take up marketing activities.
7. In case of countries where unpredictable political or economic conditions exist, licensing mode of entry would avoid the risk involved in investing on fixed facilities. Licensee handles political as well as commercial risks.
8. A company might not possess knowledge nor time to involve itself in international marketing activities. In spite of this, it can generate revenue from foreign markets through licensing.
9. In licensing, licensee can add the licensed product to its existing operation.
10. International companies can enter difficult markets through licensing.

Q23. Define strategic alliances. Explain various stages of strategic alliances.

Ans :

Meaning

A Strategic Alliance is a 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. This form of cooperation lies between M & A and organic growth.

Partners may provide the strategic alliance with resources such as products, distribution channels, manufacturing capability, project funding, capital equipment, knowledge, expertise, or intellectual property. The alliance is a cooperation or collaboration which aims for a synergy where each partner hopes that the benefits from the alliance will be greater than those from individual efforts. The alliance often involves technology transfer (access to knowledge and expertise), economic specialization, shared expenses and shared risk.

Stages

A typical strategic alliance formation process involves these steps :

➤ **Strategy Development**

Strategy development involves studying the alliance's feasibility, objectives and rationale, focusing on the major issues and challenges and development of resource strategies for production, technology, and people. It requires aligning alliance objectives with the overall corporate strategy.

➤ **Partner Assessment**

Partner assessment involves analyzing a potential partner's strengths and weaknesses, creating strategies for accommodating all partners' management styles, preparing appropriate partner selection criteria, understanding a partner's motives for joining the alliance and addressing resource capability gaps that may exist for a partner.

➤ **Contract Negotiation**

Contract negotiations involves determining whether all parties have realistic objectives, forming high calibre negotiating teams, defining each partner's contributions and rewards as well as protect any proprietary information, addressing termination clauses, penalties for poor performance, and highlighting the degree to which arbitration procedures are clearly stated and understood.

➤ **Alliance Operation**

Alliance operations involves addressing senior management's commitment, finding the calibre of resources devoted to the alliance, linking of budgets and resources with strategic priorities, measuring and rewarding alliance performance, and assessing the performance and results of the alliance.

➤ **Alliance Termination**

Alliance termination involves winding down the alliance, for instance when its objectives have been met or cannot be met, or when a partner adjusts priorities or re-allocates resources elsewhere.

The advantages of strategic alliance include :

- Allowing each partner to concentrate on activities that best match their capabilities.
- Learning from partners and developing competencies that may be more widely exploited elsewhere.
- Adequate suitability of the resources & competencies of an organization for it to survive.

Q24. Explain the different types of strategic alliances.

Ans :

1. Equity Strategic Alliance

Equity strategic alliance refer to an alliance where in two or more companies hold different amount of shares in the company which is established by them by contributing their resources and abilities to develop a competitive advantage. Most of the Foreign Direct Investment (FDI) made by Japanese and US companies located in China are completed by forming equity strategic alliance. For instance, Citigroup Inc. and Nikko Carial Corporation entered into a comprehensive strategic alliance in order to start Japan's one of the leading financial services groups and to make combined franchise possible. Combined franchise is essential to grab new growth opportunities giving importance to Japanese

culture and business practices. Compared to Nikko Cordial Corporation, Citigroup Inc. had high percentage ownership in this comprehensive strategic alliance.

2. Non-Equity Strategic Alliance

In case of non-equity strategic alliance, two or more companies enter into a contractual relationship with an intention to share their distinctive resources and capabilities to develop a competitive advantage. No separate independent company is formed in non-equity strategic alliance so companies entering into non-equity strategic alliance do not hold any equity share. Non-equity strategic alliances are informal alliances and require limited partner dedication than compared to equity strategic alliance and Joint-Ventures. These features of non-equity strategic alliances are making it inapplicable to complicated projects which need sharing of knowledge between alliance partners to achieve success.

3. Joint Venture

Joint Venture is one of the type of strategic alliances where in two or more companies combined to establish a legally independent company in order to share some of their resources and abilities to create a competitive advantage. Joint ventures are usually formed with an intention to improve companies capabilities to compete in the unpredictable competitive environment. Forming joint venture is an effective method to build long lasting relationship and to share tacit knowledge. Tacit knowledge can be acquired through experience i.e., tacit knowledge can be gained by partner firms by working together in a joint venture. Most of the firms gain competitive advantage through tacit knowledge.

Q25. State the advantages and disadvantages of strategic alliances.

Ans :

Advantages

There are various reasons due to which companies get allied with potential competitors. These reasons states the advantages of strategic alliances. Some of the advantages of strategic alliances are,

1. Strategic alliance counter balance the competitive disadvantages of companies

Strategic alliance not only counterbalance competitive disadvantages of companies but also assist them in using their competitive strengths against the rivals of one another. Most of the companies aiming at protecting their independence go for strategic alliance instead of mergers because strategic alliance fill the competitive gap between the allied companies.

2. Strategic alliance allows risk sharing and cost sharing

In this competitive business environment no company can give assurance that it will succeed in the new market or new product development. In this situation entering a new market or developing new product becomes a risky job. Strategic alliance allow allied companies to share risk and cost involved in developing new product or entering a new market.

3. Obtainment of Economies of Scale

Companies can achieve economies of scale through strategic alliance. Companies can enjoy economies of scale by working together rather than by working separately. Development activities, production activities and distribution activities are the compatible assets and resources which allied companies have and the cost of these assets and resources can be minimized through strategic alliance.

4. Entry into International Market

Strategic alliance helps in entering the foreign/international market. For instance, most of the companies have an opinion that in order to successfully enter the foreign market, they are required to form an alliance with the local company of that market who possesses through knowledge regarding the local business situations and have good relationships.

5. Leading Technological Changes

Strategic alliance plays an important role in industries such as Semiconductors, Telecom-

munications, Electronics and Computer hardware and software industries where technology changes very frequently and innovations in one technology influence others. When companies face huge technological changes in various areas of the firm, they recognize the need to form strategic alliance with other companies in order to lead technological change and achieve high product performance in their specialized areas.

6. Bringing Together Complementary Skills, Abilities and Assets

The complementary skills, abilities and assets of the companies can be bought together through strategic alliance. One company might not possess all the skills and assets required for developing a new product. In this situation, the skills and assets of companies can be combined together to develop new product.

7. Low-cost Advantage

Many a times, strategic alliance takes the form of joint venture. Joint venture are formed between the companies located in one country and the companies located in another country to obtain the advantage of low-cost.

8. Alliance for Mutual Motivation

Companies located in developed countries and companies located in developing countries form strategic alliance for the purpose of mutual motivation. Companies of developing country strives for technology, know-how or capital from the companies of developed country. Companies of developed country look for chance to get benefit out of companies in developing country. Low-cost of labour and huge availability of raw materials in developing country are the source of advantage to companies of developed country.

Disadvantages

Inspite of the above mentioned advantages of strategic alliances, they are not free from disadvantages. Disadvantages of strategic alliances are,

1. Low-cost Path to Competitors

Strategic alliance is criticized on the ground that it gives low-cost path to competitors to achieve new technology and markets. For instance, few years back critics argued that most of the strategic alliances formed between U.S. companies and Japanese companies were for the strategic advantage of Japanese. These alliances kept worthful and highly paid jobs in Japan and acquired the project engineering and production process skills of U.S. companies.

According to critics, whatever the success Japanese have achieved in machine tool and semiconductor industries are due to US technology obtained through alliances.

2. Alliance Leave the Company with No Competitive Advantage

Critics argued that strategic alliance formed between Japanese and US companies have left the US. Companies with no competitive advantage in the global market.

3. Accessibility of Information

Accessibility to information is one of the disadvantage of strategic alliance. For successful working of alliance, one party to alliance may required to share its secret information with other party to alliance. Usually, identifying the information requirements well in advance becomes a complicated task.

4. Risks Accompany Alliances

Critics argued that strategic alliances involves risk. Against this argument there are many examples which shows successful alliance formed between companies. Some of these examples are, alliances formed between US and Japanese companies, alliance formed between Microsoft and Toshiba etc.

5. Sharing of Earned Profits

Like risk sharing and cost sharing, profits earned are also shared among alliance partners. The share of each partner in earnings has to be decided rather than reinvesting earnings in the business. Apart from this, alliance partners should decide about the accounting of earning and transfer pricing.

6. Changing Situations

Changing situations might have impact on the feasibility of a strategic alliance. The economic situations which have motivated the companies to enter into alliance might not exist any more or changing technology might make the strategic alliance out dated.

Q26. What is joint venture. Explain different forms of joint ventures.

Ans :

Meaning

A joint venture is any kind of cooperative arrangement between two or more independent companies which leads to the establishment of a third entity organisationally separate from the "parent" companies. Joint ventures occur when a company decides that shared ownership of a specially set up new company for marketing and/or manufacturing is the most appropriate method of exploiting a business opportunity. It is usually based on the premise that two or more companies can contribute complementary expertise or resources to the joint company, which, as a result, will have a unique competitive advantage to exploit.

Whilst two companies contributing complementary expertise might be a significant feature of other entry methods, such as licensing, the difference with joint ventures is that each company takes an equity stake in the newly formed firm. The stake taken by one company might be as low as 10 per cent but this still gives them a voice in the management of the joint venture.

Forms

Joint ventures take many different forms and structures:

1. Jointly Controlled Operations

The operation of some joint ventures involves the use of the assets and other resources of the venturers rather than the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves. Each venturer uses its own fixed assets and carries its own inventories.

2. Jointly Controlled Assets

Some joint ventures involve the joint control, and often the joint ownership, by the venturers of one or more assets contributed to, or acquired for the purpose of, the joint venture dedicated to the purposes of the joint venture. The assets are used to obtain economic benefits for the venturers. Each venturer may take a share of the output from the assets and each bears an agreed share of the expenses incurred.

3. Jointly Controlled Entities

A jointly controlled entity is a joint venture which involves the establishment of a corporation, partnership or other entity in which each venturer has an interest. The entity operates in the same way as other enterprises, except that a contractual arrangement between the venturers establishes joint control over the economic activity of the entity.

**2.9 UNIQUE MANAGERIAL CONCERN
OF GROWING VENTURES**
Q27. Identify and discuss five Unique Managerial Concern of Growing Ventures.

Ans : (Imp.)

Emerging businesses differ in many ways from larger, more structured businesses. Several unique managerial concerns involve growing businesses in particular. These concerns may seem insignificant to the operation of a large business, but often they become important to emerging entrepreneurs.

1. The Distinctiveness of Size

The distinction of smallness gives emerging businesses certain disadvantages. The limited market, for example, restricts a small firm. Because a small size limits a company's ability to geographically extend throughout a region or state, the firm must recognize and service its available market. Another disadvantage is the higher ordering costs that burden many small firms. Because they do not order large lots of inventory from suppliers, small businesses usually do not receive quantity discounts and must pay higher prices. Fi-

nally, a smaller staff forces small firms to accept less specialization of labor. Thus, employees and managers are expected to perform numerous functions.

However, the distinction of small size is not all bad, and the advantages to smallness should be recognized and capitalized on. One advantage is greater flexibility. In smaller ventures, decisions can be made and implemented immediately, without the input of committees and the delay of bureaucratic layers. Production, marketing, and service are all areas that can be adjusted quickly for a competitive advantage over larger businesses in the same field. A second advantage is constant communication with the community. An entrepreneur lives in the community and is personally involved in its affairs.

The special insight of this involvement allows the entrepreneur to adjust products or services to suit the specific needs or desires of the particular community. This leads to the third and probably most important advantage of closeness to the customer: the ability to offer personal service. The personal service that an entrepreneur can provide is one of the key elements of success today. Major corporations work feverishly to duplicate or imitate the idea of personal service. Because the opportunity to provide personal service is an advantage that emerging firms possess by nature of their size, it must be capitalized on.

2. The One-Person-Band Syndrome

Most entrepreneurs start their businesses alone or with a few family members or close associates. In effect, the business is the entrepreneur and the entrepreneur is the business. However, a danger arises if the entrepreneur refuses to relinquish any authority as the emerging business grows. The one-person-band syndrome exists when an entrepreneur fails to delegate responsibility to employees, thereby retaining all decision-making authority.

One study revealed that most planning in entrepreneurial firms is done by the owner alone, as are other operational activities. This syndrome often is derived from the same pattern of independence that helped start the business in the first place. However, the owner who continues to perform as a one-person band can restrict the growth of the firm, because the owner's ability is limited. How can proper planning for the business be accomplished if the owner is immersed in daily operations? Thus, the entrepreneur must recognize the importance of delegation. If the owner can break away from the natural tendency to do everything, then the business will benefit from a wider array of that person's abilities.

3. Time Management

Effective time management is not exclusively a challenge to entrepreneurs. However, limited size and staff force the entrepreneur to face this challenge most diligently. It has been said a person never will find time to do anything but must, in fact, make time. In other words, entrepreneurs should learn to use time as a resource and not allow time to use them. To perform daily managerial activities in the most time-efficient manner, owner/managers should follow four critical steps:

- (i) **Assessment:** The business owner should analyze his or her daily activities and rank them in order of importance. (A written list on a notepad is recommended.)
- (ii) **Prioritization:** The owner should divide and categorize the day's activities based on his or her ability to devote the necessary time to the task that day. In other words, the owner should avoid a procrastination of duties.
- (iii) **Creation of Procedures:** Repetitive daily activities can be handled easily by an employee if instructions are provided. This organizing of tasks can be a major time-saver for the owner that would allow the fourth and last step to be put into effect.

- (iv) **Delegation:** Delegation can be accomplished after the owner creates procedures for various jobs. As mentioned in the description of the one-person-band syndrome, delegation is a critical skill entrepreneurs need to develop.

All of these steps in effective time management require self-discipline on the part of entrepreneurs.

4. Community Pressures

Proximity to the community was mentioned earlier as a size advantage for small emerging ventures. However, unlike major corporations with public relations departments, the entrepreneur is involved with community activities directly. The community presents unique pressure to emerging entrepreneurs in three ways: participation, leadership, and donations.

5. Continuous Learning

A final unique concern for the entrepreneur is continuous learning. All of the previously mentioned concerns leave very little time for owners to maintain or improve their managerial and entrepreneurial knowledge. However, the environment of the twenty-first century has produced dramatic changes that can affect the procedures, processes, programs, philosophy, or even the product of a growing business. The ancient Greek philosopher Epictetus once said, "It is impossible for a man to learn what he thinks he already knows." This quote illustrates the need for entrepreneurs to dedicate time to learning new techniques and principles for their businesses. Trade associations, seminars, conferences, publications, and college courses all provide opportunities for entrepreneurs to continue their entrepreneurial education. Staying abreast of industry changes is another aspect that entrepreneurs can maintain a competitive edge.

Q28. Explain in detail entrepreneurial leadership in the new millennium.

Ans :

Entrepreneurial leadership in the new millennium is emerging out as a key aspect in managing continuously growing ventures. Different types of leaders are categorized as visionary leaders, strategic leaders and managerial leaders. Each of the type is described below.

Visionary Leaders

The visionary leaders has the following characteristics,

1. Visionary leaders are proactive in nature.
2. They formulate the ideas and transform the thinking of the people.
3. They influence the attitudes and opinions of various organizational members and relate to people empathetically.
4. They consider themselves to be away from the organization.
5. They are less knowledgeable than functional experts and takes value based decisions.
6. They have positive opinion towards investment innovation, people, creation and maintenance of effective culture for long-term success.

Managerial Leaders

The managerial leaders has the following characteristics,

1. Managerial leaders are reactive in nature.
2. They have an acceptable views about the goals that arise out of requirements but not form dreams.
3. They think work as an activity which involves combination of ideas and development of strategies.
4. They are involved in day-to-day activities and are ineffective in taking value based decisions.
5. They are experts in functional areas and are likely towards functional responsibilities.
6. They adopt linear thinking.

Q29. "A most critical factor that contributes most to the success of a venture is the ability of its initial leadership to foresee and manage effectively new challenges as the business evolves". Consider two concrete examples of start-up ventures and analyze the implication of leadership on their growth.

Ans :

(Aug.-18)

A most critical factor that contributes to the success of an enterprise is the capability of its initial leadership to effectively plan and manages the challenges occurring during the evolution of a business. At the first stage in the venture's life cycle, entrepreneur plays a charismatic role where in he and his position is tightly linked with one another. With the growth of venture, the role of leadership changes from personally controlling most of the activities of an enterprise to directing others who are actually liable to carry out the activities. According to Stevenson and Jarillo, various skills are required to be possessed in order to manage administrative challenges of an established firm or entrepreneurial challenges of a start-up venture in an efficient manner.

The following figure depicts "effective leadership for growth management",

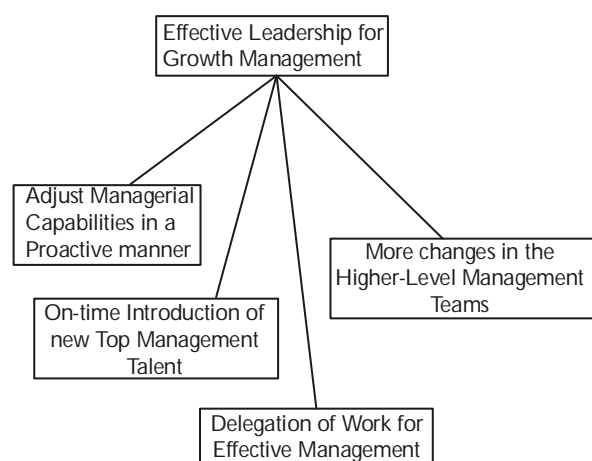


Fig.: Effective Leadership for Growth Management Examples

In an enterprise, leadership is required to be wise enough to understand that in a growing venture, adjusting managerial abilities and on-time introduction of new top management talent is very essential. Growth of a venture makes the individual manager overloaded with information which there by enforce them to delegate the work to other to ensure effective management. A rapidly growing ventures need to make more changes in their higher level management teams.

For the growth of a venture, diversification by means of entering into new product categories is essential. Such type of diversification requires top level management team to learn various new sets of skills and capabilities. Encouraging new ideas is one of the distinctive feature of leadership that takes venture to the growth stage.

Efficient leaders delegate the responsibility of management to professionals and spend their valuable time on strategic thinking.

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Short Question and Answers

1. Infer the criticality of strategic positioning.

Ans :

Meaning

Strategic positioning refers to perception of new positions in the market that aim at drawing the attention of the customers from already reputed products. In other words, it is launching the new product in the market to attract the potential customers either of the related reputed products (competitors) or new customers. It is a high challenge on the part of the entrepreneur to find strategic positions.

Finding strategic positions require intense creativity and analysis. Sometimes, the left out opportunities prove to be unique and advantageous.

2. Write briefly about the strategic planning process.

Ans :

- (i) Deciding on the Business Mission
- (ii) Performing SWOT Analysis
- (iii) Analysis External Environment for the Identification of Opportunities and Threats
- (iv) Internal Evaluation for Strengths and Weaknesses
- (v) Establishing Business Unit Goals
- (vi) Formulation of Business Strategy
- (vii) Formulation and Implementation of Program
- (viii) Feedback and Control

3. Define strategic entrepreneurship.

Ans :

- Strategic entrepreneurship is taking entrepreneurial action using a strategic perspective. More specifically, it involves engaging in simultaneous opportunity seeking and competitive advantage seeking behaviors to de-

sign implement entrepreneurial strategies to create wealth.

- These actions can be taken by individuals or by corporations. Such activity is particularly important in the evolving 21-st century
- The competitive Situation that has evolved in the 21-st century presents firms with substantial change, a global marketplace, and significant complexity and uncertainty. Because of this uncertain environment, firms cannot easily predict the future.

4. What is Strategic planning?

Ans :

Strategic planning is the formulation of long-range plans for the effective management of environmental opportunities and threats in light of a venture's strengths and weaknesses. It includes defining the venture's mission, specifying achievable objectives, developing strategies, and setting policy guidelines. Dynamic in nature, the strategic management process (see figure) is the full set of commitments, decisions, and actions required for a firm to achieve strategic competitiveness and earn above-average returns.

5. Start-up Stage.

Ans :

The start-up stage involves all the basic activities required to develop a business plan, capital search, marketing the venture and product and development of effective team. For successfully carrying out all these activities, a commitment towards starting a venture and strong entrepreneurial strategy are required. It also involves formulating strategic and operational plan aiming at achieving competitive advantage and exposure of sources of funds.

6. Internal Growth Strategies.

Ans :

The strategies which are planned and executed within the organization are termed as internal growth strategies. It includes new product development, other strategies related to product and global expansion strategy with the objective to increase sales revenue and the profitability of the organization.

The unique feature of internal growth generation of a business is that it depends upon its own abilities, expertness, business practices and employees. Generally, internal generation growth can also be referred to as organic growth as the company does not depend upon the external interference. In the early stages of organizational life cycles, nearly all companies grows organically.

7. External Growth Strategies.

Ans :

Establishing relationships with third parties in the form of merger, acquisition, licensing, strategic alliances, joint ventures and franchising for achieving company's, external growth is referred as external growth strategies. In order to enter into international markets entrepreneurial companies adopt joint ventures, licensing and franchising as strategic options and achieve external growth.

External growth strategies provides more fast-paced and co-operative approach for firms growth when compared to the internal growth strategies which are slow paced in accomplishing growth. External growth strategies fills the gaps between the small scale and the large scale companies. Therefore, young companies acquire small scale or new companies firms to gain patents and proprietary techniques of other companies. Larger firms may take years to develop themselves on their own.

8. Global Business Strategy.

Ans :

Global business strategy can be defined as the business strategies of businesses, companies or firms operating in a global business environment. These strategies are closely related to the strategies adopted by firms to meet their short and long-term objectives.

9. Define Merger.

Ans :

Mergers and acquisitions are much-used strategic options. They are especially suited for situations in which alliances and partnerships do not go far enough in providing a company with access to the needed resources and capabilities. Ownership ties are more permanent than partnership ties, allowing the operations of the merger/acquisition participants to be tightly integrated and creating more in-house control and autonomy.

10. Tolerance of Failure.

Ans :

Even if a venture has avoided the initial start-up pitfalls and has expanded to the grown stage, it is still important to maintain a tolerance of failure. The level of failure the entrepreneur experienced and learned from at the start of the venture should be the same level expected, tolerated, and learned from in the growth stage. Although no firm should seek failure, to continually innovate and grow it should tolerate a certain degree of failure as opposed to punishing it.

Three distinct forms of failure should be distinguished :

- (i) **Moral failure:** This form of failure is a violation of internal trust. Because the firm is based on mutual expectations and trust, this

violation is a serious failure that can result in negative consequences.

- (ii) **Personal failure:** This form of failure is brought about by a lack of skill or application. Usual responsibility for this form of failure is shared by the firm and the individual. Normally, therefore, an attempt is made to remedy the situation in a mutually beneficial way.

(iii) **Uncontrollable failure**

This form of failure is caused by external factors and is the most difficult to prepare for or deal with. Resource limitations, strategic direction, and market changes are examples of forces outside the control of employees. Top management must carefully analyze the context of this form of failure and work to prevent its recurrence.

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Choose the Correct Answer

1. The strategy was developed by the visionary chief executive in which mode of strategic management? [d]
(a) Planning mode (b) Strategic mode
(c) Adaptive mode (d) Entrepreneurial mode
2. What type of strategy is stability strategy? [a]
(a) Corporate level (b) Functional level
(c) Strategic level (d) Business level
3. What type of range is the impact of strategies on the general direction and basic character of a company? [c]
(a) Medium range (b) Short range
(c) Long-rangenge (d) Minimal
4. Which statement best applies to emergent strategies. Emergent strategy. [a]
(a) Implies an ability to react to the events (b) Implies strategizing
(b) Implies no deviation from plans (d) Implies constant evaluation of the bigger picture
5. Which of the following shows concern for non-profit organizations? [a]
(a) The markets to service (b) Identifying suppliers to deal with
(c) Developing capabilities (d) Building monopolies
6. Organizations require good people with appropriate skills and abilities to work together effectively to be successful. Which are the characteristics is not seen as critical for this? [d]
(a) Competent (b) Committed
(c) Cost-effective (d) Capable
7. Which of the following is the characteristic of human resource management? [b]
(a) Managers are responsible for the employees
(b) Teams tend to provide increased productivity
(c) Managers are responsible for deploying employees
(d) For dealing with employees, scientific management principles and systems
8. A possible and desirable future state of an organisation is called _____. [d]
(a) Mission (b) Strategy implementation
(c) Strategy formulation (d) Vision
9. Selling all of a company's assets in parts of their tangible worth is called _____. [c]
(a) Divestiture (b) Liquidation
(c) Concentric diversification (d) Unrelated integration
10. How long is the long term in strategic thinking approximately? [d]
(a) 1 month to 1 year (b) 2 to 3 years
(c) 3 to 5 years (d) More than 5 years

Fill in the blanks

1. Strategic entrepreneurship is taking entrepreneurial action using a _____ perspective.
2. _____ is an imaginary view of the future.
3. _____ planning is the formulation of long-range plans for the effective management of environmental opportunities and threats in light of a venture's strengths and weaknesses.
4. _____ analysis is conducted by the firm to evaluate strength, weakness, opportunity and threat of each and every business unit.
5. Entrepreneurship and strategic management are both dynamic processes concerned with firm _____.
6. The last stage of the venture life cycle is _____.
7. The strategies which are planned and executed within the organization are termed as _____ growth strategies.
8. _____ mergers take place when there is a combination of two or more organizations unrelated to each other.
9. Reverse merger, also known as _____.
10. _____ is one of the type of strategic alliances where in two or more companies combined to establish a legally independent company in order to share some of their resources and abilities to create a competitive advantage.

ANSWERS

1. Strategic
2. Vision
3. Strategic
4. SWOT
5. Performance
6. Innovation
7. Internal
8. Concentric
9. Back door listing
10. Joint Venture

One Mark Answers

1. Horizontal Mergers.

Ans :

Horizontal mergers take place when there is a combination of two or more organizations in the same business, or of organizations engaged in certain aspects of the production or marketing processes.

2. Concentric Mergers.

Ans :

Concentric mergers take place when there is a combination of two or more organizations unrelated to each other, either in terms of customer functions, customer groups, or alternative technologies used,

3. What is acquisition?

Ans :

Acquisitions/Takeover is acquiring or purchasing an existing venture. It is one of the easy means of expanding a business by entering new markets or new product areas.

4. Define Licensing.

Ans :

Under licensing, a company assigns the right of a patent or a trademark to another company for a fee or royalty. In licensing, as a method of market entry, a company can gain market presence without an equity investment.

5. Define strategic alliances.

Ans :

A Strategic Alliance is a 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. This form of cooperation lies between M & A and organic growth.

UNIT III

Opportunities and Challenges of Entrepreneurship: Initiatives by the Government of India to Promote Entrepreneurship, Social and Women Entrepreneurship. Feasibility Analysis, Industry and Competitor Analysis, Formulation of the Entrepreneurial Plan, The Challenges of New Venture Startups, Developing an Effective Business Model, Blue and Red Ocean Strategies, Sources of Finance, Critical Factors for New venture Development, Evaluation Process. Intellectual Property Protection: Patents, Copyrights, Trademarks and Trade Secrets, Avoiding Trademark Pitfalls.

3.1 INITIATIVES BY THE GOVERNMENT OF INDIA TO PROMOTE ENTREPRENEURSHIP

Q1. Explain the various ways initiative by the government to promote entrepreneurship.

(OR)

Discuss some of the initiatives taken by central and state governments to promote entrepreneurship.

(OR)

Elaborate on the government initiatives to promote entrepreneurship in India.

Ans : (May-22, Nov.-20, Dec.-18, Imp.)

Government of India Support for Innovation and Entrepreneurship in India.

The Government of India has undertaken several initiatives and instituted policy measures to foster a culture of innovation and entrepreneurship in the country. Job creation is a foremost challenge facing India. 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.

In the recent years, a wide spectrum of new programmes and opportunities to nurture innovation have been created by the Government of India across a number of sectors. From engaging with academia, industry, investors, small and big entrepreneurs, non-governmental organizations to the most underserved sections of society.

A few of India's efforts at promoting entrepreneurship and innovation are:

1. Startup India

- Through the Startup India initiative, Government of India promotes entrepreneurship by mentoring, nurturing and facilitating startups throughout their life cycle. Since its launch in January 2016, the initiative has successfully given a head start to numerous aspiring entrepreneurs.
- With a 360 degree approach to enable startups, the initiative provides a comprehensive four-week free online learning program, has set up research parks, incubators and startup centres across the country by creating a strong network of academia and industry bodies.
- More importantly, a 'Fund of Funds' has been created to help startups gain access to funding. At the core of the initiative is the effort to build an ecosystem in which startups can innovate and excel without any barriers, through such mechanisms as online recognition of startups, Startup India Learning Programme, Facilitated Patent filing, Easy Compliance Norms, Relaxed Procurement Norms, incubator support, innovation focused programmes for students, funding support, tax benefits and addressing of regulatory issues.

2. Make in India

- Designed to transform India into a global design and manufacturing hub, 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 led to renewed confidence in India's capabilities among potential partners abroad, business community within the country and citizens at large.
- The plan behind Make in India was one of the largest undertaken in recent history. Among several other measures, the initiative has ensured the replacement of obsolete and obstructive frameworks with transparent and user-friendly systems.
- This has in turn helped procure investments, foster innovation, develop skills, protect intellectual property and build best-in-class manufacturing infrastructure.

3. Atal Innovation Mission (AIM)

- AIM is the Government of India's endeavour to promote a culture of innovation and entrepreneurship, and it serves as a platform for promotion of world-class Innovation Hubs, Grand Challenges, start-up businesses and other self-employment activities, particularly in technology driven areas.
- In order to foster curiosity, creativity and imagination right at the school, AIM recently launched Atal Tinkering Labs (ATL) across India. ATLs are workspaces where students can work with tools and equipment to gain hands-on training in the concepts of STEM (Science, Technology, Engineering and Math). Atal Incubation Centres (AICs) are another programme of AIM created to build innovative start-up businesses as scalable and sustainable enterprises.
- AICs provide world class incubation facilities with appropriate physical infrastructure in terms of capital equipment and operating facilities. These incubation centres, with a presence across India, provide access to sectoral experts, business planning support, seed capital, industry partners and trainings to encourage innovative start-ups.

4. Udyog Aadhaar Memorandum (UAM) Scheme

The UAM scheme was introduced by the Ministry of Micro Small and Medium Enterprises (MOMSME) in September 2015 U/S-8 of Micro Small and Medium Enterprises (MSME) Development Act, 2006. The concept of UAM was telecast on October 3rd, 2014. It was recommended in the report of Kamath Committee on Financial Architecture for Universalization of Registration. It is one of the important measure/tool in promotion of enterprise registration.

The entrepreneur requires to file an online UAM one page form to get a Unique Aadhaar Number. While filing the form on the site <http://udyogaadhar.gov.in>, entrepreneurs can give self-certification for an instant UAM. The government has taken this measure to change the previous difficult process of filing Entrepreneur's Memorandum (EM I and EM 2) and to promote ease of doing business.

5. 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 of the 30-year-old initiative to adapt to present-day needs. The initiative reaches out to all Indian women above 16 years of age.
- The programme imparts skills in several sectors such as agriculture, horticulture, food processing, handlooms, traditional crafts like embroidery, travel and tourism, hospitality, computer and IT services.

6. Jan Dhan- Aadhaar- Mobile (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 accessible down to the last mile.

7. Digital India

- The Digital India initiative was launched to modernize the Indian economy to make all government services available electronically.
- The initiative aims to transform India into a digitally-empowered society and knowledge economy with universal access to goods and services. Given historically poor internet penetration, this initiative aims to make available high-speed internet down to the grassroots.
- This program aims to improve citizen participation in the digital and financial space, make India's cyberspace safer and more secure, and improve ease of doing business. Digital India hopes to achieve equity and efficiency in a country with immense diversity by making digital resources and services available in all Indian languages.

8. MUDRA Scheme

The unique scheme called Prime Minister Mudra Yojana (PMMY) launched by the government of India to set up a new institution which will be in a name and style of Micro Units Development Refinance Agency. The objective of this scheme is to develop and refinance the activities which are connected to micro sector units. The borrowing schemes has been simplified into 3 categories. The names and the loan limits of such categories are given below,

- (i) Sishu: Loan upto ₹ 50,000
- (ii) Kishore: Loan upto ₹ 5,00,000
- (iii) Tarun: Loan upto ₹ 10,00,000.

9. 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. The ultimate goal is to develop high-quality, yet affordable, products with the use of cutting edge technologies.

- 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 technology.

10. Department of Science and Technology (DST)

- The DST comprises several arms that work across the spectrum on all major projects that require scientific and technological intervention. The Technology Interventions for Disabled and Elderly, for instance, provides technological solutions to address challenges and improve quality of life of the elderly in India through the application of science and technology.

- On the other hand, the ASEAN-India Science, Technology and Innovation Cooperation works to narrow the development gap and enhance connectivity between the ASEAN countries.

- It encourages cooperation in science, technology and innovation through joint research across sectors and provides fellowships to scientists and researchers from ASEAN member states with Indian R&D academic institutions to upgrade their research skills and expertise.

11. Stand-Up India

- Launched in 2015, Stand-Up India seeks to leverage institutional credit for the benefit of India's underprivileged. It aims to enable economic participation of, and share the benefits of India's growth, among women entrepreneurs, Scheduled Castes and Scheduled Tribes.

- Towards this end, at least one woman 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.

12. Trade related Entrepreneurship Assistance and Development (TREAD)

- 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.

13. Pradhan Mantri Kaushal Vikas Yojana (PMKVY)

A flagship initiative of the Ministry of 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. Individuals with prior learning experience or skills are also assessed and certified as a Recognition of Prior Learning.

- Training and Assessment fees are entirely borne by the Government under this program.

14. National Skill Development Mission

- Launched in July 2015, the mission aims to build synergies across sectors and States in skilled industries and initiatives. With a vision to build a 'Skilled India' it is designed to expedite decision-making across sectors to provide skills at scale, without compromising on quality or speed.
- The seven sub-missions proposed in the initial phase to guide the mission's skilling efforts across India are: (i) Institutional Training (ii) Infrastructure (iii) Convergence (iv) Trainers (v) Overseas Employment (vi) Sustainable Livelihoods (vii) Leveraging Public Infrastructure. Click here to download the framework for implementation.

15. Science for Equity Empowerment and Development (SEED)

- SEED aims to provide opportunities to motivated scientists and field level workers to undertake action-oriented, location specific projects for socio-economic gain, particularly in rural areas.
- Efforts have been made to associate national labs and other specialist S&T institutions with innovations at the grassroots to enable access to inputs from experts, quality infrastructure.
- SEED emphasizes equity in development, so that the benefits of technological accrue to a vast section of the population, particularly the disadvantaged.

3.2 SOCIAL ENTREPRENEURSHIP

Q2. Define Social Entrepreneurship. Explain the features of Social Entrepreneurship.

(OR)

What do you mean by Social Entrepreneurship. Discuss any examples?

Ans :

(May-22, Imp.)

Definitions

- According to Gregory Dees** "Social entrepreneurship is a method of finding new and better ways to create social value".
- According to Alex Nicholls** "Social entrepreneurship is a combination of an overarching social mission and entrepreneurial creativity".
- Social entrepreneurship is also defined as an innovative, social value creation activity that can occur within or across the non-profit business or government sector".
- According to Schwab** "Some one who has created and led an organization whether for profit or not, that is aimed at catalyzing systematic social change through new ideas, products, services, methodologies and changes in attitude with the bottom line being social value creation".

- (v) **According to Koroses and Berman**
 “Individuals or private organizations that take the initiative to identify and address important social problem in their communities”.

Social entrepreneurship emerged as a new form of entrepreneurship which shows the typical features of governments non profits and business. It employ traditional private sector entrepreneurship that focus on innovation, risk taking and transformation of large scale in solving social problems.

The process of social entrepreneurship starts from social opportunity that is converted into concept of enterprise which includes determination of resources and accomplishing goals of enterprises.

Social entrepreneur is a person or a small group of people who establish or leads an organization or initiate a social cause that is committed to social entrepreneurship. Social entrepreneurs are also referred as public entrepreneurs, civil entrepreneurs or social innovators.

Features

Features of social entrepreneur are as follows,

(i) **Aspiring**

Social entrepreneurs has the intent to succeed by reforming and revolutionizing a cause with a social mission. They are committed solving towards major social problem and bring new ideas and solutions for a major transformation. These entrepreneurs exists in all types of organizations which includes non-profit organizations which aims for innovation, ventures with social causg such as, hybrid organizations (combination of non-profit and profit organizations) and profit community development business.

(ii) **Missionaries**

Past history of successful social entrepreneurs signifies about their mission which is not just confine to create wealth but also on generating more social value. Their mission provides them the strength, determination and boldness to handle social problems.

(iii) **Strategist**

Social entrepreneurs search and find out the major social causes which are ignored by others. They utilize these opportunities to reform current social system, generate solutions and create new approaches for social value creation.

(iv) **Resource Optimizer**

The operations of social entrepreneurs is confined to social framework, due to the limited access to resources I.e., capital and traditional market support system, social entrepreneurs must have adequate skills to organize people, financial and political resources needed to solve social issues.

(v) **Goal Oriented**

Finally, social entrepreneurs emphasis on gaining significant results to make noticeable impression on the society. These results transforms and current equilibriums, scenarios and build new gateways for the sake of distressed people of the society.

Examples

1. **Warby Parker**

Eyewear manufacturer Warby Parker is known for their online eyewear store, but they are equally notable for their buy a pair, give a pair program. According to their website, for every pair of Warby Parker glasses purchased, a pair of glasses is distributed to someone in need. There are two models they employ:

- Empowering people to administer basic eye exams and sell glasses at ultra-affordable prices.
- Directly giving vision care and glasses to those in need, via cross-sector partnerships.

2. **Ben & Jerry's**

Arguably the most popular ice cream corporation, Ben & Jerry's was founded with social responsibility as their primary focus. “We seek in all we do, at every level of our business, to advance human rights and dignity, support social and economic justice for historically marginalized communities, and

protect and restore the Earth's natural systems. In other words: we use ice cream to change the world." Guided by this mission, Ben & Jerry's uses their profits and notoriety to support causes they believe in that align with their core values.

3. FIGS

Healthcare apparel manufacturer FIGS was created with a focus on making more comfortable and better performing scrubs for health providers. Since their founding, FIGS has operated their Threads for Threads program, which donates scrubs to health care professionals who work in resource-poor countries and lack the proper uniforms to do their jobs safely for every pair of FIGS purchased.

Q3. Discuss the nature of social enterprise.

Ans :

The nature of social enterprise includes,

(i) Protect Environment

Social enterprises protect the nature by controlling pollution, conserving natural resources and put recycling efforts in order to protect environment.

(ii) Energy Savers

They save energy in various business operations such as production and marketing and make efforts in increasing the product's energy efficiency.

(iii) Promote Fair Business Practices

These enterprise focus more on employment uplifting of women, minorities and disadvantages people such as disabled individuals, former offenders drug addicts, mentally challenged people and depressed unemployed individuals.

(iv) Develop Human Resources

They take various measures for the development of employees such as,

1. Protection of health and safety.
2. Conducting training and development program.

3. Counselling programs for career, alcohol and drug addicts.

4. Physical fitness and stress management programmes.

(v) Involve Different Communities

Social enterprises involves different communities for following courses,

1. Donating cash, services, products and time of employee.
2. Sponsoring public health programmes.
3. Supporting education, arts and recreation programmes for community.
4. Assist in community projects such as recycling centers, disaster assistance etc.

3.3 WOMEN ENTREPRENEURSHIP

Q4. Who is a Women Entrepreneur?

Ans :

Meaning

Entrepreneurship is the process of creating something new with value and devoting the necessary time and effort and assuming the risk and reward. People who perform these activities are called entrepreneurs. Entrepreneurs assemble resources including innovations, finance and business acumen in an effort to transform innovations into economic goods. Women entrepreneurship is the function of establishing women enterprises by the women entrepreneurs.

Definition

- (i) **According to the Government of India,** "A women enterprise is an enterprise owned and controlled by a woman and having a minimum financial interest of 51 per cent of the capital and giving at least 51 percent of employment generated in the enterprise to women".

- (ii) Women entrepreneurship is based on purposeful and systematic innovation. It included not only the independent women entrepreneur but also company directors and managers who actually carry out innovative functions.

- (iii) In general, women entrepreneurship is the process of promoting new venture by the women.
- (iv) Women entrepreneurs may be defined as the woman or a group of women who take initiative to set up a business enterprise and to run it smoothly.
- (v) **According to Kamal Singh**, "A woman entrepreneur can be defined as a confident, innovative and creative woman capable of achieving self economic independence individually or in collaboration, generates employment opportunities for others through initiating, establishing and running the enterprise by keeping pace with her personal, family and social life".

Q5. Explain the characteristics of Women Entrepreneur.

Ans : (Imp.)

Following are main entrepreneurial traits of women entrepreneurs:

1) Imagination

It refers to the imaginative approach or original ideas with competitive market. Well planned approach is needed to examine the existing situation and to identify the entrepreneurial opportunities. It further implies that women entrepreneurs have association with knowledgeable people and contracting the right organizations offering support and services.

2) Attribute to Work Hard

Enterprising women have further ability to work hard. The imaginative ideas have to come to a fair play. Hard work is needed to build up an enterprise.

3) Persistence

Women entrepreneurs must have an intention to fulfill their dreams. They have to make a dream translated into an enterprise. Studies show that successful women have worked hard. They persisted in getting loan from financial institutions and other inputs. They have persisted in adverse circumstances and in adversity.

4) Ability and Desire to Take Risk

The desire refers to the willingness to take risk and ability' to the proficiency in planning, making forecast, estimates and calculations. Profits are the reward of risk. Enterprising women take risk but the risk is well calculated. It offers challenges where chances of survival and failure are on equal footing.

5) Flexibility

Most of the successful women entrepreneurs measure the pros and cons of a decision and tend to change if the situation demands. They never feel reluctant to revise their decisions.

6) Analytical Ability of Mind

Entrepreneurs are unaffected by personal likes and dislikes. At the time of their need they select experts rather than friends and relatives to assist them. They usually avoid emotional and sensitive attitude towards their business or problem.

7) Sense of Efficacy

Entrepreneurs are always oriented towards action for accomplishment of their goals. Being confident of their abilities, they find themselves as problem solvers rather than problem avoiders.

8) Openness to Feedback and Learning from Experience

Successful women entrepreneurs like to have immediate feedback of their performance. They learn from their experience and never get discouraged having received unfavorable information. On the contrary, they are stimulated by unfavorable information to involve themselves sincerely in their own tasks to reach their desired goals.

9) Confronting Uncertainty

Successful entrepreneurs are always optimistic and take every odd as the opportunity. They deal their environment in such a way that the works get accomplished rationally. Thus, they win by the application of their extraordinary insight and skill.

10) Stress Takers

Entrepreneurs are capable of working for long hours and solving different complexities at the same time. As the captain of an industry or an enterprise, an entrepreneur faces a number of problems and in right moment she takes right decisions which may involve physical as well as mental stress.

11) Time Orientation

Entrepreneurs anticipate future trends basing upon their past experience and exposure. They stick to the time pragmatically while doing their jobs.

12) Business Communication Skill

In order to motivate others in the business, entrepreneurs must possess good communication skill. Both written and oral communication skills are necessary for the entrepreneurs for running enterprise efficiently.

13) Telescopic Ability

Successful entrepreneurs always tend to think ahead. They have got telescopic abilities which make them think for the future.

14) Leadership

Entrepreneurs should possess the quality of leadership. Leadership is the ability to exert interpersonal influence by means of communication towards the achievement of goals. Entrepreneurs as the leaders should provide the necessary spark to motivation by guiding, inspiring, assisting and directing the members of the group for achievement of unity of action, efforts and purpose.

15) Determination

Entrepreneur has got the quality of sticking to job she decides to undertake. They work sincerely until the whole project is successfully implemented.

16) Imagination

It refers to the imaginative approach or original ideas with competitive market. Well planned

17) Attribute to work hard

Enterprising women have further ability to work hard. The imaginative ideas have to come to a fair play. Hard work is needed to build up an enterprise.

18) Persistence

Women entrepreneurs must have an intention to fulfill their dreams. They have to make a dream translated into an enterprise. Studies show that successful women have worked hard. They persisted in getting loan from financial institutions and other inputs. They have persisted in adverse circumstances and in adversity.

19) Ability and desire to take Risk

The desire refers to the willingness to take risk and ability to the proficiency in planning, making forecast, estimates and calculations. Profits are the reward of risk. Enterprising women take risk but the risk is well calculated. It offers challenges where chances of survive and failure are on equal footing.

20) Imagination

It refers to the imaginative approach or original ideas with competitive market. Well planned approach is needed to examine the existing situation and to identify the entrepreneurial opportunities. It further implies that women entrepreneurs have association with knowledgeable people and contracting the right organizations offering support and services.

Q6. Explain the role played Women Entrepreneur in India.

Ans :

- Women owned businesses are highly increasing in the economies of almost all countries.
- The hidden entrepreneurial potentials of women have gradually been changing with the growing sensitivity to the role and economic status in the society.

- Skill, knowledge and adaptability in business are the main reasons for women to emerge into business ventures. 'Women Entrepreneur' is a person who accepts challenging role to meet her personal needs and become economically independent.
- A strong desire to do something positive is an inbuilt quality of entrepreneurial women, who is capable of contributing values in both family and social life. With the advent of media, women are aware of their own traits, rights and also the work situations.
- The glass ceilings are shattered and women are found indulged in every line of business from pappad to power cables.
- The challenges and opportunities provided to the women of digital era are growing rapidly that the job seekers are turning into job creators.
- They are flourishing as designers, interior decorators, exporters, publishers, garment manufacturers and still exploring new avenues of economic participation.
- In India, although women constitute the majority of the total population, the entrepreneurial world is still a male dominated one. Women in advanced nations are recognized and are more prominent in the business world.
- Empowering women entrepreneurs is essential for achieving the goals of sustainable development and the bottlenecks hindering their growth must be eradicated to entitle full participation in the business.
- Apart from training programs, Newsletters, mentoring, trade fairs and exhibitions also can be a source for entrepreneurial development. As a result, the desired outcomes of the business are quickly achieved and more of remunerative business opportunities are found.

Q7. What are the various categories of Women Entrepreneur.

Ans :

In Indian conditions the women entrepreneurs can be categorized in following five broad categories:

1. Affluent Entrepreneurs

These are daughters, daughter-in-law and wives of rich business families who have financial and other resource backing to take any business risks. Many of them start enterprise in interior decoration, beauty parlor, restaurants, book publishing, magazines, film distribution and the like. The family supports in many ways help them to take care of their responsibilities with lesser efforts and strains. Moreover their sustenance is not entirely dependent upon their new enterprise.

2) Pull Factors

In this category the town and city based women take up some assignments or enterprises as a challenge. They take it up as an adventure to do something new and be economically independent. Generally they take up small and medium type industries where risk factors are too small. This category consists of educated women with or without work experience. They are likely to take financial assistance from banks and other sources. Women start electronic industries, service centers, restaurants, schools, beauty parlors, food catering centers, event management, films production and grocery shops etc.

3) Push Factors

This category of women takes up some business activity to overcome financial difficulties. The family situation forces them to develop existing family business or start something new to improve the economic lot of the family. This category' is small and normally widows and single women are in this category.

4) Rural Entrepreneurs

Women in rural sector try to start something suiting to their resources and knowledge. In this category we find dairy products, pickles, fruit juices, papads and jaggery making. They would like to work in areas where minimum usage of telephone, transport and monetary transaction is involved. They ensure that their enterprise is of minimum risk and need least organizing skill.

5) Self Employed Entrepreneurs

There are women from poor and very poor category of society and rely on their own efforts for sustenance. Majority of them are from villages and towns. The examples are vegetable and fruit vendors, brooms making, wax candle making, providing tea-coffee to offices, ironing of clothes, knifing work, tailoring firm etc. These are tiny and small enterprises which women find convenient to manage.

Q8. Explain the various problems of women entrepreneurs.

(OR)

Devise appropriate strategies to the challenges of women entrepreneurs in India.

Ans : (Oct.-22, Nov.-21, Dec.-19, Imp.)

1) Lack of Confidence

Due to various constraints imposed by traditional society, women entrepreneurs show an initial lack of confidence in their own abilities. The confidence level of and motivation towards achievement further declines due to a low degree of acceptability and society's lack of confidence in women about their abilities and strengths as business persons.

2) Legal, Statutory and Procedural Formalities

The legal, statutory and procedural formalities to be completed before and after launching an enterprise frighten women entrepreneurs as they possess little knowledge about it. In

the absence of a proper escort, continuous guidance and assistance in all such legislative and administrative procedural formalities, women are so confused that in all possibilities, a large number of women abandon the idea of running an independent business.

3) Problems of Product Marketing

It is a common experience of most of the women entrepreneurs that they face a tremendous problem while marketing their products. The cost of advertisement is too heavy for their stringent resources. They are untrained when it comes to salesmanship and marketing techniques.

4) Decision-Making and Problem Solving

Quick decision-making and problem solving approach is not commonly found among the women entrepreneurs. They get emotionally involved in tackling problems. When problems are brought down to one's personal level, objective analysis is lost and solutions to the problems are hardly found.

5) Inadequate Vocational and Technical Training

Inadequate vocational and technical training among women reflects upon their project selection. Usually, they select low technology projects. A large number of women entrepreneurs are found in the traditional and conventional businesses. The basket of opportunities, government schemes and incentives do not promptly reach the aspiring women entrepreneurs. Awareness about the new openings in the field of electronics, software, television, radio, repackaging and service industries, and vendor management is not developed sufficiently.

6) Operational Problems

Many women entrepreneurs face operational problems particularly when dealing with the workers. Due to sociological norms, it is observed that male workers do not like to take orders and obey women executives. This, among others, is a cause for conflicts and labor trouble.

7) Lack of Management Inputs

Many women entrepreneurs lack of management inputs like business planning, administration, marketing, finance, labor laws, taxation etc. This makes them "weak entrepreneurs". No specific support system is available to develop the skills, abilities and competencies of women entrepreneurs.

8) Updation on Technological Changes

Women entrepreneurs must keep themselves updated on the rapid technological changes. The scale at which the innovations are introduced in the raw materials, machines, equipment, designs, packaging, storage, durability, advertising distribution network etc, have changed the magnitude and dimensions of the entrepreneurial activity.

Q9. Explain the various suggestions for the development of women entrepreneurs.

Ans :

The following measures may be adopted to solve the problems faced by women entrepreneurs in India:

1) Finance Cells

In various public financial institutions and banks special cells may be opened for providing easy finance to women entrepreneurs. Efforts should be made to provide finance at the local level. Finance to women entrepreneurs may be provided at concessional rates of interest and to easy repayment basis. Necessary credit for fixed and working capital should be given.

2) Marketing Cooperation

Encourage and assistance should be provided to women entrepreneurs for setting up cooperatives. These cooperatives will pool the inputs of women enterprises and sell them on remunerative prices. Central and State Government should give priority to women entrepreneurs while purchasing for their requirement. Sufficient data and marketing intelligence should be made available to women entrepreneurs. In international and national trade fairs, the products manufactured by women entrepreneurs should be widely displayed.

3) Supply of Raw Materials

Scarce and imported raw materials may be made available to women entrepreneurs on priority basis. A subsidy may also be given to make the products manufactured by women entrepreneurs cost competitive.

4) Education and Awareness

It is necessary to change negative social attitudes towards women. Unless the social attitude are made positive not much progress can be made by women entrepreneurs.

5) Training Facilities

Training and skills are essential for the development of entrepreneurship. Training schemes should be so designed that women can take full advantage. Women have the potential and the will to establish and manage enterprises of their own. What they need is encouragement and support. Government and public enterprises should offer ancillary units to women entrepreneurs on priority basis. With the assistance of family members and the government women can join the main stream of national economy and thereby, contribute to the country's economic progress. Motivation training and training in the particular industry should be provided. A two-tire approach should be used to provide technical and managerial training before the promotion of the enterprise and in the course of operating the venture.

Q10. What are the various training programs conducted by the government for the growth of women entrepreneurship in India?

Ans :

(Nov.-21)

Women owned businesses are highly increasing in the economies of almost all countries. The hidden entrepreneurial potentials of women have gradually been changing with the growing sensitivity to the role and economic status in the society. In order to encourage more and more women enterprises in the MSE sector, several schemes have been formulated by this Ministry and some more are in the process of being finalized, targeted only at the development of women

enterprises in India. In India, many B-schools are offering programmes exclusively for women entrepreneurs. Indian Institute of Management, Ahmedabad, Indian Institute of Management, Bangalore, Indian School of Business, Hyderabad, Narsee Monjee Institute of Management Studies, Mumbai is few of them. There are some specialized training centres which provide training exclusive to the women entrepreneurs:

1. Association of Women Entrepreneurs of Karnataka (AWAKE):

It is the forefront of Entrepreneurship development and has earned National and international accolades for its contribution in this field of Entrepreneurship Development. The vision of the organization is "To develop self-reliance amongst women" and its mission is Empowering women through Entrepreneurship Development to improve their economic condition". The focus of the association is on empowerment of women and youth from rural and urban areas, irrespective of their academic, social and economic background.

2. Women Entrepreneurs As sociation of Tamil Nadu (WEAT):

It has been established to focus on the economic empowerment of women. It is a prerequisite for overall empowerment and hence a separate association called WEAT has been created and given to the women to manage various EDP, Skill Training, Management Development Programmes etc. It conducts various training to women entrepreneurs on coir, fashion designing, garment making, sewing operator training with stipend and placement, food processing and preservation etc.

(i) The Trade Related Entrepreneurship Assistance and Development (TREAD)

The Trade Related Entrepreneurship Assistance and Development (TREAD) scheme for women envisages economic empowerment of women through development of their entrepreneurial skills in non-farm activities. The

government's grants up-to 30 per cent of the total project cost is provided to the Non-Governmental Organizations (NGOs) for promoting entrepreneurship among women. The remaining 70 per cent of the project cost is financed by the lending agency as loan for undertaking activities as envisaged in the project.

(ii) Mahila Coir Yojana (MCY)

Mahila Coir Yojana is a woman-oriented self-employment scheme in the coir industry, which provides self-employment opportunities to the rural women artisans in regions producing coir fibre. The scheme envisages distribution of motorized ratts for spinning coir yarns to women artisans after giving training. Women spinners are trained for two months in spinning coir yarn on motorized ratts at the Coir Board's training centers.

3. Productive Skills and National Perspective Plan for Women (NPPW)

(i) Productive Skills

Women's empowerment is inextricably linked to security, economic opportunity, effective governance, and social development. It is a simple fact that no country can prosper if half its citizens are left behind. All reliable development indices show that investments in women are the single most effective poverty alleviation mechanism contributing to a society's prosperity; similarly, lack of investment in women characterizes failed states. There are two productive skills for women. They are speaking and writing. A brief description of the differences between Accuracy and Fluency activities are given below:

Accuracy Activities

- Accuracy activities are usually part of the study phase.
- Accuracy activities are concentrated on producing correct language.

- These activities are controlled in order to ensure accurate reproduction of language.

Fluency Activities

- Fluency activities are usually part of the activate phase.
- Fluency activities are concentrated on allowing the students to experiment and be creative with language.

In order to bring effectiveness and flow of the communication, fluency has placed a major role.

(ii) National Perspective Plan for Women (NPPW)

It is a report of the core group set up by the Department of Women and Child Development, Ministry of Human Resource Development, Government of India in 1988. It was initiated to improve women's and girls access to education, women's security and the institution that serve women, women's leadership development in both the public and private sector, women's access to formal and informal justice mechanisms and enforce existing laws and the Constitutional guarantee of equality. It was also initiated to support and expand economic development opportunities for women and increase women's political empowerment and participation.

Developing Women as Entrepreneurs

1. Access to savings and credit.
2. Awareness and education about policy and programmes amongst women.
3. Complete family support.
4. Inculcation of personality traits like determination and strong will power.
5. Motivation of women to become economically independent and take up the challenge of starting their own business.
6. Thorough involvement of all promotional agencies in providing support in the areas of infrastructure, finance, raw materials, marketing etc.
7. Well equipped training and resource centres to meet the needs of women entrepreneurs.

4. Prospects for Women Entrepreneurship/ Emerging Opportunities

(A) Direct and indirect Financial Support

- Different Rate Schemes
- District industries Centres
- Mahila Udyog Needhi Scheme
- Nationalized banks
- Small Industrial Development Bank of India
- State Finance Corporations
- State Industrial Development Corporation
- State Small Industrial Development Corporations

(B) Yojana Scheme and Programmes

- DWACRA (Development of Women And Children in Rural Areas)
- Jawahar Rozgar Yojana
- Nehru Rozgar Yojana
- TRYSEM (Training of Rural Youth for Self-employment)

(C) Technological Training and Awards

- Entrepreneurship Development Institute of India (EDII)
- National Institute of Small Business Extension Training (NISBET)
- Stree Shakti Package by SBI
- Trade Related Entrepreneurship Assistance and Development (TREAD)
- Women's University of Mumbai

(D) Federations and Associations

- Associated Country Women of the World (ACWW)
- Association of Women Entrepreneurs of Karnataka (AWEK)
- India Council of Women Entrepreneurs (ICWE)
- National Alliance of Young Entrepreneurs (NAYE)
- Self-employed Women's Association (SEWA)
- World Association of Women Entrepreneurs (WAVE)

3.4 FEASIBILITY ANALYSIS

Q11. Define Feasibility Analysis. Explain the contents of Feasibility Analysis.

Ans : (Imp.)

Introduction

Feasibility literally means whether some idea will work or not. It knows beforehand whether there exists a sizeable market for the proposed product/service, what would be the investment requirements and where to get the funding from, whether and wherefrom the necessary technical know-how to convert the idea into a tangible product may be available, and so on. In other words, feasibility study involves an examination of the operations, financial, HR and marketing aspects of a business on *ex ante* (before the venture comes into existence) basis.

Project feasibility analysis results in a reasonably adequate formulation of the project in terms of location, production technology, production capacity, material inputs, etc., and contains fairly specific estimates of project cost, means of financing, sales revenues, production costs, financial profitability and social benefits.

Various dimensions of project feasibility study are analyzed throughout different stages of feasibility study in varying degrees of detail, both separately and in relation to others. Thus, a multi-dimensional feasibility analysis is a vital exercise.

If a project is seen to be feasible from the results of the study, the next logical step is to proceed with it. The research and information uncovered in the feasibility study will support the detailed planning and reduce the research time.

Content

The sources for content in a feasibility analysis come through extensive research, discussion and assessment and may incorporate the use of advanced computer modeling to determine the long-term impact of a project on the environment around it. Other feasibility analyses may be rooted only in anecdotal evidence as provided by those who have worked on similar efforts or those who will ultimately be affected by the project's outcome.

A basic pre-project feasibility analysis might include the following:

1) Executive Summary/Project Goal

Overview or description of the impact of the project on its environment and the potential for success (or failure) based on the analysis. This may also include brief mention of the alternatives considered and their relative viability.

2) Project Description

i) Anticipated As-Built Condition

This section is a description of the project as envisioned, including magnitude, location, community impact and market change.

ii) Anticipated Outputs

In this section, both intended and consequential outputs of the project should be incorporated, without comment as to their relative benefit or detriment to the world around them.

3) Project Environment

i) Financial

This section describes the financial climate in which the project will be developed and implemented. This may include assessments of the relative magnitude of the project within the overall organizational budget and the potential drain on available resources.

ii) Physical Environment

A feasibility analysis should include a description of the environment surrounding the project, including the physical locations for development and implementation.

iii) Societal/Cultural Environment

Descriptions of the culture and society in and around the project community are another aspect to a feasibility analysis. This may include an emphasis on those social and cultural issues that will be directly affected by project development and implementation.

4) Similar Efforts**i) Scenarios**

The section provides an outline of similar efforts and a synopsis of their effects on the finances and physical and social ... environments of their project organizations and communities.

ii) Similarities and Implications

Determination of the degree of similarity between the scenarios outlined and the project(s) under scrutiny in the feasibility analysis is covered.

5) Sensitivity Analyses**i) Financial**

A "what-if" analysis of finances to determine if the project is deemed viable is an important aspect of a feasibility analysis. An assessment of other organizational areas affected is included. This analysis may also examine the potential range of financial possibilities if the project fares extremely well or poor.

ii) Physical Environment

It involves a "what-if" analysis of the physical environment if the project is deemed viable. It includes an assessment of physical effects to the organization and the areas around the project. This analysis may also examine the potential range of physical manifestations if the project fares extremely well or poor.

iii) Social/Cultural Environment

It is a "what-if" analysis of the social and cultural environment if the project is deemed viable. It includes an assessment of the effects to local, regional, national and international societies. This analysis may also address the potential range of social and cultural implications if the project fares extremely well or poor.

6) Marketing/Public Relations**i) Market Analysis**

The market analysis includes an assessment of the potential market for the project or its outputs, including (but not limited to) the

financial buying power of the market, interest in or demand for the project and the life span of the market's potential members.

ii) Forecasts

Predictions regarding sales, returns and buying trends related to the project and its outputs are included in the forecasting section. Ideally, the forecast includes the timing of the market entry and the relative impact of early or late entry into the marketplace.

iii) Competitive Environment

The competitive environment section contains information on other organizations capable of conducting the project and/or producing its deliverables (or their equivalent). This may also incorporate some assessment of how potentially fickle the market may be about the project or its deliverables.

iv) Risk

Major risks should be considered in any feasibility analysis. They include those that could radically alter any or all of the assumptions on which the feasibility assessment is based and the potential market impact if those risks come to pass.

7) Conclusions and Recommendations

Based on the information from the analysis, it explains the conclusions that can be drawn regarding the viability (or non-viability) of the project, given the environment in which it will be developed and implemented. This normally includes a go/no-go decision and the implications of both of those decisions.

Q12. Explain the dimensions of Feasibility Analysis.

Ans :

In general terms, the elements of a feasibility analysis for a STEP should cover the following items:

1) Need Analysis

This indicates the recognition of a need for the project. The need may affect the organization itself, another organization, the

public, or the government. A preliminary study should be conducted to confirm and evaluate the need. A proposal of how the need may be satisfied is then developed. Pertinent questions that should be asked include:

- i) Is the need significant enough to justify the proposed project?
- ii) Will the need still exist by the time the project is completed,
- iii) What are the alternate means of satisfying the need?
- iv) What is the economic impact of the need?

2) Process Work

This is the preliminary analysis done to determine what will be required to satisfy the need. The work may be performed by a consultant who is a subject matter expert in the project field. The preliminary study often involves system models or prototypes. For STEPs, artist's conception and scaled down models may be used for illustrating the general characteristics of a process.

3) Engineering and Design

This involves a detailed technical study of the proposed project. Written quotations are obtained from suppliers and sub-contractors as needed. Technology capabilities are evaluated as needed. Product design, if needed, should be done at this stage.

4) Cost Estimate

This involves estimating project cost to an acceptable level of accuracy. Levels of around - 5% to + 15% are common at this level of a project plan. Both the initial and operating costs are included in the cost estimation. Estimates of capital investment, recurring and non-recurring costs should also be contained in the cost estimate document.

5) Financial Analysis

This involves an analysis of the cashflow profile of the project. The analysis should consider re-capitalization requirements, return on investment, inflation, sources of capital, pay-

back periods, break-even point, residual values, market volatility and sensitivity. This is a critical analysis since it determines whether or not and when funds will be available to the project. The project cashflow profile helps to support the economic and financial feasibility' of the project.

6) Project Impacts

This portion of scope feasibility analysis provides an assessment of the impact of the proposed project. Environmental, social, cultural and economic impacts may be some of the factors that will determine how a STEP is perceived by stakeholders. The value-added potential of the project should also be assessed. A value-added tax may be assessed based on the price of a product and the cost of the raw material used in making the product. The tax so collected may be viewed as a contribution to government coffers for re-investment in the science, technology and engineering infrastructure of the nation.

7) Conclusions and Recommendations

Scope feasibility analysis should end with the overall outcome of the project analysis. This may indicate an endorsement or disapproval of the project. If disapproval, potential remedies to make it right should be presented. Recommendations on what should be done should be included in the scope feasibility report.

Q13. State the advantages of Feasibility Analysis.

Ans :

1) Understanding Demand

Feasibility studies always analyze whether a real demand exists for a product or a service. This holds true for internal projects as well as for potential consumer offerings. For example, a project manager tasked with launching a customer relationship management system can examine the real demand for specific features, based on feedback from customers and from staff. The resulting data can shape the priority list, which

impacts both the budget and timeline. This way, project managers can avoid spending resources on features or projects with low impact and low demand among end users.

2) Assessing Resources

Another advantage of feasibility studies is the opportunity to catalog the current resources available for a project and to estimate the need for additional resources. Feasibility studies that recommend against projects often cite a lack of human resources or financial capital. This kind of result gives a project manager the opportunity to reset expectations based on real budgets and headcount

3) Marketing Feasibility

Even for products and services with measurable demand, companies must examine their ability to spread the word about a new offering. During a feasibility study, project managers learn whether the market is already over saturated with stronger competitors. Company leaders can also discover any potential legal roadblocks involving trademarks, patents, or other intellectual property rights,

4) Marking a Timeline

One of the biggest advantages of a feasibility study is the validation of a prospective timeline. When moving into a formal project planning phase, a project manager can use data generated by the study to help set milestones and deadlines. A quality feasibility study examines the timetable suggested by project sponsors for potential delays or breakdowns. When project managers use a study as the base for making timeline decisions, they run the least risk of being overruled by anxious stakeholders.

3.5 INDUSTRY AND COMPETITOR ANALYSIS

Q14. Why is industry and competitive analysis important to start a business?

(OR)

How do you carryout Industry and Competitor analysis.

(OR)

Why is industry and competitive analysis important to start a business? What happens if no such analysis is done?

Ans :

(Nov.-22, Dec.-18, July-18)

A) Industry Analysis

Introduction : A definition marketing strategy includes an industry analysis, identifies key success factors and includes focusing on managing SWOT (strengths, weaknesses, opportunities and threats).

The importance of industry analysis

1. Industry – related factors have a more direct impact on the firm than the general environment.
2. An industry's dominant economic characteristics are important because of their implication for crafting strategy.
3. Industry analysis reveals industry attractiveness and its prospects for growth.
4. It helps the firm to identify such aspects as :
 - Current size of the industry
 - Product offerings
 - Relative volumes
 - Performance of the industry in recent years
 - Forces that determine competition in the industry.
5. It focuses attention on the firm's competitors.
6. It helps to determine key success factors.
7. A thorough understanding of the industry provides a basis for thinking about appropriate strategies that are open to the firm.

Important Aspects in Industry Analysis

The following are the aspects to be covered in the above analysis :

1. Industry Features

Industries differ significantly. So, analyzing a company's industry begins with identifying the industry's dominant economic features and formatting a picture of the industry landscape. An industry's dominant economic features include such factors as

- Overall size
- Market growth rate
- Geographic boundaries of the market
- Number and sizes of competitors
- Pace of technological change
- Product innovations etc.

Getting a handle on an industry features promotes understanding of the kinds of strategic moves that managers should employ. For example, in industries characterized by one product advance after another, a strategy of continuous product innovation becomes a condition for survival. Examples of such industries are video games, computers and pharmaceuticals.

2. Industry Boundaries

All the firms in the industry are not similar to one another. Firms within the same industry could differ across various parameters, such as :

- Breadth of market
- Product/service quality
- Geographic distribution
- Level of vertical integration
- Profit motives

3. Industry Environment

Based on their environment, industries are basically of two types

a) Fragmented Industries

A frag-mented industry consists of a large number of small or medium sized companies, none of which is in a position to determine industry price.

Many fragmented industries are characterized by low entry barriers and commodity type products that are hard to differentiate.

b) Consolidated Industries

A consoli-dated industry is dominated by a small number of large companies (an oligopoly) or in extreme cases, by the just one company (a monopoly). These companies are in a position to determine industry prices. In consolidated industries, one company's competitive actions or moves directly affect the market share of its rivals, and thus their profitability. When one company cuts prices, the competition also cut prices. Rivalry increases as companies attempt to undercut each other's prices or offer customers more value in their products, publishing industry profits down in the process. The consequence is a dangerous competitive spiral.

According to Michael Porter, industries can be categorized into :

1. Emerging industries

Are those in the industry and growth phases of their life cycle.

2. Mature industries

Are those who reached the maturity stage of their life cycle.

3. Declining industries

Are those in the transition stage from maturity to decline.

4. Global industries

Are those with manufacturing bases and marketing operations in several countries.

Competition varies during each stage of industry life cycle.

4. Industry Structure

Defining an industry boundaries is incomplete without an understanding of its structural attributes. Structural attributes are the enduring characteristics that given an industry its distinctive character.

Industry structure consists of four elements :

a) Concentration

It means that extent to which industry sales are dominated by only a few firms. In a highly concentrated industry (i.e. an industry whose sales are dominated by a handful of firms), the intensity of competition declines over time. High concentration serves as a barrier to entry into an industry, because it enables the firms to hold large market shares to achieve significant economies of scale.

b) Economies of Scale

This is an important determinant of competition in an industry. Firms that enjoy economies of scale can charge lower prices than their competitors, because of their savings in per unit cost of production. They also can create barriers to entry by reducing prices temporarily or permanently to deter new firms entering the industry.

c) Product differentiation

Real perceived differentiation often intensifies competition among existing firms.

d) Barriers to entry

Barriers to entry are the obstacles that a firm must overcome to enter an industry, and the competition from new entrants depends mostly on entry barriers.

These features determine the strength of the competitive forces operating in the industry. Trends affecting industry structure are important considerations in strategy formulation.

5. Industry Attractiveness

Industry attractiveness is dependent on the following factors :

- Profit potential
- Growth prospects
- Competition
- Industry barriers etc.

As a general proposition, if an industry's profit prospects are above average, the industry can be considered attractive; if its profit prospects are below average, it is considered unattractive. If the industry and competitive situation is assessed as attractive, firms employ strategies to expand sales and invest in additional facilities as needed to strengthen their long-term competitive position in business. If the industry is judged as unattractive, firms may choose to invest cautiously, look for ways to protect their profitability. Strong companies may consider diversification into more attractive businesses. Weak companies may consider merging with a rival to bolster market share and profitability.

6. Industry Performance

This requires an examination of data relating to :

- Production
- Sales
- Profitability
- Technological advancements etc.

7. Industry Practices

Industry practices refer to what a majority of players in the industry do with respect to products, pricing, promotion, distribution etc. This aspect involves issues relating to :

- Product policy
- Pricing policy
- Promotion policy
- Distribution policy
- R&D policy
- Competitive tactics.

8. Industry's Future Prospects

The future outlook of an industry can be anticipated based on such factors as :

- Innovation in products and services
- Trends in consumer preferences
- Emerging changes in regulatory mechanisms
- Product life cycle of the industry
- Rate of growth etc.

B) Competitive Analysis

A competitor analysis is the first step in predicting the extent and nature of rivalry with each competitor. Appropriate features of this kind of analysis are described below.

1. Market Commonality

Market commonality is represented by the extent to which firms compete in the same markets. And market commonality is increasing as more and more firms compete internationally.

In a number of industries (e.g., airlines, chemicals, pharmaceuticals, and consumer foods) the largest domestic firms compete in many of the same markets. Thus there is high market commonality. This means that each has awareness and motivation to respond to competitive interaction.

Market Commonality is concerned with the number of markets with which the firm and a competitor are jointly involved and the degree of importance of the individual markets to each.

2. Resource Similarity

The concept of resource similarity, how firms with similar types and amounts of resources are likely to have similar strengths, weaknesses, and strategies, and the difficulty of assessing competitor resources (particularly, intangible resources).

Resource similarity is the extent to which a firm's tangible and intangible resources are comparable to a competitor's in terms of both type and amount. Firms with similar types and amounts of resources are likely to have similar strengths and weaknesses and to use similar strategies.

In most cases, dissimilar resources may increase the likelihood of an attack while firms with similar resources (overlap between their resource portfolios) will be less likely to attack because resource similarity increases the likelihood of retaliation.

3.6 FORMULATION OF THE ENTREPRENEURIAL PLAN

Q15. Define Entrepreneurial Plan. Explain briefly about formulation of Entrepreneurial Plan.

Ans :

(Imp.)

Meaning

The business plan which is formulated by an entrepreneur for running the enterprise is known as entrepreneurial plan. This plan would be available in written format and describes the information related to venture's current status, expectations and projected results. In addition to this, all the aspects related to the venture are enclosed under this plan like, marketing research, financing, human resource availability etc.

Formulation

Entrepreneurial plan can be formulated by considering the following components as shown in the following figure,

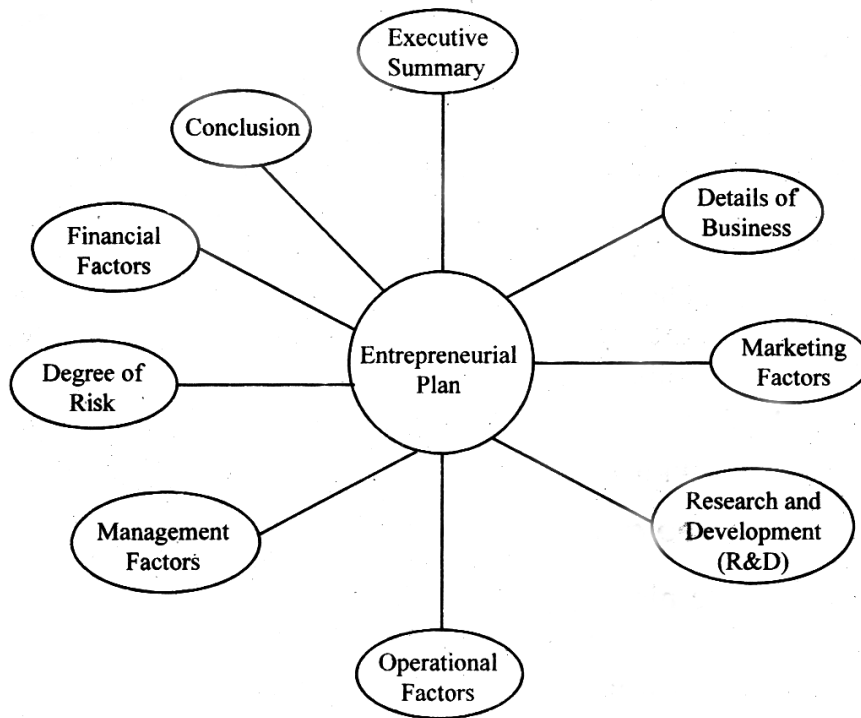


Fig. : Formulation of Entrepreneurial Plan

1. Executive Summary

In this, summary report is prepared which highlights the brief description of the topics like, mission of venture, major marketing points, expected results and so on. An effective summary may gain the interest of the reader to read further information of the venture.

2. Details of Business

This section of the plan describes the brief history of company and provide information about the industry under which company operating its business. It also describes the products and services offered by the company with their uniqueness.

3. Marketing Factors

This section of plan is divided into two parts. First is 'Marketing research'. Under this, target market is identified, target buyers are identified, market size and its recent trends are measured and level of competition is also analyzed. Second is 'Marketing plan'. Under this, the following factors are considered,

- (a) Marketing strategies
- (b) Sales and Distribution
- (c) Pricing strategies
- (d) Advertising and Promotional strategies.

4. Research and Development (R&D)

Under this section, information related to research and developments would be disclosed. Research and development may be regarding for the design of products and services, delivery of products and services etc.

5. Operational Factors

Under this section, operational information would be described such as, the type of operating system used by the company, facilities offered, labour availability, raw material availability, supply of product etc.

6. Management Factors

This section not only describes the information regarding the key investors and management team but also demonstrate the required human resources for successfully achieving the objectives of venture. Addition to this, methods of compensating human resources by way of salaries, stock purchases, employment agreements etc are also described.

7. Degree of Risk

While planning, entrepreneurs always consider the concept of risk i.e., how much risk is involved in the new venture and how it can be anticipated and controlled. Thus, risk related information is also important in entrepreneurial planning.

8. Financial Factors

Under this section of entrepreneurial plan, information related to growth and profitability of the company is considered. This section describes that how much capital is required for new venture, how the funds should be utilized, what would be expected profit etc. However, entrepreneur may also attached the financial statements of company like income statement, balance sheet and cash flow statements for analyzing the financial position of company.

3.7 THE CHALLENGES OF NEW VENTURE STARTUPS

Q16. Elucidate the challenges involved in new venture development.

(OR)

Critically analyze the challenges of new venture start-ups.

Ans : (Dec.-19, Aug.-15, Imp.)

A research conducted by Silicon India Co. revealed that, following are the various challenges faced by Indian entrepreneurs during new venture startups,

1. Unpredictable situations connected with starting a new venture in India.
2. Lack of correlation between the actual and anticipated results.
3. Requirement of strong commitment and dedication.
4. Existence of some problems in Indian lifestyles such as, low quality of life, absence of relaxation and entertainment sources,
5. Absence of effective product management skills.

Recent studies conducted on many successful firms revealed the following challenges involved in venture start-ups,

- (i) Getting external financing for starting the new-venture and for future growth.
- (ii) Lack of internal financial management such as, lack of sufficient working capital, cash flow problems etc.
- (iii) Marketing/sales issues such as sales downfall, relying on only one or few customers, uncontrolled marketing distribution channels and other issues related to product promotion, advertising etc.
- (iv) Unorganized product development techniques.
- (v) Production and operations management issues such as quality control, maintenance, handling raw materials etc.

- (vi) Managerial issues such as inexperienced managers, lack of time and unorganized administrative issues.
- (vii) HRM issues such as recruitment, selection, placement, retention, turnover, personnel development etc.
- (viii) Economic environment and regulatory environment issues.

1. Internal Problems

They included inadequate capital, lack of sufficient cash flows, inadequate facilities (like machinery, tools), inefficient inventory management, HR issues, leadership and organizational issues, poor financial systems etc.

2. External Problems

They include poor customer relations, lack of market knowledge and planning, venture location, expansion criteria, product and pricing issues etc. Thus, researchers identified that, rather than meeting the product/venture life-cycle stages, it is the competition and its intensity which create problems for start-up ventures. Entrepreneurs need to adopt strategies that recognize the prevailing competition in the market and try to strengthen themselves to face the competition. Apart from this, entrepreneurs must try to resolve the problems identified in the prestart-up and startup phases.

Q17. Explain the Pitfalls in Selecting New Ventures.

Ans :

The first key area of analysis is the selection of a new venture. This stage of transition—from an idea to a potential venture—can be the most critical for understanding new-venture development. Following are six of the most important pitfalls commonly encountered in the process of selecting a new venture.

1. Lack of Objective Evaluation

Many entrepreneurs lack objectivity. Engineers and technically trained people are particularly prone to falling in love with an

idea for a product or service. They seem unaware of the need for the scrutiny they would give to a design or project in the ordinary course of their professional work. The way to avoid this pitfall is to subject all ideas to rigorous study and investigation.

2. No Real Insight into the Market

Many entrepreneurs do not realize the importance of developing a marketing approach in laying the foundation for a new venture. They show a managerial shortsightedness. Also, they do not understand the life cycle that must be considered when introducing a new product or service.

No product is instantaneously profitable, nor does its success endure indefinitely. Entrepreneurs must not only project the life cycle of the new product, they must also recognize that introducing the product at the right time is important to its success. Timing is critical. Action taken too soon or too late will often result in failure.

3. Inadequate Understanding of Technical Requirements

The development of a new product often involves new techniques. Failure to anticipate the technical difficulties related to developing or producing a product can sink a new venture. Entrepreneurs cannot be too thorough when studying the project before initiating it. Encountering unexpected technical difficulties frequently poses time-consuming and expensive problems.

4. Poor Financial Understanding

A common difficulty with the development of a new product is an overly optimistic estimate of the funds required to carry the project to completion. Sometimes entrepreneurs are ignorant of costs or are victims of inadequate research and planning. Quite often they tend to underestimate development costs by wide margins. It is not unusual for estimates to be less than half of what is eventually required.

5. Lack of Venture Uniqueness

A new venture should be unique. Uniqueness is the special characteristics and design concepts that draw the customer to the venture, which should provide performance or service that is superior to competitive offerings. The best way to ensure customer awareness of differences between the company's product and competitors' products is through product differentiation. Pricing becomes less of a problem when the customer sees the product as superior to its competitors. A product that is unique in a significant way can gain the advantage of differentiation.

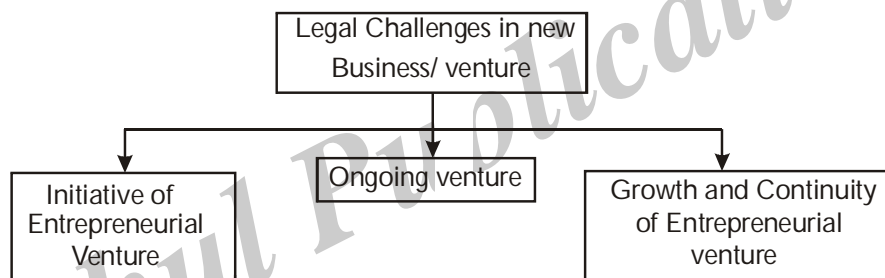
6. Ignorance of Legal Issues

Business is subject to many legal requirements. One is the need to make the workplace safe for employees. A second is to provide reliable and safe products and services. A third is the necessity for patents, trademarks, and copyrights to protect one's inventions and products. When these legal issues are overlooked, major problems can result.

Q18. What are the legal challenges an entrepreneur should be aware before initiating the process for a new business proposal? Elaborate your answer.

Ans : (Imp.)

In initial stages of new business/venture proposals, entrepreneurs may face various legal challenges. Such challenges are shown in the following figure,



1. Initiative of Entrepreneurial Venture

When entrepreneur has taken the initiative of establishing new business, at that time he has to consider the following legal concepts. They are as follows,

(a) Laws Governing Intellectual Property

Entrepreneurs are required to gain the knowledge about the following types of intellectual property,

(i) Patent

An official document that grants exclusive rights to make, use or sell an invention to the inventor is known as a patent. Thus, entrepreneur has to do research before patenting his venture.

(ii) Copyright

Copyright grants exclusive rights to the creator of a original and artistic work. So entrepreneur have to concentrate on the legal rules of copyright before establishing a new business/ venture.

(iii) Trademarks

The signs that could be seen and used for differentiating the goods and services of one manufacturer from other competitors is known as trademarks. Entrepreneur have to be very cautious while registering trademark of view business. He has to ensure that separate trademark registration along with g trademark registration is done.

(b) Type of Business

Entrepreneur may face legal challenges while deciding the type of business i.e., whether to start a sole trading business, partnership business, corporation and franchising business. For this purpose, he has to gather all the information related to these businesses like which business is more profitable, which would have long life, which business is more suitable with his interest and talent etc.

2. Ongoing Venture

Sometimes, entrepreneurs may face legal challenges related to law which are directly linked with the existing or new business/venture. Some of them are as follows,

(a) Personnel Laws

Personnel laws are the employment laws or policies of enterprises which has to be follow by the entrepreneurs in following situations,

- (i) Hiring and firing of employees.
- (ii) Providing equal employment opportunities.
- (iii) Collective Bargaining.

(b) Contract Laws

Contract laws are the laws related to the business transactions of an enterprise. They are listed below,

- (i) Legal contracts
- (ii) Sales contracts
- (iii) Lease contracts.

3. Growth and Continuity of Entrepreneurial Ventures

Entrepreneurs also face difficulties during the growth period of new entrepreneurial venture. Because they have to consider all the tax policies, government regulations and other laws while performing the business operations. Some of the major factors which needs to be considered by an entrepreneur initiating new business/ventures are as follows,

(a) Tax Policies

Tax policies may includes the policies related to federal taxes, state taxes, local taxes, payroll policies and incentives etc.

(b) Government Regulations

Every enterprise is under the control of government regulations. As a result, entrepreneurs may face many challenges while doing business. He has to operate his business as per laws and regulations enacted by the government bodies or acts like consumer laws etc.

3.8 DEVELOPING AN EFFECTIVE BUSINESS MODEL

Q19. Define business model. Explain the different types of business model.

Ans : (Nov.-20)

Meaning

A business model describes the rationale of how an organization creates, delivers, and captures value, in economic, social, cultural or other contexts. The process of business model construction and modification is also called business model innovation and forms a part of business strategy.

In theory and practice, the term business model is used for a broad range of informal and formal descriptions to represent core aspects of a business, including purpose, business process, target customers, offerings, strategies, infrastructure, organizational structures, sourcing, trading practices, and operational processes and policies including culture.

In their simplest forms, business models can be broken into three parts:

1. **Everything it takes to make something**
design, raw materials, manufacturing, labor, and so on.
2. **Everything it takes to sell that thing**
marketing, distribution, delivering a service, and processing the sale.
3. **How and what the customer pays**
pricing strategy, payment methods, payment timing, and so on.

Types

The different kinds of business models

1. Advertising

The advertising business model has been around a long time and has become more sophisticated as the world has transitioned from print to online. The fundamentals of the model revolve around creating content that people want to read or watch and then displaying advertising to your readers or viewers.

In an advertising business model, you have to satisfy two customer groups: your readers or viewers, and your advertisers. Your readers may or may not be paying you, but your advertisers certainly are.

An advertising business model is sometimes combined with a crowd sourcing model where you get your content for free from users instead of paying content creators to develop content.

Examples : CBS, The New York Times, YouTube

2. Brokerage

Brokerage businesses connect buyers and sellers and help facilitate a transaction. They charge a fee for each transaction to either the buyer or the seller and sometimes both.

One of the most common brokerage businesses is a real estate agency, but there are many other types of brokerages such as freight brokers and brokers who help construction companies find buyers for dirt that they excavate from new foundations.

Examples: ReMax, Roadrunner Transportation Systems

3. Fractionalization

Instead of selling an entire product, you can sell just part of that product with a fractionalization business model.

One of the best examples of this business model is timeshares, where a group of people owns only a portion of a vacation home, enabling them to use it for a certain number of weeks every year.

Examples : Disney Vacation Club, Net Jets

4. Leasing

Leasing might seem similar to fractionalization, but they are actually very different. In fractionalization, you are selling perpetual access to part of something. Leasing, on the other hand, is like renting. At the end of a lease agreement, a customer needs to return the product that they were renting from you.

Leasing is most commonly used for high-priced products where customers may not be able to afford a full purchase but could instead afford to rent the product for a while.

Examples: Cars, Direct Capital

5. Subscription

Subscription business models are becoming more and more common. In this business model, consumers get charged a subscription fee to get access to a service.

While magazine and newspaper subscriptions have been around for a long time, the model has now spread to software and online services and is even showing up in service industries.

Examples: Netflix, Sales force, Comcast

Q20. Business model is a plan of business operations. What does a business model speak about the business and why a business model is important in understanding business ?

Ans :

(Nov.-22)

Importance

The business model helps to target the customer base for the company. It helps in making marketing strategies, projection of revenues and expenses taking into account the type of Business models and clientele.

Every investor needs to review the business model in order to get knowledge about the company's competitive edge. Understanding the business model helps the investors to have a better sense of financial data.

Evaluating the business model helps the investors to get the overall view about the company's products, its business strategies and future prospects.

Q21. Define Business plan. Is business plan really necessary even for very small start-up business.

Ans :

The business plan is a written document prepared by the entrepreneur that describes all the relevant external and internal elements involved in starting a new venture. It is often an integration of functional plans such as marketing, finance, manufacturing, and human resources. Business plan should be prepared by the entrepreneur; however they may consult with many other sources in its preparation. It is also known as project plan.

Yes, business plan is necessary for all types of businesses regardless of the size of the business. The following are the supporting reasons to formulate a business plan for even a very small start-up business,

1. Business plan explain in detail the setting-up of objectives of the enterprise.
2. It provides a business map and a direction to create resources that are required for the business like procurement of finance, skilled workers, marketing starting and so on.
3. A business plan helps in solving the future problems.
4. It realises the reason for startup and keeps the small organizations focus towards set goals.
5. It convince the lenders i.e., banks and investors to provide financial assistance to the business as they can see a construction and profitable business model.
6. Business plan is essential element for any startup in order to survive in competition and to make business planning effective.
7. Writing a business plan is the key to success as it is the blueprint of every business enterprise.

Thus, it is concluded that irrespective of the size of the business enterprise, formulating a business plan is an essential tool for every enterprise to survive and succeed in competitive world.

3.8.1 Blue and Red Ocean Strategies

Q22. Discuss briefly about Blue and Red Ocean Strategies?

Ans :

(Imp.)

Red Oceans Strategy :

- Red oceans are all the industries in existence today – the known market space.
- Cut-throat competition in existing industries turns the ocean bloody red. Hence the term 'red ocean'.
- Red ocean strategy is all about competition. As the market space gets more crowded, companies compete fiercely for a greater share of limited demand.
- Competing in red oceans is a zero-sum game. A market-competing strategy divides existing wealth between rival companies. As competition increases, prospects for profit and growth decline.

Blue Ocean Strategy:

- Blue oceans are all the industries not in existence today – the unknown market space.
- Unexplored and untainted by competition, 'blue oceans' are vast, deep and powerful in terms of opportunity and growth.
- Blue ocean strategy creates new demand. Companies develop uncontested market space rather than fight over a shrinking profit pool.
- Creating blue oceans is non-zero-sum. There is ample opportunity for growth that is both profitable and rapid.

3.9 SOURCES OF FINANCE

Q23. Define finance. Explain the various sources of finance.

(OR)

Explain about the sources of finance available to an entrepreneur?

Ans :

(Dec.-18)

Meaning

Finance is one of the important prerequisites to start an enterprise. In fact it is the availability of finance that facilitates an entrepreneur to bring together land, labour, machinery and raw material together to combine them to product goods.

Sources

There are two sources of finance :

1. Internal Sources
2. External Sources

Let us have a cursory look at what these sources consist of :

1. Internal Sources

- Under this source, funds are raised from within the enterprise itself. The internal sources of financing could be owner's capital known as equity, deposits and loans given by the owner, the partners, the directors, as the case may be, to the enterprise.
- One source for raising funds internally may be personal loans taken by the entrepreneur on his/her personal assets like Provident Fund, Life Insurance Policy, buildings, investments, etc. In addition to these, in case of a running enterprise, funds could also be raised through the retention of profits or conversion of some assets into funds. The cardinal principal of financial management also suggests that an entrepreneur should religiously plough back a good portion of his/her profits into the enterprise itself.
- However, the scope for raising funds from internal sources particularly in the case of small-scale enterprises remains highly limited.

2. External Sources

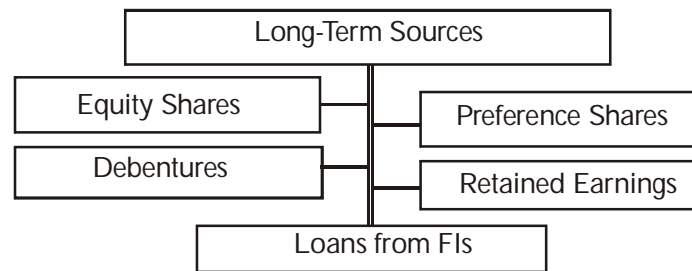
In short, funds raised from other than internal sources are from external sources. The external sources usually include the following:

- Deposits or borrowings from relatives and friends and others.
- Borrowings from the banks for working capital purposes.
- Credit facilities from the commercial banks.
- Term-loans from financial institutions.
- Hire-purchase or leasing facility from the National Small Industries Corporation (NSIC) and State Small Industries Corporations (SSICs)
- Seed/Margin money, subsidies from the Government and the financial institutions. If we now lump both the sources together, these can broadly be classified as follows:
 - Personal funds or Equity Capital.
 - Loans from relatives and friends.
 - Mortgage Loans.
 - Term-Loans.
 - Subsidiaries.

Q24. Describe the various sources used for rising long term loans for an enterprise.

Ans :

Long-term funds are required to create production facilities through purchase of fixed assets such as plant, machinery, land, building, etc., and for modernisation and expansion of the existing facilities. These funds are required to a great extent for meeting the fixed capital requirements of a business. The various sources of raising long-term funds include



1. Equity Shares

Equity shares are, earlier, known as ordinary shares or common shares. Equity shareholders are the real owners of the company as they have the voting rights and enjoy decision-making authority on important matters, related to the company. The shareholders' return is in the form of dividend, which is dependent on the profits of the company and capital gain/loss, at the time of their sale.

2. Preference Shares

Preference capital represents a hybrid form of financing - it par takes some characteristics of equity and some attributes of debentures. It resembles equity in the following ways:

- i) Preference dividend is payable only out of distributable profits;
- ii) Preference dividend is not an obligatory payment (the payment of preference dividend is entirely within the discretion of directors); and
- iii) Preference dividend is not a tax-deductible payment.

3. Debentures

A debenture is an instrument executed by the company under its common seal acknowledging indebtedness to some person or persons to secure the sum advanced. It is thus a security issued by a company against the debt. In India, a public limited company is allowed to raise debt capital through debentures after getting certificate of commencement of business, if permitted by its memorandum of association. The term 'debenture' has not been defined in the Act. Indian Companies Act simply says "debenture includes debenture stock, bonds, and any other security of a company whether constituting a charge on the assets of the company or not".

4. Retained Earning

Retained earning is also referred as ploughing back of profits means the reinvestments by concern of its surplus earnings in its business. It is an internal source of finance and is most suitable for an established firm for its expansion, modernisation and replacement, etc. This method of finance has a number of advantages as it is the cheapest rather cost-free source of finance; there is no need to keep securities; there is no dilution of control; it ensures stable dividend policy and gains confidence of the public. But excessive resort to retained earnings may lead to monopolies, misuse of funds, over-capitalisation and speculation, etc.

5. Loans from Financial Institutions

Financial institutions provide short-term, medium-term, and long-term loans. This source of finance is more suitable to meet the medium-term demands of working capital. Interest is charged on such loans at a fixed rate and the amount of the loan is to be repaid by way of installments in a number of years. Loans from financial institution also referred to as term finance; represent a source of debt finance which is generally repayable in more than one year but less than 10 years.

Q25. Describe the various sources used for rising short term loans for an enterprise.*Ans :***(Imp.)****Meaning**

Short-term finance is obtained for a period upto one year. These are required to meet the day-to-day business requirements. In other words, short-term finance is obtained to meet the working capital requirements of the enterprise.

i) Loans from Commercial Banks

Small scale industries can raise loans from the commercial banks with or without security. This method of financing does not require any legal formality except that of creating a mortgage on the assets. Loan can be paid in lump sum or in parts. The short-term loans can also be obtained from banks on the person: security of the directors of a company. Such loans are known as clean advances. Bank finance is made available to small scale industries at concessional rate of interest. Hence, it generally a cheaper source of financing working capital requirements of enterprise- However, this method of raising funds for working capital is a time-consuming process:

ii) Public Deposits

Often companies find it easy and convenient to raise, short-term funds by inviting shareholders, employees and the general

public to deposit their savings with the company. It is a simple method of raising funds from public for which the company has only to advertise and inform the public that it is authorized by the Companies Act, to accept public deposits. Public deposits can be invited by offering a higher rate of interest than the interest allowed on bank deposits. However, the companies can raise funds through public deposits subject to a maximum of 25% of their paid up capital and free reserves.

But, the small scale industries are exempted from the restrictions of the maximum limit of public deposits if they satisfy the following conditions:

- (i) The amount of deposit does not exceed Rs. 8 lakh or the amount of paid up capital whichever is less.
- (ii) The paid up capital does not exceed Rs. 12 lakh.
- (iii) The number of depositors is not more than 50%.
- (iv) There is no invitation to the public for deposits.

The main merit of this source of raising funds is that it is simple as well as cheaper. But, the biggest disadvantage associated with this source is that it is not available during depression and financial stringency.

iii) Trade Credit

Just as the companies sell goods on credit, they also buy raw materials, components and other goods on credit from their suppliers. Thus, outstanding amounts payable to the suppliers i.e., trade creditors for credit purchases are regarded as sources of finance. Generally, suppliers grant credit to their clients for a period of 3 to 6 months. Thus, they provide in a way, short-term finance to the purchasing company. As a matter of fact,

availability of this type of finance largely depends upon the volume of business. More the volume of business, more will be the availability of this type of finance and vice versa. Yes, the volume of trade credit available also depends upon the reputation of the buyer company, its financial position, degree of competition in the market, etc. However, availing of trade credit involves loss of cash discount which could be earned if payments were made within 7 to 10 days from the date of purchase of goods. This loss of cash discount is regarded as implicit cost of trade credit.

iv) Factoring

Factoring is a financial service designed to help firms in managing their book debts and receivables in a better manner. The book debts and receivables are assigned to a bank called the 'factor' and cash is realized in advance from the bank. For rendering these service, the fee or commission charged is usually a percentage of the value of the book debts/receivables factored. This is a method of raising short-term capital and known as factoring'. On the one hand, it helps the supplier companies to secure finance against their book debts and receivables, and on the other, it also helps in saving the effort of collecting the book debts. The disadvantage of factoring is that customers who are really in genuine difficulty do not get the opportunity of delaying payment which they might have otherwise got from the supplier company.

v) Discounting Bills of Exchange

When goods are sold on credit, bills of exchange are generally drawn for acceptance by the buyers of goods. The bills are generally drawn for a period of 3 to 6 months. In practice, the writer of the bill, instead of

holding the bill till the date of maturity, prefers to discount them with commercial banks on payment of a charge known as discount. The term 'discounting of bills' is used in case of time bills whereas the term, 'purchasing of bills' is used in respect of demand bills.

vi) Bank Overdraft and Cash Credit

Overdraft is a facility extended by the banks to their current account holders for a short-period generally a week. A current account holder is allowed to withdraw from its current deposit account upto a certain limit over the balance with the bank. The interest is charged only on the amount actually overdrawn. The overdraft facility is also granted against securities.

Cash credit is an arrangement whereby the commercial banks allow to borrow money upto a specified limit known as 'cash credit limit.' The cash credit facility is allowed against the security. The cash credit limit can be revised from time to time according to the value of securities. The money so drawn can be repaid as and when possible. The interest is charged on the actual amount drawn during the period rather on limit sanctioned.

vii) Advances from Customers

One way of raising funds for short-term requirement is to demand for advance from one's own customers. Examples of advances from the customers are advanced at the time of booking a car, a telephone connection, a flat, etc This has become an increasingly popular source of short-time finance among the companies mainly due to two reasons. First, the companies do not pay any interest on advances from their customers. Second, if any company pays interest on advances, that too at a nominal rate. Thus, advances from customers become one of the cheapest source of raising funds for meeting working capital requirements of companies.

viii) Accrual Accounts

Generally, there is a certain amount of time gap between an income is earned and is actually received or an expenditure becomes due and is actually paid. Salaries, wages and taxes, for example, become due at the end of the month but are usually paid in the first week of the next month. Thus, the outstanding salaries and wages, say, expenses for a week help the enterprise in meeting their working capital requirements. This source of raising funds does not involve any cost.

Q26. What are some options for obtaining capital for a business that is brand new and therefore has no financial history?

Ans .:

(Aug. - 17)

Some of the sources for obtaining capital for a business that is brand new and therefore has no financial history, include the following,

1. Founders, Family and Friends

This is the most common and easiest option for obtaining start up capital. The capital is obtained from entrepreneur's own savings, loans, from family and friends. The investment made by them is very crucial and is usually not recognized in new venture creation. The founder of the business generally finance their new business with their own money which shows that they believe in their idea and indicates their commitment to other potential investors. Initial investment of a new project would be collected from the savings and borrowings of owner. After collection of personal capital (founders, family & friends), the new business might require more formal types of funding through borrowing capital or raising investments (equity).

2. Borrowing

An entrepreneur can borrow capital from banks for a new venture. Banks charge fees and interest on the capital at variable or a fixed rate for arranging such finance.

3. Unsecured Borrowing

The commonly used form of unsecured borrowing is credit card debt. It is more expensive when compare to formal borrowings. Inspite of that 60% of new businesses use them to fund their debt. Credit cards are attractive as they are widely accepted, easy to use, can streamline payments, and they are simple to obtain than bank borrowings.

4. Secured Borrowing

Banks generate money by giving loan to people and businesses. Acquiring loans against assets is cheap and simple to acquire compared to equity finance and they can retain control of their business. Borrowing is usually secured against property. This is to buy the property or machine.

5. Equity

If a business is established as a limited company it is permitted to raise capital through the sale of his/her equity shares to external investors. The shares are sold to increase the capital of the firm and get new expertise instead of prevailing shareholders to make personal gains. Investment for private equity funds is provided in exchange for a stake in the company.

The investors get future returns based on profitability or growth in value of the business.

Q27. Describe the differences between equity and debt capital and the advantages and the disadvantages of each.

Ans :

(Aug. - 17)

S.No.	Equity Financing/Capital	S.No.	Debt Financing/Capital
1.	Equity financing refers to the method of attaining partial ownership in a firm by investing in its stock usually for funding or financial purpose.	1.	Debt financing does not involve the attainment of ownership. Instead, it acts as a form of loan acquired by a firm at a predetermined rate of interest.
2.	Most common sources of equity financing are the investors, private placement, venture capital and initial public offerings.	2.	Common sources of debt financing include the commercial banks and Small Business Administration (SBA) guaranteed loans and so on.
3.	Equity investors who are the partial owners of the firm are exposed to high levels of risk.	3.	In debt financing, banks are not the investors indeed they act as risk managers and regulators.
4.	Money raised in the form of equity financing i.e., from the equity investors are paid in the form of dividends from the profits earned by a firm. Thus, equity financing is one kind of investment.	4.	Money raised by a company from the banks as debt financing must be repayable including interest. Thus, debt financing is a type of loan or borrowing.
5.	Equity financing denotes ownership, risk, control, authority and rights in an organization.	5.	In debt financing, there is no ownership or risk but the banks exercise the rights to control the ability of the firm in the periodical payment of loans.
6.	Under this, investors invest equity capital at risk without any assurance about fixed amount of return in the form of dividends. However, equity investors invest in those firms who have unique business opportunity, high growth potential and scope for niche market and proven management.	6.	Banks don't take any risk to lend money but, they consider the financial soundness of the company to repay back the issued loans.

Advantages of Equity Shares

Following are the advantages of equity shares,

1. It is not compulsory to pay fixed rate of dividend.
2. Equity capital has no maturity date.
3. They enjoy voting rights and elect the Board of Directors.
4. The equity capital does not carry any charge against the assets of the company. It is the continuous loan to the company till the liquidation.

Disadvantages of Equity Shares

Following are the disadvantages of equity shares,

1. It is not for those investors, who want to invest in securities which are safe and yield fixed income.
2. Reduces the control of existing owners by selling of equity shares to outsiders.
3. Cost to equity shares is much higher than other type of securities, like preference shares, debentures etc.

Advantages of Debentures/Debt Capital

Following are the advantages of debentures,

1. Investors of debentures get definite, secure and uniform income.
2. Debentures have a specific maturity period which attract many investors.
3. SEBI have issued many guidelines, and debenture trust deed have provided many provisions to protect the interest of debenture-holders.

Disadvantages of Debentures/Debt Capital

Following are the disadvantages of debentures,

1. Debentureholders do not possess any authority over management, as they do not have any voting rights.
2. Debentureholders must pay full tax on interest gained.
3. Debentureholders just play the role of creditors, they do not possess any share in surplus profits or assets of the company.

3.10 CRITICAL FACTORS FOR NEW VENTURE DEVELOPMENT

Q28. While selecting a new venture, which are the critical factors, the entrepreneur should consider and why?

Ans : (Nov.-21)

Following are the factors to be considered while selecting a new venture,

1. Nature of the Business

The selection of an enterprise suitable for the business depends upon the nature of the business. For example,

- (a) Business that requires the personal attention and skill for the success are usually established as proprietary/ sole proprietorship firms/concerns.
- (b) Business requiring pooling of funds and skills are usually established as "partnership firms".

(c) Firms involved in the large scale production are the "Company" form of ownership.

2. Area of Operation

The area of operation also helps in the selection criteria of form of business ownership. If the firm's business is limited or restricted to a particular locality or area then the proprietorship form of business is said to be suitable for the enterprise. If the business is large and widespread catering to the needs of national and international market then "Company" form of business is suitable for the firm.

3. Degree of Control

If direct control over the operations of the business is required then the proprietorship business is suitable and if direct control is not required then 'company' form of ownership is best suitable.

4. Capital Requirements

If the business needs small amount of capital, the best form of ownership will be "proprietorship" or "partnership". In case where large amount of capital is required then the 'company' form of ownership is best suitable.

5. Risk and Liability

If the entrepreneurs can bear the risk individually then one can organize the firm in the form of sole proprietorship and if one can't handle the risk involved in business, then He/She can go for a company where risk is limited to the shareholder's liability in the company.

Q29. Discuss the phases and various critical factors involved in the phases of new venture development.

Ans :

Development of new venture passes through three sequential steps. They are,

1. Prestart-up Phase

It begins when the idea for new venture originates and continues till the idea is put into work i.e., when the business is ready to start.

2. Start-up Phase

It begins when the sales of goods and services have started and continues till the stage when business is ready enough to face short-term threats and is well-established.

3. Post Start-up Phase

It continues till the business stops working i.e., till termination.

Critical Factors Involved in Phases of New Venture Development

All of the three phases are evaluated by a number of critical factors. Of all the three phases, pre-start up and start-up phases are the crucial sections for a potential entrepreneur. The five critical factors involved in these two phases (i.e., pre-start up and start-up phases) are as follows,

(a) Venture Uniqueness

Uniqueness of a venture can be identified from the special features which attract the customers towards it and from the traits with which it differs and dominates the competitors. The degree of uniqueness varies from routine to extraordinary. The difference between extraordinary and routine can be drawn based on the extent of innovation and investigation done during the pre-start-up phase. The uniqueness of the venture arises from the goals of using a new technology for producing goods or services and to serve the new market segment. Another feature of uniqueness is the time period for which extraordinary qualities of the venture exist.

(b) Amount of Investment at Start-up

There are two critical issues related to investment at start-up,

- (i) The amount of investment required to start a new venture differs from industry to industry. Some require fewer investments, whereas some demand heavy flow of funds. Apart from this, in few industries only large-scale start-ups are possible and in few other industries, entrepreneur can enter with a small venture and grow into a big venture as the time passes away. Example: In a publishing industry, entrepreneur can enter as small venture and then later on, it can grow into a big venture.

- (ii) The time duration upto which the funds are required to continue the venture process is a point to be focused.

The amount required to be invested at the start-up depends on the following aspects,

- Will appropriate industrial growth occurs that meets break even sales required to meet fixed costs incurred during the start-up phase.
- Is there availability of financial reserves to entrepreneurs that control large initial investments.
- Is there availability of useful contacts that can guide entrepreneur in grabbing the environmental opportunities.

(c) Growth of Sales and Profits

The next critical factor to be considered for new venture is growth of sales and profits. The major concerns underlying this factors are,

- How will the new venture sales and profits grow in the future?
- Is there slow growth of sales after start-up? Or there is high growth in sales and profits.
- Will there be slow profit growth in the initial years and high rate during further years.

The above questions can be answered by understanding the type into which the new venture fits. Ventures are categorized into three in this regard. They are,

(i) Lifestyle Ventures

Lifestyle ventures are those which are independent and autonomous. They focus on facilitating adequate and comfortable life to the entrepreneur.

(ii) Small Profitable Ventures

These ventures aim at high financial returns. They are not interested in raising the sales to such extent that the power over profits and cash flows is transferred to others.

(iii) High-growth Ventures

High-growth ventures expect growth in sales and profits. They show willingness towards attracting venture capital by external placements.

(d) Product Availability

Product availability refers to the availability of finished goods or services that can be sold to the customers in the market place when the venture starts-up. This is the vital factor for venture success.

The non-availability situation arises in following situations,

- When the products which are to be launched are still under development stage and still need some changes and testing. Example: Software products.
- The products that new ventures want to launch are too early into the market and require further work.

Thus, non-availability of finished products to the end user will have adverse effect on new venture start-ups.

(e) Customer Availability

Though new venture has product available to be launched in the market, non-availability of customers can put it under risk. The two issues concerning customer availability can put the venture under risk which are,

- (i) Excess availability of the customers ready to pay price in advance can create the risk of meeting demand issues.
- (ii) The ambiguity regarding whom the product should be targeted to.

Q30. Elaborate on the following causes of new venture failure product/market problems, financial difficulties and management problems with suitable examples.

Ans : (Nov.-21, Aug.- 17, 16, Imp.)

Many new ventures start every year. Some of them reach the expected success but many disappear within an year or two. Studies revealed that the factors responsible for the new venture failure are within the entrepreneurs control. A study conducted on 250 high-tech ventures had identified three categories of causes for the failure of a new venture. They are,

1. Product/Market Problems

Product or market problems may arise due to inappropriate decisions of company's management. For example, Nokia mobiles was launched with Windows Operating system instead of Android operating system. These problems include following factors,

(a) Incorrect Timing

Incorrect timing of launching the product i.e., too early or too late into the market place results in failure of the venture to capture customer attention and meet the competition.

(b) Imperfect Product Design

If a product is launched in the market place, without a perfect product design, then such attempt results in failure.

(c) Ineffective Distribution Strategy

Irrespective of which sales mode a venture has adopted (either direct sales or through any of the distribution channels), ineffective distribution strategy results in failure of the venture.

(d) Lack of Clear Business Knowledge

Lack of clear knowledge about the business in which venture is into can make the venture less stabilized and fosters continuous change.

(e) High Dependence on Customers

High dependence on customer results in failure to diversify.

2. Financial Problems

Due to lack of financial resources, financial problems may arise. For example, XYZ company may fails to adopt new technology due to lack of financial resources. However, these problems include the following factors,

(a) Undercapitalization

Low rate of funds flowing into the venture than what is required becomes the reason for initial failure of venture.

(b) Seeking Early Debt

Seeking to early debt and expecting huge amount of debt can be typical reasons for failure of venture and give rise to debt service problems.

(c) Venture Capital Relationship Issues

Diversified goals, visions, actions of entrepreneur and venture capitalist lead to the initial start-up problems.

3. Managerial problems

Due to ineffective managerial decisions, problems may arised. For example, due to hiring of incompetent employees, company may not be able to accomplish its goals on time. These problems include two major factors,

(a) Ineffective Team Approach

The problems related to managerial team are,

- (i) Considering favoritism rather than performance while hiring and promoting employees.
- (ii) Unhealthy relationships between parent companies and venture capitalists.

(iii) Entrepreneurs interested in overcoming their weaknesses rather than concentrating on their strengths.

(iv) Lack of support from professionals like lawyers, accountants etc.

(b) HR Issues

Owner's ego, HR concerns, HR control issues are some of the factors for failure. There also exist interpersonal problems such as,

- (i) Loss of customers due to kickbacks and firings
- (ii) Frauds by venture capitalists and president
- (iii) No written agreement between entrepreneur and venture capitalist.

3.11 THE EVALUATION PROCESS

Q31. Explain the various methods for evaluating feasibility of new venture.

Ans :

A critical task of starting a new business enterprise is conducting solid analysis and evaluation of the feasibility of the product/service idea getting off the ground. Entrepreneurs must put their ideas through this analysis to discover if the proposals contain any fatal flaws.

1. Profile Analysis

A single strategic variable seldom shapes the ultimate success or failure of a new venture. In most situations, a combination of variables influences the outcome. Thus, it is important to identify and investigate these variables before the new idea is put into practice. The result of such a profile analysis enable the entrepreneur to judge the business's potential.

2. Feasibility Criteria Approach

Another method, the feasibility criteria approach, was developed as a criteria selection list from which entrepreneurs can gain insights into the viability of their venture; this approach is based on the following questions :

- Is it proprietary? The product does not have to be patented, but it should be sufficiently proprietary to permit a long head start against competitors and a period of extraordinary profits early in the venture to offset start-up costs.
- Are the initial production costs realistic? Most estimates are too low. A careful, detailed analysis should be made so that no large, unexpected expenses arise.
- Are the initial marketing costs realistic? This answer requires the venture to identify target markets, market channels, and promotional strategy.
- Does the product have potential for very high margins? This is almost a necessity for a fledgling company. Gross margins are one thing the financial community understands. Without them, funding can be difficult.
- Is the time required to get to market and to reach the break-even point realistic? In most cases, the faster the better. In all cases, the venture plan will be tied to this answer, and an error here can spell trouble later on.
- Is the potential market large? In determining the potential market, entrepreneurs must look three to five years into the future, because some markets take this long to emerge. The cellular telephone, for example, had an annual demand of approximately 400,000 units in 1982. However, in the twenty-first century, this market has grown exponentially.
- Is the product the first of a growing family? If it is, the venture is more attractive to investors. If they do not realize a large return on the first product, they might on the second, third, or fourth.
- Does an initial customer exist? It is certainly impressive to financial backers when a venture can list its first ten customers by name. This pent-up demand also means the first quarter's results are likely to be good and the focus of attention can be directed to later quarters.
- Are the development costs and calendar times realistic? Preferably, they are zero. A ready-to-go product gives the venture a big advantage over competitors. If costs exist, they should be complete, detailed, and tied to a month-by-month schedule.
- Is this a growing industry? This is not absolutely essential if the profits and company growth are there, but it means less room for mistakes. In a growing industry, good companies do even better.
- Can the product—and the need for it—be understood by the financial community? If the financiers can grasp the concept and its value, the chances for funding will increase. For example, a portable heart-monitoring system for postcoronary monitoring is a product many will understand. Undoubtedly, some of those hearing the presentation will already have had coronaries or heart problems of some sort.

This criteria selection approach provides a means of analyzing the internal strengths and weaknesses that exist in a new venture by focusing on the marketing and industry potential critical to assessment. If the new venture meets fewer than six of these criteria, it typically lacks feasibility for funding. If the new venture meets seven or more of the criteria, it may stand a good chance of being funded.

3. Comprehension Feasibility Approach

A more comprehensive and systematic feasibility analysis, a comprehensive feasibility approach, incorporated external factors in addition to those included in the criteria questions.

Figure presents a breakdown of the factors involved in a comprehensive feasibility study of a new venture: technical, market, financial, organizational, and competitive. A more detailed feasibility analysis guide is provided, which identifies the specific activities involved in each feasibility area. Although all five of the areas presented in Figure are important, two merit special attention: technical and market.

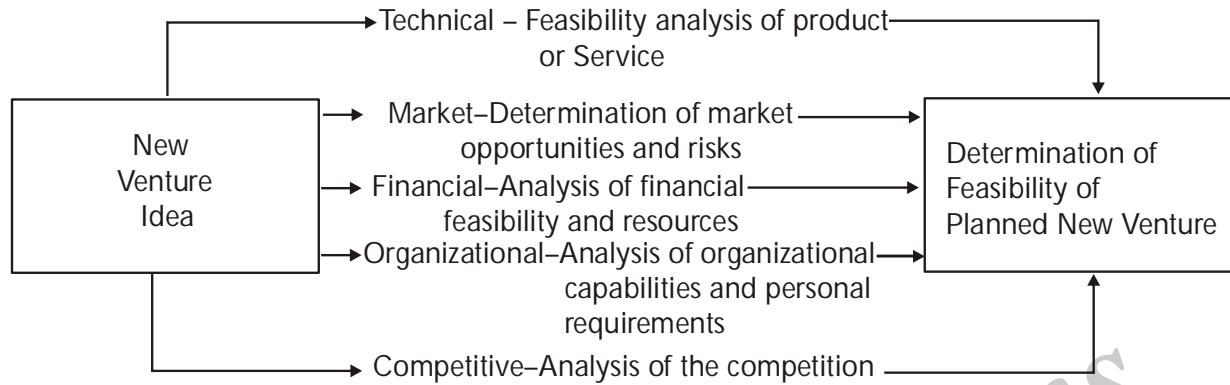


Fig. : Key Areas for Assessing the Feasibility of a New Venture

A. Technical Feasibility

The evaluation of a new-venture idea should start with identifying the technical requirements—the technical feasibility—for producing a product or service that will satisfy the expectations of potential customers. The most important of these are:

- Functional design of the product and attractiveness in appearance
- Flexibility, permitting ready modification of the external features of the product to meet customer demands or technological and competitive changes
- Durability of the materials from which the product is made
- Reliability, ensuring performance as expected under normal operating conditions
- Product safety, posing no potential dangers under normal operating conditions
- Reasonable utility, an acceptable rate of obsolescence
- Ease and low cost of maintenance
- Standardization through elimination of unnecessary variety among potentially interchangeable parts
- Ease of processing or manufacture
- Ease in handling and use

The results of this investigation provide a basis for deciding whether a new venture is feasible from a technical point of view.

B. Market Feasibility

Assembling and analyzing relevant information about the marketability of a new venture are vital for judging its potential success. Three major areas in this type of analysis are

- (1) investigating the full market potential and identifying customers (or users) for the goods or service,

(2) analyzing the extent to which the enterprise might exploit this potential market, and

(3) using market analysis to determine the opportunities and risks associated with the venture. To address these areas, a variety of informational sources must be found and used. For a market feasibility analysis, general sources would include the following:

- **General economic trends:** various economic indicators such as new orders, housing starts, inventories, and consumer spending
- **Market data:** customers, customer demand patterns (for example, seasonal variations in demand, governmental regulations affecting demand)
- **Pricing data:** range of prices for the same, complementary, and substitute products; base prices; and discount structures
- **Competitive data:** major competitors and their competitive strength

At this point, it is important to note the value of marketing research in the overall assessment and evaluation of a new venture. The comprehensive feasibility analysis approach is closely related to the preparation of a thorough business plan. The approach clearly illustrates the need to evaluate each segment of the venture before initiating the business or presenting it to capital sources.

This template, created in a format to answer specific questions about the proposed venture idea, allows entrepreneurs the ability to analyze each important segment before moving forward with an idea. Venture capitalists generally agree that the risks in any entrepreneurial venture are you, your management team, and any apparent fundamental flaws in your venture idea. Therefore, you need to make a reasonable evaluation of these risks.

3.12 INTELLECTUAL PROPERTY PROTECTION

Q32. Define the term Intellectual Property. What are the characteristics of Intellectual Property.

Ans : (May-22, Nov.-22, Nov.-21)

Meaning

The property which is a result of human creativity such as, literature, songs, new invention, advertising slogans, etc., are known as intellectual property. Basically, property is of three types, Real property (includes land buildings etc.), Personal property (includes jewellery, cars and goods) and Intellectual property (includes literature, songs etc.). However, the ownership of intellectual property is very much similar to that of real and personal property.

Characteristics

Intellectual property rights have the following characteristics,

1. The subjects of intellectual property are more illusions and do not have a real existence i.e., they do not have a material name.
2. The protection of intellectual property is for national level and not for international
3. The intellectual property rights are given to an individual for a specific time period.
4. The intellectual property rights are not consumed by its use.
5. The intellectual property rights have a monopolistic feature and can be asserted against everyone.
6. Registration is must for some rights that are in the scope of intellectual property.
7. Intellectual property rights can be utilized simultaneously by more than one person.

Q33. Explain the scope of intellectual property rights.

Ans :

The scope of intellectual property protection is very vast and hence intellectual property law has been divided into different areas, the most important

being patents, trade marks, copyrights and industrial designs.

Modern technology has led to the creation of new forms of intellectual property which are embracing newer areas. Even the conventional intellectual property has included newer concepts under its wings. For example, copyrights has expanded its scope by including dramatics, music, photography, computer programs etc. This is in contrast to its earlier form, when it only included the works of literature and art. Examples of new intellectual property include geographical indications, topography of integrated circuits, appellations of origin, trade secrets, traditional knowledge and folklore etc.

Moreover, the scope of each of the different areas of the intellectual property law is very distinct. Hence the protection offered by a particular law (E.g.s: Copyright law) to a work may not be applicable to others. Therefore the intellectual property rights are generally said to be bundled i.e., a product may be protected under more than one IPR. For example, the formula of the Coca Cola cool drink is protected under trade secret while the distinctive script in which the words Coca Cola® are written is protected under a trade mark. Similarly, jewellery can be offered protection under both design patent law and copyright.

1. Patent

Patent is a complete and precisely written document that describes the invention and grants the inventor (for a limited time period) the exclusive rights to manufacture, use, sell or license his invention. Such rights are called monopoly rights and they help in preventing others from exploiting the invention without taking permission from the patentee. If any party infringes the invention, then the patentee can initiate legal action against the former.

Inventions may pertain to either tangible processes or products. For an invention to be patentable, it should be capable of industrial application, novel and non-obvious. Novelty in the invention implies that there should be significant difference between the invention and the prior art. Any insignificant

addition to or modification of an already known principle is not eligible for patent protection. Even pure scientific principles, mathematical methods and biological processes are not patentable.

Patents are basically of three types.

(a) Utility Patents

These are the most common type of patents and are granted for new inventions and discoveries due to their functional aspects.

(b) Design Patents

These are granted for novel, original and ornamental designs of useful objects.

(c) Plant Patents

These patents are granted for new plant varieties that have been obtained by asexual reproduction.

For acquiring protection for an invention, the inventor, his assignee or his legal representative is required to file an application for the same in the Patent Office. The application is scrutinized by a group of experts and if satisfied the invention is approved and the patent is granted. Patents are not granted easily and the process involved in obtaining a patent is complicated, time-consuming (requiring about 2 years or more) and expensive. Once the patent has been granted, the invention is granted protection for a period of 20 years (in India) from the date of filing of application.

During this period, the inventor can manufacture, sell or use his invention or even allow others to exploit it by charging a license fee. After the end of the said term, the patent expires and the general public is free to exploit the invention. Patenting of inventions offers several benefits,

1. Inventors are recognized for their work and efforts.
2. Encourages creativity and innovation which indirectly helps in enhancing the quality of human life.
3. Provides a competitive advantage to the inventor or owner of the invention.
4. Ensures high returns or profits on investment

5. Provides additional income to the inventor in the form of license fee
6. Reduces or abolishes the risk of infringement
7. Provides easy access to new markets.

2. Copyrights

Copyright is an important intellectual property which provides exclusive rights to the creators of original literary, dramatic, musical, architectural, artistic and other works irrespective of their quality. Some examples of such works include books, poems, songs, plays, dramas, movies, dance, sculptures, films, choreographic works, cartoons, paintings, photographs, sound recordings, marketing materials, advertising copy etc. Even computer software can be protected under the copyright law. However, certain works such as list of ingredients, short phrases, titles, names, etc., cannot be protected under the copyright law. Any individual or entity who is the creator of the copyrightable material is called the author.

3. Trade Marks

Trade mark refers to any word(s), letter(s), numeral(s), symbol(s), drawing(s), picture(s), device(s), shape(s), colour(s), label(s) etc., or a combination thereof which helps to distinguish a product or service provided or produced by an organization from other similar or identical product or service of other organization. Apart from the above mentioned features, trade marks can also consist of slogans, design, or even audible sounds. As the name of an individual helps to identify him, similarly a trade mark helps in identifying a product and also guarantees its quality and consistency. Trade mark protection comes into effect from the time the trade mark is used commercially. The owner of the trade mark has the exclusive right of using it or can even authorize others to use it in return for payment. Like copyrights, trade marks need not be registered, however registration is advantageous as it helps the creator to file a

suit in the court of law for the infringement of the mark. Trade mark protection remains in force for the entire duration during which the organization is using the trade mark commercially, provided that the protection is renewed periodically. The major benefit with trade marks is that they help to establish and expand the market share of a product by building and maintaining customer satisfaction and goodwill.

4. Industrial Designs

Industrial designs refer to the aesthetic or ornamental aspect of a product which makes it attractive and appealing, thereby increasing its commercial value. Such designs could be 2-dimensional features such as colours, lines or patterns or even 3-dimensional features such as shapes or surfaces. These designs are applicable to several products such as watches, jewellery, medical instruments, electrical appliances, textiles, architectural structures etc. For industrial designs to be protected, they should be capable of industrial application, be novel and original. Once the industrial design has been granted protection, the owner or entity of the said design acquires exclusive rights to commercially exploit it. The protection also grants the necessary rights to disallow others from copying or imitating the design. Industrial design protection offers several benefits by promoting creativity, fair competition, economic development, honest trade practices and development of aesthetically designed products.

5. Other Intellectual Property

(a) Trade Secrets

Trade secret refers to any data, information, compilation etc., which are required to be kept confidential as they provide the business an advantage over the competitors. A trade secret would have value only when it is kept confidential and neither be published nor distributed to the general public. This is in contrast to patents, copyrights and trade marks where the inventor/ creator makes money by distributing or publishing his work. Trade secrets can be anything ranging from

marketing plans, computer algorithms, manufacturing techniques, recipes, formulae or even simple list of customers. These need not be complex or unique but should be such that they provide a competitive edge to the business. There is no formal procedure to seek protection for trade secrets. These can be protected via confidentiality agreements i.e., the individuals who are associated with the trade secrets are made to sign a confidentiality agreement by the employer, according to which they are not supposed to disclose the confidential information. Other measures that are generally adopted to protect Trade secrets are limiting the number of individuals who would have access to the confidential information, restricting the access to premises and documents, educating the employees etc. Trade secret remains protected until it is kept confidential, if the secret is made public, then the protection gets lost. Thus the law of trade secrets helps in the development of new procedures and methods for the conduct of business.

(b) Geographical indications (GI)

Geographical indications (GI) are indications which identify a good as originating in a territory or in a region or locality of a territory where a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin. In simple terms, geographical indications refer to a sign that is used on goods which originate from a particular geographical area and possesses certain qualities or reputation due to its place of origin. Certain examples of geographical indications include Mysore Sandal soap, Darjeeling tea, Hyderabad haleem, Scotch whiskey, Kolhapuri chappals, Gadwal sarees, Alphonso mangoes, Lucknow chicken craft etc. Similar to copyrights and trade marks, geographical indications in India do not require any registration, however registration offers several benefits as it helps the owner in case of infringement. Moreover, the certificate of registration provides an evidence of its validity. Once the geographical indication has been registered, it grants the holder exclusive rights over it and he can

prevent the unauthorized use of the GI by others. These geographical indications help to promote the economic prosperity of producers of good.

Q34. What are the objectives of intellectual property rights.

Ans :

Basically, there are three main objectives that have been described below,

1. Financial Incentives

Since the owner of the intellectual property is granted limited exclusive rights for his invention/creation, he can commercially exploit his work. This helps to provide financial incentives to the owner for his efforts, time and investment in the intellectual property. In case of inventions, the financial incentives would help in paying for the associated R & D costs.

2. Economic Growth

Intellectual property laws and their enforcement has led to an increase in the economic growth. Such relationship can be attributed to two factors. At first, intellectual property laws provide moral and economic rights to the owners of the work and secondly promotes creativity, encourages fair trading which eventually contributes to economic development. An excellent example to explain this relationship would be the Indian scenario way back in the 1990s. Due to weak intellectual property rights, there was rampant emigration of bright computer scientists and engineers, who feared for the protection of their work. These individuals preferred those countries where their efforts and hard work would be protected from unethical exploitation. In 1999, the Indian Parliament passed a law which protected the intellectual creations of computer scientists. The after-effect of such law was the production of most advanced software and reduction in emigrations which ultimately contributed to the economic growth of the country.

3. Morality

The third objective of IPR is to protect the moral and material interests of the owner, resulting from any scientific or artistic work. Various moral justifications have been put forward to explain the morality of the intellectual property.

- (a) According to natural rights/justice argument, it is human nature for an individual to have a right over labour and/or the products produced by him. Therefore speaking in terms of intellectual property, it would not be appropriate for anyone to use other's ideas without their permission. Thus intellectual property rights help to ensure that the owner of the intellectual property has exclusive rights over his creation.
- (b) According to utilitarian-programmatic argument, a society in which the private property is protected was found to be relatively prosperous. Intellectual property provides durable returns to the innovators in return for their efforts, investments and labour thus helping in maximizing the social utility. It has been argued that intellectual property with its associated incentives encourage creativity and innovation.
- (c) According to personality argument, ideas are an extension of an individual. Personality theorists state that the creators of work always fear that their work would be either stolen, pirated, copied or altered. These moral claims of the innovators are protected by the intellectual property rights.

Q35. How IPR can help a great deal in the Entrepreneurial Journey Of Start Ups?

Ans : (Nov.-21)

By protecting their IP assets, startups can prevent themselves from future conflicts and litigations. Intellectual Property Rights also create legal security for startups and allow them to channel their resources towards business development. A well-planned strategy for IP protection can successfully protect the business models of startups from being copied.

Moving ahead of the legal aspects, IP is also an intangible asset that can be monetized and can offer aid in challenging times. For monetizing IP, there are various avenues like selling, franchising, or earning royalties from IP assets, which can give startups an edge in the competitive market. By implementing strong IP protection schemes, startups will find themselves in better positions with respect to pricing their goods and services. The strength of the startups' IP portfolio management services also influences the investor's decisions while raising funds.

Intellectual Property Rights protect several aspects of a startup including its name, logo, inventions, designs, advertisements, goods, services, and so forth. Therefore, the following strategies must be effectively adopted by startups to protect their IP Rights.

3.12.1 Patents

Q36. Define Patents. Explain different types of patents.

Ans : (Nov.-22)

Meaning

A patent is one of the forms of intellectual property. The object of patent law is to encourage scientific research, new technology and industrial progress. The grant of exclusive privilege to own, use or sell the method or product patented for a limited period, stimulates new inventions of commercial utility. The price of the grant of the monopoly is the disclosure of the invention at the patent office, which after the expiry of the period of monopoly, passes into public domain. An invention which must be new and useful. It must have novelty and utility. The patents are granted to encourage inventions and to secure that the inventions are worked in India on a commercial scale and to the fullest extent that is reasonable practicable without undue delay.

Types of patents

- (i) Utility patents
- (ii) Design patents
- (iii) Plant patents

(i) Utility patents

It can be granted to anyone who invents or discovers any new and useful process, machine, manufacture or composition of matter, or any new and useful improvement there of. Utility period is of 20 years.

"Process" refers to industrial and manufacturing (production) method.

"Manufacture" refers to articles manufactured. "Composition of matter" refers to chemical compositions and may include mixtures of ingredients as well as new chemical compounds.

(ii) Design patents

It can be granted to any one who invents a new, original ornamental design for an article of manufacture. A design patent protects the ornamental design (i.e. appearance) of the article. A design patent has duration of 14 years from the date of filing.

(iii) Plant patents

Plant patent can be granted to any one who invents or discovers and reproduces a new variety of plant. A plant patent has a term of 20 years from the date of filing.

Q37. Explain the procedure of Patent registration in India.

Ans .

Procedure Patent Registration in India starts with performing patent searches before patent application filing. After determining the novelty of the invention, the patent application can be filed with the Indian Patent Office in any of the branches i.e. Delhi, Mumbai, Chennai or Kolkata. The patent application can be filed as the provisional application or as the non-provisional application with the Indian Patent Office. It would be easier to explain the procedure of patent registration in India in steps. Step by Step Procedure For Patent registration in India

Step 1: Patent Searches

Step by Step Procedure For Patent registration in India Procedure Patent Registration in India searches are conducted and worldwide to

know the novelty of an invention. Generally, it is considered safe to do patent searches before patent application filing. If an invention is found in prior arts or closes to prior arts then the novelty of that invention can be challenged by the Indian Patent Office. Therefore, it is important to perform prior art searches in order to save the money and time of an applicant.

Step 2: Patent Drafting

Step by Step Procedure For Patent registration in India After conducting thorough searches world wide, the invention is written in a techno-legal language known as the specification which can be with or without claims. Without claims is the provisional specification and with claims is the complete specification. The specification specifies the field of invention, detailed description of the invention with working examples and the best method to perform an invention so that a person skilled in the art can perform the invention. The legal part comes with the claims of the invention which define the legal protection sought by an inventor.

Step 3: Patent Application Filing

Step by Step Procedure For Patent registration in India A patent application filing is the first step towards obtaining a patent. Procedure Patent Registration in India application filed as a provisional application is generally filed to claim priority date over other applications. A patent application consists of series of forms prepared according to the Indian Patent Act, 1970. The drafted provisional or complete specification is filed in Form-2 of the Indian Patent Act, 1970. If a provisional patent application is filed then within 12 months of its filing complete specification has to be filed. There are 6 different kinds of filing filed in the Indian Patent Office. These are:

- Ordinary application
- PCT National phase application
- PCT International application
- Convention application
- Divisional application
- Patent of addition application

Step 4: Publication of Patent Application

Once the Procedure Patent Registration in India has been filed, then after the expiry of 18 months from the date of filing or date of priority whichever is earlier, the application is published in an official journal and is open to the public. This is a chance given to the public to raise an objection if any.

Step 5: Examination of Patent Application/ Patent Prosecution

The patent application is examined only when a request for examination has been filed. The request for examination has to be filed within 48 months of the application filing date or date of the priority. The patent examiner examines a patent application and issues an examination report. The examination report contains a series of objections raised by an examiner. The response to an examination report has to be filed within 12 months of the issuance of the examination report. If needed examiner calls applicant or his agent for hearing. This phase is called as patent prosecution.

Step 6: Grant of a Patent

After all objections to the examination report have been compiled and the examiner is satisfied with the reply of an applicant, the application is put in order for grant. On the other hand, if the examiner is not satisfied with the reply and arguments of an applicant, then he/she can reject the application.

Q38. What are the Essential Patent documents to be submitted?

Ans :

There are two types of patent documents usually known as patent specification, namely

1. Provisional specification
2. Complete Specification

1. Provisional Specification

A provisional specification is usually filled to establish priority of the invention in case the disclosed invention is at a conceptual stage and a delay is expected in submitting full and specific description of the invention. Although,

a patent application accompanied with provisional specification does not confer any legal patent rights to the applicants, it is however a very important document to establish the earliest ownership of an invention. Complete specification must be submitted within 12 months of filing the provisional specification. This period can be extended by 3 months.

2. Complete Specification

Submission of complete specification is necessary to obtain a patent. The contents of a complete specification would include the following:

a) Title of the invention

- Field to which invention belongs.
- Background of the invention including prior art giving drawbacks of the known inventions practices.
- Complete description of the invention along with experimental results.
- Drawings etc. essential for understanding the invention.
- Claims, which are statements, related to the invention on which legal proprietorship is being sought. Therefore the claims have to be drafted very carefully.

b) Criteria for Naming inventors in an Application for Patent

The name of inventors is normally decided on the basis of the following criteria:

1. All persons who contribute towards development of patentable features of an invention should be named as inventors.
2. All persons, who have made intellectual contribution in achieving the final results of the research work leading to a patent, should be named as inventor(s)
3. A person who has not contributed intellectually in the development of an invention is not entitled to be included as an inventor.

A person who provided ideas needed to produce the 'germs of the invention' need not himself/herself carry out the experiments, construct the apparatus with his/her own hands or make the drawings himself/herself. The person may take the help of others. Such persons who have helped in conducting the experiments, constructing apparatus or making the drawing or models without providing any intellectual inputs are not entitled to be named as inventors.

Q39. How safe is innovation in India? Are IPR's effective in protecting innovation? Give examples of case where there was IPR infringement and companies that won or lost the case.

Ans

(July-18)

- Generally put, an 'innovation' is developing a new idea and putting it into practice the term 'IP' refers to unique, value-adding creations of the human intellect that results from human ingenuity, creativity and inventiveness.
- An IP right is thus a legal right, which is based on the relevant national law encompassing that particular type of intellectual property right. Such a legal right comes into existence only when the requirements of the relevant IP law are met and, if required, it is granted or registered after following the prescribed procedure under that law.
- In practically all countries the world over, a national legal system of intellectual property rights have evolved; this has been created over varying periods of time during the last 150 years or so.
- It has enabled the grant of property-like rights over such new knowledge and creative expression of mankind, which has made it possible to harness the commercial value of the outputs of human inventiveness and creativity.
- This is usually done by its orderly use, exchange or sharing it amongst various types of business partners in a complex network of strategic relationships that generally work harmoniously during the new product development process for creating and marketing new and improved goods and services in domestic and export markets.
- The grant of a property right by the government, albeit generally for a limited period of time, over useful intangible intellectual output provides the owner of such legal property rights the right to exclude all others from commercially benefiting from it.
- In other words, the legal rights prohibit all others from using the underlying IP asset for commercial purposes without the prior consent of the IP right holder. The different types of IP rights include trade secrets, utility models, patents, trademarks, geographical indications, industrial designs, layout designs of integrated circuits, copyright and related rights, and new varieties of plants.
- An innovative new or improved product that meets customer expectations offers an existing or new business, new market territory without competition for so long as it retains its innovative advantage.
- The IP system plays a significant role in helping a business to gain and retain its innovation-based advantage.
- As a consequence, the competitive edge that an entrepreneurial business may gain with a basic or disruptive innovation is likely to be longer lasting than that obtained merely from an improvement innovation, assuming that the technological barriers to competitors taking advantage of similar innovations are approximately equivalent, since a basic innovation establishes a new class of product or service, entry of competition requires that the opportunity provided by that class is recognized by a potential competitor before it attempts to enter the market.
- In the case of an improvement innovation, not only are competitors for the class of product already in place, but since the improvement innovation typically amounts to a better, faster, or cheaper way to build the product, its advantages are far more quickly understood and replicated.

- Hence the need to use the tools of the IP system for both types of innovations, except that generally there is a need for devising an offensive IP strategy for a basic innovation versus a defensive IP strategy for an improvement innovation.

3.12.2 Copy Rights

Q40. Define copy rights. Explain the requirements of copy rights.

Ans : (Nov.-22, May-22, Imp.)

Meaning

Copyright is one of the forms of recognized intellectual property. It is a bundle of exclusive rights granted by the law to the creators (such as author, composer, distributor, playwright, publisher, producer etc.) to do certain acts with respect to their creations. It is a form of protection provided by the law to the creators against unauthorized use of their work. It protects the form in which the idea is expressed, not the idea itself. For instance, two persons inspired by the sight of sunset, create individual paintings. Here the sight of sunset is idea and the way of painting is expression of their ideas. Hence copyright protects the expression of idea and not the idea itself. This type of legal protection is of significance because it allows the creators to support themselves via their art, enables businessmen to generate profits by investing in creative works and also upgrades cultural diversity, integrity and variety.

Requirement

To obtain copyrightability, following three requirements must be met,

1. A Work Should be Original

It merely means that the material should be independently created and moderately creative.

2. A Work Should be a Work of Authorship

If a work meets the standards of copyright law, it is regarded as a work of authorship. The works of authorship includes not only protectable but also illustrative type of works.

Eight classes of work that are protectable under copyrights include,

- Literary works
- Musical works
- Dramatic works
- Pictorial, graphic and sculptural works
- Choreographic and pantomime (a theoretical entertainment involving jokes, music and slapstick comedy) works
- Motion pictures and other audiovisual works
- Architectural works
- Sound recordings.

3. A Work Should be Fixed in a Tangible Form of Expression

The process of embodying work in a physical object (E.g.s: Drawing on a surface, recording in a CD etc.) is called fixation. Copyright law requires the work to be exemplified in a form that is "sufficiently permanent or stable so as to permit to be perceived, reproduced or communicated for a period of time that is more than transitory duration".

Q41. Explain the Purpose of Copy Right.

Ans :

The supreme court has also given preference to the purpose of copyright in the following ways,

1. Copyrights protect the expression of the creators by providing them marketable rights with economic motivation for creating and disseminating their ideas. Through copy rights protection act authors and inventors are provided special reward for serving the public with their creative activities.
2. Copyright not only reward the efforts of the labor but also encourage the progress of science and useful arts. Copyright aims towards protecting the original expression of authors and at the same time motivate others also to build their own expression. Thus, facilitating the development of science and creative arts.

3. The constitution clause covers the economic philosophy and it ensures that fair compensation is administered to original producers. The enrichment and development of the general public is possible only as a result of the talent and hard work of authors and inventors. Therefore, it is essential for the congress to compensate such type of efforts by rewarding them for their inventions.
4. The main purpose behind providing copyright protection to the original owners is to motivate such talented individuals to produce products/works of public welfare. After the elapse of the temporary monopoly period, the general public is free to reproduce and use such works.
5. The main purpose of copyright is to encourage the production of knowledge and not to block the progress of it. The Copyright Act was established with an aim to encourage talented individuals to bring up their original creative works. The copyright act protects the rights of contributors and reward their knowledge and hardwork by providing fair return for it.
6. Copyright is planned to protect the rights of authors and encourage the production of literary work which serves public welfare. Their purpose is not only to reward the copyright owner but also to utilize their creative genius for public welfare. Copyright law aims to provide "fair return for the creativity of the labour".
7. The congress enacted the Copyright Act not for protecting the rights of the authors but for the welfare of the public by encouraging the progress of science and useful arts and this is possible only by securing the rights of the authors for limited period with which authors enjoys economic benefits and public enjoys the benefit of literature. It encourages free flow and exchange of ideas.
8. Copyright law access the creative work of owners for serving the general public. The law does not create any obligation upon the copyright of owners. However, the published work of any author to share/publish their research works need to be deposited in the library of congress for the benefit of public.

Q42. Explain the procedure for registration of copyright.

Ans:

The registration process of copyright includes the following,

1. Filing the Application

After the selection and completion of suitable application forms and suitable deposit materials, the applicant has to file the application with the U.S. copyright office. The applicant has to include a cover letter along with the application, which consists of name, address and phone number of the applicant. As the office does not send any confirmation notice regarding the receipt of application, the applicant may enclose a self addressed return postcard to know whether the filing is successful or not.

2. Examination of Application and Registration

The application that is received by the copyright office will be reviewed by appointing a specialist. It is not tedious like trademark and patent applications. The examination of copyright application is basically to confirm whether the (copyright) material, information and deposit materials are copyrightable or not.

The copyright office has 4 major examining sections such as,

- (a) For literary works
 - (b) For performing art works
 - (c) For visual art works
 - (d) For renewals.
- The examiner will review the application to know the accuracy and consistency of the information by comparing the application and deposit materials.
 - The applicant can get the information regarding status of the application by paying a applicable fee. As the copyright office is receiving a number of applications every year, it is not possible for them to provide all the information for free.

- After examining the application, if all the information is accurate, the copyright will issue a certificate of registration within 16 weeks after filing the application. If it requires any additional information or if the application is rejected by copyright office they will call applicant to know the reasons and to notify them regarding the rejection.
- For any queries copyright office will provide a period of 120 days to the applicant. If he is failed to respond, the office will close the file without giving any notice to applicant.
- Then the applicant has to file another new application for further registration.
- The copyright office will issue a certificate of registration which is a copy of application form with a stamp and seal, registration number and date of registration.
- The applicant can use the work as copyrightable work right from the effective date of registration. It is the date when the copyright office accepted the application.
- In order to resolve the issues and doubts regarding the copyrightability of applicant the copyright office implemented a policy called rule of doubt, in which the office will resolve in favour of applicant and however the court will take a final decision regarding the issues.
- In order to reduce the processing time involved in copyright registration the copyright office has implemented an electronic filing system called Copyright Office Electronic Registration, Recordation and Deposit System (CORDS).
- It is involved in developing an electronic system for copyright registration processing. Copyright office received the first electronic application in 1996. for a published work which is filled by a student.

- The application was filled using online form and transmitted the dissertation through internet within a few minutes.
- The encryption technology has been used to sign the application. The review process and issue of copyright certificate of registration will take only few days or weeks rather than 4 months as in manual registration.

3. Refusal of Registration

The applicant will be provided with a chance to appeal for the re-examination in case of any refusal. The applicant has to make an appeal to the copyright office with a written form of request with a fee of \$ 200. The applicant will receive a response from the copyright office and the chief of examining. Diving will look after the re-examining process after receiving a fee of \$ 500 from the applicant.

If the applicant's registration is refused after the re-examination, then he can make an appeal to the states district court.

The registration of a work can be cancelled by the office by giving a notice to registrant if it is proved that the work is not copyrightable. If the registrant has failed to respond to the notice the registration will be cancelled.

4. Special Handling

In order to speed up the process of registration, copyright office has implemented a special handling procedure in which the applicant will get the certificate of registration immediately or within very few days. The copyright office will provide permission for special handling in the following situations only.

- (a) Pending or prospective litigation.
- (b) Customs matters.
- (c) Contract or publishing deadlines that require expedited process.

The applicant has to file a request to the copyright office by stating the reasons that

require for expedited registration. For special handling proceedings the applicant has to pay,

- (i) An application fee of \$ 580.
- (ii) Filing fee of \$30.
- (iii) For expedited recording of documents \$ 330 and
- (iv) Usual fee for recording documents.

5. Supplementary Copyright Registration

The applicant will be provided with a chance to correct if any information mentioned in the application is wrong, by filing supplementary copyright registration. But it is not necessary for minor errors such as typographical errors, spelling mistakes etc. For filing the supplementary copyright registration the applicant is required to pay a filing fee of \$ 100 along with form CA. However, it does not require any deposit materials. The situations in which copyright office will allow for supplementary copyright registration are,

- (a) If the original application has been filed by incorrect author.
- (b) If the work is registered as published (without any publication actions) when the publication had not yet taken place.
- (c) If a co-author was omitted in case of joint authorship.
- (d) If any change in the name or title of work.

Q43. How does copyright protect the interest of the owner?

Ans :

The right which provides protection to artists for their genuine artistic works is known as copyright. The copyright is often known as the "natural right" as it follows the rule that nothing is a man's property except for the fruit of his brain.

Protection under Copyright

The intellectual concepts developed by an author in the field of literature, music, graphics or any other artistic work is protected by the copyright.

The copyright law also protects the party that pays commission to such authors under employment agreement.

"THOU SHALT NOT STEAL" is the basis of the copyright law, means that the owner of certain work or property has the right to exploit his own property for monetary gain. Copyright law of 1957 safeguards the property of authors, designers, artists, composers for 70 years. After this such restrictions have been eliminated such that they are free to copy their original work or they can easily reproduce their work. Copyright provides protection to the works which are corporately owned. From 95 years since its creation, it is providing protection to cultural information and entertainment production such as, maps, drawings, artwork, dramas, lectures, books, and motion pictures. The main aim of copyright law is to motivate the creative people by providing financial benefits for producing the work.

Indian copyright law was established in 1957 with an aim to provide protection to the actual appearance of a work but not to protect the work itself. Because people may have same idea or plan for doing a particular work but the way of expressing may be different. That is referred as 'originality'. In simple words, originality can be defined as "the work which is independently created without copying any other's work".

The basic requirements for copyrightability are as follows,

1. Originality of Materials

The copyright protection is available only for original work. The original work means that it should be created solely and must include the creativity factor. Just the uniqueness, newness or beautiful looks/appeal can not be protected under Copyright Law. The original work should always be a sole product of the author and should not be a copy or a small change in the existing work. Therefore, everything that is independently created is original and being first to create does not constitute to originality.

2. Fixation of Material

The authorship works that are “fixed in any tangible medium of protection” are protectable under the copyright act. There are basically two methods of fixing the work. They are,

3. Copy

Any material object (excluding phonorecord) through which the work can be reproduced, perceived or communicated directly by a human or with the help of a machine is known as a copy. The photograph of Ansel Adams appearing on the book covers, calender, T-shirt, a tie and coffee mug are all a copy according to the Copyright Act. The copy may also be a writing on the paper, images on marbles and designs on clothes or any other fabrics.

Q44. Explain the benefits of Copy Rights?*Ans :***(May-22)****Advantages**➤ **Prevention of monetary loss**

There are many advantages of copyright registration for the authors of original works. One of the biggest benefits of copyright protection is preventing losses arising from copies being made of the original work. Violation of copyright registration is commonly known as ‘piracy’. In India, all of us are familiar with the word. ‘Pirated’ books, DVDs, music videos are commonly available on the streets of most major cities. Not only are these shoddily produced, but they also lead to enormous losses for publishers and authors. Movies and software are also illegally downloaded and shared through peer-sharing networks.

➤ **Legal protection**

There are other benefits that copyright registration gives under the law. The act of registration gives shelter to published work. Without such registration, it becomes difficult to prove the case of the owner in court. For

example, a film producer may make a movie that is similar to one that was released earlier. But without copyright registration, it won't be easy to prove that it was plagiarized in court. The onus is on the creator to prove authenticity.

➤ **Pre-emptive measure**

Another one of the benefits of a copyright is that the registration is on record so that it dissuades others from making unauthorized use of your work. If you discover that someone is copying your work, you can send a ‘cease’ notice. So you don't have to bother about legal proceedings at a later stage. This saves a lot of time and money.

➤ **The incentive to create**

Perhaps one of the biggest benefits of copyright law is that it fosters an atmosphere of creativity and innovation. For example, an information technology company can spend millions developing new software. It will do so in the expectation of making money, and copyright law ensures that it can reap the benefits. Similarly, music companies can create new music without worrying about it being copied and distributed without consent.

➤ **Protecting reputations**

By protecting original work, copyright registration ensures that the reputation of their creators/authors is protected. For example, a music composer or author is in a position to prevent shoddy copies of his or her work, preventing any loss of reputation.

➤ **Prestige**

Another advantage of copyright protection is that it gives the holder the prestige that a certain work belongs to him or her.

3.12.3 Trade marks**Q45. Define Trade Marks. Explain different types of Trade Marks.***Ans :***(Nov.-22)****Meaning**

Trademark is for broad identity of specific goods and services allowing differences to be made

among different trades. This is a territorial right, which requires registration, but without any time limit. Lawyers are needed for guidelines.

A trademark is an identification symbol which is used in the course of trade to enable the purchasing people (buyers) to distinguish one trader's goods from the similar goods of other traders. These marks also symbolize distinctly the quality of the products. These marks are in the form of certain 'wordings' or can be in the format of logos, designs, sounds, etc. Examples: NIIT, Kodak.

The TRIPS agreement offers the same type of protection for trademarks. Registration of trademark is issued for definite period of time. However, in order to avoid confusion, encourage competitions and protect the inventor's good will, the registration may be renewed. With reference to intellectual property area, trademarks are national in origin and should comply with provision of TRIPS agreement.

Types

1. Generic Trademarks

Words, symbols or devices that are not so distinctly distinguishing the goods from others are at the weakest ends, as they are common terms used to identify the goods themselves. These are termed as generic terms and are not protectable as trademarks.

2. Descriptive Trademarks

Descriptive trademarks clearly denote or inform the specific purpose, functions, physical characteristic and end use of the product.

3. Suggestive Trademarks

Suggestive trademarks do not at a glance describe the goods for which the mark is used; yet they rather require some imagination or perception to arrive at a conclusion about the nature of the goods.

Suggestive marks are inherently distinctive and protectable.

The other types of trademarks include arbitrary marks and fanciful marks which are inherently distinctive.

Q46. What are the objectives of trademark? What benefits does a registered trademark offer to its owner?

Ans :

(Feb. - 17)

Objectives

The following are the objectives of Trademark Act 1999,

- (i) To ensure sendee trademark registrations along with goods trademark registration.
- (ii) To ensure board to ensure that demands are met quickly.
- (iii) To give punishments for copying of trademarks.
- (iv) To provide of single form for the registration of one or more goods and services.
- (v) To ensure that the person believed to be the owner of trademark is responsible to concerned with the registrar and also with the local trademark registry.
- (vi) To ensure that when the goods have been specified in more than one class of goods then the application should not be made for such goods.
- (vii) To ensure that the trademark is not deceptively similar to existing or registered trademark.
- (viii) To ensure that the registrar accepts or refuses the application on the basis of any changes, modification, condition or limitation made to it.
- (ix) To ensure that the accepted registration applications are advertised by the registrar in the prescribed manner.
- (x) To ensure registration of trademark in the absence of any opposition or if the opposition favours the applicant.

- (xi) To ensure that registration of a false trademark or goods or services are treated as criminal offence and the person doing so can be imprisoned for a period of six months to three years with a specific penalty amount.

Benefits

The various benefits offered by registered trademarks to its owner are as follows,

1. It protects owners name or logo from copying.
2. It provide authority to the owner to sue against trademark infringement.
3. It provide legal rights to owner for using the trademark.
4. It provide protection to the mark against similar or duplicate marks.
5. It enable the owner to use the notice of registration.

Q47. What are the functions of Trademark?

Ans :

A trade mark performs the following functions :

1. It identifies the product and its origin. For example the trade mark "Hamam" identifies the soap originating from the company manufacturing the soap and marketing it under that mark.
2. It guarantees its quality. The quality of that the soap sold in the packs marked 'Hamam' Soap would be similar but different from the soap labelled with mark 'Rexona' or 'Lux'.
3. It advertises the product. The trade mark represents the product. The trade mark 'Sony' is associated with electronic items. The trade mark 'Sony' rings bell of particular quality of particular class of goods. It thus advertises the product while distinguishing it from Sony's competitors.
4. It creates an image of the product in the minds of the public, particularly consumers

or the prospective consumers of such goods. For example, the mark 'M' which stands for the food items originating from the American Fast Food Chain Macdonald creates an image and reputation for food items offered by it for sale in the market.

Q48. What are the different kinds of Trade Marks?

Ans :

As can be seen from the definition of the 'mark' and the 'trade mark' a trade mark can be in different forms. It can be

(i) Letter mark

Mark includes a letter mark. The identity created out of letter forms can have its distinctiveness and individuality. The letter forms have been very useful elements for designers to work with and develop and successful mark. Some reputed examples of letter marks as trade marks are IBM, GE, GM, ELBEE and LG etc.

(ii) Symbol Mark

Symbols may take the shape of brands or logos. A logo is a visual depiction of a manufacture or a company and gives an identity to it. In modern times logos are identified by consensus as symbols that belong to a particular company and as representing quality and elegance etc. The best example of popular logo as a trade mark are those of Diamler Benz., B.M.W., Tata Nike and Adidas etc.,

(iii) Brand

Brand usually refers to those kind of marks which are branded on goods themselves constituting the trade mark. For example. Ship Brand Safety matches or cycle brand Agarbathis.

(iv) Label and Ticket

Label means a composite mark containing various features including devices, words, usually painted on a paper and attached to the goods themselves. The label may contain, apart from the trade mark, even matter which does not have the trade mark value. A ticket

may be said to be a label attached to goods by a string etc., For example the labels attached well-known brands of ready made clothes like Flying-machine Jeans, Van Heusen Shirts and 'Freeman' undergarments. The exact distinction between a label and ticket is not very clear.

(v) Colour combination

A colour combination or scheme can also constitute a mark within the definition of the Act. In Reddaway Co. Ltd's application (31 RPC 147), Particular colour scheme was considered as a mark. A dealer can have a trade mark in combination of colour though not an individual colour.

(vi) Numerals

Combination of Numerals also can be used as a trade mark. For example '555' is a successful brand of cigarettes. In Shaw Wallace & Co. Ltd. vs. Superior Industries Ltd., the Delhi High Court held that a person may have a right of Trade mark in numerals as well - Relying upon the said principle, the court held that '5000' in 'Haywards 5000 Super Strong Beer' cannot be used in the Trademark of the defendants i.e.; Superior 5000'.

(vii) Containers

A container in a three dimensional form may fall within the definition of a mark, as given under Section 2(m) of the Act of 1999. However a two dimensional mark may also form part of a 'trade mark'.

(viii) Shape of goods

Shape of goods can be a trade mark. Therefore the unique shape of a soap, if registered, or of a tooth brush can be trade mark.

(ix) Packaging

A 'packaging' can be a trade mark subject. For example a 'pouch' created for containing a tooth paste or cream, with a distinctive feature may be a trade mark. The expression

package has been defined as including any case, box, container, covering, folder, capsule, caplid, stopper etc.

(x) Device

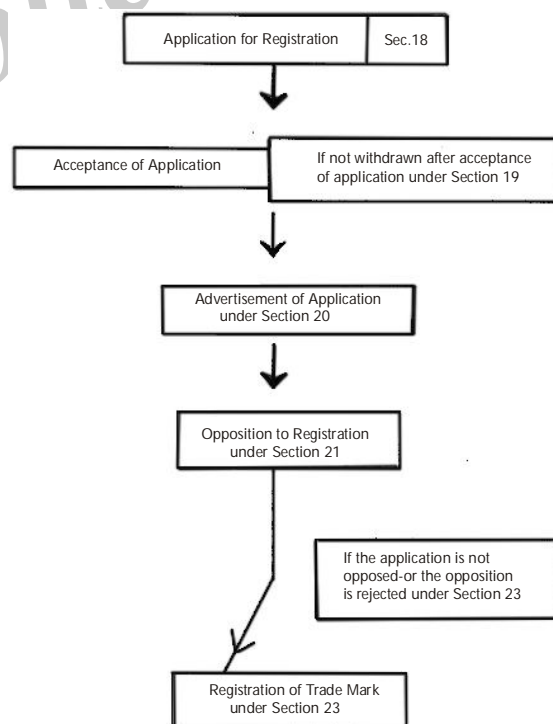
A device would refer to such a mark which does not fall under any other category already mentioned.

Q49. What are the steps involved in Procedure for Registration of Trademark?

Ans :

Various Steps in Registration of Trade Marks

For the sake of convenience, the following steps have been given in a simplified form, for registration of a trade mark, under the trade marks Act of 1999. First, a glance at the following chart would make the procedure clear, which is followed by the detailed description of each step.



(i) Application for Registration of Trade Mark

As discussed above, the procedure for registration commences with the filing of an

application for registration of trade mark in respect of a goods or services, in the prescribed form, with the computer Registrar of trade marks. There was no provision for registration of trade mark in respect of a service under the Act of 1958 but the present Act of 1999 provides for the same.

(ii) Acceptance of application or refusal to accept

After receiving the application, the Registrar may either refuse or accept the application, for further process. The acceptance may be either absolute or conditional subject to such amendments, modifications, conditions or limitations, if any as deemed fit by the Registrar.

(iii) Advertisement of application

When an application for registration has been accepted either absolutely or subject to some conditions, the next logical step for the Registrar is to advertise the said application. However, if after acceptance of an application for registration of a trademark but before its registration, the Registrar is satisfied that the application was accepted erroneously or that in the circumstances of the case, the trade mark should not be registered or should be registered with some conditions, he may, after hearing the applicant if he so desires, withdraw the acceptance and proceed with the application as if it had not been accepted. This provision, therefore gives enough scope to the Registrar to correct any errors, he may have committed while accepting the application.

(iv) Opposition to Registration

Any person, who claims an interest in the registration of the trade mark, may oppose the registration, by paying prescribed fee and by giving a notice in writing in the prescribed manner to the Registrar, within three months from the date of the advertisement or re-advertisement of an application for registration. The time for opposition may be extended by the registrar, not exceeding one month in the

aggregate. When the Registrar receives the notice of opposition, he is required to serve a copy of the notice thereof on the applicant for registration, within two months from the date of receiving such a notice from the Registrar, the applicant should send to the Registrar his counter-statement of the grounds on which he relies for his application. If he fails to submit the counter-statement within the prescribed period, it will be deemed as if he had abandoned his application.

(v) Registration

When an application for registration of a trade mark has been accepted and either

- (a) The application has not been opposed and the time for notice of opposition has acquired ; or
- (b) The application has been opposed and the opposition has been decided in favour of the applicant ;

The registrar should register the said trade mark, unless the central government directs otherwise.

3.12.3.1 Avoiding Trademark Pitfalls

Q50. State the rules for avoiding trademark pitfalls. Explain briefly how trademark may be invalidated.

Ans :

Requirements for Trademark Registration

A trademark which needs to be registered under the trademark law is required to satisfy the fundamental requisites which are as follows,

- (i) Trademark must be a visual portrayal representing a word, letter, numerical, signature, heading, label, ticket, device or abbreviation of a name or integration of all these. In simple terms, trademark is an intellectual property which needs to be represented in a graphical form.

- (ii) A trademark must be used for tradeable goods.
- (iii) It needs to be printed or represented in any other visual format.
- (iv) A tradework used for commercial purpose needs to be symbolically represented on goods for which it is registered. It must form the part of invoices, catalogues or documents.
- (v) A trademark in term of trade must be used to represent the association between the goods and the person possessing the right to use the same mark as a registered user or proprietor.

Avoiding Trademark Pitfalls

The major pitfalls concerning trademark are,

1. Searching for a trademark and getting it registered requires a huge investment.
2. Trademark infringement is very expensive.

Researchers suggested five rules which help the entrepreneurs in avoiding the above stated pitfalls. These rules must be followed by entrepreneurs while selecting trademarks for their new businesses.

Rules for Avoiding Pitfalls

The rules for avoiding pitfalls are as follows,

- (i) Appropriate trademark search has to be done before choosing a name and mark for the new venture.
- (ii) Taking the advice of attorney or lawyer before going for trademark registration.
- (iii) An inventive and attractive venture name or trademark has to be selected initially before finalising a descriptive or improper one.
- (iv) For marketing and other related activities, the venture name or trademark description which is highly applicable to the product must be selected. Then a unique logo representing the above description has to be selected.
- (v) Abbreviations or acronyms in venture names or trademarks should never be used. If there is no other alternative, then unique logotypes with abbreviations or acronyms are considered as acceptable.

Invalidation of Trademark

A trademark can be invalidated in the following four methods,

1. Cancellation Due to Litigations

A trademark tends to be invalidated when a third party raises questions regarding the distinguishing characteristics of a trademark within five years from the date of issue.

2. Cleaning-out Methodology

When a trademark owner fails to produce an affidavit containing information regarding the usage of the trademark or reasons behind not using trademark within six years from the date of registration, a trademark tends to be invalidated.

3. Abandonment

A trademark may be invalidated, if the trademark is not used for a period of two continuous years without reasonable explanation or statement related to trademark abandonment.

4. Generic Concept

When a single trademark is used to represent certain group of products or services, it may also lead to trademark invalidation.

Example: The name of the company Xerox being used to represent copier machines.

3.12.4 Trade Secrets

Q51. Define Trade Secrets. Explain different types of Trade Secrets.

Ans :

Meaning

Any secret information which secures a commercial value from its secrecy is referred to as "Trade Secret". Trade secret information includes technical as well as non-technical information, which has its own value and which should be unknown to the public. Basically, trade secrets are treated more

than information because they are the sources of attaining competitive advantage. So, every company has the reasons to protect their trade secrets legally.

According to TRIPs agreement, any form of undisclosed information is referred to as "Trade Secret". The information is termed as a "trade secret" only if it satisfies the following three criteria. They are,

- (i) It must not be generally known to the general public.
- (ii) The information must include commercial value in it.
- (iii) The owner must have taken certain reasonable measures so as to protect it as a "secret".

Types

The various types of trade secrets which need to be protected by a business firm are,

1. Production Information or Process Information

Information pertaining to production or processes, product/ process cost, technology production know how and special manufacturing machinery are required to be considered as trade secrets by the business firms.

2. Internal Financial Information

Information pertaining to product margins, budgets, product costs, forecasting, operating reports and profit and loss statements comes under the internal financial information of the company and this information is required to be protected by the business firms.

3. Information Related to Purchases and Materials

Information related to purchases and materials includes cost-price data, inventory records, vendors or suppliers information, inventory data etc., should be considered protectable under trade secret law by the business firm.

4. Administrative Information

Information pertaining to decision makers, organization structure, prevailing software and

strategic business plans come under administrative information and this information should be considered as trade secret by business firms.

5. Technical Information

Compounds, laboratory notebooks, experiments, drawings, operation manuals, design manuals, research & development reports, formulas, prototypes, processes, experimental data, diagrams, design data, vendor/supplier information and so on come under the technical information of the company and this information should be considered protectable by the business firm.

6. Information Pertaining to Marketing and Sales

Forecasts of sales, marketing plans, sales promotion plans, marketing budget, sales call reports, sales leads, CRM (Customer Relationship Management) programmes and customer information are required to be considered as trade secrets by the business firms.

7. Information Pertaining to Quality Control

Information concerning quality control procedures, quality control methods, manuals and records come under trade secrets which need to be protected by the business firms.

8. Information Pertaining to HR and Personnel

Salary structure, training programmes, employees records, incentive schemes, recruitment tests and HR policies should be considered as protectable matter by the business firms.

Q52. Explain various tools to protect trade secrets.

Ans :

Businesses must ensure that they protect their trade secrets from being misappropriated, sabotaged, lost or stolen. Some tools that they can adopt are outlined here in below:

1. Employment Agreement

Depending upon the needs, businesses should include suitable confidentiality, non-disclosure, non-compete clauses in agreements with employees. These may include the type of information that is likely to be disclosed, the manner in which it should be used and restrictions on disclosure post-termination.

2. Trade Secret Policy

Such a policy is a must for businesses that heavily rely on their trade secrets. A basic step to develop such a policy is to identify and prioritize the business secrets based on their value and sensitivity. Employees must be informed about the policy and consequences of its breach before they agree to abide by the policy and sign an acknowledgement to that effect.

3. Non-Disclosure Agreements (NDAs)

Businesses can also enter into NDAs with third parties while discussing any business prospects and ventures. In this way, the third parties can be precluded from divulging any trade secrets.

4. Adequate Documentation

It is important for businesses to keep a track of the trade secrets that are developed and have sufficient records to show that the trade secret was developed by them and belongs to them. These records would be of evidentiary value in case of a dispute. It would also be useful for such businesses to conduct a trade secret audit at regular intervals and keep up-to-date with any changes.

5. Security Systems

Access to trade secrets and confidential information may also be restricted to only select personnel who have to undergo proper security checks. In case of an electronic environment, the businesses should use

adequate software programs, virus scans, firewalls and other security and authentication technologies to safeguard their trade secrets.

Q53. Explain the importance of trade secrets.

Ans :

Some of the importance of trade secrets is as follows:

1. Only Option for Non-Patentable

Trade secrets are the only option when the secret covers something that is not patentable. This occurs when the trade secret concerns things like customer lists, business methods, or sources of supply. This also occurs when something that would otherwise have been patentable has been for sale or was publicly used for more than one year. Another example is when the trade secret involves something that is known.

2. Gives Competitive Advantage for Long Term

A second clear answer in favour of trade secrets is when the advantage due to the ownership of the technology is of very short duration. If the major competitive advantage is by being "first-to-market" or if the technology will be obsolete in less time than it would take for a patent to issue, then a patent is of little or no use. Trade secrets also have an advantage because they can potentially last forever. Therefore, trade secrets may be preferred over patents for technologies which preserve their competitive advantage for longer than the term of a patent.

3. No Official Prosecution Costs or Maintenance Fees

A further advantage of trade secrets over patents is that there are no official prosecution costs or maintenance fees in order to establish a trade secret or to keep it in force.

Q54. What are the differences between patents, copyrights, trademarks and trade secrets?

Ans :

S.No.	Nature	Patents	Copyrights	Trademarks	Tradeseecret
1.	Definition	Patent is a right that is provided to the owner of the product by the government to prevent others from making, using or selling his inventions for a limited period of time.	Copyright is a form of protection provided to the original works by giving ownership to the individuals or businesses. It is applied to the results/ out-comes of human intellectual activities.	Trademark is a word, symbol, design, logo or name that is used to identify and differentiate the product or service from the others. Trademark is used to identify goods and service mark for services.	Tradeseecret is a valuable and confidential information of a business firm which helps in gaining competitive advantage over the rivals.
2.	Protectable Matter	The items that are included under patents for protection are machines, compositions, plants, processes, articles of manufacture, ornamental designs and scientific inventions.	Copyrights include the photographs, protection for books music recordings, fine arts, graphics, video, film recordings, choreography, architecture and computer programs.	Trademarks include words, symbol, name, logo, device, design and slogan that are used to identify the product or service.	Trade secrets includes Formula, method, marketing plans, firm strategies, compilation of facts, financial projections, recipes, manufacturing techniques, algorithms.
3.	Examples	Digital camera, chemical fertilizer, genetic engineered mice, design of Bo Diddley, box shaped guitar, Biological equipments, Luther Burbank's hybrid peach.	Harry potterbooks and movie), Davinci paintings, architectural plans for the Pisa tower, Microsoft windows computer program, Morrisette's jagged little pill.	Vodafone zoo-zoo's character, Kingfisher logo and name, Revelon company's advertising slogan, good housekeeping seal.	Paracetamol formula, survey methods used by professional pollster, buying habits of ethnic groups, new inventions for which patent application has not been filed.

Q55. Distinguish between trademarks and trade secrets.

Ans :

(Dec.-19)

S.No.	Trademarks	Trade Secrets
1.	Entrepreneurs can use a trademark to differentiate their products or services from those of others. The names of products and services are protected by trademarks. They also safeguard a product's logo and package design.	Trade secrets are a type of intellectual property that includes things like patent, copyright, and trademarks. The many kinds of intellectual property protection do not exist independently and frequently overlap.
2.	Words, symbols, logos, designs, slogans, trade dress, numbers, graphics, drawings, three-dimensional elements like product type and packaging, and non-visible indications like tones, fragrances, and color hues come under Trademark.	A formula, technique, gadget, machine, collection of data, or any other proprietary knowledge that provides a competitive advantage to a company.

Short Question & Answers

1. Patent.

Ans :

Patent is a complete and precisely written document that describes the invention and grants the inventor (for a limited time period) the exclusive rights to manufacture, use, sell or license his invention. Such rights are called monopoly rights and they help in preventing others from exploiting the invention without taking permission from the patentee. If any party infringes the invention, then the patentee can initiate legal action against the former.

2. Copyrights.

Ans :

Copyright is an important intellectual property which provides exclusive rights to the creators of original literary, dramatic, musical, architectural, artistic and other works irrespective of their quality. Some examples of such works include books, poems, songs, plays, dramas, movies, dance, sculptures, films, choreographic works, cartoons, paintings, photographs, sound recordings, marketing materials, advertising copy etc. Even computer software can be protected under the copyright law. However, certain works such as list of ingredients, short phrases, titles, names, etc., cannot be protected under the copyright law. Any individual or entity who is the creator of the copy rightable material is called the author.

3. Trade Marks.

Ans :

Trade mark refers to any word(s), letter(s), eral(s), symbol(s), drawing(s), picture(s), device(s), shape(s), colour(s), label(s) etc., or a combination thereof which helps to distinguish a product or service provided or produced by an organization from other similar or identical product or service of other' organization. Apart from the above mentioned features, trade marks can also consist of slogans, design, or even audible sounds. As the

name of an individual helps to identify him, similarly a trade mark helps in identifying a product and also guarantees its quality and consistency.

Trade mark protection comes into effect from the time the trade mark is used commercially. The owner of the trade mark has the exclusive right of using it or can even authorize others to use it in return for payment. Like copyrights, trade marks need not be registered, however registration is advantageous as it helps the creator to file a suit in the court of law for the infringement of the mark. Trade mark protection remains in force for the entire duration during which the organization is using the trade mark commercially, provided that the protection is renewed periodically. The major benefit with trade marks is that they help to establish and expand the market share of a product by building and maintaining customer satisfaction and goodwill.

4. Define Social Entrepreneurship..

Ans :

Definitions

- (i) **According to Gregory Dees** "Social entrepreneurship is a method of finding new and better ways to create social value".
- (ii) **According to Alex Nicholls** "Social entrepreneurship is a combination of an over arching social mission and entrepreneurial creativity".
- (iii) Social entrepreneurship is also defined as an innovative, social value creation activity that can occur within or across the non-profit business or government sector".
- (iv) **According to Schwab** "Some one who has created and led an organization whether for profit or not, that is aimed at catalyzing systematic social change through new ideas, products, services, methodologies and changes in attitude with the bottom line being social value creation".
- (v) **According to Koroses and Berman** "Individuals or private organizations that take the initiative to identify and address important social problem in their communities".

5. Who is a Women Entrepreneur?

Ans :

Meaning

Entrepreneurship is the process of creating something new with value and devoting the necessary time and effort and assuming the risk and reward. People who perform these activities are called entrepreneurs. Entrepreneurs assemble resources including innovations, finance and business acumen in an effort to transform innovations into economic goods. Women entrepreneurship is the function of establishing women enterprises by the women entrepreneurs.

Definition

- (i) **According to the Government of India**, "A women enterprise is an enterprise owned and controlled by a woman and having a minimum financial interest of 51 per cent of the capital and giving at least 51 percent of employment generated in the enterprise to women".
- (ii) Women entrepreneurship is based on purposeful and systematic innovation. It included not only the independent women entrepreneur but also company directors and managers who actually carry out innovative functions.

6. Define Feasibility Analysis.

Ans :

Feasibility literally means whether some idea will work or not. It knows beforehand whether there exists a sizeable market for the proposed product/service, what would be the investment requirements and where to get the funding from, whether and wherefrom the necessary technical know-how to convert the idea into a tangible product may be available, and so on. In other words, feasibility study involves an examination of the operations, financial, HR and marketing aspects of a business on *ex ante* (before the venture comes into existence) basis.

Project feasibility analysis results in a reasonably adequate formulation of the project in terms of location, production technology, production capacity, material inputs, etc., and contains fairly specific estimates of project cost, means of financing, sales revenues, production costs, financial profitability and social benefits.

7. Define Entrepreneurial Plan.

Ans :

The business plan which is formulated by a entrepreneur for running the enterprise is known as entrepreneurial plan. This plan would be available in written format and describes the information related to venture's current status, expectations and projected results. Addition to this, all the aspects related to the venture are enclosed under this plan like, marketing research, financing, human resource availability etc.

8. Define business model. Explain the different types of business model.

Ans :

A business model describes the rationale of how an organization creates, delivers, and captures value, in economic, social, cultural or other contexts. The process of business model construction and modification is also called business model innovation and forms a part of business strategy.

In theory and practice, the term business model is used for a broad range of informal and formal descriptions to represent core aspects of a business, including purpose, business process, target customers, offerings, strategies, infrastructure, organizational structures, sourcing, trading practices, and operational processes and policies including culture.

9. Define the term Intellectual Property.

Ans :

The property which is a result of human creativity such as, literature, songs, new invention, advertising slogans, etc., are known as intellectual property. Basically, property is of three types, Real property (includes land buildings etc.), Personal property (includes jewellery, cars and goods) and Intellectual property (includes literature, songs etc.). However, the ownership of intellectual property is very much similar to that of real and personal property.

10. Distinguish between trademarks and trade secrets..

Ans :

S.No.	Trademarks	Trade Secrets
1.	Entrepreneurs can use a trademark to differentiate their products or services from those of others. The names of products and services are protected by trademarks. They also safeguard a product's logo and package design.	Trade secrets are a type of intellectual property that includes things like patent, copyright, and trademarks. The many kinds of intellectual property protection do not exist independently and frequently overlap.
2.	Words, symbols, logos, designs, slogans, trade dress, numbers, graphics, drawings, three-dimensional elements like product type and packaging, and non-visible indications like tones, fragrances, and color hues come under Trademark.	A formula, technique, gadget, machine, collection of data, or any other proprietary knowledge that provides a competitive advantage to a company.

Choose the Correct Answer

1. Intellectual Property Rights (IPR) protect the use of information and ideas that are of [d]
(a) Ethical value (b) Moral value
(c) Social value (d) Commercial value
2. The term 'Intellectual Property Rights' covers [d]
(a) Copyrights (b) Know-how
(c) Trade dress (d) All of the above
3. The following can not be exploited by assigning or by licensing the rights to others. [c]
(a) Patents (b) Designs
(c) Trademark (d) All of the above
4. The following can be patented [d]
(a) Machine (b) Process
(c) Composition of matter (d) All of the above
5. In 'quid-pro-quo', quo stands for [b]
(a) knowledge disclosed to the public
(b) monopoly granted for the term of the patent
(c) exclusive privilege of making, selling and using the invention
(d) None of the above
6. Trade mark [d]
(a) is represented graphically
(b) is capable of distinguishing the goods or services of one person from those of others
(c) may include shapes of goods or combination of colours
(d) All of the above
7. Symbol of Maharaja of Air India is [c]
(a) Copyright (b) Patent
(c) Trademark (d) All of the above
8. NITI Aayog, GOI, has launched a scheme to develop ecosystem for women entrepreneurship in India. Identify the scheme out of the following : [b]
(a) Women Empowerment Agency (b) Women Entrepreneurship Platform
(c) Naari Shakti Aayog (d) Women Knowledge Center
9. Equity shareholders are called _____. [a]
(a) Owners of the company (b) Partners of the company
(c) Executives of the company (d) Guardian of the company
10. Debentures represent _____. [d]
(a) Fixed capital of the company (b) Permanent capital of the company
(c) Fluctuating capital of the company (d) Loan capital of the company

Fill in the blanks

1. _____ is a foremost challenge facing India.
2. SEED stands for _____
3. PMKVY stands for _____
4. _____ entrepreneurship is a combination of an over arching social mission and entrepreneurial creativity”.
5. The first key area of analysis is the selection of a _____ .
6. An official document that grants exclusive rights to make, use or sell an invention to the inventor is known as a _____ .
7. _____ grants exclusive rights to the creator of a original and artistic work.
8. _____ business models are becoming more and more common.
9. _____ is one of the important prerequisites to start an enterprise.
10. _____ institutions provide short-term, medium-term, and long-term loans.

ANSWERS

1. Job creation
2. Science for Equity Empowerment and Development (SEED)
3. Pradhan Mantri Kaushal Vikas Yojana
4. Social
5. New venture
6. Patent
7. Copyright
8. Subscription
9. Finance
10. Financial

One Mark Answers

1. Social Entrepreneurship.

Ans :

Social entrepreneurship is also defined as an innovative, social value creation activity that can occur within or across the non-profit business or government sector".

2. Women entrepreneurship.

Women entrepreneurs may be defined as the woman or a group of women who take initiative to set up a business enterprise and to run it smoothly.

3. Finance.

Ans :

Finance is one of the important prerequisites to start an enterprise. In fact it is the availability of finance that facilitates an entrepreneur to bring together land, labour, machinery and raw material together to combine them to product goods.

4. Geographical indications.

Ans :

Geographical indications (GI) are indications which identify a good as originating in a territory or in a region or locality of a territory where a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin.

5. Plant patents.

Ans :

Plant patent can be granted to any one who invents or discovers and reproduces a new variety of plant. A plant patent has a term of 20 years from the date of filing.

UNIT IV

Design Thinking – An Introduction: Principles of Design Thinking, Process of Design Thinking, planning a Design Thinking Project, Understanding of the Problem, Problem Analysis, Reformation of the Problem, Empathetic Design Methods.

4.1 DESIGN THINKING

4.1.1 An Introduction

Q1. Define Design Thinking. Explain the origin of Design Thinking.

Ans :

(Imp.)

Meaning

Design thinking is a methodology that designers use to brainstorm and solve complex problems related to designing and design engineering. It is also beneficial for designers to find innovative, desirable and never-thought-before solutions for customers and clients.

Design thinking is used extensively in the area of healthcare and wellness, agriculture, food security, education, financial services, and environmental sustainability, to name a few. Design thinking has helped in the digital space, contributed to the development of physical products, spurred social innovation projects and much more.

The iterative design process helps the designers to involve clients and customers in meaningful ways. It is not just a strategy to come up with feasible solutions to a problem, but also a method to think of unimaginable solutions and then trying to make them not just feasible, but also viable.

Design thinking is a blend of logic, powerful imagination, systematic reasoning and intuition to bring to the table the ideas that promise to solve the problems of the clients with desirable outcomes. It helps to bring creativity with business insights.

Origin

Though the term was originally coined in the 90s by Tim Brown, design thinking traces its origin back to the 1940s and 1950s, when psychological studies on the development and methods of creativity were underway.

In 1973, design theorists Horst Rittel and Melvin Webber coined the term “wicked problem” to describe complex problems that were difficult to define and could not be solved by conventional methods—laying the groundwork for alternative solutions like design thinking.

Almost twenty years later, in 1991, the international consulting firm IDEO was founded. IDEO is largely credited with helping to bring design thinking to the mainstream.

By the start of the 21st century, design thinking had become prominent, with multiple books on the subject having been written, and courses on design thinking being taught at preeminent universities like Stanford.

Today, design thinking remains a popular methodology favored by some of the largest, most influential companies in the world, including Apple, Samsung, Nike, and countless more.

Definitions

- (i) **According to In 1987, Peter Rowe’s book titled, “Design Thinking”** described methods and approaches that planners, designers, and architects use. The work of Robert McKim was consolidated by Rolf Faste at Stanford University during 1980s to 1990s and then, David M. Kelly adapted design thinking for business interests. David M. Kelly founded IDEO in 1991.

Most of the industries trying to solve customers' problems and address their needs are failing just because they look at the problems outside in. However, many problems can be solved in a better manner if we look at them inside out.

- (ii) **According to an article in Forbes**, a large number of problems faced by organizations worldwide are multi-faceted and are a part of increasingly complex business models. The expansion of global transactions, growth of international partnerships and decentralized base of human resources are leading to challenges that require a global outlook and hence, a different outlook to solve the problems.

Q2. Explain the features of Design Thinking.

Ans :

The following are the features of design thinking:

1. **Design Thinking is an integrative approach:** This means that for problem solving, the process of problem solving is considered together with its framework conditions. The problem analysis and solution development are considered systematically and holistically in the form of a process. The various experts necessary for problem analysis and solution development.
2. **The working environment for this process is designed to promote creativity.** One also speaks here of the three Ps of Design Thinking , People (the human being), Process (the problem solving process) and Place (the working spaces) must be considered for a successful idea development. A fourth P can be Partnerships, since a large number of partners must be involved in the development and implementation of ideas.
3. **Focuses on early customer orientation:** Design Thinking starts with people and not with a technology or a business goal. Ultimately, the customer should have a decisive influence on the "go/stop" decisions in the process. It is no longer sufficient to question

customers about the classic market research instruments. Traditional methods of (testing) market research often only deliver disappointing results in the search for innovations.

4. **Emphasizes Empathy:** The central element is to put oneself in the position of the customer/user and to observe him in detail. Empathy can create distance to the innovator's own person on the one hand and proximity to the customer on the other. In other words, this approach creates customer orientation. Developments can thus be better aligned with the customers and, if necessary, prioritized to what extent they can satisfy the needs and wishes of these customers.

4.1.2 Principles of Design Thinking

Q3. Describe the Principles of Design Thinking.

Ans :

(Imp.)

1. User-centricity and empathy

Design thinking is all about finding solutions that respond to human needs and user feedback. People, not technology, are the drivers of innovation, so an essential part of the process involves stepping into the user's shoes and building genuine empathy for your target audience.

2. Collaboration

The aim of design thinking is to pool a diverse variety of perspectives and ideas; this is what leads to innovation! Design thinking encourages collaboration between heterogeneous, multidisciplinary teams which may not typically work together.

3. Ideation

Design thinking is a solution-based framework, so the focus is on coming up with as many ideas and potential solutions as possible. Ideation is both a core design thinking principle and a step in the design thinking process. The ideation step is a designated judgment-free zone where participants are encouraged to focus on the quantity of ideas, rather than the quality.

4. Experimentation and iteration

It's not just about coming up with ideas; it's about turning them into prototypes, testing them, and making changes based on user feedback. Design thinking is an iterative approach, so be prepared to repeat certain steps in the process as you uncover flaws and shortcomings in the early versions of your proposed solution.

5. A bias towards action

Design thinking is an extremely hands-on approach to problem-solving favoring action over discussion. Instead of hypothesizing about what your users want, design thinking encourages you to get out there and engage with them face-to-face. Rather than talking about potential solutions, you'll turn them into tangible prototypes and test them in real-world contexts.

Q4. Describe the applications of Design Thinking,

Ans : (Imp.)

1. Business

Design thinking helps in businesses by optimizing the process of product creation, marketing, and renewal of contracts. All these processes require a companywide focus on the customer and hence, design thinking helps in these processes immensely. Design thinking helps the design thinkers to develop deep empathy for their customers and to create solutions that match their needs exactly. The solutions are not delivered just for the sake of technology.

2. Information Technology

The IT industry makes a lot of products that require trials and proof of concepts. The industry needs to empathize with its users and not simply deploy technologies. IT is not only about technology or products, but also its processes. The developers, analysts, consultants, and managers have to brainstorm on possible ideas for solving the problems of the clients. This is where design thinking helps a lot.

3. Education

The education sector can make the best use of design thinking by taking feedback from students on their requirements, goals and challenges they are facing in the classroom. By working on their feedback, the instructors can come up with solutions to address their challenges.

For example, Michael Schurr, a 2nd grade instructor from New York, realized that his students would be more comfortable with bulletin boards lowered. He also found the idea of creating comfortable semi-private space for working students as it provided them space to study. As a result, his students became more engaged and felt free to move.

4. Healthcare

Design thinking helps in healthcare as well. The expenditure on healthcare by the government and the cost of healthcare facilities is growing by the day. Experts worldwide are concerned about how to bring quality healthcare to people at low cost.

4.2 PROCESS OF DESIGN THINKING**4.2.1 Planning a Design Thinking Project****Q5. Explain various stages in Design Thinking.**

(OR)

Describe the process of design thinking.

(OR)

Elucidate the various stages in design thinking.

(OR)

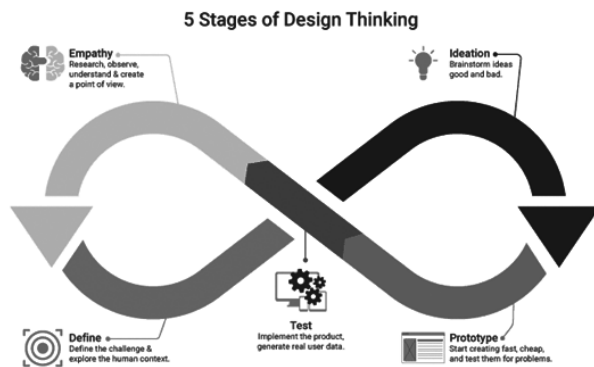
List out the various sectors using design thinking concept.

Ans : (Imp.)

Five key steps make up the design thinking methodology:

1. Empathy,
2. Define
3. Ideate

4. Prototype
5. Test



Stage 1: Empathy

The first stage of the design thinking process is empathy. During this stage, design teams set aside their own biases and work to gain a deeper understanding of real users and their needs—often through direct observation and engagement.

Empathy is one of the most crucial phases of design thinking. After all, how can you hope to solve a user's problem if you don't understand who the user is and what they want? Empathy creates an emotional bridge between designers and target users, one that facilitates the kind of deep user insights at the heart of human-based design thinking.

Some tools and methods commonly used to conduct this user research are:

- (i) **User Interviews:** Talk to users directly to gain insight into their challenges and understand their points of view.
- (ii) **Surveys and Questionnaires:** Help identify who your users are, what they currently think about your product, what problems they face, and what their needs are.
- (iii) **Observation:** View how users interact with the product and their environment. Observe their behaviors to gain insight into their thoughts and feelings.

(iv) **Empathy Map:** A visualization tool that summarizes a user's thoughts, actions, and feelings.

(v) **Color Psychology:** Different color palettes and uses of brand colors unlock different psychological effects that can influence how consumers use and interact with your designs.

Stage 2: Define

The second step is to define the problem. In this phase, designers analyze the data gathered during the previous stage to identify and define the issue with a clear and concise problem statement.

Problem statements are particularly important because they outline the challenges the target audience faces and how those challenges can be resolved. Doing so ensures the user's perspective remains in focus (as opposed to the company's) and that a human-centered approach is used throughout the design process.

Tools commonly used to achieve in the define phase are:

- (i) **Data Analysis:** Using the data gathered during the empathy stage to identify and define the user's problem.
- (ii) **The "5 Whys" Method:** An iterative, interrogative technique used to discover the root cause of a specific problem.
- (iii) **Build User Personas:** Using data gathered about users during the empathy stage to build an archetype that represents the needs of your target audience.

Stage 3: Ideate

The ideation stage is where designers start to explore solutions. Ideas in this stage will ultimately become prototypes that can be tested with your target audience.

One thing to remember about the ideation phase: leave judgments behind. Design teams shouldn't concern themselves with technical details like budgetary constraints or feasibility. Use creative, outside-the-box thinking to develop as many creative solutions as possible. There are no wrong ideas.

Commonly used ideation techniques include:

- (i) **Brainwriting:** Write down all your ideas on a sheet of paper, then pass the paper on. Whomever you pass it to develops your ideas further, then passes the paper on. This continues until a certain time limit is reached, then the entire team gathers.
- (ii) **Sketches:** This is a quick way to visualize ideas without expending much time. If your sketch can communicate your ideas to other team members, it can be an effective ideation tool.
- (iii) **Round-Robin Brainstorming:** A collective, two-step approach to brainstorming that begins by soliciting a solution using the "How Might We" prompt, then developing that idea further using an iterative circular process similar to brainwriting.
- (iv) **Mind Maps and Flow Chars:** A diagram and visualization tool that shows how ideas are linked, making it easier to classify them and detects patterns.
- (v) **SWOT Analysis:** Used to identify the strengths, weaknesses, external opportunities, and threats (SWOT) of an idea.

Stage 4: Prototype

During this phase of design thinking, teams will create prototypes of the ideas they generated in the previous stage. Prototypes don't need to be finished products. They are meant to convey a possible solution, not deliver it. Sketches, models, and digital renders are all examples of prototypes: scaled-down versions of the product created during the ideation stage.

With minimal effort, prototyping can reveal whether the proposed product will work, whether it's technically feasible, and what challenges you will face bringing it to life.

Common tools and ideation techniques include:

- (i) **Wireframes:** Low-fidelity prototype that represents the basic visual layout of an interface or product.

- (ii) **Low-Fidelity Prototypes:** These are cheap, quick, relatively simple, and can be used to express broad concepts or ideas. Low-fidelity prototypes require little design skills to produce.
- (iii) **High-Fidelity Prototypes:** Realistic designs that look and operate close to the final product.
- (iv) **Walk-Through:** A task-specific approach to determine the usability of a prototype.

Stage 5: Test

The testing phase of the design thinking process involves real users and real user feedback. During this phase, prototypes are given to participants to try out. Design teams observe how participants interact with the prototype and gather feedback about the experience.

Testing reveals what is or isn't working. Don't forget: design thinking is an iterative and non-linear process—that goes for testing, too. Depending on user feedback, changes to the product might be required. These changes might require you to restart the testing phase or revisit past stages. Feedback from user testing might also inspire new potential solutions or actionable insights.

Commonly used testing tools include:

- (i) **Usability Testing:** A testing tool that gauges the usability of a design with a group of target users.
- (ii) **Beta Launch:** Releasing your prototype to a limited pool of users to determine usability, detect bugs, and test whether your product addresses users' needs.

Q6. How to plan a design thinking?

Ans :

- Planning and Preparation
- Identify the scope and objectives for the workshop
- The more specific the problem, the more concrete the solution.

- Always run a pre-workshop research
- Choose the relevant activities
- Plan engaging agenda
- Balance whole team, breakout, and individual activities.

Q7. What is the tools in design thinking?

Ans :

To list the Design Thinking tools, we need to remember that it is a process generally divided into four phases:

- **Immersion:** Research to contextualize the problem, understand a given scenario, and formulation hypothesis to test and be proof..
- **Analysis and Synthesis:** Grouping collected data and reframing the initial situation based on transforming data into insights.
- **Ideation:** Collaborative brainstorming sessions powered by tools to create solutions that derive from the problem or specific pain points found in the Immersion.
- **Prototyping:** Assembling MVP prototypes and concept tests to validate the effectiveness of the solutions.

4.3 UNDERSTANDING OF THE PROBLEM, PROBLEM ANALYSIS, REFORMATION OF THE PROBLEM

Q8. Define problem solving. Explain the steps involved in problem solving.

Ans :

We can define problem-solving as a process of understanding the problem, designing an algorithm for it, and finally implementing the solution to it.

Therefore, we can say that a successful problem-solving process depends on the following factors:

- understanding the problem and defining it precisely.

- designing a proper algorithm (solution) for it.
- implementing the algorithm successfully.

When the problems are easy we can easily search out a solution. Whereas, complex problems require step by step process to solve. Hence, this means that we have to apply problem-solving techniques to solve the problem. Furthermore, this starts with finding a precise definition of the problem and ends with a successful solution. Here, we will study understanding the problem in detail.

Steps

After understanding the problem, the further steps are as follows:

1. Designing an algorithm

After understanding the relationship between input and output and the functionalities required we have to design an algorithm. Furthermore, the algorithm should contain all the necessary functions to solve the problem. Moreover, it should produce a proper output for every input.

2. Implementing the algorithm

After designing the algorithm we should implement and design a program to solve the problem. We can develop the program using any programming language.

3. Evaluation

After developing the program we should run and test if it produces the correct output.

Q9. What Makes a Good Problem Statement?

Ans :

- The design thinking process is the definition of a meaningful and actionable problem statement, which the design thinker will focus on solving.

- This is perhaps the most challenging part of the design thinking process, as the definition (also called a design challenge) will require you to synthesise your observations about yours from the first stage in the design thinking process, which is called the empathise stage.

Q10. What is a reformulation of the design problem?

Ans :

- Automatic design optimization is highly sensitive to problem formulation.
- The choice of objective function, constraints and design parameters can dramatically impact the computational cost of optimization and the quality of the resulting design.
- The best formulation varies from one application to another that our reformulation techniques can significantly improve the performance of automatic design optimization.

4.4 EMPATHETIC DESIGN METHODS

Q11. What is Empathy? Explain the importance of Empathy.

Ans :

Meaning

Empathy is defined as “the action of understanding, being aware of, being sensitive to, and vicariously experiencing the feelings, thoughts, and experience of another without having the feelings, thoughts, and experience fully communicated in an objectively explicit manner.”

Importance

- It describes the ability to put yourself in another person's shoes; to truly see the world through their eyes in a given context or situation.

- In a social context, empathy is often what drives us to take action. If we see people suffering or struggling, and we are able to empathise with their situation, we are compelled to help relieve them in some way.
- Designers need to build empathy for their users in order to take the right course of action. It's important to understand how the user feels when interacting with a certain product or interface; does the layout of this website evoke feelings of frustration? What emotions does the user go through when navigating this app?
- In building empathy, designers can create products which truly please the user and make their lives easier. Without this empathy, the design process lacks that all-important user-centricity which often marks the distinction between product success and failure.

Q12. Explain briefly about Empathic Design.

Ans :

(Imp.)

Empathic design caters to real user needs, rather than supposed “averages”. One of the main objectives of the empathise stage is to identify user needs and behaviours that are latent, or unarticulated. As a designer, it's important to distinguish between what people say they would do in a certain situation, and what they actually do. In reality, users may have habits or desires that they're not aware of, so it's essential for the designer to observe the user in action.

Empathic research and design is not concerned with facts about the user, such as their age or location. Rather, it focuses on their feelings towards a product and their motivations in certain situations. Why do they behave in a certain way? Why do they prefer to do this instead of that? Why do they click here rather than there when presented with a particular screen or page? These are the

kinds of insights you'll uncover during the empathise phase, and they'll help you to create user experiences that cater to your audience.

1. Empathy interviews

One way to build empathy is by conducting empathy interviews. The key to an effective empathy interview is to structure it as an open conversation; don't try to steer the session with a set list of questions. Remember, the goal is to uncover as much insight as possible not to confirm or negate a preconceived notion.

2. Immersion and observation

It is also extremely useful to observe your users in action, be it in their natural environment or immersed in a certain situation. Observing your users, either by photographing or videoing them, helps to identify needs, motivations, or challenges that they're not aware of and therefore not able to articulate.

There are several ways of observing your users. One option is to bring them in and observe them while they interact with the product, or problem, you are trying to design for. You might video them or record their screen as they navigate a website. Another option is to ask your users to keep their own photo or video journal over a certain time period, or while completing certain tasks in their everyday lives. The advantage of this is that your users aren't so aware of being watched and may therefore act more naturally.

3. Extreme users

In their quest to build empathy and truly understand the problem that their users face, designers will often turn to extreme users. As UX designer Jack Strachan explains, extreme users help to reframe the problem and uncover new insights: "Extreme users' needs are somewhat amplified. They need/want less or more of something to solve their problems.

They often find workarounds to existing problems, unlike average users."

4. Empathy maps

Empathy maps are another great tool not only for getting to know your users, but for sharing this knowledge across the wider team. As defined by the Nielsen Norman Group, an empathy map is "a collaborative visualization used to articulate what we know about a particular type of user. It externalizes knowledge about users in order to

- create a shared understanding of user needs, and
- aid in decision making

Empathy mapping requires you to consider your users in relation to four different quadrants:

- (i) **Says:** Contains direct quotes based on what the user has said, for example during an empathy interview.
- (ii) **Thinks:** Considers what the user might be thinking, but may not want to explicitly reveal. For example: "Am I stupid for not being able to navigate this website?"
- (iii) **Does:** Looks at concrete actions the user takes, for example: refreshing a page, clicking a button, comparing different options before making a purchase.
- (iv) **Feels:** Considers what emotions the user is experiencing at certain points. For example: "Frustrated: Can't find what they are looking for on the page."

Q13. Explain the process of Empathetic Design.

Ans :

The empathetic design process can be broken down into five stages.

Step 1: Observing

To empathetic design, an interdisciplinary team should be sent into individual's homes or offices to observe them using the product or service throughout their normal, daily routines. These individuals can be customers or non-customers.

Sending an interdisciplinary team is another key differentiator of empathetic design. Having a team composed of, for example, an engineer, designer, and UX researcher, will result in different observations and richer data.

Step 2: Gathering Data

Another differentiator of empathetic design is its reliance on observation rather than questioning. So the interdisciplinary team should come in with their own list of questions that prompts them to note certain behaviors of the users. They may ask a couple open-ended questions like, "Why are you doing that?" but they should primarily rely on visual, auditory, and sensory cues.

They may note the users' body language, unsolicited comments, any challenges the user encounters, and any workarounds the user has implemented to solve those challenges.

Step 3: Brainstorming

It's time to analyze the data to understand any articulated and unarticulated needs the user has, and brainstorm solutions. At this stage, it can be helpful to turn the text and numbers gathered in the previous stage into visual representations of possible solutions. That's why brainstorming sessions should have large notepads, whiteboards, and other materials for doodling.

Step 4: Prototyping

At this stage, try to narrow down your ideas to one or two of your biggest priorities. Is there a solution that will be quick and cheap to roll out? Is there an obvious pain point

affecting the majority of users that needs to be solved right away? Once you've decided on what your most important solution is, develop a prototype. A prototype can take the form of a paper model, a 3D print of a product, a model with Lego bricks, or a slide deck, among other forms.

You can learn more about prototyping in the post, [Prototype vs. Wireframe: How to Use Both in Design](#).

Step 5: Testing

Now that you have a prototype, get users to interact with it so you can collect more data and feedback. Once you've amassed enough data, you can create an improved version of the prototype. You can iterate this step until you're satisfied, then move on to tackling other problems in the design process.

Short Question and Answers

1. Define Design Thinking.

Ans :

Design thinking is a methodology that designers use to brainstorm and solve complex problems related to designing and design engineering. It is also beneficial for designers to find innovative, desirable and never-thought-before solutions for customers and clients.

Design thinking is used extensively in the area of healthcare and wellness, agriculture, food security, education, financial services, and environmental sustainability, to name a few. Design thinking has helped in the digital space, contributed to the development of physical products, spurred social innovation projects and much more.

2. Features of Design Thinking.

Ans :

The following are the features of design thinking:

- (i) **Design Thinking is an integrative approach:** This means that for problem solving, the process of problem solving is considered together with its framework conditions. The problem analysis and solution development are considered systematically and holistically in the form of a process. The various experts necessary for problem analysis and solution development.
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fourth P can be Partnerships, since a large number of partners must be involved in the development and implementation of ideas.

3. Empathy.

Ans :

The first stage of the design thinking process is empathy. During this stage, design teams set aside their own biases and work to gain a deeper understanding of real users and their needs often through direct observation and engagement.

Empathy is one of the most crucial phases of design thinking. After all, how can you hope to solve a user's problem if you don't understand who the user is and what they want? Empathy creates an emotional bridge between designers and target users, one that facilitates the kind of deep user insights at the heart of human-based design thinking.

Some tools and methods commonly used to conduct this user research are:

- (i) **User Interviews:** Talk to users directly to gain insight into their challenges and understand their points of view.
- (ii) **Surveys and Questionnaires:** Help identify who your users are, what they currently think about your product, what problems they face, and what their needs are.
- (iii) **Observation:** View how users interact with the product and their environment. Observe their behaviors to gain insight into their thoughts and feelings.

4. Define.

Ans :

The second step is to define the problem. In this phase, designers analyze the data gathered during the previous stage to identify and define the issue with a clear and concise problem statement.

Problem statements are particularly important because they outline the challenges the target audience faces and how those challenges can be resolved. Doing so ensures the user's perspective remains in focus (as opposed to the company's) and that a human-centered approach is used throughout the design process.

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5. How to plan a design thinking?

Ans :

- Planning and Preparation
- Identify the scope and objectives for the workshop
- The more specific the problem, the more concrete the solution.
- Always run a pre-workshop research
- Choose the relevant activities
- Plan engaging agenda
- Balance whole team, breakout, and individual activities.

6. What is the tools in design thinking?

Ans :

To list the Design Thinking tools, we need to remember that it is a process generally divided into four phases:

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formulation hypothesis to test and be proof.

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9. importance of Empathy.

Ans :

Meaning

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10. Empathy maps.

Ans :

Empathy maps are another great tool not only for getting to know your users, but for sharing this knowledge across the wider team. As defined by the Nielsen Norman Group, an empathy map is “a collaborative visualization used to articulate what we know about a particular type of user. It externalizes knowledge about users in order to

- create a shared understanding of user needs, and
- aid in decision making

Choose the Correct Answers

1. Design Thinking is _____. [d]
 - (a) Thinking about Design
 - (b) Designing ways in which people think
 - (c) Asking users to solve problems
 - (d) Defining, framing, and solving problems from users' perspectives
2. What are the steps of the design thinking process? [b]
 - (a) Understand > Draw > Ideate > Create > Test
 - (b) Empathise > Define > Ideate > Prototype > Test
 - (c) Empathise > Design > Implement > Produce > Test
 - (d) Understand > Define > Ideate > Produce > Try
3. Which of the below firms is associated the most with Design Thinking? [b]
 - (a) Ikea
 - (b) Ideo
 - (c) Idea
 - (d) Ikei
4. Design Thinking typically helps in _____. [a]
 - (a) Innovation
 - (b) Data Analytics
 - (c) Financial Planning
 - (d) Operational Efficiency
5. Which of the following well known consulting firms are offering Design Thinking as a solution? [d]
 - (a) Mckinsey and Co
 - (b) BCG
 - (c) Bain and Co
 - (d) All of the above
6. Which of the below is incorrect? [d]
 - (a) PepsiCo has turned Design Thinking into its strategy
 - (b) GE Healthcare has built a MR scanner for children using Design Thinking
 - (c) AirBnB avoided bankruptcy and turned profitable using Design Thinking
 - (d) A ll of the above are correct

7. What is the first step in the Designing Thinking Process? [a]
(a) Empathise (b) Define
(c) Ideate (d) Prototype
8. After you empathise, the next step is to _____. [b]
(a) Prototype (b) Define
(c) Test (d) Ideate
9. After you define the problem, the next step is to _____. [c]
(a) Test (b) Prototype
(c) Ideate (d) Empathise
10. After you Ideate, the next step is to _____. [b]
(a) Test (b) Prototype
(c) Define (d) Empathise

Fill in the blanks

1. _____ is a methodology that designers use to brainstorm and solve complex problems related to designing and design engineering.
2. _____ the process of product creation, marketing, and renewal of contracts.
3. The first stage of the design thinking process is _____.
4. The second step is to _____ the problem.
5. The _____ stage is where designers start to explore solutions.
6. During this phase of design thinking, teams will create _____ of the ideas they generated in the previous stage.
7. The _____ phase of the design thinking process involves real users and real user feedback.
8. _____ design optimization is highly sensitive to problem formulation.
9. When the _____ are easy we can easily search out a solution.
10. _____ starts with people and not with a technology or a business goal.

ANSWERS

1. Design thinking
2. Optimizing
3. Empathy
4. Define
5. Ideation
6. Prototypes
7. Testing
8. Automatic
9. Problems
10. Design Thinking

One Mark Answers

1. Design thinking.

Ans :

Design thinking is a blend of logic, powerful imagination, systematic reasoning and intuition to bring to the table the ideas that promise to solve the problems of the clients with desirable outcomes.

2. Principles of Design Thinking.

Ans :

- (i) User-centricity and empathy
- (ii) Collaboration
- (iii) Ideation

3. Various stages in design thinking.

Ans :

Five key steps make up the design thinking methodology:

- 1. Empathy,
- 2. Define
- 3. Ideate
- 4. Prototype
- 5. Test

4. Prototype.

Ans :

During this phase of design thinking, teams will create prototypes of the ideas they generated in the previous stage. Prototypes don't need to be finished products. They are meant to convey a possible solution, not deliver it.

5. Problem solving.

Ans :

Problem solving as a process of understanding the problem, designing an algorithm for it, and finally implementing the solution to it.

UNIT V

Prototype, Testing Ideas, Implementing Design Thinking: Creativity, Creativity Process, Creativity Techniques, Business Idea, Evaluation of Ideas, Kano Method, Finding Gaps in the Market Place, Prototype, Lean Startup Method, Visualization, Presentation Techniques, Desirability Testing, Methods to Initiate Ventures, Creating New Ventures, Acquiring an Established Venture, Franchising, Advantages and Disadvantages, Implementing Design Thinking, Agility for Design Thinking.

5.1 CREATIVITY

Q1. Define Creativity. What are the components of Creativity?

Ans : (Dec.-19, Imp.)

Introduction

Creativity is concerned with producing unique ideas, concepts, and ways of doing things that would not have occurred normally or evolved routinely. A creative individual mingles, combines, differentiates, and expands his/her past experiences and learning, in order to generate non-obvious and new concepts, approaches, methods, themes, or variations and extensions of knowledge. Creativity is a resource of high competitive value, but is underutilized in most organizations.

Creativity can be defined in a simple manner in terms of the output(s) of creative effort. In this sense, creativity may be defined as the discovery or production of something that is novel and also useful or relevant or economical, or superior or valuable. The product or the outcome of a creative effort must be both significant and markedly different from the existing produces) or outcome(s). Creativity refers to mental orientation and capability of persons to evolve and develop new and superior solutions to problems that are regarded as complex, ambiguous or unclear.

Creativity is a mental and social process involving the discovery of new ideas or concepts, or new associations of the creative mind between existing ideas or concepts. Creativity is fueled by the process of either conscious or unconscious insight. An alternative conception of creativeness (based on its etymology) is that it is simply the act of making something new.

Creativity is a sub-set of intelligence, meaning a group of basic relational or elemental functions with a high association of reliability; i.e., a particular sub-set of conditional intelligence. Strictly speaking, this last requirement is essential for intelligence; if the brain's functions responsible for creating logical relations often make mistakes, this would not be intelligence, but rather something else that I call intuition, but, if mistakes were almost always made, this would be called a lack of intelligence.

Components

1. Conceptual Fluency

It is the ability to generate a large number of relevant ideas relatively rapidly with reference to a given problem/ situation/ issue under consideration.

2. Conceptual Flexibility

It is the ability to shift perspectives/viewpoints, to move from one frame of reference to another, and to change or vary the approaches to solutions to problems.

3. Originality

It is the ability to produce unusual, novel, atypical answers to questions, responses to problems, and interpretation of issues, situations, and events.

4. Complexity Orientation

It is the ability to challenge, and find meaning, in complex and ambiguous problems/ situations, and to enjoy the efforts to analyze, integrate, clarify, and resolve them.

These four elements of creativity are inextricably linked with individuals' knowledge, experience, and imagination on the one hand, and high level of motivation and interest towards problem solving, on the other.

Q2. Explain the features of Creativity.**(OR)****Examine the Nature of Creativity.***Ans :* (Nov.-22, Imp.)**1. Managing Ignorance and Failure**

Creativity management is helpful in a great deal to manage ignorance. The most important and difficult aspect for human being is to be aware of his ignorance. Managing ignorance require require immate knowledge.

2. Knowledge as a Flow Concept

Knowledge is not a stock on which one can add additional knowledge every year. This requires lot of creativity.

3. Being Spiritualistic

Being creative means converting ignorance into knowledge, it also means knowing what you did not know before. In order to become creative, one should know what is not known, what is hidden from us about, which we are ignorant. For this one should be spiritualistic.

4. Repudiation of Law of Causality

It is based one assumption of skepticism and agnosticism. This means that reality can never be explained perfectly and chance plays a big role in the outcome.

5. Imperfection of Nature

Ignorance is not a limitation of humans but imperfection of nature. The humans therefore, have divided the knowledge into various subject/specializations whereby each individual specializes in one small part of a particular subject.

6. Reality is not so Obvious

Reality is too, complicated, to be understandable in the first attempt. People have to apply, iterative process to understand reality.

7. Holistic Decision-Making

Humans gain knowledge through three sources, viz., faith, experience and intellect. This is very much required for decision making at any time and specially, while making any sorts of negotiations.

5.1.1 Creativity Process**Q3. Describe the various steps involved in Creativity Process.****(OR)****Examine the process of Creativity.****(OR)**

Being creative is essential to be successful entrepreneur. What in your opinion are the major components in the creative process?

Ans : (May-22, Nov.-22, Dec.-19, Imp.)**Stages in the Creative Process**

Various labels have been applied to stages in the creative process, but most social scientists agree on five stages that we label as idea germination, preparation, incubation, illumination, and verification. In each stage, a creative individual behaves differently to move an idea from the seed stage of germination to verification, and as we will discuss, behavior varies greatly among individuals and their ideas.

1. Idea Germination

The germination stage is a seeding process. It is not like planting seed as a farmer does to grow com, but more like the natural seeding that occurs when pollinated flower seeds, scattered by the wind, find fertile ground to take root. Exactly how an idea is germinated is a mystery; it is not something that can be examined under a microscope. However, most creative ideas can be traced to an individual's interest in or curiosity about a specific problem or area of study.

2. Preparation

Once a seed of curiosity has taken form as a focused idea, creative people embark on a conscious search for answers. If it is a problem they are trying to solve, then they begin an intellectual journey, seeking information about the problem and how others have tried to resolve it. If it is an idea for a new product or service, the business equivalent is market research. Inventors will set up laboratory ex-

periments, designers will begin engineering new product ideas, and marketers will study consumer buying habits.

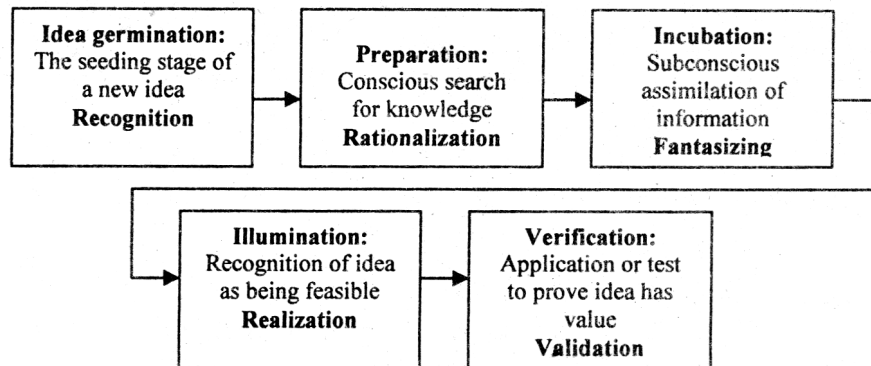


Fig.: Creativity Process

3. Incubation

Individuals sometimes concentrate intensely on an idea, but, more often, they simply allow ideas time to grow without intentional effort. We all have heard about the brilliant, sudden “flashes” of genius, but few great ideas come from thunderbolts of insight. Most evolve in the minds of creative people while they go about other activities. The idea, once seeded and given substance through preparation, is put on a back burner; the subconscious mind is allowed time to assimilate information.

4. Illumination

The fourth stage, illumination, occurs when the idea resurfaces as a realistic creation. The fable of the thunderbolt is captured in this moment of illumination—even though the often long and frustrating years of preparation and incubation has been forgotten. Illumination may be triggered by an opportune incident.

The important point is that most creative people go through many cycles of preparation and incubation searching for that incident as a catalyst to give their idea full meaning. When a cycle of creative behavior does not result in a catalytic event, the cycle is repeated until the idea blossoms or dies. This stage is critical for entrepreneurs because ideas by themselves have little meaning.

5. Verification

An idea once illuminated in the mind of an individual still has little meaning until verified as realistic and useful. Entrepreneurial effort is essential to translate an illuminated idea into a verified, realistic and useful application. Verification is the development stage of refining knowledge into application. This is often tedious and requires perseverance by an individual committed to finding a way to “harvest” the practical results of his or her creation. During this stage, many ideas fall by the wayside as they prove to be impossible or to have little value. More often, a good idea has already been developed, or the aspiring entrepreneur finds that competitors already exist. Inventors quite often come to this harsh conclusion when they seek to patent their products only to discover similar inventions registered.

Q4. State the various indicators of creativity.

Ans :

Creativity plays a significant role in innovative process. There are various indicators of creativity and innovativeness. Their basic application is in performance appraisals and in developing innovative-friendly organization culture.

Some of the indicators of creativity are :

- (i) Providing a number of solutions and ideas to a given problematic situation.
- (ii) Searching for innovative ways of performing the tasks.
- (iii) Exhibiting originality thinking.
- (iv) Be ready to adopt and approve innovations.
- (v) Appreciating the solutions and ideas of others.
- (vi) Converting creative ideas into feasible solutions.
- (vii) Being flexible enough to revise outdated views.
- (viii) Capable enough to elaborate a given problem with related details.

The two key aspects of creativity are process and people.

(i) Process

Process is objective oriented and is designed to get solutions to a problem.

(ii) People

People are the valuable resources that achieve the solutions. The process used will remain same but the approach followed by people changes. At times, they adopt the solution and at other times they create an innovative solution people who adopt solution are known as adaptive entrepreneurs and people who innovate solutions are known as innovative entrepreneurs.

Q5. What are the various impediments to creativity? What are the measures to overcome impediments to creativity thinking?

Ans :

Impediments to Creativity

Creativity abilities of individuals are generally suppressed by the process of socialization. A successful manager tends to be more adaptive, flexible and tolerant as an individual and enhances his/her worth and efficiency with these qualities, a manager can be a good creator.

There also exist some negative traits in a manager that hinder creativity. Such traits must be identified and overcoming measures must be undertaken to improve creative talents.

The negative traits called impedance to creativity include,

- (i) Unwillingness to take up new things and lack of tolerance for ambiguity.
- (ii) Habit of ignoring unusual situations, feeling suspended when the outcomes of actions are awaiting and resistant to absence of effective structure and definiteness.
- (iii) Highly enthusiastic for the sanction of things and positive expectations from team members always.
- (iv) Judging others, events or situations based on only one set of inputs or experiences or traits. This kind of judgement make manager narrow minded and prevent him/her from understanding a person or situation completely.
- (v) A fear-oriented behaviour (i.e., fear to fail) stops the person from thinking creatively.
- (vi) Inability to recognize the available resources and opportunities during the problematic situation can also block creativity.
- (vii) Getting depressed soon by negative feedback. This trait reduces the strength of relations with others, thus hinders creativity.

Thus, the above discussed impediments to creativity can be overcome by adopting, the creativity enhancing techniques.

Overcoming impediments to Creativity Thinking

Creativity thinking is mainly blocked or impeded by certain mental habits called muddling mind-sets. These habits usually hinder the creativity and other thought process. Certain mental habits and techniques must be used to improve creative thinking.

1. Uncertainty Thinking

Ever fluctuating modern world is bringing great uncertainty and ambiguity in one's life. Individuals are becoming less creative and are working hard even for negligible amount of creativity. A creative person has the capability to accept situations of ambiguity and uncertainty and most of them even enjoy it.

2. Security Hunting

Many people in general try to take correct decisions or exert correct performances by depending on numerical data, stereotypes, probability theory in order to minimize risks. This method of problem-solving is not always successful and may lead to mistakes. A creative person consider risk as a part of innovative game and try to learn from mistakes and create miracles.

3. Stereotyping

Stereotyping and averages are the hypothesis developed by people and in return people only rely on them for decision-making. Stereotypes and averages may not reveal the exact data. Predictions made depending upon stereotypes and averages may not provide exact output and restricts the creative ability. In this connection, creative expert Edward Debono says that, individuals have to change their thought process to improve their creative ability. He also stressed that only new types of thinking can generate new ideas and innovations.

5.2 CREATIVITY TECHNIQUES

Q6. Explain briefly about various Creativity Techniques.

Ans :

A number of techniques exist to help generate new ideas and, in general, entrepreneurs identify more ideas than opportunities. The notion that creativity can be learned or enhanced holds important implications for entrepreneurs who need to be creative in thinking for decision making, problem solving and idea generation.

1. Brainstorming

This is one of the main techniques used for group creativity. Osborn (1953) is often credited as being the inventor of brainstorming. He described it as a technique that helps to overcome the restrictive nature of evaluation in business meetings. He further believed that social pressures prevented people from freely expressing their ideas. To remedy this situation, he proposed to have structured meetings where ideas could be expressed freely prior to evaluation, that is, judgement was deferred in order to promote creativity.

One of the basic principles behind brainstorming is therefore determinant of judgment and the spontaneous presentation to the group of any ideas (even the wildest thoughts) that occur to any person in the group. The procedure facilitates divergent thinking and results in the production of a large number of ideas from different perspectives. Here, making 'mistakes' and putting forward ideas which do not work are not only acceptable, it is also desirable. This is done to enable people to overcome the fear of making mistakes and/or appearing foolish in front of others.

Brainstorming starts with a problem to be solved or an idea to be generated. A facilitator encourages and writes down (on a board) ideas as they come. There are no 'bad' ideas. Ideas can become springboards for other ideas (build on the creativity of others) by using the right brain. The left brain can be used to analyze these ideas later.

Brainstorming is best carried out using a multidisciplinary team so that the problem/task can be approached from different angles so as to have cross facilitation of ideas.

2. Focus groups

A focus group is a gathering of 5 to 10 people who have been selected because of their relationship with the issue being discussed. Focus groups can be used to generate new business ideas.

The give and take nature of the group discussion enables companies to uncover what is on customer's minds. Focus groups are conducted by trained moderators whose goals are to keep the group 'focused' and to generate lively discussion. The moderator should understand the underlying objectives of the task and the success of the undertaking largely depends on the moderator's ability to ask the questions that keep the discussion on track.

3. Attribute Listing

In attribute listing, we ensure that all possible aspects of a problem have been thoroughly examined.

Example: List all the possible attributes of bath soap.

For each attribute, list ways in which each of the attributes could be changed. By studying each of these, it can be possible to find ways of improving the product, for example, to design a bath soap that does not 'slip' between the fingers during a shower.

For improving a torch light, one may proceed as below:

Feature	Attribute	Ideas for improvement
Body	Metal	Plastic, Recycled plastic, light alloy
Battery	AA type	Rechargeable by plug in
Bulb	Filament	Economy bulb, spare bulb in cap
Switch	On/Off	On/Off Intermittent/Economy mode
Weight	Light	Floatable (+ waterproof)

(+ handstrap)

Attribute listing is a powerful creativity tool for quality improvement of complex products, processes or services.

4. Mind Mapping

This is a visual method of mapping information to stimulate its generation and analysis. Unlike a computer, the human brain works associatively as well as linearly. As soon as it receives information, it compares, contrasts, integrates and synthesizes it. Every single work thereby finds numerous links associating it with numerous related ideas and concepts.

Mind mapping involves writing down a central idea and reflecting upon new and related ideas. One focuses on key ideas which are written down and looks out for possible branching outs and connections. To make a mind map, one starts with the main idea from the centre of a page and works outwards in all directions and from there in other directions and so on using both words and images. Every thing on the map is in effect a centre of another map. Mind maps can be very creative and tend to generate new ideas and associations that would not otherwise have been thought of before.

5.2.1 Business Idea, Evaluation of Ideas

Q7. What is business idea? What are the sources of opportunities? Explain.

Ans :

Meaning

Business is all about ideas and sensing of opportunities. There exist some opportunities, created by other businesses and someone can sense it to make business out of it. For example, the Wright brothers invented airplanes, and some others saw an opportunity in it for transportation of people and goods. Some others saw services around the aviation industry as opportunities and now a complete echo system is developed around airplanes. In this process, several minds have added features to enhance safety, comfort and convenience. Just imagine the number of businesses around the aviation industry! Thus, new ideas are nurtured by some, but when they result into innovation, business opportunities are sensed by others.

Some business opportunities come on the way in the form of inquiry by someone, or could be visible because of demand-supply gap that one would study or know of. Here a businessman would enter, as it offers a relatively safe environment. An entrepreneur will sense opportunities of innovation or opportunities of creating an echo system around innovation that has happened.

A businessman who enters into a business because of existing opportunity can also be an entrepreneur if he runs his business with innovation and creativity, either in processes, development or growth.

Thus, entrepreneurial projects are the outcome of either innovations or sensing of opportunities for building an echo system around someone else's innovation, or they are an outcome of a businessman's entrepreneurial-like approach in nurturing the business.

Innovations result from persistent inquiry around a curiosity; innovations offer lots of business opportunities by building an echo system around it; and just existing opportunities can also improve the well-being of people if run with creativity and small innovative ideas.

Sources of Opportunities

Opportunities are everywhere. It is like 'eye the beholder'. Some see opportunities, some don't. Some even see opportunity in threats or failure.

The source of grassroots innovation, like that of Wright brothers, need just curiosity, relentless efforts, and of course a belief in oneself that 'we shall overcome someday'. This is a high risk area, as nothing is known in terms of outcome or even timeline for activities.

In case of existing innovation, creative thinking comes handy in sensing business opportunity that can build an echo system. An idea around innovation that can improve the quality of life of certain sections of people is more likely to yield positive results and contribute in building the echo system.

For a businessman with an entrepreneurial zeal the sources of opportunities could be grouped as under:

(i) Existing products and services

Demand for products and services is always changing. The study of pattern in the demand and services, especially, over the time (time series analysis of demand as well as supply) would reveal the gap, if anywhere demand exceeds supply. Such positive gap indicates business opportunity for an entrepreneur.

(ii) Consumers

Consumer enquiry often leads to newer business ideas. We have seen medical stores selling provision items. That is because consumers often ask them for provision items while buying medicines.

(iii) Distribution channels

Dealing with suppliers and customers also would generate more business ideas; again through inquiry or suggestion or some time sensing difficulties of distribution channel that one may observe.

(iv) Government

The government is always a big customer. Their purchase of goods and services are in volumes. Governmental needs also keep changing.

That offers a good opportunity for doing business with the government. The government also acts as an investor in various social projects, even after economic liberalization. Private contractors, fabricators, suppliers and service providers get huge opportunities from government investment plans. The government often implements its programmes through private parties and non-government organizations.

(v) Research and development

Those who are in business can create opportunities through a constant search for improvement in products, which can be best done by research and development activities. Research and development activity has to be guided towards some specific goals like product improvement, new product development, process improvements, cost effectiveness, design improvement, quality enhancement, and quality assurance among others. The goals have to be carefully chosen depending upon the market analysis and internal strategy with a view to getting best from investment in research and development.

5.2.2 Kano Method

Q8. Explain in detail about Kano Method.

(OR)

What is model and explain its?

(OR)

Discuss about the Kano Model.

Ans :

(Imp.)

Introduction

The Kano Model of Customer satisfaction divides product attributes into three categories: threshold, performance, and excitement. A competitive product meets basic attributes, maximises performance attributes, and includes as many "excitement" attributes as possible at a cost the market can bear.

(i) Threshold Attributes

Threshold (or basic) attributes are the expected attributes or "musts" of a product, and do

not provide an opportunity for product differentiation. Increasing the performance of these attributes provides diminishing returns in terms of customer satisfaction, however the absence or poor performance of these attributes results in extreme customer dissatisfaction. An example of a threshold attribute would be brakes on a car.

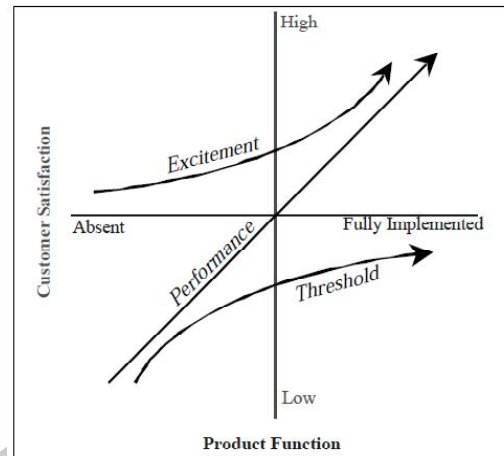


Fig.: Kano Model

Threshold attributes are not typically captured in QFDs (Quality Function Deployment) or other evaluation tools as products are not rated on the degree to which a threshold attribute is met, the attribute is either satisfied or not.

(ii) Performance Attributes

Performance attributes are those for which more is generally better, and will improve customer satisfaction. Conversely, an absent or weak performance attribute reduces customer satisfaction. Of the needs customers verbalise, most will fall into the category of performance attributes. These attributes will form the weighted needs against which product concepts will be evaluated.

The price for which customer is willing to pay for a product is closely tied to performance attributes. For example, customers would be willing to pay more for a car that provides them with better fuel economy.

(iii) Excitement Attributes

Excitement attributes are unspoken and unexpected by customers but can result in high levels of customer satisfaction, however their absence does not lead to dissatisfaction.

Excitement attributes often satisfy latent needs real needs of which customers are currently unaware. In a competitive marketplace where manufacturers' products provide similar performance, providing excitement attributes that address "unknown needs" can provide a competitive advantage. Although they have followed the typical evolution to a performance then a threshold attribute, cup holders were initially excitement attributes.

(iv) Other Attributes

Products often have attributes that cannot be classified according to the Kano Model. These attributes are often of little or no consequence to the customer, and do not factor into consumer decisions. An example of this type of attribute is a plate listing part numbers can be found under the hood on many vehicles for use by repair persons.

cause of their non-existence, gaps are created in the market place.

- The gaps in the market place is one of the sources of business ideas.
- Large retailers like Costco and Wel-mart play a vital role to some extent in creating gaps in the market place as they compete on price and provide the most popular items targeted towards mainstream consumers which helps them to attain economies of scale. Because of this reason, there exist the shops and clothing boutiques in the market.
- These businesses carry the goods which are not held by Wel-Mart and Costco in large quantities strong business opportunities appear due to product gaps in the market place.
- In 2000, Tish Cirovolo analyzed that there were no guitars in the market which were particularly designed for women. She started a company "Daisy Rock Guitars", to fill the gap and made guitars exclusively for women.
- The guitars offered by this company are stylish and have feminine names like Red Pearl, Candy Apple Pink and Rainbow Sparkle and the guitars are designed in such a way that it satisfies a woman's build and smaller hand.
- "Shade Clothing" is another company which is filling the gap in the market place.
- The company sells the clothes online and designs clothing for women who want stylish but not too revealing apparel.
- Similarly, Kathryn Kerrigan commenced a business to fill gap in the market for the women who want larger size shoes.
- The other companies who attempted to fill the gaps in the market place are presented in the table below.

5.2.3 Finding Gaps in the Market Place**Q9. How does an entrepreneur find the gaps in the market place?****(OR)**

Explain and critically evaluate of brainstorming and Delphi method in the context of idea generation.

(OR)

How do you find gaps in the market place for launching entrepreneurial venture?

Ans. : (Dec.-19, Dec.-18)

- There are numerous products a consumer desires and requires, but due to lack of availability of products in a specific region or be-

Gap in the Market Place	Resulting New Business Opportunity	Name of Businesses that Resulted
Restaurants that are fast and serve good food.	Fast-casual restaurants that offer the benefits such as fast-food i.e., fast service and casual dining i.e., good food.	Bruegger's Cosi, Panera Bread Chipotle.
Absence of fitness centres particularly designed for women.	Fitness centres only for women, featuring workouts and exercises designed particularly for woman and suitable as per the time and budget of its female clients.	Slim and tone, Curves International Lady of America.
Lack of clothing stores that offer fashionable clothing for hard-to-fit people.	Retail chains and boutiques that offer fashionable clothing for hard-to-fit people, including clothing for tall or short people.	iGigi, Stewart, Realkidz, Casual Male, Ashley.
Shortage of toy stores that emphasize on the intellectual development of a child.	Toy manufacturers, toy stores and websites that offer educational toys.	Spring toys discovery toys, Kazoo and company.

Table.: Business Created to Fill a Gap in the Market Place

- One of the way that helps in identifying the gaps in the market place is when people become irritated because there is unavailability of the required product or service in the market.
- This situation occurred with Loma Ketler and Barb Wilkins, who felt irritated when they were not successful in finding stylish 'plus sized' clothing that fit.
- They found this as a gap in market place. Thus, started a business named Bodacious, a store which sells stylish plus size clothing.
- Apart from this, another relevant technique to create new business ideas is taking a prevailing product or service and creating a new category by targeting a completely diverse market. This method involves creating a gap and filling it, example popcap games.
- Popcap games is a company which created new category in the electronic games industry called "Casual games".
- The games designed by this company are soothing and casual and are specially made for people who need to relax after a busy day.
- Presently, 90% of the customers of company are women who are approximately 25 years old, which is totally different demographic instead of young males who are generally targeted by the mainstream game manufacturers.
- A new firm should be cautious when it says it is aiming at filling a gap in the market place (or) solving a problem, it should live up to its promises.
- If the initial customers of a start-up company make out that its more of publicity than substance, they will immediately refrain from it.

5.2.4 Prototype

Q10. Define Prototype. Explain different types of Prototypes.

Ans : (Imp.)

Meaning

A prototype is an early sample, model, or release of a product built to test a concept or process. It is a term used in a variety of contexts, including semantics, design, electronics, and software programming. A prototype is generally used to evaluate a new design to enhance precision by system analysts and users. Prototyping serves to provide specifications for a real, working system rather than a theoretical one. In some design workflow models, creating a prototype (a process sometimes called materialization) is the step between the formalization and the evaluation of an idea.

Types

Prototyping is used in many different companies and industries. It is also used for many different purposes. Hence, there are several types of prototypes that exist. Details about the most commonly used types of prototypes have been listed below:

1. Paper Prototype

A paper prototype is only a visual representation of what a product or service will look like. For instance, in the case of software applications, the paper prototype would show the mockup of the user interface. The various screens, features, and even the colors of the interface can be visually depicted with the help of this technique.

In the case of products, which are not related to information technology, a paper prototype includes the creation of a three-dimensional model which depicts the product in actual life. A lot of the time, there are products such as laptops and tablets which have hardware as well as a software component. In such cases, both types of prototypes may have to be developed in order to clearly communicate the intent of the entrepreneur.

2. Horizontal Prototype

A horizontal prototype is a type of digital prototype which is generally created for information technology applications such as software. A horizontal prototype is like an unfinished development. It is widely used at the earlier stages of product development.

A horizontal prototype means that the user interface of the application is created. However, there is no actual backend development that has taken place. This means that the application is just a showpiece that can be used to demonstrate the color schema and functionalities. However, none of the functionalities actually work at this stage. Often, it is made clickable in order to give customer focus groups as well as investors a real feel of the product.

3. Vertical Prototype

Vertical prototypes are the most advanced stages of prototypes. This is because they include all the features which are will be used in the final product. Generally, there is a fully functioning user interface as well as a backend that is connected to a database. The only issue is that the database would not have the complete data but only a small subsection of the data which is required only to demonstrate the product features.

Q11. What are the benefits of Prototype?

Ans :

Prototyping is a fast and effective way to obtain maximum benefits from the product development process. Some of the financial benefits of prototyping have been mentioned below:

- Prototyping helps reduce the initial financial investment. Entrepreneurs do not need to create the entire product. Instead, they can create the prototype to continue with their market research. They can then use this research in order to attract more funds from investors.
- Prototypes help consumer focus groups to have a better understanding of the look, feel as well as the functionality of the product. As

a result, they are able to provide better feedback. Entrepreneurs can then use this feedback in order to bring improvements to their products. The prototyping exercise can improve the product at a low cost in less time

- Entrepreneurs are forced to create the product during the prototyping stage. It is not uncommon for companies to make unrealistic assumptions during the earlier stages of product development. Prototyping helps in the rapid identification of the product. Hence, they can quickly identify the design flaws which are present in the product. This helps reduce expenses and is one of the reasons why prototyping is widely used
- Since prototyping requires the creation of the actual product on a small scale, the company also gets exposed to the supply chain. As a result of the prototype, they generally have a better idea about the lead times required to acquire raw materials and other intermediate products.

The bottom line is that prototyping is different as compared to proof of concept and minimum viable product. The three types of techniques can be used in combination by the entrepreneur in order to build a more robust product that has a higher chance of receiving further funding.

5.3 LEAN STARTUP METHOD

Q12. Explain briefly about Lean Startup Method.

Ans : (Imp.)

The lean startup methodology and when it can be beneficial to take this approach.

The lean startup methodology is a method of managing and building a business or startup by experimenting, testing, and iterating while developing products based on findings from tests and feedback.

This method of business management and product development is designed to deliver products to customers at a quicker pace

The lean startup methodology is used to develop products and businesses in a short period of

time, which allows the creator of the product or business to quickly determine if their business model is a viable one. When implementing the lean startup methodology, the business that uses this methodology will focus on developing a product while also gaining customer feedback, which usually involves releasing a minimum viable product to the market or a small subset of your customers.

The Goal

The goal of using this methodology is to get rid of wasteful practices during the initial stages of a company, which provides the company with a higher possibility of long-term success. By using the lean startup methodology, it's possible for early-stage startups to garner success without requiring high amounts of funding, comprehensive business plans, or a product that has no flaws.

For the lean startup process to be successful, the startup that uses it will need to focus on obtaining customer feedback on the initial product. This feedback will help you make changes and iterations on the product that will allow it to be improved over time in accordance with the wishes of the customers. The customer feedback that you receive should also keep you from spending resources on services and features that your customers don't want. The lean startup methodology is aimed at using the lowest amount of resources possible.

Methodology

1. Build

This methodology begins with the creation of a minimum viable product, which refers to a service or product that has enough features to keep customers satisfied while you test your theory that the product can be successful on the market. Keep in mind that an MVP shouldn't be provided to all of your customers. Instead, you should select a small subset of customers across a range of demographics who can use your product.

This is the build component of the lean startup methodology. Since building is the first aspect of this methodology, it's highly recommended that you begin creating a basic product or service in the early days of your startup.

2. Measure

It's essential that you effectively measure the results of your minimum viable product while you continue to develop the product. The feedback that's provided to you by these customers can be used to fine-tune the product and make it more feature-rich. If you find that the very idea of your MVP isn't gaining traction with the customers that the MVP was provided to, you should be able to get rid of the basic product without having used too much of your resources.

The feedback that you receive can be measured in a variety of ways. If you are creating a business that exists solely online, you would gain feedback by providing customers with surveys and by looking at the analytics for your website to determine what you're doing well and what could be improved.

3. Learn

It's not enough to measure the results from the product that you've received and to obtain feedback from the initial customers. If you want to eventually create a product or service that's ready to be placed on the market, it's important that you learn from the data and feedback that you've received, which isn't always an easy thing to do.

5.3.1 Visualization, Presentation Techniques, Desirability Testing

Q13. Write about :

- (a) Visualization of design process.
- (b) Creative presentation techniques.
- (c) Desirability testing.

Ans. :

(a) Visualization of design process

- Visualization is about using images. It's not about drawing; it's about visual thinking.
- It pushes us beyond using words or language alone.
- It is a way of unlocking a different part of our brains that allows us to think nonverbally and that managers might not normally use.

(b) Creative presentation techniques

- Creativity is a process designers use to drive their abilities towards making artistic innovations (regarding aesthetics) and technical ones (about tackling design problems).
- Vital in ideation, creativity involves diversity and structure, splits into stages and types, is learnable and has a variety of methods to try

(c) Desirability testing

- During the bulk of your design thinking process, you'll focus on desirability as you are concerned with testing your ideas and validating your hypotheses about your users.
- Towards the end of your project, however, you should bring the focus to feasibility and viability so that your solution can be sustainable.

Q14. State the differences between design thinking and learn startup.

Ans :

S.No.	Nature	Design thinking	Lean Startup
1.	Goal	Innovations	Innovations
2.	Scope, Focus	General innovations	High-tech innovations for Startups
3.	Approach	User-centered	Customer-oriented
4.	Uncertainty	Solve wicked problems	Unclear customer problem
5.	Testing	Fail early to succeed sooner	Pivoting is at the heart of the 'fail fast' concept. The sooner you realize a hypothesis is wrong, the faster you can update it and retest it.
6.	Iteration	Yes (Iteration)	Yes (Pivoting)
7.	Ideation	Ideation is part of the process, solutions are generated in the process	Ideation is not part of the process, product vision is initially provided by company founders
8.	Qualitative Methods	Strong focus: elaborated ethnographic methods, user research, observations, etc.	Not a focus
9.	Quantitative Methods	Not a focus	Strong focus: metric-based analysis; provides matrices, and testing

5.4 METHODS TO INITIATE VENTURES

Q15. What is entrepreneurial venture?

Ans :

Entrepreneurship thrives in many different contexts. There are social entrepreneurs' who create value through successful exploitation of new ideas – leading to social inclusion, regeneration or some other kind of social benefit. There are creative entrepreneurs' who identify, evaluate and then exploit artistic, aesthetic or design-based opportunities.

Entrepreneurship is increasingly important in the environmental field. Entrepreneurship is also very important for the continued development of new technology and associated product and process innovations.

Over the seven steps that make up this programme, we talk about your particular enterprise or entrepreneurial venture as the focus for your thinking, learning, and development. This will often refer to your idea for a specific new business. However, the term enterprise, as we have just seen, can be applied in a wider context. You might be looking to work in a particular industry context, or aiming to launch a social enterprise. This step by step approach is valid in these contexts too.

This programme provides a wide range of advice and guidance to anyone interested in getting a new venture off the ground in whatever context. It aims to assist you in preparing to launch an enterprise, with signposts to other help and support that is available.

Q16. Explain the Pathways to New Ventures for Entrepreneurs.*Ans :* (May-22)

Every prospective entrepreneur wants to know the best methods for entering business. In other words, what are the ideal pathways to starting a venture for oneself? We examine the three most common methods:

1. Creating a new venture
2. Acquiring an existing venture
3. Obtaining a franchise

Each pathway has its own particular advantages and disadvantages. In addition, each method has a variety of issues that need to be understood by the entrepreneur. It is always unwise for an entrepreneur to rush into a decision for a venture without the proper understanding of the particular form of entry. This chapter is devoted to outlining some of the particular issues related to each form.

5.4.1 Creating New Ventures**Q17. Discuss the 'New-New Approach' and 'New-Old Approach' for creative new ventures.**

(OR)

Explain the different pathways for entrepreneurs to create new ventures?

Ans : (May-22, Nov.-21, Dec.-18)

The most effective way to approach a new business venture is to create a unique product or service—one that is not being offered today but would be in great demand if it were. The next-best way is to adapt something that is currently on the market or extend the offering into an area in which it is not presently available. The first approach is often referred to as new-new, the second as new-old.

1. New-New Approach

New products or services frequently enter the market. Typical examples include smart-phones, MP3 players, plasma televisions, and global positioning systems (GPS). All of these products and more have been introduced as a result of research and development (R&D) efforts by major corporations. What we must

realize, however, is that unique ideas are not produced only by large companies. Moreover, the rate at which new products enter the market has caused the public to expect many of their house-hold goods to improve continually.

How does one discover or invent new products? One of the easiest ways is to make a list of annoying experiences or hazards encountered with various products or services during a given period of time. Common examples include objects that fall out of one's hand, house-hold chores that are difficult to do, and items that are hard to store. Can certain innovations alleviate these problems? This is how some people get ideas for new products.

2. New-Old Approach

Most small ventures do not start with a totally unique idea. Instead, an individual "piggy-backs" on someone else's idea by either improving a product or offering a service in an area in which it is not currently available—hence the term new-old approach. Some of the most common examples are setting up restaurants, clothing stores, or similar outlets in sprawling suburban areas that do not have an abundance of these stores. Of course, these kinds of operations can be risky because competitors can move in easily. Potential owners considering this kind of enterprise should try to offer a product or service that is difficult to copy.

Q18. What are the advantages and disadvantages of being the first in the market with a radical new product?*Ans :* (Aug.-17)

First mover is a term used for a firm which enter a new market with a specific new product or attribute and is the first to deliver it in the market. Thus, the first mover is the pioneer in the industry.

Advantages

1. The firm builds reputation as the pioneer or industry leader. It would create a lasting impression in the mind of the consumers.

2. Leadership poses the firm in a place who is first to deliver the buyers and provides the chance to create customer relationships which helps to set-up loyalty.
3. The first movers have first and unchallenged control over scarce resources as there are no other competitors.
4. By being the first to enter the market the firm can occupy significant market share.
5. Being the first helps the firm to create brand superiority.
6. These first mover benefits apparently leads to high levels of firm performance and profitability.

Disadvantages

1. First movers face the risk of uncertainty against future demand as the requirement of the buyers may change in future.
2. They may have problem if the initial investments are related to present technology which is difficult to alter or cannot be changed. They first movers risk being left with obsolete technology and may face huge financial losses.
3. They have to bear when technological discontinuities makes the prevailing technology obsolete.
4. They need to tolerate the burden of high costs of producing the new radical product as they are the pioneers.

5.4.2 Acquiring an Established Entre-pre-neurial Venture

Q19. Explain the merits of Acquiring an Established Entrepreneurial Venture.

Ans : (May-22)

A prospective entrepreneur may seek to purchase a business venture rather than start an enterprise. This can be a successful method of getting into business, but numerous factors need to be analyzed. Purchasing a business venture is a complex transaction, and the advice of professionals always should be sought. However, a few basic steps that can be easily understood are presented here, including the entrepreneur's personal preferences,

examination of opportunities, evaluation of the selected venture, and key questions to ask.

1. Personal Preferences

Entrepreneurs need to recognize certain personal factors and to limit their choices of ventures accordingly. An entrepreneur's background, skills, interests, and experience are all important factors in selecting the type of business to buy. In addition, personal preferences for location and size of a business should guide the selection process. If an entrepreneur always has desired to own a business in the South or West, then that is exactly where the search should begin.

2. Examination of Opportunities

Entrepreneurs in search of a possible venture to buy need to examine the available opportunities through various sources:

- **Business brokers:** Professionals specializing in business opportunities often can provide leads and assistance in finding a venture for sale. However, the buyer should evaluate the broker's reputation, services, and contacts. The entrepreneur also should remember that the broker usually represents and gets a commission on the sale from the seller.
- **Newspaper ads :** "Business Opportunity" classified ads are another source. Because an ad often will appear in one paper and not another, it may be necessary to check the classified sections of all the papers in the area.
- **Trade sources:** Suppliers, distributors, manufacturers, trade publications, trade associations, and trade schools may have information about businesses for sale.
- **Professional sources:** Professionals such as management consultants, attorneys, and accountants often know of businesses available for purchase.

Advantages

Of the numerous advantages to buying an ongoing venture, three of the most important are as follows:

1. Less fear about successful future operation

- A new business faces two great dangers: the possibility that it will not find a market for its goods or services, and the chance that it will not be able to control its costs. If either event occurs, the new business will go bankrupt.
- Buying an existing concern, however, alleviates most of these fears.
- A successful business already has demonstrated the ability to attract customers, control costs, and make a profit.
- Additionally, many of the problems a newly formed firm faces are sidestepped. For example: Where should the company be located? How should it advertise? What type of plant or merchandise layout will be the most effective? How much should be reordered every three months? What types of customers will this business attract? What pricing strategy should the firm use?
- Questions such as these already have been asked and answered.
- Thus, when a new owner buys an ongoing operation, he or she is often purchasing a known quantity. Of course, it is important to check whether hidden problems exist in the operation. Barring something of this nature, however, the purchase of an existing successful operating venture can be a wise investment.

2. Reduced time and effort

- An ongoing enterprise already has assembled the inventory, equipment, personnel, and facilities necessary to run it.
- In many cases, this has taken the owners a long time to do. They have spent countless hours "working out the bugs" so that the business is as efficient as possible.
- Likewise, they probably have gone through a fair number of employees before getting the right type of personnel. Except for the top management in an operating venture, the personnel usually stay with the sale.

- Therefore, if the new owners treat the workers fairly, they should not have to worry about hiring, placing, and training personnel.
- In addition, the previous owners undoubtedly have established relations with suppliers, bankers, and other business people. These individuals often can be relied on to provide assistance to the new owners.
- The suppliers know the type of merchandise the business orders and how often it needs to be replenished. They can be a source of advice about managing the operation, as can the bankers with whom the enterprise has been doing business.
- These individuals know the enterprise's capital needs and often provide new owners with the same credit line and assistance they gave the previous owners.
- The same holds true for the accountant, the lawyer, and any other professionals who served the business in an advisory capacity. Naturally, the new owners may have their own bankers, accountant, or lawyer, but these old relationships would be there if the new owners need them.

3. A Good Price

- Sometimes it is possible to buy an ongoing operating venture at a very good price. The owner may want to sell quickly because of a retirement decision or illness. Or the owner may be forced to sell the business to raise money for some emergency that has occurred. Or the owner may seek a greater opportunity in another type of business and therefore be willing to sell at a low price in order to take advantage of the new opportunity.
- Ideally, when one is looking to buy an ongoing, successful operating venture, one of these three advantages (especially the last one) is present. However, seldom does someone in business sell a successful firm at an extraordinarily low price.
- The owner of a successful small venture who built the enterprise through skillful business practices, knows how to deal with people, and

has a good idea of the operation's fair market value.

- That person will rarely sell for much below the fair market value.
- Therefore, the prospective owner must avoid bidding high on a poor investment or walking away from a good bargain because "it smells fishy." One of the way to prevent making the wrong decision is to evaluate the existing operation in a logical manner.

4. Evaluation of the Selected Venture

After the entrepreneur considers personal preferences and examines information sources, the next step is to evaluate the specific factors of the venture being offered for sale:

- (i) **The business environment:** The local environment for business should be analyzed to establish the potential of the venture in its present location.
- (ii) **Profits, sales, and operating ratios:** The business's profit potential is a key factor in evaluating the venture's attractiveness and determining a reasonable price for it later to estimate the potential earning power of the business, the buyer should review past profits, sales, and operating ratios, and project sales and profits for the next one to two years. Valuation will be further discussed later in the chapter.
- (iii) **The business assets:** The tangible (physical) and intangible (for example, reputation) assets of the business need to be assessed. The following assets should be examined:
 - Inventory (age, quality, salability, condition)
 - Furniture, equipment, fixtures (value, condition, leased or owned)
 - Accounts receivable (age of outstanding debts, past collection periods, credit standing of customers)

- Trademarks, patents, copyrights, business name (value, role in the business's success, degree of competitive edge)
- Goodwill (reputation, established clientele, trusted name)

A lot of risks can be avoided by taking the approach of purchasing an existing venture.

5.4.3 Franchising

Q20. Explain briefly about Franchising.

(OR)

What is Franchising?

Ans :

(Nov.-20)

Meaning

Franchising is basically a right that manufacturers or businesses give to others. This right allows the beneficiaries to sell the products or services of these manufacturers or parent businesses. These rights could even be in terms of access to intellectual property rights.

Examples of Franchising in India

- McDonald's
- Dominos
- KFC
- Pizza Hut
- Subway

Definitions

- (i) **According to David D. Settz,** "A franchise is a form of business ownership created by contract whereby a company grants a buyer the rights to engage in selling or distributing its products or services under a prescribed business format in exchange for royalties or shares of profits. The buyer is called the 'franchisee', and the company that sells rights to its business concept is called the 'franchisor'."
- (ii) **According to David H. Holt has defined franchising as** "a business system created by a contract between a parent company, called the franchisor, and the acquiring business owner, called the franchisee, giving the acquiring owner the right to sell goods or services, to use certain products, names, or branded, or to manufacture certain brands."

5.4.4 Advantage and Disadvantages of Franchising

Q21. What are the Advantage and Dis-advantages of Franchising ?

(OR)

Explain the advantages and Limitations of Franchising ?

Ans :

(Nov.-20)

(i) Advantages to Franchisors

- Firstly, franchising is a great way to expand a business without incurring additional costs on expansion. This is because all expenses of selling are borne by the franchise.
- This further also helps in building a brand name, increasing goodwill and reaching more customers.

(ii) Advantages to Franchisees

- A franchise can use franchising to start a business on a pre-established brand name of the franchisor. As a result, the franchise can predict his success and reduce risks of failure.
- Furthermore, the franchise also does not need to spend money on training and assistance because the franchisor provides this.
- Another advantage is that sometimes a franchisee may get exclusive rights to sell the franchisor's products within an area.
- Franchisees will get to know business techniques and trade secrets of brands.

(iii) Disadvantages for Franchisors

- The most basic disadvantage is that the franchise does not possess direct control over the sale of its products. As a result, its own goodwill can suffer if the franchisor does not maintain quality standards.
- Furthermore, the franchisee may even leak the franchisor's secrets to rivals. Franchising also involves on going costs of providing maintenance, assistance, and training on the franchisor.

(iv) Disadvantages for Franchisees

- First of all, no franchise has complete control over his business. He always has to adhere to policies and conditions of the franchisor.
- Another disadvantage is that he always has to pay some royalty to the franchisor on a routine basis. In some cases, he may even have to share his profits with the franchisor.

Q22. Give the reasons for growing popularity of franchising in India.

Ans :

The word franchise has originated from the French word Fransis meaning privileged or freedom. In middle ages, the local sovereign or lord used to grant the right to hold fairs or to operate the local ferry or to hunt on his land. Similarly, the kings would grant a franchise to select people for all manner of commercial activities such as building roads etc. Gradually, this practice more and more regulated and laws were introduced governing franchise business. As per the literature surveyed, the first recorded case of franchising is dated in the 1840s in Germany, where certain major ale brewers granted license to certain taverns, giving exclusive right to sell their ale.

In 1851, the Singer Sewing Machine Company in US introduced the first sophisticated written franchise contract which is still considered the basis of modern franchise agreements. Around the turn of the century, the oil refinery companies and the automobile manufacturers also began to grant the right to sell their products.

The business format franchising, which is the most common mode of franchising today, popped up after the World War II with the return of the millions of US servicemen and women. As such, there was an overwhelming need for all types of products and services, and franchising was considered the ideal business model for the rapid expansion of various industries. Franchising became so popular in the USA that it represented one-third of the retail turnover in the USA. Today, one in 12 business establishments in the USA is a franchise.

Franchising in India is of recent origin and is in its nascent stage. But it is gaining growing popularity in the retail segment in India, more particular-

ly in the areas of food products and drinks, restaurant chains, consumer goods, and computer training centres. In fact, franchising is distinctly suited to take advantage of India's vast market with a degree of control that other traditional forms of distribution cannot match. At present, the prominent examples of the franchise arrangements in India are Pepsi Food Ltd., Coca-Cola, Wimpy's, Damino McDonald and Nirula.

Legal Framework of Franchising in India: As a matter of fact, there is no legislation in India specifically related to franchising. As mentioned earlier, the relationship between a franchisor and a franchisee flows from a contract. Therefore, in the absence of specific governing legislation, the law of contracts as embodied in the Indian Contract Act, 1872, and other allied Acts is applicable to a franchise agreement also. These are :

- (i) Intellectual Property Laws
- (ii) Competition Laws
- (iii) Consumer Protection Laws
- (iv) Labour Laws

A brief mention of these follows :

(i) Intellectual Property Act

A franchisor is the proprietor of intellectual property rights, know-how, etc. Therefore, protection of intellectual property rights is of paramount importance to any franchisor. Any foreign franchisor can protect his trade marks in India under the 'Trade and Merchandise Marks Act, 1958 (TM Act)' by registering them under the prescribed class. But, service marks cannot be registered in India (Section 8 of the TM Act).

The Copyright Act 1957 provides protection to the manuals of the franchisor. Civil remedies for infringement of copyright include injunction, damages and accounts of profits made by the defendant by violating the copyright (Section 55 of the copyright Act 1957). There is a provision for criminal remedies also for a period from six months to three years.

(ii) Competition Laws

The highly restrictive terms incorporated in all franchise agreements bring franchising under the purview of the 'Monopolies and Restrictive trade Practices Act,

1969 (MRTP Act). Hence, franchise agreement is subject to scrutiny by the MRTP Commission or the Director General of Investigation and Registration.

Restrictive trade practice is a trade practice which has or may have the effect of preventing, distorting or restricting Competition (Section 2(0) of the MRTP Act). Thus, the first one inquiry into the nature of trade practice under the MRTP Act is to see the effect of trade practice on competition. Similarly, in line with the objective of MRTP Act to protect public interest is to investigate into the effect of trade practice on public interest.

(iii) Consumer Protection Laws

Franchise agreements in India also come under the purview of the 'Consumer Protection Act, 1986.' The matters like tort and other actions arising from the sale of defective goods are dealt with this Act. In case, a defective product sold by a franchisee causes injury to a consumer or causes damage to the consumer's property, then will consumer recourse to the franchisor or franchisee or both? The answer to this depends upon factors such as the degree of control exercised by the franchisor, the distance between the franchisor and the franchisee geographically, and the equipment and know-how supplied to the franchisee by the franchisor in relation to the product.

(iv) Labour Laws

No franchising agreement in India can derogate from the myriad Indian labour laws. Labour laws become applicable as and when the conditions of employment and termination of employment are affected by the closure or shut down of any franchise outlet.

Q23. What are the costs involved in franchising?*Ans :*

The costs/expenditures involved in franchising are as follows,

1. Franchising Fee

This is the total cost incurred for availing services such as Personnel training, getting licences, selection of site and location etc.

2. Getting Insurance

This cost include money spent on getting every single item insured. It is better to obtain an 'Umbrella insurance' which is less costly and more beneficial.

3. initial Inventory Cost

If the cost of opening product inventory is not a part of franchise fee then money has to be spent on opening product inventory separately. Which is nothing but initial inventory cost.

4. Accountant Fees

It is always advisable to have an accountant for bookkeeping and accounts. The salary paid to accountant comes under accountant fees.

5.5 IMPLEMENTING DESIGN THINKING**Q24. Discuss the implementation of Design Thinking.***Ans :*

- This phase is also called as 'Execute'. This is the phase where the final solution is tested on a full scale basis.
- The idea that seems the best according to the feedback of the customers and end users in the prototype phase will be executed. In this step, the design thinkers are supposed to be collaborative and agile.
- Testing will help to understand what actually works and what does not.
- This step can be the most rewarding, if the

prototypes succeed to give positive results, or can be the most annoying, if the prototype fails.

- After testing, the entire process of design thinking may have to be repeated. If the end user approves the solution, then the process of design thinking stops here.
- If the end-user is not satisfied with the results, the design thinker will need to frame a new problem definition by incorporating the insights from the last Test phase and will have to again empathize in a better way with the end user.
- Ideate process will be repeated, followed by prototyping and another round of Testing.
- If Test phase fails to give positive results again, another round of iteration will have to be done.
- This way, the process of design thinking can stretch infinitely as well.

5.6 AGILITY FOR DESIGN THINKING**Q25. Discuss the concept of Agility for Design Thinking.****(OR)****Explain the agility for design thinking.***Ans :***(Imp.)**

- Organizational agility is defined as the capability that allows organizations to quickly adapt to changes in the market. In the existing hypercompetitive environment, agility is a key factor in determining whether a company remains successful, relevant and sustainable, or dies.
- Agility plays a vital role in the capacity of the organization to outperform the competition by either adapting faster to market conditions, or by creating those conditions.

- Agility requires:
 - 1) quickly understanding changing people's needs and translating those needs into potential solutions;
 - 2) defining with precision people's problems in order to concentrate resources and energy into solving the right problems, while building the skills to be prepared for similar challenges in the future;
 - 3) coming up with ideas to solve those problems (which, of course, means having the skills to understand the problems in the first place) and
 - 4) quickly implementing effective solutions that revolve around people's needs, before the competition does.
- In short, agility is a fundamental ability for renewal and adaption to a complex, uncertain and turbulent environment.
- Design Thinking (DT) is a process or a methodology for solving complex problems, finding opportunities and implementing the most effective solutions. DT is one of the most powerful tools to dissect a problem, analyze several alternatives to solve that problem and experiment with small-scale solutions in order to find out what works and what doesn't.
- The Design Thinking process occurs keeping one principle in mind: the human-centered principle (also known as Empathy).
- This means that DT revolves around how people perceive and experience problems, and how they would use and experience potential solutions.
- If agility is the capability to quickly adapt, then DT is one of the processes that allows that adaption process to happen.
- There are many other approaches to building agility, but DT becomes fundamental for its simplicity and the natural way to implement it.

Q26. Explain the differences between agile and design thinking.

Ans : (Imp.)

In spite of their parallels, the agile and design thinking methodologies can't be used interchangeably.

Here are three examples of where their similarities come to an end.

1. The root of the problem

Agile is a method to solve predefined problems, and to quickly execute solutions to those problems you're already aware of.

Design thinking focuses on finding the right problems to solve, and provides product teams with a way to make better choices about the journey their users should follow.

2. How user feedback is used

This difference involves how each method uses the feedback they've gathered from users at a specific time.

With agile, the workflow is build first, then measure, then learn. The team creates a minimum viable product (MVP) and then relies on user feedback to make adjustments and improvements.

However, with design thinking, the flow is learn, measure, then build. The design thinking process capitalizes on user feedback to discover which customer needs are not being met.

3. Length of the development process

Agile teams might experience a longer product development process than teams that employ design thinking. That's because the agile framework tends to develop a product first, and then uses feedback from users to make improvements.

Design thinking seeks user feedback first, before teams even start working on the product. Since most feedback is factored in at the planning stage, this shortens the development process.

Short Question and Answers

1. How do you find gaps in the market place for launching entrepreneurial venture?

Ans :

- There are numerous products a consumer desires and requires, but due to lack of availability of products in a specific region or because of their non-existence, gaps are created in the market place.
- The gaps in the market place is one of the sources of business ideas.
- Large retailers like Costco and Wel-mart play a vital role to some extent in creating gaps in the market place as they compete on price and provide the most popular items targeted towards mainstream consumers which helps them to attain economies of scale. Because of this reason, there exist the shops and clothing boutiques in the market.
- These businesses carry the goods which are not held by Wel-Mart and Costco in large quantities strong business opportunities appear due to product gaps in the market place.
- In 2000, Tish Cirovolo analyzed that there were no guitars in the market which were particularly designed for women. She started a company "Daisy Rock Guitars", to fill the gap and made guitars exclusively for women.

2. What is Franchising?

Ans :

Franchising is basically a right that manufacturers or businesses give to others. This right allows the beneficiaries to sell the products or services of these manufacturers or parent businesses. These rights could even be in terms of access to intellectual property rights.

- McDonald's
- Dominos
- KFC
- Pizza Hut
- Subway

3. Define Creativity.

Ans :

Creativity can be defined in a simple manner in terms of the output(s) of creative effort. In this sense, creativity may be defined as the discovery or production of something that is novel and also useful or relevant or economical, or superior or valuable. The product or the outcome of a creative effort must be both significant and markedly different from the existing produces) or outcome(s). Creativity refers to mental orientation and capability of persons to evolve and develop new and superior solutions to problems that are regarded as complex, ambiguous or unclear.

4. Brainstorming.

Ans :

This is one of the main techniques used for group creativity. Osborn (1953) is often credited as being the inventor of brainstorming. He described it as a technique that helps to overcome the restrictive nature of evaluation in business meetings. He further believed that social pressures prevented people from freely expressing their ideas. To remedy this situation, he proposed to have structured meetings where ideas could be expressed freely prior to evaluation, that is, judgement was deferred in order to promote creativity.

5. Mind Mapping.

Ans :

This is a visual method of mapping information to stimulate its generation and analysis. Unlike a computer, the human brain works associatively as well as linearly. As soon as it receives informa-

tion, it compares, contrasts, integrates and synthesizes it. Every single work thereby finds numerous links associating it with numerous related ideas and concepts.

6. Define Prototype.

Ans :

A prototype is an early sample, model, or release of a product built to test a concept or process. It is a term used in a variety of contexts, including semantics, design, electronics, and software programming. A prototype is generally used to evaluate a new design to enhance precision by system analysts and users. Prototyping serves to provide specifications for a real, working system rather than a theoretical one. In some design workflow models, creating a prototype (a process sometimes called materialization) is the step between the formalization and the evaluation of an idea.

7. Visualization of design process.

Ans :

- Visualization is about using images. It's not about drawing; it's about visual thinking.
- It pushes us beyond using words or language alone.
- It is a way of unlocking a different part of our brains that allows us to think nonverbally and that managers might not normally use.

8. Creative presentation techniques.

Ans :

- Creativity is a process designers use to drive their abilities towards making artistic innovations (regarding aesthetics) and technical ones (about tackling design problems).
- Vital in ideation, creativity involves diversity and structure, splits into stages and types, is learnable and has a variety of methods to try.

9. Desirability testing.

Ans :

- During the bulk of your design thinking process, you'll focus on desirability as you are

concerned with testing your ideas and validating your hypotheses about your users.

- Towards the end of your project, however, you should bring the focus to feasibility and viability so that your solution can be sustainable.

10. What is entrepreneurial venture?

Ans :

Entrepreneurship thrives in many different contexts. There are social entrepreneurs' who create value through successful exploitation of new ideas – leading to social inclusion, regeneration or some other kind of social benefit. There are creative entrepreneurs' who identify, evaluate and then exploit artistic, aesthetic or design-based opportunities.

Entrepreneurship is increasingly important in the environmental field. Entrepreneurship is also very important for the continued development of new technology and associated product and process innovations.

Over the seven steps that make up this programme, we talk about your particular enterprise or entrepreneurial venture as the focus for your thinking, learning, and development. This will often refer to your idea for a specific new business. However, the term enterprise, as we have just seen, can be applied in a wider context. You might be looking to work in a particular industry context, or aiming to launch a social enterprise. This step by step approach is valid in these contexts too.

Choose the Correct Answer

1. A person owning and running a small firm, is known as _____. [b]
(a) A manager-owner (b) An owner-manager
(c) A professional adapter (d) An enterprise worker
2. One of the disadvantages of a franchise business for a franchisee is _____. [a]
(a) Lack of independence
(b) Franchise businesses typically have a high failure rate
(c) Lack of brand identity
(d) Training is not normally provided by the franchisor
3. Integration of project management with the organization takes place with the _____. [d]
(a) master budget (b) strategic plan
(c) Process of managing actual projects (d) both b and c
4. market potential of the project report includes _____. [d]
(a) demand and supply conditions (b) market strategy
(c) after sales service (d) all the above
5. A business arrangement where one party allows another party to use a business name and sell its products or services is known as _____. [a]
(a) A franchise (b) A cooperative
(c) An owner-manager business (d) A limited company
6. Which of the following is least likely to influence the timing of new business births? [d]
(a) Government policies (b) Profitability
(c) onsumer expenditure (d) Weather conditions
7. SFC is prohibited from granting financial assistance to any company whose aggregate paid up capital exceed _____. [a]
(a) 1 crore (b) 1.5 crores
(c) 2 crores (d) 2.5 crores

8. Teachers should encourage children to think of ability as [b]
- (a) Fixed; shameful and humiliating
 - (b) Incremental; an opportunity for improvement
 - (c) Fixed; an opportunity for improvement
 - (d) Incremental; shameful and humiliating
9. Typical identifying characteristics of creative children include: [c]
- (a) Rigidity for ideas
 - (b) High tolerance for boredom
 - (c) Preference for complexity
 - (d) Convergent thinking
10. What is creativity? [c]
- (a) Ability to repetitively perform an action without being bored
 - (b) Ability to rote memorize long passages
 - (c) Ability to think divergently
 - (d) Ability to copy and imitate others as it is

Fill in the Blanks

1. The contract between franchisors and franchisees is called _____.
2. Franchisees have to pay a fee termed as _____ to the franchisor.
3. Franchisors have to routinely provide _____ to the franchisees.
4. The gaps in the market place is one of the sources of _____
5. A _____ is an early sample, model, or release of a product built to test a concept or process.
6. The most effective way to approach a new business venture is to create a _____
7. _____ is a term used for a firm which enter a new market with a specific new product or attribute and is the first to deliver it in the market.
8. _____ serves to provide specifications for a real, working system rather than a theoretical one.
9. First movers face the _____ of uncertainty against future demand as the requirement of the buyers may change in future.
10. Entrepreneurs need to recognize certain _____ and to limit their choices of ventures accordingly.

ANSWERS

1. Franchise agreement
2. Royalty
3. Assistance
4. Business Ideas
5. Prototype
6. Unique product
7. First mover
8. Prototyping
9. Risk
10. Personal factors

One Mark Answers

1. Creativity.

Ans :

Creativity is concerned with producing unique ideas, concepts, and ways of doing things that would not have occurred normally or evolved routinely.

2. Focus groups.

Ans :

A focus group is a gathering of 5 to 10 people who have been selected because of their relationship with the issue being discussed. Focus groups can be used to generate new business ideas.

3. Kano Model.

Ans :

The Kano Model of Customer satisfaction divides product attributes into three categories: threshold, performance, and excitement.

4. Lean Startup Method.

Ans :

The lean startup methodology is a method of managing and building a business or startup by experimenting, testing, and iterating while developing products based on findings from tests and feedback.

5. Examples of Franchising in India.

Ans :

- McDonald's
- Dominos
- KFC
- Pizza Hut
- Subway

Internal Assessment (Mid Examinations)

In CIE, for theory subjects, during a semester, there shall be two mid-term examinations. Each MidTerm examination consists of two parts i) Part – A for 10 marks, ii) Part – B for 20 marks with a total duration of 2 hours as follows:

1. Mid-Term Examination for 30 marks:
 - (a) Part - A: Objective/quiz paper/Short Note questions for 10 marks.
 - (b) Part - B: Descriptive paper for 20 marks.

The objective/quiz paper is set with multiple choice, fill-in the blanks and match the following type of questions for a total of 10 marks. The descriptive paper shall contain 6 full questions out of which, the student has to answer 4 questions, each carrying 5 marks. The average of the two Mid Term Examinations shall be taken as the final marks for Mid Term Examination (for 30 marks). The remaining 10 marks of Continuous Internal Evaluation are distributed as:

2. Assignment for 5 marks. (Average of 2 Assignments each for 5 marks)
3. PPT/Poster Presentation/ Case Study/Video presentation/Survey/Field Study/Group discussion /Role Play on a topic in the concerned subject for 5 marks before II Mid-Term Examination.

While the first mid-term examination shall be conducted on 50% of the syllabus, the second mid-term examination shall be conducted on the remaining 50% of the syllabus.

Five (5) marks are allocated for assignments (as specified by the subject teacher concerned). The first assignment should be submitted before the conduct of the first mid-term examination, and the second assignment should be submitted before the conduct of the second mid-term examination. The average of the two assignments shall be taken as the final marks for assignment (for 5 marks).

PPT/Poster Presentation/ Case Study/Video presentation/Survey/Field Study/Group discussion /Role Play on a topic in the concerned subject for 5 marks before II Mid-Term Examination.

UNIT - I

Part - A

Multiple Choice Questions

1. How many senses does an Entrepreneur develops through his exposure, experience, failures and following the concept of listening to understanding. [b]
 - (a) One to Five
 - (b) Six to Nine
 - (c) One to Six
 - (d) Six to eight
2. _____ are of the view that Entrepreneurs are the fourth factors of Production. [a]
 - (a) Economists
 - (b) Sociologists
 - (c) Both (a) and (b)
 - (d) None of the above

3. _____ are of the view that certain communities and cultures promote Entrepreneurship. [b]
(a) Economists (b) Sociologists
(c) Both (a) and (b) (d) None of the above

Fill in the Blanks

4. _____ is the tendency of a person to organize his own business and run it profitably,
(Entrepreneurship)
5. Entrepreneurs should possess the quality of _____. (Leadership)
6. _____ is the key to all success. (Hardwork)

Short Notes

7. Relate between Stress and Entrepreneur. (Unit-I, SQA - 2)
8. Define Entrepreneurial Ego. (Unit-I, SQA - 4)
9. Entrepreneurship. (Unit-I, SQA - 6)
10. Sources of Stress. (Unit-I, SQA - 8)

Part - B

1. Enumerate the characteristics of an Entrepreneur. (Unit-I, Q.No. 8)
2. Define the term Entrepreneur. (Unit-I, Q.No. 7)
3. Examine the various Functions of Entrepreneurs. (Unit-I, Q.No. 11)
4. What is the macro view of entrepreneurship? Elaborate on the environmental, financial and displacement school of thought. (Unit-I, Q.No. 15)
5. Elucidate the micro view of entrepreneurship. (Unit-I, Q.No. 16)
6. "Entrepreneurial Behavior is the results of interactions of several internal and external factors." Comment. (Unit-I, Q.No. 40)

UNIT - II**Part - A****Multiple Choice Questions**

1. The strategy was developed by the visionary chief executive in which mode of strategic management? [d]
(a) Planning mode (b) Strategic mode
(c) Adaptive mode (d) Entrepreneurial mode
2. What type of range is the impact of strategies on the general direction and basic character of a company? [c]
(a) Medium range (b) Short range
(c) Long-range (d) Minimal
3. Which of the following shows concern for non-profit organizations? [a]
(a) The markets to service (b) Identifying suppliers to deal with
(c) Developing capabilities (d) Building monopolies

Fill in the Blanks

4. _____ is an imaginary view of the future. (Vision)
5. Reverse merger, also known as _____. (Back door listing)
6. _____ is one of the type of strategic alliances where in two or more companies combined to establish a legally independent company in order to share some of their resources and abilities to create a competitive advantage. (Joint Venture)
- supply of the right people in the right members.

Short Notes

7. Infer the criticality of strategic positioning. (Unit-II, SQA - 1)
8. Write briefly about the strategic planning process. (Unit-II, SQA - 2)
9. What is Strategic planning? (Unit-II, SQA - 4)
10. Internal Growth Strategies. (Unit-II, SQA - 6)

Part - B

1. Explain the various steps involved in strategic planning. (Unit-II, Q.No. 6)
2. Why majority of the entrepreneurs do not like to formulate strategic plan? Give reasons. (Unit-II, Q.No. 7)
3. Infer the criticality of strategic positioning. (Unit-II, Q.No. 10)
4. How can you build an adaptive firm? Explain the different ways of building adaptive firms. (Unit-II, Q.No. 12)
5. Identify and discuss five Unique Managerial Concern of Growing Ventures. (Unit-II, Q.No. 27)
6. "A most critical factor that contributes most to the success of a venture is the ability of its initial leadership to foresee and manage effectively new challenges as the business evolves". Consider two concrete examples of start-up ventures and analyze the implication of leadership on their growth. (Unit-II, Q.No. 29)

UNIT - III**Part - A****Multiple Choice Questions**

1. Trade mark [d]
 - (a) is represented graphically
 - (b) is capable of distinguishing the goods or services of one person from those of others
 - (c) may include shapes of goods or combination of colours
 - (d) All of the above
2. NITI Aayog, GOI, has launched a scheme to develop ecosystem for women entrepreneurship in India. Identify the scheme out of the following : [b]
 - (a) Women Empowerment Agency
 - (b) Women Entrepreneurship Platform
 - (c) Naari Shakti Aayog
 - (d) Women Knowledge Center

3. Equity shareholders are called _____. [a]
(a) Owners of the company (b) Partners of the company
(c) Executives of the company (d) Guardian of the company

Fill in the Blanks

4. _____ is a foremost challenge facing India. (Job creation)
5. PMKVY stands for _____. (Pradhan Mantri Kaushal Vikas Yojana)
6. The first key area of analysis is the selection of a _____. (New venture)

Short Notes

7. Patent. (Unit-III, SQA - 1)
8. Define Social Entrepreneurship. (Unit-III, SQA - 4)
9. Define Entrepreneurial Plan. (Unit-III, SQA - 7)
10. Define the term Intellectual Property. (Unit-III, SQA - 9)

Part - B

1. Explain the various ways initiative by the government to promote entrepreneurship. (Unit-III, Q.No. 1)
2. Define Social Entrepreneurship. Explain the features of Social Entrepreneurship. (Unit-III, Q.No. 2)
3. Explain the characteristics of Women Entrepreneur. (Unit-III, Q.No. 5)
4. Explain the various problems of women entrepreneurs. (Unit-III, Q.No. 8)
5. Define Feasibility Analysis. Explain the contents of Feasibility Analysis. (Unit-III, Q.No. 11)
6. Why is industry and competitive analysis important to start a business? (Unit-III, Q.No. 14)

UNIT - IV**Part - A****Multiple Choice Questions**

1. What is the first step in the Designing Thinking Process? [a]
(a) Empathise (b) Define
(c) Ideate (d) Prototype
2. After you define the problem, the next step is to _____. [c]
(a) Test (b) Prototype
(c) Ideate (d) Empathise
3. Design Thinking is _____. [d]
(a) Thinking about Design
(b) Designing ways in which people think
(c) Asking users to solve problems
(d) Defining, framing, and solving problems from users' perspectives

Fill in the Blanks

4. _____ the process of product creation, marketing, and renewal of contracts. (Optimizing)
5. The first stage of the design thinking process is _____. (Empathy)
6. The _____ stage is where designers start to explore solutions. (Ideation)

Short Notes

7. Define Design Thinking. (Unit-IV, SQA - 1)
8. What is the tools in design thinking? (Unit-IV, SQA - 6)
9. What Makes a Good Problem Statement? (Unit-IV, SQA - 7)
10. What is a reformulation of the design problem? (Unit-IV, SQA - 8)

Part - B

1. Define Design Thinking. Explain the origin of Design Thinking. (Unit-IV, Q.No. 1)
2. Describe the Principles of Design Thinking. (Unit-IV, Q.No. 3)
3. Describe the applications of Design Thinking, (Unit-IV, Q.No. 4)
4. List out the various sectors using design thinking concept. (Unit-IV, Q.No. 5)
5. Explain briefly about Empathic Design. (Unit-IV, Q.No. 12)
6. Explain the process of Empathetic Design. (Unit-IV, Q.No. 13)

UNIT - V**Part - A****Multiple Choice Questions**

1. A person owning and running a small firm, is known as _____. [b]
(a) A manager-owner (b) An owner-manager
(c) A professional adapter (d) An enterprise worker
2. Integration of project management with the organization takes place with the _____. [d]
(a) master budget (b) strategic plan
(c) Process of managing actual projects (d) both b and c
3. A business arrangement where one party allows another party to use a business name and sell its products or services is known as _____. [a]
(a) A franchise (b) A cooperative
(c) An owner-manager business (d) A limited company

Fill in the Blanks

4. Franchisees have to pay a fee termed as _____ to the franchisor. **(Royalty)**
5. Franchisors have to routinely provide _____ to the franchisees. **(Assistance)**
6. The most effective way to approach a new business venture is to create a _____ **(Unique product)**

Short Notes

7. How do you find gaps in the market place for launching entrepreneurial venture? **(Unit-V, SQA - 1)**
8. Brainstorming. **(Unit-V, SQA - 4)**
9. Mind Mapping. **(Unit-V, SQA - 5)**
10. Define Prototype. **(Unit-V, SQA - 6)**

Part - B

1. Define Creativity. What are the components of Creativity? **(Unit-V, Q.No.1)**
2. Describe the various steps involved in Creativity Process. **(Unit-V, Q.No. 3)**
3. How does an entrepreneur find the gaps in the market place? **(Unit-V, Q.No. 9)**
4. Define Prototype. Explain different types of Prototypes. **(Unit-V, Q.No. 10)**
5. Discuss the 'New-New Approach' and 'New-Old Approach' for creative new ventures. **(Unit-V, Q.No. 17)**
6. Explain the merits of Acquiring an Established Entrepreneurial Venture. **(Unit-V, Q.No. 19)**

MODEL PAPER - I

ENTREPRENEURSHIP AND DESIGN THINKING

Time : 3 Hours]

[Max. Marks : 60

Note : This question paper contains two parts **A** and **B**.

Part A is compulsory which carries 10 marks. Answer all questions in **Part A**.

Part B consists of 5 Units. Answer any **One** full question from each unit.

Each question carries 10 marks and may have a, b, c as sub questions.

PART - A (10 × 1 = 10 Marks)

ANSWERS

- | | |
|---|---------------------|
| 1. (a) Who is an Entrepreneur? | (Unit - I, SQA-1) |
| (b) Entrepreneurial Competency. | (Unit - I, SQA-10) |
| (c) Internal Growth Strategies. | (Unit - II, SQA-6) |
| (d) What is Strategic planning? | (Unit - II, SQA-4) |
| (e) Copyrights | (Unit - III, SQA-2) |
| (f) Define Feasibility Analysis. | (Unit - III, SQA-6) |
| (g) What is the tools in design thinking? | (Unit - IV, SQA-6) |
| (h) Define Design Thinking. | (Unit - IV, SQA-1) |
| (i) Define Creativity | (Unit - V, SQA-3) |
| (j) Define Prototype | (Unit - V, SQA-6) |

PART - B (5 × 10 = 50 Marks)

- | | |
|--|-----------------------|
| 2. Enumerate the Evolution of entrepreneurship. | (Unit - I, Q.No. 4) |
| OR | |
| 3. Explain the Functions of Entrepreneurs. | (Unit - I, Q.No. 11) |
| 4. Write briefly about the strategic planning process. | (Unit - II, Q.No. 6) |
| OR | |
| 5. Explain key factors in understanding the growth stage. | (Unit - II, Q.No. 13) |
| 6. Elaborate on the government initiatives to promote entrepreneurship in India. | (Unit - III, Q.No. 1) |
| OR | |
| 7. Explain the various problems of women entrepreneurs. | (Unit - III, Q.No. 8) |

8. Describe the Principles of Design Thinking. (Unit - IV, Q.No. 3)
- OR
9. Explain briefly about Empathic Design. (Unit - IV, Q.No. 12)
10. Examine the process of Creativity. (Unit - V, Q.No. 3)
- OR
11. Explain briefly about Lean Startup Method. (Unit - V, Q.No. 12)

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

M.B.A II Semester Examinations

R22

MODEL PAPER - II

ENTREPRENEURSHIP AND DESIGN THINKING

Time : 3 Hours]

[Max. Marks : 60

Note : This question paper contains two parts **A** and **B**.**Part A** is compulsory which carries 10 marks. Answer all questions in **Part A**.**Part B** consists of 5 Units. Answer any **One** full question from each unit.

Each question carries 10 marks and may have a, b, c as sub questions.

PART - A (10 × 1 = 10 Marks)**ANSWERS**

- | | |
|---|----------------------|
| 1. (a) Entrepreneurship. | (Unit - I, SQA-6) |
| (b) Sources of Stress. | (Unit - I, SQA-8) |
| (c) Infer the criticality of strategic positioning. | (Unit - II, SQA-1) |
| (d) Define Merger | (Unit - II, SQA-9) |
| (e) Social Entrepreneurship | (Unit - III, SQA-4) |
| (f) Distinguish between trademarks and trade secrets. | (Unit - III, SQA-10) |
| (g) What Makes a Good Problem Statement? | (Unit - IV, SQA-7) |
| (h) Empathy maps. | (Unit - IV, SQA-10) |
| (i) Visualization of design process. | (Unit - V, SQA-7) |
| (j) What is Franchising? | (Unit - V, SQA-2) |

PART - B (5 × 10 = 50 Marks)

- | | |
|--|----------------------|
| 2. What is the macro view of entrepreneurship? Elaborate on the environmental, financial and displacement school of thought. | (Unit - I, Q.No. 15) |
|--|----------------------|

OR

- | | |
|---|-----------------------|
| 3. Describe Maslow's need hierarchy model of motivation. | (Unit - I, Q.No. 37) |
| 4. Explain the important points to be considered in business stabilization. | (Unit - II, Q.No. 11) |

OR

- | | |
|---|-----------------------|
| 5. "A most critical factor that contributes most to the success of a venture is the ability of its initial leadership to foresee and manage effectively new challenges as the business evolves". Consider two concrete examples of start-up ventures and analyze the implication of leadership on their growth. | (Unit - II, Q.No. 29) |
|---|-----------------------|

6. Discuss briefly about Blue and Red Ocean Strategies? (Unit - III, Q.No. 22)
- OR
7. Explain the benefits of Copy Rights? (Unit - III, Q.No. 44)
8. Define Design Thinking. Explain the origin of Design Thinking. (Unit - IV, Q.No. 1)
- OR
9. Explain various stages in Design Thinking. (Unit - IV, Q.No. 5)
10. How does an entrepreneur find the gaps in the market place? (Unit - V, Q.No. 9)
- OR
11. Explain the advantages and Limitations of Franchising ? (Unit - V, Q.No. 21)

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

M.B.A II Semester Examinations

R22

MODEL PAPER - III

ENTREPRENEURSHIP AND DESIGN THINKING

Time : 3 Hours]

[Max. Marks : 60

Note : This question paper contains two parts **A** and **B**.**Part A** is compulsory which carries 10 marks. Answer all questions in **Part A**.**Part B** consists of 5 Units. Answer any **One** full question from each unit.

Each question carries 10 marks and may have a, b, c as sub questions.

PART - A (10 × 1 = 10 Marks)**ANSWERS**

- | | |
|--|---------------------|
| 1. (a) Enumerate the Evolution of entrepreneurship | (Unit - I, SQA-3) |
| (b) What is motivation? | (Unit - I, SQA-9) |
| (c) Define strategic entrepreneurship. | (Unit - II, SQA-3) |
| (d) External Growth Strategies. | (Unit - II, SQA-7) |
| (e) Define Entrepreneurial Plan | (Unit - III, SQA-7) |
| (f) Trade Marks | (Unit - III, SQA-3) |
| (g) What is a reformulation of the design problem? | (Unit - IV, SQA-8) |
| (h) importance of Empathy. | (Unit - IV, SQA-9) |
| (i) Desirability testing. | (Unit - V, SQA-9) |
| (j) Brainstorming. | (Unit - V, SQA-4) |

PART - B (5 × 10 = 50 Marks)

- | | |
|---|------------------------|
| 2. Define Entrepreneurial Stress. Explain the various sources of stress. | (Unit - I, Q.No. 31) |
| OR | |
| 3. Describe the Role of Entrepreneurship in Economic Development. | (Unit - I, Q.No. 18) |
| 4. How can you build an adaptive firm? Explain the different ways of building adaptive firms. | (Unit - II, Q.No. 12) |
| OR | |
| 5. Identify and discuss five Unique Managerial Concern of Growing Ventures. | (Unit - II, Q.No. 27) |
| 6. Define Entrepreneurial Plan. Explain briefly about formulation of Entrepreneurial Plan. | (Unit - III, Q.No. 15) |
| OR | |
| 7. What do you mean by Social Entrepreneurship. Discuss any examples? | (Unit - III, Q.No. 2) |

8. Describe the applications of Design Thinking. (Unit - IV, Q.No. 4)
- OR
9. (a) Define problem solving. Explain the steps involved in problem solving. (Unit - IV, Q.No. 8)
- (b) What Makes a Good Problem Statement? (Unit - IV, Q.No. 9)
10. What is model and explain its? (Unit - V, Q.No. 8)
- OR
11. Discuss the concept of Agility for Design Thinking. (Unit - V, Q.No. 25)

Note: This question paper contains two parts A and B.

Part A is compulsory which carries 25 marks. Answer all questions in Part A.

Part B consists of 5 Units. Answer any one full question from each unit. Each question carries 10 marks and may have a, b, c as sub questions.

PART - A (5 × 5 = 25 Marks)

Answers

1. Give short answers to the following:

(a) Types of entrepreneurs.

(Unit - I, SQA-5)

(b) Sources of Stress

(Unit - I, SQA-8)

(c) Franchising

(Unit - V, SQA-2)

(d) Copy right

(Unit - III, SQA-2)

(e) Tolerance to failure in understanding the growth stage.

(Unit - II, SQA-10)

PART - B (5 × 10 = 50 Marks)

2. Do entrepreneurs contribute to economic growth? State how do entrepreneurs contribute to economic growth.

(Unit - I, Q.No. 18)

OR

3. What is the macro view of entrepreneurship? Elaborate on the environmental, financial and displacement school of thought.

(Unit - I, Q.No. 15)

4. What factors cause stress among entrepreneurs? How can an entrepreneur deal with kinds of stress effectively?

(Unit - I, Q.No. 31, 32)

OR

5. What factors motivate entrepreneurship? Explain the entrepreneurial model for motivation.

(Unit - I, Q.No. 39, 40)

6. Explain the different sources for opportunity identification.

(Out of Syllabus)

OR

7. Being creative is essential to be successful entrepreneur. What in your opinion are the major components in the creative process?

(Unit - V, Q.No. 2, 3)

8. How safe is innovation in India? Are IPR's effective in protecting innovation? Give examples of case where there was IPR infringement and companies that won or lost the case.

(Unit - III, Q.No. 39)

OR

9. Why is industry and competitive analysis important to start a business? What happens if no such analysis is done? **(Unit - III, Q.No. 14)**
10. What is strategic planning? Explain the major steps in strategic planning. **(Unit - II, Q.No. 4, 6)**
- OR
11. How can you build an adaptive firm? Explain the different ways of building adaptive firms. **(Unit - II, Q.No. 12)**

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

M.B.A II - Semester Examination

December - 2018

R17

ENTREPRENEURSHIP

Time : 3 Hours]

[Max. Marks : 75

Note : This question paper contains two parts A and B.

Part A is compulsory which carries 25 marks. Answer all questions in Part A.

Part B consists of 5 Units. Answer any one full question from each unit. Each question carries 10 marks and may have a, b, c as sub questions.

PART - A (5 × 5 = 25 Marks)**ANSWERS**

1. (a) Explain briefly about evolution of entrepreneurship in India ? (Unit - I, SQA-3)
- (b) Write about entrepreneurial ego? (Unit - I, SQA-4)
- (c) How do you identify opportunities for launching entrepreneurial venture? (Unit-V, Q.No. 16)
- (d) What do you mean by patents, copyrights and trademarks? (Unit - III, SQA-1, 2, 3)
- (e) Write briefly about the strategic planning process ? (Unit - II, SQA-2)

PART - B (5 × 10 = 50 Marks)

2. Illustrate the various functions of entrepreneurs? (Unit - I, Q.No. 11)
OR
3. Explain the role of entrepreneurship in economic development of India? (Unit - I, Q.No. 18)
4. (a) Describe the motivation of cycle (Unit - I, Q.No. 39)
- (b) Write briefly about the entrepreneurial competencies? (Unit - I, Q.No. 41)
OR
5. Explain about the strategies for sustaining corporate entrepreneurship? (Out of Syllabus)
6. (a) How do you find gaps in the market place for launching entrepreneurial venture? (Unit - V, Q.No. 9)
- (b) Briefly discuss about the techniques used for generating ideas? (Out of Syllabus)
OR
7. Explain about the methods used for initiating a new venture? (Unit - V, Q.No. 17, 18, 19)
8. How do you carryout industry and competitor analysis? (Unit - III, Q.No. 14)
OR
9. Explain about the sources of finance available to an entrepreneur? (Unit - III, Q.No. 23)
10. Explain about the internal and external growth strategies ? (Unit - III, Q.No. 14)
OR
11. Write about the initiatives taken by the Indian government in promotion of entrepreneurship? (Unit - III, Q.No. 1)

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

M.B.A II - Semester Examination

R17

December - 2019

ENTREPRENEURSHIP

Time : 3 Hours]

[Max. Marks : 75

Note: This question paper contains two parts A and B.

Part A is compulsory which carries 25 marks. Answer all questions in Part A.

Part B consists of 5 Units. Answer any one full question from each unit.

Each question carries 10 marks and may have a, b, c as sub questions.

PART - A (5 × 5 = 25 Marks)**ANSWERS**

- | | |
|--|----------------------|
| 1. (a) Who is an entrepreneur? | (Unit - I, SQA-1) |
| (b) Relate between stress and entrepreneur. | (Unit - I, SQA-2) |
| (c) How does an entrepreneur find the gaps in the marketplace? | (Unit - V, SQA-1) |
| (d) Distinguish between trademarks and trade secrets. | (Unit - III, SQA-10) |
| (e) Infer the criticality of strategic positioning. | (Unit - II, SQA-1) |

PART - B (5 × 10 = 50 Marks)

- | | |
|--|------------------------|
| 2. Discuss with suitable examples, the impact of entrepreneurship on the economic development of India. | (Unit - I, Q.No. 18) |
| OR | |
| 3. Explain in detail the origin and development of entrepreneurial activities in India during last decade. | (Unit - I, Q.No. 4) |
| 4. Appraise the competencies of entrepreneurs. | (Unit - I, Q.No. 41) |
| OR | |
| 5. Formulate appropriate strategies to sustain corporate entrepreneurship in India. | (Out of Syllabus) |
| 6. Explain and critically evaluate of brainstorming and Delphi method in the context of idea generation. | (Unit - V, Q.No. 6) |
| OR | |
| 7. Examine the nature and process of creativity. | (Unit - V, Q.No. 2, 3) |
| 8. Critically analyze the challenges of new venture start-ups. | (Unit - III, Q.No. 16) |
| OR | |
| 9. Outline the salient features of an effective business model. | (Unit - III, Q.No. 19) |
| 10. Explain the important points to be considered in business stabilization. | (Unit - II, Q.No. 11) |
| OR | |
| 11. Devise appropriate strategies to the challenges of women entrepreneurs. | (Unit - III, Q.No. 8) |

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

MBA II-Semester Examinations**October / November - 2020****ENTREPRENEURSHIP****R19**

Time : 2 Hours]

[Max. Marks : 75

Note: Answer any five questions
All questions carry equal marks.

ANSWERS

1. What do you understand by process approach to entrepreneurship ?
Explain the inputs and outcomes of entrepreneurial process. (Unit-I, Q.No. 17)
2. How would you see the entrepreneurship trends in the 21st Century ? (Unit-I, Q.No. 19)
3. What is entrepreneurial ego ? Describe factors that are associated with entrepreneurial ego. (Unit-I, Q.No. 33, 34)
4. Describe the elements that are involved in sustaining corporate entrepreneurship. (Out of Syllabus)
5. What do you understand by innovation? Explain major types of innovation with suitable example. (Out of Syllabus)
6. What is franchising ? Explain the advantages and limitations of franchising. (Unit-V, Q.No. 21)
7. Business model is a plan of business operations. What does a business model speak about the business and why a business model is important in understanding business ? (Unit-III, Q.No. 20)
8. Elaborate on the government initiatives to promote entrepreneurship in India. (Unit-III, Q.No. 1)

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

M.B.A II - Semester Examinations**October / November - 2021****R19****ENTREPRENEURSHIP**

Time : 3 Hours]

[Max. Marks : 75

Answer any five questions
All questions carry equal marks

- - -

1. Outline the 21st century trends in entrepreneurship and role of entrepreneurship in economic development. **(Unit-I, Q.No. 19)**
2. Demonstrate the evolution of entrepreneurship and brief on types of entrepreneurs. **(Unit-I, Q.No. 4, 12)**
3. What are the steps involved in conceptualizing a corporate entrepreneurship strategy? **(Out of Syllabus)**
4. Identify and discuss the characteristics associated with entrepreneurial mindset? **(Unit-I, Q.No. 20)**
5. (a) Explain the different pathways for entrepreneurs to create new ventures? **(Unit-V, Q.No. 17)**
(b) Explain the different sources of innovative ideas and entrepreneurial imagination. **(Out of Syllabus)**
6. Define intellectual property. How intellectual property can help a great deal in the entrepreneurial journey of start-ups? **(Unit-III, Q.No. 32, 35)**
7. (a) What are the possible causes of failure of new ventures? **(Unit-III, Q.No. 30)**
(b) Illustrate the critical factors for new venture developments. **(Unit-III, Q.No. 28)**
8. Discuss in detail the problems of Women Entrepreneurs in India and write about the initiatives taken by the Indian government in promotion of women entrepreneurship? **(Unit-III, Q.No. 8, 10)**

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

M.B.A II - Semester Examinations

May - 2022

R19

ENTREPRENEURSHIP

Time : 3 Hours]

[Max. Marks : 75

Answer any five questions
All questions carry equal marks

- - -

1. (a) Enumerate important milestones in the development of present day entrepreneurship, (Unit-I, Q.No. 4)
(b) Entrepreneur is a leader. Do you agree with this statement? Justify with examples. (Unit-I, Q.No. 13)
2. (a) Take example of an Indian Enicorn. Explain the process of entrepreneurship with this example. (Unit-I, Q.No. 6)
(b) What are the different approaches to study entrepreneurship? (Unit-I, Q.No. 15, 16, 17)
3. (a) What are the important personality characteristics for becoming an entrepreneur? Give a suitable example having those characteristics. (Unit-I, Q.No. 8)
(b) Describe Maslow's: need hierarchy model of motivation. (Unit-I, Q.No. 37)
4. (a) Entrepreneurship involves a lot of challenges. These challenges may create stress also. Identify some of the common challenges resulting into stresses, (Unit-I, Q.No. 31)
(b) What do you mean by entrepreneurial ego? Is it good or bad for entrepreneur? Justify. (Unit-I, Q.No. 33)
5. Discuss some of the techniques to get new ideas for entrepreneurship? Take an example of new age startup and discuss the idea of this startup. (Unit-V, Q.No. 6)
6. (a) What do you mean by Design Thinking'. How it helps in creative processes? (Unit-V, Q.No. 3, Unit-IV, Q.No. 1)
(b) What are the important conditions for starting a new' venture? What are the precautions you should observe? (Unit-V, Q.No. 17, 18, 20)
7. (a) What do you mean by Intellectual Property? What is the role of IP in a startup? (Unit-III, Q.No. 32)
(b) What do you mean by Copyright? Who can take benefit from copyrights? (Unit-III, Q.No. 40, 44)
8. (a) Discuss some of the initiatives taken by central and state governments to promote entrepreneurship. (Unit-III, Q.No. 1)
(b) What do you mean by social entrepreneurship ? Discuss any example of it. (Unit-III, Q.No. 2)

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

MBA II - Semester Examinations

October / November - 2022

R19

ENTREPRENEURSHIP

Time : 3 Hours]

[Max. Marks : 75

Answer any Five questions
All questions carry equal marks

ANSWERS

1. (a) Define Entrepreneurship and write a brief account on 21st century trends in entrepreneurship. (Unit-I, Q.No. 1, 19)
- (b) Discuss the impact of entrepreneurship on the economic development of India. (Unit-I, Q.No. 18)
2. (a) Write various approaches to entrepreneurship. (Unit-I, Q.No. 15, 16, 17)
- (b) Explain the types of entrepreneurs in detail. (Unit-I, Q.No. 12)
3. (a) Identify and describe the three major sources of information that supply data related to the entrepreneurial mind set. (Unit-I, Q.No. 22)
- (b) What competencies are required by the entrepreneurs in the present context? (Unit-I, Q.No. 41)
4. (a) Explain about the strategies for sustaining corporate entrepreneurship? (Out of Syllabus)
- (b) What factors cause stress among entrepreneurs? How can an entrepreneur deal with such kinds of stress effectively? (Unit-I, Q.No. 31, 32)
5. (a) Elucidate the four steps involved in developing personal creativity and state the methods to initiate ventures. (Unit-V, Q.No. 17)
- (b) Examine the nature and process of creativity. (Unit-V, Q.No. 2, 3)
6. (a) How do you find gaps in the market place for launching entrepreneurial venture? (Unit-V, Q.No. 9)
- (b) Explain the different sources for opportunity identification. (Out of Syllabus)
7. (a) What are various intellectual property rights? Explain each one of them with proper example. (Unit-III, Q.No. 32, 36, 40, 45)
- (b) How do you carryout industry and competitor analysis? (Unit-III, Q.No. 14)
8. (a) Devise appropriate strategies to the challenges of women entrepreneurs in India. (Unit-III, Q.No. 8)
- (b) How is the strategic plan of an engineer/scientist entrepreneur likely to be different from that of a sociopreneur. (Unit-II, Q.No. 8)