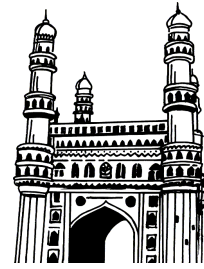


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ENTREPRENEURSHIP

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Understanding Entrepreneurial Mindset: The revolution impact of entrepreneurship - The evolution of entrepreneurship - Functions of Entrepreneurs – types of entrepreneurs - Approaches to entrepreneurship - Process approach - Role of entrepreneurship in economic development- Twenty first century trends in entrepreneurship.

UNIT - II

The individual entrepreneurial mind-set and Personality: The entrepreneurial journey- Stress and the entrepreneur - the entrepreneurial ego - Entrepreneurial motivations- Motivational cycle – Entrepreneurial motivational behavior – Entrepreneurial competencies.

Corporate Entrepreneurial Mindset, the nature of corporate entrepreneur - conceptualization of corporate entrepreneurship Strategy - sustaining corporate entrepreneurship.

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Launching Entrepreneurial Ventures: Creativity and Business Idea, opportunities identification - Finding gaps in the market place – techniques for generating ideas - entrepreneurial Imagination and Creativity - the nature of the creativity process - Innovation and entrepreneurship. Methods to initiate Ventures - Creating new ventures - Acquiring an Established entrepreneurial venture - Franchising - advantage and disadvantages of Franchising.

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Legal challenges of Entrepreneurship: Intellectual property protection - Patents, Copyrights- Trademarks and Trade secrets - Avoiding trademark pitfalls.

Feasibility Analysis - Industry and competitor analysis - Formulation of the entrepreneurial Plan- The challenges of new venture start-ups, developing an effective business model – Sources of finance - Critical factors for new venture development - The Evaluation process.

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2. Define and discuss Entrepreneurial Mindset. How an Entrepreneurial Mindset can be developed?

Ans : (Aug. - 16)

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

Ans : (Feb.-17, Dec.-19)

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4. Elucidate the micro view of entrepreneurship.

Ans : (Aug. - 15)

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

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Ans : (Aug. - 17)

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

Ans : (Aug.-16, Dec.-19, Imp)

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Ans : (July - 2018, Imp)

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6. Explain in detail about entrepreneurial mind-set in organizations and re-engineering organizational thinking.

Ans : (Aug.-16)

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Ans : (Dec. - 19)

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1. Elucidate the challenges involved in new venture development.

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

Refer Unit-IV, Q.No. 26.

2. What are the legal challenges an entrepreneur should be aware before initiating the process for a new business proposal? Elaborate your answer.

Ans : (Jan/Feb. 16, Imp)

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Ans : (Aug. - 17, Imp)

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Ans : (Aug. - 16, 17)

Refer Unit-IV, Q.No. 39.

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Ans : (July - 18)

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6. Define business model. Explain the different types of business model.

Ans : (Nov.-20)

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UNIT - V

1. Explain the various steps involved in strategic planning.

Ans : (Feb. - 17, June - 18)

Refer Unit-V, Q.No. 5.

2. Why do entrepreneurs need strategic approach for the emerging firms? How can the strategic of management process be designed?

Ans : (Jan. - 16)

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

Ans : (Dec. - 19)

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Ans : (Dec. - 19)

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

Ans : (June - 18)

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6. Explain the various steps involved in strategic planning.

Ans : (Feb. - 17, June - 18)

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7. Explain the various ways initiative by the government to promote entrepreneurship.

Ans : (Nov.-20)

Refer Unit-V, Q.No. 28.

UNIT I

Understanding Entrepreneurial Mindset: The revolution impact of entrepreneurship - The evolution of entrepreneurship - Functions of Entrepreneurs – types of entrepreneurs – Approaches to entrepreneurship – Process approach – Role of entrepreneurship in economic development – Twenty first century trends in entrepreneurship.

1.1 ENTREPRENEUR

Q1. Define the term Entrepreneur.

(or)

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.

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".

An entrepreneur is a person who has possession of a new enterprise, venture or idea, and assumes significant accountability for the inherent risks and the outcome. They are an ambitious leader who combines land, labor, and capital to often create and market new goods or services.

Q2. Enumerate the characteristics of an Entrepreneur.

Ans :

(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.

Q3. 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 ENTREPRENEURSHIP**Q4. Define the term Entrepreneurship.**

Ans :

Entrepreneurship is the act of being an entrepreneur, which is French word meaning "to undertake". Entrepreneurs assemble resources including innovations, finance and business acumen in an effort to transform innovations into economic

goods. This may result in new organizations or may be part of revitalizing mature organizations in response to a perceived opportunity. The most obvious form of entrepreneurship is that of starting new businesses; however, in recent years, the term has been extended to include social and political forms of entrepreneurial activity. When entrepreneurship is describing activities within a firm or large organization, it is referred to as intrapreneurship and may include corporate venturing, when large entities start spin-off organizations.

In a Conference on Entrepreneurship held in United States, the term 'entrepreneurship' was defined as, Entrepreneurship is the attempt to create value through recognition of business opportunity, the management of risk-taking appropriate to the opportunity, and through the communicative and management skills to mobilize human, financial and material resources necessary to bring a project to fruition".

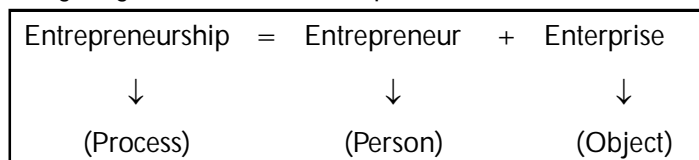
Definitions

- (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".

Entrepreneur is one who provides the fourth factor of production, namely 'enterprise'. As the fourth factor, it assembles, coordinates and manages the other factors namely land, labor and capital. Enterprise may be defined as an undertaking or adventure involving uncertainty and risk and requiring innovation. It also refers to the ability to think out and start new business.

Just as family is the basic unit for social organization, enterprise is the basic unit for economic organizations, and others. It obtains factors of production from the society and supplies the finished product to the society. Enterprise serves as the framework within which decisions concerning what to produce, how much to produce, when to produce and how to produce are taken by the owner and/or manager. Development is the aggregate result of the efforts made in individual enterprises.

In all above definitions, entrepreneurship refers to the functions performed by an entrepreneur in establishing an enterprise. Just as management is regarded as what managers do, entrepreneurship may be regarded as what entrepreneurs do. In other words, entrepreneurship is the act of being an entrepreneur. Entrepreneurship is a process involving various actions to be undertaken to establish an enterprise. It is, thus, process of giving birth to a new enterprise.



Q5. Explain the scope of Entrepreneurship

Ans :

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

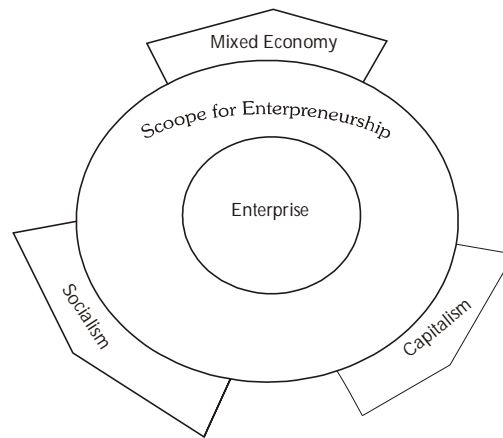


Fig. : Scope of Entrepreneurship

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.

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.

Q6. Explain the characteristics of Entrepreneurship.

Ans :

1. Economic Activity

Entrepreneurship involves the creation and operation of an enterprise. Therefore, it is essentially an economic activity concerned with of value or wealth.

2. Purposeful Activity

Entrepreneurship is the purposeful activity of an individual or a group of individuals who seek to earn profits through the production and distribution of economic goods and services.

3. Decision Making

A decision is a course of action which is consciously chosen from among a multiple of alternatives to achieve the desired result. As entrepreneurship involves both risk and uncertainty, decision making is crucial on the part of the entrepreneurs to establish and run the enterprise successfully.

4. Accepting Challenges

Entrepreneurship means accepting challenges amidst risk and uncertainty. While accepting entrepreneurship as a career, the entrepreneur accepts the challenges of all odds and puts his efforts to convert the odds into viable business opportunities by pooling together the resources for building and running the enterprise.

5. Risk Taking

This characteristic feature implies assuming the responsibility for loss that may occur due to unforeseen contingencies of the future. Entrepreneur, by his deep insight and scientific approach, analyses the situation objectively and reduces the risk considerably on one hand and enhances the profit factor on the other.

6. Building Organization

Entrepreneurship presupposes the initiative and skill on building organization. It is by delegation of authorities and proper leadership that organization can be built up. As per the views of Harbison, organization building is the most critical skill needed for entrepreneurship as it facilitates the economic use of other innovations.

7. Dynamic Process

Entrepreneurs thrive on the changing environment which brings new opportunities for business. Flexibility is the hallmark of a successful entrepreneur.

8. Gap Filling Function

It is the job of an entrepreneur to fill the gaps between needs and goods and services. They have to complete the inputs and provide the knowledge about the production process.

9. Skillful Management

For effective management of an enterprise, the role of an entrepreneur to initiate and supervise design of organization-improvement projects in relation to upcoming opportunities is very much important.

10. Innovation

David McClelland identified two important characteristics of entrepreneurship-first doing things in a new and better way, which is synonymous to innovation given by J. A. Schumpeter, and second, decision making under uncertainty. So innovation is one of the most important characteristics of entrepreneurship.

11. Mobilization of Resources

Resources are the help needed to carry out activities resulting in accomplishment of goal. They are found in scattered manner in the environment and required to be perceived, identified and mobilized by entrepreneurs to attain business goal. Thus, entrepreneurs make themselves distinct from the rest of population because of their innate capability to mobilize resources.

1.2.1 Understanding Entrepreneurial Mindset

Q7. Define and discuss Entrepreneurial Mindset. How an Entrepreneurial Mindset can be developed?

Ans : (Aug. - 16)

A mindset refers to what a person thinks, his belief system, habits, traits, feelings, level of confidence and enthusiasm towards, success. A mindset plays a key role in entrepreneurship and organizational development. In the present scenario, entrepreneurship has acquired new mindset that replaced the old perspectives of identifying the opportunities, risk taking etc. As per the new perspective, bad idea can produce good results/outcomes but a good idea at times may not produce good results in entrepreneurship field. Therefore, it is the mindset that establishes the everlasting businesses. William James said, "The greatest discovery of my generation is that human beings can alter their lives by altering their attitudes of mind". Apart from attitude, entrepreneurial leadership and mindset plays a significant role in converting the business idea into reality. The success of an entrepreneur in his entrepreneurship business relies upon his thinking, character and belief system. Entrepreneurship-mindset can be understood easily with the help of following diagram.

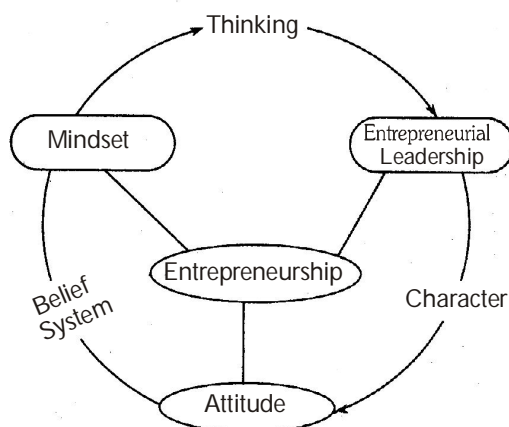


Fig. : Entrepreneurship-mindset

Thought is also considered as an important step in the process of attaining the targets. Thoughts

provoke the feelings, that lead to actions and the actions produce results. Thoughts emerges in a person from the information stored in his/her mind. This information is the outcome of the person's past programming. Thus, this past programming controls a person's thought process. Basically, programming of a person's mind takes place in following three ways,

(i) Verbal Programming

It refers to what a person heard/apprehended when he/she was young.

(ii) Modelling

It refers to what a person saw/realize when he/she was young.

(iii) Specific Incidents

This specifies the various experiences that a person had when he/she was young.

Developing the Mindset

In person's life each and every incident and the experiences give rise to a mindset that significantly effects his attitude and his success. It is necessary to develop a mindset which helps in becoming an entrepreneur. It is possible through the process of awareness, understanding, disassociation and affirmation.

(i) Awareness

Write down all the statements that a person is willing to change.

(ii) Understanding

Write down the effects of such statements in a persons life till now.

(iii) Disassociation

Now make a decision whether you wish to continue with the same thoughts and beliefs or willing to make changes.

(iv) Affirmation

Ultimately assure yourself that whatever the belief you had was not true and now you are selecting the new ways of thinking. The following figure depicts the steps involved in developing the mindset,

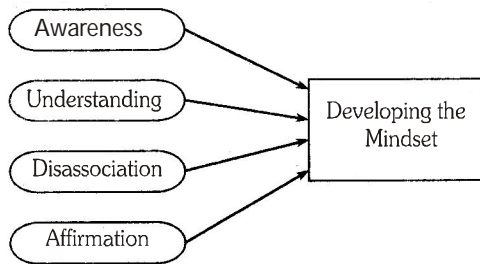


Fig. : Developing the Mindset

Hence, by implementing the above mentioned steps, a mindset can be developed which in turn helps a person to become a successful entrepreneur. It is mindset that plays a vital role and takes a person to a success / failure.

1.2.2 The Revolution Impact of Entrepreneurship

Q8. Elucidate the revolutionary impact of Entrepreneurship.

Ans :

An entrepreneurial revolution, occurred in U.S.A in 21st century. This revolution is going to be as much important as industrial revolution taken place in 20th century. Even India is experiencing entrepreneurial revolution and it is going to take shape in the next couple of decades. Entrepreneurs continue to be the major contributors to the economic growth and development with their skills and capabilities such as - leadership, management, creativity, innovation, R & D techniques, productivity etc. The revolutionary impact of entrepreneurship can be explained with the help of following points,

1. Impact on Society

Entrepreneurial firms put a dramatic impact on society by providing innovative products and services which may enhance the productivity, improve health, make life easier. 'Amgen', is one of the best example of entrepreneurial firm which has put a great impact on the society by producing drugs to improve people's lives and also helped to launch biotech industry.

2. Impact on Economy

Economic development is considered as automatic and self-regulated. Therefore, the classical economists were possessing an indifferent attitude towards the role of entrepreneurship in economic development of the country. This can be rightly stated as "The firm is a shadowy entity and entrepreneur a shadower or at least is shady when he is not shadowy".

But, from the economic history of developed countries such as U.S.A, U.S.S.R and Japan. It has been witnessed that entrepreneurship played a very important role in their economic development. In other words, "the economy is an effect for which entrepreneurship is the cause".

In order to achieve the goal of economic development it is essential to foster entrepreneurship both qualitatively and quantitatively. There exists only few enthusiastic and active entrepreneurs who can completely exploit the country's potential but unutilized resources such as labour, capital and technology.

Several economists have proposed different roles for entrepreneurs as,

- Schumpeter envisages that the entrepreneurs play an important role in economic development because of their creativity and innovations.
- Parson and Smelser regarded entrepreneurship as one of the essential elements of economic development and other being the output of capital.
- Harbison encompasses and incorporates entrepreneurs among the main movers of innovations.
- Sayigh views entrepreneurship as an essential dynamic force.

3. Impact on Large Firms

Small entrepreneurial firms help large entrepreneurial firms in producing their branded products. Usually, small firms may produce components which are required by larger firm in assembling their final products. Thus, the concept of entrepreneurship encouraging small as well as larger firms in increasing their production with mutual

benefits. For instance, U.S firms advertise on Spanish websites by purchasing media exposure of Latin American companies.

The entrepreneurial growth was increased significantly after the Second World War and has lead to a great increase in the number of entrepreneurs. A drastic increase was viable during the third five-year plan period, but the entrepreneurs did not have the entrepreneurial ability.

Tata, Birla, Mafatlal, Dalmia, Kirloskar and many more entrepreneurs are the finest examples of small entrepreneurs who have grown beyond the expected size and have established new business frontiers in the modern era.

1.2.3 The Evolution of Entrepreneurship

Q9. Enumerate the Evolution of entrepreneurship

(or)

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

Ans : (Feb.-17, Dec.-19)

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, Mafatlal, 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.

Q10. What is the criteria which an entrepreneur require to become successful?

(or)

Entrepreneurs can fail even if they are committed and have the characteristics needed to be successful. Why do you think this can happen ?

Ans :

(Aug. - 16)

Sometimes, entrepreneurs can fail even if they are committed and have the characteristics needed to be successful. Because, entrepreneurship may not be applicable for every individual. They may lack the qualities, aptitude and technical knowledge to become a successful entrepreneur. However, this may happen if entrepreneurs are not aware about the following criteria of entrepreneurship,

1. Self Assessment

Entrepreneur may fail if he is not able to assess his strengths and weaknesses. However, for assessing strengths and weaknesses he can do the following things,

- (a) Ask others about his performance.
- (b) Conduct professional tests for themselves.
- (c) Prepare a checklist of strengths and weakness and put checkmarks on his own belief.

2. Assessment of Interest

Entrepreneur may fail if he is not interested in his current job or business. However, for assessing area of interest, he can do the following things,

- (a) Analyze past experience and
- (b) Find out the hobbies.

3. Assessment of Aptitude

Entrepreneur may fail if he is not able to learn the requirement of a job. Aptitudes are the abilities or requirements which are needed for performing a job. Every job requires a different type of aptitude. For example, insurance agent must have the interpersonal skills. However, entrepreneur can find out the aptitudes required for his actual job by preparing a checklist of his responsibilities, under which he can just identify the type of aptitudes he already possesses.

Q11. The advantages of entrepreneurship outweigh the disadvantages-take a stand, either in favour of the statement or against it.

Ans :

(Aug. - 17)

In my opinion the field of entrepreneurship has substantial advantages and thus it is advisable for everyone to try to become an entrepreneur. Apart from enjoying good financial rewards, psychological advantages include the satisfaction of being your own boss and so on. There are also a few limitations of being an entrepreneur.

Advantages of Entrepreneurship

The following are the advantages of entrepreneurship,

1. Under entrepreneurship business, entrepreneurs are the owners of enterprises who can take their own decisions for success of the business.
2. Under this, entrepreneurs can implement their own ideas in the business. For examples, starting new venture, adopting latest technologies etc.
3. Under this, entrepreneur has the complete authority to select that type business in which he is interested.
4. Entrepreneurship business provide high level of profits.
5. Entrepreneurs are creative, they express their creativity by executing their new and creative ideas and creating a successful enterprise.
6. Entrepreneurship is exciting, because entrepreneurs enjoy their work as each day comes up with new opportunities which challenge their determination, skills and abilities.
7. Entrepreneurs can set their own income and invest targets in the business as they own the enterprise.
8. Entrepreneurs can actively involve in social family activities as entrepreneurship gives them flexibility.

Disadvantages of Entrepreneurship

The disadvantages of entrepreneurship are as follows,

1. Entrepreneurship involves high level of risk.
2. Under entrepreneurship entrepreneur's income is uncertain i.e., he may earn income in one month and loose in next month.
3. If entrepreneurship is in partnership form then the authority of making decisions get divided between partners.
4. Entrepreneur have to work hard (day and night) for the success of enterprise. Even he may not take a single leave during heavy work load.

From the above listed advantages and disadvantages of entrepreneurship it is apparent that the advantages of entrepreneurship outweigh the disadvantages of entrepreneurship.

1.3 FUNCTIONS OF ENTREPRENEURS

Q12. Explain the main functions performed by the Entrepreneur.

Ans :

1. Planning of the project

He is the organizer to conceive the idea of launching the project and to program the structure of business.

2. Management

The entrepreneur is also responsible for the management of business. He tries to have a least cost combination of factors of production.

3. To Face Risks

He faces uncertainly and bears risks in his business uncertainly comprising those risks against which it is not possible to insure. He also faces the risk of other producers may enter the market.

4. Distribution of Rewards

He is responsible of distributing the rewards to all factors of production. He pays the reward in the shape of rent, wage, and interest and bears the risk of profit or loss himself.

5. Sale of Products

An entrepreneur is also responsible of marketing, advertising. He wants to maximize his profits by selling his product in the market.

6. Scale of Production

He decided the scale of business in according with the provision of capital. Then, he takes the decision of what where and how to produce goods.

7. Joint stock Organization

In a partnership, the entrepreneurial functions are divided between the partners.

But in public limited company, the board of directors takes this responsibility with nationalized enterprise; the entrepreneurial decisions are left to the government or a body to which government has delegated its powers.

1.4 TYPES OF ENTREPRENEURS

Q13. Classify the different types of Entrepreneurs.

Ans :

Types of Entrepreneurs

Entrepreneurs are classified as under different heads as given below. This helps the potential entrepreneurs to choose his own nature and style of entrepreneurship.

i) According to the Type of Business

Entrepreneurs are found in various types of business occupations of varying size. We may broadly classify them as follows:

i) Business Entrepreneur

Business entrepreneurs are individuals who conceive an idea for a new product or service and then create a business to materialize their idea into reality. They tap both production and marketing resources in their search to develop a new business opportunity. They may set up a big establishment or a small business unit. Trading entrepreneur is one who undertakes trading activities and is not concerned with the manufacturing work. He identifies potential markets, stimulates demand for his product line and creates a desire and interest among buyers to go in for his product. He is engaged in both domestic and overseas trade.

ii) Industrial Entrepreneur

Industrial entrepreneur is essentially a manufacturer who identifies the potential needs of customers and tailors product or service to meet the marketing needs. He is a product oriented man who starts in an industrial unit because of the possibility of making some new product.

iii) Corporate Entrepreneur

Corporate entrepreneur is essentially a manufacturer who identifies the potential needs of customers and tailors product or service to meet the marketing needs. He is a product oriented man who starts in an industrial unit because of the possibility of making some new product.

Corporate entrepreneur is a person who demonstrates his innovative skill in organizing and managing a corporate undertaking. A corporate undertaking is a form of business organization which is registered under some statute or Act which gives it a separate legal entity.

iv) Agricultural Entrepreneur

Agricultural entrepreneurs are those entrepreneurs who undertake such agricultural activities as raising and marketing of crops, fertilizers and other inputs of agriculture. According to the use of Technology.

v) Technical Entrepreneur

A technical entrepreneur is essentially an entrepreneur of "Craftsman type". He develops a new and improved quality of goods because of his craftsmanship. He concentrates more on production than marketing. He does not care much to generate sales by applying various sales promotional techniques. He demonstrates his innovative capabilities in matters of production of goods and rendering services.

vi) Non-technical Entrepreneur

Non-technical entrepreneurs are those who are not concerned with the technical aspects of the product in which they deal. They are concerned only with developing alternative marketing and distribution strategies to promote their business.

vii) Professional Entrepreneur

Professional entrepreneur is a person who is interested in establishing a business but does not have interest in managing or operating it once it is established.

II) According to Motivation

Motivation is the force that influences the efforts of the entrepreneur to achieve his objectives. An entrepreneur is motivated to achieve or prove his excellence in job performance. He is also

motivated to influence others by demonstrating his power thus satisfying his ego.

i) Pure Entrepreneur

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

ii) Induced Entrepreneur

Induced entrepreneur is one who is being induced to take up an entrepreneurial task due to the policy measures of the government that provides assistance, incentives, concessions and necessary overhead facilities to start a venture. Most of the entrepreneurs are induced entrepreneurs who enter business due to financial, technical and several other several other provided to them by the state agencies to promote entrepreneurship.

iii) Motivated Entrepreneur

New entrepreneurs are motivated by the desire for self-fulfillment. They come into being because of the possibility of making and marketing some new product for the use of consumers. If the product is developed to a saleable stage, the entrepreneur is further motivated by reward in terms of profit and enlarged customer network.

iv) Spontaneous Entrepreneur

These entrepreneurs start their business out of their natural talents and instinct. They are persons with initiative, boldness and confidence in their ability which motivate them to undertake entrepreneurial activity.

v) Growth Entrepreneur

Growth entrepreneurs are those who necessarily take up a high growth industry. These entrepreneurs choose an industry which has substantial growth prospects.

vi) Super-Growth Entrepreneur

Super-growth entrepreneur are those who have shown enormous growth of performance in their venture. The growth performance is identified by the liquidity of funds, profitability and gearing.

III) According to Stages of Development

i) First-Generation Entrepreneur

A first generation entrepreneur is one who starts an industrial unit by means of an innovative skill. He is essentially an innovator, combining different technologies to produce a marketable product or service.

ii) Modern Entrepreneur

A modern entrepreneur is one who undertakes those ventures which go well along with the changing demand in the market. They undertake those ventures which suit the current marketing needs.

iii) Classical Entrepreneur

A classical entrepreneur is one who is concerned with the customers and marketing needs through the development of a self supporting venture. He is a stereotype entrepreneur whose aim is to maximize his economic returns at a level consistent with the survival of the firm with or without an element of growth.

iv) Innovating Entrepreneurs

Innovating entrepreneurship is characterized by aggressive assemblage of information and analysis of results, deriving from a novel combination of factors. Men/women in this group are generally aggressive in experimentation who exhibit cleverness in putting attractive possibilities into practice. One need not invent but convert even old established products or services, by changing their utility, their value, their economic characteristics, into something new, attractive and utilitarian. Therein lies the key to their phenomenal success. Such an entrepreneur is one who sees the opportunity for introducing a new technique of production process or a new commodity or a new market or a new service or even reorganization of an existing enterprise.

v) Imitative Entrepreneurs:

Imitative entrepreneurship is characterized by readiness to adopt successful innovations by innovating entrepreneurs. They first imitate techniques and technology innovated by others.

vi) Fabian Entrepreneurs

These categories of entrepreneurs are basically running their venture on the basis of conventions and customary practices. They don't want to introduce change and not interested in coping with changes in environment. They have all sorts of inhibitions, shyness and lethargic attitude. They are basically risk aversion and more cautious in their approach.

vii) Drone Entrepreneurs

Entrepreneurs who are reluctant to introduce any changes in their production methods, processes and follow their own traditional style of operations. Though they incur losses and loses their market potential, will not take any effort to overcome the problem. Their products and the firm will get natural death and knockout.

viii) Forced Entrepreneurs

Sometimes, circumstances made many persons to become entrepreneurs. They do not have any plan, forward looking and business aptitude. To mitigate the situational problem, they are forced to plunge into entrepreneurial venture. Most of the may not be successful in this category due to lack of training and exposure.

1.5 APPROACHES TO ENTREPRENEURSHIP**Q14. What are the various approaches to Entrepreneurship ?**

Ans :

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.

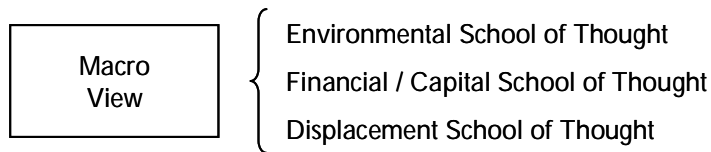
1.5.1 Macro view of Entrepreneurship**Q15. What is the macro view of entrepreneurship? Elaborate on the environmental, financial and displacement school of thought.**

Ans :

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.

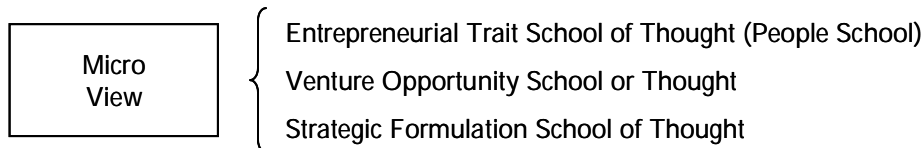
1.5.2 Micro view of Entrepreneurship

Q16. Elucidate the micro view of entrepreneurship.

Ans :

(Aug. - 15)

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.

1.5.3 Process Approach

Q17. Explain briefly about Process Approach to entrepreneurship.

Ans :

(Nov.-20)

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.

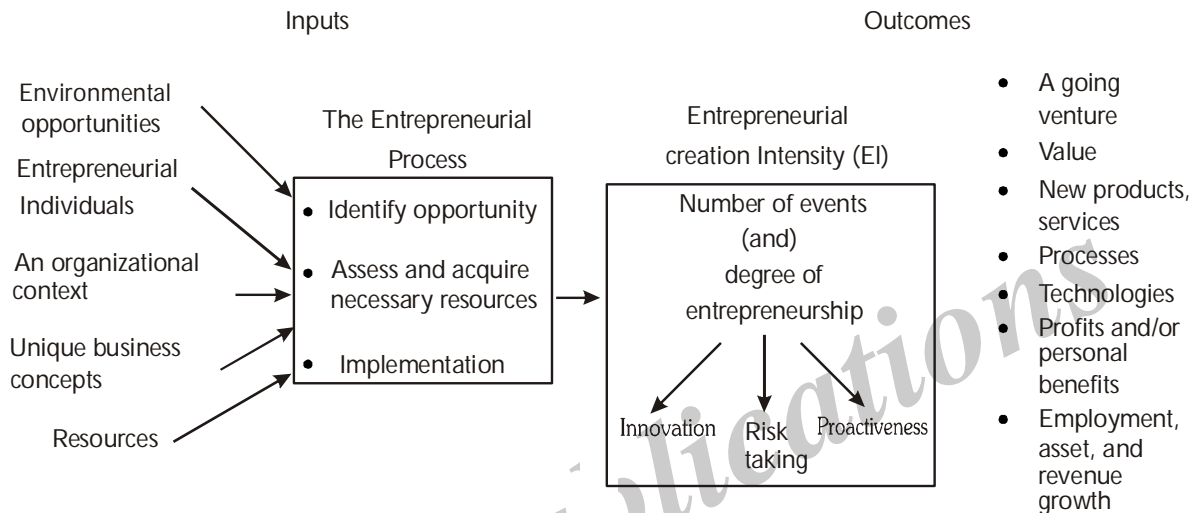


Fig. An Integrative Model of Entrepreneurial Inputs and Outcomes

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.

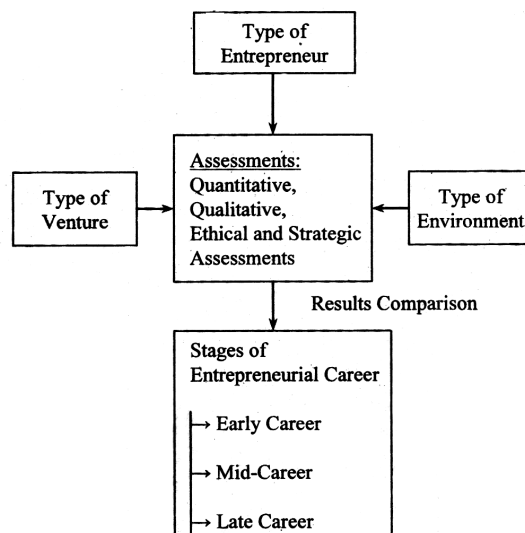


Fig. : Assessment Approach

1.6 ROLE OF ENTREPRENEURSHIP IN ECONOMIC DEVELOPMENT

Q18. Do entrepreneurs contribute to economic growth? State how do entrepreneurs contribute to economic growth.

Ans. : (Aug. - 16, Dec.-19)

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 grow 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 entrepreneur 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. Entrepreneur 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 fishes them into products and services which turn into marketable items.

Q19. Distinguish between entrepreneur and entrepreneurship.

Ans :

The term "entrepreneur" is often used interchangeably with "entrepreneurship". But, conceptually, they are different, yet they are just like the two sides of a coin. Their differences are as follows:

Entrepreneur	Entrepreneurship
1. An entrepreneur one who undertakes and operates a new enterprise and assumes some accountability for the inherent risks.	Entrepreneurship is the practice of starting new organizations, particularly new businesses generally in responses to identified opportunities.
2. Entrepreneur is often synonymous with founder.	Entrepreneurship ranges in scale from solo projects to major undertakings creating many job opportunities.
3. The person who starts and operates a business enterprise is an entrepreneur.	The process in which an entrepreneur starts and operates his business enterprise is entrepreneurship.
4. The entrepreneur is a coordinator as he coordinates all the three elements of production i.e. land, labor and capital.	Entrepreneurship is the coordination maintained by an entrepreneur.
5. The person who innovates something new is an entrepreneur.	The innovation of something new or the process of innovation is entrepreneurship.
6. He who leads an enterprise towards its vision thorough leadership, motivation is an entrepreneur.	The way in which an entrepreneur leads his manpower, motivates them for the achievement of the firms goal is entrepreneurship.

1.7 TWENTY FIRST CENTURY TRENDS IN ENTREPRENEURSHIP

Q20. Explain about twenty first century trends in entrepreneurship.

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

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.

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.

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".

2. Define the term Entrepreneurship.

Ans :

Entrepreneurship is the act of being an entrepreneur, which is French word meaning "to undertake". Entrepreneurs assemble resources including innovations, finance and business acumen in an effort to transform innovations into economic goods. This may result in new organizations or may be part of revitalizing mature organizations in response to a perceived opportunity. The most

obvious form of entrepreneurship is that of starting new businesses; however, in recent years, the term has been extended to include social and political forms of entrepreneurial activity. When entrepreneurship is describing activities within a firm or large organization, it is referred to as intrapreneurship and may include corporate venturing, when large entities start spin-off organizations.

In a Conference on Entrepreneurship held in United States, the term 'entrepreneurship' was defined as, Entrepreneurship is the attempt to create value through recognition of business opportunity, the management of risk-taking appropriate to the opportunity, and through the communicative and management skills to mobilize human, financial and material resources necessary to bring a project to fruition".

Definitions

- (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".

3. Explain the characteristics of Entrepreneurship.

Ans :

1. Economic Activity

Entrepreneurship involves the creation and operation of an enterprise. Therefore, it is essentially an economic activity concerned with of value or wealth.

2. Purposeful Activity

Entrepreneurship is the purposeful activity of an individual or a group of individuals who seek to earn profits through the production and distribution of economic goods and services.

3. Decision Making

A decision is a course of action which is consciously chosen from among a multiple of alternatives to achieve the desired result. As entrepreneurship involves both risk and uncertainty, decision making is crucial on the part of the entrepreneurs to establish and run the enterprise successfully.

4. Accepting Challenges

Entrepreneurship means accepting challenges amidst risk and uncertainty. While accepting entrepreneurship as a career, the entrepreneur accepts the challenges of all odds and puts his efforts to convert the odds into viable business opportunities by pooling together the resources for building and running the enterprise.

4. Entrepreneurial Mindset.

Ans :

A mindset refers to what a person thinks, his belief system, habits, traits, feelings, level of confidence and enthusiasm towards, success. A mindset plays a key role in entrepreneurship and organizational development. In the present scenario, entrepreneurship has acquired new mindset that replaced the old perspectives of identifying the opportunities, risk taking etc. As per the new perspective, bad idea can produce good results/outcomes but a good idea at times may not produce good results in entrepreneurship field. Therefore, it is the mindset that establishes the everlasting businesses. William James said, "The greatest discovery of my generation is that human beings can alter their lives by altering their attitudes of mind". Apart from attitude, entrepreneurial leadership and mindset plays a significant role in

converting the business idea into reality. The success of an entrepreneur in his entrepreneurship business relies upon his thinking, character and belief system.

5. Advantages of Entrepreneurship.

Ans :

1. Under entrepreneurship business, entrepreneurs are the owners of enterprises who can take their own decisions for success of the business.
2. Under this, entrepreneurs can implement their own ideas in the business. For examples, starting new venture, adopting latest technologies etc.
3. Under this, entrepreneur has the complete authority to select that type business in which he is interested.
4. Entrepreneurship business provide high level of profits.
5. Entrepreneurs are creative, they express their creativity by executing their new and creative ideas and creating a successful enterprise.
6. Entrepreneurship is exciting, because entrepreneurs enjoy their work as each day comes up with new opportunities which challenge their determination, skills and abilities.
7. Entrepreneurs can set their own income and invest targets in the business as they own the enterprise.

6. Disadvantages of Entrepreneurship.

Ans :

1. Entrepreneurship involves high level of risk.
2. Under entrepreneurship entrepreneur's income is uncertain i.e., he may earn income in one month and loose in next month.
3. If entrepreneurship is in partnership form then the authority of making decisions get divided between partners.
4. Entrepreneur have to work hard (day and night) for the success of enterprise. Even he may not take a single leave during heavy work load.

7. What are the various approaches to Entrepreneurship ?*Ans :*

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.

8. Distinguish between entrepreneur and entrepreneurship.*Ans :*

The term "entrepreneur" is often used interchangeably with "entrepreneurship". But, conceptually, they are different, yet they are just like the two sides of a coin. Their differences are as follows:

Entrepreneur	Entrepreneurship
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5. The person who innovates something new is an entrepreneur.	The innovation of something new or the process of innovation is entrepreneurship.

UNIT II

The individual entrepreneurial mind-set and Personality: The entrepreneurial journey- Stress and the entrepreneur - the entrepreneurial ego - Entrepreneurial motivations- Motivational cycle – Entrepreneurial motivational behavior – Entrepreneurial competencies.

Corporate Entrepreneurial Mindset, the nature of corporate entrepreneur-conceptualization of corporate entrepreneurship Strategy-sustaining corporate entrepreneurship.

2.1 THE INDIVIDUAL ENTREPRENEURIAL MIND-SET AND PERSONALITY

Q1. Write a note on individual Entrepreneurial mind set and Personality.

Ans : (Feb.-17)

Entrepreneurial Mind set

- i) 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. The authors present simple but powerful.

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.

Q2. 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.

Q3. "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 minimize 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.

Q4. 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.

Q5. 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.

Q6. Define the term Entrepreneur. Distinguish between Entrepreneur and Intrapreneur.

Ans :

A new breed of entrepreneurs is coming to the fore in large industrial organizations. They are called 'intrapreneurs'. They emerge from within the confines of an existing enterprise. In big organizations, the top executives are encouraged to catch hold of new ideas and then convert these into products through research and development activities within the framework of organization. The concept of intrapreneurship has become very popular in developed countries like America. It is found that an increasing number of intrapreneurs is leaving their jobs in big organizations and is starting own enterprises. Many of such intrapreneurs have become exceedingly successful in their ventures. What is more that they are causing a threat to the organizations they left. Such intrapreneurs breed to the innovative entrepreneurs who inaugurate new products.

S.No.	Difference	Entrepreneur	Intrapreneur
1.	Dependency	An entrepreneur is independent in his operations.	But, an intrapreneur is dependent on the entrepreneur, i.e., the owner.
2.	Raising of Funds	An entrepreneur himself raises funds required for the enterprise.	Funds are not raised by the intrapreneur.
3.	Risk	Entrepreneur bears the risk involved in the business.	An intrapreneur does not fully bear the risk involved in the enterprise.
4.	Operation	An entrepreneur operates from outside.	On the contrary, an intrapreneur operates from within the organization itself.

Q7. How does an entrepreneur differ from a manager.

Ans :

S.No	Difference	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.

2.2 THE ENTREPRENEURIAL JOURNEY

Q8. 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.

2.2.1 Dark Side of Entrepreneur

Q9. 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 rise 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.

Q10. 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. Consequently, 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.

Q11. 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 available 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.

2.3 STRESS AND THE ENTREPRENEUR

Q12. Define Entrepreneurial Stress. Explain the various sources of stress.

(or)

Relate between Stress and Entrepreneur.

Ans :

(Aug.-16, Dec.-19)

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.

Q13. Explain the various measures to overcome the stress.

Ans :

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.

Researchers David P. Boyd and David E. Gumpert made a significant contribution to defining the causes of entrepreneurial stress, but what makes their study particularly note-worthy is the presentation of stress-reduction techniques—ways entrepreneurs can improve the quality of their business and personal lives. Although classic stress-reduction techniques such as meditation, biofeedback, muscle relaxation, and regular exercise help reduce stress, Boyd and Gumpert suggest that another important step entrepreneurs can take is to clarify the causes of their stress. Having identified these causes, entrepreneurs then can combat excessive stress by (1) acknowledging its existence, (2) developing coping mechanisms, and (3) probing unacknowledged personal needs.

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.

3. 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.

4. 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.

2.4 THE ENTREPRENEURIAL EGO

Q14. Define Entrepreneurial Ego.

Ans : (Nov.-20)

➤ **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.

Q15. 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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2.5 ENTREPRENEURIAL MOTIVATIONS

Q16. What is motivation? Explain the nature and Importance of motivation.

Ans. :

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 of Motivation

- 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 designates 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 staring and keeping a person at work in an organization".

Nature of Motivation

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 of Motivation

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.

Q17. 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.****Q18. Explain the model of entrepreneurial motivation.**

Ans :

(July - 2018)

Lanny Herron and Harry J. Sapienza have stated, motivation plays an important part in the creation of new organizations, theories of organization creation that fail to address this notion are incomplete." One researcher—in his review of achievement motivation and the entrepreneur—said, "It remains worthwhile to carefully study the role of the individual, including his or her psychological profile. Individuals are, after all, the energizers of the entrepreneurial process.

Thus, although research on the psychological characteristics of entrepreneurs has not provided an agreed-on "profile" of an entrepreneur, it is still important to recognize the contribution of psychological factors to the entrepreneurial process. In fact, the quest for new-venture creation as well as the willingness to sustain that venture is directly related to an entrepreneur's motivation. One research study examined

the importance of satisfaction to an entrepreneur's willingness to remain with the venture. Particular goals, attitudes, and backgrounds were all important determinants of an entrepreneur's eventual satisfaction. In that vein, one research approach examines the motivational process an entrepreneur experiences. Figure illustrates the key elements of this approach.'

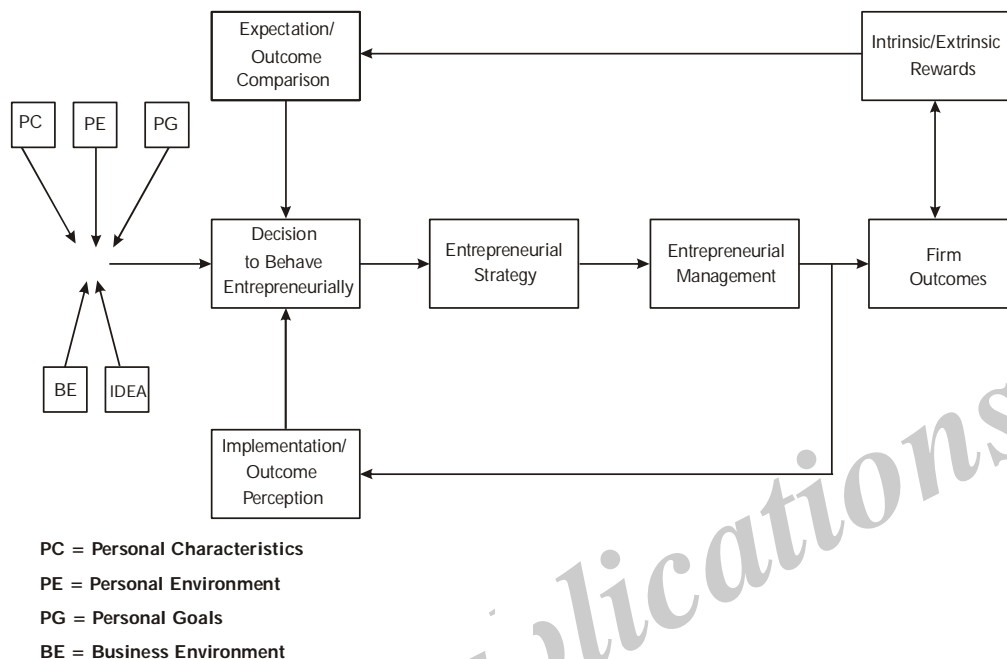


Fig. : A Model of Entrepreneurial Motivation

The decision to behave entrepreneurially is the result of the interaction of several factors. One set of factors includes the individual's personal characteristics, the individual's personal environment, the relevant business environment, the individual's personal goal set, and the existence of a viable business idea. In addition, the individual compares his or her perception of the probable outcomes with the personal expectations he or she has in mind. Next, an individual looks at the relationship between the entrepreneurial behavior he or she would implement and the expected outcomes.

According to the model, the entrepreneur's expectations finally are compared with the actual or perceived firm outcomes. Future entrepreneurial behavior is based on the results of all of these comparisons. When outcomes meet or exceed expectations, the entrepreneurial behavior is positively reinforced, and the individual is motivated to continue to behave entrepreneurially—either within the current venture or possibly through the initiation of additional ventures, depending on the existing entrepreneurial goal. When outcomes fail to meet expectations, the entrepreneur's motivation will be lower and will have a corresponding impact on the decision to continue to act entrepreneurially. These perceptions also affect succeeding strategies, strategy implementation, and management of the firm.

2.5.1 Motivational Cycle

Q19. Outline the process of Motivational Cycle.

Ans. :

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".

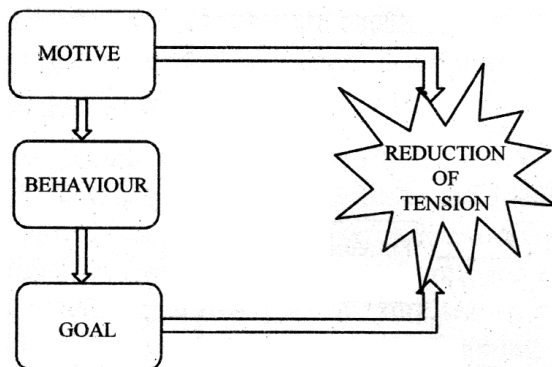


Fig. : Process of Motivation

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.

2.5.2 Entrepreneurial Motivational Behavior

Q20. "Entrepreneurial Behavior is the results of interactions of several internal and external factors." Comment.

Ans :

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

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.

Besides, they are assured of stable and predetermined income. Ancillarisation gives

much benefit to large scale industrial units since they need not concentrate on trivial matters.

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.

2.6 ENTREPRENEURIAL COMPETENCIES

Q21. What do you understand by the term Entrepreneurial Competency ? Can they be acquired ?

(or)

Appraise the competencies of Entrepreneurs.

Ans :

(Dec. - 19)

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. 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'.

Q22. "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

Introducecs 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.

Q23. 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.

2.7 CORPORATE ENTREPRENEURIAL MINDSET

Q24. Explain in detail about entrepreneurial mind-set in organizations and re-engineering organizational thinking.

Ans :

(Aug.-16)

Entrepreneurial Mind-set

Ever fluctuating global economy is bringing markable changes in the organizations and industries globally. In response to these changes, many organizations have restructured their operations and moulded them accordingly. Many of the organizations are focussing on the strategy of innovation. This new focus on entrepreneurial thinking arose during entrepreneurial economy of past two decades. Peter F. Drucker identified four developments which fostered the emergence of entrepreneurial economy.

- (i) Fast changing knowledge and technology backed the evolution of high technology entrepreneurial start-ups.
- (ii) Demographic changes like - two earning members in families, ongoing adult education etc., fostered the growth of newly developing ventures.
- (iii) Venture capital finance provided financial support to entrepreneurial ventures.
- (iv) U.S industry has started learning management of entrepreneurship.

In 21st century, corporate performance is influenced by continuous innovation and ability to cope with global competition. All firms irrespective of their size are required to possess entrepreneurial attitudes and behaviours to survive and grow in the competitive market.

Reengineering Organizational Thinking

In order to set entrepreneurial mind-set in the organization, entrepreneur should provide freedom to the employees and encourage them to develop new and innovative ideas. Creating such kind of working environment becomes difficult due to,

- (i) The top management's unwillingness to encourage freedom.

- (ii) The-myth that innovation is not possible in their work environment.

To reengineer organizational thinking and to encourage innovation in organizations, the following steps are required to be undertaken by the organization:

1. Develop explicit innovation objectives that are agreed by both the management and the employees in order to maintain a commonality of goals.
2. Set a system of feedback and positive reinforcement that encourages the potential innovators.
3. Highlight individual responsibility by making trust, belief and accountability as key aspects for attaining success in an innovative program.
4. Reward system must be created that encourages employees to develop innovative ideas.
5. No punishments for failure should be the policy. An individual learns from his/her mistakes. Employees must be given freedom to carry out experiments without any fear of punishments.

The above stated steps have to be taken up according to the organizational requirements and type.

Guidelines

Innovative corporate environment can also be created by implementing the following guidelines/ rules:

1. Encourage the action or work.
2. Adopt informal meetings whenever feasible.
3. Do not punish failure but use it as learning experience.
4. Make continuous efforts to bring an idea into market.
5. Follow reward system to encourage future innovations.
6. Encourage informal communication to develop new ideas.

7. Encourage employees to work secretly on new ideas both at official and personal timings.
8. Cluster the people into small teams,
9. Encourage employees to avoid rigid policies and bureaucracy.
10. Provide rewards and offer promotions to innovative employees.

2.7.1 The Nature of Corporate Entrepreneur

Q25. Define Corporate Entrepreneurship ? Explain various corporate Entrepreneurship models.

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

Concept and Nature of Corporate Entrepreneurship

The concept of corporate entrepreneurship is a new concept. It is defined as a vigorous or powerful entrepreneurial culture followed in a corporate office or joint stock company wherein the focus is more on the systematic innovatory activities sponsored by the company and are taken up as a continuous process by many persons who are particularly engaged for such purposes. The salaried employees in corporate entrepreneurship makes use of organizational resources for performing the activities to accomplish the innovations as continuous process. The recent studies conducted in USA found that the small firms and large companies with their flexibility and large scale economies can be more innovative when compared to the medium-sized firms. According to other perceptions and studies, the concept of corporate entrepreneurship is more suitable to large corporate organizations when compared small firms.

Corporate Entrepreneurship Models

Traditionally, most new ventures arise from the research and development or information technology departments. Corporate entrepreneurship encourages innovative thinking in departments across the organization.

Models of corporate entrepreneurship :

1. Opportunist model

This is sort of the "no model" model. An employee has an innovative idea and happens to get the support of a project champion with the power to say yes to funding and research.

2. Enabler model

The organization hires entrepreneurial minded people and encourages all employees and teams to promote and pursue their ideas. Google, for example, aims to hire people with "entrepreneurial DNA," and allows employees to spend 20% of their time exploring new concepts and prototypes. This model requires that companies communicate clearly how they select projects, provide resources, and track projects.

3. Advocate model

The company creates a core group of who act as innovation experts and evangelists to work throughout the company and help encourage new business ideas. There are no established funds to participate, so each unit must pay for it's own ideas. Those that participate do so because they think the initiative is valuable. This model depends on people who can work with different teams and facilitate change.

4. Producer model

The company creates internal organizations with funding and a defined process for how new ideas will be developed if they don't fit into the existing business structure. This model requires significant funding and staffing, and support from executive management.

Q26. Explain the need for corporate entrepreneurship.

Ans :

1. Inadequate Growth

The current reality is that most organizations have spent the last decade investing in existing

or mature products that are not providing adequate growth.

2. Failure Rate

The failure rate for new business initiatives remains high for new products and services, more than ninety percent for transformational efforts.

3. Lack of Capabilities

A majority of CEOs do not feel like they have the skills or capabilities inside their organization to achieve their growth agenda, they are probably right.

4. Few Role Models

Only four percent of executives in large organizations are entrepreneurs or entrepreneurial, most executives have achieved their success by managing the core business not building new ones.

5. Major Barriers

After a decade of cost cutting and streamlining operations, organizations have created rigid and inflexible systems that have created roadblocks and barriers to growth.

6. Inability to Change

Risk adverse cultures, resistance to change and fear of the unknown are impeding an organizations ability to respond to a rapidly changing world.

7. Reliance on the Past

Increasing uncertainty, complexity and ambiguity are putting pressure on organizations to rely on practices that worked well for them in the past, but may not now.

8. Poor Execution

Three out of five organizations say they are weak when it comes to execution and they see corporate entrepreneurship as a way to close the gap between idea generation and execution.

9. Business Benefits

Corporate entrepreneurship is linked to higher levels of productivity, engagement, growth, innovation and financial returns. It is also linked to intangible outcomes like knowledge, skill development and job satisfaction.

10. Accelerate Growth

Sixty five percent of the top one hundred innovative companies are instituting corporate entrepreneurship as a way to increase their ability to accelerate new business growth.

2.8 CONCEPTUALIZATION OF CORPORATE ENTREPRENEURSHIP STRATEGY

Q27. Define corporate entrepreneurship strategy. Why entrepreneurs need a strategy to success? Discuss in detail an integrative model of corporate entrepreneurship strategy.

Ans :

(Feb.-16)

Corporate Entrepreneurship Strategy

A vision-oriented, organization-wide dependence on entrepreneurial behaviour that intentionally and continuously rebuilds the organization and its operations through identification and acquisition of entrepreneurial opportunities is termed as 'corporate entrepreneurship' (CE) strategy'. It is a continuous strategy and is dependent upon entrepreneurial intensity.

Need for Corporate Entrepreneurship Strategy

Entrepreneurs need to adopt strategy to achieve success. Entrepreneurs need a Corporate Entrepreneurship (CE) strategy because through CE strategy, entrepreneurs can identify new motivational system that motivates innovations, team work, risk bearing, informal networking and ingenuity. This inter results in high productivity and makes the organization more successful.

Integrative Model of Corporate Entrepreneurship Strategy

Jeffrey G.Covin, R.Duane Ireland, Donald F.Kuratko developed the integrative model that explains how CE strategy exhibits the existence of three components, namely,

- Entrepreneurial strategic vision.
- Pro-entrepreneurship organizational architecture.
- Entrepreneurial processes and behaviours.

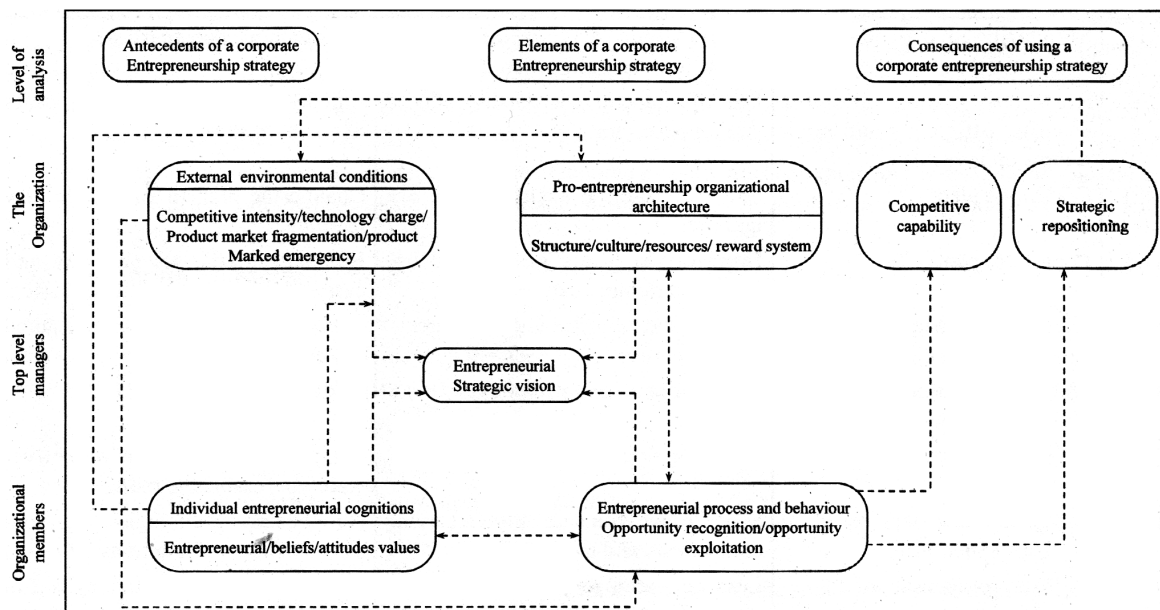


Fig.: Integrative Model of Corporate Entrepreneurship Strategy

The model has several inter-connections such as,

1. Individual entrepreneurial cognition of organizational members.
2. External environmental condition fostering entrepreneurial actions.
3. Top level manager's entrepreneurial strategic vision of the organization.
4. Organizational structure backing entrepreneurial behaviour and process.
5. Reflections of entrepreneurial processes on entrepreneurial behaviour.
6. Organizational results obtained from entrepreneurial actions.

The model identifies that entrepreneurial cognitions and external environmental conditions are the main factors enforcing the adoption of CE strategy. The results obtained from entrepreneurial actions are assessed thoroughly in order to decide whether to continue, change or reject CE strategy.

Corporate Entrepreneurship (CE) strategy neither can be selected nor can be implemented quickly. Compatibility is required between entrepreneurial vision of the organizational leaders and their entrepreneurial actions across the organization. CE strategy is nothing but developing self-renewing organizations by emphasizing on entrepreneurial capability prevailing in the organization.

People at the middle and lower level of the organization have a significant role to play in entrepreneurial and strategic processes. Their coordination is very much essential in the successful implementation of CE strategy.

The external environmental conditions are taken as basis by organization's leaders to judge the probability of adopting a CE strategy. The disintegration of elements of CE strategy and their linkages will effect the suitability of CE strategy.

Q28. Discuss in detail the development of individual

Ans :

In order to develop key environmental factors guiding entrepreneurial activity in an organization, a structured training program is needed. Corporate innovation training program has six units/modules aimed at bringing awareness about the opportunities within the organization. Such training program leads to corporate innovation in the respective departments.

Modules

The six modules of Corporate Innovation Training Program (CITP) are,

1. Entrepreneurial Experience

Entrepreneurial experience includes how the participants or trainees take part in the entrepreneurial revolution taken place across the globe in the past three decades. Each of the participants is required to think innovatively and identify the necessity from the conventional practices.

2. Thinking Innovatively

This module concentrates on resolving the myths related to innovative thinking in traditional organizations. Each participant comes out with their own review and the most common thought is discussed by all. After the discussion, all the participants undergo many exercises in order to enhance their own creativity.

3. Idea Acceleration Process

In this module, participants develop a group of ideas on which they intend to work. They identify a number of organizational issues such as - structural restrictions and facilitators and also list out the resources required to implement their idea.

4. Identification of Barriers and Facilitators

This module involves participants in identifying various barriers and facilitators to innovative thinking. A discussion is conducted and various exercises are carried out which help in overcoming these barriers. Additionally, visual case studies of successful innovators who have successfully handled organizational barriers are shown.

5. Sustaining I-Teams

In this module, the necessity of forming I-teams to achieve a specific innovations is assessed. Participants divide themselves into teams based on a common idea. Then, team dynamics or team cohesion existing among the teams are reviewed.

6. Innovation Action Plan

After identifying and assessing the several organizational barriers and facilitators to innovative thinking, finally, this module involves the participants in preparing an action plan for their idea. The action plan comprises - determining ventures goals, developing I-teams, analyzing present organizational situations, sequencing the process of project accomplishment and the last step is project evaluation.

Factors

According to Corporate Entrepreneurship Assessment Instrument (CEAI), in a questionnaire developed by Donald F.Kuratko and Jeffrey S.Hornsby, there exists five factors which are essential in the internal environment of the organization intending its managers to carry out innovative activity. A brief explanation of these factors is discussed below,

(i) Management Support and Encouragement

This factor explains the degree to which the management hierarchy supports and encourages employees towards innovation and makes the employees feel that innovation is a part of their roles. Few functions which indicates management support are implementation of employees ideas quickly,

identifying the idea developers, supporting experiments and small projects and investment of money to launch the useful projects.

(ii) Work Discretion/Freedom

Employees should be given freedom to take decisions regarding the performance of their work in the manner they feel effective. Employees should be encouraged to take decisions on their work processes and organizations should avoid criticism and punishment in case of mistakes during innovation process.

(iii) Rewards and Reinforcement

Employees can be motivated to pursue innovation by providing rewards and reinforcement. Organizations must link performance with rewards and provide new challenges, increase work responsibilities and communicate ideas of innovation to other employees.

(iv) Providing Time for Innovation

Organizations should provide time to employees to foster innovation and new ideas by reducing their work load and busy schedules. Reduced time constraints and encouragement to group behaviour fosters new innovations.

(v) Organizational Constraints

Organizations have to remove constraints that prevent employees to pursue innovation. Flexible boundaries, changeable procedures and policies fosters innovation. Avoiding narrow job descriptions and rigid performance standards can show way for development of new ideas.

Focus Areas Encouraging Corporate Entrepreneurial Behaviour

Researcher Vijay Sathe has suggested focus areas for encouraging corporate entrepreneurial behaviour. They are,

- (i) Organizations have to encourage innovative activity but not make it a compulsion. Usage of financial rewards and flexible procedure

can lead to development of corporate entrepreneurship.

- (ii) A proper control on HR policies is another factor that goes into developing corporate entrepreneurship. In this connection, Sathe suggested 'selected rotation'- an exposure of employees/managers to different but related territories.
- (iii) Long-term sustained commitment to innovative projects.
- (iv) Adopt supportive challenge to make innovations realize errors and learn through self-analysis.

2.9 SUSTAINING CORPORATE ENTREPRENEURSHIP

Q29. Explain the model of sustaining corporate entrepreneurship.

(or)

Formulate appropriate strategies to sustain corporate Entrepreneurship in India.

Ans :

(Dec.-19)

It is well documented in the conceptual literature that managers at all structural levels have critical strategic roles to fulfill for the organization to be successful.

- Senior, middle, and first-level managers possess distinct responsibilities with respect to each subprocess.
- Senior-level managers have ratifying, recognizing, and directing roles that in turn are associated with particular managerial actions.
- Researchers contend that middle-level managers endorse, refine, and shepherd entrepreneurial opportunities, and identify, acquire, and deploy the resources needed to pursue those opportunities.
- First-level managers have experimenting roles that correspond to the competence definition subprocess, adjusting roles that correspond to the competence modification subprocess, and conforming roles that correspond to the competence deployment subprocess.

Thus, organizations that pursue corporate entrepreneurship strategies likely exhibit a cascading yet integrated set of entrepreneurial actions at the senior, middle, and first levels of management.

- At the senior level, managers act in concert with others throughout the firm to identify effective means through which new businesses can be created or existing ones reconfigured.
- Corporate entrepreneurship is pursued in light of environmental opportunities and threats, with the purpose of creating a more effective alignment between the company and conditions in its external environment.
- The entrepreneurial actions expected of middle-level managers are framed around the need for this group to propose and interpret entrepreneurial opportunities that might create new business for the firm or increase the firm's competitiveness in current business domains.
- First-line managers exhibit the "experimenting" role as they unearth the operational ideas for innovative improvements.
- An important interpretation of previous research has been the belief that managers would surface ideas for entrepreneurial actions from every level of management, particularly the first-line and middle levels. Therefore, managers across levels are jointly responsible for their organization's entrepreneurial actions.
- An organization's sustained effort in corporate entrepreneurship is contingent upon individual members continuing to undertake innovative activities and upon positive perceptions of the activity by the organization's executive management, which will in turn support the further allocation of necessary organizational antecedents.
- It illustrates the importance of perceived implementation/output relationships at the organizational and individual levels for sustaining corporate entrepreneurship.

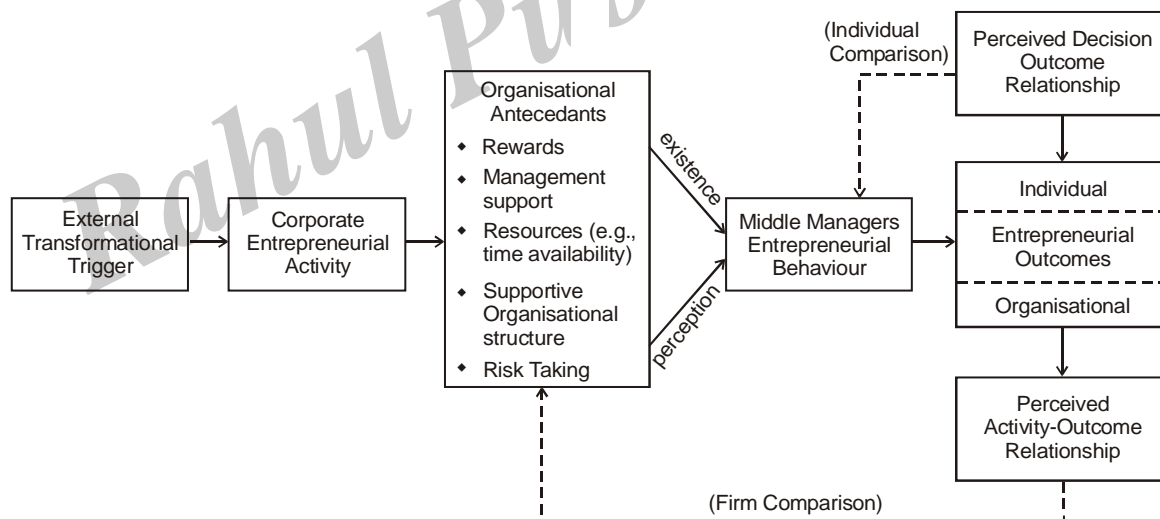


Fig. : A Model of Sustained Corporate Entrepreneurship

- The first part of the model is based on theoretical foundations from previous strategy and entrepreneurship research.
- The second part of the model considers the comparisons made at the individual and organizational level on organizational outcomes, both perceived and real, that influence the continuation of the entrepreneurial activity.

- The model demonstrates that a transformational trigger (something external or internal to the company that causes a change to take place) initiates the need for strategic adaptation or change.
- One such change that can be chosen is corporate entrepreneurial activity. Based on this choice of strategic direction, the proposed model centers around the individual's decision to behave entrepreneurially.
- Sustained entrepreneurial activity is the result of the perception of the existence of several organizational antecedents, such as top management support, autonomy, rewards, resources, and flexible organizational boundaries.
- The outcomes realized from this entrepreneurial activity are then compared at both the individual and organizational level to previous expectations.
- Thus, corporate entrepreneurial activities are a result of an equity perception by both the individual and the organization.
- Both must be satisfied with the outcomes for the entrepreneurial activities to continue from the organizational perspective as well as the individual perspective.
- Satisfaction with performance outcomes serves as a feedback mechanism for either sustaining the current strategy or selecting an alternative one. Individuals, as agents of the strategic change, must also be satisfied with the intrinsic and extrinsic outcomes they receive for their entrepreneurial behavior.
- While it may be a "chicken-and-egg" question as to whether individual behavior or organizational strategy should change first, the model suggests that—for a major strategic change – both are instrumental in making the change successful.

Short Question and Answers

1. Entrepreneurial Mind-Set.

Ans :

Entrepreneurial Mind set

- i) 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. The authors present simple but powerful.

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.

2. Define the term Entrepreneur.

Ans :

A new breed of entrepreneurs is coming to the fore in large industrial organizations. They are called 'intrapreneurs'. They emerge from within the confines of an existing enterprise. In big organizations, the top executives are encouraged to catch hold of new ideas and then convert these into products through research and development activities within the framework of organization. The concept of intrapreneurship has become very popular in developed countries like America. It is found that an increasing number of intrapreneurs is leaving their jobs in big organizations and is starting own enterprises. Many of such intrapreneurs have become exceedingly successful in their ventures. What is more that they are causing a threat to the organizations they left. Such intrapreneurs breed to the innovative entrepreneurs who inaugurate new products.

3. How does an entrepreneur differ from a manager.

Ans :

S.No	Difference	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.

4. Entre-preneurial 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.

5. Define Entrepreneurial Stress.

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 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.

6. What is motivation?

Ans :

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 of Motivation

- 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 designates 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 expand energy to achieve goals and rewards."
- v) **According to Dubin**, "Motivation is the complex of forces staring and keeping a person at work in an organization".

7. 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.

8. Entrepreneurial Competencies

Ans :

In simple terms, a competence is an underlying characteristic of a person which leads to his/her effective or superior performance in a 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.

9. Corporate entrepreneurship.

Ans :

1. Inadequate Growth

The current reality is that most organizations have spent the last decade investing in existing or mature products that are not providing adequate growth.

2. Failure Rate

The failure rate for new business initiatives remains high for new products and services, more than ninety percent for transformational efforts.

3. Lack of Capabilities

A majority of CEOs do not feel like they have the skills or capabilities inside their organization to achieve their growth agenda, they are probably right.

4. Few Role Models

Only four percent of executives in large organizations are entrepreneurs or entrepreneurial, most executives have achieved their success by managing the core business not building new ones.

5. Major Barriers

After a decade of cost cutting and streamlining operations, organizations have created rigid and inflexible systems that have created roadblocks and barriers to growth.

6. Inability to Change

Risk adverse cultures, resistance to change and fear of the unknown are impeding an organizations ability to respond to a rapidly changing world.

10. Internal locus of control.

Ans :

People with a higher internal locus of control (LOC) believe that they influence the outcomes of their lives. They believe that they have more control over life events, including their own success or failure. Conversely, individuals with a more external LOC feel that their lives are heavily influenced by forces which they cannot control such as luck, fate or powerful others. Research has shown a relationship between entrepreneurs and internal locus of control.

UNIT III

Launching Entrepreneurial Ventures: Creativity and Business Idea, opportunities identification- Finding gaps in the market place – techniques for generating ideas - entrepreneurial Imagination and Creativity - the nature of the creativity process - Innovation and entrepreneurship. Methods to initiate Ventures- Creating new ventures-Acquiring an Established entrepreneurial venture - Franchising - advantage and disadvantages of Franchising.

3.1 CREATIVITY AND BUSINESS IDEA

Q1. Define Creativity. Explain the components of creativity.

Ans :

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 products or outcomes. 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 of Creativity

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.

Q2. What are the features of Creativity?*Ans :***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 inmate 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 negotiation.

Q3. Explain briefly about business idea.*Ans :*

Every new business, new product or service and new marketing approach has started with an idea. Generating new ideas can be a very burdensome task. Putting them into practice can be much harder. Once an idea strikes, a person has to fill in all the details of what he wants to achieve and how he is going to achieve it.

A good idea is nothing more than a tool in the hands of an entrepreneur. Finding a good idea is the first step in the task of converting an entrepreneur's creativity into an opportunity.

The importance of the idea is often over-rated, usually at the expense of under-emphasizing the need for products or services, or both, which can be sold in enough quantity to real customers.

Further, the new business that simply bursts from a flash of brilliance is rare. What is usually necessary is a series of trial – and – error iterations, or repetitions, before a crude and promising product or service fits with what the customer is willing to pay for. For example, Howard Had made forty different metal skis before he finally made the model that worked consistently. With surprising frequency, major businesses are built around totally different products than those originally envisioned.

There are three major hurdles to overcome before any idea can come to fruition:

- 1) Identify a problem,
- 2) Idea generation,
- 3) Idea selection.

Business idea generation is a search for opportunities for new avenues of growth in business. As per peter Drucker the opportunities are of three types:

1. Additive Opportunities

Here better and intense utilization of existing resources is called for from the decision makers. This also means changes in production and marketing strategies.

2. Complementary Opportunities

Bring new ideas in existing products or bring

in value addition or changes desired in the market. Here character of business is likely to change the risk in business increases.

3. Breakthrough Opportunities

New product, new areas, new technologies bring in fundamental ideas. Breakthrough changes structure, strategies and business character. The element of risk is the highest and is combined with highest gains in case of success.

3.2 OPPORTUNITIES IDENTIFICATION

Q4. What is Opportunities Identification ? Explain the different sources of Opportunities Identification.

Ans : (July - 2018)

Opportunity identification is central to the domain of entrepreneurship. As one researcher stated, "At its core entrepreneurship revolves around the questions of why, when, and how opportunities for the creation of goods and services in the future arise in an economy. Thus, opportunity recognition is the progenitor of both personal and societal wealth." It has been argued that understanding the opportunity identification process is one of the primary challenges within the domain of entrepreneurship research. To give a better perspective of this entrepreneurial search, this chapter is devoted to examining the creative pursuit of ideas and the innovation process. These two major topics are keys to understanding opportunity and its development for entrepreneurs.

Sources of opportunities identification

The potentiality of an entrepreneur lies in paying attention to the opportunities prevailing in the internal and external environment, because such attention helps the entrepreneur in creating new idea. In reality, there are various effective sources of innovative ideas (entrepreneurial opportunities).

1. Trends

Trends refers to changes in the current thinking and way of living of major population, whose observation will facilitate

an entrepreneur in recognizing the potential opportunities. An entrepreneur must study the following trends.

- **Societal Trends** : Societal trends includes age demographics, senior citizens, health and growth consciousness.
- **Technological Trends** : Technical advances, mobile phones, internet, e-commerce etc., come under technological trends.
- **Economical Trends** : Increasing disposable income, two wage-earners in each family etc., come under economic trends.
- **Government Trends** : Fluctuating government policies and regulations, increase in petrol prices etc., come under government trends.

2. Unanticipated Occurrences

The unexpected or unplanned situations usually bring innovative surprises to people.

3. Incongruities

Incongruities are the gaps that occur when there exists the difference between the expected situation and the reality. Simply,

$$\text{Incongruities} = \text{Expectations} - \text{Reality}$$

4. Industrial and Market Changes

Consumer attitudes, technological changes, industrial growth and other developments are the reasons behind market fluctuations. Industries and markets bring changes in their structure, design, working methodology etc., entrepreneurs should be aware of all these changes and identify the venture opportunities. Many of the modern entrepreneurs observed these changes and started their ventures.

5. Demographic Shifts

Demographic shifts are vital and provide many new opportunities to the entrepreneurs. These shifts include the trend changes that occur in population, age, education, occupations, geographical changes etc.

6. Perceptual Changes

Perceptual changes are intangible as they occur in people's interpretation and perception about facts and concepts. Perceptual changes are one of the sources of innovative ideas. Perceptual changes provide entrepreneurial opportunity to entrepreneurs.

7. Knowledge-Based Concepts

These are the results of new thinking, modern knowledge and new methodologies and form the basis for brand new creations and innovations. These kind of entrepreneurial opportunities are proven to be beneficial, but take much time for initiation and implementation, as they require testing and modification.

Q5. Outline the process of opportunity identification.

Ans :

Entrepreneurial opportunities are an economic idea which can be implemented to create a business enterprise and earn profit. The entrepreneur gets information regarding various business opportunities from the magazine, Internet, financial institution, government, commercial organisation, friends, and relatives and so on. To choose the best business opportunity from the information collected (idea) requires detailed analysis. For emerging the new business opportunities an entrepreneur follows three steps, which are shown in figure aside and discussed below:

**(a) Opportunity Search**

Opportunity search stage is the first step in any entrepreneurial activity. As many as new product ideas are developed in this stage impractical ideas are dropped. Ideas which employ the maximum of available resources be taken up for further evaluation.

The ideas should take care of customer requirements such as type of need, timing of need, competitive way to satisfy the need, perceived benefits and risks, price versus performance, market size and potential, payment capacities of customer and how one meets the competition from existing or substitute products?

According to Peter Drucker the opportunities are of three types:

1. Additive Opportunities

Here better and intense utilisation of existing resources is called for from the decision makers. This also means changes in production and marketing strategies.

2. Complementary Opportunities

Bring new ideas in existing products or business to bring in value addition or changes desired in the market. Here character of business is likely to change the risk in business increases.

3. Breakthrough Opportunities

New product, new areas, new technologies bring in fundamental ideas. Breakthrough changes structure, strategies and business character. The element of risk is the highest and is combined with highest gains in case of success.

(b) Opportunities Assessment / Analysis

Entrepreneurial opportunities are an economic idea which can be implemented to create an enterprise. As an entrepreneur, they have to select feasible and rewarding opportunity from the business idea. For this purpose they have to evaluate the ideas and understand gap between demand and supply.

An entrepreneur is said to be an opportunity seeker. For the potential entrepreneur his first-task is to identify, explore and then select an attractive business opportunity. Opportunity can be defined as an attractive and excellent project idea which an entrepreneur searches for and accepts such idea as a basis for his investment decision. A good business opportunity must be capable of being converted into feasible projects. A good business opportunity has following five elements:

1. Assured market scope,
2. An attractive and acceptable rate of return on investment,
3. Practicability of the idea,
4. Competence of the entrepreneur to encash it,
5. Potential of future growth.

Entrepreneur can assess or recognise the opportunities in one of the following ways:

1. Wants and Needs

Opportunities are recognised on the basis of unmet market wants and needs. An opportunity merely based on market wants cannot be taken as real. Instead, a business opportunity may be regarded as genuine and attractive only when it is also ascertained that customers too will need and accept the new thing to be introduced. For, something introduced on the basis of perceived market wants will not eventually sell in case customers do not need or accept it for one reason or the other.

2. Current or New Market

Business opportunities can also be recognised in terms of their relationship with current market or targeted new market. A company may be already doing business in a market and this place of its current business is known as its current or present marketplace. Again, a company may be on the look-out for a breakthrough in a new place of business, i.e., to say a new market.

In a current market, a firm may improve upon its performance by either selling more of its existing product or introducing for the first time an altogether new product. This process of enhancing the sales volume of an existing product to a current market is termed as market penetration. The exercise of introducing a new product in the very same market is termed as product development. Product development, in fact, involves developing an absolutely new product or offering a modified version of something already selling in the current market, for

example, an old item in a new presentation, new packaging, or with additional features. When a business struggles to sell its existing product range in a new marketplace, this process is known as market development. A firm may make an effort to create a new product to be sold in a new target market; this process is known as diversification.

3. Target Market

Another elementary way of assessing the attractiveness of an opportunity is to research the growth of consumer of a specific product in a new market. A declining market will make it hard for a new company to enter there. In a matured market, which is not growing. Where a market is pre-eminently dominated by large corporate houses and/or multinationals, it is impossible for a small or medium-size firm to enter there. But if there are relatively small and weak competitors, a new entrant may be able to compete with other suppliers already in the field.

In case the demand for a product, particularly if it is reserved for the small scale sector, is growing, a small firm may find it easier not only to get a breakthrough in the new market, but also increase its market share. A product which competes mainly on the basis of price cannot be profitable especially for a small business. Under such circumstances, it is possible to choose a product which can compete on unique design, additional features, superior quality, colourful packaging or inviting presentation. Where a market is growing, entry for a new firm may be easier, provided the product or service to be launched is a unique one and can also meet the consumer needs.

4. SWOT Analysis

This is another method of assessing the success probability of a business opportunity. This implies four major approaches to determine the strengths, weaknesses, opportunities and threats involved in a proposed venture. This method of a comprehensive evaluation is known as SWOT

analysis. The term SWOT stands for Strengths (S), Weaknesses (W), Opportunities (O), and Threats (T). The strength and weakness parameter relate to internal environment while opportunities and threats parameter relate to external environment.

(c) Opportunity Selection

The entrepreneur will have to study all the factors which may have an influence on the selection of the type of business. Careful attention will have to be paid to any factor which may interfere or create a problem in the future. Therefore, the entrepreneur will have to collect all the relevant information in order to select the right type of industry and product. This decision is taken only once, right at the beginning and cannot be changed easily. If it is the wrong decision, it will have an effect on all the subsequent decisions. Thus, the entrepreneur must identify, select, and explore various business opportunities properly. Business opportunities and entrepreneurial response are the foundations for the establishment of a business enterprise.

The entrepreneur requires a situation in which an idea can be converted into a profitable business venture. A situation must be created in order to take advantage of the right opportunities at the right time. In the search of a business opportunity, an entrepreneur must collect all the necessary information from various sources and experts, before analysing them. Before the selection of a business opportunity, he or she must make sure that the commodity which is going to be produced has a good market and that the rate of return on the investment is attractive. A business opportunity may be described as an economic idea which can be adjusted to new situations in order to create a business and earn profits. It should be commercially profitable and economically viable.

Finalisation of Opportunity or Product

While finalising the product, it is essential to assess some parameters before deciding on the product out of two or three shortlisted ones. These parameters are mainly:

1. Total investment in plant and machinery,
2. Sources of raw materials for manufacturing the product,

3. Infrastructure facilities,
4. Size of the project,
5. Requirement and availability of skilled and unskilled manpower,
6. Total financial requirement,
7. Policy of the government,
8. Procedure adopted by the government to start enterprise, and
9. Incentives, subsidies, exemptions, if any, provided by the government.

Keeping the above things in view, entrepreneur should select that opportunity which will be commercially viable and technically feasible. Further, the opportunity should be capable of giving adequate returns in a sustainable manner for long period of time and can be feasible enough to be diversified in accordance with the changing needs of the time.

Q6. How do environmental dynamics and change affect opportunity identification and selection of entrepreneur?

Ans :

Business enterprise functioning is situational, it varies with changes in government policy. The change in business enterprise and industry has become compulsory with the changes in business environment. It can be observed from following points,

1. Increasing Competition

With the changes in rules relating industrial licensing and entry of foreign firms, Indian firms have to face more competition in service industries such as banking, insurance, airlines, telecommunications etc. which were previously under domain of public sector in the country.

2. Demanding Customers

Demands of customers are increasing as they are well informed. With the increasing market competition customers get wide variety of choices in purchasing good quality of products and services at competitive prices.

3. Frequent Changes in Technological Environment

With the increase in competition, firms are forced to develop new ways of survival and progress in the market. New technologies facilitates in improving machines, process, products and services. These frequent changes in technological environment develop difficult challenges before smaller firms.

4. Requirement of Change

In pre-1991 era, business enterprises used to have stable policies and practices. After 1991, the market forces were unstable due to which enterprises have to alter their operations.

5. Threat from MNCs

Indian market face new challenges with increase in entry of multinational corporations. Though, Indian subsidiaries gain some strategic advantage but they get limited support in technology from foreign partners because of ownership restrictions. Transfer of technology from foreign partners will increase if restrictions become limited.

3.3 FINDING GAPS IN THE MARKET PLACE

Q7. How does an entrepreneur find the gaps in the market place?

Ans :

(Dec. - 19)

- 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.
- 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.

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 Cusi, Panera Bread, Chipotle.
Absence of fitness centres particularly designed for women.	Fitness centres only for women, featuring workouts and exercises designed particularly for women 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.

Fig.: Business Created to Fill a Gap in the Market Place

- One of the ways 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 the 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 a 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 the company are women who are approximately 25 years old, which is a 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 it's more of publicity than substance, they will immediately refrain from it.

3.4 TECHNIQUES FOR GENERATING IDEAS

Q8. Explain the various methods for generating ideas.

Ans : (Dec. - 19)

There are different methods of generate a new idea. Some are as follows :

1) Focus Group

In this method a group of individuals discuss and provide information in a structured format — to arrive at new business ideas. A leader or a moderator sits with group of people and discussions are held in a free and frank manner regarding new ideas for industries or services.

Characteristics

- i) Leader acts as a moderator of creative thinking of focus group.
- ii) The group generally consists of 10 to 14 participants and all members take part in the discussions.
- iii) The new ideas are directed towards market needs of today and needs of tomorrow.
- iv) The groups consisting of end users generally give ideas for new products.
- v) The groups also give how the product should be marketed, how should be packaged and how the advertisement be made.

The data received from various groups may be analyzed on realistic basis or quantitatively to short list the new ideas. The method is generally used for choosing apparel designs, jewellery designs, cosmetics, health care products and the like.

2) Brainstorming

Brainstorming is a group method for obtaining new ideas and business solutions. The groups are organized for sitting together and stimulate greater creativity by exchange of mutual experiences and

participating in the discussions. The brainstorming ideas are canalized to a particular segment of product line or services. The method of conducting brainstorming sessions are :

- i) The group should be informed of the broad areas of the subject or area of discussions.
- ii) The group should consist of people drawn from different streams of knowledge such as marketing, production, quality control, planning, finance, costing, stores, handling, taxation and the like. The group also should consist of different levels of officers, supervisors from the organization.
- iii) The brainstorming session should be held in a good place with ambience. So, that the group comes open with their ideas.
- iv) The member should have no inhibitions about their status in the organization or department where they serve. The session should be frank and be fun. The brainstorming sessions are held where no individual or group dominate the discussions and no boss-subordinate relationships.
- v) Day dreaming or wild ideas to be encouraged.
- vi) There should not be any negative comments or criticisms against any particular individuals or groups or departments,
- vii) The ideas of one can be improved by others but no repetition of ideas. Each individual may be given a chance to three ideas and these ideas being recorded on a flip chart or black board. All the ideas are recorded on the flip chart even if one idea is not practical or ill-logical.

Based on the above broad ideas a general format can be evolved, wherein the brainstorming sessions could bring greater number of ideas and hence chances of emergence of more useful ideas. This method is extensively used for generating ideas for new product packing and distribution.

3) Reverse Brainstorming

A method similar to brainstorming is used wherein the criticism is allowed for obtaining new ideas. In this method the focus is given on the negative aspects such as, "how the idea fails" or "why the product be changed". By asking questions the new ideas are generated by innovative thinking. The way of negating and generating discussions over the problems is called Reverse Brainstorming.

4) Check List

The new ideas for the business are developed based on discussions on list of related issues. A specific area of discussions is listed by entrepreneur and a list of questions, suggestions and statements are developed for in-depth discussions and arrive at a business idea. The type of questions for a particular product may be :

- i) Who uses the product? How it is used? Why at all the item is used?
- ii) What are the new ways of usage of the product?
- iii) Can the product be modified for better value to the customers?
- iv) What are substitutes available in the market? How they are competitive? Can we combine the features to develop a new product?
- v) Can we modify?
- vi) Can we change the shape, color, packing of the product? Can we make it larger, smaller or increase frequency or add new ingredients?
- vii) Can we bring a substitute product?
- viii) Change processes, make it smaller or make it lighter?
- ix) Use different materials of construction, combine units, change appeal, change purpose, and bring more positive aspects that attract customers?

- x) What products are being used in other countries and why?

- xi) What are the new emerging products in the particular product range?

5) Problem Inventory Analysis

It is a method of obtaining new ideas and solutions for business by focusing on the problems. In this case the individuals are used similar to focus groups for generating new business ideas. The group discusses a category of products.

- i) The group is given the problems that are commonly felt by consumers, dealers, transporters and general public.
- ii) The discussions are more focused and related to a particular product and problem suggested by many on the particular product.
- iii) The method may not give many times new, entirely new product ideas but it may add to the value of the existing product.

7) Information from Publications

A lot of information is available in printed form about products and services. Sales brochures, catalogues, advertisements, publicity posters, etc., are some of these sources easily available to any one. They may sometimes trigger new concepts and ideas.

8) Seminars and Conferences

A number of seminars and conferences are periodically held to discuss the emerging challenges and opportunities of business. A young entrepreneur can obtain lots of tips from such seminars and conferences.

9) Discussion with People

An entrepreneur has to be open and alert otherwise they should miss an opportunity to receive new ideas. They should be a keen listener with an inquisitive mind. By listening to people they will be

able to find-out the tastes, preferences, and needs of the people around them. This information will help him to develop products and services that actually possess the quality of satisfying consumer needs

10) Day Dreaming and Fantasizing

Business opportunities are created when entrepreneurs fantasize about products and services they would love to have in their lives. Yesterday's fantasies about space tourism are today's reality. Many inventions are born out of such dreams.

3.5 ENTREPRENEURIAL IMAGINATION AND CREATIVITY

Q9. Define Entrepreneurial Imagination and Creativity.

Ans :

(a) Entrepreneurial Imagination

According to Chiles, Bluedom and Gupta (2007), "Entrepreneurial imagination refers to the capability of entrepreneurs to create opportunities through expectations of an imagined future and exploit opportunities through continuous resource combination and recombinations".

The 'entrepreneurial imagination' mainly emphasizes on three capacities for creative organization. They are, empathy, modularity and self-organization. Along with these capacities, there exists two main principles based on which the entrepreneurial imagination works. They are as follows,

- (i) Imagination is forward-looking where it visualizes future instead of focussing on past.
- (ii) Entrepreneurial thinking and behaviours signifies the individual decisions.

(b) Creativity

is the practice of setting up a business – or setting yourself up as selfemployed - in one of the

creative industries. The focus of the creative entrepreneur differs from that of the typical business entrepreneur or, indeed, the social entrepreneur in that s/he is concerned first and foremost with the creation and exploitation of creative or intellectual capital. Essentially, creative entrepreneurs are investors in talent – their own or other people's.

The most renowned creative entrepreneurs have combined creative flair with entrepreneurial ability to build multimillion-dollar business empires.

Since the mid 20th century, commentators have observed the move towards a knowledge economy or information society where the old rules of manufacturing-based business no longer apply, or at very least need to be reconsidered. But the creative sector, an intrinsic part of the knowledge economy, has received relatively little attention.

In recent years, due to significant economic growth in the sector there has been a surge of interest in the creative industries, and the issue of creative entrepreneurship has been pushed to the fore. In parallel with general enthusiasm from policy makers and support agencies, creative entrepreneurship has grown as an academic discipline. Creative entrepreneurship courses are becoming widely available, and seem increasingly popular with students.

3.5.1 The Nature of the Creativity Process

Q10. Outline the process of Creativity.

Ans :

(Feb. - 16, Dec. - 19)

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.

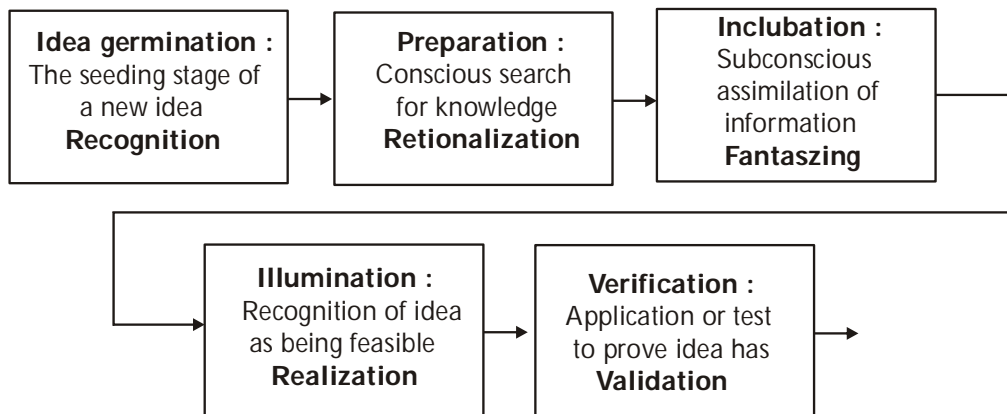


Fig. Creative Process

1. Idea Germination

The germination stage is a seeding process. It is not like planting seed as a farmer does to grow corn, 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 experiments, designers will begin engineering new product ideas, and marketers will study consumer buying habits.

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.

Q11. What are the various components of creative process ?

Ans :

The creative process has three distinct components:

1. Motivation

Initial motivation which provides stimulus for processing information and exploring alternative solutions.

2. Skills in the Task Domain:

The extent of the knowledge, talents and technical skills of the entrepreneur will help in his search for solutions, pin pointing an idea and verifying the idea.

3. Skills in Creative thinking

These will help him to visualize different solutions, generating a number of alternatives, see divergent uses of a single idea etc. to come up with a workable idea or plan.

Q12. 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 successfully 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.

4. Probability Thinking

Decision-making done by relying on the probability is nothing but probability thinking. Complete dependency on this data can lead to mistakes and restrict creativity.

In addition to the above stated thought processes, there are some more problem-solving exercise which helps in eliminating muddling mind sets.

- (i) Take small risks both in personal and work life. Analyse the impacts and consequences of such risk and try to overcome them.
- (ii) Work on complex projects, the results of which can't be predicted. Create situations of ambiguity and check reactions.

- (iii) Try to gather all the positive, negative and interesting aspects of a given idea.

- (iv) A careful listening to people, their ideas and information shared by them

Q13. In what respects entrepreneurs need creativity for survival and growth?

Ans :

Organizations can take maximum advantage in different ways through individual creativity. In globalized era with the increasing competition and expectations of customers, creativity has become an essential part for organisations to generate new and better solutions for problems relating to their survival and growth. Beside incremental changes to solutions entrepreneurs must work to have a new bold move through the culture of creativity in the organization.

Entrepreneurs must play an important role in organization to make sure that traditional assumptions, ways of performing and perspectives may not come in the way of growth of the business. There are many techniques through which one's creativity and ideas can be extracted.

3.5.2 Innovation and Entrepreneurship

Q14. Define the term Innovation. Explain the need of Innovation.

Ans :

(Nov.-20)

Meaning of Innovations

According to Drucker, the principles of innovation require a few 'dos' and a few 'don'ts'. He also enumerates what he calls "conditions".

The 'Dos',

- (i) Purposeful, systematic innovation begins with an analysis of opportunities. It begins with thinking through what he has called the sources of innovative principles.
- (ii) Innovation is both conceptional and perceptual. The second imperative of innovation is to go out to look, to ask, and to listen.
- (iii) An innovation to be effective has to be simple and it has to be focused. It should do only

one thing, otherwise it confuses. If it is not simple, it won't work.

- (iv) Effective innovations start small. They are not grandiose. They try to do one specific thing.
- (v) A successful innovation aims at leadership.

The 'Dor'ts'.

- (i) The first is simply not to try to be clever. Innovations have to be handled by ordinary human beings. In other words, anything too clever, whether in design or in execution, is almost bound to fail.
- (ii) Do not diversity. innovations 'that stray from a core are likely to become diffuse. They remain ideas and do not become innovations.
- (iii) Finally, do not try to innovate for the future. Innovate for the present.

Q15. Explain the different types of innovation.

Ans .:

(Nov.-20)

(i) Process Innovation

Process innovation increases bottom line profitability, reduces costs, improves efficiency and raises productivity, and increases employees' job satisfaction. It also delivers enhanced value of the product or service to customers. For manufacturing companies, process innovation includes such things as integrating new production methods and technologies that lead to improved efficiency, quality, or time-to-market and services that are sold with those products. For service companies, process innovations enable them to introduce "front office" customer service improvement and add on services.

(ii) Business Innovation

Business innovation involves a wide spectrum of original concepts, including development of new business models, organizational innovation, business application of technology and communications, new management techniques, environmental efficiency, new forms of stakeholder participation, transport and finance.

These consist of new business models, new management models, new approaches to value chain management, new approaches

to information, idea and knowledge management, new forms of strategic partnerships, new forms of selling and customer service.

(iii) Organizational Innovation

More efficient innovation metric, associated with organizational innovation, reflects the recognition that new ways of organizing work in areas such as work force management through employee empowerment, new people partnership, or positive action to involve all employees in order to make organization of work a collective resource for innovation, knowledge management, value chain management, customer partnership, distribution, finance, manufacturing can improve competitiveness.

Organizational innovation also includes business model innovation.

(iv) Technology Innovation

Technological innovation covers innovation derived from research and development of technology, that is independent of product and service initiative.

(v) Marketing Innovation

Innovative distribution and customer service methods are an inseparable part. It helps a company to develop new value added services, enter new markets, and create new market segments / categories, new distribution methods, and new forms of customer service and customer partnership. Marketing Communication can also be more effective with Innovative Strategies.

(vi) Strategy Innovation

It consists of reinvented strategy of the enterprise, innovative corporate growth strategies, improved competitive strategies. It is about challenging existing methods of industry of creating value for customer in order to meet newly emerging customer needs, add additional value, and create new markets and new customer groups for the sponsoring company.

Implementation of all these innovations can improve the utilization of human capital.

Q16. Explain the various principles of innovation.

Ans :

Innovation is guided by some principles which when combined with opportunities or ideas can create innovative miracles. Some of the key principles of innovation are,

(i) Action Oriented

Entrepreneurs should be action oriented and always be ready to find new ideas, opportunities or sources of innovation.

(ii) Develop Simple and Understandable Product, Process or Service

The products or services innovated should be simple, clear and unambiguous.

(iii) Develop Customer-based Products or Services

Innovations are to be made by keeping the customer and his/her needs in mind. The more the customer oriented innovation, higher will be the success rate.

(iv) Start Small

Starting small projects is beneficial rather than huge one. Beginning with small projects and then developing and building an organized growth at the right time and in a right way is recommended.

(v) Aim high and Learn from Failures

Innovators must aim at high by seeking a niche in the market place. Innovators should always be positive and learn from failures.

(vi) Try-Test-Revise and Work, Work, Work

Try-Test-Revise approach has to be followed to reduce the innovation time and to reduce the mistakes found in the product, process or service. Work, work, work strategy can make an innovation successful.

(vii) Develop Milestone Achievements

A schedule having milestone achievements has to be followed by innovators.

(viii) Reward Innovative Actions

This principle is concerned with motivating people to innovate by providing appreciations and rewards to innovators.

Q17. What are the major components for creating a favourable ecosystem for promotion of entrepreneurship? (Aug.16)

Ans :

The major components for creating a favourable ecosystem for promotion of entrepreneurship are as follows.

1. Regulatory Framework

A good entrepreneurial ecosystem can be developed through legislative framework which should be comprehensible, sensible and stable. A well developed system of legal and commercial rules and enforcement mechanisms leads to establishment of high-quality entrepreneurial ecosystem. Entrepreneurial ecosystem is useful for developing economies to start a business.

2. Values, Culture and Skills

In some parts of world from values and culture perspective, entrepreneurs have negative image. Entrepreneurs are treated as privileged class in many countries whereas they are considered as lower or inferior social class in countries like France, Germany and Sweden. In Sweden and UK, business failure is regarded as family disgrace. Arab youth consider entrepreneurs as those individuals who mainly focus on profits.

3. Access to Finance, Market, R&D and Technology

Availability of capital influence the entry of firms in new markets and to compete with incumbent firms. In developing countries, unavailability of funds in financial institutions or not willing to lend to small firms results in unfavourable conditions of entrepreneurial ecosystem. Well developed consumer markets develop entrepreneurial opportunities and facilitate the entrepreneurial ecosystem.

Sometimes businesses are more innovative because of demanding customers, who play an important role in developing entrepreneurial activity. A customer facilitates to perform entrepreneurial and innovative activities by conveying its plans, expectations and intentions. New technologies create

favourable contexts and conditions wherein entrepreneurial ventures can be developed.

4. Natural and Geographic Conditions

Natural and geographical conditions are essential for both natural and entrepreneurial ecosystem. Geographical factors like climate, land features, availability and type of natural resources, accessibility to transportation routes, ability to attract customers and suppliers influence the pattern and potential for entrepreneurial ventures.

Q18. From an entrepreneurial perspective, explain the significance of the statement, "A good idea is not enough".

Ans :

A good idea alone is not sufficient for a successful business. In order to have a successful venture, products or services should be sourced, produced, priced and distributed appropriately to satisfy the customers. Entrepreneurs along with team must perform these functions to achieve the goals. For instance, consider silly mugs which were produced in variety for children to drink milk and juice.

The concept behind silly mugs was to sell ordinary regular mugs but named it as "Original silly mugs". Mugs were produced in different colors with fun shapes to attract children. It may look funny and seasonable but it may generate little money. Entrepreneur could realize that beside an idea, sourcing, manufacturing and distributing is required to make sure that promises made are delivered to customers. Entrepreneurs are compensated for their time and effort in the form of return on investment. A good idea is required in case of marketing beside this monetary and non-monetary resources are also needed to convert an idea into reality.

In order to convert a good idea into business smart entrepreneur should interact with customers for development of product on continuous basis. It is different from market research techniques that are based on surveys, questionnaires and focus groups. It requires close relationship with customers so that they give true feedback.

A successful business is based on opportunity not on idea. Opportunities must be able to diagnose,

analyze and debate whether idea could be an opportunity or not. Opportunities are not clear to everyone, they can be understood with the support of mentors, bankers, venture capitalists and advisers. Entrepreneurs must innovate with illogical thinking and then shape idea into reality by producing products or services. A person who does not implement his idea is imaginative but not innovative. Innovative person would bring new things which require passion, determination and commitment.

Creativity is one of the essential feature of a business plan specifically to explain competitive advantage for marketing the product or service.

3.6 METHODS TO INITIATE VENTURES

Q19. 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.

Q20. Explain the Pathways to New Ventures for Entrepreneurs.*Ans :*

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.

3.6.1 Creating New Ventures**Q21. Discuss the 'New-New Approach' and 'New-Old Approach' for creative new ventures.***Ans :*

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 smartphones, 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.

Q22. What are the advantages and disadvantages of being the first in the market with a radical new product? (Aug. 17)*Ans :*

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 of (First Mover) Being First in the Market with a Radical New Product

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 of (First Mover) Being First in the Market with a Radical New Product

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.

3.6.2 Acquiring an Established Entrepreneurial Venture

Q23. Explain the merits of Acquiring an Established Entrepreneurial Venture.

Ans :

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 Acquiring an Ongoing Venture

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 ways 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.

Q24. Differentiate between Angel Investors and Venture Capitalists.

Ans.:

(Aug. - 17)

The differences between Angel Investors and Venture Capitalists are as follows,

Basis	Angel Investors	Venture Capitalists
History	Generally, Angel Investors are former. Entrepreneurs who possess some kind of entrepreneurial experiences.	Venture capitalists are investors with no knowledge of running an enterprise.
Method of Investing	Investment by angle investors primarily comprises of their own savings.	They act as intermediaries, raising funds and investing those funds which they collect from others.
Phrase of Investment	They, invest in small enterprise and in the early stage of the business.	They invest in an large enterprises and during maturity stage.
Instruments for Investments	They would invest on common shares.	They would invest on preferred shares.
Investment Location	Angel investors mostly invest locally.	Venture capitalists invest nationally and in international firms with the local partners.
Type of Contract Used	The contract used by the angel investor is simple and easy.	The contract used by venture capitalist is complex and lengthy.
Return on Investment	It is significant for the angel investors but not the main reason for investing.	It is very difficult for the venture capitalists. because they invest their money only for getting the good returns for the existing investors and to enable them to raise new funds.

3.6.3 Franchising

Q25. Explain briefly about Franchising.

Ans : (Nov.-20, Aug.-15)

Franchising is the practice of the right to use a firm's business model and brand for a prescribed period of time. The word "franchise" is of Anglo-French derivation—from franc, meaning free—and is used both as a noun and as a (transitive) verb. For the franchisor, the franchise is an alternative to building "chain stores" to distribute goods that avoids the investments and liability of a chain. The franchisor's success depends on the success of the franchisees.

The franchisee is said to have a greater incentive than a direct employee because they have a direct stake in the business.

Thirty-three countries—including the United States and Australia—have laws that explicitly regulate franchising, with the majority of all other countries having laws which have a direct or indirect impact on franchising. Franchising is also used as a foreign market entry mode.

Definition

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'."

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."

3.6.3.1 Advantage and Disadvantages of Franchising

Q26. What are the Advantage and Disadvantages of Franchising ?

Ans : (Nov.-20)

Advantages

Franchising arrangement is a symbiotic one for the franchisor and the franchisee.

Following are, for example, the distinct advantages that franchising provides to the franchisee:

1. Franchising makes the task of getting started easier because the franchisee gets a business format already market tested and found to work. Hence, buying a franchise is so far safer than trying to start a business.
2. It reduces chances for failure. Here, significant to mention is that fewer than 10 per cent of all franchise fail. In dramatic contrast with this is the fact that two out of every five entrepreneurs who start on their own fail within three years, and eight out of every ten fail within ten years.
3. A well-established franchise brings with it the very important advantage of recognition. Many new businesses experience lean months, or years, after start-up. Obviously, the longer the period the business must experience it, the greater the chances of failure. With the well-tested franchise, this period of agony may reduce to only weeks, or perhaps just days.
4. Franchising may increase the franchisee's purchasing power also. Because, being part of a large and that too recognised organisation means paying less for a variety of things such as supplies equipment, inventory, services, insurance, and so on. It also can mean getting better service from suppliers because of the importance of the organisation (franchisor) of you are part (franchisee).
5. One gets the benefit of the franchisor's research and development in improving the product.

6. The franchisee have the protected or privileged rights to franchise within a given area.
7. The prospects of obtaining loan facilities from the bank are also improved.
8. The backing of a known trading name (franchisor) becomes quite helpful while negotiating for good sites with setting agents or building owners.

Disadvantages

There are some disadvantages as well associated with a franchise arrangement. The main ones are listed as follows :

1. Unlike entrepreneurs who start their own business, the franchisees find no room or scope for enjoying their creativity. They have to work as per the given format. One classic example of regimentation in franchising can be found in the McDonald's restaurant organisation. A McDonald's franchise is given very little operational latitude, indeed, the operations manual attends to such minor details as when to boil the bearings on the potato slicer. The purpose of these restrictions is not to frustrate the franchisees, but to ensure that each outlet is run in a uniform, correct manner.
2. A number of restrictions are also imposed upon the franchisees. Restrictions may relate to remain confined to product line or a particular geographical location only.
3. Franchisees usually do not have the right to sell their business to the highest bidder or to leave it to a member of their family without approval from the franchisor.
4. Though the franchisee can build up goodwill for his or her business by his or her efforts, goodwill still remains the property of the franchisor.
5. The franchisee may become subject to fail with the failure of the franchisor.
6. Another disadvantage facing franchisees is that franchisors generally reserve the option to buy back an outlet upon termination of

the contract. Many franchisees become vulnerable to this option. As such, they operate under the constant fear of non-renewal of the franchise arrangement.

Q27. Give the reasons for growing popularity of franchising in India.

Ans :

The word franchise has originated from the French word Franchis 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 particularly 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.

Q28. Distinguish between franchising, distributionship and agency.

Ans :

In common parlance, franchising, distribution and agency mean the something and are often loosely used. However, they mean different meanings.

The two terms distribution and agency have the more traditional forms of distributing goods or services. Under these, the principal is not allowed to exert the real control over the distributor or the agent. Here, the franchising differs from the distributorship and the agency in the sense that it allows the franchisor to exercise a higher degree of control over the franchisee. As a matter of fact, the franchisor has a right to say in all important matters like branding, methodology and mergers.

Franchising arrangements are broadly classified into three types :

1. Product Franchising
2. Manufacturing Franchising
3. Business-Format Franchising

A brief description of these follows :

1. Product Franchising

This is the earliest type of franchising. Under this, dealers were given the right to distribute goods for a manufacturer. For this right, the dealer pays a fee for the right to sell the trademarked goods of the producer. Product franchising was used, perhaps for the first time, by the Singer Corporation during the 1800s to distribute its sewing machines. This practice subsequently became popular in the petroleum and auto-mobile industries also.

2. Manufacturing Franchising

Under this arrangement, the franchisor (manufacturer) gives the dealer (bottler) the exclusive right to produce and distribute the product in a particular area. This type of franchising is commonly used in the soft-drink industry.

3. Business-format Franchising

This is recent type of franchising and is the most popular one at present. This is the type that most people today mean when they use the term franchising. In the United States, this form accounts for nearly three-fourth of all franchised outlets. Business-format franchising is an arrangement under which the franchisor offers a wide range of services to the franchisee, including marketing, advertising, strategic planning, training, production of operations manuals and standards and quality - control guidance. The International Franchise Association (IFA) of America has defined business for-mat franchising as follows:

"A franchise operation is a contractual relationship between the franchisor and franchisee in which the franchisor offers or is obligated to maintain a continuing interest in the business of the franchisee in such areas as know how and training; wherein the franchisee operates under a common trade name, format and or procedure owned or controlled by the franchisor, and in which the franchisee has or will make a substantial capital investment in his business from his own resources.

Short Question and Answers

1. Define Creativity.

Ans :

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 products or outcomes. 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.

2. Opportunities identification.

Ans :

Opportunity identification is central to the domain of entrepreneurship. As one researcher stated, "At its core entrepreneurship revolves around the questions of why, when, and how opportunities for the creation of goods and services in the future arise in an economy. Thus, opportunity recognition is the progenitor of both personal and societal wealth." It has been argued that understanding the opportunity identification process is one of the primary challenges within the domain of entrepreneurship research. To give a better perspective of this entrepreneurial search, this chapter is devoted to examining the creative pursuit of ideas and the innovation process. These two major topics are keys to understanding opportunity and its development for entrepreneurs.

3. Define Entrepreneurial Imagination and Creativity.

Ans :

Entrepreneurial Imagination

According to Chiles, Bluedom and Gupta (2007), "Entrepreneurial imagination refers to the capability of entrepreneurs to create opportunities through expectations of an imagined future and exploit opportunities through continuous resource combination and recombinations".

The 'entrepreneurial imagination' mainly emphasizes on three capacities for creative organization. They are, empathy, modularity and self-organization. Along with these capacities, there exists two main principles based on which the entrepreneurial imagination works. They are as follows,

- (i) Imagination is forward-looking where it visualizes future instead of focussing on past.
- (ii) Entrepreneurial thinking and behaviours signifies the individual decisions.

Creativity

is the practice of setting up a business – or setting yourself up as selfemployed - in one of the creative industries. The focus of the creative entrepreneur differs from that of the typical business entrepreneur or, indeed, the social entrepreneur in that s/he is concerned first and foremost with the creation and exploitation of creative or intellectual capital. Essentially, creative entrepreneurs are investors in talent – their own or other people's.

The most renowned creative entrepreneurs have combined creative flair with entrepreneurial ability to build multimillion-dollar business empires.

Since the mid 20th century, commentators have observed the move towards a knowledge

economy or information society where the old rules of manufacturing-based business no longer apply, or at very least need to be reconsidered. But the creative sector, an intrinsic part of the knowledge economy, has received relatively little attention.

In recent years, due to significant economic growth in the sector there has been a surge of interest in the creative industries, and the issue of creative entrepreneurship has been pushed to the fore. In parallel with general enthusiasm from policy makers and support agencies, creative entrepreneurship has grown as an academic discipline. Creative entrepreneurship courses are becoming widely available, and seem increasingly popular with students.

4. What are the various components of creative process ?

Ans :

The creative process has three distinct components:

1. Motivation

Initial motivation which provides stimulus for processing information and exploring alternative solutions.

2. Skills in the Task Domain:

The extent of the knowledge, talents and technical skills of the entrepreneur will help in his search for solutions, pin pointing an idea and verifying the idea.

3. Skills in Creative thinking

These will help him to visualize different solutions, generating a number of alternatives, see divergent uses of a single idea etc. to come up with a workable idea or plan.

5. 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.

6. Explain the Pathways to New Ventures for Entrepreneurs.

Ans :

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.

7. Franchising.

Ans :

Franchising is the practice of the right to use a firm's business model and brand for a prescribed period of time. The word "franchise" is of Anglo-French derivation—from franc, meaning free—and is used both as a noun and as a (transitive) verb. For the franchisor, the franchise is an alternative to building "chain stores" to distribute goods that avoids the investments and liability of a chain. The franchisor's success depends on the success of the franchisees.

The franchisee is said to have a greater incentive than a direct employee because they have a direct stake in the business.

Thirty-three countries—including the United States and Australia—have laws that explicitly regulate franchising, with the majority of all other countries having laws which have a direct or indirect impact on franchising. Franchising is also used as a foreign market entry mode.

Definition

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'"

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."

8. In what respects entrepreneurs need creativity for survival and growth.

Ans :

Organizations can take maximum advantage in different ways through individual creativity. In globalized era with the increasing competition and expectations of customers, creativity has become an essential part for organisations to generate new and better solutions for problems relating to their survival and growth. Beside incremental changes to solutions entrepreneurs must work to have a new bold move through the culture of creativity in the organization.

Entrepreneurs must play an important role in organization to make sure that traditional assumptions, ways of performing and perspectives may not come in the way of growth of the business. There are many techniques through which one's creativity and ideas can be extracted.

UNIT IV

Legal challenges of Entrepreneurship: Intellectual property protection - Patents, Copyrights - Trademarks and Trade secrets - Avoiding trademark pitfalls.

Feasibility Analysis - Industry and competitor analysis - Formulation of the entrepreneurial Plan- The challenges of new venture start-ups, developing an effective business model – Sources of finance - Critical factors for new venture development - The Evaluation process.

4.1 INTELLECTUAL PROPERTY PROTECTION

Q1. Define the term Intellectual Property. What are the characteristics of Intellectual Property.

Ans : (Aug. 16)

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 of Intellectual Property

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.

Q2. Explain different types of Intellectual Property.

Ans :

1. Patents

A patent is an exclusive right granted for an invention, which is a product or a process that provides a new way of doing something, or offers a new technical solution to a problem. An invention may be defined as the idea of making a new and useful article, method or substance Patent protection means that the invention cannot be commercially made, used, distributed or sold without the patent owner's consent. A patent owner has the right to decide who may or may not use the patented invention for the period in which the invention is protected. The patent owner may give permission to, or license, other parties to use the invention on mutually agreed terms. He may also sell the right to the invention to someone else, who will then become the new owner of the patent. A Patent is granted for a period of 20 years from the date of filing the application of patent. Once a patent expires, the protection ends, and an invention enters the public domain, that is, the owner no longer holds exclusive rights to the invention.

2. Copyright

Copyright is a legal term describing the rights given to creators for their literary and artistic works. Copyright may apply to a wide range of creative, intellectual, or artistic forms, or

works. The works covered by copyright include literary works such as novels, poems, plays, reference works, newspapers and computer programs; databases; films, musical compositions, and choreography; artistic works such as paintings, drawings, photographs and sculpture; architecture; and advertisements, maps and technical drawings. The reproduction in various forms such as copying, printing, recording, public performance or adaptation are prohibited under these rights.

Copyright does not cover ideas and information themselves, only the form or manner in which they are expressed (Simon, 2001). This right provides economic right to the creator that is the financial benefit for a period lasting of fifty years after the creator's death.

3. Trademark

A trademark refers to a recognizable sign, design or expression which identifies products or services of a particular source from those of others. It can be patented like invention and industrial designs. The trademark can be a combination of words, letters, numbers, drawings, images, symbols and even sounds. These are generally registered for seven years but they can be renewed indefinitely by applying again. It provides protection to the owner of the mark by ensuring the exclusive right to use it to identify goods or services or to authorize another to use it, in return for payment. It helps consumers identify and purchase a product or service because of its nature and quality, indicated by its unique trademark.

4. An industrial design

An industrial design consists of the creation of a shape, configuration or composition of pattern or color, or combination of patterns and colors in three dimensional forms, containing aesthetic value. It can be a two or three dimensional pattern, used to produce a product. Even the traditional craft items like hand-woven articles like carpets, cotton bed covers can also be registered for

protection as an Industrial design (Kannan, 2010). The design has to be registered against imitation and unauthorized copying. The protection is provided for five years and it can be renewed for fifteen years.

5. Trade secret

A trade secret is a formula, practice, process, design, instrument, pattern or compilation of information which is not generally known or reasonably ascertainable by which a business can obtain an economic advantage over competitors or customers. It may be confidential business information that provides an enterprise a competitive edge. Trade secrets include sales methods, distribution methods, consumer profiles, advertising strategies, lists of suppliers and clients and manufacturing processes. A trade secret can be protected for an unlimited period of time but a substantial element of secrecy must exist, so that, except by the use of improper means, there would be difficulty in acquiring the information.

6. Geographical indicators (GI)

Geographical indicators are the signs used on goods that have a specific geographical origin. A GI indicates that a product comes from a certain place and has special qualities due to that place of origin which could be a village or town, a region or a country. It is an exclusive right given to a particular community and thus the benefits of its registration are shared by the all members of the community. It may be used by all producers or traders whose products originate from that place and which share typical characteristics. Well-known examples of GIs include Bordeaux (wine), Darjeeling (tea), Chanderi (sarees), Kullu shawls and Tuscany (olive oil).

6. Layout Design for Integrated Circuits

Semiconductor Integrated Circuit is a product, having transistors and other circuitry elements, which are inseparably formed on a semiconductor material or an insulating material. The initial term of registration is for 10 years; thereafter it may be renewed from time to time.

4.1.1 Patents

Q3. Define Patents. Explain different types of patents.

Ans : (Aug. - 16)

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. So true inventor required to know how to get patent in India and other countries through his self or legal representative. Without patent no one use, sell, and research on invention. This review looks into procedure to obtain patent in India.

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.

Q4. Explain the procedure of Patent registration in India.

Ans :

Step by Step Procedure For Patent registration in India

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 worldwide, 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.

Q5. What are the Essential Patent documents to be submitted?

Ans :

Essential Patent documents to be submitted

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.

4.1.2 Copyrights

Q6. Define Copyright. Explain the nature of Copyrights.

Ans :

Copyright: The copyright Act of 1968, Section 31(1) defines a copyright as the exclusive right.

- (a) In the case of literary, dramatic or musical work to do all or any of the following acts,
 - (i) To reproduce work in material form.
 - (ii) To publish the work.
 - (in) To perform the work in public.
 - (iv) To broadcast the work.
 - (v) To cause the work to be transmitted to subscribers to a diffusion service.
 - (vi) To make an adaptation of the work.
 - (vii) To do, in relation to a work that is in adaptation of the first mentioned work, any of the acts specified in relation to the first mentioned work in subparagraph (i) to (v) inclusive.
- (b) In the case of an artistic work, to do all or any of the following acts,
 - (i) To reproduce the work in a material form.
 - (ii) To publish the work.
 - (iii) To include the work in a television broadcast.
 - (iv) To cause a television programme that includes the work to be transmitted to subscribers to a diffusion service.

Other Definition: Copyright protection consists in original work of authorship fixed in any tangible medium of expression from which they can be perceived, reproduced or otherwise communicated, either directly or with the aid of a machine or device. Works of authorship include the following categories.

1. Literary works
2. Musical works, including any accompanying words

3. Dramatic works, including any accompanying music
4. Pantomimes and choreographic works
5. Pictorial, graphic and sculptural works
6. Motion pictures and other audiovisual works
7. Sound recordings and
8. Architectural works.

A shield that protects every published or unpublished or unpublished literary, scientific and artistic works in any form of expression but fixed in a tangible or material form is known as a copyright. It means anything that can be seen, heard or touched may also be under the protection of copyright.

In India, the copyrights also protects the computer softwares and programs under literary works. These have been included with the amendments made to the Copyright Act of 1957. In India, the Copyright Act 1957 was lastly amended in 1999 and has been in regulation since.

Nature of Copyright

1. **It is an IPR:** Copyright is one of the intellectual property rights. It is used for the protection of an intellectual property.
2. **It Grants Exclusive Rights:** The copyright grants exclusive rights to the creator of a original and artistic work.
3. **It Protects Different Works:** The copyright protects various works such as literary, musical, artistic and maps and technical drawings.
4. **It is Intangible:** The copyrights are intangible and can not be seen and touched.
5. **It Comes into Force Without Registration:** The copyright is usually regarded as a natural right and comes into effect even without registration. This is because, it is based on a general rule that the creator of work can invest and take the risk of producing his creative work and therefore, is allowed to enjoy the benefit from it.

6. It Protects the Work for Different Terms:

The copyright protects the literary work for a period of author's life plus sixty years. Whereas, records, photographs, anonymous publication, cinematographic films, government and international works for a period of 60 years from the year of registration or existence. On the other hand, the broad casting is protected only for a period of 25 years from the year of first broadcast.

7. It can be Transferred or Sold:

The copyrights can be easily transferred or sold from one person to another. Usually transfer takes place on an specific settlement amount.

The main purpose of copyright law is to protect the efforts and creations of authors and inventors against any type of infringement or copying as they are the producers of that idea and they have exclusive rights over their writing and discoveries.

Q7. 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.

Q8. 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.

Q9. How does copyright protect the interest of the owner?

Ans :

Copyright

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 SHALL 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.

4.1.3 Trade marks

Q10. Define Trade Marks. Explain different types of Trade Marks.

Ans :

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 of Trademarks

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.

Q11. What are the objectives of trademark? What benefits does a registered trademark offer to its owner?

Ans :

(Feb. - 17)

Objectives of Trademark

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 of Trademark

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.

Q12. 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.

Q13. 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

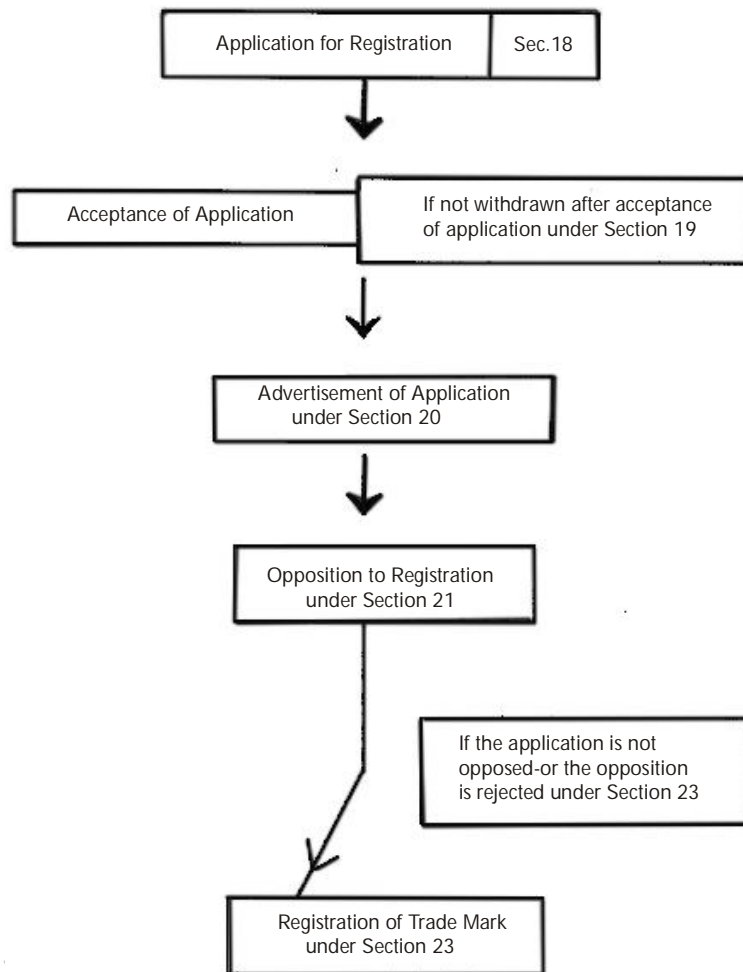
A device would refer to such a mark which does not fall under any other category already mentioned.

Q14. 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.

4.1.3.1 Avoiding Trademark Pitfalls

Q15. 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 trademark 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.

4.1.4 Trade Secrets

Q16. Define Trade Secrets. Explain different types of Trade Secrets.

Ans :

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 of Trade Secrets

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.

Q17. 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 prioritise 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.

Q18. 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.

Q19. What are the differences between patents, copyrights, trademarks and trade secrets?

Ans :

S.No.	Discipline	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.

4.2 FEASIBILITY ANALYSIS

Q20. Explain briefly about 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.

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 of Feasibility Analysis

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.

Q21. What are 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 disapproved, potential remedies to make it right should be presented. Recommendations on what should be done should be included in the scope feasibility report.

Q22. Explain 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 be in 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 basis for making timeline decisions, they run the least risk of being overruled by anxious stakeholders.

Q23. Classify the different types of feasibility analysis.

Ans :

The feasibility study includes the following types of feasibility analysis:

1. Market Feasibility

A market feasibility study analyzes the market demand for a new product, brand, or service. This type of study usually evaluates potential market size, determines what kind of demand might be expected, what market dynamics are interacting, and what market segments might be most receptive to the introduction of a new product or brand. Feasibility studies may also determine market feedback relative to similar product or services, attributes sought, as well as pricing and packaging perspectives.

2. Technical Feasibility

The technical feasibility refers to the ability of the process to take advantage of the current state of art technology in pursuing further improvement. The technical capability of the personnel as well as the capability of the available technology in relation to the requirements of the proposed project idea should be considered and the extent of compatibility should be studied.

3. Financial Feasibility

The financial feasibility attempts to assess the capability of the project organization to raise the appropriate funds needed to implement the proposed project. Loan availability, creditworthiness, equity and loan schedule are important aspects of financial feasibility analysis.

4. Economic Feasibility

The economic feasibility analyzes the feasibility of the proposed project to generate economic benefits. A cost-benefit analysis and a break-even analysis are used while evaluating the economic feasibility of new industrial projects. In a cost-benefit analysis, all tangible benefits and costs as well as intangible benefits and costs are identified before obtaining the B-C ratio. The break-even analysis helps to find the break-even quantity at which the project has no loss or gain.

5. Managerial Feasibility

The managerial feasibility involves the capability of the infrastructure of a process to achieve and sustain process improvement. Management support, employee involvement and commitment are the key elements required to ascertain managerial feasibility.

6. Cultural Feasibility

The cultural feasibility deals with the compatibility of the proposed project with the cultural set-up of the project environment. In labor intensive projects, planned functions must be integrated with the local cultural practices and benefits. Some examples of cultural factors are religion, custom-life style, etc.

7. Political Feasibility

The political feasibility deals with the initial acceptance of the project and sustenance of the project in the long-run by the prevailing political system. This is particularly true for the large projects with national visibility that may have significant government inputs and political implications. The issues on which political intervention may arise are conversion of land from agricultural use to industrial use, anticipated health hazard if the project is implemented, possible air pollution and water pollution, possible unemployment due to hi-tech projects, etc.

8. Environmental Feasibility

The environmental feasibility is very much important. If the commissioning of the project results with any kind of pollution, it will be visible to the public, administrators and politicians. If necessary corrections and preventive measures are not taken by the project firm to prevent/curtail pollution, the project will be forced to meet certain problems in terms of opposition from different circles. As a result, sometime, the project firm may be pushed to the corner of closure/re-location of the project itself which will cost the organization more.

4.3 INDUSTRY AND COMPETITOR ANALYSIS

Q24. Why is industry and competitive analysis important to start a business?

Ans : (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). Understand your industry strategies through online strategy guides or a strategic management model.

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 fragmented 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 consolidated 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. For example, McDonald's and Burger King compete against each other in multiple global fast-food markets, while Prudential and Cigna (financial/insurance) compete against each other in several market segments (institutional and retail) as well as product markets such as life insurance and health insurance. Airlines, chemicals, and pharmaceuticals are other industries in which firms often simultaneously engage each other in multiple market competitions.

2. Resource Similarity

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.

4.4 FORMULATION OF THE ENTREPRENEURIAL PLAN

Q25. Define Entrepreneurial Plan. Explain briefly about formulation of Entrepreneurial Plan.

Ans :

Entrepreneurial Plan

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.

Formulation of Entrepreneurial Plan

Entrepreneurial plan can be formulated by considering the following components as shown in the following figure,

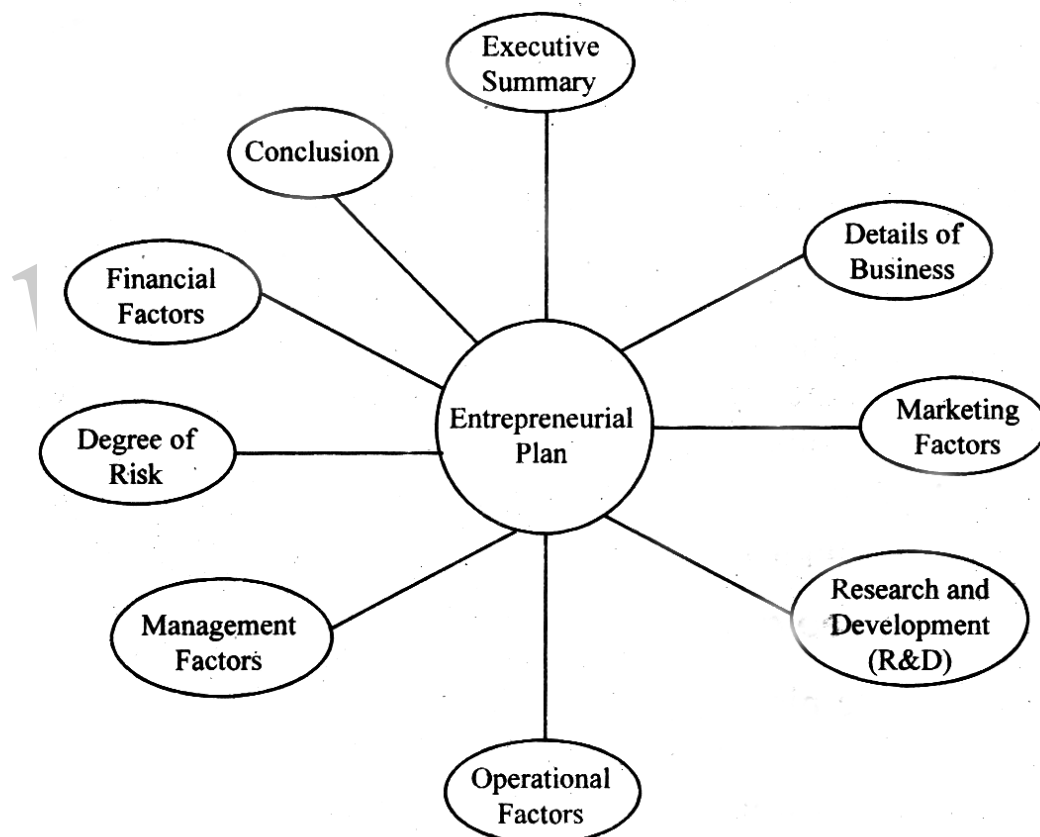


Fig. : Formulation of Entrepreneurial Plan

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.

9. Conclusion

Lastly, conclusion would be given by considering and analyzing the information given in the above sections of the plan. However, after finalizing the plan in writing it should be taken in a printed form.

**4.5 THE CHALLENGES OF NEW VENTURE
START-UPS**

Q26. Elucidate the challenges involved in new venture development.

Ans :

(Aug. - 15, Dec. - 19)

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) Unorganised 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.

A research conducted by Andrew Zacharakis, G.Dale Meyer and Julio Decastro had identified two categories of problems experienced by entrepreneurs. They are,

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.

Q27. 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

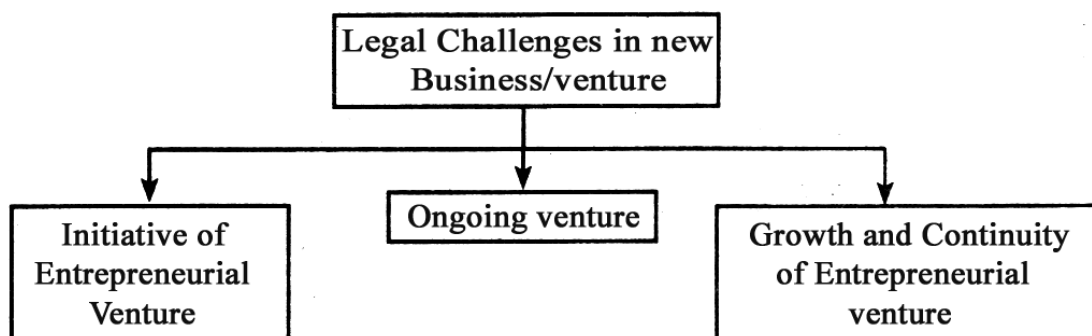
Business is subject to many legal requirements. One is the need to make the workplace safe for employees. A second is to provide reliable and safe products and services. A third is the necessity for patents, trademarks, and copyrights to protect one's inventions and products. When these legal issues are overlooked, major problems can result.

Q28. What are the legal challenges an entrepreneur should be aware before initiating the process for a new business proposal? Elaborate your answer.

Ans :

(Jan/Feb. 16)

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.

4.6 DEVELOPING AN EFFECTIVE BUSINESS MODEL

Q29. Define business model. Explain the different types of business model.

Ans : (Nov.-20)

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.

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

Q30. Define business plan.

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.

A business plan/project plan is a written document that describes all the steps necessary in opening and operating a successful business. The project is initiated with the preparation of a formal, written master plan. The purpose of this plan is to guide the project manager and team throughout the project life cycle. In simple words, a business plan is a basic document which gives an explicit but precise account of what one has in mind to achieve and, in that context, it defines: What will have to be done? When will be done? How will be done? Who will do? How much will it cost?

A project plan spells-out the principal features and the future prospects of a proposed business. Besides, it provides analyses of and insights into vital issues that are to be attended to and sorted-out with an eye to achieving the ultimate goal.

A project plan is a well-defined written argument, based on relevant facts, figures, and

estimates. It portrays an overall picture of a business proposal, attempts to justify its technical feasibility as well as commercial success and makes clear suggested course of actions in distinguished sections.

Common sources of project failure such as scheduling and cost overruns could often be avoided if more thought were given to planning. The process of preparing a plan should be thorough and begun early, even before the project is authorized. In most cases, this means that project planning begins during formulation of the project proposal. When management approves the plan it gives the project manager tacit authority to conduct the project in accordance with the plan.

Q31. Is business plan really necessary even for very small start-up business.

Ans :

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.

4.7 SOURCES OF FINANCE

Q32. Define finance. Explain the various sources of 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.

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

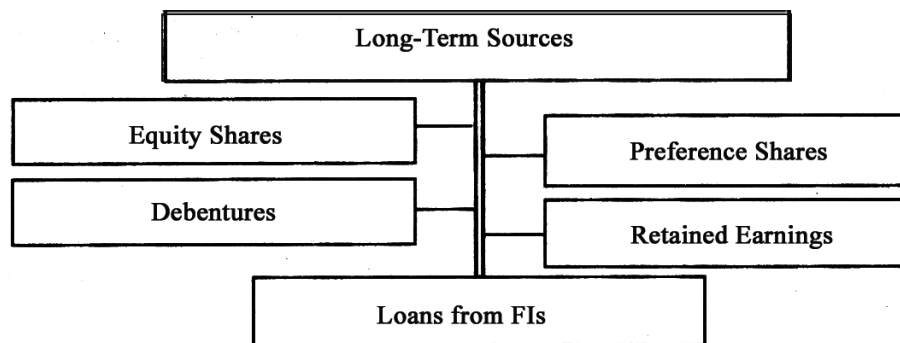
In short, funds raised from other than internal sources are from external sources. The external sources usually include the following:

1. Deposits or borrowings from relatives and friends and others.
2. Borrowings from the banks for working capital purposes.
3. Credit facilities from the commercial banks.
4. Term-loans from financial institutions.
5. Hire-purchase or leasing facility from the National Small Industries Corporation (NSIC) and State Small Industries Corporations (SSICs)
6. 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.

Q33. 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 instalments 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.

Q34. Describe the various sources used for rising short term loans for an enterprise.

Ans :

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.

The sources of short-term finance could be—

1. Loans from Commercial Banks
2. Public Deposits
3. Trade Credit
4. Factoring
5. Discounting Bills of Exchange
6. Bank Overdraft and Cash Credit
7. Advances from Customers
8. Accrual Accounts.

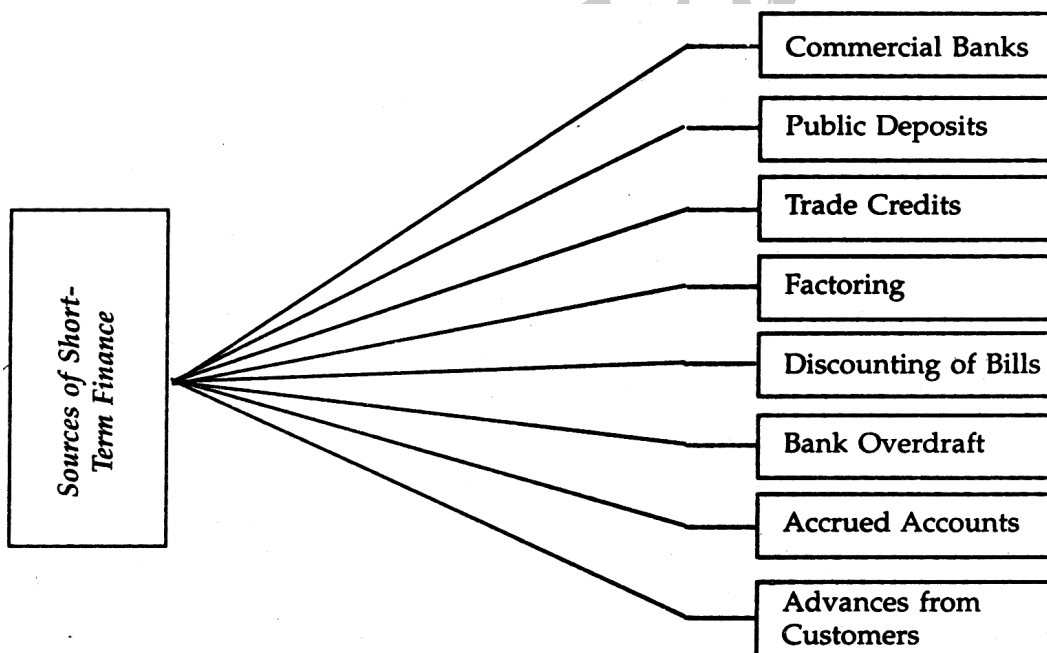


Fig. : Sources of Raising Short-Term Finance.

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 are legal formality except that of creating a mortgage on the assets. Loan can be paid in lurmp sum or in parts. The short-term loans can also be obtained from banks on the person: security of the directors of a country. 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: For more details, see Chapter 14.

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 authorised 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 realised 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.

In the present context where industrial sickness is spreading like an epidemic, the reason for which particularly in SSI sector being delayed payments from their suppliers, there is a clear-cut rationale for introduction of factoring system. There has been some progress also on this front. The recommendations of the Study Group to examine the feasibility of setting up of factoring organisations in the country, under the Chairmanship of Shri C.S. Kalyanasundaram have been accepted by the Government of India. The Group is of the view that factoring for SSI units could prove to be mutually beneficial to both Factors and SSI units and Factors should make every effort to orient their strategy to crystallize the potential demand from the sector.

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. The rate of discount to be charged by the bank is prescribed by the Reserve Bank of India from time to time. It generally amounts to the interest for the period from the date of discounting to the date of maturity of bills. If a bill is dishonoured on maturity, the bank returns the dishonoured bill to the company

who then becomes liable to pay the amount to the bank. The cost of raising finance by this method is the amount of discount charged by the bank. This method is widely used by companies for raising short-term finance.

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.

The rate of interest charged on both overdraft and cash credit is relatively higher than the rate of interest given on bank deposits. Arranging overdraft and cash credit with the commercial banks has become a common method adopted by companies for meeting their short-term financial \working capital requirements.

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.

Q35. 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.

Q36. Describe the differences between equity and debt capital and the advantages and the disadvantages of each.

Ans :

(Aug. - 17)

Differences Between Equity and Debt Capitals

Difference between equity capital and debt capital is shown in table below.

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 acts 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.

4.8 CRITICAL FACTORS FOR NEW VENTURE DEVELOPMENT

Q37. While selecting a new venture, which are the critical factors, the entrepreneur should consider and why?

Ans :

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 organise 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.

Q38. Discuss the phases and various critical factors involved in the phases of new venture development.

Ans :

Phases of New Venture Development

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.

Q39. Elaborate on the following causes of new venture failure - product / market problems, financial difficulties and management problems with suitable examples.

Ans :

(Aug. - 16, 17)

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.

4.9 THE EVALUATION PROCESS

Q40. 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.

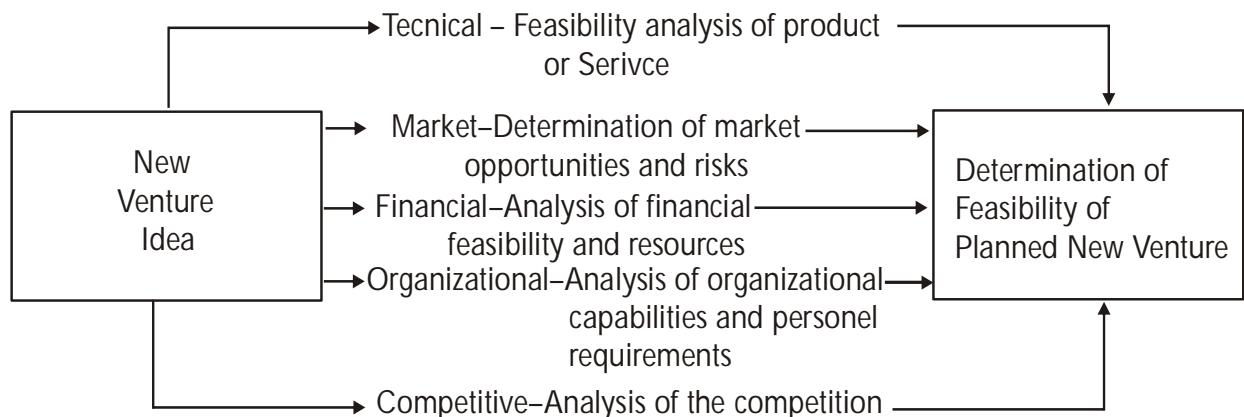


Fig. : Key Areas for Assessing the Feasibility of a New Venture

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.

Short Question and Answers

1. Define the term Intellectual Property. What are the characteristics of Intellectual Property.

Ans :

(Aug. - 16)

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 of Intellectual Property

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.

2. Define Patents.

Ans :

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. So true inventor required to know how to get patent in India and other countries through his self or legal representative. Without patent no one use, sell, and research on invention. This review looks into procedure to obtain patent in India.

3. Define Copyright.

Ans :

The copyright Act of 1968, Section 31(1) defines a copyright as the exclusive right.

- (a) In the case of literary, dramatic or musical work to do all or any of the following acts,
 - (i) To reproduce work in material form.
 - (ii) To publish the work.
 - (in) To perform the work in public.
 - (iv) To broadcast the work.
 - (v) To cause the work to be transmitted to subscribers to a diffusion service.
 - (vi) To make an adaptation of the work.
 - (vii) To do, in relation to a work that is in adaptation of the first mentioned work, any of the acts specified in relation to the first mentioned work in subparagraph (i) to (v) inclusive.
- (b) In the case of an artistic work, to do all or any of the following acts,
 - (i) To reproduce the work in a material form.
 - (ii) To publish the work.

- (iii) To include the work in a television broadcast.
- (iv) To cause a television programme that includes the work to be transmitted to subscribers to a diffusion service.

4. Purpose of Copy Right.

Ans :

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.

5. Define Trade Marks.

Ans :

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.

6. Objectives of Trademark

Ans :

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.

7. Define Trade Secrets.

Ans :

Any secret information which secures a commercial value mom 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".

8. 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.

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.

9. Elucidate the challenges involved in new venture development.

Ans :

(Aug. - 15)

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.

10. Define 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.

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.

11. Is business plan really necessary even for very small start-up business.

Ans :

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.

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

Ans :

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 firms 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.

UNIT V

Strategic perspectives in entrepreneurship: Strategic planning - Strategic actionsstrategic positioning- Business stabilization - Building the adaptive firms
- Understanding the growth stage – Internal growth strategies and external growth strategies, Unique managerial concern of growing ventures.

Initiatives by the Government of India to promote entrepreneurship, Social and women entrepreneurship.

5.1 STRATEGIC 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. Outline the process of strategic management.

Ans :

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,

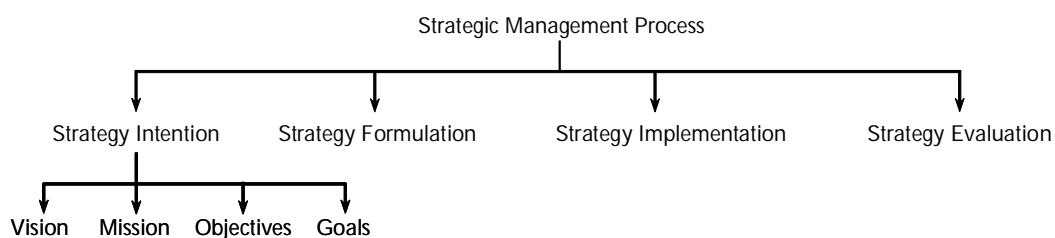


Fig.: Strategic Management Process

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.

5.2 STRATEGIC PLANNING

Q3. Define 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.

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.

Q4. 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.

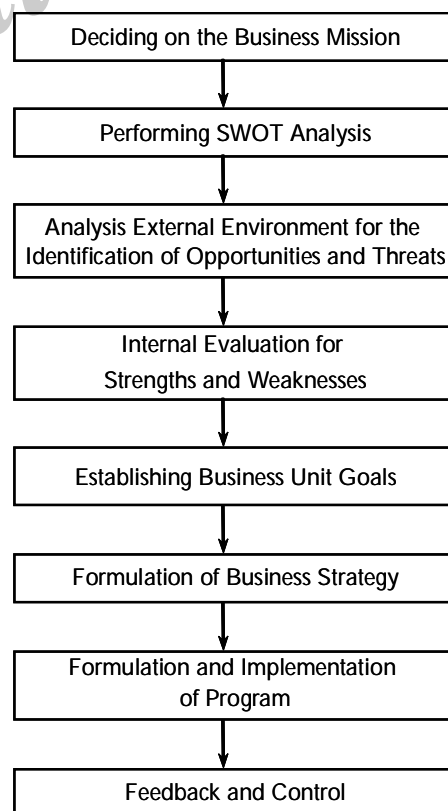
Q5. Explain the various steps involved in strategic planning.

Ans :

(Feb. - 17, June - 18)

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.



Figure

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 products 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.

Q6. 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.

Q7. Why do entrepreneurs need strategic approach for the emerging firms? How can the strategic of management process be designed?

Ans : (Jan. - 16)

Value or Importance of Strategic Planning

Strategic planning is of great value for an entrepreneurial venture. Researchers have conducted many studies to analyse the significance of strategic planning in venture success. The result of these studies is highlighted in the following points,

- (i) Effective strategic planning has a greater impact on the survival of the venture.
- (ii) Ventures engaged in strategic planning delivered high performance rate when compared to those who didn't had any strategic plan.

- (iii) An appropriately build niche strategy facilitates a venture to develop differentiating or unique competencies and a continuous competitive advantage.

One of the study conducted by researchers on a number of small firms revealed that ventures operated through a strategic plan delivered good results or enhanced performances. This study categorized small firms into three categories, namely, firms with no written plan, firms with moderate sophisticated planning and firms with sophisticated planning.

The following categories also help us to understand the value and importance of strategic planning for an entrepreneurial venture,

- (i) Firms with no Written Plan (Category-1)

There were about 101 firms with no written plan.

- (ii) Firms with Moderate Sophisticated Planning (Category-2)

Around 89 firms are found with moderate sophisticated planning which included written plans, quantified objectives, plans and budgets, procedures for forecasting the deviation between the plan and actual performance.

- (iii) Firms with Sophisticated Planning (Category-3)

About 63 firms are found with sophisticated planning. There sophisticated planning includes written plan comprising few specific plans, budgets, identification of few factors related to the external environment etc.

The outcomes of the research revealed that the developing firms which value strategic planning are more effective than those which neglect strategic planning. The study most importantly emphasizes on the priority of planning process as a key factor towards the successful performance.

Fatal Vision in Strategic Planning

Execution of a formulated strategy is as vital as developing it. Most of the potential entrepreneurs make many errors while applying specific strategy

to their venture. In this connection, Michael E.Porter has identified five major fatal mistakes that entrepreneurs do while implementing a strategy, which are as follows,

Fatal Vision 1: Misconceptions about Industry Attractiveness

Most of the potential entrepreneurs have wrong perception about the attractive industries. They characterize attractive industries as fast growing, glamorous looking or use advanced technology. This is a great mistake that entrepreneurs does because attractive industries have high entry barriers, less products to be used as substitutes and face high degree of competition.

Fatal Vision 2: No Competitive Advantage

Most of the entrepreneurs generally to meet the competition in the marketplace adopt and copy the strategies which are adopted by their competitors. They consider this step as an easy and risk free strategy, but this doesn't gain competitive advantage. For achieving competitive advantage firms have to develop unique product and services.

Fatal Vision 3 : Unattainable Expectations

When many entrepreneurs start their new venture, they aim at attaining unrealistic position. Their busy schedules oriented around finding potential customers to their products make them forget about sustaining a competitive advantage.

Fatal Vision 4 : Compromising Strategy for Growth

For new venture to be successful, there should be a balance between growth and unique competitive strategy. In pursuit of fast growth, entrepreneurs usually leave their uniqueness behind which can thus result in reduced competitive advantage.

Fatal Vision 5 : Lack of Clear Communication with Employees Regarding Ventures Strategy

Every entrepreneur has to be open and communicate the venture's strategy to employees so that employees become the real contributors to the venture's success.

Fatal Vision 6 : High Focus on Financial Returns

High concentration on financial returns and less emphasis on other aspects, doesn't lead to ventures success. Profit maximization is the main part of the goals but due consideration on other major and minor goals related to people products, processes etc., is also essential for attaining success. Always a balance has to be maintained between long-term and short-term goals.

5.3 STRATEGIC ACTIONS

Q8. Explain briefly about Strategic Actions.

Ans :

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.

The degree to which a firm acts entrepreneurially in terms of innovativeness, risk-taking, and proactivity 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. (see figure) (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.

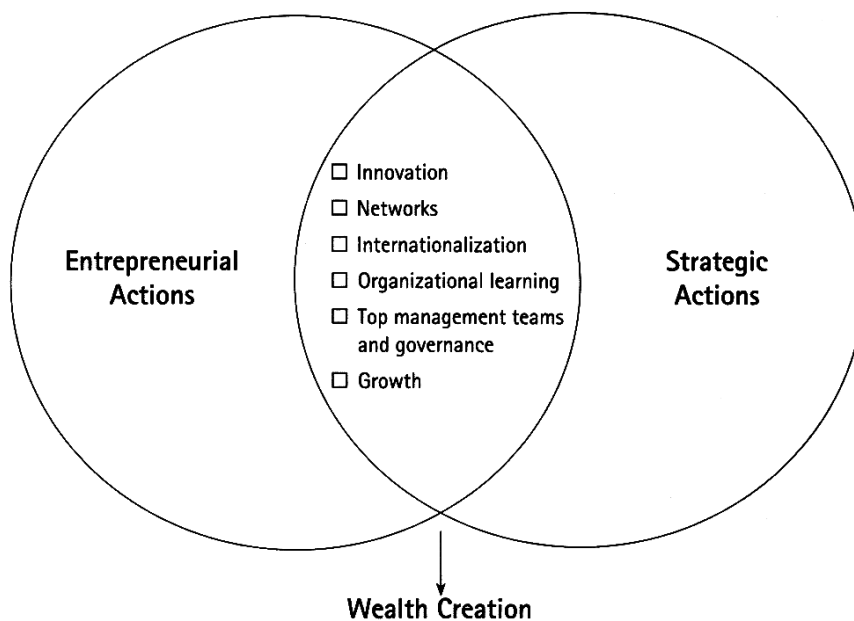


Fig. : The Integration of Entrepreneurial and Strategic Actions

5.4 STRATEGIC POSITIONING

Q9. Infer the criticality of strategic positioning.

Ans :

(Dec. - 19)

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.

5.5 BUSINESS STABILIZATION

Q10. Explain the important points to be considered in business stabilization.

Ans :

(Dec. - 19)

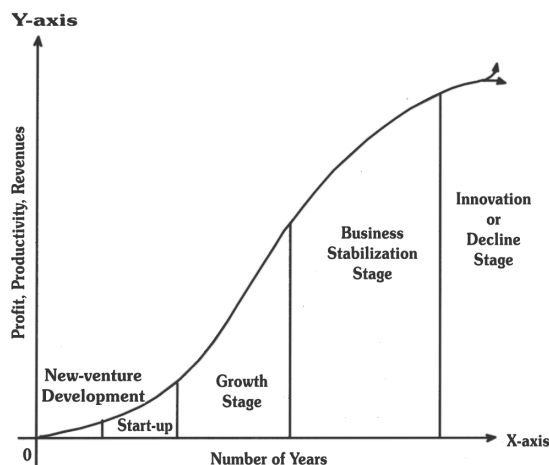
The typical life cycle of a venture has five stages, they are as follows,

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'.

5.6 BUILDING THE ADAPTIVE FIRMS

Q11. How can you build an adaptive firm? Explain the different ways of building adaptive firms.

Ans :

(June - 18)

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.

5.7 UNDERSTANDING THE GROWTH STAGE

Q12. Explain key factors in understanding the growth stage.

Ans :

(Aug. - 15)

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:

- (a) Does the control system imply trust?
- (b) Does the resource allocation system imply trust?
- (c) 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 better 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.

5.8 INTERNAL GROWTH STRATEGIES AND EXTERNAL GROWTH STRATEGIES

Q13. Define :

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

Ans :

(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 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.

5.8.1 Internal Growth Strategies

5.8.1.1 New Product Development

Q14. Define New Product Development. Explain the process of New Product Development.

Ans :

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 evaluation 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 handle 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 verify 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.

5.8.1.2 Global Business Strategy

Q15. 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.

5.8.2 External Growth Strategies

5.8.2.1 Mergers

Q16. Define Merger ? Explain different types of mergers.

Ans :

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.

Strategies / Types of Merger

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).

Q17. What are the advantages and disadvantages of merger.*Ans :***Advantages of Mergers**

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 of Mergers

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.

5.8.2.2 Acquisition Strategies**Q18. What is acquisition / take over? Explain different types of 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. 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 of Acquisitions

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.

Q19. What are the advantages and disadvantages of acquisition.

Ans :

Advantages of Acquisition

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 of Acquisition

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.

Q20. 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.

5.8.2.3 Licensing

Q21. Define Licensing. Explain the various reasons for 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. 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 for Licensing

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.

5.8.2.4 Strategic Alliances

Q22. Define strategic alliances. Explain various stages of 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.

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 of Alliance Formation

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 :

1. Allowing each partner to concentrate on activities that best match their capabilities.

2. Learning from partners and developing competencies that may be more widely exploited elsewhere.
3. Adequate suitability of the resources & competencies of an organization for it to survive.

Q23. 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 Cordial 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.

Licensing agreements, supply contracts and distribution agreements are various types of non-equity strategic alliances. Hewlett-Packard (HP) licenses few of its intellectual property by entering into strategic alliances. Particularly, outsourcing commitments are made through non-equity strategic alliance. For example, Dell and many other computer companies do outsourcing of their products and usually enter into non-equity strategic alliances in order to specify what kind of relationship they have with the firms to whom outsourcing is done.

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.

The firms forming a joint venture hold equal percentage of share and share equally to the working of joint ventures. For example. Polo Ralph Lauren Corporation, Geneva-based watch and jewelry company Compagnie Financière Richemont AG where in each firm hold 20% of share in the new company. The intention behind forming a joint venture is to produce and distribute products across the world through Ralph Lauren boutique stores. The joint venture formed is the Polo's first entry into a fine jewelry and luxury watches business and it is the Richemont's first joint venture formed with fashion designer.

Joint ventures might be the effective kind of cooperative arrangement where firms are required to bring together some of their unique resources and capabilities to develop a competitive advantage and where partner aim at entering into highly uncertain markets.

Q24. State the advantages and disadvantages of strategic alliances.

Ans :

Advantages of Strategic Alliances

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, Telecommunications, 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 brought 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 of Strategic Alliances

In spite 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.

5.8.2.5 Joint Ventures

Q25. What is joint venture. Explain different forms of joint ventures.

Ans :

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.

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. For example, a tie-up between TATA Industries Ltd., and IBM World Trade Corporation led to the setting up of TATA Information Systems Ltd., with TATA and IBM each holding 50% equity. Hindustan Computers Ltd. (HCL) and Hewlett-Packard of USA formed HCL-HP, a joint-venture organisation, which set up a multipurpose plant in NOIDA, Delhi's satellite city.

Forms of Joint Ventures

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.

5.9 UNIQUE MANAGERIAL CONCERN OF GROWING VENTURES

Q26. Identify and discuss five Unique Managerial Concern of Growing Ventures.

Ans :

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. Finally, 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.

Each of these expectations from the community requires entrepreneurs to plan and budget carefully. Many community members believe that the entrepreneur has "excess" time because he or she owns the business. They also believe that the owner has leadership abilities needed for various community activities. Although the latter may be true, the owner usually does not have excess time. Therefore, entrepreneurs need to plan carefully the activities they believe would be most beneficial. One consideration is the amount of advertising or recognition the business will receive for the owner's participation. When the owner can justify his or her community involvement, both the business and the community benefit.

Financial donations also require careful analysis and budgeting. Again, because consumers have access to the entrepreneur (as opposed to the chief executive officer of a major corporation), he or she may be inundated with requests for donations to charitable and community organizations. Although each organization may have a worthy cause, the entrepreneur cannot support every one and remain financially healthy. Thus, the owner needs to decide which of the organizations to assist and to budget a predetermined amount of money for annual donations. Any other solicitations for money must be placed in writing and submitted to the entrepreneur for consideration. This is the only way entrepreneurs can avoid giving constant cash donations without careful budget consideration.

The critical fact to remember is that time and money are extremely valuable resources for an entrepreneur. They should be budgeted in a meaningful way. Therefore, entrepreneurs need to analyze their community involvement and to continuously reassess the costs versus the benefits.

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.

Q27. "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.

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.

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

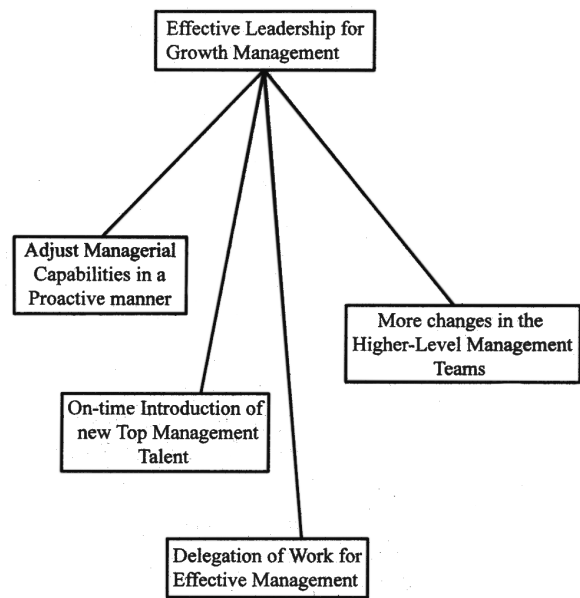


Fig.: Effective Leadership for Growth Management Examples

The two examples of a start-up ventures wherein leadership played an important role in their growth are,

1. D & R Cambric Communication.
2. Red Rocket Ventures Group.

5.10 INITIATIVES BY THE GOVERNMENT OF INDIA TO PROMOTE ENTREPRENEURSHIP

Q28. Explain the various ways initiative by the government to promote entrepreneurship.

Ans :

(Nov.-20)

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.

Recognising the importance of women entrepreneurship and economic participation in enabling the country's growth and prosperity, Government of India has ensured that all policy initiatives are geared towards enabling equal opportunity for women. The government seeks to bring women to the forefront of India's entrepreneurial ecosystem by providing access to loans, networks, markets and trainings.

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. 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.

5. 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.

6. 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.

7. 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.

8. 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.

9. 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.

10. 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.

11. 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.

12. 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.

13. 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.

5.11 SOCIAL ENTREPRENEURSHIP

Q29. Define Social Entrepreneurship. Explain the features of Social Entrepreneurship.

Ans :

Definitions Social Entrepreneurship

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".

Definitions of Social Entrepreneurs

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".

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 of Social Entrepreneurs

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 exist in all types of organizations which includes non-profit organizations which aim for innovation, ventures with social causes 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 confined 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 emphasize on gaining significant results to make noticeable impression on the society. These results transform and current equilibriums, scenarios and build new gateways for the sake of distressed people of the society.

Q30. 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 enterprises focus more on employment uplifting of women, minorities and disadvantaged 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 involve 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.

5.12 WOMEN ENTREPRENEURSHIP

Q31. Define Women Entrepreneurship. Explain the characteristics of Women Entrepreneurs.

Ans :

Introduction

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

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".

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.

In general, women entrepreneurship is the process of promoting new venture by the women.

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

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".

In fine, women entrepreneurs are those women who generate business ideas or select the best opportunity, mobilize resources, combine the factors of production, undertake risks and operate the enterprise in the most effective manner with a view to earning profit,

Characteristic 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 achieve element 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.

Q32. **Explain the need and scope of women entrepreneurship.**

Ans :

Need for Women Entrepreneurship

For a long time women were confined to the limits of the home. Gradually more and more women entered professions and services. Now, finally, the women entrepreneurs have arrived. Business acumen is no longer a man's prerogative. Women are rapidly emerging as smart and dynamic entrepreneurs.

Women have entered almost all areas of business activity, cleaning powder – you name it. Women have already entered the field. And the Indian women has ventured in areas like cement manufacturing, steel works, etc. in which most of her counterparts from the more developed countries are yet to enter. In India, certainly women to mean business, women entrepreneurship is required on the following grounds:

- i) Society cannot afford to ignore this vast human resource with its immense potential.
- ii) Favourable changes in the socioeconomic scene such as advent of labour saving devices have freed women from drudgery of long labour.
- iii) Concept of small family and break up of traditional joint family system has resulted in psychological liberation experienced by women.
- iv) Increased aspirations to widen their horizon and extend their role.

Scope of Women Entrepreneurship

In rural areas where agriculture is the prominent activity, agro- based industries like food preservation, bakery, dairy, poultry can be taken up by women. They have been helping men in all these activities without getting any credit or money with a little training they could do it on their own in a business like manner. In areas where forests predominate, forest preservation, collection, assortment and classification of medical plants too can be done by them.

In districts where industries are located, spare parts and ancillary units can be managed by women. Apart from traditional industry, women should also be encouraged in mechanical and electrical activities. They can be trained in maintenance and repairs of all small machineries and they can be encouraged to start small workshops. Technical institutes can train girls and encourage them towards self-employment.

In urban parts, apart from teaching, nursing and other traditional occupations, there are many new areas where women can start on their own. With modern technological revolution, the field is vast and open, Electronics, computer services, information and consultancy services, advertising and publicity are some of the areas that women entrepreneurs can explore. What they need is training, finance and the cooperation and encouragement from the family, the society and the governmental organisations. That will enable women entrepreneurs to enter the mainstream of the country's economy, which in turn will speed up the economic development of our country.

Q33. What are problems are faced by women entrepreneurs in establishing and developing their enterprise.

Ans :

Problems of Women Entrepreneurs

"For starting and running the unit women have to face various problems. These problems are classified under two categories.

(A) Gender Related

The biggest problem or difficulty of a women entrepreneur is that she is a women. Some psycho-social factors impeding the growth of women entrepreneurship are given as problems as women. They are:

(a) Poor self Image of Women

The present education, books, the media, films and all prevailing socio-cultural norms conspire and combine to perpetuate the image of women as a weak, submissive, non-aggressive daughter, an obedient, dutiful, dependent and faithful wife and a self sacrificing mother. Women themselves are so conditioned that they too unquestioningly accept this image of themselves and denigrate other women who might choose to question or step out of this traditional acceptable mould.

(b) Discrimination

The perception of the states hierarchy based on the concept of men as 'Superior' and women as inferior has made the women subservient. Women is denied not in terms of her relation to man. Due to this social environment prevalent, they are unable to move freely as quickly as an individual to distant places to mobilise their resources or markets. This is a hindrance to their growth of business.

(c) Faulty Socialization

Right from early childhood when the educational conditioning begins, the attitudes comments and plans of their encouragement are different for each sex, the tasks to be performed, the game to be played are different. This tend to inhibit, entrepreneurship quality in two different ways. First an ideal of femininity has been set up, the values of which are contrary to those qualities needed for entrepreneurship..

Women and young women in particular internalize those values and limit their aspirations accordingly. Second who ever resist this socialization with the exception of a token few, are punished for their femininity and independence. Because of this faulty socialisation women are not ready to enter into the business.

(d) Role Conflict

A women's role refers to the way she is expected to behave in certain situations. In

the Indian context, women's place is completely at the mercy of her male relatives, first by virtue of birth and second by marriage. Indian women find it difficult to adjust themselves to the dual role that they have to play as traditional housewives and compete with men in the field of business and industry.

Entrepreneurship requires full devotion and dedication which is difficult if not impossible due to the role overload and role conflict. Many entrepreneurs think that there is a need to establish their business, but they do not wish to undertake the same business they have no enough time to pay attention to these things, besides attending their domestic work.

(e) Cultural Values

Women in our country have been worst victims of exploitation, perpetuated by an adjust socio-economic system dominated by old feudal values. The problems that women faced in entrepreneurship career are resistance, apathy, shyness, conservatism, inhibition, poor response which are products of cultural traditions, value systems and social sanctions.

(B) Practical Problems

1. The foremost difficulty of women entrepreneur is arranging finance and capital. Money is the blood steam of any enterprise. One can borrow finance from banks and other financial institutions. But the biggest catch is that of collateral security which is required to get bank credit. Women may have some jewellery but even then they cannot give it as security without the consent of the husbands or male members of their family. The male members may even persuade women to part with their jewellery but not ready to invest anything in the projects of women members. Procedures of obtaining bank loans and delay in getting it deter many women from venturing. At the Government level the licensing authorities, labour officers and sales tax inspector ask all sorts of humiliating questions like what technical qualifications you have, how will you manage

labourers, how will you manage both house and business, does your husband approve etc.

2. Locational disadvantages are not uncommon for some entrepreneurs, because of their rural background and location. They are not having access ability to good markets. As a result, they are unable to get enough orders and market exposure.
3. Common problems for all entrepreneurs are how to market the product. They don't know how to contact and whom to contact. Here the middlemen try to exploit women entrepreneurs. If she decides to eliminate all the tasks, she has to perform all the tasks. In these days, of strict competition, a lot of money is required for advertisement. If the product happens to be a consumer goods then it takes time to win people away from other products and make this product popular. Because of these reasons, they could not achieve significant growth in sales. Hence they are forced not to increase the production on any large scale.
4. The non-availability of raw material within their region is also a main problem to the entrepreneurs. They do not know from where they can get it at cheap rate.
5. The paucity of liquid resources, i.e. working capital has been regarded as another main problem in their day-to-day operation.
6. Non-availability of skilled labour is quite common and is serious problem for women. They need women workers mainly due to the nature of the product which they are producing like fabric painting, embroidery, crocheted handicrafts, etc. By nature, workers could not like to come down to entrepreneurs place of work. As a result entrepreneurs are forced to go to workers place and hand over the entire work to them. This leads to high cost of production.
7. Those entrepreneurs who are doing embroidery, garments, painting, etc., are facing still price competition from the agencies sponsored by the government like Rural Development Agencies. This restricts the market of their products.

Q34. Devise appropriate strategies to the challenges of women entrepreneurs.*Ans :* (Dec. - 19)

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.

6. **Promotional Help:** Preparation of project report, registration and licensing help, etc.
7. **Gain Occupational Work Experience:** Rotate to various job profiles to gain experience of maintaining, finance, planning.
8. **Prioritizing Responsibilities:** Identify and delegate responsibilities at home and in business, or prioritize work.
9. **Establish a Support System:** A strong network of family, friends, clients, business associates should be established.

Q35. Discuss the profiles of women entrepreneurs.(a) **Shahnaz Husain**(b) **Ekta Kapoor***Ans :*(a) **Shahnaz Husain****Name - Shahnaz Husain****Company - Shahnaz Husain Herbais Inc.****Industry - Cosmetics**

Shahnaz Husain is both the pioneer and the undisputed queen of herbal care in India. Shahnaz belongs to a royal family, who originally came from Samarkhand and later held prominent positions in the royal governments of Bhopal and Hyderabad, during the pre-independence days. It is also a family of eminent legal luminaries. Shahnaz had to comply with existing traditions and entered into an arranged marriage at the tender age of 15, becoming, a

mother by the time she was 16. She was fortunate to have a broadminded, Oxford-educated father, Chief Justice N.U. Beg, who put her through schooling in an Irish convent and instilled in her a love of poetry and English literature. He also imbued in her the right combination of traditional values and progressive ideas and Shahnaz learnt to love and respect the rich heritage of India. It was her extraordinary personal qualities that made her determined to emerge from a sheltered and secured life and venture into a totally different world of entrepreneurship, where she had to wage a lone battle to fulfill her dreams.

Shahnaz Husain returned to India, after training for 10 years in cosmetic therapy and cosmetic chemistry, at leading institutions of the West, like Helena Rubinstein, Amould Taylor, Swarzkopf, Christine Valmy, Lancome and Lean of Copenhagen, Shahnaz returned to her roots and studied Ayurveda, the ancient Indian system of herbal healing. She set-up her herbal clinic in her own home, in a very small way, rejecting the existing salon treatment methods and devised her own herbal treatments. She introduced a totally new concept of "care and cure". She also began to formulate her own Ayurvedic products. This was the beginning of the legendary 'Shahnaz Herbal' and other ranges. In fact, she has become known for her specialized clinical treatments and therapeutic products for specific problems like acne, pigmentation, scars and blemishes, skin-sensitivity, dandruff, hair loss, and alopecia. By 2002, the Shahnaz Husain Group has over 650 salons around the world, employing about 4,200 people. The net worth of the Group is approximately \$100 million. Her franchise-based enterprise has helped in the worldwide extension of the Shahnaz Herbal clinics, popularizing her formidable range of nearly 350 products.

Shahnaz Husain is also the pioneer of vocational training in cosmetology in India, having started her professional schools at a time when only apprenticeship training was available. Shahnaz has never been one to rest on her laurels. She has always looked ahead, towards newer challenges, incorporating the latest techniques and introducing unique innovations. Her natural instincts and foresight have always led her to the next frontier, with her fingers on the pulse of international

demands. Hers is the story' of the human spirit that transcends geographical boundaries and encompasses the entire world. It is a story that is an inspiration to others to follow their dreams with faith and courage. Indeed, as head of the largest herbal clinic-chain of its kind in the world, Shahnaz Husain has become a legend in her own lifetime.

(b) Ekta Kapoor

Name - Ekta Kapoor

Company - Balaji Telefilms, Hoonur, and ALT Entertainment Industry- Indian Television and Film Industry

Ekta Kapoor is aptly called as the reigning queen of Indian television industry. The serials produced by her company Balaji Telefilms are a great hit with the masses and dominate all the major TV channels in India. Ekta Kapoor is the creative director of Balaji Telefilms. Her company has produced more than twenty five serials and each one is being shown, on an average, four times a week on different television channels. Ekta Kapoor's serials have captured the imagination of masses. She had broken all previous records of TV serial production and popularity in India. Her most famous television venture has been Kyunki Saas Bhi Kabhi Bahu Thi which began in 2000 and is still leading the TRP ratings in India. Her company Balaji telefilms has also been successful as a producer of TV films.

Career Growth

Ekta Kapoor started her career at an early age of seventeen. In the beginning she tried her luck by attending the shoots of Kailash Surendranath, the ad and feature filmmaker - but failed. Then with the advice and financial help of her father Ekta started-off with her own business of TV-serial production by the name of Balaji Creations. She made six pilots and three episodes but to her bad luck all of them were rejected. After great hard work she became successful in creating the serial Hum Paanch. Ever since she has been working industriously, acquiring the skills required to succeed.

Ekta Kapoor has produced and co-produced many soap operas, television series and films. Her most popular television endeavor has been Kyunki Saas Bhi Kabhi Bahu Thi, which started airing on Star Plus in the year 2000. She has produced more

than eight television soaps for Star Plus. One of the most noticeable things about her creations is that all her soaps begin with the letter "K" as she is superstitious that it brings her good luck.

Despite the popularity of her soaps, Ekta has received a lot of criticism for her controversial and bold scenes, the portrayal of female characters, false sophisticated sets and repetitive, frivolous plots.

Recognition

In the short span of her career, this young entrepreneur of India has achieved many awards and civic honors. She was chosen to lead the Confederation of Indian Industries (CII) entertainment committee. In the last two years she has also bagged the Indian Telly Awards. The other awards she received are:

1. The Society Achiever Award,
2. The Best Entrepreneur of the Year 2001,
3. The sixth Indian Telly Awards 2006.

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Short Question and Answers

1. 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.

2. Define 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.

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).

3. Infer the criticality of strategic positioning.

Ans :

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.

4. 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.

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.

5. 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.

6. 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.

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.

7. Advantages of Mergers

Ans :

The following are the advantages of mergers and acquisitions.

- i) A firm can get an easy access to the market and technology through mergers and acquisitions.
- ii) It become easy to gain access to patent rights and technology through mergers and acquisitions.
- iii) 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.
- iv) 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.
- v) The firms can attain more profits with the formulation of international strategy.

8. What are the advantages and disadvantages of acquisition.

Ans :

Advantages of Acquisition

- i) Takeover helps the firm in utilising economies of scale in different business operations, such as production, marketing information systems, financing, etc.
- ii) 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.
- iii) Some economists have proclaimed, that takeovers are effective measures to protect the interest of shareholders.
- iv) 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.
- v) Takeovers save the companies which were managed inadequately by the incompetent managers.

Disadvantages of Acquisition

- i) Takeover is regarded by some economists and authors as a destructor of jobs and local communities.
- ii) Usually, the commitments in takeovers are not fulfilled.
- iii) 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.
- iv) Peter Drucker believes, that takeovers destroy the confidence of employees.
- v) Takeovers may also lead to redistribution of wealth which causes a reduction in efficiency.
- vi) Takeovers also involve agency costs which are related to agency conflicts that arise in the process of takeover.

9. 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. 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.

10. 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.

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.

11. What is joint venture.

Ans :

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.

12. Define Women Entrepreneurship.

Ans :

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

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".

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.

In general, women entrepreneurship is the process of promoting new venture by the women.

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

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".

In fine, women entrepreneurs are those women who generate business ideas or select the best opportunity, mobilize resources, combine the factors of production, undertake risks and operate the enterprise in the most effective manner with a view to earning profit,

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Internal Assessment (Mid Examinations)

The pattern of Mid Exams or Continuous Internal Evaluation (CIE) prescribed by the JNTU-H as per the Regulations 2019 (R19) for all the semesters is as follows,

- There would be two Mid Exams or Continuous Internal Evaluation (CIE) for each semester,
 - The **Ist Mid Term Examinations** would be conducted during the Middle of the Semester.
 - The **IInd Mid Term Examinations** during the last week of instructions.
- The Mid Exam I and II would have the same pattern of question paper which would carry **25 Marks** each and the time duration for conducting each Mid exam would be 120 min.
- The pattern of Mid Exam Question Paper would consist of two parts i.e., **Part-A** and **Part-B**.
 - **Part-A** consist of 5 compulsory questions each carries 2 marks (i.e $5 \times 2 = 10$ marks).
 - **Part-B** consist of 5 questions out of which 3 questions should be answered, each question carries 5 marks (i.e $5 \times 3 = 15$ marks).
- The average of the two Mid exams will be added with the 75 marks of External end examination which equals to 100 marks (i.e $25 + 75 = 100$).

UNIT - I

Part - A

1. Who is an Entrepreneur. (Refer Unit-I, SQA-1)
2. Entrepreneurial Mindset. (Refer Unit-I, SQA-4)
3. What are the various approaches to Entrepreneurship ? (Refer Unit-I, SQA-7)
4. Write any two Disadvantages of Entrepreneurship. (Refer Unit-I, SQA-6)

Part - B

1. Enumerate the characteristics of an Entrepreneur. (Refer Unit-I, Q.No. 2)
2. What is the macro view of entrepreneurship? Elaborate on the environmental, financial and displacement school of thought. (Refer Unit-I, Q.No. 15)
3. Explain briefly about Process Approach to entrepreneurship. (Refer Unit-I, Q.No. 17)
4. Do entrepreneurs contribute to economic growth? State how do entrepreneurs contribute to economic growth. (Refer Unit-I, Q.No. 18)
5. Define and discuss Entrepreneurial Mindset. How an Entrepreneurial Mindset can be developed? (Refer Unit-I, Q.No. 7)

UNIT - II

Part - A

1. Define Entrepreneurial Mind-Set. (Refer Unit-II, SQA-1)
2. What is motivation? (Refer Unit-II, SQA-6)
3. Explain any two features of motivation. (Refer Unit-II, SQA-7)

4. Define corporate entrepreneurship strategy. (Refer Unit-II, SQA-10)
5. Define Entrepreneurial Stress. (Refer Unit-II, SQA-5)

Part - B

1. Write a note on individual Entrepreneurial mind set and Personality. (Refer Unit-II, Q.No. 1)
2. Entrepreneurship has a "Dark Side." What is meant by this statement ? (Refer Unit-II, Q.No. 9)
3. Outline the process of Motivational Cycle. (Refer Unit-II, Q.No. 19)
4. Appraise the competencies of Entrepreneurs. (Refer Unit-II, Q.No. 21)
5. Explain in detail about entrepreneurial mind-set in organizations and re-engineering organizational thinking. (Refer Unit-II, Q.No. 24)

UNIT - III**Part - A**

1. Define Creativity. (Refer Unit-III, SQA-1)
2. What is entrepreneurial venture. (Refer Unit-III, SQA-5)
3. Explain the Pathways to New Ventures for Entrepreneurs. (Refer Unit-III, SQA-6)
4. Franchising. (Refer Unit-III, SQA-7)
5. In what respects entrepreneurs need creativity for survival and growth. (Refer Unit-III, SQA-8)

Part - B

1. Define Creativity. Explain the components of creativity. (Refer Unit-III, Q.No. 1)
2. Explain the various methods for generating ideas. (Refer Unit-III, Q.No. 8)
3. Outline the process of Creativity. (Refer Unit-III, Q.No. 10)
4. What is Opportunities Identification ? Explain the different sources of Opportunities Identification. (Refer Unit-III, Q.No. 4)
5. How does an entrepreneur find the gaps in the market place? (Refer Unit-III, Q.No. 7)

UNIT - IV**Part - A**

1. Define Copyright. (Refer Unit-IV, SQA-3)
2. Define Trade Marks. (Refer Unit-IV, SQA-5)
3. Write any two Objectives of Trademark. (Refer Unit-IV, SQA-6)
4. Define business model. (Refer Unit-IV, SQA-10)
5. Feasibility Analysis. (Refer Unit-IV, SQA-8)

Part - B

1. Elucidate the challenges involved in new venture development. (Refer Unit-IV, Q.No. 26)
2. What are the legal challenges an entrepreneur should be aware before initiating the process for a new business proposal? Elaborate your answer. (Refer Unit-IV, Q.No. 28)
3. Define business model. Explain the different types of business model. (Refer Unit-IV, Q.No. 29)

4. Why is industry and competitive analysis important to start a business? (Refer Unit-IV, Q.No. 24)
5. Define Entrepreneurial Plan. Explain briefly about formulation of Entrepreneurial Plan.
(Refer Unit-IV, Q.No. 25)

UNIT - V

Part - A

1. Define strategic entrepreneurship. (Refer Unit-V, SQA-1)
2. Internal Growth Strategies. (Refer Unit-V, SQA-4)
3. External Growth Strategies. (Refer Unit-V, SQA-5)
4. What is joint venture. (Refer Unit-V, SQA-11)
5. Define Women Entrepreneurship. (Refer Unit-V, SQA-12)

Part - B

1. Explain the various steps involved in strategic planning. (Refer Unit-V, Q.No. 5)
2. Why do entrepreneurs need strategic approach for the emerging firms? How can the strategic of management process be designed? (Refer Unit-V, Q.No. 7)
3. Explain the important points to be considered in business stabilization. (Refer Unit-V, Q.No. 10)
4. How can you build an adaptive firm? Explain the different ways of building adaptive firms.
(Refer Unit-V, Q.No. 11)
5. What are the differences between merger and acquisition. (Refer Unit-V, Q.No. 20)

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. 20)
3. What is entrepreneurial ego ? Describe factors that are associated with entrepreneurial ego. (Unit-II, Q.No. 14, 15)
4. Describe the elements that are involved in sustaining corporate entrepreneurship. (Unit-II, Q.No. 25)
5. What do you understand by innovation? Explain major types of innovation with suitable example. (Unit-III, Q.No. 14, 15)
6. What is franchising ? Explain the advantages and limitations of franchising. (Unit-III, Q.No. 25, 26)
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-IV, Q.No. 29)

Ans :

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 clienteles.

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.

8. Elaborate on the government initiatives to promote entrepreneurship in India. (Unit-V, Q.No. 28)

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 - II, SQA.5) |
| | c) How does an entrepreneur find the gaps in the marketplace? | (Unit - III, Q.No.7) |
| | d) Distinguish between trademarks and trade secrets. | (Unit - IV, Q.No.19) |
| | e) Infer the criticality of strategic positioning. | (Unit - V, SQA.3) |

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.9) |
| 4. | Appraise the competencies of entrepreneurs. | (Unit - II, Q.No.21) |
| | OR | |
| 5. | Formulate appropriate strategies to sustain corporate entrepreneurship in India. | (Unit - II, Q.No.29) |
| 6. | Explain and critically evaluate of brainstorming and Delphi method in the context of idea generation. | (Unit - III, Q.No.8) |
| | OR | |
| 7. | Examine the nature and process of creativity. | (Unit - III, Q.No.10) |
| 8. | Critically analyze the challenges of new venture start-ups. | (Unit - IV, Q.No.26) |
| | OR | |
| 9. | Outline the salient features of an effective business model. | (Unit - IV, Q.No.29) |
| 10. | Explain the important points to be considered in business stabilization. | (Unit - V, Q.No.10) |
| | OR | |
| 11. | Devise appropriate strategies to the challenges of women entrepreneurs. | (Unit - V, Q.No.34) |

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, Q.No. 9)
- (b) Write about entrepreneurial ego? (Unit - II, Q.No.14)
- (c) How do you identify opportunities for launching entrepreneurial venture? (Unit - III, Q.No. 4)
- (d) What do you mean by patents, copyrights and trademarks? (Unit - IV, SQA - 2, 3,5)
- (e) Write briefly about the strategic planning process ? (Unit - V, Q.No. 5)

PART - B (5 × 10 = 50 Marks)

2. Illustrate the various functions of entrepreneurs? (Unit - I, Q.No. 12)
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 - II, Q.No. 19)
- (b) Write briefly about the entrepreneurial competencies? (Unit - II, Q.No. 21)
OR
5. Explain about the strategies for sustaining corporate entrepreneurship? (Unit - II, Q.No. 27)
6. (a) How do you find gaps in the market place for launching entrepreneurial venture? (Unit - III, Q.No. 7)
- (b) Briefly discuss about the techniques used for generating ideas? (Unit - III, Q.No. 8)
OR
7. Explain about the methods used for initiating a new venture? (Unit - III, Q.No. 21, 23)
8. How do you carryout industry and competitor analysis? (Unit - IV, Q.No. 24)
OR
9. Explain about the sources of finance available to an entrepreneur? (Unit - IV, Q.No. 32)
10. Explain about the internal and external growth strategies ? (Unit - V, Q.No. 13)
OR
11. Write about the initiatives taken by the Indian government in promotion of entrepreneurship? (Unit - V, Q.No. 28)

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

M.B.A II - Semester Examination

R17

June/July - 2018

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. Give short answers to the following:

(a) Types of entrepreneurs.

(Unit - I, Q.No. 13)

(b) Internal locus of control.

(Unit - II, SQA. 10)

(c) Franchising

(Unit - III, SQA. 7)

(d) Copy right

(Unit - IV, SQA. 3)

(e) Tolerance to failure in understanding the growth stage.

(Unit - V, Q.No. 12)

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 - II, Q.No. 12,13)

OR

5. What factors motivate entrepreneurship? Explain the entrepreneurial model for motivation.

(Unit - II, Q.No. 18, 20)

6. Explain the different sources for opportunity identification.

(Unit - III, Q.No. 4)

OR

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

(Unit - III, Q.No. 10)

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.

Ans

- 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.

OR

- | | | |
|-----|---|------------------------------|
| 9. | Why is industry and competitive analysis important to start a business? What happens if no such analysis is done? | (Unit - IV, Q.No. 24) |
| 10. | What is strategic planning? Explain the major steps in strategic planning. | (Unit - V, Q.No. 3,5) |
| 11. | How can you build an adaptive firm? Explain the different ways of building adaptive firms. | (Unit - V, Q.No. 1) |

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) Internal locus of control. | (Unit - II, SQA - 10) |
| (c) Explain the Pathways to New Ventures for Entrepreneurs. | (Unit - III, SQA - 6) |
| (d) Feasibility Analysis. | (Unit - IV, SQA - 8) |
| (e) Define strategic entrepreneurship. | (Unit - V, SQA - 1) |

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. Do entrepreneurs contribute to economic growth? State how do entrepreneurs contribute to economic growth. | (Unit - I, Q.No.18) |
| 4. Appraise the competencies of Entrepreneurs. | (Unit - II, Q.No.21) |
| OR | |
| 5. Explain in detail about entrepreneurial mind-set in organizations and re-engineering organizational thinking. | (Unit - II, Q.No.24) |
| 6. Outline the process of Creativity. | (Unit - III, Q.No.10) |
| OR | |
| 7. What is Opportunities Identification ? Explain the different sources of Opportunities Identification. | (Unit - III, Q.No.4) |
| 8. What are the legal challenges an entrepreneur should be aware before initiating the process for a new business proposal? Elaborate your answer. | (Unit - IV, Q.No.28) |

OR

9. Define business model. Explain the different types of business model. **(Unit - IV, Q.No.29)**

10. Why do entrepreneurs need strategic approach for the emerging firms?
How can the strategic of management process be designed? **(Unit - V, Q.No.7)**

OR

11. How can you build an adaptive firm? Explain the different ways of building adaptive firms. **(Unit - V, Q.No.11)**

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

M.B.A II - Semester Examination

Model Paper - II

R19

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) State the advantages of entrepreneurship (Unit - I, SQA - 5)
- (b) Define entrepreneurial stress. (Unit - II, SQA - 5)
- (c) What is entrepreneurial venture? (Unit - III, SQA - 5)
- (d) Define business model. (Unit - IV, SQA - 10)
- (e) What is joint venture? (Unit - V, SQA - 11)

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. Define and discuss Entrepreneurial Mindset. How an Entrepreneurial Mindset can be developed? (Unit - I, Q.No. 7)
4. Define corporate entrepreneurship strategy. Why entrepreneurs need a strategy to success? Discuss in detail an integrative model of corporate entrepreneurship strategy. (Unit - II, Q.No. 27)
OR
5. Define Entrepreneurial Stress. Explain the various sources of stress. (Unit - II, Q.No. 12)
6. What is Opportunities Identification ? Explain the different sources of Opportunities Identification. (Unit - III, Q.No. 4)
OR
7. Explain the various methods for generating ideas. (Unit - III, Q.No. 8)
8. Elucidate the challenges involved in new venture development. (Unit - IV, Q.No. 26)
OR
9. Define finance. Explain the various sources of finance. (Unit - IV, Q.No. 32)
10. Explain the various steps involved in strategic planning. (Unit - V, Q.No. 5)
OR
11. How can you build an adaptive firm? Explain the different ways of building adaptive firms. (Unit - V, Q.No. 11)

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

M.B.A II - Semester Examination

Model Paper - III

R19

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 the characteristics of entrepreneurship (Unit - I, SQA - 3)
- (b) Define entrepreneurial competencies. (Unit - II, SQA - 8)
- (c) Define entrepreneurial imagination. (Unit - III, SQA - 3)
- (d) Define patents. (Unit - IV, SQA - 2)
- (e) Define strategic planning. (Unit - V, SQA - 2)

PART - B (5 × 10 = 50 Marks)

2. Explain in detail the origin and development of Entrepreneurial activities in India during last decade. (Unit - I, Q.No. 9)

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. If personal characteristics or personality traits do not predict a successful entrepreneur, why are they significant to the study of entrepreneurship? (Unit - II, Q.No. 2)

OR

5. What do you understand by the term Entrepreneurial Competency ? Can they be acquired ? (Unit - II, Q.No. 21)
6. What are the Advantage and Dis-advantages of Franchising ? (Unit - III, Q.No. 26)

OR

7. Define Creativity. Explain the compon-ents of creativity. (Unit - III, Q.No. 1)
8. Define the term Intellectual Property. What are the characteristics of Intellectual Property. (Unit - IV, Q.No. 1)

OR

9. Define Entrepreneurial Plan. Explain briefly about formulation of Entrepreneurial Plan. (Unit - IV, Q.No. 25)
10. Why do entrepreneurs need strategic approach for the emerging firms?
How can the strategic of management process be designed? (Unit - V, Q.No. 7)
- OR
11. Explain the various ways initiative by the government to promote entrepreneurship. (Unit - V, Q.No. 28)