Rai Technology University

ENGINEERING MINDS

Entrepreneurship Development

Subject: ENTREPRENEURSHIP DEVELOPMENT **Credit: 4**

SYLLABUS

Concept:
Need and Significance of Entrepreneurship Development in Global contexts. Entrepreneurship Development – concepts, Process, Experience and strategies. Dynamics of Entrepreneurship Development

Entrepreneurship Quality / Motivation:
The Entrepreneurship – Myths and Misconception, qualities, Characteristics and role demanded of an Entrepreneur, Process of Developing Entrepreneur Qualities Enterprise Launching & Resources: Government Programmes, Policies, Incentive and Institutional Networking for Enterprise setting, Steps of setting new Enterprise, Scanning Business Environment, Sensing Business opportunity & Identifying Product

Business Plan Preparation
Procedure & Steps, Market Survey & Demand Analysis, Growth, Modernization & Expansion of Enterprise

Suggested Readings:

1. S.S.Khanka; "Entrepreneurial Development"; S.Chand & Co. Ltd. Ram Nagar New Delhi
2. Hisrich R D and Peters M P; "Entrepreneurship"; 5th Edition Tata McGraw-Hill
3. Rabindra N. Kanungo; "Entrepreneurship and Innovation"; Sage Publications, New Delhi

Concept

Learning Objectives

- To define the entrepreneurship.
- To explain the significance of Entrepreneurship.
- To explain the Entrepreneurship Development.
- To describe the Dynamics of Entrepreneurship Development.

1.1 Need and significance of Entrepreneurship Development in Global contexts

It is said that an economy is an effect for which entrepreneurship is the cause. Entrepreneurship development has therefore become a matter of great concern in all countries. But the real problem is how to develop entrepreneurship. Entrepreneurship development programs, or EDPs in short, are deemed to offer the solution to this problem.

Businessmen possess certain traits or competencies, which result in superior performance. The question that arises is whether these characteristics are inborn in the businessmen or whether they can be induced and developed. A well-known behavioral scientist David McClelland of Harvard University made an interesting investigation into why certain societies displayed great creative powers at particular periods of their history. He found that 'the need for achievement' was the answer. The 'need to achieve' motivated people to work hard and moneymaking was incidental. Money was only a measure of achievement, not its core motivation.

In order to answer the next question, whether this need for achievement could be induced, McClelland conducted a five-year experimental study in one of the prosperous districts of Andhra Pradesh in India in collaboration with the Small Industries Extension and Training Institute (SIET) at Hyderabad. This experiment is popularly known as the 'Kakinada Experiment'. Under this experiment, young persons were selected and put through a three-month training program and motivated to see fresh goals. One of the significant conclusions of the experiment was that the traditional beliefs did not seem to inhibit a businessman and that suitable training can provide the necessary motivation to businessmen. It was the Kakinada Experiment that made people appreciate the need for entrepreneurial training (now popularly known as EDPs) to induce motivation and competence among young prospective businessmen. Based on this realization, India embarked in 1971 on a massive program of entrepreneurship development. At present, some 700 all India and state level institutions conduct EDPs. This model is followed in other countries too, such as the 'Junior Achievement' program in USA and 'Young Enterprises' in UK.

The objectives of EDPs are to develop and strengthen the entrepreneurial quality, to motivate them for achievement and to enable participants to be independent, capable, promising businessmen. The objective is to make the trainees prepared to start their own enterprise after the completion of the training program.

The course contents of an EDP are selected in line with its objectives. The training duration is about six weeks. The inputs are normally:

a. Introduction to entrepreneurship – Factors affecting small-scale industry, role of businessmen in economic development, entrepreneurial behavior and the facilities available for establishing small-scale enterprise.

b. Motivation training – Participants are induced and their need for achievement is increased which in turn helps in building confidence and positive attitude. Successful businessmen share their experiences.

c. Management skills – Small businessmen cannot afford expert managers, therefore knowledge of finance, production, marketing and human resource is imparted to them.

d. Support system and procedure – Support available from different institutions is informed and the procedure for approaching them, applying and obtaining support is explained.

e. Fundamentals of project feasibility study – Participants are taught how to carry out the analysis and the feasibility of marketing, organization, technical, financial, and social aspects.

f. Plant visits – Visits to various industrial plants are arranged which help participants know more about a businessman's behavior, personality, thoughts and aspirations.

Although EDPs are well and thoughtfully arranged, there are some misconceptions about EDPs. Lack of proper understanding and clarity has limited the growth of EDPs. Chandramauli Pathak has listed some of the common misconceptions about EDPs which are as below:

a. An end in itself – People think joining an EDP is a privilege, whereas it is indeed a valuable opportunity. An impression is created that joining an EDP means an assurance of finance, license, raw material, market and all other things. This is a wrong expectation on the part of the participants.

b. EDPs are just another training – In addition to training, the whole process of EDP extends to personal counseling and support. Managerial and entrepreneurial capabilities are developed among the participant prospective businessmen.

c. EDPs are measured quantitatively – In fact the success of any EDP is to be measured in terms of how many participants started their own enterprise after the program. Quality matters more than the number.

d. The trainer is alone responsible – 'Trainers are not effective' is the common response. In fact there are other environmental factors which play a critical role in the development of businesspersons. Other support institutions are also involved. The responsibility is composite and not that of the trainer alone.

Various target groups are identified for EDPs because every target group has its own needs and constraints. The design for one group may be inappropriate for another group. The various groups usually targeted are :

a. Technical and other qualified participants – The training can be directly related to their qualifications for example, graduates in electronics may be trained to start an enterprise in the electronics industry.

b. Ex-servicemen – They are highly disciplined, hardworking and enterprising. They can be trained in the areas where these qualities are needed.

c. Business executives – Some employed persons may want to start on their own. They may have some innovative ideas, which they are not able to implement where they are employed, either for

lack of autonomy or lack of authority. They already possess knowledge of management. What they need is support for launching their own enterprises. Mr Kodolikar, who was the Training Manager in GKW had said, ''if I can manage someone else's business successfully, then why should I not start my own business?''

d. Underprivileged people – All persons from a disadvantaged background cannot be offered employment. Therefore, self-employment is the answer to their development and upliftment.

1.2 Entrepreneurs and economic development

Global development is entering a phase where entrepreneurship will increasingly play a more important role. There are at least three reasons for this, each particular to certain types of countries. Firstly, in the West, the managed economy of the 1970s-2000s, characterized by reliance on big business and mass production, has given way to a so-called entrepreneurial economy. Here knowledge-driven goods and services are now more flexibly provided by smaller firms, and the emergence of a creative class requires a less interfering but more facilitating state.

Secondly, in the emerging countries, most notably the BRICs – Brazil, Russia, India, China – impressive growth has been driven by a veritable entrepreneurial revolution. The need in these economies to sustain growth through sustainable access to resources, knowledge, markets, and low-carbon industrialization puts a premium on innovative entrepreneurship.

Finally, in the least developed countries, where aid dependency is high, donors have been shifting the emphasis in development cooperation towards private sector development. In many of these countries, including resource-poor North African countries, populations consist of many young people who see little prospects of gaining employment with decent wages. Promoting youth entrepreneurship here has become a vital policy objective of many development organizations and donors.

1.2.1 Entrepreneurship and the state

It is expected that entrepreneurship will, in light of the above, contribute to growth and employment creation in advanced, emerging and least developed economies alike. This is a reasonable expectation – one that is supported by recent findings of historians, economists and management scientists. "With too many businessmen, levels of aspirations in a country may rise - it is well-known that with increasing material wealth (or pportunities) people's aspirations increase."

There are two major caveats however. The first is that for businessmen to play an appropriate role, the role of the state remains important, if not more so than before. Strong states, as regulators and gatekeepers, play a particularly vital role. In the absence of appropriate 'rules of the game', entrepreneurship may result in undesirable social outcomes, including corruption, crime, speculation and financial crises, and may worsen the vulnerabilities of people during natural disasters, as we have argued elsewhere.

The second is that while entrepreneurship may raise economic growth and material welfare, it may not always result in improvements in non-material welfare (or happiness). Promotion of happiness is increasingly seen as an essential goal. The recent *Commission on the Measurement of Economic Performance and Social Progress* recommended that "the time is ripe for our measurement system to shift emphasis from measuring economic production to measuring people's well-being'".

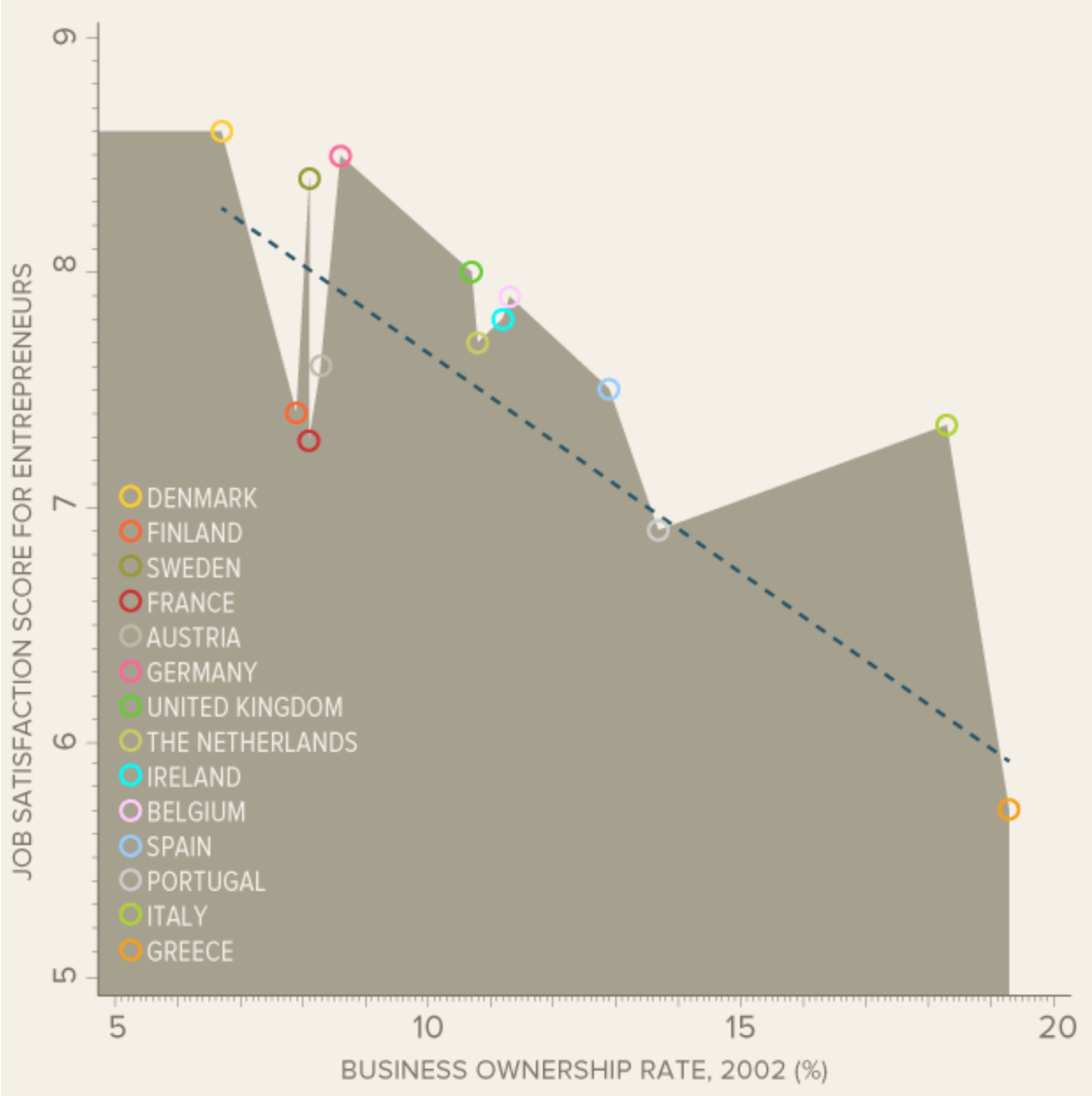
1.2.2 Entrepreneurship and national happiness

Do businessmen contribute to national happiness? The answer is both yes and no. We found that there exists an inverted U-shaped relationship between national happiness and entrepreneurship: up to a certain level an increase in entrepreneurship will be associated with an increase in national level happiness, after which it would be associated with a declining level of happiness.

Why would an increase in entrepreneurship at first lead to an increase in national happiness? Businessmen create jobs – and we know that unemployment is a major and significant cause of unhappiness. We also know that the goods that businessmen provide, such as health and experiential activities, raise happiness levels. Moreover there is now a robust body of evidence that businessmen experience higher levels of job satisfaction than non-businessman and businessmen happiness can rub off on the happiness of non-businessmen.

But more businessmen may also be associated with lower national happiness. This could be when most businessmen are not so by choice, but by necessity. When people turn to entrepreneurship by necessity, they essentially lose their 'agency' or free will as far as their employment is concerned, and this is experienced as a loss of happiness. Evidence from the EU seems to support this: there is a robust negative relationship between the business ownership rate and businessmen' average job satisfaction across EU nations. This graph below illustrates how job satisfaction scores for businessmen and business ownership rates vary across the EU. Clearly, job satisfaction amongst businessemen is much higher when fewer of

them need to be self-employed.



There is a second way in which entrepreneurship may lower national happiness after some stage or level. This is when there is too many rather than too few businessmen in a country. With too many businessmen, levels of aspirations in a country may rise – it is well-known that with increasing material wealth (or opportunities) people's aspirations increase. When their performances fall short of these aspirations, their happiness will decrease. Hence from certain levels of entrepreneurship happiness may decline when businessmen and their society's material aspirations start to outstrip their achievements. This will lead to a feeling of dissatisfaction and frustration – they become 'frustrated achievers'. More competitive-minded businessmen may experience more negative states of mind than others and report lower levels of happiness. In highly competitive and materialistic societies with high aspirations we see "family solidarity and community integration" breaking down.

Finally, in a very entrepreneurial society one may observe more income and wealth inequalities and more variability in entrepreneurial performance. People in more unequal societies tend to report lower levels of happiness than others.

Thus, entrepreneurship may spur economic development if appropriately supported by the state. And entrepreneurship may make nations happier – but only up to a point. As nations become happier, their need for entrepreneurship seems to decline. Perhaps relational goods – family and friends – become more important, and too much of an entrepreneurial culture detracts from this. It is very much as Shakespeare put it: 'If music be the food of love, play on; Give me excess of it, that, surfeiting, The appetite may sicken, and so die'.

1.3 Entrepreneurship Development – Concepts, Process, Experiences and Strategies

1.3.1 Entrepreneur

An **entrepreneur** is an individual who organizes and operates a business or businesses, taking on financial risk to do so.

1.3.1.1 Influences and characteristics of entrepreneurial behavior

The businessperson is commonly seen as an innovator — a generator of new ideas, and business processes. Management skill and strong team building abilities are often perceived as an essential leadership attributes for successful businessman. Robert B. Reich considers leadership, management ability, and team-building to be essential qualities of an businessman.

Psychological studies show that these essential qualities for male and female businessmen are more similar than different. A growing body of work shows that entrepreneurial behavior is dependent on social and economic factors. For example, countries with healthy and diversified labor markets or stronger safety nets show a more favorable ratio of opportunity-driven rather than necessity-driven women businessmen. Empirical studies suggest that male businessmen possess strong negotiating skills and consensus-forming abilities.

Research studies that explore the characteristics and personality traits of, and influences on, the businessman have come to differing conclusions. Most, however, agree on certain consistent entrepreneurial traits and environmental influences. Although certain entrepreneurial traits are required, entrepreneurial behavior of contemporary entrepreneurship research paper, Shane and Venkataraman (2000) argue that the businessman is solely concerned with opportunity recognition and exploitation, although the opportunity that is recognized depends on the type of businessman; while Ucbasaran et al. (2001) argue there are many different types contingent upon environmental and personal circumstances.

Jesper Sørensen has argued that some of the most significant influences on an individual's decision to become an entrepreneur are workplace peers and the social composition of the workplace. In researching the likelihood of becoming a businessman based upon working with former businessmen, Sørensen discovered a correlation between working with former businessmen and how often these individuals become businessmen themselves, compared to those who did not work with businessmen. The social composition of the workplace can influence Entrepreneurism in workplace peers by proving a possibility for success, causing a "He can do it, why can't I?" attitude. As Sørensen stated, "When you meet others who have gone out on their own, it doesn't seem that crazy."

1.3.1.2 Perception of entrepreneurs

The ability of businessmen to innovate is thought to relate to innate traits such as extroversion and a proclivity for risk-taking. According to Schumpeter, the capabilities of innovating, introducing new technologies, increasing efficiency and productivity, or generating new products or services, are characteristic qualities of businessmen. Businessmen are catalysts for economic change, and researchers argue that businessmen are highly creative individuals with a tendency to imagine new solutions by finding opportunities for profit or reward. Largely due to the influence of Schumpeter's heroic conceptions of businessmen, it is widely maintained that businessmen are unusual individuals. In line with this view, there is an emerging research tradition investigating the genetic factors that are perceived to make businessmen so distinctive (Shane and Nicolaou, 2013).

However, there are also critical perspectives that attribute these research attitudes to oversimplified methodological and/or philosophical assumptions (Gartner, 2001). For example, it has been argued that businessmen are not that distinctive, but that it is in essence unrealistic preconceptions about "non-entrepreneurs" that maintain laudatory portraits of "businessmen".

1.3.1.3 Theory-based typologies

Recent advances indicate that the differences in businessmen and the heterogeneity in their behaviors and actions can be traced back to their founder's identity. For instance, Fauchart and Gruber (2011) have recently utilized social identity theory to illustrate that businessmen can be distinguished in three main types: Darwinians, Communitarians and Missionaries. These types of founders not only diverge in fundamental ways in terms of their self-views and their social motivations in entrepreneurship, but also engage fairly differently in new firm creation.

1.3.1.4 History

The term was first defined by the Irish-French economist Richard Cantillon as the person who pays a certain price for a merchandise to resell it at an uncertain price, thereby making decisions about obtaining and using the resources while consequently admitting the risk of the enterprise. It first appeared in the French Dictionary "Dictionnaire Universel de Commerce" of Jacques des Bruslons published in 1723.

Here is a chronological list of definitions:

- 1734: Richard Cantillon: Businessmen are non-fixed income earners who pay known costs of production but earn uncertain incomes,
- 1803: Jean-Baptiste Say: An businessman is an economic agent who unites all means of production- land of one, the labour of another and the capital of yet another and thus produces a merchandise . By selling the merchandise in the market he pays rent of land, wages to labour, interest on capital and what remains is his profit. He shifts economic resources out of an area of lower and into an area of higher productivity and greater yield.
- 1934: Schumpeter: Businessmen are innovators who use a process of shattering the status quo of the existing merchandise s and services, to set up new merchandise s, new services.
- 1961: David McClelland: An businessman is a person with a high need for achievement [N-Ach]. He is energetic and a moderate risk taker.
- 1964: Peter Drucker: An businessman searches for change, responds to it and exploits opportunities. Innovation is a specific tool of an businessman hence an effective businessman converts a source into a resource.

- 1971: Kilby: Emphasizes the role of an imitator businessmen who does not innovate but imitates technologies innovated by others. Are very important in developing economies.
- 1975: Albert Shapero: Entrepreneurs take initiative, accept risk of failure and have an internal locus of control.

1.3.2 Entrepreneurship

In political economics, **entrepreneurship** is the quality of being an businessman, i.e. one who "undertakes an enterprise". The term puts emphasis on the risk and effort taken by individuals who both own and manage a business, and on the innovations resulting from their pursuit of economic success.

"Entrepreneurship" in this sense 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 (referred as startup company); 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 intra-preneurship and may include corporate venturing, when large entities spin-off organizations.

According to Paul Reynolds, an "entrepreneurship scholar" and creator of the Global Entrepreneurship Monitor, "by the time they reach their retirement years, half of all working men in the United States probably have a period of self-employment of one or more years; one in four may have engaged in self-employment for six or more years. Participating in a new business creation is a common activity among U.S. workers over the course of their careers." And in recent years has been documented by scholars such as David Audretsch to be a major driver of economic growth in both the United States and Western Europe. "As well, entrepreneurship may be defined as the pursuit of opportunity without regard to resources currently controlled (Stevenson,1983)"

Entrepreneurial activities are substantially different depending on the type of organization and creativity involved. Entrepreneurship ranges in scale from solo projects (even involving the businessman only part-time) to major undertakings creating many job opportunities. Many "high value" entrepreneurial ventures seek venture capital or angel funding order to raise capital to build the business. Angel investors generally seek annualized returns of 20–30% and more, as well as extensive involvement in the business. Many kinds of organizations now exist to support would-be entrepreneurs including specialized government agencies, business incubators, science parks, and some NGOs. In more recent times, the term entrepreneurship has been extended to include elements not related necessarily to business formation activity such as conceptualizations of entrepreneurship as a specific mindset resulting in entrepreneurial initiatives e.g. in the form of social entrepreneurship, political entrepreneurship, or knowledge entrepreneurship have emerged.

Since 2008, an annual "Global Entrepreneurship Week" has been announced, with the aim of "exposing people to the benefits of entrepreneurship" and getting them to "participate in entrepreneurial-related activities".

1.3.2.1 History

The businessman is a factor in microeconomics, and the study of entrepreneurship reaches back to the work of Richard Cantillon and Adam Smith in the late 17th and early 18th centuries, foundational to classical economics.

In the 20th century, entrepreneurship was studied Joseph Schumpeter in the 1930s and other Austrian economists such as Carl Menger, Ludwig von Mises and Friedrich von Hayek. The term "entrepreneurship" was coined around the 1920s (while the loan of French *entrepreneur* itself dates to the 1850s). It became something as a buzzword from about 2010, in the context of the disputes which have erupted surrounding the consensus of mainstream economics in the wake of the Great Recession.

1.3.2.2 Schumpeter on Entrepreneurship

According to Schumpeter, an businessman is a person who is willing and able to convert a new idea or invention into a successful innovation. Entrepreneurship employs what Schumpeter called "the gale of creative destruction" to replace in whole or in part inferior innovations across markets and industries, simultaneously creating new merchandise s including new business models. In this way, creative destruction is largely responsible for the dynamism of industries and long-run economic growth. The supposition that entrepreneurship leads to economic growth is an interpretation of the residual in endogenous growth theory and as such is hotly debated in academic economics. An alternate description posited by Israel Kirzner suggests that the majority of innovations may be much more incremental improvements such as the replacement of paper with plastic in the construction of a drinking straw.

For Schumpeter, entrepreneurship resulted in new industries but also in new combinations of currently existing inputs. Schumpeter's initial example of this was the combination of a steam engine and then current wagon making technologies to produce the horseless carriage. In this case the innovation, the car, was transformational but did not require the development of a new technology, merely the application of existing technologies in a novel manner. It did not immediately replace the horsedrawn carriage, but in time, incremental improvements which reduced the cost and improved the technology led to the complete practical replacement of beast drawn vehicles in modern transportation. Despite Schumpeter's early 20th-century contributions, traditional microeconomic theory did not formally consider the businessmen in its theoretical frameworks (instead assuming that resources would find each other through a price system). In this treatment the businessman was an implied but unspecified actor, but it is consistent with the concept of the businessman being the agent of x-efficiency.

Different scholars have described businessmen as, among other things, bearing risk. For Schumpeter, the businessman did not bear risk: the capitalist did.

1.3.2.3 Knight and Drucker

For Frank H. Knight (1921) and Peter Drucker (1970) entrepreneurship is about taking risk. The behavior of the businessmen reflects a kind of person willing to put his or her career and financial security on the line and take risks in the name of an idea, spending much time as well as capital on an uncertain venture. Knight classified three types of uncertainty.

- Risk, which is measurable statistically (such as the probability of drawing a red color ball from a jar containing 5 red balls and 5 white balls).
- Ambiguity, which is hard to measure statistically (such as the probability of drawing a red ball from a jar containing 5 red balls but with an unknown number of white balls).
- True Uncertainty or Knightian Uncertainty, which is impossible to estimate or predict statistically (such as the probability of drawing a red ball from a jar whose number of red balls is unknown as well as the number of other colored balls.

The acts of entrepreneurship are often associated with true uncertainty, particularly when it involves bringing something really novel to the world, whose market never exists. However, even if a market already exists, there is no guarantee that a market exists for a particular new player in the cola category.

The place of the disharmony-creating and idiosyncratic businessman in traditional economic theory (which describes many efficiency-based ratios assuming uniform outputs) presents theoretic quandaries. William Baumol has added greatly to this area of economic theory and was recently honored for it at the 2006 annual meeting of the American Economic Association.

1.3.2.4 Financial Bootstrapping

Financial bootstrapping is a term used to cover different methods for avoiding using the financial resources of external investors. Bootstrapping can be defined as “a collection of methods used to minimize the amount of outside debt and equity financing needed from banks and investors”. The use of private credit card debt is the most known form of bootstrapping, but a wide variety of methods are available for businessmen. While bootstrapping involves a risk for the founders, the absence of any other stakeholder gives the founders more freedom to develop the company. Many successful companies including Dell Computers and Facebook were founded this way.

1.3.3 **Corporate social entrepreneurship**

A corporate social entrepreneur (CSE) is defined as "an employee of the firm who operates in a socially entrepreneurial manner; identifying opportunities for and/ or championing socially responsible activity; in addition to helping the firm achieve its business targets. The CSE operates regardless of an organisational context that is pre-disposed towards corporate social responsibility (CSR). This is because the CSE is driven by their dominant self-transcendent (concerned with the welfare of others) as opposed to their self-enhancement personal values. Consequently, the CSE does not necessarily have a formal socially responsible job role, nor do they necessarily have to be in a senior management position to progress their socially responsible agenda**."**

The notion of the CSE primarily relates to the field of corporate social responsibility. It is thus relevant to both practitioners and scholars of business and management and more specifically to the fields of business ethics; organisational behaviour; entrepreneurship; human resource management and business strategy. Moreover, the concept is inherently linked with the notion of personal values: in itself, a field of study from sociology; anthropology and social psychology. Furthermore, due to the concept's associations with ideas about agency, this also means that this topic connects with moral philosophy. Such complexity reflects the inter-disciplinary nature of the field of corporate social responsibility.

1.3.3.1 Background

The notion of the CSE first emerged in 2002 from a conceptual working paper which was published in the Hull University Business School Research Memoranda Series. In that paper, it was argued that CSR can also be motivated by an altruistic impulse driven by managers’ personal values, in addition to the more obvious economic and macro political drivers for CSR. This reflected the traditional philosophical and business ethics debate regarding moral agency. This paper was followed by a U.K. conference paper which highlighted the importance of managerial discretion in CSR and was published the next year in the Journal of Business Ethics. In this latter paper, the concept of “entrepreneurial discretion” as an overlooked antecedent of CSR was mooted.

Consequently, the term *corporate social entrepreneur* was first coined in a paper that was presented at the 17th Annual European Business Ethics Network Conference, in June 2004. Here, the term Corporate Social Entrepreneur was first defined and differentiated from the different types of businessmen: the 'regular' executive businessman; the intrapreneur; the policy businessman and the public or social businessman.. Initially, the concept was discussed in relation to managers. However, it was soon widened to include employees at any level of the firm, regardless of their formally appointed status. To be a CSE you do not necessarily have to be a manager. Seniority is not necessary, but, of course, it helps.

Hemingway's concept of the CSE emerged as a result of her own personal experience working as a marketing executive in the corporate world and it has also been the subject of some exploratory empirical investigation. It was also inspired by Wood, who had previously referred to "Ethical training, cultural background, preferences…and life experiences…that motivate human behavior"; thereby supporting Trevino's conceptual "Interactionist" model of ethical decision making in organizations. Trevino's model included both individual and situational moderators, to combine with the individual's stage of cognitive moral development, to produce either ethical or unethical behaviour. And whilst studies existed regarding the activities of environmental champions at work or other change leaders, none of these studies specifically examined the role of employees' personal values in entrepreneurial discretion with regard to corporate social responsibility (CSR).

Thus, the connection between philosophical ideas of moral character as an influence for corporate social responsibility (CSR) and linked to the psychological notion of prosocial behavior, provides a different focus from the more commonly discussed structural drivers for CSR, i.e., business strategy in the form of public relations activity; encouragement from government or organisational context.

1.3.3.2 Business ethics perspective

Significantly, whilst the social businessman and corporate social businessman are united in their quest to create social value: a business ethics perspective encourages us to ask the question '*For what end*?' Here business ethics is useful, as it uses intellectual frameworks to encourage us to think deeply about means and ends. For example, the idea of the CSE creating social value which benefits both the corporation and society is known as 'enlightened self-interest'. Alternatively, a deontological viewpoint frames acts of socially responsible behaviour as driven by the individual's sense of duty to society, which may be viewed in terms of altruism. Altruism is of course very difficult to support empirically, although there have been many studies of prosocial behaviour and support for the notion of self-transcendent (other-oriented) personal values in social psychology.

1.3.3.3 Threat or opportunity?

All this leads us to the inherent complexity surrounding the subject of CSR, regarding its connection to stakeholder theory and its "essentially contested" nature. So, whilst some studies have shown a positive relationship between CSR and financial performance, others are currently investigating the notion of non-market performance.Consequently, the notion of the Corporate Social Businessmen is equally controversial: not solely due to the arguments about the role of business and whether or not CSR helps financial performance; but *also* because the concept of employee *discretion* has been identified as a key factor regarding a social orientation at work, or, a moral character (in the ancient philosophical sense). And whilst the possibility of *unethical behaviour* is also acknowledged as an outcome of discretion and agency: corporate *ir*responsibility which has been the traditional focus in the study of business ethics, is regarded as insufficient and only the starting point, if the quest is for organisations to develop a socially responsible organisational context. This is of particular relevance in the wake of the global financial crisis caused by financial irregularities and lapses in corporate governance and personal integrity.

1.3.4 **Entrepreneurship ecosystem**

The **Entrepreneurship Ecosystem** refers to the elements – individuals, organizations or institutions – outside the individual businessman that are conducive to, or inhibitive of, the choice of a person to become an businessman, or the probabilities of his or her success following launch. Organizations and individuals representing these elements are referred to as entrepreneurship stakeholders. Stakeholders are any entity that has an interest, actually or potentially, in there being more entrepreneurship in the region. Entrepreneurship stakeholders may include government, schools, universities, private sector, family businesses, investors, banks, entrepreneurs, social leaders, research centers, military, labor representatives, students, lawyers, cooperatives, communes, multinationals, private foundations, and international aid agencies.

In order to explain or create sustainable entrepreneurship, one isolated element in the ecosystem is rarely sufficient. In regions which have extensive amounts of entrepreneurship (e.g., Ireland, RNIS, Silicon Valley, Route 128, Iceland, etc.) many of the ecosystem elements are strong and typically have evolved more or less simultaneously. Similarly, the formation of these ecosystems suggests that governments or societal leaders who want to foster more entrepreneurship as part of economic policy must strengthen several such elements simultaneously.

In July 2010, the Harvard Business Review published an article by Babson Global Professor Daniel Isenberg entitled, "How to Start an Entrepreneurial Revolution." In this article, Isenberg describes the environment in which entrepreneurship tends to thrive. Drawing from examples from around the world, the article proposes that businessmen are most successful when they have access to the human, financial and professional resources they need, and operate in an environment in which government policies encourage and safeguard businessmen. This network is described as the entrepreneurship ecosystem.

There are several key conditions that typically define a healthy ecosystem. The ecosystem:

- Is tailored around its own unique environment – it does not seek to be something it isn't, like the "next Silicon Valley"
- Operates in an environment with reduced bureaucratic obstacles in which government policies support the unique needs of businessmen and tolerate failed ventures
- Actively encourages and invites financiers to participate in new ventures, but access to money isn't without barriers for those planning new business ventures
- Is reinforced, not created from scratch, by government, academic or commercial organizations
- Is relatively free from, or is able to change, cultural biases against failure or operating a business
- Promotes successes, which in turn attract new ventures
- Often is supported by dialogue among various of the entrepreneurship stakeholders

To help global leaders understand and apply the benefits of entrepreneurship ecosystems, Babson College, ranked #1 for the best entrepreneurship program founded the Babson Entrepreneurship Ecosystem Project (BEEP) in 2009, through its subsidiary Babson Global.

1.3.4.1 Related Content

University-based Entrepreneurship Ecosystem – In academic settings, entrepreneurship ecosystems commonly refer to programs within a university that focus on the development of entrepreneurs and/or the commercialization of technology or intellectual property developed at the university level.

Business cluster – A business cluster is a geographic concentration of interconnected businesses, suppliers, and associated institutions in a particular field. Governments often look to clusters to stimulate innovation and entrepreneurship in their region. When clusters are applied to entrepreneurship, experts agree governments should not seek to create new clusters, but rather reinforce existing ones.

1.4 **Relationship Between Entrepreneurship and Economic Development?**

Businessmen often begin a career by launching a small business. In major and developed economies, small business is a significant driver of economic activity. Subsequently, entrepreneurship and economic development go hand-in-hand in many ways. Economic development is somewhat reliant on businessmen because any lack of development for small business has the potential to slow an economy. Meanwhile, new business owners depend on a growing and stable economy to provide employment and generate sales.

Local and national governments devote large sums of money to the expansion of small businesses in a region. Government agencies extend loans and sometimes grants to qualifying businessmen and possibly specific minority groups, including women. This is because of the heightened awareness that government officials share surrounding the fact that entrepreneurship and economic development are linked.

A government may be needed to set the stage for new business by first creating a community that is favorable to commerce. This could be through infrastructure development in addition to any financial incentives or motivations that might be provided. In doing this, policymakers are making it possible for entrepreneurship and economic development to occur. Once the conditions are ripe, new business owners can begin hiring employees, conducting commerce in an area, and supporting the development of a local or national economy.

Private corporations also become involved with supporting entrepreneurship and economic development. Large investment banks maintain lending divisions that are meant to suit the financing needs of businessmen. In addition to financing, lending institutions may also provide some level of training or support to new business owners to increase the chances for success. The role of venture capitalists is to provide equity to new businesses in exchange for a share of the eventual profits. As a result of private funding, businessmen can develop new technologies and contribute to productivity, which can benefit local, national, or global economies.

Developed countries are not the only nations in which entrepreneurship and economic development are needed. In third-world countries where poverty has taken a hold on communities, the extension of small amounts of funding can help businessmen to begin new businesses. The ramifications of this process, an activity known as microlending, are significant. Not only does facilitating new business in poor parts of the world help the businessman to explore new opportunities, but it also gives poverty-stricken citizens greater access to goods and services. Subsequently, an entrepreneurship inspires economic development and creates better standards of living throughout the region.

1.5 **Different Types of Entrepreneur Opportunities?**

There are many ways in which a person might exercise his or her entrepreneurial skills. The three main types of businessman opportunities include franchises, developing new operations within an existing organization, and forming a completely new one. Businessman opportunities can mean anything from working on small projects or the development of massive new enterprises.

It is possible to find businessman opportunities within an already established organization. People who do so are sometimes called intrepreneurs, or inside businessmen. An intrapeneur takes initiative to identify and develop projects that help an organization meet its objectives or grow in new directions. Corporate social businessman opportunities relate specifically to leading projects that enhance a company's performance in terms of social development and responsibility. Many companies today encourage different kinds of intrapreneurialship across all of their departments by offering training, advertising businessman opportunities, and providing incentives.

Within a company, entrepreneurial activities — though appreciated — might not always translate into as much monetary reward as the contribution would have if it had been to one's own enterprise. On the other hand, the vast majority of new businesses fail, so the risk of starting one is quite high. For some businessmen, franchise opportunities can help strike a balance.

Large franchises can provide businessman opportunities that come with support, such as proven brand awareness, a large network of allies, marketing teams, industry-specific consultation, and many other benefits that would normally cost a great deal. In order to maintain its corporate image and to regulate merchandise or service quality, the franchiser will normally require the maintenance of certain set standards. These restrictions may be seen by some businessmen as too inhibiting while others might appreciate the guidance and sense of belonging.

There are different kinds of businessmen. While all successful businessmen are innovators and change-makers, and generally possess strong leadership qualities, there are very different ways to promote change and there are also different kinds of leaders. There are people who prefer to set out alone in establishing brand new ventures, who enjoy taking chances as well as the creative freedom of doing things their own way. There are others who prefer to lead within a partnership or a team, or within a large, stable organization. In deciding which type of businessman opportunities to seek out, aspiring businessmen should consider their personal tastes and whether or not the risk involved in starting one's own business is appealing.

1.6 Entrepreneurship Concepts

1.6.1 Who is an entrepreneur?

Basically an entrepreneur is an innovator, job and wealth generator.

In addition to the above he is also

- Change agent
- Problem solver
- Pacesetter
- Excellence seeker
- Marketing executive
- Concept promoter

1.6.2 Why is an entrepreneur called a change agent?

Whenever and wherever problems occur, the individual seeks to eliminate the problems so that the world could be a better place to live in, a life worth living. In order to make it happen, one has to think of such processes that would yield merchandise and services that would enable and bring happiness, joy, comfort and peace. Therefore, he seeks such ventures that would bring about this change. He looks for opportunities for converting the challenges into comforts. So, he is called as **change agents**

1.6.3 What are the important features of entrepreneurship?

Entrepreneurship is an activity that helps in sensing the opportunities, resourcing "innovation" and realizing the "payoff" through the actions performed by him or her.

During this process the individual scans an environment for opportunities, identifies them, examines the feasibility of converting (or changing) that opportunity into a possible enterprise for production, draft plan of action and then engages oneself in such activities that would cause the merchandise.

Thus they change the opportunities into an merchandise or services.

1.6.4 How does Entrepreneurship help in building up the professional profile of an individual?

The spirit of Entrepreneurship helps the individuals to grow. It brings out the multi-faceted talent in him.

The businessperson has to face many challenges in setting up and running of the enterprise. To be successful Businessman has to plan, communicate, and manage various aspects of the market. In doing so, he becomes a complete professional.

1.6.5 How can we say that an entrepreneur contributes to social development?

Businessmen contribute to social development through the following activities.

- **For Individual**
    1. They provide new employment opportunities
    2. They improve the standard of living of the people.
- **For Investors**
    1. They provide investment opportunities for the investors and generate the wealth and distribute it to the investors. Thus helping the investors to grow their wealth.
- **For the nation**
    1. They contribute to the GDP of the nation directly.
    2. They contribute to the area development by re-investing in projects.
    3. They will be responsible for industrial and technical developments.

1.6.6 How does the entrepreneur contribute to the growth of the Gross National Product?

Businessmen make the society sensitive to the productivity.

The increase in the productivity, cost effectiveness and the pursuit of excellence increases the Gross National Product.

1.6.7 "An Entrepreneur converts the demand into supply".

1. Entrepreneur **identifies demand** of a merchandise in the changing needs or traditions or customs or lifestyles of people in the society.
2. He **meets the demand** by producing goods or services.
3. This results in **more Businessmen entering into the market** and producing similar merchandise or services to meet the same need. Hence, there will be many options for a customer in the market.
4. This results in demand getting converted to supply.

1.6.8. Identify businessmen who have influenced the society with their ideas

Dhirajlal Hirachand Ambani : He was working with Arab merchandise as a normal worker. He left his job and moved to Mumbai (in 1958) to start his own business spices. He later started the textile business and opened his own mill. He started Reliance Industries, which were contributing to around 5% of the central government's tax revenue.

Phanindra Sama : When he was unable to get a bus ticket when he wanted to travel from Bangalore to his home town, during a festive season, he sensed the problem of ticket information not reaching the passengers. Later on, he learned that though the tickets were available, due to the lack of availability of information, with the agents, many passengers are not getting the tickets. He converted this challenge into an opportunity and started his website Redubs. in, the setting the pace for selling the bus tickets online.

1.6.9 How does an entrepreneur differ from an inventor.

An entrepreneur is an innovator and is different from an inventor in the following ways.

Inventor	Entrepreneur (Innovator)
Invents new methods and new services.	Combines new methods/services and applies innovation to produce better products/services.
He is largely concerned with the technical aspects of the matter he deals with.	He is largely concerned with the economic, social and marketing dimensions of the subject matter.
He keeps the commercial prospects of his innovation as the last preference.	He examines the commercial and economic viability of his product in the market.

1.6.10 'An entrepreneur converts a source into a resource' – Exemplify.

A source becomes a resource only when it acquires a utilitarian dimension bestowing it with an economic value.

For instance, air, water, land and minerals are present in abundance in the form of sources. They become a resource only when they acquire a utilitarian dimension and are used in creating new utilities. The businessmen's have the capacity to create new utilities and values for them, or in increasing their existing economic value. They also have the capacity to convert them into new product configurations.

1.6.11 How does Peter Drucker envisage the role of the entrepreneur?

Peter Drucker describes the businessperson in a befitting manner as **"one who is involved in gathering and using resources to opportunities to produce results"**.

According to him, the following should be the qualities of a businessperson.

1. Searches for a change
2. Respond to change
3. Exploits the change as an opportunity.

Peter Drucker argues that the innovation is a specific instrument of a businessperson. Hence, an effective businessperson converts a source into a resource.

1.6.12 'Entrepreneurship is essential for the economic growth of a country'

1. The increase in the number of entrepreneurs is indicative of the increasing sensitivity of the nation to be productive and generative. This will slowly increase the Gross National Product of the country through increased productivity and the pursuit of excellence and cost effectiveness.
2. The prosperity of the nation is driven by a remarkable increase in the foreign exchange of the country due to increase in the number of businessmen in the field of Information technology and other sectors.
3. Employment opportunities are increased and the standard of living of the citizens of a country is raised. This catalyses the regional development of a country.

These factors are indicative of the fact that the Entrepreneurship is essential for the growth of a country.

1.7 Entrepreneurship Development in Transitional Economics

1.7.1 Introduction

One of the great social transformations of the 20th century is now well underway, the transformation of the formerly communist economies into various forms of private enterprise market economies. The success of this massive transformation will depend in large part on the success in freeing and developing entrepreneurship in the transitional economies. One of the few success stories in many of the Central European economies has been the explosive growth of the new private sector. The transformation of the privatized enterprises is proceeding much more slowly than was originally expected. Its success will require finding ways to combine the entrepreneurial energy of the new private sector with the restructuring needs of the privatized or to-be-privatized enterprises (e.g., through spinoffs including split-ups).

We will discuss here, and address some of the entrepreneurial response problems in the slow-reforming transitional economies such as:

the socialist culture of risk-avoidance,

the absence of entrepreneurial finance mechanism, and

the predator problem (e.g., bureaucrats and bandits).

1.7.2 Entrepreneurship Education

1.7.2.1 Entrepreneurship Culture

In a developed market economy, substantial entrepreneurial knowledge is transmitted as a part of the ambient culture. Successful businessmen are praised in the mass media. Some ethnic subcultures are particularly rich with examples and role models so that children easily come to have entrepreneurial hopes and expectations. But in socialist societies, neither the system nor peer pressure/values supported enterpreneurship so anything resembling entrepreneurship was usually limited to handicrafts, the service sector, or agriculture.

Thus entrepreneurship education in a transitional economy needs to be seen as a very broad social effort advancing on many fronts: primary and secondary schools, adult education institutions, universities, and colleges as well as in the vast domain of public education through the electronic and print media.

1.7.2.2 New Adult Education Institutions

GEA College in Slovenia is an example of a relatively new organization (five years old) focusing initially on entrepreneurship education for adults. In addition to a broad array of day courses, GEA College also teaches night courses in many smaller cities and towns of Slovenia for adults with day jobs. Many of the adult students can then start up small businesses (sometimes before fully leaving their regular job) and become independent self-employed people. This facilitates the transfer of jobs from the state sector or the privatized sector into the new private sector. Many of these new businesses will remain small to fill out the fine structure of a normal market economy. Others will take advantage of the many unfilled niches in a transitional economy to become fast-moving and fast-growing "gazelles."

The Morozov Project in Russia is an example of a new organization that combines adult entrepreneurship education with a broad range of other consulting and training functions. It uses a subtle blend of central organization and decentralized franchised business training centers across Russia to deliver entrepreneurship and business training programs over the country with the biggest land mass in the world.

While new entrepreneurship educational organizations such as GEA College and the Morozov Project have greater freedom to respond quickly and to avoid the old education bureaucracies, they must also secure a sound financial basis. Often entrepreneurship education is too narrow a basis to make the organization self-sustaining. Without other financial support, the organization might also have to address the needs of companies, social sector organizations, and government units for mid-career retraining and skills upgrading. This could involve everything from introducing executives and engineers to the quality revolution (e.g., international quality standards and Japanese management methods) to training secretaries to use Windows.

1.7.2.3 **Adult Education and Labor Unions**

In the West, some adult education institutions started as a labor-oriented organizations designed to assist workers to escape the "wage system" and to run businesses themselves. In the United Kingdom in the early 19th century, there were Mechanics' Institutes in London and Glasgow with that goal. The Mechanics Institute in London eventually became the present Birkbeck College of the University of London.

In today's transitional economies, there is a large amount of employee ownership in the privatized sector. The previous socialist economy has not prepared most managers, not to mention workers, to think as owners in a market economy. In a substantially employee owned business, there is no need for a labor union organized around the collective bargaining function. Labor organizations need to change to support the new ownership role of labor--as did the Mechanics Institutes over a century and a half before. For example, in Slovenia where there has been substantial employee ownership in the privatization program, the major labor unions are sponsoring training programs on interpreting financial statements, the rights and responsibilities of ownership, and on the experiences with employee ownership elsewhere (e.g., the Employee Stock Ownership Plans or ESOPs in the United States and United Kingdom, or the Mondragon cooperatives in the Basque region of Spain).

1.7.2.4 **Adult Education and Veterans' Associations**

In the FSU, the relaxation of the Cold War has led to substantial demobilization or "downsizing" of the armed forces. Many of the people who are to be reintegrated into the civilian economy have considerable leadership experience (e.g., the officers) and might, with some training, harbor entrepreneurial ambitions. Veterans' associations and organizations of reserve and retired officers can help the process by sponsoring entrepreneurship education programs. Franchising, as a form of partly pre-packaged entrepreneurship, might be a particularly effective way of getting ex-military officers started in business. Lump-sum separation benefits could provide part of the initial financing.

1.7.2.5 **Secondary Schools**

Business literacy education need not wait for college or be restricted to college students. It should start in the secondary schools. High school students are not adverse to dreaming--so with a little knowledge of how business works, these dreams can take a more practical entrepreneurial form.

Colleges and Universities

In the western market economies, most all universities have a graduate business education program or a business school offering an MBA-like degree. Many undergraduate colleges also offer a business major. The colleges and universities in the transitional economies will sooner or later follow a similar path. Since this is obviously a positive development, only a few caveats might be in order. Not only business majors but all students should have some basic business literacy education to help compensate for both the negative propaganda of the past and the unrealistic Hollywood-image propaganda of the present. The get-rich-quick expectations of many young people will lead them to make long-term career choices in favor of the currently flashy financial services sector as opposed to the scientific and engineering sectors.

But it is much easier for a scientist or engineer to learn about business later on in their career than for the opposite to happen. It is often useful to perform an Gedanken experiment of listing famous businessmen in a dynamic industry such as, say, the computer industry, and then consider how many took their university education in a scientific or engineering subject and how many majored in business.

1.7.2.6 Public Education

In the transitional economies, education about entrepreneurship and business in general needs to extend beyond the educational institutions to the public media. Chambers of commerce, government agencies, trade associations, business clubs such as Rotary Clubs, and even labor organizations can sponsor public awareness campaigns. Many educational materials (e.g., distance learning courses or business books) can with a little effort be translated and/or adapted and disseminated through the public media.

1.7.2 Entrepreneurship Support

1.7.2.1 Business Training Centers

A number of transitional economies have already developed networks of business training centers (BTCs). The BTCs have a variety of functions such as business training, consulting, and serving as an information resource or library for business people. They might be organized as semi-public non-profit companies or as private companies. They might be financed my local governments, by consulting fees and user charges, or even by international donors. They might be stand-alone organizations or part of a larger network or franchise system. Usually the difficult transition is from government-funded to self-financed training which involves developing the local demand for business training services.

BTCs are not unique to transitional economies. For instance, in the United States the Small Business Administration (SBA) was a Federal agency that supported many Small Business Development Centers often associated with universities. For the agricultural sector (thinking of farms as small businesses), the Agricultural Extension Service, usually associated with an agricultural college, provided information and consulting advice on best practices to farmers all across the country.

1.7.2.2 Incubators

Business incubators provide some of the standard infrastructure (space, communications, and support services) for new startups so that the entrepreneurs can focus on what is unique to their businesses. Some incubators also provide consulting services and advice. The internal incubator (as, for instance, developed by the company InIn in Slovenia) is an incubator inside of a large company that needs to downsize by spinning off some workers in small businesses. These could be new businesses or part of the old company to be spun off as a separate operation. The internal incubator should be a particularly important tool in the restructuring of the large uneconomic enterprises in the post-socialist economies.

1.7.2.3 **Franchising**

A business franchise is a pre-packaged slice of relatively successful entrepreneurship which saves the franchise the trouble of "reinventing the wheel." While the concept should be very useful in the transitional economies that are currently lacking in strong entrepreneurial traditions, there are several reasons why the uptake may be slow. Firstly, many of the western franchises can only with great difficulty be transplanted into the transitional economies. The supply networks may be absent, the tastes may be quite different, and the niches may not be the same. Some foreign franchises may only work for a while due to the pent-up demand for foreign products. Eventually domestic master franchises will be developed, and only then can the potential of franchising is realized. The second problem that needs to be addressed is that of intellectual property rights. In an economy with lax enforcement of trademarks and franchises, so many imitators and pirates would freeload off the brand recognition and reputation of the franchise that it would soon be uneconomic for the master franchiser to continue.

1.7.2.4 **Enterprise Forums and Clubs**

On the model of the MIT Enterprise Forum, a businessman presents a business plan to a panel of experts, financiers, and experienced businessmen before a public audience. The presenter will learn much about the problems in his plan which can be rectified before it is presented to the real financiers. Future businessmen in the audience learn first-hand about business plans and their presentation, and about the whole culture of entrepreneurship.

An enterprise forum might be associated with a businessman club which could sponsor other public activities and social gathering. In addition to supporting the culture of entrepreneurship, these clubs provide a central meeting place to allow entrepreneurial team members and financiers to find each other. Clubs might be associated with BTCs, incubators, chambers of commerce, colleges, or schools.

1.7.2. 5 **Entrepreneur Mentoring Program**

It is a commonplace that much of "entrepreneurship" cannot be captured and transferred in textbooks. Thus, to be successful, business cultures need to develop ways in which entrepreneurial skills in their "embodied form" (i.e., in successful businessmen) can be socially transmitted, propagated, or "recycled" to aspiring young and mid-career people. This might be accomplished through various programs to mentor, champion, or godfather aspiring businessmen. The supporting structure could be based on:

market relationships (e.g., consulting contracts or venture capital investments),

overhead in a large organization or network (e.g., mentoring in a large company's entrepreneurial program or the role of godfathers in the Mondragon cooperative network),

an entrepreneur's social role (e.g., in clubs or forums), or

familial relationships.

1.7.3 Entrepreneurial Spin-offs from Large Enterprises

1.7.3.1 Advantages of spin-offs

Large state-owned enterprises are often in need of massive restructuring. How can entrepreneurship be applied to this task? The application of entrepreneurship within a large organization is sometimes called "intrapreneurship." While this is certainly possible and indeed necessary in the large post-socialist enterprises, the focus here will be on the next step of actually spinning off the entrepreneurial subunit as a separate enterprise (probably contractually related to the mother firm).

The spinning off (or hiving off) of assets in new firms has emerged as a particularly appropriate restructuring strategy--particularly when the small and medium-sized enterprises can still reap the advantages of continuing relationships with the mother firm and with each other. This section will focus on the advantages and drawbacks of spin-offs, on the financial structures of spin-offs, and on government policies to promote spin-off restructuring.

1.7.3.2 Greater Efficiency of Small and Medium-sized Firms

State-owned enterprises (SOEs) usually suffer from the disease of giganticism. New technologies usually allow quite efficient units in smaller scales (e.g., the mini-mills in the steel industry). In human terms, small and medium-sized firms always had the advantage. In general, organizations should strive to have greater proximity and visibility between the efforts expended by teams and the fruits of those efforts. This is clearly more possible in smaller organizations than in large ones where the results of a team effort can easily be lost in the enormity of the operation.

A reduction in the scale of operations can in part be achieved by dividing an enterprise into profit centers. However, profit centers always seem vulnerable to accounting manipulation (e.g., the vagaries of transfer pricing) and "political" interference from top management. By spinning off the profit center as a separate business unit, the unit can achieve a smaller scale, a greater measure of autonomy, and a greater ability to capture the fruits of its efforts with less threat of expropriation by the parent enterprise.

Some care must be taken as to how an enterprise is broken into segments. Given a vertically integrated monopoly, it would be of little use to vertically dis-integrate it into a series of smaller monopolies each one buying an input or selling an output to another. That would only reduce the scale of the monopoly and replace an internal transfer with a bilateral monopoly bargaining situation between the units. It would be better to horizontally break up a firm according to merchandise lines and/or regions so that there are some contested markets at least around the edges.

1.7.3.3 New Management

The managerial dynamics of spin-offs are quite interesting. The older top management cannot provide the day-to-day management in a number of spin-offs even if the spin-offs are maintained as subsidiaries, not to mention if they are spun off as separate firms. Thus this sort of a breakup will always dilute and disperse some of the direct span of control of the original top management. Top managers might drop down into a particularly promising subsidiary but then they would be giving up their previous position spanning the whole enterprise.

In view of the organizational inertia of the old structures, the break-up restructuring of spinning off various business units may prove a more effective means of getting new management in place than fighting to directly replace the top management of the parent company. In any case, methods need to be devised to motivate the parent such as "compensating the parent for explicit release of rights to technology previously developed in the parent and to be used by the spinoff; giving the parent a right of first refusal for subsequent financing; preferential utilization of the parents' labor as the spinoff grows; or giving the parent the right of first refusal on licensed production".

1.7.3.4 Tapping the Vitality of the New Enterprise Sector

In view of the amount of down-sizing, rationalization, and rehabilitation that is needed in the old SOEs, entrepreneurial managers are understandably reluctant to invest their time, energy, and other resources in the old forms. But many of these problems are alleviated in spin-offs. One strategy is therefore to structure spin-off transactions that are attractive enough to entrepreneurial managers from inside the old firm to engage their best energies.

1.7.3.5 Pure Plays for Outside Investors

Strategic (or trade-related) investors might only be interested in a relatively small and well-defined part of the old enterprise. They have no desire to take over the entire old firm (even if politically acceptable) and then close down or sell all the other parts just to get the desired segment. Thus the government might allow a foreign investor to pick the viable and relevant part of the old firm (a "pure play") and to repackage it in a spin-off rather than make no investment at all.

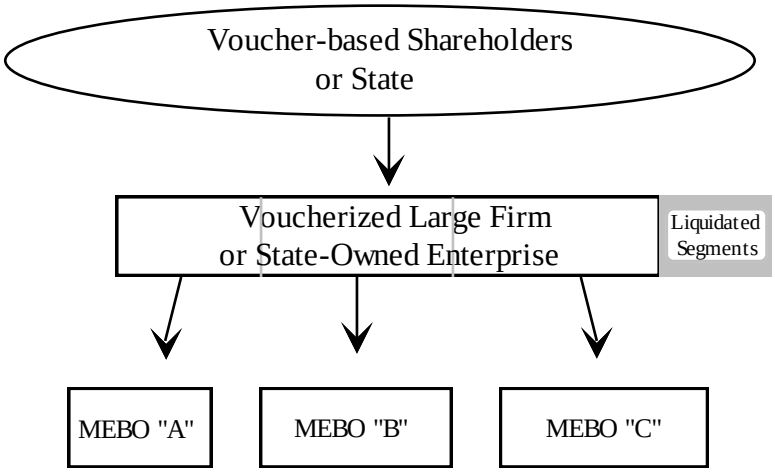
1.7.3.6 Post-Voucherization Restructuring

In the early debates about privatization, "private ownership" referred to real owners who would control and restructure the privatized enterprises. But with the widespread use of voucher-based mass privatization, "private ownership" was redefined to mean the private ownership of shares in quasi-public companies ("quasi-public" in the Berle and Means sense of having widely dispersed passive shareholders. Since the public "voucherized" companies had no effective owners, the question once again arose of fulfilling the original aims of restructuring the companies to function profitably in a market environment.

In the absence of foreign investors or domestic businessesmen able to invest in a company, the management-employee buyout (MEBO) is one of the few feasible methods of finding a set of owners able

to act as a coherent unit (particularly in small and medium-sized firms) and bear the costs of their own actions or inaction. Thus a hard budget constraint can enforce real restructuring in an employee-owned firm.

One restructuring option for a large voucherized firm or a state-owned firm is, in effect, to sponsor its own "second-stage" MEBO program by facilitating the spinning off of its business units to their management and staff.



"Bust-Up" Restructuring with Second Stage MEBOs

1.7.3.7 Drawbacks of spin-offs

1.7.3.7.1 Less Financial Clout

In a market economy, the spun-off units might have greater credit-worthiness since they have greater economic viability. But in the reforming economies, credit may in fact follow political directives, and the whole original enterprise would have more political clout and thus more financial clout than the separate parts. This might well be seen as a drawback of the spin-offs.

The spun off units need not, however, stand alone. Segments of a large enterprise might spin off but then become a part of a larger Keiretsu-like group. In that manner, they might hope to reap some of the benefits of a spinoff while not entirely giving up the financial and other advantages (e.g., access to social assets) of a larger grouping.

1.7.3.7.2 Bankruptability

It is increasingly unrealistic to expect governments to let large voucherized or state-owned firms sink into bankruptcy. A strong economic environment, the United States government still stepped in and bailed out

large firms such as Chrysler and Lockheed when they were threatened with bankruptcy. Reforming governments can hardly stand by as numerous large firms go bankrupt. Without an alternative, the old soft budget constraint threatens to be continued in new forms.

Break-up (or bust-up) restructuring separates a large firm into a number of parts spun off from the mother enterprise. Some of the spun off may prosper and absorb workers from the other parts that have to rationalize their workforce. Since the spun off firms are much smaller than the original enterprise, each of them is more bankruptable in the sense that it could go bankrupt without creating as much sudden unemployment and social shock. From the viewpoint of the individual spun off the unit, that bankruptability may be a drawback of the spinoff strategy.

The top managers and the workers of the original enterprise understand "instinctively" that the ability to extract continuing subsidies and support from the local and national governments depends on the size and clout of the enterprise--which may be lost after bust-up restructuring. Thus break-up restructuring presents a basic dilemma to the top managers and workers:

a) To break up the enterprise by spinning off segments and gain the advantages outlined above, or

b) To keep the old enterprise together and sacrifice the advantages of the spin-offs in favor of the great political and financial clout of the whole enterprise.

A spinoff restructuring program would have to make the spin-off attractive enough to overcome the accompanying increase in bankruptability.

1.7.3.7.3 **Financial Structure of Spinoff Transactions**

The financial options are essentially the same in a second-stage MEBO as in a first-stage or state-sponsored MEBO program except that the seller is the mother enterprise rather than the state. Bank credit or other third party credit is typically not available to finance MEBOs in reforming economies so the transaction must use seller-supplied credit or be a leasing or hire-purchase transaction (which could be viewed as a seller-financed transaction with ownership only passing at the end of the payments). The mother firm might also issue "wage bonds" for unpaid past wages which can then be used to partially finance the spin-off.

Seller-supplied credit can take a number of forms, the simplest being a term note to be paid off over a period of years. A more flexible arrangement is for the MEBO to issue redeemable preferred stock to the mother. Instead of payments on a term note, the preferred stock is divided into different issues that need to be redeemed at fixed time intervals. If a redemption payment is missed then that issue of preferred stock converts into voting common stock. Thus if the MEBO fails to keep up its payments, then it will become increasingly owned by the original mother enterprise so its attempt to gain some degree of separation from the mother will have failed.

In a typical example, the management and staff destined to work in a proposed MEBO spinoff will incorporate a new company putting in some amount of cash (possibly with personal borrowings) and wage bonds as equity. Then the mother drops down the necessary assets into the MEBO firm in return for some combination of common stock, preferred stock, redeemed wage bonds, or debt notes issued by the new company (or by assuming some debts of the mother company). If only a minority of the outstanding common voting stock went back to the mother, then the spinoff would be heavily leveraged

but the insiders would have majority control (and thus a rather clear incentive and capacity to go their own way).

In designing a second-stage MEBO spinoff program, consideration must also be given to the creditors of the mother firm. Ordinarily some consent of the creditors might be necessary before major assets were spun off to a daughter firm. It might also be possible to drop down liabilities (as well as assets) into the spun-off firm. Such a reassignment of debts would typically require the consent of the affected creditors. If the mother enterprise was distressed (as would often be the case), the creditors might prefer their chances of being paid by the spun-off MEBO firm.

The following is an example of a MEBO spinoff using an asset drop-down transaction. The original Mother firm has 14,000 in assets, 5,000 in liabilities, and 9,000 in shares owned by the state or citizens and investment funds following a voucher distribution program.

Active	Passive
Assets 14,000	9,000 Issued Shares
	5,000 Liabilities

Mother Firm Before Asset Drop-Down Transaction

The staff of the to-be-spun-off business unit invests 1,500 in a new company, 1,000 as wage bonds and 500 as cash. Assets worth 6,000 are dropped down to the MEBO firm in return for 3,000 worth of preferred stock, 1,000 of redeemed wage bonds, and dropping 2,000 worth of debts.

Mother Firm

Active	Passive
Preferred Stock 3,000	9,000 Issued Shares
Wage Bonds 1,000	3,000 Old Liabilities (including 1,000 Unpaid Wages)
Other Assets 8,000	

[Assets dropped down in return for preferred stock, wage bonds, & taking over debts]

(2,000 debts dropped to MEBO)

[Liabilities dropped to MEBO firm]

MEBO Spin-off Firm

Active	Passive
Dropped Assets 6,000	1,500 Insider Equity Shares
Cash 500	3,000 Preferred Stock to Mother
	2,000 Dropped Liabilities

Asset Drop-Down Transaction

1.7.3.7.4 Government Policies to Promote Spinoff Restructuring

In the aftermath of the "voucherization" of SOEs, the government has lost the direct power of ownership over the enterprise. But many voucherized enterprises lack effective private owners (this is called the "corporate governance" problem) and are slowly sliding into bankruptcy. As arrears pile up in distressed firms, the government gains new levers to promote restructuring. The court systems are quite unable to handle such a scale of impending bankruptcies. Widespread liquidation is not politically or socially feasible. Thus a government reorganization bankruptcy program may be the only alternative to *the facto* or *de jure* denationalization of the large bankrupt voucherized companies.

A government reorganization bankruptcy program would typically be implemented not by the courts but by some organization that we will call the Enterprise Restructuring Agency (ERA). The ERA would have a form of trusteeship over the enterprises in its restructuring program. Enterprises could enter the program in various ways such as: involuntarily after a certain level of arrears (at the instigation of creditors or by an automatic trigger); or volunteering as an alternative to liquidation. Government-sponsored restructuring programs are sometimes called "enterprise isolation programs" because the sources of soft credit are removed to enforce adjustment and restructuring. It is advisable to organize the ERA separate enough from the government to avoid the salary scale for government employees. The director of the ERA will, in any case, need considerable clout with the government in order to stop the accumulation of penalties (e.g., on utility bills and overdue loans) and to reschedule debts.

The ERA could use a centralized or decentralized approach to restructuring. In a centralized approach, a term of experts would "take over" the enterprise and devise a restructuring strategy. In a decentralized strategy, the burden of preparing the restructuring plans would fall on the managers or entrepreneurial teams (which might come from outside the firm).

With different management or middle-management teams vying to spin off segments of the distressed business, the ERA will need to decide which restructuring plans are to be accepted in view of the interests of creditors and other stakeholders. Insofar as possible, the process should be "passively" regulated in the sense that the ERA officials do not need to exercise active judgment, but only need to check if the restructuring plans satisfy certain objective criteria.

To reduce transaction costs and bargaining stalemates, the ERA should enforce standard terms for asset drop-downs and other spin-off transactions. A standardized valuation procedure would be needed to value the assets. Assets dropped down to a spun off unit might be:

(1) Purchased in return for a "wage bond" issued to workers for unpaid past wages, a note receivable, or redeemable preferred stock with installment payments on standard terms;

(2) Purchased in return for assuming (renegotiated) debt from the parent enterprise;

(3) Transferred as injected capital into the daughter in return for shares; or

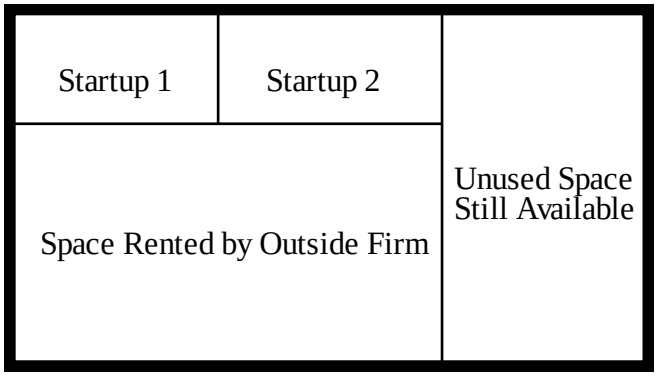
(4) Leased by the daughter with an option to purchase after specified payments have been made (perhaps with a moratorium period of, say, six months of lease payments).

There are also certain shared costs that might need to be incurred in order to facilitate spin-offs and start-ups of small firms in the premises of a bankrupt company such as new utility meters, doors, and walls.

A certain percentage (e.g., majority or 75%) of the workers originally involved in the segment being spun off would have to accept the spinoff proposal (e.g., by getting shares if not jobs in the initial spin off the unit). Within the standardized guidelines for each option and within a certain time deadline, the entrepreneurial team would have to devise a restructuring plan acceptable to the Enterprise Restructuring Agency. Otherwise liquidation procedures would commence to satisfy, as far as possible, the claims of the creditors.

Liquidation can itself be designed to facilitate the development of new and often related startups using some of the liquidated assets. For example, the firm to be liquidated could be converted into an asset holding company charged with the task of selling or leasing out the assets to recover as much value as possible for the creditors. Once this liquidation option has removed the possibility for the old management and workers to keep the old firm propped up by more subsidies, top and middle managers might redirect their energies to restarting small companies using some of the assets and workers from the old firm. A moratorium on lease payments for a certain time period would reduce their working capital requirements.

Premises of Old Firm



Post Liquidation Asset Redeployment

Outside businessmen or other companies might also bid on certain assets to be redeployed in their operations. The asset company would have a certain life span to recover as much as possible for the creditors. The new companies would be free of dealing directly with the old creditors unless they chose to partly finance their assets by taking over old debts (secured by those assets).

1.7.4 Entrepreneurship Problems in Transitional Economies

1.7.4.1 Outline of Some Entrepreneurial Strategies

In a post-socialist transitional economy, the usual finance and risk problems for businessmen are compounded by:

the culture of risk avoidance inherited from socialism,

the lack of an established system of entrepreneurial finance, and

the predator problem due to the lack of enforceable property rights in the fruits of entrepreneurial efforts.

Broad social strategies will be suggested to address some of these problems:

the use of "small-start" or incremental entrepreneurship rather than "big bang" entrepreneurship,
the development of "social capital" to support a startupfinance having to buy it with financial capital), and
whenever necessary, the embedding of entrepreneurial ventures into social partnerships to better protect the fruits of the efforts.

1.7.4.2 An Approach to the Risk Problem: Incremental Entrepreneurship

History provides a wealth of lessons that myopia is more the norm than clairvoyance. When the way forward is unclear, then it is better to proceed by small steps than by great leaps. It is better to "cross the river feeling for the stones as one goes" because small missteps can be corrected without great losses. Successful businessmen usually have behind them a trail of several small failures ("learning experiences").

An incremental small-start approach to entrepreneurship is particularly important in post-socialist economies due to the culture of risk-avoidance nurtured by socialism. Grandiose business plans (with "new machines from Germany") are to be avoided in favor of small sequenced or staged startups. Only after the lessons are learned and adjustments made from one stage does the project build to the next stage. This would greatly reduce the risk involved in the venture and would minimize the startup capital requirements.

1.7.4.3 An Approach to the Finance Problem: Capitalizing Social Capital

There is considerable experience (and literature such as Otero and Rhyne, 1994 or Bennett and Cuevas, 1996) on providing financing to micro- and small businesses in developing countries. Many of the conventional and unconventional techniques (e.g., peer group or mutual guarantee lending institutions and rotating savings and credit associations) will eventually find application in the transitional economies. Our approach here is to emphasize methods of "capitalizing social capital" to minimize the need for financial capital in the beginning of a startup.

Conventional economics models markets so it tends to interpret all social relations as market relations and to thus assume that cooperation must be purchased with money. If we refer to habits of teamwork,

cooperation, and reciprocal trust as "social capital", then it is too often assumed that social capital must be purchased with financial capital.

Consider a business startup involving a leader/businessman and ten workers. If the ten workers have only a market (i.e., employee) relationship to the venture, then they might well demand that the venture be sufficiently financed to guarantee, say, six months salaries. Their social capital would have to be purchased with a sizable investment of upfront financial capital. If, on the other hand, the workers were involved as co-ventures with an equity stake in the enterprise, then a substantial amount of the upfront finance would be replaced by their "sweat equity." Their social capital (teamwork, cooperation, and trust) would have been obtained by other means.

Family-based startups, as seen with the overseas and mainland Chinese, provide other examples where social capital is obtained (based on familial relations) outside of expending financial capital in market relationships.

In a transitional economy with little or no system of entrepreneurial finance, it is imperative that every means be developed to obtain social capital for startups other than with financial capital. Sweat equity and familial relations are two methods already mentioned. Social capital in the form of trust between the venture and its suppliers and customers can serve to greatly reduce the need to finance working capital. Suppliers can give credit to the venture, and customers might partially prepay their orders.

Many post-socialist societies are quite impoverished in social capital; communism corrupted and destroyed many of the normal forms of social cooperation leaving behind a confused, cynical, and sullen individualism. In a semi-desert area, it is all the more important to conserve the few sources of water, and similarly in the post-socialist landscape, it is all the more important to conserve and build onto any remaining pockets of social capital.

In market economies, firms may be seen as local non-market solutions to collective action problems where transaction costs prevent coordination by market contracts. In the new post-socialist market economies, as in the established market economies, the primary example of extensive social cooperation in daily life is found in the workplace. Thus entrepreneurial efforts that arise out of or spin off from existing enterprises may be particularly effective in post-socialist societies. Other social organizations that might support entrepreneurial efforts include local township governments (e.g., the township-village enterprises in China,), unions, cooperatives (housing, customer , credit, and producer co-ops), mutual aid associations, guilds, professional associations, churches, veterans associations, clubs, schools, and extended family groups.

1.7.4.4 **An Approach to the Predator Problem: Socially Embedded Entrepreneurship**

One of the greatest disincentives to entrepreneurial effort is the belief that predators will reap what the entrepreneur has sown. Mafia-like criminal groups as well as rent-seeking government agencies can effectively discourage any local entrepreneurial efforts. For instance, national, regional, and local government authorities might have an array of taxes levied on businesses which are largely unenforced due to the distressed nature of many businesses. But once a firm shows some signs of success, the tax authorities will arrive at the door demanding that the firm "obey the law" and pay all the taxes. There may well also be a vast number of local regulations (backed by penalties) that the authorities can enforce at their discretion to raise public funds (or private bribes).

Entrepreneurship could, of course, flourish under a regime of stable and protected property rights, enforceable contracts with a fair system of adjudication of disputes, and a liberal system of uniform taxes

and tariffs. In the evolving post-socialist societies, aspiring businessmen cannot postpone their efforts until something like the idealized system arrives; they need to develop second-best or third-best approaches that are better adapted to their less-than-ideal environment. Vigorous programs of deregulating small businesses, reducing business taxes, and downsizing big government should nevertheless be pursued to minimize the chances of governmental predation in the new private business sector.

One broad second-best strategy is for entrepreneurial groups pursue their ventures in some type of alliance with legitimate social powers that can provide the necessary protection. One highly successful example is the township-village enterprise (TVE) in China. Completely private enterprises might be subject to forms of political expropriation by various levels of government, so local businessmen teamed up with local township or village governments to form TVEs. This arrangement protected the entrepreneurial group while enhancing the status of the local administrators by providing jobs for the towns people and taxes for the government. The TVEs have been the engine of the remarkable Chinese transition, and yet first-best policy advice based on thoroughgoing privatization would have recommended against such enterprises.

In a similar manner, entrepreneurial ventures in other transitional economies might have to be embedded in some legitimate social structure in order to find protection and to flourish. One general restructuring strategy for a large post-socialist enterprises is to systematically spin off smaller units. These spin-offs might be majority owned by the insiders in the spun off units with the mother enterprise retaining minority interests as well as a variety of contractual and commercial relationships. In this manner, the entrepreneurial spin-offs could combine the strength of association with the larger group while reaping the benefits of the relatively independent initiative.
Entrepreneurial efforts in commercial real estate development might be stifled by potentially predatory municipal governments. One approach to obtain the support of the city government would be to have a defined contribution pension plan for city employees and for a real estate development company to put shares into such a plan in exchange for saying some tax holidays, licenses, or clearances. Then the members of the city administration would have a clear interest in helping the real estate development venture succeed.

These examples indicate how entrepreneurial ventures can form partnerships and alliances with more powerful organizations so that the fruits of their entrepreneurial efforts will be better protected against other rent-seeking groups.

1.7.5 Conclusions

Entrepreneurship is key to the transition, both in small startups and in restructuring large enterprises. A large variety of entrepreneurship education and support organizations have been developed in the leading transitional economies and can be developed in the late-starting or slow-reforming economies. Entrepreneurship can play a major role in the restructuring of large post-socialist enterprises by means of spin-offs. Special strategies need to be used to help kick-start entrepreneurship. Chronic risk-avoidance can be partially compensated for by using incremental startup strategies to parcel out and reduce the entrepreneurial risks. The relative lack of risk capital for businessmen can be partly addressed by using other ways to mobilize the cooperation of the necessary agents. Fear of having entrepreneurial profits expropriated by predatory groups and agencies in a very imperfect legal environment can be partly combated by linking the entrepreneurial ventures to legitimate and protective social powers.

1.8 Entrepreneurial processes

1.8.1 **Framework**

Of course, there are many ways to organize the effort of planning, launching and building a venture. But there is a set of fundamentals that must be covered in any approach. We offer the following as a way to break down the basic activities necessary.

It is useful to break the entrepreneurial process into five phases: idea generation, opportunity evaluation, planning, company formation/launch and growth. These phases are summarized in this table, and the Opportunity Evaluation and Planning steps are expanded in greater detail below.

1. Idea Generation: every new venture begins with an *idea*. In our context, we take an *idea* to be a description of a need or problem of some constituency coupled with a concept of a possible solution.
2. Opportunity Evaluation: this is the step where you ask the question of whether there is an opportunity worth investing in. Investment is principally capital, whether from individuals in the company or from outside investors, and the time and energy of a set of people. But you should also consider other assets such as intellectual property, personal relationships, physical property, etc.
3. Planning: Once you have decided that an opportunity, you need a plan for how to capitalize on that opportunity. A plan begins as a fairly simple set of ideas, and then becomes more complex as the business takes shape. In the planning phase you will need to create two things: **strategy** and **operating plan**.
4. Company formation/launch: Once there is a sufficiently compelling opportunity and a plan, the entrepreneurial team will go through the process of choosing the right form of corporate entity and actually creating the venture as a legal entity.
5. Growth: After launch, the company works toward creating its product or service, generating revenue and moving toward sustainable performance. The emphasis shifts from planning to execution. At this point, you continue to ask questions but spend more of your time carrying out your plans.

Although it is natural to think of the early steps as occurring sequentially, they are actually proceeding in parallel. Even as you begin your evaluation, you are forming at least a hypothesis of a business strategy.

As you test the hypothesis, you are beginning to execute the first steps of your marketing plan (and possibly also your sales plan). We separate these ideas for convenience in description but it is worth keeping in mind that these are ongoing aspects of your management of the business. In the growth phases, you continue to refine your basic idea, re-evaluate the opportunity and revise your plan.

The focus here is the evaluation and planning phases. We first develop a framework for understanding and analyzing this process. This table summarizes this framework:

Opportunity evaluation (investment prospectus)	**Company's plan**	**Execution**
• Need / problem • Solution • Competitive position • Team • Risk / reward profile	**Strategy** • Target customer • Business model • Position • Milestones / company objectives **Operating plan** • Company timeline • Staffing plan • Budget • Financing plan	• Market research • Marketing • Business development • Forecasting • Sales planning • R&D management • Operations management • People management • Process and infrastructure • Budgeting • Financing

To take this analysis one level deeper, we can break down each of these phases as follows.

1.8.2 Opportunity Evaluation

It is helpful to think of the evaluation step as continually asking the question of whether the opportunity is worth investing in. You are actually constructing and then continually revising an "investment prospectus."

There are five basic questions that you should ask as you evaluate an opportunity.

1. Is there a sufficiently attractive market opportunity?
2. Is your proposed solution feasible, both from a market perspective and a technology perspective?
3. Can we compete (over a sufficiently interesting time horizon): is there sustainable competitive advantage?
4. Do we have a team that can effectively capitalize on this opportunity?

5. What is the risk / reward profile of this opportunity, and does it justify the investment of time and money?

If you can answer all of these questions affirmatively, then you have persuaded yourself that this opportunity is worth investing in. This is the first step toward being able to convince others, whether they be prospective customers, employees, partners or providers of capital.

1.8.3 Planning

1.8.3.1 Strategy

There are four main areas of strategy: determination of the target customer set, business model, position and objectives. These are described briefly below and in more depth in the sections devoted to these topics.

1.8.3.1.1 *Target customers*

The target customer is the set of potential buyers who are your focus as you design your company's solution. The more you know about them, the better off you are. Your characterization should be both qualitative and quantitative**.**

You should investigate any alternatives the customer has for solving or working around the problem or need that you are targeting. You should understand the buying process in detail, including who are the decision makers and who influences the decision.

1.8.3.1.2 *Business Model*

The business model is your theory about how you will make money. It involves a definition of a solution to the customer's need, an hypothesis about how and how much the customer will pay for that solution. If there are any assumptions required for your theory to be true (such as the existence of complementary merchandise or services, or the customer's willingness to change business processes) these should also be articulated.

1.8.3.1.3 *Position*

"Position" refers both to how your company is differentiated from any competitors and also how it relates to other companies in the value chain. This is an opportunity to define, at a fundamental level, what your company will do and what it will not do.

An element of position is your company's **vision**: how it wants to be known or thought of. A compelling vision is necessary to inspire investors, recruit and motivate employees, and to excite customers and partners.

1.8.3.1.4 *Milestones / Objectives*

As a first step toward creating your operating plan, you should create a set of high level objectives for your business. This should include:

- Key milestones (prototype, merchandise , customer, partnerships, etc..)
- Share or penetration into your chosen market

A clear articulation of objectives will allow you to set priorities for your venture, which will be critical as you face the many tough decisions that any businessmen must face.

1.8.3.2 **Operating plan**

Your operating plan is where you spell out all of the things that you plan to do and what they will yield for your business. The activities will cover all areas of the business: marketing, selling, engineering, etc. These activities should yield merchandises by a certain date, possible partners, customers, etc. These activities will drive the financial performance of the company.

Your operational plan will be a combination of **plans**, i.e., these people working on this topic for this period of time will produce result X, and **forecasts** or **projections**, i.e. predictions about what results will occur. The primary and most important forecast concerns revenue, but predictions about costs of materials and other things may be important as well. The operating plan is the core of your business, and you should make it as good as you can - your plans should be as thorough as possible and your forecasts should be based on the best and most complete evidence you can compile.

Begin with your strategy and break down what needs to be accomplished to achieve your objectives - this is the basis of your plan. The more detailed and fine grained analysis you can develop, the more accurate and reliable your plan will be.

1.8.3.3 ***Staffing plan***

This is the document where you capture all of the hiring your firm will do (skills, experience and timing).

1.8.3.4 ***Budget***

The budget is where all the pieces of the operating plan come together and are expressed in financial terms. This is a critical document for managing your business.

1.8.3.5 ***Financing plan***

This includes the capital needs of the company, the timing of those needs and the desired/expected sources of that capital.

1.8.3.6 ***Planning process***

Here are a few important principles:

- The actual budget, staffing plans, etc. Are then driven by estimates of what it takes to accomplish the tasks in the required time frame.
- Build a plan that captures everything (so that you are not hurt by surprises or unexpected expenses)

- Revenue: detailed bottom up plan, based on best information about customer groupings, conversion rates, sales activity, …
- Expenses: usually people driven – build in realistic hiring timetables, training, learning curve, benefits, travel, etc.
- Program expenses: mostly marketing – must support the plan and estimates should be equally comprehensive
- The plan must **close** – all pieces tie together.

The plan becomes more manageable when you break it down into major functional areas. The traditional breakdown is as follows, but you don't have to be bound by this except in so far as you should follow Generally Accepted Accounting Practice.

- Marketing
- Sales
- Research and development
- Operations
- Finance
- People management
- Processes & infrastructure

You should monitor your budget carefully and continually, and make adjustments as needed.

1.8.4 **Execution**

Execution is organized by the core functional areas of the company:

Entrepreneurship and Strategic Development
The word entrepreneur is derived from the French entrepreneur, meaning "to undertake". The businessperson is one, and the only one, who undertakes to organize, to set goals, to manage, and to assume the risks of a business. A businessman is an innovator. However, a businessman is also a strategic developer who recognizes and seizes opportunities. A businessman turns those opportunities into workable, market driven ideas and… realizes the rewards from these efforts.

Businessmen are individuals who recognize opportunities where others see chaos or confusion. Whatever their challenge businessmen start companies and revitalize the economy. Businessmen are contributors to economic growth and create jobs through their leadership, activities and development effectiveness.

Entrepreneurship can be understood by two connected perspectives: at first the importance of firms in our economy, at second the trends in research and education which reflect the importance of entrepreneurship in academic developments. Nevertheless, no single definition of businessman exists. This situation makes it difficult to create a decisive paradigm to understand entrepreneurship and to do appropriate academic research. Notable a central theme of all existing theories about businessmen has been their role of the "agents of change".

Those agents of change were and are only been known as pioneers. The recognition of businessmen dates back to the French eighteenth century when economist Cantillon associated the "risk-bearing" activities in the economy with the businessmen. In England, during the Industrial revolution, businessmen played a visible role in risk taking, the management and transfiguration of resources. In short, the interrelation between businessmen and economics has been a long accepted concept of academic thinking. In fact,

until the 1950s the majority of definitions and references to entrepreneurship had come from economists. They all wrote about entrepreneurship and its impact on economic development. That's why in the 20th century the word has become closely linked with free enterprise and capitalism. Now a day, it is recognized that entrepreneurship also can be understood by focusing on the businessmen, their specific behavior skills, creativity and knowledge. In short, it is a human act.

Entrepreneurship can be seen as "pioneership". So, not the routine, but like Schumpeter (1934) meant by breaking through the routine by finding "new combinations". Timmons in New Venture Creation (1994) pointed out that entrepreneurship is the ability to create and built a vision or a dream from practically nothing. It is the application of energy to initiate and built an enterprise or organization, just doing it, rather than just watching and analyzing.
This paradigm requires a willingness to take calculated risks –both personal and financial- and then to do everything possible to reduce the chances of failure. Entrepreneurship also means leadership and in practices the ability to build an entrepreneurial or a venture team to complement your own skills and talents (outside or even inside the venture). In short, free to Stevenson and Jarillo (1994), entrepreneurship is … a process by which individuals – either on their own or inside organizations – pursue opportunities without regard to the resources they currently control.

Although entrepreneurs tend toward action, they are also thinkers. Businessmen are often methodical people who plan their moves very carefully. The emphasis today on the creation of clear and complete business plans can be seen as an indication that "thinking' is as important as "doing". This entrepreneurial perspective justifies the recognition of entrepreneurship as also a behavioral and psychological approach, as interrelated disciplines.

Finally, in the concept of Strategic Development the businessman's vision must be fully alive in the organization in order for employees to understand the company's direction. And, an important business culture issue, employees has to share in the responsibility for the company's strategic development, set backs and growth. Highly creative businessmen sometimes are unable, or unwilling, to meet these administrative challenges and as a result they leave the enterprise and move on to new opportunities.

A focus on strategic development mostly means a shift from entrepreneurial one-person leadership to managerial team-oriented leadership. In managing growth the businessman must recognize two important points: first, the enterprise needs to retain certain entrepreneurial characteristics in order to encourage innovation and creativity. Second, the businessman needs to translate this spirit of innovation to his or her personnel. Personnel must make a move toward a more managerial style. Remaining entrepreneurial, while making the transition to a more administrative organization, is vital to a successful growth of a venture. That's why a balance has to be found between questions as "Where is the opportunity" and "What resources do I need" on one hand to "What resources do I control" and "What opportunity is appropriate" on the other.

Let's put it in this way… entrepreneurship and strategic development is the art of managing behavioral contradictions as routine and non-routine and the challenge of bridging conflicting concepts as mechanic and organic models, autonomous and formalized structures, bureaucratic and entrepreneurial processes.

1.9 **Strategies for Entrepreneurs during Economic Resurgence**

In and around Chennai, we find lots of small businesses carried on by small businessmen. After having discussions with those businessmen it was found that during Resurgence, Businessmen need to be creative and bring in new ideas to benefit the customers. This effort also needs to have more number of meetings with his employees and stakeholders. In this direction also businessmen are guided by economical way doing things without affecting the cost of production too much. Constantly the business

leader needs to encourage their employees to come out with new and innovative ideas and solutions on various functions of management ; so that the organization could withstand the hurdles of recession and resurgent.

The man power strength needs to be optimized and take all the strategic initiatives to increase the productivity and efficiency of the entire organization. According to the market conditions, flexible scheduling of work would be the right for the organization and during a recession; it is better to save money to the organization. Review of employee performance and free flow of correct information must be ensured right from the top management down to the line in the organization. There should be good morale in the enterprise for everyone to share their innovative ideas and to create a high morale; the company needs to spend on fewer welfare measures and get the views of all employees for survival in the business. When the employees are enthusiastic and when there is a conducive atmosphere in the organization; news and new ideas would germinate. Even brain storming sessions could also be arranged to increase the contribution of each and every employee.

During recessions and during resurgence periods, employees need to be motivated highly by non-financial methods; so that the employees stick to the organization even during the tough times and put in the extra effort required for the organization growth and survival. Certain strategies need to be organized for cutting the costs; and postponing the additional recruitment of the work force. Sometimes canceling holiday party, reducing some extra benefits to employees. This would make them feel the pinch of the business condition and even try to find out ways to survive. At the same time; businessmen also need to identify key employees and to keep them in the organization and strengthen their real potentials. This could be done by sending the key persons for a special training program organized by Chamber of Commerce and Industry or by the Confederation of Indian Industries. Even the District Industries Centre and the Ministry of Small and Medium Industries do organize programs to manage the change during recession periods.

In most of the organizations the labor cost is found to be on the higher side. Businessmen need to be cautious in taking steps to reduce the labor cost. Even though it is a good option for a businessman; he has to see the pay scales related to the market conditions. Is the organization willing to risk losing an employee whose talents may be required badly later in the organization has to be gauged by the businessmen? The employees whose performance are found to be poor or minimal ; they could be relieved and downsizing does require internal document maintenance of the organization and jobs are modified and responsibilities are increased due to changes in the economic condition, The businessmen need to advise almost all the employees and key managers about the changes in the economy and make everyone to contribute their innovative ideas to make the organizations survive , By this type the voluntary cooperation can also be got from each and everyone in the organization.

Managing employees is a difficult task and that too during turbulent economic conditions is still more a demanding to make the workers to work for rapid improvements and innovations with very few expenditures. Hence the task of businessmen was found to be very important for maintaining the equilibrium throughout the organization.

Running the business during recession is very tough due to significant hurdles in attracting the low cost funds and it would also be very difficult to attract capital. So, businessmen need to focus on markets and customers and offer merchandise or services which must be a clear competitive advantage,

Developing the workforce by experts and inculcating a habit of innovation among the people in the organization is of paramount importance. To attract capital many businessmen tie up with the enterprises

that are fleshed with funds by an innovative partnership for successful development of business; so that the hurdles in the business are minimized to a larger extent.

Even though businessmen pursue a wide range of strategies in supporting the small business enterprises; many research reports have found that businessmen have to address a similar set of issues in training the employees to face the resurgence in a bold manner.

Businessmen need to identify each neighborhoods competitive advantage and understand the impact of competitor's strategies in the market. He should also closely understand the way in which economic trend is moving; whether it is beneficial to the organization or not. Based on this he is supposed to determine whether to create any new programs to form an alliance with an existing company which is performing better or he himself could manage the situation in a better way.

Another strategy could be trust building exercise with the employees by the businessmen. The trust could be built in the minds of employees be openly discussing the various measures taken during the recession period for improving the performance of the organization. The patience and hard work of businessmen must be made known to all the employees

Businesses also need to demand accountability from each and every one in the organization for developing them as well to contribute their best to the organization and also take preventive measures to detect the problem well in advance. This would help the members in the organization to combat the difficult situations boldly.

Technical Assistance Program and Technological up gradation funds could also be tapped to give employees and neighborhood community a better confidence level about the initiatives taken by the organization. These types of strategies would also motivate them to be innovative and creative in their working environment. This would also produce good results to withstand the economic downturn.

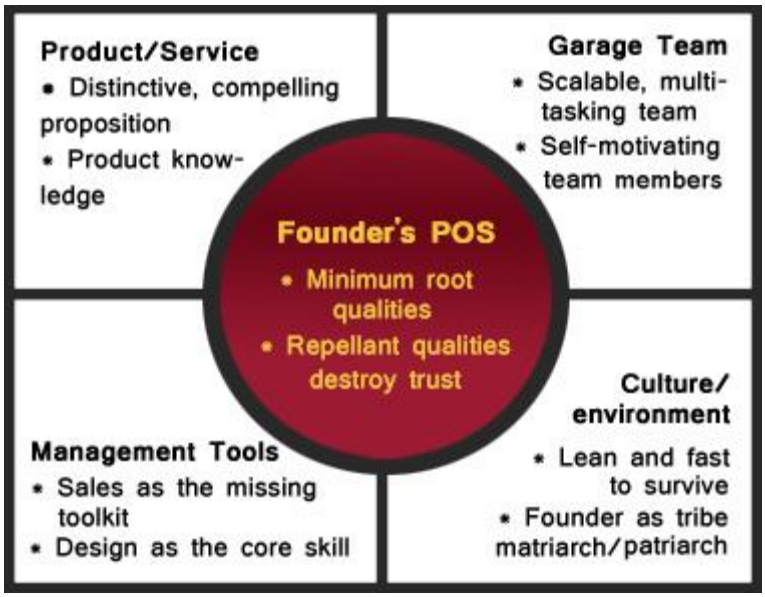
Another strategy is when the businessman is found socially excluded from a group of his own industry community; Then entrepreneur has to have a good network with other entrepreneurs in the same field so that they can frequently exchange their ideas and strategies for the betterment of the company.

Many steps need to be taken to enhance the competitiveness of merchandise by doing test marketing and by proper positioning of the merchandise . Also few try to invest in other sectors which gives higher returns and entrepreneurs use a strategy of investing in real estates or in other business ventures if the existing business is not doing well and they go about reducing the production and various other factors of production. So a business enterprise must function must work in a dynamic way and see the demand for the merchandise do not decrease; if the entrepreneur or employees since these catastrophic events; preventive measures must be done; so that business continues for a long time with the hope of getting profits and doing a service to all the stakeholders.

1.9.1 **Conclusion:**

During the resurgence period; a businessman has to be very cautious and take into account the various factors which make the organization grow. The main factors are increasing productivity and hiring the eminent persons; using good quality materials; delivering the output to the entire satisfaction of customers are some of the most important strategies to survive in the repression or in resurgence period. One has to be innovative and creative in designing the merchandise and servicing them with great care and concern will pave way for fighting competition during the resurgence period.

1.10 **Dynamics of Entrepreneurship Development**



1.10.1 **The Personal Operating System (POS)**

Corporate management could be said to be about institutions, systems, procedures, processes, and many other things, but entrepreneurship is really about one thing and one thing only: the businessman.

Every businessman needs a set of minimum root qualities to get the startup off the ground. These are the intrinsic qualities that are almost impossible to give to others. These qualities are:

1. Passion and focus

2. Risk-tolerance and the sleep factor

3. Gut feel and common sense

4. Guts and stamina

5. IQ and EQ

6. Luck/blessing and health.

A startup has no track record, no brand, and often very little money. All of the staff, customers, suppliers, and investors are simply putting their trust in the businessman. More importantly, there's another consideration that is directly tied to the root qualities, and that is that repellant characters destroy trust.

Confucius, the Chinese sage who laid his invaluable precepts precisely for leaders and officials, listed thirteen key virtues that are invaluable to all good leaders. These values are kindness, righteousness, respectfulness, wisdom, trustworthiness, loyalty, courage, being incorruptible, having a sense of shame, caring for the old, caring for the young, being self-correcting, and being forgiven.

These old-fashioned virtues might be nice-to-haves for the businessmen, but the anti-virtues (which we call the viruses) certainly are must-not-haves. The viruses are very repulsive, and they can only destroy trust. For example, you would not want to work with someone who is unkind to you, unfair, rude to you, does stupid things that directly affect you, betrays you, or holds a grudge against you. In short, the viruses are must-not-haves.

1.10.2 ***Product/Service***

A successful startup depends on its *distinctive and compelling proposition*. This is how merchandise or services stand out from the competition and are compelling to the young company's customers.

The merchandise or service will succeed most if it either eliminates an existing pain or adds significant tangible benefits. It is easier to sell a new merchandise or service that eliminates a well known existing pain, as opposed to sell an item or service that doesn't clearly solve a potential client's pain.

There also seems to be a popular myth that anyone can be successful by simply working on any given idea or opportunity. This isn't true. You can't. Most businessmen are very knowledgeable about the merchandise before they start, since even experienced operators will run into unexpected troubles when they start their new business. Novices generally introduce more problems than they can deal with, which only undercuts their ability to be lean, fast or effective.

1.10.3 ***Management Tools***

Although the ability to sell is undoubtedly the most critical tool for a businessman, most business schools have tended to limit this from their classes. Not only that, but most corporate executives hate selling, which reinforces the idea that sales is a low priority.

The point to remember, however, is that for the first 10 yards, sales are the missing toolkit.

All the major stakeholders and targets of a startup — customers, suppliers, staff, investors — are naturally skeptical about a new business. Salesmanship, then, is the ability to quickly convince potential partners to support the startup.

1.10.4 ***The Garage Team***

During the first ten yards of a startup, the businessmen need a scalable, multi-tasking garage team. This team reduces cost and focuses on delivering the core proposition. Startups can't afford the expense or the distraction of a specialized executive team, and for that reason, will need self-motivating team members.

Corporate human resource managers talk about motivational tools and structures, but a startup needs self-motivating team members who are naturally enthusiastic and focused on their jobs.

1.10.5 **Culture and environment**

Startups need to stay lean and fast to survive in an uncertain and often hostile environment. They simply can't afford to be otherwise.

In fact, even if the startup is lucky enough to begin with a lot of cash, it should still stay lean and fast. This habit keeps everyone focused and allows the group to easily change course when necessary.

Within this culture, the successful businessmen act like the patriarch or matriarch of the tribe. Tribes are extended families, and tribal values really are an extension of family value. This is also true in the startup. Everyone understands family values, and members will naturally create a sense of shared destiny, a feature the businessman can and must tap into.

The founder will find there are times when he or she must behave like a father or mother when needed, or a brother or sister if it's more relevant. The point, however, is that a startup's value are the same, and, therefore, as familiar, as family values.

1.11 Entrepreneurship development program

1.11.1 Introduction

In recent years, the entrepreneur and Entrepreneurship Development Program (EDP) has become a serious matter of discussion. There are several organizations engaged in conducting EDPs in India.

1.11.2 Meaning

Entrepreneurial Development Program means a program conducted to help a person in strengthening his entrepreneurial motive and in acquiring skill and capabilities required for promoting and running an enterprise efficiently. A program which is conducted with a motive to promote potential entrepreneurs, understanding of motives, motivational pattern, their impact on behavior and entrepreneurial value is termed as an entrepreneurial development program. There are a number of programs which give information to the prospective entrepreneurs regarding a new business idea, how to set up a new venture, how to prepare a project report, sources of finance etc. These programs should not be confused with EDP; these are all a part of the EDP. EDP is primarily concerned with developing, motivating entrepreneurial talent and understanding the impact of motivation on behavior.

A well designed EDP envisages three tiered approach:
1. Developing achievement motivation and sharpening entrepreneurial traits and behavior.
2. Guidance on industrial opportunities, incentives, facilities and rules and regulations.
3. Developing managerial and operational capabilities.

1.11.3 Importance

Entrepreneurs are considered as agents of economic growth. They create wealth, generate employment, provide new goods and services and raise the standard of living. EDP is an effective way to develop entrepreneurs which can help in accelerating the pace of socioeconomic development, balanced regional growth, and exploitation of locally available resources. It can also create gainful self-employment. An EDP equips entrepreneurs and makes them competent to anticipate and deal with a variety of problems that any entrepreneur may have to face. It gives confidence to the entrepreneur to face uncertainties and take profitable risks. It prepares them to deserve and make good use of various forms of assistance.
The EDP can be beneficial in the following ways:

- **Economic Growth:** EDP is a tool of industrialization and path to economic growth through entrepreneurship.

- **Balanced Regional Development:** EDP helps in the dispersal of economic activities in different regions by providing training and other support to local people.
- **Eliminates Poverty and Unemployment :** EDPs provide opportunities for self-employment and entrepreneurial careers.
- **Optimum use of Local Resources :** The optimum use of natural, financial and human resources can be made in a country by training and educating the entrepreneurs.
- **Successful Launching of New Unit :** EDP develops motivation, competence and skills necessary for successful launching, management and growth of the enterprise.
- **Empowers New Generation Entrepreneurs :** EDP, by inculcating entrepreneurial capabilities and skill in the trainees, create new generation entrepreneur who hitherto was not an entrepreneur

1.11.4 Course Contents and Curriculum

Once the selection procedure for entrepreneurs is over, the selected persons have to be equipped with managerial and technical skills to start their enterprises. In such entrepreneurship development programs, there are participants with a variety of backgrounds and qualities. Therefore, a package of training inputs is provided during the program which is usually of six weeks duration. It consists of the following six inputs.

- **General Introduction to Entrepreneurship:** The participants are exposed to a general knowledge of entrepreneurship such as factors affecting small-scale industries, the role of entrepreneurs in economic development, entrepreneurial behavior and the facilities available for establishing small-scale enterprises.

- **Achievement Motivation Training (AMT):** The purpose of the AMT is to develop the attitude towards risk-taking, initiative and other such behavioral or psychological traits. A motivation development program creates self-awareness and self-confidence among the participants and enables them to think positively and realistically. Without achievement motivation training, an EDP becomes an ordinary executive development program. Motivation training initiates to strive for excellence, to take calculated risk, to use feedback for improvement, sense of efficiency etc.

- **Support System and Procedures:** The participants have to be exposed to agencies like the local banks and other financial institutions, industrial service corporations and other institutions dealing with the supply of raw-materials, equipments etc. The programs on support system needs to include the procedures for approaching them, applying and obtaining assistance from them and availing of the services provided by them. A linkage between the training institute and support system agencies can be established with the participation of these agencies in sponsoring and financing EDPs.

- **Market Survey and Plant Visit:** In order to familiarize the participants with real life situations in small business, plant visits are also arranged. Such visits help the participants to know more about an entrepreneur's behavior, personality, thoughts and aspirations. Moreover, the participants should be given opportunity to conduct market surveys for their respective projects. This would help to expose the participant to the market avenues available and could be followed by sessions on methods of dealing in the markets.

- **Managerial Skill:** Since a small entrepreneur cannot employ management experts to manage his enterprise, he needs to be imparted basic and essential managerial skills in the functional areas like finance, production and marketing knowledge of managerial skills enables an entrepreneur to run his enterprise smoothly and successfully.

- **Project Preparation and Feasibility Study:** A good period of time needs to be devoted to the actual preparation of projects. The active involvement in this task would provide them necessary understanding and also ensure their personal commitment. During the course of EDP, various guidance sessions are helpful in enabling the trainees to identify appropriate business opportunities. Information and counseling on various business opportunities is provided though the team experts and by spot survey. Necessary experience is provided in market survey, project preparation, sources of finance etc. Undue emphasis on any dimension should be avoided as it may lead to distortion in both the process and content of the program

1.11.5 Role of entrepreneurship development programs in Context of North- East Region

In the North Eastern region, the concept of developing entrepreneurship was first introduced in Assam in the year 1971. The Government of Assam under the Chief Ministership of late Sarat Chandra Sinha introduced a scheme called "Half a million job" and a separate organization was created for this purpose, called "Entrepreneurial Motivation Training Centre" (EMTC). Nine EMTCs were set up in different places of Assam.

In 1973 NEITCO was created and one of the functions of it was organizing training programs on entrepreneurship development. In 1979 Small Industries Extension Training Institute (SIET), Hyderabad sets up its NER Centre in Guwahati. It became NISIET in 1984 and Indian Institute of Entrepreneurship Development (IIE) in 1994. Training, Research and Consultancy for the development of small and medium enterprises in the northeast is the primary function of IIE.

In 1987 NECON was established with its headquarter in Imphal, Manipur. In addition, organizations like SISI, NSIC, NPC, NIRD, a number of NGOs, industry associations, forums etc have been operating in the region and one of the functions of such organizations is developing entrepreneurship through training, research and consultancy. Similarly, some state level organizations and government departments like Directorate of Industries and Commerce, SIRD, ASIDC, DRDA etc. And other organizations/institutions in the NE Region like a Tripura Industrial Development Corporation (TIDC), Meghalaya Industrial Development Corporation (MIDC), MANIDCO (Manipur), APSFDC (Arunachal Pradesh), ZIDCO (Mizoram), NIDC (Nagaland), SIDC (Sikkim) etc. Have been involved in developing entrepreneurship programs like General EDP, Sector Specific EDP, Area Specific EDP, Rural EDP, Urban EDP etc. For example, the types of entrepreneurship development programs under "Promotion of New Entrepreneurs" section, conducted by IIE, Guwahati can be seen from the following table:

Sl No.	Types of Programmes	No. of Programmes	No. of Participants
1	General EDP	31	1359
2	Women EDP	03	71
3	Sector Specific EDP	21	1335
4	EDP for PMRY beneficiaries	06	337
Total		61	3102

Table: Entrepreneurship Development Programmes Conducted by IIE in NE Region during 2006-07
Source: IIE Annual Report, 2006-07

In addition, IIE also organize some other relevant programs for developing entrepreneurship in the NE Region which include the production of new entrepreneurs, growth of existing entrepreneurs, creation of environment for entrepreneurship, information technology, seminar and workshops etc.
Like IIE, other institutions and organizations mentioned above and the different departments and

organizations in the states of the northeast are also working towards the development of entrepreneurship in their respective sectors/ areas.
In spite of the role played by all these organizations, it is seen that-

- Only 2% of SSI and about 2.5% of medium and large-scale industries have been set up in the North Eastern Region.
- About 43 lakhs educated youth are unemployed in the northeast as on March, 2008. Out of which the maximum unemployed youths are located in Assam (about 22-50 lakhs) and the lowest is in Sikkim.
- About 20 to 25% of the trained entrepreneurs have set up units/trading activities in different parts of the region.
- Cost of production of most of the items is 30% higher in the NE Region against all India average.

The major reasons for poor performance in the development of entrepreneurship in this region are-

- Lack of entrepreneurial tradition.
- Lack of awareness/information about various opportunities.
- Lack of proper motivation and support.
- Entrepreneurs often regarded as having low prestige or value in the society.
- Entrepreneurs by and large have no initiative to invest and to take risks.
- Lack of adequate financial, marketing, R&D support etc.

There are considerable potentialities for developing entrepreneurship in the region. We have the necessary resources, skills and talents. But, we need proper guidance, motivation, help and co-operation particularly from the concerned departments, organizations and institutions.

1.11.6 Institutions providing entrepreneurship development programs in India

- **National Institute for Entrepreneurship and Small Business Development (NIESBUD)**

NIESBUD was established in 1983 by the Ministry of Industry, Government of India. Its main functions and objectives are:

- To serve as an apex national level resource institute to accelerate the process of entrepreneurship development.
- To help and facilitate various agencies in carrying out training and other entrepreneurship development activities.
- To provide vital information support to trainers, promoters and entrepreneurs.
- To evolve effective training strategies.
- To identify, train and assist potential entrepreneurs for setting up ventures.

This institute acts as a nodal agency. It organizes about 29 national and 6 international training programs every year.

- **Entrepreneurship Development Institute of India (EDII)**

It was established in 1983 by financial institutions. It conducts research, training and institution-building activities for encouraging the participation of backward regions. The main objectives of EDII are:

- To increase the supply of trained entrepreneurs through training.
- To generate opportunities for self-employment.
- To improve managerial capabilities of small-scale industries.
- To promote small enterprises at rural level.
- To contribute to the dispersal of business ownership.

Some other organizations providing EDPs are-

- Small Industries Development Organization (SIDO)
- Indian Investment Centre (IIC)
- National Institute for Small Industry Extension and Training (NISIET), Hyderabad
- Small Industrial Development Bank of India (SIDBI)

1.12 Entrepreneurship development in India

In order to make entrepreneurship development more effective during the next century it is important to trace the historical process of entrepreneurship. The pioneering work was by McClelland. It started with identifying the entrepreneurial skills followed by the efforts by certain institutions. However, in the process of entrepreneurship development value addition is an important element. The entrepreneur often faces the lender's dilemma regarding finances. In India one must take stock of entrepreneurship development programs and a SWOT analysis could be one of the tools. This paper offers a SWOT analysis of the existing entrepreneurship development programs and emphasis on the induction of new approaches to meet the emerging needs of the twenty-first century entrepreneur.

A very effective catalyst in the facilitation of a scientific analysis of entrepreneurship came through the pioneering work of McClleland. He has rightly hypothesized that the need for achievement, i.e., the entrepreneurial potential is the psychological factor which engenders economic growth as well as decline. The sense of high achievement and motivation introduced by the entrepreneurs brings about the required necessities in society, transform the trend of economic thinking, which is necessary to bring about the economic development. Researches by McClelland and many others have produced ample evidence to point to a close relationship between economic development of countries and the prevalence of entrepreneurship among their peoples. Entrepreneurship is not new to India. Many Indians, both within the country and in other countries, have proved to be successful entrepreneurs.

1.12.1 Identifying entrepreneurial skills

It has been found that entrepreneurial talent can be identified and developed in an individual to make the success of a business enterprise irrespective of sex, caste, community and religion. It is in this context that policy initiation and promotional efforts to develop the entrepreneurial class were undertaken by industrial promotional agencies.

A concerted effort is now being made by the governments both at the Centre and in the States to promote entrepreneurial development to augment the pace and quality of economic development. A number of institutions like industrial development corporations, finance corporations, commercial banks and

development banks are involved in this process of identifying, assisting, supporting and promoting entrepeneurship at different levels (small, medium and large). A number of schemes have been evolved to provide professional, technical, financial and other forms of support and incentives.

1.12.2 Pioneering efforts

The origin of programs for the development of entrepreneurs can be traced to the pioneering efforts of the Small Industry Extension Training Institute (SIET), now known as the National Institute of Small Industry Extension Training (**nisiet**) with whose collaboration, Dr. David C. McClelland of Harvard University attempted to establish that achievement motivation (a key factor in entrepreneurship) could be developed among adults. Under his guidance, six experimental training programs on achievement motivation were conducted during 1964-65 with the active involvement of SIET faculty. The effect of such training on entrepreneurial activity was assessed in comparison with control groups. Results revealed that those who participate in the courses showed more active business behavior, worked longer hours, made more definite attempts to start new business ventures, and actually did start more such ventures. They also made a specific investment in new fixed productive capital and employed more workers. These entrepreneurs tended to achieve relatively larger percentage increases in their gross incomes, and demonstrated increased entrepreneurial activity.

Emphasizing the role of individual entrepreneurs in the economic development of a nation, McClelland (1971) maintained, "Rapid economic growth has usually been explained in terms of 'external' factors--favorable opportunities for trade, unusual natural resources, or the conquests that have opened up new markets or produced internal political stability." In the present case, however, the emphasis is reversed. It is on internal factors, the human values and motives that lead men to exploit opportunities, to take advantages of favorable trade conditions, to shape their own destiny.

Going beyond a mere elucidation of the role of the entrepreneurs, McClelland developed his own theory of development of achievement motivation, point out the role of cultural practices and institutions in nurturing the achievement motive, the vital force behind entrepreneurship. At a practical level, McClelland and his associates went a step further to develop strategies for raising the level of achievement motivation through planned training activity. The theoretical formulations of McClelland on the achievement motive and its central position in entrepreneurship have not gone unquestioned. However, they have had a deep influence on management science, management practices, development planning and policy formulation. While one may not go all the way with McClleland in his idolization of the achievement motive, at the same time, it can scarcely be denied that his formulations have brought to focus the problems of entrepreneurial behaviour and the need to understand and manipulate its undoubted relation to economic growth and activity.

We need to acknowledge the role of entrepreneurs who had been the principal agents of change. It is they who introduced technical change and innovations, introduced new merchandise and processes, and discovered new markets and sources for the supply of raw materials. The growth and development of the SSI sector have been largely due to the diffusion of such innovations by entrepreneurs who perceived opportunities and seized them with determination, overcoming the resistance to change inherent in the socioeconomic environment. However, this class of entrepreneurs belonged to a few well-defined socio-

regional groups like the Gujaratis, Sindhis, and Parsis in the northern India, and the cities in the southern India. As a consequence, growth of the small scale sector was largely confined to these entrepreneurial classes.

1.12.2 Value addition an important element

One of the important elements of entrepreneurship is the dynamic process of creating incremental wealth. Individuals bearing risk in terms of equity, time and commitment to the chosen path of career create this wealth. The merchandise or service introduced by the entrepreneur in itself may or may not be new or unique but they must somehow infuse value by securing and allocating the necessary skills and resources.

Any venture needs capital to survive. At the same time lack of adequate and timely finance causes irreparable damages leading to a large number of business failures. Failure due to lack of proper financing is often an indicator of other problems: managerial incompetence, lack of financial understanding, poor investments, poor planning and the like. Many successful entrepreneurs have overcome the lack of finance while establishing their ventures. To those entrepreneurs, money is a resource but never an end in itself.

1.12.3 Lender's dilemma

While this is the entrepreneur's picture, the term lending institutions face a different problem with the mandate of the state before them. The state level institutions created to offer long term concessional finance to the small scale sector were faced with a dilemma. On the one hand, a sizable part of available funds remained unutilized or underutilized if they followed traditional norms of lending based on the belief that entrepreneurship is the exclusive privilege of certain business communities. On the other, if they advanced concessional loans to first generation entrepreneurs, they had to take a high risk of default in the repayment of loans.

1.12.4 **Taking stock of entrepreneurship development programs in India**

Entrepreneurship is now recognized as a discipline. The entrepreneurial traits of aggressiveness, initiative, drive and willingness to take risks, analytical ability, and skill in human relations can be imparted and nurtured through well designed training. Today there are many institutions offering entrepreneurship as a program throughout the length and breadth of the country to impart the skills of entrepreneurship. At this stage it is important to take stock of the existing entrepreneurial development programs through a SWOT analysis which might be revealing.

The present set of entrepreneurship development programs in the country need to take steps in the direction of correcting the weaknesses, particularly with a view to developing skills suited for the twenty-first century entrepreneur. A comparison of the present entrepreneur with that of the twenty-first century entrepreneur is indicative enough to necessitate a review of the existing methods and skills and newer approaches to the deployed for entrepreneurship development in the country.

Present entrepreneur	*21st Century entrepreneur*

1. Planner	1 Visionary
2. Organiser	2 Leader
3. Controller	3 Strategist
4. Motivator	4 Learner
5. Risk-taker	5 Builder
6. Stake holder	6 Achiever
7. Profit maker	7 Value provider (profit giver)

1.12.5 Conclusions

In order to make entrepreneurship development more effective during the next century it is imperative to revamp the existing setup. There is a need to change the thinking. As it is axiomatically said, everything has changed but our thinking. Unless this change takes place, it will be difficult to pave way for creation of entrepreneurs to take on tomorrow. New means of communication and information should be adopted for this. The time has come to review the entire gamut of entrepreneurship development in the light of globalization and the new economic policy. Entrepreneurship development should be an integral part of school education at plus-two level: the idea is to catch them young. The challenges now facing business and society are monumental as whole industries transform themselves or become obsolete. More than any other development in this century, information technology is providing fuel for the fire of innovation and changing the world. It is entrepreneurialism that takes this fuel and breathes new life into the fire.

1.13 Future of Indian Entrepreneurship

The history of Indian entrepreneurship is full of paradoxes ranging from the heights of glory as pioneers of sea trading to the abyss of colonial freeze under British rule. Despite all odds, the fire was never extinguished from the natural genius of the Indian entrepreneur who survived to reappear whenever history accorded the opportunity. Today Indian entrepreneurs are among the most successful and respected across the globe for their grit and acumen.

1.13.1 **The Early Phases**

Before the advent of the Moguls India was known as the land of the “The Golden Bird' symbolizing the best in all forms of living due to a rich heritage of trade and commerce which has resulted in amassing of the substantial wealth in the sub continent. Even during the Mogul era trade continued though restricted to several issues of faith and finance based restrictions.

It was with the British colonization that the wheel of entrepreneurship came to a grinding halt. The government not only discontinued patronage to the industries but took extreme steps to ensure the death of the entrepreneurial spirit of the nation. This long phase of inaction due to foreign goods domination left severe scars on the psyche of the Indian business which manifested in several forms such as Babudom even after independence.

1.13.2 **The Post Independence Scenario**

The arrival of independence could not infuse much life into the business community and most of the industries stayed limited to urban areas of Calcutta, Bombay, Ahmedabad and Madras in the first decade.

1.13.2.1 **Sixties**

This decade saw a huge emphasis on government sponsored heavy industries without much attention to the small and medium units that some struggling entrepreneurs were desperately trying to establish. There were several small scale industries which sprouted to provide ancillary support to the large industries but more than 40 % of those turned sick within a very short span of time.

1.13.2.2 **Seventies**

The licensing Raj was its peak in this decade which witnessed some initiative by the government to encourage export oriented industries as a desperate measure to enhance foreign exchange reserves. There was a miniscule improvement in the overall business environment primarily due to a host of restricting factors among which red tapism was at the top of the list.

1.13.2.3 **Eighties**

By now the government as well as the people had begun to realize the futility of a mixed economy on the lines of the socialist USSR which the founding fathers of our nation had envisaged. There was increased buzz in the small and medium industry sector. Partial removal of heavy import duties and prohibitive trade restrictions implied the dawn of a new era in Indian entrepreneurship.

1.13.2.4 **Nineties**

The economic crisis at the start of the decade called for immediate and sustained efforts to liberalize the economy. The day of the entrepreneur had arrived. The government policy to move towards a market oriented economy heralded the beginning of a new era which saw immediate success in terms of boost to the national economy within the first few years. Suddenly the air was electrified with increased activity in all spheres of business and the rally was led by the small and medium industries this time.

1.13.3 **21st Century Entrepreneurship in India**

By the start of the new century the Indian entrepreneur was ready to take on the world. Encouraged by the initial success of the nineties even the government was more than willing to lend a supporting hand to the SMEs. The availability of a large and trained workforce at competitive prices the Indian enterprise looked most challenging and soon spread tentacles across the globe. The typical Indian ingenuity in reducing costs and working harder ensured that SMEs in India could compete with MNCs on a level playing ground.

The new era also had the huge advantage in terms of easy availability of capital. The economy was growing double figures year after year. Another boon for the Indian SMEs was the arrival of service oriented business concept which was strongly backed by technological advancements which facilitated outsourcing of work overseas. The Indian Entrepreneur had truly arrived on the global scene not because of the government but despite it.

1.13.4 **Fueling the Transformation**

There have been many detailed studies and researches to ascertain the factors behind this historic rise of small and medium enterprises in Indian in short span of time. The answer lies in the fact that the entrepreneurial skills of the Indians had long been suppressed by incorrect policies and inadequate support by the government of the time. The spring was recoiled and with the slightest of opportunity it sprang into action.

The government initiated the process by easing of restrictions and making available capital required for such ventures. Simultaneously the educational set up of the nation ensured that adequate training for entrepreneurial process is available to the aspiring young Indian. The process of providing computer education which was initiated in the eighties has paid rich dividends in creating a generation of IT literate people that could carry the through transformation by harnessing the real potential of technology.

1.13.5 **Strengthening Entrepreneurship Spirit**

Entrepreneurship strives on three pillars - finance, managerial capabilities and favorable government policies. The harmonious combination of all three factors at the beginning of the century propelled the Indian entrepreneurs to break grounds considered out of reach hitherto. The spirit of enterprise is a vital ingredient for success in entrepreneurship. In India, both the government as well as the society at large has been instrumental in fostering this spirit in the next generation.

Today the environment is conducive for venturing into new business arenas. Most of the established educational institutions are providing training facilities to hone the skills of the young to match their spirit. Major management institutions have dedicated graduate as well undergraduate programs on entrepreneurship to help build the workforce required to carry forward this legacy. Today there are dedicated entrepreneurial institutions such as the Entrepreneurship Institute in Ahmedabad which have the distinction of offering the most varied programs in the field.

A host of favorable programs and policies that help and encourage the SMEs have been instituted over the past few years which have also contributed significantly in this direction. The government has set up independent financing agencies such as the SIDBI and NABARD which provide exclusive financial assistance to the small and medium industries. Easy availability of capital with subsidies and suitable moratorium on repayment is supporting these ventures in the start up stage.

1.13.6 **The Future of Indian Enterprise**

Indian entrepreneurship is well on its path of global domination and holds the promise to aid the national economy in terms of providing employment and bringing about development in rural areas. The changed and charged environment of entrepreneurship in the country motivates many brilliant young people to opt away from fat salaries in MNCs and work in their own ventures.

Successful entrepreneurs such as Azim Premji, Narayana Murthy and Dhirubhai Ambani have inspired a whole new generation to look forward into the future with unbounded hope even if they don't have the influence or inheritance to back them. The Indian entrepreneur is all set to achieve new heights of success and growth in the years to come.

Review Questions

1. Define the entrepreneurship?
2. Explain the need and significance of Entrepreneurship?
3. Explain the Entrepreneurship Development?
4. Explain the Dynamics of Entrepreneurship Development?

Discussion Questions

Discuss the role of Entrepreneurship in economic development?

Entrepreneurship Quality/Motivation:

Learning Objectives

- To define the myths and misconception about Entrepreneurship.
- To explain the qualities of Entrepreneurship.
- To explain the characteristics of Entrepreneurship.
- To describe the Process of developing Entrepreneurial qualities.

2.1 The Entrepreneurship – Myths and Misconception

2.1 .1 'Entrepreneurs are born and not made'

Much of the early research in entrepreneurship has focused on trait theory and the personality of the individual. Therefore, it is often assumed that individuals have certain inherent traits that predispose them to entrepreneurial activity. From this perspective, it is deemed possible to build a personality profile which identifies the businessman. Research that is more recent indicates that entrepreneurial skills, abilities, behaviors and perceptions are dynamic, and can change over time and through experience and learning (Cope, 2001). People may display some of the classic traits such as need for achievement, risk bearing, creativity but these are not necessarily stable or static characteristics. Entrepreneurship can also be viewed as a social construction occurring within and shaped by particular social, historical and cultural contexts. In other words nobody really knows and there are many disagreements about it even in the academic research.

2.1 .2 'Entrepreneurship is synonymous with new venture creation'

Entrepreneurship is often seen as a set of activities involved in organization creation (Gartner, 1985). From a more dynamic perspective, it is reasonable to argue that the study of entrepreneurship should encompass the entirety of the entrepreneurial experience, prior to, during and after start-up. By focusing on new venture creation alone, the rich and complex process of how businessmen negotiate the management of a growing enterprise or venture is largely ignored (Cope, 2001). Forms of entrepreneurial activity have seen to occur in many contexts other than simply during venture creation and this is, therefore, just one perspective.

2.1 .3 'Entrepreneurship is all about making a fortune'

Entrepreneurship is often associated with making money and creating a personal fortune. For some people, this may indeed be the case. However, even in a business context the underlying motivations for any individual may be extremely complex and can include the need to: achieve independence/autonomy; be challenged; create something new; exploit an opportunity; influence others; or simply to make a living. Money is often the mechanism through which individuals (and those around them) measure their success rather than an end in itself.

2.1 .4 'Entrepreneurship only takes place in a business context'

Entrepreneurship is often associated with wealth creation in a business context. However, the same sets of behaviors and activities may be found in a number of other contexts – public sector, voluntary sector and

other non-profit organizations. There is growing interest, both politically and academically, in the notion of 'social entrepreneurship' and 'social enterprise'. The trigger for such activity and behavior may be different (for example, the response to a perceived social need or gap in provision). It is not clear from the limited research to date whether there are significant contextual differences in terms of motivation, perceived rewards, use of networks, etc. What is clear is that the sectoral boundaries between 'public', 'private' and 'voluntary' may become blurred.

2.1 .5 'Entrepreneurship is all about the cult of the individual'

Entrepreneurs are often portrayed as 'heroes' and entrepreneurial endeavor (particularly in Western societies) is associated with the expression of individualism. Even where an individual is perceived to be leading entrepreneurial activity, this is not achieved without the involvement of others – who often occupy crucial roles within the organization. Research in high growth firms in Silicon Valley, for example, indicates that a balanced team has an impact on long-term business growth and survival (Eisenhardt and Bird-Schoonhoven, 1990). In smaller firms the support network, the family and domestic partners are also viewed to have a significant impact on both the entrepreneur and the development of the small firm. Entrepreneurial activity, therefore, is not always driven by individuals.

2.1 .6 'SMEs are a homogenous group'

Small businesses and owner-managers are often treated as a homogenous group, particularly for policy purposes. This is, however, a gross over-simplification. The SME sector is characterized by its diversity, e.g.:

- Size – a micro-business employing less than 10 employees has a quite different dynamic to small and medium-sized enterprises employing 25-50 employees.
- Industry sector – SMEs differ considerably between industry sectors depending upon their technology base and the dynamics of their market.
- Owner-managers – differ in terms of their underlying business motivations, aspirations, experience and business strategies.

2.1 .7 'All owner-managers want to grow their business'

Western economies have institutionalized the concept of business growth, exemplified in the concept of GDP. The SME sector is often heralded as the engine of economic growth (OECD, 1998). As a consequence, much support for small businesses works on the assumption that all business owners wish to grow their business. Research evidence suggests that a desire for business growth amongst SMEs cannot be assumed (Gray, 1998). Some owner-managers operate a business as a means of sustaining a particular lifestyle, whilst others wish to keep the business at a size that remains under their personal control. Interestingly, some owner-managers actively pursue a strategy of business closure if they perceive this to be the best course of action. The number of owner-managers that pursue substantial growth is only in the region of 15% (Carter et al, 2001).

2.1 .8 'Entrepreneurs are risk-takers'

It is a commonly held belief that businessmen take risks. However, research illustrates the complexity surrounding the concept of risk. Some theorists argue that businesspersons are 'moderate' risk takers, whilst others suggest that businessmen take 'calculated' risks. There are significant difficulties associated with any attempt to measure a businessmen's risk-taking propensity, as the concept of risk is a subjective

one. An observer may view the businessman to be taking a risk whilst the businessman might feel that he/she is actively trying to minimize the risk being taken.

2.1 .9 'Entrepreneurship cannot be taught'

Entrepreneurship courses are now being offered in a large number of US universities. 'Two main types of course are evident: courses *for* entrepreneurship, and courses *about* entrepreneurship.'. A common demarcation is that courses in entrepreneurship emphasize experiential learning and connecting with entrepreneurs and entrepreneurial activity, whilst courses on entrepreneurship tend to be delivered in a more traditional manner – through lectures, textbooks and assessed through essay and exams. These two different pedagogical approaches need not be mutually exclusive. In teaching entrepreneurship, the subject can be approached from a functional, managerial perspective – studying the processes of start-up, sources of appropriate finance, forms of legal entity, the management of growth, exit strategies, etc. Another underlying purpose may be to sensitize individuals to the contexts in which entrepreneurial activity may occur – for example, within small businesses, large corporations (termed corporate entrepreneurship or intrapreneurship), the public sector and voluntary organizations. More broadly, there are interesting issues to be considered from social, historical, cultural and moral perspectives.

2.2 Qualities

The success of an enterprise new or old depends upon the qualities or characteristics of a businessman or businessman. In order to be successful, a businessman must possess certain qualities which are unique of its kind. If we go through the business history of India, we come across the names of Tata, Birla, Modi, Dalmia and others who started their business with small size and made good fortunes. This is possible only because they possess all the entrepreneurial qualities.

McClelland has identified these qualities or characteristics or features of a successful businessman as "an individual with technical competence, risk-taking, high initiative, good judgment, intelligence to analyze and solve problem areas, leadership qualities, confidence, positive attitude, high level of energy, creativeness, honesty, integrity emotional stability and fairness."

Robert D. Hisrich identified adequate commitment, motivation and skills to start and build some of the important qualities of a businessman. Flexibility, good social behavior, open mind and desire to take personal responsibilities will fit in the qualities of a true businessman.

Some of the important qualities or characteristics that are necessary for a successful businessmen are discussed below :

2.2.1 Desire to Excel:

The first and foremost quality a businessman should possess refer to a burning desire to excel. The businessman should always engage in competitions with self imposed standards with himself to beat his last best performance. According to Mc Clelland, this high achievement motive strengthened him to surmount the obstacles, suppress anxieties, repair misfortunes and devise expedients. The businessman must have a strong desire to be a winner.

2.2.2 Hard Work:

Businessmen who successfully build new enterprises possess an intense level of strong determination and willingness to work hard. They possess a capacity to work for long hours and in spurts of several days with less than normal amount of sleep. Through their hard work and intense desire to complete a task or solve a problem or overcome hurdles, they can able to achieve the never ending goal of excellence.

2.2.3 Self Confidence:

Businessmen must have confidence and belief in themselves to achieve their desired objectives. They strongly believe that they can beat anyone in the field. They do not believe in the status quo, rather they believe that the events in their life are self-determined and have little belief in fate.

2.2.4 Initiative:

A businessman must have initiative seeking personal responsibility for actions and use the available resources for optimization of objectives. They take full credit for the success and assume full responsibility for the failure of the enterprise.

2.2.5 Moderate Risk-Taker:

A businessman must be a moderate risk taker and learn from failures. The successful businessmen are neither high risk takers, nor gamblers. They work in between the two extremes. They take moderate challenging risks to attain moderate returns which are influenced within their abilities and decisions.

2.2.6 Innovative:

A businessman must be innovative and creative. Through his innovative ideas and creative thinking a businessman can be able to engage himself in the analysis of various problems and situations in order to deal with them. An innovative businessman introduces new merchandise, develops new method of production, discovers new market and reorganizes the enterprise.

2.2.7 Motivation:

A businessman should have a strong motivation towards the achievement of a task and must be able to exert considerable efforts in getting things done by others. He should be a person who likes working with people and has skills in dealing with them. He has to motivate people to act, through his interpersonal skills.

2.2.8 Optimistic:

Businessmen do not believe that the success or failure of a new business venture depends mostly upon luck or fate or external uncontrollable factors. They are highly optimistic about the success of the enterprises. They use positive knowledge to support their thinking. They are rarely negative. They always look at the brighter side of the situation. They are never disturbed by any internal or external threat to their business or intermittent problems in accomplishing their goals.

2.2.9 Analytical Ability:

Businessman must be realistic in their approach. They should not be affected by the personal likes and dislikes. At the time of crisis, they must select experts rather than their friends and relatives to solve the problems. They must analyze the problem in detail before taking any decisions.

2.2.10 Mental Ability:

Mental ability refers to the inner strength of a businessman which helps him to reach his goal. It is that ability which helps him to quickly respond to difficult situations. It consists of intelligence and creative thinking of a businessman. Through this ability, entrepreneurs are able to adjust themselves with the changing business environment.

2.2.11 Communication Ability:

A businessman must be well-versed with the art of communication. It is that skill through which both the sender and receiver understand each other and are being understood. Businessman is required in many situations to influence customers, employees, suppliers, creditors, and government and make them think in his way and act accordingly. A businessman who can effectively communicate and convince the above people will be more likely to succeed than the businessmen who does not.

2.2.12 Flexibility:

Businessmen should be flexible in their decisions in the sense that they should not be very rigid in the decision making process. If the situation demands a change in the decision that will be beneficial to the enterprise, then after analyzing the pros and cons of the decision, the businessman should revise or modify or change the decisions.

2.2.13 Independence:

Successful businessmen do not like to be guided by others. They prefer to work in an environment free from interference. They like to be independent in the matters of decision making of their own business. They want to be their own masters and resist to be pigeonholed.

2.2.14 Leadership:

A businessman must possess good leadership qualities to become a successful businessman because leadership is the important aspect of entrepreneurship. The businessmen must have an ability to lead so that he can induce the people to work with confidence and zeal. It is an aid to the authority and helps in better utilization of manpower.

2.2.15 Good Human Relations Ability:

Businessmen must have the abilities to maintain and establish good relations with customers, employees, suppliers, financiers and other people related to the business to run it effectively and efficiently. Emotional stability, tactfulness and warm human relations are some important qualities which bring success to a businessman. A businessman who maintains good human relations is much more likely to succeed in his business than the individual who does not practice such relations.

2.3 Characteristics

Regardless of your definition of success, there are, oddly enough, a great number of common characteristics that are shared by successful business people. You can place a check beside each characteristic that you feel that you possess. This way, you can see how you stack up. Even if you don't have all of these characteristics, don't fret. Most can be learned with practice and by developing a winning attitude, especially if you set goals and apply yourself, through strategic planning, to reach those goals in incremental and measurable stages.

Like any activity you pursue, there are necessary that are required to be successful in a chosen activity. To legally operate a vehicle on public roadways, one must have a driver's license; to excel in sports, one must train and practice; to retire comfortably, one must become an informed investor and actively invest for retirement. If your goal is success in business, then the formula is no different. There are certain musts that have to be fully developed, implemented and managed for your business to succeed. There are many business musts, but this article contains I believe to be some of the more important musts that are required to start, operate and grow a profitable home business.

2.3.1 Do what you enjoy.

What you get out of your business in the form of personal satisfaction, financial gain, stability and enjoyment will be the sum of what you put into your business. So if you don't enjoy what you're doing, in all likelihood it's safe to assume that will be reflected in the success of your business--or subsequent lack of success. In fact, if you don't enjoy what you're doing, chances are you won't succeed.

2.3.2 Take what you do seriously.

You cannot expect to be effective and successful in business unless you truly believe in your business and in the goods and services that you sell. Far too many home business owners fail to take their own businesses seriously enough, getting easily sidetracked and not staying motivated and keeping their noses to the grindstone. They also fall prey to naysayers who don't take them seriously because they don't work from an office building, office park, storefront, or factory. Little do these skeptics, who rain on the home business owner's parade, know is that the number of people working from home, and making very good annual incomes, has grown by leaps and bounds in recent years.

2.3.3 Plan everything.

Planning every aspect of your home business is not only a must, but also builds habits that every home business owner should develop, implement, and maintain. The act of business planning is so important because it requires you to analyze each business situation, research and compile data, and make conclusions based mainly on the facts as revealed through the research. Business planning also serves a second function, which is having your goals and how you will achieve them, on paper. You can use the plan that you create both a map to take you from point A to Z and as a yardstick to measure the success of each individual plan or segment within the plan.

2.3.4 Manage money wisely.

The lifeblood of any business enterprise is cash flow. You need it to buy inventory, pay for services, promote and market your business, repair and replace tools and equipment, and pay yourself so that you can continue to work. Therefore, all home business owners must become wise money managers to ensure that the cash keeps flowing and the bills get paid. There are two aspects of wise money management.

1. The money you receive from clients in exchange for your goods and services you provide (income)
2. The money you spend on inventory, supplies, wages and other items required to keep your business operating. (expenses)

2.3.5 Ask for the sale.
A home business businessmen must always remember that marketing, advertising, or promotional activities are completely worthless, regardless of how clever, expensive, or perfectly targeted they are, unless one simple thing is accomplished--ask for the sale. This is not to say that being a great salesperson, advertising copywriting whiz or a public relations specialist isn't a tremendous asset to your business. However, all of these skills will be for naught if you do not actively ask people to buy what you are selling.

2.3.6 Remember it's all about the customer.
Your home business is not about the products or services that you sell. Your home business is not about the prices that you charge for your goods and services. Your home business is not about your competition and how to beat them. Your business is all about your customers, or clients, period. After all, your customers are the people that will ultimately decide if your business goes boom or bust. Everything you do in business must be customer focused, including your policies, warranties, payment options, operating hours, presentations, advertising and promotional campaigns and website. In addition, you must know who your customers are inside out and upside down.

2.3.7 Become a shameless self-promoter (without becoming obnoxious).
One of the greatest myths about personal or business success is that eventually your business, personal abilities, merchandise or services will get discovered and be embraced by the masses that will beat a path to your door to buy what you are selling. But how can this happen if no one knows who you are, what you sell and why they should be buying? Self-promotion is one of the most beneficial, yet most underutilized, marketing tools that the majority of home business owners have at their immediate disposal.

2.3.8 Project a positive business image.
You have but a passing moment to make a positive and memorable impression on people with whom you intend to do business. Home business owners must go out of their way and make a conscious effort to always project the most professional business image possible. The majority of home business owners do not have the advantage of elaborate offices or elegant storefronts and showrooms to wow prospects and impress customers. Instead, they must rely on imagination, creativity and attention to the smallest detail when creating and maintaining a professional image for their home business.

2.3.9 Get to know your customers.
One of the biggest features and often the most significant competitive edge the home based businessmen has over larger competitors is the he can offer personalized attention. Call it a high-tech backlash if you

will, but customers are sick and tired of hearing that their information is somewhere in the computer and must be retrieved, or told to push a dozen digits to finally get to the right department only to end up with voicemail--from which they never receive a return phone call. The home business owner can actually answer phone calls, get to know customers, provide personal attention and win over repeat business by doing so. It's a researched fact that most businesses (80 percent) will come from repeat customers rather than new customers. Therefore, along with trying to draw newcomers, the more you can do to woo your regular customers, the better off you will be in the long run and personalized attention is very much appreciated and remembered in the modern high tech world.

2.3.10 Level the playing field with technology.
You should avoid getting overly caught up in the high-tech world, but you should also know how to take advantage of using it. One of the most amazing aspects of the internet is that a one or two person business operating from a basement can have a superior website to a $50 million company, and nobody knows the difference. Make sure you're keeping up with the high-tech world as it suits your needs.. The best technology is that which helps you, not that which impresses your neighbors.

2.3.11 Build a top-notch business team.
No one person can build a successful business alone. It's a task that requires a team that is as committed as you to the business and its success. Your business team may include family members, friends, suppliers, business alliances, employees, sub-contractors, industry and business associations, local government and the community. Of course the most important team members will be your customers or clients. Any or all may have a say in how your business will function and a stake in your business future.

2.3.12 becomes known as an expert.
When you have a problem that needs to be solved, do you seek just anyone's advice or do you seek an expert in the field to help solve your particular problem? Obviously, you want the most accurate information and assistance that you can get. You naturally seek an expert to help solve your problem. You call a plumber when the hot water tank leaks, a real estate agent when it's time to sell your home or a dentist when you have a toothache. Therefore, it only stands to reason that the more you become known for your expertise in your business, the more people will seek you out to tap into your expertise, creating more selling and referral opportunities. In effect, becoming known as an expert is another style of prospecting for new business, just in reverse. Instead of finding new and qualified people to sell to, these people seek you out for your expertise.

2.3.13 Create a competitive advantage.
A home business must have a clearly defined unique selling proposition. This is nothing more than a fancy way of asking the vital question, "Why will people choose to do business with you or purchase your merchandise or service instead of doing business with a competitor and buying his merchandise or service?" In other words, what one aspect or combination of aspects is going to separate your business from your competition? Will it be better service, a longer warranty, better selection, longer business hours, more flexible payment options, lowest price, personalized service, better customer service, better return and exchange policies or a combination of several of these?

2.3.14 Invest in yourself.
Top businessmen buy and read business and marketing books, magazines, reports, journals, newsletters, websites and industry publications, knowing that these resources will improve their understanding of business and marketing functions and skills. They join business associations and clubs, and they network with other skilled business people learn their secrets of success and help define their own goals and

objectives. Top businessmen attend business and marketing seminars, workshops and training courses, even if they have already mastered the subject matter of the event. They do this because they know that education is an ongoing process. There are usually ways to do things better, in less time, with less effort. In short, top businessmen never stop investing in the most powerful, effective and best business and marketing tool at their immediate disposal--themselves.

2.3.15 Be accessible.
We're living in a time when we all expect our fast food lunch at the drive-thru window to be ready in mere minutes, our dry cleaning to be ready for pick-up on the same day, our money to be available at the cash machine and our pizza delivered in 30 minutes or it's free. You see the pattern developing--you must make it as easy as you can for people to do business with you, regardless of the home business you operate. You must remain cognizant of the fact that few people will work hard, go out of their way, or be inconvenienced just for the privilege of giving you their hard-earned money. The shoe is always on the other foot. Making it easy for people to do business with you means that you must be accessible and knowledgeable about your merchandise and services. You must be able to provide customers with what they want, when they want it.

2.3.16 Build a rock-solid reputation.
A good reputation is unquestionably one of the home business owner's most tangible and marketable assets. You can't simply buy a good reputation; it's something that you earn by honoring your promises. If you promise to have the merchandise in the customer's hands by Wednesday, you have no excuse not to have it there. If you offer to repair something, you need to make good on your offer. Consistency in what you offer is the other key factor. If you cannot come through with the same level of service (and products) for clients on a regular basis, they have no reason to trust you . . . and without trust, you won't have a good reputation.

2.3.17 Sell benefits.
Pushing merchandise features are for inexperienced or wannabe businessmen. Selling the benefits associated with owning and using the merchandise and services you carry is what sales professionals worldwide focus on to create buying excitement and to sell, sell more, and sell more frequently to their customers. Your advertising, sales presentations, printed marketing materials, merchandise packaging, website, newsletters, trade show exhibit and signage are vital. Every time and every medium used to communicate with your target audience must always be selling the benefits associated with owning your merchandise or using your service.

2.3.18 Get involved.
Always go out of your way to get involved in the community that supports your business. You can do this in many ways, such as pitching in to help local charities or the food bank, becoming involved in organizing community events, and getting involved in local politics. You can join associations and clubs that concentrate on programs and policies designed to improve the local community. It's a fact that people like to do business with people they know, like and respect, and with people who do things to help them as members of the community.

2.3.19 Grab attention.
Small-business owners cannot waste time, money and energy on promotional activities aimed at building awareness solely through long-term, repeated exposure. If you do, chances are you will go broke long before this goal is accomplished. Instead, every promotional activity you engage in, must put money back in your pocket so that you can continue to grab more attention and grow your business.

2.3.20 Master the art of negotiations.

The ability to negotiate effectively is unquestionably a skill that every home business owner must make every effort to master. It's perhaps second in importance only to asking for the sale in terms of home business musts. In business, negotiation skills are used daily. Always remember that mastering the art of negotiation means that your skills are so finely tuned that you can always orchestrate a win-win situation. These win-win arrangements mean that everyone involved feels they have won, which is really the basis for building long-term and profitable business relationships.

2.3.21 Design Your workspace for success.
Carefully plan and design your home office workspace to ensure maximum personal performance and productivity and, if necessary, to project professionalism for visiting clients. If at all possible, resist the temptation to turn a corner of the living room or your bedroom into your office. Ideally, you'll want a separate room with a door that closes to keep business activities in and family members out, at least during prime business and revenue generating hours of the day. A den, spare bedroom, basement or converted garage are all ideal candidates for your new home office. If this is not possible, you'll have to find a means of converting a room with a partition or simply find hours to do the bulk of your work when nobody else is home.

2.3.22 Get and stay organized.
The key to staying organized is not about which type of file you have or whether you keep a stack or two of papers on your desk, but it's about managing your business. It's about having systems in place to do things. Therefore, you want to establish a routine by which you can accomplish as much as possible in a given workday, whether that's three hours for a part-time business or seven or nine hours as a full-timer. In fact, you should develop systems and routines for just about every single business activity. Small things such as creating a to-do list at the end of each business day, or for the week, will help keep you on top of important tasks to tackle. Creating a single calendar to work from, not multiple sets for individual tasks or jobs, will also ensure that jobs are completed on schedule and appointments kept. Incorporating family and personal activities into your work calendar is also critical so that you work and plan from a single calendar.

2.3.23 Take time off.
The temptation to work around the clock is very real for some home business owners. After all, you don't have a manager telling you it's time to go home because they can't afford the overtime pay. Every person working from home must take time to establish a regular work schedule that includes time to stretch your legs and take lunch breaks, plus some days off and scheduled vacations. Create the schedule as soon as you have made the commitment to start a home business. Of course, your schedule will have to be flexible. You should, therefore, not fill every possible hour in the day. Give yourself a backup hour or two. All work and no play makes you burn out very fast and grumpy customer service is not what people want.

2.3.24 Limit the number of hats you wear.
It's difficult for most business owners don't take a hands-on approach. They try to do as much as possible and tackle as many tasks as possible in their business. The ability to multitask, in fact, is a common trait shared by successful businessmen. However, once in a while you have to stand back and look beyond today to determine what's in the best interest of your business and yourself over the long run. Most highly successful businessmen will tell you that from the time they started out, they knew what they were good at and what tasks to delegate to others.

2.3.25 Follow-up constantly.
Constant contact, follow-up, and follow-through with customers, prospects, and business alliances should be the mantra of every home business owner, new or established. Constant and consistent follow-up

enables you to turn prospects into customers, increase the value of each sale and buying frequency from existing customers, and build stronger business relationships with suppliers and your core business team. Follow-up is especially important with your existing customer base, as the real work begins after the sale. It's easy to sell one merchandise or service, but it takes work to retain customers and keep them coming back.

2.4 Role demanded of an Entrepreneur

Businesspersons occupy a central position in a market economy. For it's the Businessperson who serves as the spark plug in the economy's engine, activating and stimulating all economic activity. The economic success of nations worldwide is the result of encouraging and rewarding the entrepreneurial instinct.

A society is prosperous only to the degree to which it rewards and encourages entrepreneurial activity because it is the businesspersons and their activities that are the critical determinant of the level of success, prosperity, growth and opportunity in any economy. The most dynamic societies in the world are the ones that have the most businesspersons, plus the economic and legal structure to encourage and motivate businessmen to greater activities.

For years, economists viewed entrepreneurship as a small part of economic activity. But in the 1800s, the Austrian School of Economics was the first to recognize the businessman as the person having the central role in all economic activity. Why is that?

Because it's entrepreneurial energy, creativity and motivation that trigger the production and sale of new merchandise and services. It is the businessman who undertakes the risk of the enterprise in search of profit and who seeks opportunities to profit by satisfying as yet unsatisfied needs.

Businessmen seek disequilibrium--a gap between the wants and needs of customers and the merchandise and services that are currently available. The businessman then brings together the factors of production necessary to produce, offer and sell desired merchandise and services. They invest and risk their money--and other people's money--to produce a merchandise or service that can be sold at a profit.

More than any other member of our society, businessmen are unique because they're capable of bringing together the money, raw materials, manufacturing facilities, skilled labor and land or buildings required to produce a merchandise or service. And they're capable of arranging the marketing, sales and distribution of that merchandise or service.

Businessmen are optimistic and future oriented; they believe that success is possible and are willing to risk their resources in the pursuit of profit. They're fast moving, willing to try many different strategies to achieve their goals of profits. And they're flexible, willing to change quickly when they get new information.

Businessmen are skilled at selling against the competition by creating perceptions of difference and uniqueness in their merchandise and services. They continually seek out customer needs that the competition is not satisfying and find ways to offer their merchandise and services in such a way that what they're offering is more attractive than anything else available.

Businessmen are a national treasure, and should be protected, nourished, encouraged and rewarded as much as possible. They create all wealth, all jobs, all opportunities, and all prosperity in the nation. They're the most important people in a market economy--and there are never enough of them.

As businesspersons, you are extremely important to your world. Your success is vital to the success of the nation. To help you develop a better business, one that contributes to the health of the economy, I'm going to suggest that you take some time to sit down, answer the following questions, and implement the following actions:

What opportunities exist today for you to create or bring new merchandise or services to your market that people want, need and are willing to pay for? What are your three best opportunities?

1. Identify the steps you could take immediately to operate your business more efficiently, especially regarding internal operating systems.
2. Tell yourself continually "Failure is not an option." Be willing to move out of your comfort zone, to take risks if necessary to build your business.
3. Use your creativity rather than your money to find new, better, cheaper ways to sell your merchandise or reduce your costs of operation. What could you do immediately in one or both of these areas?
4. Imagine starting over. Is there anything you're doing today that, knowing what you now know, you wouldn't get into or start up again?
5. Imagine reinventing your business. If your business burned to the ground today, and you had to start over, what would you not get into again? What would you do differently?

2.5 The role of the entrepreneur in a capitalist economy

There are fewer debates more prominent today than the one raging over the "job creators" in the USA. Who are the real job creators and what is their role in a capitalist economy?

In recent pieces on Business Insider and Bloomberg, Henry Blodget and Nick Hanauer argue that entrepreneurs and investors don't create jobs. Instead, they argue that jobs are created by customers and demand for goods and services which enable entrepreneurs to create corporations, jobs and profits. Unfortunately, this message gets bogged down in politics which misconstrues the facts and leads to misleading conclusions.

2.5.1 Politics always get in the way of sound thinking

The right wing uses the "job creator" argument to push the position that increasing taxes on the rich will burden job creators and deter from future job creation. The argument by Blodget and Hanauer opposes this position in an attempt to show that we should increase taxes on the rich and reduce taxes on the real job creators – the customers. This is another common case of filtering economics through a political filter in order to validate a preconceived bias. Let's see if we can't filter our economics through an economical filter to arrive at a logical conclusion.

2.5.2 The relationship between the entrepreneur and the customer

A capitalist economy has, in the *extreme* aggregate, a theoretical level of infinite demand (*stay with me here*). Businessmen and capitalists meet that demand by creating goods and services with the hopes of generating a profit. Importantly, the customer and supplier are two sides of the same coin. One does not exist without the other. Henry Ford doesn't exist without the demand for automobiles. Steve Jobs doesn't exist without demand for tech gadgets. Clearly, if there is no demand for the goods and services in a capitalist economy, then there can be no capitalists and there can be no corporations that employ

workers. So, the argument over "job creators" is a chicken and egg argument. Clearly, the capitalist needs the customer and the customers need the capitalist. That's simply how the trade works. You buy an iPhone from Apple corporation because the merchandise will serve some role that you demand in your life. This gives Apple Corporation the potential to generate a profit and leverage their business operation, expand their business, employ more workers and generate higher profits. Mr. Hanauer succinctly makes this point:

"It is unquestionably true that without businessmen and investors, you can't have a dynamic and growing capitalist economy. But it's equally true that without customers, you can't have businessmen and investors. "

But what role does the businessman serve in the capitalist economy besides meeting demand and generating profits? Why is the businessman so highly rewarded on an individual basis for his/her accomplishments? Because businessmen make our lives more efficient by providing us all with the ultimate luxury – time.

2.5.3 Toil and trouble

At this point, we could have all sorts of fascinating discussions here – what is money? What is wealth? What is happiness? I don't have the time nor the space to cover these important questions, but this subject intertwines all of these topics to some degree. Some people believe money is wealth and that money will lead to increased happiness. Of course, this confuses the idea of money. Money is not wealth and money does not create happiness. But how does this tie into our discussion above? *Stay with me here….*

Adam Smith once said:

"The real price of everything, what everything really costs to the man who wants to acquire it, is the toil and trouble of acquiring it."

As mentioned above, there is a theoretical level of infinite demand in a capitalist economy. What we mean by this is that, in an extreme sense, we can consume all that time will allow. If you were unconstrained by time you could, in theory, consume all that the businessmen can produce. Theoretically, this chicken and egg story can go on forever. Of course, the greatest luxury of all is quite finite. *We are always constrained by time*. The businessman offers us the opportunity to take advantage of the ultimate luxury by giving us more time.

2.5.4 How does the entrepreneurial process work to create real wealth?

The best way to envision this idea is to use an example. Alexander Graham Bell is one of the greatest innovators in American history. So what did Mr. Bell does exactly? He created a more efficient way to communicate by inventing the telephone. Clearly, communication is a vital part of human life. And in theory, there is infinite demand over the long-term to communicate.

At some point in his life, Mr. Bell sat down and probably said something to the extent of – "it would be far more efficient if I could talk to Mr. Smith immediately as opposed to sending him a telegram". Clearly, this desire was not unique to him. And all Mr. Bell did was fill a demand by inventing a merchandise which helped customers meet this demand. But the important role that Mr. Bell played in the job creation process is not that he necessarily created jobs independent of his customers (as we

showed above, they are interdependent). After all, there were plenty of messengers already employed and working before the telephone came into being (Mr. Bell actually *destroyed* their jobs).

What Mr. Bell did give his customers more time to consume *other* goods and services. He reduced the toil and trouble of having to acquire things by providing them with a Merchandise that made their lives more efficient and productive. Just imagine all the ways that the telephone improves our quality of life and makes us more efficient. The businessman in NYC no longer had to wait for the telegram from his business partner in Chicago to discuss their new business decisions. Instead, he picked up a telephone and a decision was made in a matter of minutes. There are innumerable (better) examples of the way that a simple innovation such as Mr. Bell's helps us to improve productivity, efficiency and ultimately our standard of living.

The key point here is that improvements in our standards of living provide us with the ultimate form of wealth – they give us more time to do the things we think will help us achieve happiness (whatever that might be to any particular person). This is the ultimate form of wealth. The businessman gives us more time to consume more goods and services and do the things we want in our lives. If we look at the modern economy we can see how streamlined this process has become. For instance, last night at 7 PM I put my laundry in the wash, I put the dishes in the dishwasher, ordered dinner from a local restaurant and went upstairs into my office where I did an hour of work. At 8 PM my dinner arrived, my laundry was done, I ate dinner on a fresh clean plate and I had done an hour of work in this period. Imagine trying to do all that 100 years ago? How long would it take you? Days? Perhaps even weeks? That is a remarkable increase in living standards. And why are we able to do all these things in such a condensed period of time? Why am I able to consume so much more than I could have 100 years ago? Because entrepreneurs created a machine that cleans my clothing for me, they created a machine that cleans my dishes for me, they created an oven that cooks my dinner, a car that allows the delivery man to deliver my dinner, and invented a computer which allows me to efficiently and effectively accomplish work. We live in a remarkable world.

The point here is not to prove that the customer is the job creator or that the entrepreneur is the job creator. Rather, the point is to show that they are two sides of the same coin and that real wealth is the merchandise of increases in our standards of living. What the entrepreneur does help to increase the size of the coin by helping to meet demand through innovation which increases our productivity, ultimately allows us to consume more goods and services and results in more employment. Without the role of the businessman we are merely a society trading wealth amongst each other. In other words, without the innovative process our real standards of living stagnate. The true wealth in a capitalist economy is created by the businessmen who allow us all to maximize the ultimate form of wealth – time.

The danger of the current political debate is that we are pitting the 1% against the 99% without understanding that we are the 100%. Could the 1% afford to pay more in taxes and "redistribute the wealth"? Probably. Personally, I have been arguing for a middle class tax cut for a long time. We are not in favor, however, of raising anyone's taxes in the midst of a balance sheet recession. But more importantly, we should not demonize the businesses who help create goods and services which increase everyone's standards of living. We should applaud their efforts and encourage it. What we should demonize is the "businessman" who innovates new and improved ways to gamble in the casino on Wall Street without actually improving the standard of living of his/her customers and instead retires to a far off land playing golf for the rest of his/her life after imploding their company and taking a government bailout. But let's not demonize the wealthy who have contributed to improving our standards of living. In doing so, we only end up reducing the standards of living of us all.

2.6 Process of developing Entrepreneurial qualities

2.6.1 ***Selection of potential entrepreneurs:***

The first and foremost step in the EDP is the proper and right selection and identification of potential businessmen. It refers to finding out individuals who can be converted into businesses. The utmost care should be taken in identifying the right participants for the EDP.

Before selecting the person for tainting due recognition should be provided to his family background, motivation level, educational qualification and entrepreneurial skill and competencies. Various modes of selections such as test, group discussions and interviews may be adopted in the selection of potential businessmen.

The two essential components such as identification of businessmen qualities in the potential businessmen and the identification of suitable and viable opportunity or project for each identified businessman should be kept in mind in the selection of potential businessmen.

2.6.2 ***Identification of entrepreneurial traits and skills:***

Every participant must have a minimum level of eligibility for becoming a businessman. The entrepreneurial traits are broadly grouped into two categories:

2.6.2.1 Family background:

The knowledge about the family background of a participants help to create entrepreneurial environment and occupational awareness for the businessmen.

There are certain special types of families traditionally involved in certain types of work. Most people prefer to adopt similar tasks to family business.

2.6.2.2 Age:

Different studies have proven that younger people are more successful businessmen. This may be their higher risk taking ability as compared to older people and creative and innovative thinking.

2.6.2.3 Education level:

The educational level of the participant must be given due consideration. A minimum level of education and types of education plays a very significant role in the success of the new enterprise.

2.6.2.4 Size and type of family:

The size and types of businessmen's family must also be considered. A joint family has generally a greater risk-bearing capacity as compared to nuclear family.

2.6.2.5 Working hands:

The working hand of a family member of a potential businessman also counts much.

2.6.2.6 Social participation:

The social participation of potential businessman will determine his social status in the society. Greater social participation improves the ability to influence others and the success of the businessman.

Therefore, priority should be given to those persons having experience in business, a functional level of education, young, family and financial support while selecting candidates for EDP.

2.6.3 Human Resource Factors:

These are the inherited or acquired skills. The following human resource factors must be considered.

2.6.3.1 Achievement motivation:

It is the basis of entrepreneurship a businessman with high need achievement succeed better. It involves both personal achievement and social achievement.

2.6.3.2 Willingness to take risk:

Risk-taking willingness refers to seeking change in business activity. The person perceiving greater amount of risk in the venture has the higher risk taking willingness.

2.6.3.3 Influencing ability:

The businessmen would need adequate motivation to both influence and control the people and environment to achieve the end of successful.

2.6.3.4 Personal efficacy:

It is the general sense of adequacy in a person. Personal efficacy is an important factor contributing to entrepreneurial behavior of a person. It represents the potential effectiveness present at the inner level. The roots of efficiency of a person lie in his perceptions and beliefs about himself.

These beliefs may be the result of an individual's self-concept and perception of his own strength. Thus, personal efficacy can be defined as the tendency in the individual to attribute success or failure to external factors.

A person having higher personal efficacy believes in his capacity to control and shape the environment while an individual having low personal efficcy7 believes that things are not under his control and occur due to fate.

2.6.3.5 Aspirations:

Aspiration is goal statements relating to future levels of achievement. These are related to the future prospects of an individual's desire. It is a form of self-motivation also. A person having low level of aspiration is not likely to become a businessman.

2.6.4 Identification of enterprise:

It is essential to identify a suitable enterprise or project for potential businessman after studying his socio-personal and human resource characteristics. The entrepreneurial project must be suited to the requirements of potential businessmen.

A number of factors such as his skill, experience, physical resources, family occupation etc. should be taken in consideration before selecting an enterprise. After deciding the enterprise, the potential businessman has to study the viability in terms of financial resources, availability of raw materials, marketing, profitability etc.

2.6.5 Contents of training programme:

There are different kinds of participants having different backgrounds and qualities to attend the entrepreneurial development programme. The following types of training are provided during the time duration of programme.

2.6.5.1 Technical knowledge and skills:

After the choice of a particular enterprise by a potential businessmen, the in-depth knowledge about the technical aspect of the trade should be imparted to him which will enable him to well-conversant with the process of manufacturing and trading in trade.

A number of field trips to industrial units can be ver4y helpful to understand the economic aspects of the technology.

2.6.5.2 Achievement motivation training:

Development of achievement motive is essential in order to develop human resources. The main aim of achievement motivation training is to develop the need and desire to achieve, risk-taking, initiative and other such personal behavioral qualities, the self-awareness and self-confidence can be created among the participants through an achievement motivation program which enable them to think positively and realistically.

An ADP becomes an ordinary executive development programs with achievement motivation training. Motivation training helps the people to expand their business activities and their business venture.

2.6.5.3 Support systems and procedures:

The proper training relating to support systems and procedure should be imparted to participants. The participants become able to understand the functioning of various agencies like commercial banks and financial institutions, industrial service corporations and other institutions dealing with the supply of raw materials, equipment, marketing etc.

This session of the training program helps the participant to understand the support system, procedures for approaching them, applying and obtaining support from them and availing of the services provided by these agencies.

2.6.5.4 Market survey:

An opportunity to actually conduct market surveys to select the project is provided to participants. This will help them to understand the actual marketing position.

2.6.5.5 Managerial skill:

A participant requires managerial skills to start the enterprise. It should involve all the managerial factors such as planning, organization, coordination, leadership, supervision, control etc.

The main aim of managerial training is to enable the participants to run the enterprise successfully.

2.6.6 ***Support system:***

The new businessman is ready at this stage to set up his new venture. He requires some type of assistance and support of many agencies in order to launch his new venture. The support system is the important part of the EDP. It is considered the backbone of an EDP.

It is absolutely necessary to develop various support systems in the initial stage of growth in order to accelerate the growth of entrepreneurship.

One method of increasing opportunity and ensuring entrepreneurial success is by providing a network of support systems under the entrepreneurial development program. These support systems provide a variety of information relating to credit, finance, marketing service etc.

2.6.7 ***Production:***

After the enterprise is set up, production starts. At this step, the managerial and technological skill acquired in the EDP comes into use. Once the production starts the businessman has to initiate supply of merchandise through suitable marketing channels.

The production and marketing are the most crucial stage in an Entrepreneurial Endeavor. Failure in either would mean a breakdown in EDP.

2.6.8 ***Monitoring and follow-up:***

Continuous monitoring and follow up is essential for the success of any entrepreneurial development program. At every stage of EDP, a system of proper monitoring needs to be built in. The defects and problems of EDP can be identified and removed through a proper monitoring system.

Monitoring should provide continuous guidance to ensure best results. The monitoring and follow up should be conducted during each stage of pre-training and post-training of EDP. Pre-training follow up includes an evaluation of training infrastructure and training syllabus.

2.6.9 **Personal Characteristics**

First, examine your personal characteristics, values, and beliefs. Do you have the mindset that's typical of successful businessmen?

- **Optimism:** Are you an optimistic thinker? Optimism is truly an asset, and it will help get you through the tough times that many businessmen experience as they find a business model that works for them.
- **Vision:** Can you easily see where things can be improved? Can you quickly grasp the "big picture," and explain this to others? And can you create a compelling vision of the future, and then inspire other people to engage with that vision?
- **Initiative:** Do you have initiative, and instinctively start problem-solving or business improvement projects?
- **Desire for Control:** Do you enjoy being in charge and making decisions? Are you motivated to lead others?
- **Drive and Persistence:** Are you self-motivated and energetic? And are you prepared to work hard, for a very long time, to realize your goals?
- **Risk Tolerance:** Are you able to take risks, and make decisions when facts are uncertain?
- **Resilient:** Are you resilient, so that you can pick yourself up when things don't go as planned? And do you learn and grow from your mistakes and failures? (If you avoid taking action because you're afraid of failing, our article on Overcoming Fear of Failure can help you face your fears and move forward.)

2.6.10 Interpersonal Skills

As a successful businessman, you'll have to work closely with people – this is where it is critical to be able to build great relationships with your team, customers, suppliers, shareholders, investors, and more.

Some people are more gifted in this area than others, but, fortunately, you can learn and improve these skills. The types of interpersonal skills you'll need include:

- **Leadership and Motivation:** Can you lead and motivate others to follow you and deliver your vision? And are you able to delegate work to others? As a successful entrepreneur, you'll have to depend on others to get beyond a very early stage in your business – there's just too much to do all on your own!
- **Communication Skills:** Are you competent with all types of communication? You need to be able to communicate well to sell your vision of the future to investors, potential clients, team members, and more.
- **Listening:** Do you hear what others are telling you? Your ability to listen can make or break you as a businessman. Make sure that you're skilled at active listening and empathetic listening.
- **Personal Relations:** Are you emotionally intelligent? The higher your EI, the easier it will be for you to work with others. The good news is that you can improve your emotional intelligence!
- **Negotiation:** Are you a good negotiator? Not only do you need to negotiate keen prices, you also need to be able to resolve differences between people in a positive, mutually beneficial way.
- **Ethics:** Do you deal with people based on respect, integrity, fairness, and truthfulness? Can you lead ethically? You'll find it hard to build a happy, committed team if you deal with people – staff, customers or suppliers – in a shabby way.

2.6.11 Critical and Creative Thinking Skills

As a businessman, you also need to come up with fresh ideas, and make good decisions about the opportunities and potential projects.

Many people think that you're either born creative or you're not. However, creativity is a skill that you can develop if you invest the time and effort.

- **Creative Thinking:** Are you able to see situations from a variety of perspectives and come up with original ideas? (There are many creativity tools that will help you do this.)
- **Problem Solving:** How good are you for coming up with sound solutions to the problems you're facing? Tools such as Cause & Effect Analysis , the 5 Whys Technique, and CATWOE are just some of the problem-solving tools that you'll need to be familiar with.
- **Recognizing Opportunities:** Do you recognize opportunities when they present themselves? Can you spot a trend ? And are you able to create a plan to take advantage of the opportunities you identify?

2.6.12 Practical Skills

You also need the practical skills and knowledge needed to produce goods or services effectively, and run a company.

- **Goal Setting:** Do you regularly set goals , create a plan to achieve them, and then carry out that plan?
- **Planning and Organizing:** Do you have the talents, skills, and abilities necessary to achieve your goals? Can you coordinate people to achieve these efficiently and effectively? (Here, effective project management skills are important, as are basic organizational skills.) And do you know how to develop a coherent, well thought-through business plan , including developing and learning from appropriate financial forecasts ?
- **Decision Making:** How good are you in making decisions? Do you make them based on relevant information and by weighing the potential consequences? And are you confident in the decisions that you make?
- Core decision-making tools include Decision Tree Analysis , Grid Analysis , and Six Thinking Hats .
- You need **knowledge** in several areas when starting or running a business. For instance:
    - **Business knowledge:** Do you have a good general knowledge of the main functional areas of a business (sales, marketing, finance, and operations), and are you able to operate or manage others in these areas with a reasonable degree of competence?
    - **Entrepreneurial knowledge:** Do you understand how businessmen raise capital? And do you understand the sheer amount of experimentation and hard work that may be needed to find a business model that works for you?
    - **Opportunity-specific knowledge:** Do you understand the market you're attempting to enter, and do you know what you need to do to bring your merchandise or service to market?
    - **Venture-specific knowledge:** Do you know what you need to do to make this type of business successful? And do you understand the specifics of the business that you want to start? (This is where it's often useful to work for a short time in a similar business.)

You can also learn from others who have worked on projects similar to the ones that you're contemplating, or find a mentor – someone else who's been there before and is willing to coach you.

2.7.1 Entrepreneurship Building Skills

Building a society that is responsive to, encouraging and favorable to Entrepreneurship is the responsibility of every society as well as the Government. Encouraging the entreprenurship to become

businessmen has a lot of advantages in terms of solving problems of unemployment in the economy as well as paving the way for the innovation and growth of the country too. Understanding the need for creating and nurturing Entrepreneurship, many countries have taken up strategic initiatives and implemented plans aimed at imparting Entrepreneurial skills and knowledge through education. Such a move no doubt provides the freedom and the thrust to the dreams and achieve their dreams.

Leadership is not only a born talent but can be acquired through learning and training too. An ideal entrepreneurial training and studies should include subjects like Entrepreneurship Awareness Building Skills, Entrepreneurial & Personal Empowerment skills, Business Planning, Business Management as well as Personal Empowerment skills.

2.7.1.1 Entrepreneurship Awareness Building

Entrepreneurship is all about being a visionary self starter leadership, one who is able to identify opportunities to offer solutions in the form of merchandise , technology, process or service to fulfil a need and thereby gather and employ all necessary resources including manpower, finance, technology, infrastructure and others to build a successful enterprise in the chosen area of business.

Being a businessman calls for a lot of grit and determination as well as ability to take calculated risks as well as responsibility. Leadership calls for the ability to find workable solutions and crossing all hurdles to reach the goal without getting bogged down. A businessman carries a vision not only of making profits but has a larger vision of creating jobs, helping people develop their potential, contributing to the society and at the same time ensuring the growth of his or her organization and the people connected.

At the initial stage, one might have an inclination towards becoming a businessman. But normally the students will not have an idea of what it means to be a businessman. Such an awareness program educating them and introducing the concept of entrepreneurship in schools and colleges as well as through dedicated training programs help the youth make up their minds to pursue entrepreneurship as an option for a career.

2.7.1.2 Entrepreneurial Building

Being a businessman calls for playing a multi disciplinary and multi functional role in managing one's enterprise. A successful businessman is able to not only identify business opportunities, but is enterprising in his approach to developing the business opportunities into successful business enterprise. This calls for thinking out of the box and extraordinary leadership, creativity, foresight, the ability to think ahead, ability to create options, ability to gather resources, manage resources to achieve the target as well as negotiate and solve problems both internal to the business as well as with the external environment. Being enterprising is an attitude of the mind. A good businessman looks not only at his success, but the success of his organization as well as of the team that works with him. Entrepreneurship is also about being able to attract the best talent, to provide leadership and guidance to grow and nurture the talent, manage and harness the talent pool too. Through training one who has a basic initiative towards entrepreneurship can be moulded to become a successful businessman. Ability to think creatively, looking at the macro and micro environment as well as options, negotiating with alternatives and managing processes on all fronts without losing out on the vision can be sharpened through Entrepreneurial training.

2.7.1.3 Personal Empowerment Skills

Personal empowerment and development is necessary for every individual and most importantly for a businessman. These skills apply to one's ability to perform in his |her work area. One needs to have the specific job function or technical skill to pursue a particular vocation but along with the functional skill and knowledge it is the personal empowerment of the individual that helps him succeed in the enterprise.

Personal Empower skills training imparts mind training to the businessman, helping him learn to focus, concentrate, analyze and be objective in his thinking. Positive thinking, learning to be assertive and affirmative as well as being balanced in thinking at all times, being calmly active, ability to manage pressure and work under pressure are some of the skills that are a must for every successful businessman.

A businessman is also a leader. Through training he can develop leadership skills as well as groom oneself and build a positive image as well as enhance one's self esteem. Personal development in the areas of self discipline, time management, being self-motivated and enthusiast are very essential for a young businessman who is making his foray into business. All these skills can be learnt through specific training.

A good leader is assertive and at the same time able to motivate and encourage the others too. He has got to have excellent listening skills, patience & wisdom, emotional intelligence and more importantly a Win-Win attitude towards life and work.

A businessman who is able to think big for oneself and for all of his team and take the entire organization to reach the heights and realize their potential is a successful individual too. To become a good visionary businessman, training helps for it helps sharpen his abilities, build additional skills as well as make him bring out his true potential too.

2.8 Characteristics of Successful Entrepreneurs

Have you ever thought about striking out on your own? After all, being your own boss can be an exciting prospect. However, owning a business isn't for everyone. To be a successful businessman, you must have -- or develop -- certain personality traits. Here are nine characteristics you should ideally possess to start and run your own business:

2.8 .1 Motivation

Businessmen are enthusiastic, optimistic and future-oriented. They believe they'll be successful and are willing to risk their resources in pursuit of profit. They have high energy levels and are sometimes impatient. They are always thinking about their business and how to increase their market share. Are you self-motivated enough to do this, and can you stay motivated for extended periods of time? Can you bounce back in the face of challenges?

2.8 .2 Creativity and Persuasiveness

Successful businessmen have the creative capacity to recognize and pursue opportunities. They possess strong selling skills and are both persuasive and persistent. Are you willing to promote your business tirelessly and look for new ways to get the word out about your merchandise or service?

2.8 .3 Versatility

Company workers can usually rely on a staff or colleagues to provide service or support. As a businessman, you'll typically start out as a "solopreneur," meaning you will be on your own for a while. You may not have the luxury of hiring a support staff initially. Therefore, you will end up wearing several different hats, including secretary, bookkeeper and so on. You need to be mentally prepared to take on all these tasks at the beginning. Can you do that?

2.8 .4 Superb Business Skills

Businessmen are naturally capable of setting up the internal systems, procedures and processes necessary to operate a business. They focus on cash flow, sales and revenue at all times. Successful businessmen rely on their business skills, know-how and contacts. Evaluate your current talents and professional network. Will your skills, contacts and experience readily transfer to the business idea you want to pursue?

2.8 .5 Risk Tolerance

Launching any entrepreneurial venture is risky. Are you willing to assume that risk? You can reduce your risk by thoroughly researching your business concept, industry and market. You can also test your concept on a small scale. Can you get a letter of intent from prospective customers to purchase? If so, do you think customers would actually go through with their transaction?

2.8 .6 Drive

As a businessman, you are in the driver's seat, so you must be proactive in your approaches to everything. Are you a doer -- someone willing to take the reins -- or would you rather someone else do things for you?

2.8 .7 Vision

One of your responsibilities as founder and head of your company is deciding where your business should go. That requires vision. Without it, your boat will be lost at sea.

2.8 .8 Flexibility and Open-Mindedness

While businessmen need a steadfast vision and direction, they will face a lot of unknowns. You will need to be ready to tweak any initial plans and strategies. New and better ways of doing things may come along as well. Can you be open-minded and flexible in the face of change?

2.8 .9 Decisiveness

As a businessman, you won't have room for procrastination or indecision. Not only will these traits stall progress, but they can also cause you to miss crucial opportunities that could move you toward success. Can you make decisions quickly and seize the moment?

2.9 Problem Solving Skills Entrepreneurs Need

2.9.1 Critical Thinking Skills

The human brain has been identified as the most powerful data processing machine but unfortunately; only few people ever utilize their brain power. Critical thinking is the ultimate key to problem solving and is the most important problem solving skill you should develop. Napoleon Hill said that all achievements begin with an idea and ideas are the merchandise of critical thinking. Critical thinking skill is important because it enables entrepreneurs identify problems and turn such problems into opportunities. Business and financial intelligence, competence, idea generation and strategic project execution are all results of critical thinking.

Most intricate business problems have been solved by challenging the brain to come up with solutions. Business challenges and problems can never be resolved without critical thinking; done either by the entrepreneur or business team. Just as Robert Kiyosaki says "*your brain is your most powerful asset.*" Now how do you develop your critical thinking skill?

2.9.2 Understanding of the business

The next problem solving skill you must develop is a thorough understanding of the business you are involved in. And this skill is not one you can develop in your closet; it's a skill you develop by putting yourself on the line, it's a skill you develop by getting your hands dirty.

Thoroughly understanding your business to the core is a merchandise of experience; a merchandise of staying in the game through thick and thin. Just as critical thinking is important to the process of effective problem solving in business; so also is understanding a core value to problem solving. Before critical thinking comes understanding.

Now how do you solve a problem when you don't understand its workings or root cause? How do you solve a business problem you don't understand? Let us cite a real life illustration so you will better understand my point. Bill Gates became the richest man in the world because he was an expert at solving software marketing problems. Donald Trump became a billionaire because he solves business problems relating to real estate and George Soros became successful because he was an expert at handling market volatility. These successful entrepreneurs became billionaires because they thoroughly understood their line of business.

Now what if Bill Gates was presented with a problem relating to stock investing; will he be able to solve it? My answer is no. Why? The reason is because Bill Gates doesn't understand the intricacies of the stock market. *Now how do you gain understanding of your business*? I don't know but a good way to start is by solving small problems arising from your business and taking note of its lessons. Understanding comes from experience and experience is all about being involved with the business process. You can also increase your level of understanding by attending seminars, reading books, listening to experts, magazines and analyzing industrial trends.

2.9.3 People Skills

The third critical problem solving skill you need is to develop people skills; but we prefer to use the word "team spirit." To become an excellent problem solver; you must learn to think critically in solitude as well as part of a team. Business and investing are team sports, and to succeed; you must learn how to think in synergy with your business management team. You must be able to assemble different experts from different walks of life and channel their intelligence to the problem at hand. This can never be achieved without a mastery of people management skills.

2.9.4 Faith

The fourth problem solving skill you must strive to develop as an entrepreneur is faith. The holy bible says that "*with faith, you can move mountains.*" I listed faith as a skill because it's a trait you are not born with; you develop it over time by increasing your spiritual understanding and knowledge. Is it possible to solve a problem you have lost hope on? The answer is no. To find an effective solution to a business problem; you must believe that a solution exists, you must have a firm belief that the problem can be solved. Faith is important to critical problem solving because it keeps the mind focused on finding a solution to the problem; rather than lamenting over the problem. Just as Ingvar Kamprad says "*the word impossible has been deleted from our dictionary.*"

2.9.5 Decisiveness

The next critical problem solving skill needed by every entrepreneur is decisiveness. After analyzing several possible solutions to the problem at hand; you must be able to arrive at a decision quickly. Take a look at successful entrepreneurs that solved intricate business challenges and societal problems; and you will see decisiveness at their core. *Henry Ford, Bill Gate, Donald Trump, Andrew Carnegie, Richard Branson and Larry Ellison* are entrepreneurs that became famous because of their ability to reach decisions quickly.

2.9.6 Courage

The last skill you need to effectively solve problems in business is courage. Courage to face your problems squarely, courage to face the consequences of your decision; and courage to take extreme measures or solutions. Just like faith, courage has developed over time through personal mastery.

In conclusion, these are six most important skills required to effectively solve intricate business problems. Develop these problem solving skills and we will see you at the pinnacle of business success.

2.10 Intrapreneurship

Coined by Gifford Pinchott in 1986, "intrapreneur" refers to someone who possesses entrepreneurial skills and uses them within a company, instead of using them to launch a new business. Intrapreneurs—also called corporate entrepreneurs—can help established companies implement innovative policies and procedures or introduce innovative merchandise s or services. Intrapreneurs, however, must have a fair amount of latitude within a company in order to effect any significant changes. Workers who earn the title "intrapreneur" usually go well beyond their narrow job descriptions, providing invaluable help in innovating some aspect of their companies.

Intrapreneurship differs from **entrepreneurship** in that intrapreneurs constantly must overcome barriers and negotiate obstacles and have opportunities to work with greater financial, technological, and human resources offered by an established company. In contrast, entrepreneurs largely work independently and often lack the resources of large companies. People with entrepreneurial skills also may choose to work

within a company because they value job security, would like to practice launching a new business inside a company before launching one outside, and wish to take advantage of a company's established marketing channels.

Companies benefit from intrapreneurship because it can function as a means of overcoming aspects of corporate bureaucracy that impede **innovation,** allowing companies to remain creative and hence competitive. Moreover, intrapreneurship can remedy the loss of challenging and rewarding jobs, which can lead to greater job satisfaction and productivity.

Workers who are given freedom to experiment are often associated with the innovation process and the development of new merchandise, services, or businesses within corporations. Intrapreneurship researchers refer to this freedom to experiment as innovative culture. According to Howard Oden in *Managing Corporate Culture, Innovation, and Intrapreneurship,* research indicate that intrapreneurship succeeds when companies provide their innovators with support, encouragement, and an atmosphere that promotes innovation. Specifically, Oden enumerated a host of attributes often found in innovative cultures, including:

1. Long-term strategic and cultural leadership: upper-level **management** provides long-term strategies and challenging goals for the company's innovation.
2. Promotion of innovation and intrapreneurship: the company encourages new ideas and new ways of doing things at all levels and promotes risk taking.
3. Flexibility and adaptability: the company does not have a hierarchical structure, rather a flat structure, and the innovation process involve different **teams** of workers, not different levels of management.
4. Collaboration and teamwork: the company encourages teamwork and collaborative innovation.
5. Ongoing learning: workers are expected to improve their skills and learn new ones continuously.
6. Toleration of failure: since some innovations fail to bear fruit, companies must accept failure as part of the innovation process in order to keep intrapreneurs free from the fear of failure.

Companies that foster innovation usually possess these and other related characteristics that allow intrapreneurs to seek solutions and generate new ideas, processes, merchandise, or services, while not disrupting the regular flow of business. Although innovation can and does occur in any environment, too rigid and authoritarian **corporate cultures** definitely can stifle the initiative and creativity of intrapreneurs.

Intrapreneurs must possess a variety of skills themselves in order to be innovative—no matter what the corporate culture is like. In general, intrapreneurs have many of the skills that entrepreneurs have—such as market savvy, intuitiveness, creativity, **leadership** skills, and the ability to work independently and collaboratively. They notice opportunities—for new merchandise, services, businesses, and so forth—and they pursue them. In addition, they also must have a certain amount of political savvy and be able to negotiate agreements with resistant or skeptical coworkers and managers, according to Lakshmanan Prasad in *SAM Advanced Management Journal.* Intrapreneurs must play organizational politics and reconcile the interests of different company teams or departments in order to bring about their innovations.

While many workers can develop technical plans for innovations, far fewer can have them implemented. Hence, intrapreneurs must possess strong social skills and knowledge of company politics and power, which entails identifying influential coworkers, managers, and groups within a company, evaluating their likely responses, and developing strategies to influence them.

The intrapreneurial process begins with a new idea or an innovation, and follows the steps of development, implementation, and modification. Intrapreneurs may conceive of an innovation serendipitously or deliberately. Either way, after intrapreneurs have an idea for an innovation they must begin to develop it—whether a merchandise , service, procedure, or company—by determining its feasibility. They assess the market and need for the innovation to determine if implementing it will pay off. Once intrapreneurs are certain they can feasibly introduce the innovation, they make general plans to execute the innovation, develop the innovation, and test it.

If the innovation withstands development and testing, then intrapreneurs implement the innovation. To ensure that the innovation will be successful, however, intrapreneurs gather feedback and make any necessary modifications to the innovation in order to improve it.

2.10.1 Intrapreneurial techniques

Oden identified a number of strategies or techniques for intrapreneurs, which allow them to be innovative and creative while functioning inside a corporation. *Wall Street Journal* columnist Timothy D. Schellhardt included some of these techniques in his article "Small Business: David in Goliath," where he referred to them as part of his "Intrapreneur's Ten Commandments":

1. Seek approvals creatively: ask managers for small decisions, to keep the importance of the decisions minimal and to help ensure approval. In addition, use customers and suppliers interested in the potential innovation to leverage in obtaining approval.
2. Find and use allies: recruit the support of employees within the company, especially ones with knowledge and skills relevant to the innovation as well as ones with considerable influence in the company.
3. Establish coalitions: intrapreneurs can realize their goals by forming coalitions to support their innovations. Coalitions involve both supportive coworkers and managers or executives.
4. Persuade management to be flexible: with the help of customers, allies, and coalitions, intrapreneurs should strive to change rigid company policies in order to facilitate innovation and they should point out to senior-level managers that the policies and procedures that work for a mature company, merchandise , or service are not necessarily suitable for a budding company, merchandise , or service.
5. Share credit: intrapreneurs should recognize all those who participate in an innovative project to promote further collaboration in the innovation process.
6. Control time expectations: keep projects low profile until **research and development** is completed and the innovation is nearly ready for the market.

Review Questions

1. Define the myths and misconception about Entrepreneurship?
2. Explain the qualities of Entrepreneurship?
3. Explain the characteristics of Entrepreneurship?
4. Explain the Process of developing Entrepreneurial qualities?

Discussion Questions

Discuss the Entrepreneurship quality and its role in success?

Enterprise Launching & Resourcing

Learning Objectives

- To define the Government's role in Enterprise setting.
- To explain the Govt policies for Enterprise setting.
- To explain the Business Environment.
- To describe the Business opportunity.

3.1 Government Programs, Policies, Incentive and Institutional Networking for Enterprise setting.

India's tryst with entrepreneurship is an emerging phenomenon when compared to its 65 years of existence as an independent nation. While socialist policies were at the helm of deciding the policy framework in the early years, the last 3 decades have brought about changes in the government's thinking leaning towards a market oriented economy. Various support mechanisms have been designed by the government to nurture the entrepreneurial mindset, some of which are highlighted below:

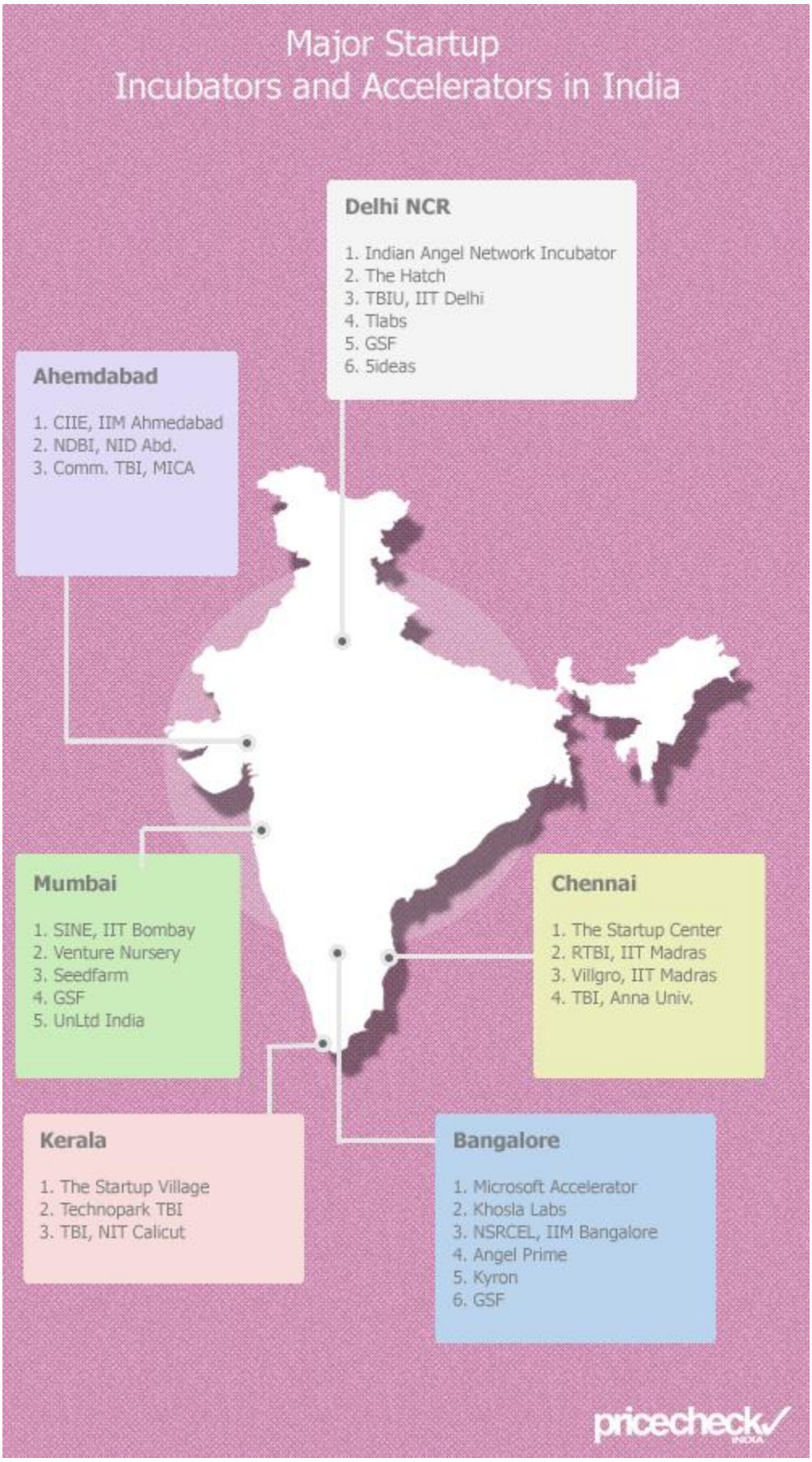
SIDBI was established in April 1990 under an Act of Parliament as a wholly-owned subsidiary of Industrial Development Bank of India (IDBI) is the principal financial institution for the following threefold activities:

1. Financing the small scale sector by providing indirect assistance to primary lending institutions (PLIs) and direct assistance to small scale units.
2. Development and support services for promoting small industries.
3. Liaisoning with other institutions engaged in similar activities.

The government of India has adopted some global support mechanisms which have been customized as per local requirements. To focus on certain industries, the foundation was laid by establishing institutes under the umbrage of government departments.

National Science and Technology Entrepreneurship Board promotes entrepreneurship development through Science & Technology. This program has encouraged researchers and academicians in the field of Science & Technology to take an interest in socially relevant entrepreneurial roles. Under the flagship of NSTEB, various institutes and training programs have been formulated such as:

- Technological Business Incubators have been established to ensure that technology and knowledge driven enterprises are established and research outputs are utilized in a commercial manner to benefit of all stakeholders


Major Startup
Incubators and Accelerators in India
Delhi NCR
1. Indian Angel Network Incubator
2. The Hatch
3. TBIU, IIT Delhi
4. Tlabs
5. GSF
6. 5ideas
Ahemdabad
1. CIIE, IIM Ahmedabad
2. NDBI, NID Abd.
3. Comm. TBI, MICA
Mumbai
1. SINE, IIT Bombay
2. Venture Nursery
3. Seedfarm
4. GSF
5. UnLtd India
Chennai
1. The Startup Center
2. RTBI, IIT Madras
3. Villgro, IIT Madras
4. TBI, Anna Univ.
Kerala
1. The Startup Village
2. Technopark TBI
3. TBI, NIT Calicut
Bangalore
1. Microsoft Accelerator
2. Khosla Labs
3. NSRCEL, IIM Bangalore
4. Angel Prime
5. Kyron
6. GSF
pricecheck
INDIA

- STEP – Science and Technology Entrepreneurs Park aims to provide links between universities, academic and R&D institutions, provide R&D support to the small-scale industry and promotes innovation based enterprises

- IEDC – Innovation and Entrepreneurship Development Cell is promoted in educational institutes to create entrepreneurial culture and encourage innovation amongst students
- EDP – Entrepreneurship Development Program, a training program of 6-8 weeks duration aims to train students in various aspects of starting an enterprise
- OLPE – Open Learning Program in Entrepreneurship is a distance learning program that helps potential businessmen through study materials and contact programs which impart knowledge on end-to-end processes involved in running an entrepreneurship
- EAC – Entrepreneurship Awareness Camp is a 3 days duration training that exposes students to entrepreneurship as a career option
- STEDS – Science and Technology Entrepreneurship Development Scheme aims at socioeconomic development of an area by optimizing the usage of natural & human resources of an area.

- FDP – Faculty Development Program is aimed at training faculty members of S&T institutions so that they in turn can inspire students to take up entrepreneurial career options
- TEDP – Technology-based Entrepreneurship Development Program is 6-weeks duration training developed jointly in association with R&D institutions, CSIR labs etc. This training focuses on specific merchandise and technologies.

To boost the services and manufacturing sectors, the Govt. of India chalked out a separate SMSE department so that these industries could receive sufficient attention and support. The MSMED Act passed in 2006 which aims at:

- Providing guidelines for skill development of employees, management and businesses
- To issue guidelines from time-to-time for ease of credit to MSMEs
- Work on minimization of sick units and enhance their competitiveness through various support mechanisms
- Preference policy for procurement of goods or services by Central Govt. Produced or provided by MSMEs.

- Resolution of delayed payment related issues

  For the dissemination of information, the Business Portal of India has been developed under the National e-Governance Plan of the govt. The portal provides various modules and sub-modules with respect to starting & running business in India. It also provides guidance on the paperwork required, taxation related information, trade related policies etc.
  Entrepreneurship is also promoted at the state government level through various schemes and subsidies vary from one state to another, the common mechanisms are:
- Infrastructural: development and management of industrial estates, priority in allotment of power/water connection, power subsidies
- Financial : Capital investment subsidies for new units set up in a particular district, seed capital /Margin Money Assistance Scheme
- Guidance: Consultancy and technical support

3.2 Women Entrepreneurship Development in India

Women entrepreneurship development is an essential part of human resource development. The development of women entrepreneurship is very low in India, especially in the rural areas. Entrepreneurship amongst women has been a recent concern. Women have become aware of their existence their rights and their work situation. However, women of the middle class are not too eager to alter their role in fear of social backlash. The progress is more visible among upper class families in urban cities.

3.2.1 Introduction

The Indian economy has been witnessing a drastic change since mid -1991, with new policies of economic liberalization, globalization and privatization initiated by the Indian government. India has great entrepreneurial potential. At present, women's involvement in economic activities is marked by a low work participation rate, excessive concentration in the unorganized sector and employment in less skilled jobs.

Any strategy aimed at economic development will be lopsided without involving women who constitute half of the world population. Evidence has unequivocally established that entrepreneurial spirit is not a male prerogative. Women entrepreneurship has gained momentum in the last three decades with the increase in the number of women enterprises and their substantive contribution to economic growth. The industrial performance of Asia-Pacific region propelled by Foreign Direct Investment, technological innovations and manufactured exports has brought a wide range of economic and social opportunities to businesswomen.

In this dynamic world, women businessmen are an important part of the global quest for sustained economic development and social progress. In India, though women have played a key role in the society, their entrepreneurial ability has not been properly tapped due to the lower status of women in the society. It is only from the Fifth Five Year Plan (1974-78) onwards that their role has been explicitly recognized with a marked shift in the approach from women welfare to women's development and empowerment. The development of women entrepreneurship has become an important aspect of our plan priorities. Several policies and programs are being implemented for the development of women entrepreneurship in India.

There is a need for changing the mindset towards women so as to give equal rights as enshrined in the constitution. The progress towards gender equality is slow and is partly due to the failure to attach money to policy commitments. In the words of president APJ Abdul Kalam "empowering women is a prerequisite for creating a good nation, when women are empowered, society with stability is assured. Empowerment of women is essential as their thoughts and their value systems leading to the development of a good family, good society and ultimately a good nation."

When a woman is empowered it does not mean that another individual becomes powerless or is having less power. On the contrary, if a woman is empowered her competencies towards decision- making will surely influence her family's behavior.

In advanced countries, there is a phenomenon of increase in the number of self- employed women after the world war 11. In USA, women own 25% of all business, even though their sales on an average are less than two-fifths of those of other small business. In Canada, women own one-third of small business and in France it is one-fifth.

Concept of an Entrepreneur- The word ' entrepreneur' derives from the French word "Entreprendre" (to undertake) .In the early 16th Century it was applied to persons engaged in military expeditions, and extended to cover construction and civil engineering activities in the 17th century, but during the 18th century , the word 'entrepreneur' was used to refer to economic activities. Many authors have defined 'entrepreneur' differently. Generally, a businessman is a person who combines capital and labor for production. According to Cantillion "entrepreneur is the agent who buys means of production at certain prices, in order to sell at prices that are certainly at the moment at which he commits himself to his chest". According to P.F Drucker " he is one who always (1) is searching for change (2) responds to it (3) exploits it as an opportunity."

The concept of women Entrepreneur Enterprise-" A small scale industrial unit or industry –related service or business enterprise, managed by one or more businesswomen in a concern, in which they will individually or jointly have a share capital of not less than 51% as shareholders of the private limited company, members of co-operative society".

3.2.2 Categories of Women Entrepreneurs

• Women in the organized & unorganized sector
• Women in traditional & modern industries
• Women in urban & rural areas
• Women in large scale and small scale industries.
• Single women and joint venture.

3.2.3Categories of Women Entrepreneurs in Practice in India

• **First Category**
– Established in big cities
– Having higher level technical & professional qualifications
– Nontraditional Items
– Sound financial positions

• **Second Category**
– Established in cities and towns
– Having sufficient education
– Both traditional and non traditional items
– Undertaking women services-kindergarten, crèches, beauty parlors, health clinic etc

• **Third Category**
– Illiterate women
– Financially week
– Involved in family business such as Agriculture, Horticulture, Animal Husbandry, Dairy, Fisheries, Agro Forestry, Handloom, Power loom etc.

3.2.4 Supportive Measures for Women's Economic Activities and Entrepreneurship

• Direct & indirect financial support
• Yojna schemes and programs
• Technological training and awards
• Federations and associations

3.2.5 Direct & Indirect Financial Support

• Nationalized banks
• State finance corporation
• State industrial development corporation
• District industries centers
• Differential rate schemes
• Mahila Udyug Needhi scheme
• Small Industries Development Bank of India (SIDBI)
• State Small Industrial Development Corporations (SSIDCs)

3.2.6 Yojna Schemes and Programme

• Nehru Rojgar Yojna
• Jacamar Rojgar Yojna
• TRYSEM
• DWACRA

3.2.7 Technological Training and Awards

• Stree Shakti Package by SBI
• Entrepreneurship Development Institute of India
• Trade Related Entrepreneurship Assistance and Development (TREAD)
• National Institute of Small Business Extension Training (NSIBET)
• Women's University of Mumbai

3.2.8 Federations and Associations

• National Alliance of Young Entrepreneurs (NAYE)
• India Council of Women Entrepreneurs, New Delhi
• Self Employed Women's Association (SEWA)
• Association of Women Entrepreneurs of Karnataka (AWEK)
• World Association of Women Entrepreneurs (WAWE)
• Associated Country Women of the World (ACWW)

3.2.9 Women Entrepreneurship in India

States	No of Units Registered	No. of Women Entrepreneurs	Percentage
Tamil Nadu	9618	2930	30.36
Uttar Pradesh	7980	3180	39.84
Kerala	5487	2135	38.91
Punjab	4791	1618	33.77
Maharastra	4339	1394	32.12
Gujrat	3872	1538	39.72
Karnatka	3822	1026	26.84
Madhya Pradesh	2967	842	28.38
Other States & UTS	14576	4185	28.71
Total	57,452	18,848	32.82

3.2.10 Women Work Participation

Country	Percentage
India (1970-1971)	14.2
India (1980-1981)	19.7
India (1990-1991)	22.3
India (2000-2001)	31.6
USA	45
UK	43
Indonesia	40
Sri Lanka	35
Brazil	35

3.3 Scope of Entrepreneurship development in India

3.3.1 Introduction

We are a very young nation – just over 55 years since independence – setting out on a path of sustained economic growth, for decades to come.

We already have over a billion fellow Indians. Within the next 20 years, we will have 400 million people below the age of 35 years – more than the entire population of the United States! Each person, in this bold new generation, will be in the prime of his or her life, striving for a better tomorrow – creating, in the process, new growth opportunities, for budding businessmen!

On the most conservative basis, our domestic consumption, in virtually any sector, has the potential to at least double, or treble, from current levels – perhaps, just to catch up with a country like China!

Then, there is the entire global opportunity, across diverse sectors internationally, the "Made in India" tag is now an increasingly respected brand, valued for quality, reliability, and competitiveness.

Truly, with economic reforms in the country, and with the virtual removal of all trade barriers, the world is now our market – and our opportunity!

The pursuit of these opportunities requires an indomitable spirit of entrepreneurship!

3.3.2 Entrepreneurship

Entrepreneurship is ubiquitous and is reflected in all the major dimensions of civilization viz. social, political and economic. It involves creativity that is consistent with the healthy edge required to change the basis of competition.

Entrepreneurship is a creative human act involving the mobilization of resources from one level of productive use to a higher level of use. "It is the process by which the individual pursue opportunities without regard to resources currently controlled."

Entrepreneurship involves a willingness to take responsibility and the ability to put mind to a task and see it through from inception to completion. Another ingredient of entrepreneurship is sensing opportunities, while others see chaos, contradiction, and confusion. Essence of Entrepreneurship is going against time to

maturity and serving as a change agent.

3.3.3 Current Perspective

In a country like India, social (value system) and cultural issues hold their importance besides issues related to infrastructure. Any innovation to succeed in our society needs to be accepted by our value systems and cultural issues. It will not be wrong to say that Dot.com (or any innovation) will not succeed until and unless a high level of awareness is achieved and the idea is taken to the common people. An acceptance by the mass in itself is a kind of social innovation. Further, in our country, where the population is more concerned about making both ends meet, entrepreneurial activity will achieve sustainability only when support is provided both at the societal and governmental levels.

3.3.4 Scope of entrepreneurship development in India

In India there is a dearth of quality people in the industry, which demands a high level of entrepreneurship development programs throughout the country for the growth of Indian economy.

The scope of entrepreneurship development in a country like India is tremendous. Especially since there is widespread concern that the acceleration in GDP growth in the post reform period has not been accompanied by a commensurate expansion in employment. The results of the 57th round of the National Sample Survey Organization (NSSO) show that unemployment figures in 2001-02 were as high as 8.9 million. Incidentally, one million more Indian joined the rank of the unemployed between 2000-01 & 2001-02. The rising unemployment rate (9.2% 2004 est.) in India has resulted in growing frustration among the youth. In addition there is always the problem of underemployment. As a result, increasing the entrepreneurial activities in the country is the only solace. Incidentally, both the reports prepared by the Planning Commission to generate employment opportunities for 10 crore people over the next ten years have strongly recommended self-employment as a way-out for teaming unemployed youth.

We have all the requisite technical and knowledge base to take up the entrepreneurial challenge. The success of Indian entrepreneurs in Silicon Valley is evident as proof. The only thing that is lacking is confidence and mental preparation. We are more of a reactive kind of a people. We need to get out of this and become more proactive. What is more important than the skill and knowledge base is the courage to take the plunge. Our problem is we does not stretch ourselves. However, it is appreciated that the current generations of youth do not have hang-ups about the previous legacy and are willing to experiment. Theses are the people who will bring about entrepreneurship in India.

We can take the example of **Vikas Kedia** - one of India's most eligible businessman; he was barely 21 when he had turned his back on a possible $ 100,000-a-year job. Vikas Kedia, a graduate from the Indian Institute of Management-Bangalore, is much in demand. He has also created history of sorts in the IIM circuit by starting his own dot-com company in Bangalore, now he has his own company which is a California and Kolkata based GRMtech.

At present, there are various organizations at the country level & state level offering support to businessmen in various ways. The Govt. of India & various State Govts. have been implementing various schemes & programs aimed at nurturing entrepreneurship over last four decades. For example, MCED in Maharashtra provides systematic training, dissemination of the information & data regarding all aspects of entrepreneurship & conducting research in entrepreneurship. Then there are various Govt. sponsored scheme for the budding entrepreneurs.

Recognizing the importance of the businessman development in economic growth & employment generation, Maharashtra Economic Development Council (MEDC) has identified entrepreneurial development as the one of the focus areas for Council activities two years ago.

Various Chambers of Commerce & apex institutions have started organizing seminars & workshops to promote entrepreneurship. Incidentally, various management colleges have incorporated entrepreneurship as part of their curriculum. This is indeed a good development. This shows the commitment of the Govt. & the various organizations towards developing entrepreneurial qualities in the individuals.

3.3.5 Promoting Entrepreneurship

In India, where over 300 million people are living below the poverty line, it is simply impossible for any government to provide means of livelihood to everyone. Such situations surely demand for a continuous effort of the society, where the people are encouraged to come up with their entrepreneurial initiative.

3.3.6 Encouragement at attitudinal and social level

In the future, innovation and entrepreneurship needs to be encouraged at Social levels, Governmental levels and Managerial levels. There must be a social attitude that views innovations with positive attitude and reject an innovation only when it is not acceptable.

3.3.7 Encouragement at physical level

At this level the encouragement will refer to two aspects necessary for entrepreneurship to thrive, one is the provision of venture capital and the other being infrastructural support. A real example is Export Processing Zones which are performing extremely well when given the support.

3.3.8 What will be the qualities needed to succeed in this new world?

First and foremost, we need the entrepreneurial spirit. Outside India, this spirit has been very evident in the IT industry. 35% of the startups in Silicon Valley are by Indians. We need to have similar risk-taking ability within the country as well. Businessmen need more than technical talent, more than business savvy. What they need is the indefatigable energy and incurable optimism that enables them to take the road less traveled and convert their dreams into reality. It is a force that beckons an individual to pursue countless opportunities. Businessmen must learn how to overcome the risk of failure, or of vulnerability. The institutions can give them valuable insights and also support them in this.

3.3.9 Indian Entrepreneurs

1) **Dhirubhai Ambani**
A proud son of this glorious state of Gujarat, and a man with long ties with this wonderful city of Ahmedabad, was the greatest example of this spirit of entrepreneurship!

In a short span of less than 25 years, and without even the benefit of a formal education, Dhirubhai Ambani built Reliance, a first generation enterprise, into one of the world's 200 most profitable companies!

He started out in life, working as a mere petrol pump attendant in Aden, Yemen. He had no technical knowledge, of any of the businesses he wished to create in India.

He had just five hundred rupees in his pocket, a vision of what he wanted to achieve, an intrinsic faith in the latent demand potential of the Indian markets, a belief in the capabilities of Indian people, and a burning desire to succeed!

The end result? He created Reliance, a Rs. 75,000 crore enterprise, in a single lifetime!

2) **Azim H. Premji**
In a world where integrity purportedly counts for naught, Azim Hasham Premji symbolizes just that. The 55-year-old Wipro chairman made international waves in 2000 ever since his group became a Rs 3,500-crore empire with a market capitalization exceeding Rs 500,000 million! If any stargazer had been foolish enough to predict in 1966 that a 21-year-old Indian at Stanford University would one day achieve all this, he'd have been laughed out of business. At that juncture, Premji was forced to discontinue his engineering studies in the States due to the untimely death of his father. Returning to India to take charge of a cooking oil company, the youth infused new life into the family's traditional mindset and trade.

Despite all the success, the media-shy Premji maintained a low profile, letting his work do all the talking. Until early last year the media broke the story that Azim Premji had become the second-richest man in the world… In spite of his billions, however, he still travels economy class and stays in budget hotels.

3) **N. R. Narayana Murthy**
An Indian IT chief who's really made it big without dropping his ethical precepts by the wayside is Nagawara Ramarao Narayana Murthy, Chairman of Infosys. Born in 1946, Murthy's father was a schoolteacher in Kolar district, Karnataka, India. A bright student, Murthy went on to acquire a degree in Electrical Engineering from Mysore University and later studied Computer Science at the IIT, Kanpur, India.

The Infosys legend began in 1981 when Narayana Murthy dreamt of forming his own company, along with six friends. There was a minor hitch, though-he didn't have any seed money. Luckily, like many Indian women who save secretly without their husband's knowledge, his wife Sudha-then an engineer with Tatas-had saved Rs 10,000. This was Murthy's first big break.

The decade until 1991 was a tough period when the couple lived in a one-room house. The second break came in 1991 when Indian doors to liberalization were flung open… Murthy grabbed the opportunity with both hands and has never looked back ever since. Today, Infosys is the first Indian company to be listed on the US NASDAQ.

While working in France in the 1970s, Murthy was strongly influenced by socialism. The bubble was pricked, however, when he was arrested in Bulgaria on espionage charges. Today, he says: "I'm a capitalist in mind, a socialist at heart." It was this belief in the distribution of wealth that made Infosys one of the first Indian companies to offer employee stock-option plans. Infosys now has 400 employees who are dollar millionaires.

Heading a company with the largest market capitalization hasn't changed Murthy's lifestyle much. The man still doesn't know how to drive a car! On Saturdays-his driver's weekly off-the Infosys chief is driven to the bus stop by his wife, from where he boards a company bus to work! Incidentally, Sudha Murthy is now chief of the Infosys Foundation, which channels Rs 50 million into charity every year.

Simplicity, humility and maintaining a low profile are the hallmarks of this super-rich Bangalorean. And the man is principled to a fault. Murthy's unprecedented wealth has catapulted him into the public glare. After the kidnapping of Dr Rajkumar by forest brigand Veerappan, the Home Ministry has sounded out the local government about providing Z-category security to Murthy and Premji. Both characteristically turned down the offer.

In a letter to the police top brass last month, Murthy said he was a simple man who had no intentions of annoying his neighbors and disturbing traffic with an intrusive entourage of security vehicles and personnel.

3.3.10 Future Perspective

Entrepreneurship as in the past will determine technical innovations, status of social institutions and political management systems. On the basis of these factors, we can expect the future to be a place where basic needs will remain and only the wants will change. India will overcome the barriers of infrastructure; we will also visualize a strong manufacturing and agricultural sector.

Businessmen and not managers will be in demand, as only they will be equipped to find order in chaos. The focus of entrepreneurial energy will shift from achieving volume sales to fulfill a specific requirement. Governance will become more transparent and will be willing to accept changes necessary for growth and development. More autonomy will become the basis of all issues.

The future will see Entrepreneurship as the key driver of economic development Technological obsolescence will become the order of the day and there will be more space for leisure. New businesses will be credited with providing a variety of new jobs in the economy. New and small business will also develop more than their share of merchandise and service innovation. At one end we will see the technological upheavals in quick succession and on the other end there will be social value systems and cultural issues undergoing slow but dynamic transformations.

3.3.11 Conclusions

There are ample opportunities in small businesses in India and such opportunities will transform India in the coming future. For such transformation to happen there needs to be support both at the governmental and societal level. For the government it is important to realize that the goal of small business owners will be to remain self-employed. Such people may not need financial assistance but they will need marketing and legal assistance in order to sustain themselves. Practical and cost effective programs need to be developed to address their needs because self-employed people will represent an important segment in economic revitalization. Entrepreneurship development is the key factor to fight against unemployment, poverty and to prepare ourselves for globalization in order to achieve overall Indian economic progress.

3.4 Fostering Entrepreneurship in India

In India we need to create a breed of entrepreneurs who look forward to a strenuous path of research and development in new unexplored areas. Although Indian entrepreneurs have been successful in creating employable manpower but it was much easier in creating or utilizing an opportunity in IT industry, and the growth cycles are slow in other sectors and much varied as compared. These businessmen have been largely benefited by the change of opportunities that came on their way as part of economic growth. Hence this ecosystem needs to be developed and recognized socially, economically and nationally.

India by fostering entrepreneurial activity can generate additional economic growth within it. To pursue this further, India must now provide opportunities for (1) Education directed specifically at entrepreneurial skills, (2) Financing of entrepreneurial efforts, and (3) Networking among potential businessmen and their experienced counterparts. Even though the Indian government has established policies to support the entrepreneurial activities and efforts, its overall role should be minimized so that the influence of the free market and individual self-interest can be fully utilized for the economic growth. So our research finding explores the brief and concise overview of how entrepreneurship is fostering India and the need, demand and importance. By which we can explore implementation of the entrepreneurship in favor of India`s fast Economic development.

3.4.1 Introduction

The driving forces behind any economy are the Businessmen. They create large organizations out of backyard enterprises. These were the people, J.R.D Tata, Dhirubhai Ambani, Narayan Murthy, Henry ford and Bill Gates who envisioned a dream and took a risk to achieve their Dream. They marched on a different path to achieve their dreams; Theses people were the innovators, inventors, and adventurers. Entrepreneurship is a social phenomenon and it is not inherent within a person, rather it exists in the interaction between people. To become a successful Businessman we need to practice as a manager by acquiring various skills and efforts in learning and understanding a business. A person may not have the businessman qualities and may not be interested in the same field even though he is from a business family. This reflects a ray of hope for the unemployed to earn a living and maintain a dignified life and also in return helps the economic development of our country. To identify a potential businessman is always a difficult task so the government and other service organizations conduct a special program namely Entrepreneurship Development Program (EDP) whose main purpose is to identify and develop the potential businessmen. The future of the modern society is Entrepreneurship and it is an occupational enterprise which undertakes at an individual level and often involves financial risk, quick decision making, adaptation of innovative ideas, continuous investment and above all a mindset for organizing things which lead to profit making and development. History of entrepreneurship in India goes back to the period of industrialization which was brought about by the British Raj. And the present education system in India has not been successful in promoting the independent thinking, creativity, a spirit of innovation and motivation for setting up of challenges and achievable goals. Even though the environment and the policies offer a diverse opportunity for sustainable self-employment and ensure the contribution of workforce to an industrial economy. There is a need to inculcate the spirit of enterprise into the psyche of the present generation. With all the socioeconomic development going towards, the entrepreneurial culture has not set in. Hence this paper will identify those aspects and the challenges which will help in fostering the climate of entrepreneurship.

3.4.2 Entrepreneurs in India

3.4.2.1 Who is an Entrepreneur?

The businessman is a loanword from the French language which refers to a person who undertakes and operates a new venture, and assumes some accountability for the inherent risks.

Businessmen build companies which are specifically crafted to exploit a particular opportunity. This provides them an advantage over the older companies that were designed in response to the challenges of the past and must change to adapt the today's requirements. Businessmen can build new companies. They can also rejuvenate existing companies via buyouts and turnarounds. They can also build new companies inside existing companies, which can be called corporate entrepreneurship.

Many "high-profile" entrepreneurial ventures seek venture capital or angel funding in order to raise capital to build the business. Many kinds of organizations now exist to support would-be businessmen, including specialized government agencies, business incubators, science parks, and some NGOs.

3.4.2.2 In India

According to Global Entrepreneurship Monitor (GEM) project India Report 2001, Due to social rigidities, Indian women are half as likely as men to be businessmen. Younger, moderately educated, and reasonably well-off people are more likely to be businessmen. The types of startups encountered

(established within the last 42 months) were mostly customer -oriented, comprising of trading activities; most have just about a handful of employees. The main sources of funds in decreasing order were personal, financial institutions, close family members, and government programs.

The wheels of India's bureaucracy still turn too slow for businessmen, the educational system is not good at promoting entrepreneurial skills and attitudes, Indian institutes have not been as good as multinationals in R&D transfer, and India's physical infrastructure ranks lowest among the countries surveyed in the report - all prime areas for study and improvement by policymakers, academics and business leaders.

3.4.3 Is India a right place to start a startup?

Following are a few interesting observations:

1. People: India is a land of technologists. It is the best place for techies with similar interests to combine their skills and innovate than in any other countries.

2. Funding: Indian startups can survive for much longer time than in any other countries looking at the limited amount of cash required for running a business here.

Do India lack Entrepreneurship skills? India Venture Challenge organized by The Draper Fisher Jurvetson (DFJ) and TiE (The Indus Entrepreneurs) met with a stupendous response and saw participation of 125 budding and aspiring entrepreneurial teams from across India, representing both new ventures and existing early stage businesses.

According to Tim Draper, Founder and Managing Director of DFJ, “Entrepreneurial talent abounds in India and needs the right atmosphere and encouragement for the skills to be honed and met with success."

3.4.4 The growth of entrepreneurship in India

Through unrecognized by policy statements, entrepreneurial initiative was breaking new grounds in the small industrial scene over the past four decades banking mainly upon the ingenuity and determination of individuals. The late sixties and early seventies also witnessed a few sporadic attempts to create entrepreneurs from non traditional communities with a view to breaking the monopoly of the dominant groups and diversifying the entrepreneurial base in the country. The state of Gujarat was the forefront of this movement.

By the late sixties it became quite evident that two resources are the most critical (in spite of favorable policies) for the development of entrepreneurship, finance (credit) and managerial capabilities. The industrial policy exercises were woefully oblivious of these two basic factors, though there were incentives and special institutions. When industrial development picked up in the sixties the bankers limited credit mainly to establish industrialists and merchants for existing projects with assured success and sufficient collaterals.

The next task was to identify and groom potential new businessmen from a variety of socioeconomic backgrounds. The entrepreneurship development program with well ell designed inputs for motivating, informing and Skilling entrepreneurial individuals was pioneered in 1970. Something started as an experiment soon spread to other parts of the country (and now to many developing countries) and became a deeply entrenched strategy for new enterprise creation over the years. Difficult models and

methodologies have been evolved and tasted by different organizations. Several modifications have been carried out to suit the profile and needs of various groups of trainees.

3.4.5 **India needs Entrepreneurs**

India needs businessmen. It needs them for two reasons: to capitalize on new opportunities and to create wealth and new jobs. A recent McKinsey & Company-Nasscom report estimates that India needs at least 8,000 new businesses to achieve its target of building a $ 87 billion IT sector by 2008. Similarly, in the next 10 years, 110-130 million Indian citizens will be searching for jobs, including 80-100 million looking for their first jobs; that is seven times Australia's population. This does not include disguised unemployment of over 50% among the 230 million employed in rural India.

Since traditional large employers – including the government and the old economy players – may find it difficult to sustain this level of employment in the future, it is businessmen who will create these new jobs and opportunities.

Fortunately, today's knowledge-based economy is fertile ground for businessmen in India. The success stories of businesses built on a great idea executed by a talented team have great appeal in India, where access to capital is scarce and regulation has often created barriers to success. And young Indians have a dream: to be the next Sabeer Bhatia of India. Estimates indicate that several thousand "new economy" businesses were launched last year in India. This is not just a "big-town" phenomenon. For example, when McKinsey & Company launched India Venture 2000, a business plan competition to catalyze entrepreneurship in India, many of the 4,500 teams that participated were from small towns such as Meerut, Siliguri, Warangal and Pollachi.

I believe India has an extraordinary talent pool with virtually limitless potential to become businessmen. India must, however, commit to creating the right environment to develop successful business builders. To do this, I believe India must focus on four areas.

3.4.6 **Create the right environment for success:**

Ensure that businesspersons have access to the right skills:

Ensure that businessman have access to "smart" capital:

Enable networking and exchange:

3.4.7 The transforming scenario

While training can provide the necessary skills and motivation to entrepreneurial individuals, it is the government that should create an encouraging environment so that creative individuals commercialize their innovative ideas. In other words, the spirit of enterprise comes directly in contact with the 'system' at the stage of launching a business venture. Unfortunately, inquiries among businessmen time and again reiterate the negative impact of the system on the morale of the businessman and the growth of enterprise. Unfriendly bankers, procedural delays, bureaucratic indifferences all impede the smooth launching of enterprises. Ironically enough, the policy imperatives with their trust on protecting the new businessmen in the small sector from the shocks of unequal market relations with the large sector, have turned out to be the hardest stumbling blocks on their path to growth and prosperity. Complex and burdensome regulatory

and administrative environment created as a result of excessive state intervention became the major deterrent to the emergence of new entrepreneurship.

The changing economic scenario domestically and globally warrants that this exercise is done in right earnest without losing much time.

With liberalization setting in, it was bound to be sooner, rather than later, that a new business class would emerge. Never could we have predicted that Azim Premji, who inherited a vegetable oil company, could beat traditional industrialists in becoming the richest India. And that a school teacher's son, Narayana Murthy, would own the most valued company in the country, Infosys. Such twists of fate, possible only in today's India, were a far cry a decade ago.

3.4.8 Efforts to Foster Entrepreneurship in India

Many of India's leaders have perceived the need to shift some of these barriers to the development of entrepreneurship in their country, and a number of programs have emerged to meet this need. Various agencies participate in entrepreneurial development across India. To coordinate and oversee their activities, the Ministry of Industry established the National Institute for Entrepreneurship and Small Business Development (NIESBUD). The institute organizes entrepreneurship development programs, prepares manuals, and produces educational videos; its training activities are restricted to stimulating, supporting, and sustaining entrepreneurship. A sample program is entitled "Training Trainers for Barefoot Managers."

Among the non-governmental organizations promoting entrepreneurship in India is the Progress Harmony Development (PHD) Chamber of Commerce and Industry.

The organization has since grown to include over 1,600 direct members and 80 associates serving over 22,000 small enterprises.

Functions of the PHD Chamber of Commerce and Industry include:

Providing support for the economic and social growth process by developing entrepreneurial skills and attributes;

Promoting not only new ventures, but also improving the productivity of existing self- employment;

Including rural and less developed areas in PHD activities;

Fostering a spirit of self-reliance and self-confidence to make entrepreneurship self- generating; and

Providing specific services such as training, consulting, and a computerized data bank.

3.4.9 What could be a better option than entrepreneurship?

Entrepreneurship could take off the excess of labor from the farms that causes disguised employment. Disguised Employment means that there might be groups of people working on the farmland and calling themselves employed. However, when these people are taken off that farm and employed elsewhere, the production of the farm does not go down. Hence, such people though employed do not add to the production of the farm. We have also seen in the recent past that despite enough food stocks with

government warehouses, people are dying of starvation. This indicates a problem with the public distribution system. The question is, do we have to depend on government public distribution system? The response is, people taking up entrepreneurship themselves in the form of Trading and Cooperatives.

The basic entrepreneurial principles should be applied to rural development. This would result in:

A] Better distribution of farm produce results in the rural prosperity.

B] Entrepreneurial occupation rural for youth resulting in reduction of disguised employment and alternative occupations for rural youth.

C] Formations of big cooperatives like Amul for optimum utilization of farm produce.

D] Optimum utilization of local resource in entrepreneurial venture by rural youth

3.4.10 The support system:

However, there has not been enough development in this area. One of the reasons can be that management modes used were largely governmental. Those who were charged with the responsibility of rural development were either bureaucrats or technocrats, who was using only the schemes as the motivation for developing entrepreneurs, without providing the necessary training for running an enterprise. Wherever we see on the oasis of development in the desert of rural underdevelopment, we can trace an imaginative entrepreneur, who has used the correct mode of management of rural entrepreneurial venture to the best.

For example, the case of dairy development in the State of Gujarat. This model is popularly known as "Amul Model". The Gujarat experiment was started more than 30 years ago. Starting from a small complex of eight societies which originally collected only a few hundred liters of milk it has grown into a huge complex collecting nearly seven lakh liters of milk per day from 240,000 members organized into 840 village societies. Today 90 per cent of the processed butter and cheese market of the organized sector in the country is controlled by Amul. This has helped small farmers.

The model for frozen pea market developed by MAFCO in Maharashtra is another success story. This venture was started eight years ago. During the first year only 10 tonnes of peas were sold, which went up to 42 tonnes in the second year, 120 tonnes in the third year and 140 tonnes next year and so on. Behind this success story is also that the businessmen who could foresee and implement his plans of marketing. The opportunities in this area are quite big. For example, the market for vegetables in West Asia is approximately Rs. 36 lakhs per day, to be transported by air daily. What is lacking is managerial talent, which could exploit these opportunities by organizing small farmers of this country.

Despite the impetus provided by the government there has not been much development in the rural area. One of the major reasons why not much headway has been made in this area during the last 50 years is the lack of committed government officials implementing these projects. However, before a profile of these rural Businessmen is carved, it is necessary to review the existing rural scene and the agencies involved in the rural development. Such a review would help us in understanding the problems of rural India in a better way. This would also help us in drawing the profile of the Businessmen for rural development. The term Businessman for rural development is being utilized instead of Businessmen for rural industries.

The major problem with these entrepreneurs is that they look at the community only as a market. For example, a tractor manufacturing and marketing company look at the rural India as a big market for his tractors/without thinking of its innovative usage in urban and semi-urban areas, like tractor being utilized in town planning and Municipal Corporation's jobs. The industries in rural areas should set up not just to take advantage of the cheap labor but also to bring about an integrated rural development. Similarly, rural businessmen should not only look at rural areas as their markets, they should also see the challenges existing in the urban markets. They may not be setting up only an industry they might be bringing about a revolution with their innovative ideas. They may not set up manufacturing units, they may set up a seed raising farm or carry out the trading for the benefit of millions. Based on our understanding of the need of rural industrial ventures, let us try to draw the profile of rural businessmen.

3.4.11 Profile of a rural entrepreneur:

A] He should not be an individualist. He should have a group orientation. He should consider the rural society not as his market but as his own large family.

B] He should practice a management style where the concern for people is the highest.

C] He should have a strong commitment to rural development.

D] He won't be interested in usual perks and entertainment allowance. Social gain will be his perk and the smiles on the faces of impoverished rural population his only allowance.

3.4.12 Need for sowing the dream in the minds of rural youth:

"Youths in the rural areas have little options", this is what they are given to believe. This is the reason that many of them either work as farm or migrate to urban land. The need is to plant other options in the minds of rural youth. Entrepreneurship could be the best option. If planted and nurtured in the minds of rural women and youth, it could result in revolutionizing the Indian economy. It should be emphasized that the projects undertaken by these businessmen should not be constrained by its location in a rural area. It should enjoy all the advantages of the location. Following are the advantages of rural industrial projects:

A] Tax holidays and other tax advantages given to rural projects.

B] Abundance of cheap labor.

C] Advantages of local and regional resources in case the unit uses them as a raw material.

D] Prestige and respect among the local community

E] Live example for local youth for taking up entrepreneurial project

F] Support and motivation of local people

G] Competitive advantage over the big business due to the proximity to the raw material and labor.

H] Employment generation of local people.

There are many enterpreunership programs which are set up by the government and non-government organizations for the purpose of bringing new individuals to take up enterpreunership which would help in Economic growth and foster India in the global market.

3.4.13 **National Bank for Agriculture and Rural Development (NABARD)**

NABARD was set up in 1982 to promote integrated rural development. Since then, it has adopted a multi-pronged, multi-purpose strategy for the promotion of rural business enterprises in the country. Apart from agriculture, it supports small industries, cottage and village industries, and rural artisans using credit and non-credit approaches. It offers counselling and consultancy services and organizes training and development programs for rural businessmen.

3.4.14 **The Rural Small Business Development Centre (RSBDC)**

It is the first of its kind set up by the world association for small and medium enterprises and is sponsored by NABARD. It works for the benefit of socially and economically disadvantaged individuals and groups. It aims at providing management and technical support to current and prospective micro and small businessmen in rural areas. Since its inception, RSBDC has organized several programs on rural businessmenship, skill upgradation workshops, mobile clinics and trainer training programs, awareness and counselling camps in various villages of Noida, Greater Noida and Ghaziabad. Through these programs it covers a large number of rural unemployed youth and women in several trades, which includes food processing, soft toys making, ready-made garments, candle making, incense stick making, two-wheeler repairing and servicing, vermicomposting, and non conventional building materials.

3.4.15 **National Small Industries Corporation (NSIC)**

This was set up in1955 with a view to promote, aid and foster the growth of small business units in the country. This focuses on the commercial aspects of these functions.

Supply indigenous and imported machines on easy hire-purchase terms.

Procure, supply and distribute indigenous and imported raw materials.

Export the merchandise of small business units and develop export-worthiness.

Mentoring and advisory services. • Serve as technology business incubators.

Creating awareness on technological upgradation.

Developing software technology parks and technology transfer centers.

A new scheme of ‘performance and credit rating’ of small businesses is implemented through National Small Industries Corporation (NSIC) with the twin objectives of (i) sensitizing the small industries about the need for credit rating and (ii) encouraging the small business units to maintain a good financial track record. This is to ensure that they score higher ratings for their credit requirements as and when they approach the financial institutions for their working capital and investment requirements.

3.4.16 **Small Industries Development Bank of India (SIDBI)**

Set up as an apex bank to provide direct/indirect financial assistance under different schemes, to meet credit needs of small business organizations.

To coordinate the functions of other institutions in similar activities.

The National Commission for Enterprises in the Unorganized Sector (NCEUS)

The NCEUS was constituted in September, 2004, with the following objectives:

To recommend measures considered necessary for improving the productivity of small enterprises in the informal sector.

To generate more employment opportunities on a sustainable basis, particularly in the rural areas.

To enhance the competitiveness of the sector in the emerging global environment.

To develop linkages of the sector with other institutions in the areas of credit, raw materials, infrastructure, technology upgradation, marketing and formulation of suitable arrangements for skill development. The commission has identified the following issues for detailed consideration:

Growth poles for the informal sector in the form of clusters/ hubs, in order to get external economic aid.

Potential for public-private partnerships in imparting the skills required by the informal sector.

Provision of micro-finance and related services to the informal sector.

Providing social security for the workers in the informal sector.

Rural and Women Entrepreneurship Development (RWED)

The Rural and Women Entrepreneurship Development program aims at promoting a conducive business environment and at building institutional and human capacities that will encourage and support the entrepreneurial initiatives of rural people and women. RWE provides the following services:

Creating a business environment that encourages initiatives of rural and women enterpreneur.

Enhancing the human and institutional capacities required to foster the entrepreneurial dynamism and enhance productivity.

Providing training manuals for women enterpreneur and training them.

Rendering any other advisory services.

World Association for Small and Medium Enterprises (WASME)

It is the only International Non Governmental Organization of micro, small and medium enterprises based in India, which set up an International Committee for Rural Industrialisation. Its aim is to develop an action plan model for sustained growth of rural enterprises.

Apart from these, there are several schemes to promote the non-farm sector, mostly initiated by the Government of India. For instance, there are schemes for entrepreneurship through subsidized loans like Integrated Rural Development Program (IRDP), Prime Minister Rojgar Yojana (PMRY), schemes to provide skills like Training of Rural Youth for Self Employment (TRYSEM), and schemes to strengthen the gender component like Development of Women and Children in Rural Areas (DWCRA).

There are schemes to provide wage employment like Jawahar Rojgar Yojana (JRY), food for work etc., on rural works program to achieve the twin objectives of creation of rural infrastructure and generation of additional income for the rural poor, particularly during the lean agricultural season. Last, but not the least, there are schemes for specific groups of industries such as khaki, handlooms and handicrafts.

3.4.17 **Scheme of Fund for Regeneration of Traditional Industries (SFURTI)**

To make the traditional industries more productive and competitive and to facilitate their sustainable development, the Central Government set up this fund with Rs. 100 crores allocation to begin within the year 2005. This has to be implemented by the Ministry of Agro and Rural Industries in collaboration with State Governments. The main objectives of the scheme are as follows:

To develop clusters of traditional industries in various parts of the country;

To build innovative and traditional skills, improve technologies and encourage public-private partnerships, develop market intelligence etc., to make them competitive, profitable and sustainable; and

To create sustained employment opportunities in traditional industries, The District Industries Centers (DICs)

The District Industries Centers Program was launched on May 1, 1978, with a view to providing an integrated administrative framework at the district level, which would look at the problems of industrialization in the district, in a composite manner. In other words District Industries Centers are the institution at the district level which provides all the services and support facilities to the businessmen for setting up small and village industries.

Identification of suitable schemes, preparation of feasibility reports, arranging for credit, machinery and equipment, provision of raw materials and other extension services are the main activities undertaken by these centers.

Broadly DICs are trying to bring change in the attitude of the rural businessmen and all other connected with economic development in the rural areas. Even within the narrow spectrum, an attempt is being made to look at some of the neglected factors such as the rural artisan, the skilled craftsman and the handloom operator and to tune up these activities with the general process of rural development being taken up through other national programs. The DIC is thus emerging as the focal point for economic and industrial growth at the district level.

Entrepreneurship education for the educated young people has a history of only several years, but it has already developed fast. Employment pressure has made EE in India's higher education system absolutely important, but the cultural barriers and the difficulties towards startups prevent EE from being successful. The following are recommended for the development of EE in India's higher education system:

3.4.18 **Fostering Entrepreneurship Culture**

The formation of an entrepreneurship culture is the prerequisite of a successful EE in India's higher education system. Students and faculty members will participate in EE more actively only if the whole society advocates entrepreneurship and risk-taking, and businessmen are respected.

The formation of an entrepreneurship culture can be done through a host of interventions like the use of media, the creation of literature for inculcating entrepreneurial values, documentation of cases, success stories, video films, and behavioral exercises, etc. Since the formation of an entrepreneurship culture acts in accordance with the development of the national economy, it will be a long and hard process in India. Creating an Entrepreneurship Environment In India, although many business regulations were removed during the 1990s, many of the old bureaucrats remain. The improvement of infrastructure in India will take a long time because of its less developed economy. But at least the state policies (both central and state governments) can be made more entrepreneurship friendly. For example, the "single window scheme" needs to be implemented. With the deepening of reform, a favorable entrepreneurship environment will be formed, and this in turn will benefit EE in the higher education system.

3.4.19 **Refining Techniques of Entrepreneurship Education**

Entrepreneurship education is different from a typical business education. Business entry is a fundamentally different activity from managing a business. EE must address the equivocal nature of business entry. To this end, the EE must include skill-building courses in negotiation, leadership, new merchandise development, creative thinking and exposure to technology innovation. Other areas identified as important for EE include an awareness of entrepreneur career options; sources of venture capital; idea protection; ambiguity tolerance. These are characteristics that define the entrepreneurial personality from which one draws when faced with the challenges associated with each stage of venture development. The following learning tools are useful in EE: business plans; student business start-up; consult with practicing entrepreneurs; computer simulations; behavioral simulations; interviews with entrepreneurs, environmental scans; "live" cases; field trips, and the use of video and films.

Different educational institutions have different situations; a successful model in one institution may not be available in other institutions. EE in the different institutions may have characteristics peculiar to each institution, but some key elements must be considered compulsory. Student selection is the first step, and then those selected students need to be motivated. After the motivation phase, they should be given special entrepreneurship training.

And finally, students have to be provided with proper and adequate support. At present, besides the special entrepreneurship training, EE in Indian educational institutions also needs to instill certain basic ideas in doing business. For instance, in doing business, being punctual is very important. University students need to be reminded of the basic trait.

3.5 Steps of setting new Enterprise

3.5.1 What can be done for self-employment?

A micro or small or medium enterprise can easily be set up for self-employment. You can choose an activity depending upon your interest and suitability not only to become self-employed but also to generate employment for others.

3.5.2 What is a Micro, Small or Medium Enterprise?

The earlier concept of 'Industries' has been changed to 'Enterprises'

- Enterprises have been classified broadly into:
  - (i) Enterprises engaged in the Manufacture / production of Goods pertaining to any industry; &
  - (ii) Enterprises engaged in providing / Rendering of services.

  - Manufacturing enterprises have been defined in terms of investment in plant and machinery (excluding land & buildings) and further classified into :

    - Micro Enterprises - investment up to Rs.25 lakh.
    - Small Enterprises - investment above Rs.25 lakh & up to Rs. 5 crore
    - Medium Enterprises - investment above Rs. 5 crore & up to Rs.10 crore.

- Service enterprises have been defined in terms of their investment in equipment (excluding land & buildings) and further classified into:
  - Micro Enterprises – investment up to Rs.10 lakh.
  - Small Enterprises – investment above Rs.10 lakh & up to Rs.2 crore.
  - Medium Enterprises–investment above Rs. 2 crore & up to Rs. 5 crore

It is not necessary to engage in manufacturing activity for self-employment. One can set up service enterprises as well .

3.5.3 How do we select an activity for self-employment?

For selecting an activity or enterprise, you will have to consider the following significant issues:

- Where do you want to promote the enterprise?
- What resources are available near the location of the enterprise?
- What kind of market or customer pattern exists near the site of the enterprise?
- What kind of contacts you have to exploit to your advantage for marketing of the product?
- What infrastructure is available at the location of your enterprise?
- How much capital is available?

There are many other considerations including availability of skilled manpower, raw material, technology etc. before you narrow down your choice for selection of industry or activity.

3.5.4 Who will assist in identifying the activity?

MSME Development Institutes can assist you in identifying the activity based on the Industrial Potential Survey and merchandise specific market studies. District Industries Centers/State Directorate of Industries also facilitates in identification of a suitable activity.

3.5.5 What steps are required for identifying the activity?

A preliminary market study of product(s) or service(s) needs to be undertaken to analyze consumption and availability pattern. If there is a gap in demand and supply, the activity considered ideal for selection.

3.5.6 Where is market information available?

Market information is available with MSME Development Institutes (MSMEDIs) and DIC's of the respective states/areas. Market Survey reports on various items and Industrial potential surveys of particular areas provide the information about the market potential of items. Industry and Trade associations, specialized institutions like PPDC can also provide such information.

3.5.7 How can market potentially be ascertained?

Market potential can be ascertained by conducting preliminary studies by a prospective businessman to get an insight of the merchandise / services to be set up. A businessman can estimate local demand, demand within the state or country, export market and future prospects of product (s) /service (s). Visit to wholesale and retail markets, bulk customers etc. Provides accurate information on market potential.

3.5.8 Is there any agency providing guidance on marketing potential?

MSMEDI and State Government agencies viz. DICs and SIDCs provide guidance on market potential. The gap in demand & supply can be established through potential surveys and market assessments with the help of these agencies.

3.5.9 Where can the enterprise be set up?

The enterprise can be set up in a designated industrial area, where infrastructure facilities are available and is near to the market identified. It can also be set up in any other area depending upon nature of activity and local municipal rules.

3.5.10 What are the inputs required for setting up an enterprise?

The following major inputs are required for setting up an enterprise:

- Land, building or shed
- Machinery and equipments
- Raw Materials
- Power and Water
- Skilled manpower
- Capital

3.5.11 Are there any projects suitable for non-technical and inexperienced entrepreneurs?

There are many projects, which are suitable for non-technical and inexperienced businessman. Skilled manpower and technical personnel can be hired according to needs. Businessmen can also join special short term training programs. MSMEDI's, DIC's, NSIC etc. Provide intensive consultancy to such first generation businessmen.

3.5.12 How can a new entrepreneur compete with the existing manufacturers?

A prospective businessman can take the advantage of opting for the latest technology and production process and operate at higher volume of operation. This leads to reduced production cost and production of quality goods and services. A new businessmen can thus provide improved quality goods and services at lower cost and further tap the market with an innovative marketing approach.

3.5.13 Financial Assistance

3.5.13.1 **Which are the agencies providing financial assistance?**

Financial assistance is available from institutions such as Nationalized Banks, Small Industries Development Bank of India, Regional Rural Banks, National Small Industries Corporation, State Financial Corporations etc. depending upon the project requirement and promoters background. Financial assistance has two components. Loan for fixed capital is used to acquire Plant and Machinery, land and building. Working capital loan is used to meet day to day operational cost of the production. State Financial Corporation and National Small Industries Corporation generally provide working capital. However under a package assistance, State Financial Corporations also provide a composite loan covering plant and machinery and working capital.

3.5.13.2 **How to choose the most suitable source of funding?**

Any of the financial institutions can be approached to get funds keeping in view their specific schemes. Evaluate and compare the terms and conditions, including rate of interest and repayment period of loan offered by the different financial institutions. Select the financial institution, which offers funds at minimum interest rate as per your repayment plan to suit your project. Choose the Institution which is in close proximity to the project site if other terms and conditions are similar.

3.5.13.3 **What are the eligibility criteria for getting a loan?**

The major eligibility criteria is return on the investment and profitability of the project proposed to be set up. Any financial institution will support the project if repayment is assured.

3.5.13.4 **How much money the entrepreneur is required to invest out of his own resources?**

Some portion of total investment has to be contributed by the Businessman out of own sources. This is called margin money. Financial Institutions insist on 10 to 25 per cent margin money depending upon the category of the businessman, risk factor and existing scheme under which the project will be financed

3.5.13.5 **What to do if an entrepreneur does not have any money of his own?**

It is simple. One can arrange for loan for margin money under the scheme being operated by the State Commissioner/Directorate of Industries or State Bank of India. But this scheme is generally offered to professionally qualified businessmen. Alternately you may have to prune down the size of your project in tune with available margin money. The financial institutions will prefer to support a businessman, who is willing to put his/her own stake to some extent.

3.5.13.6 **What is the procedure for getting a loan?**

A businessman should approach the concerned financial institution viz. State Financial Corporation, NSIC, Bank branches etc. Application in prescribed proformae has to be submitted along with project report including proof of ownership/availability of land/building, proof of residence, collateral securities (wherever applicable) etc. The loan is given by the institution if the application meets the norms.

3.5.13.7 **Can the loan be used to cover all types of investment in the project?**

The amount of loan can be used to cover all types of investment required in the project, such as machinery & equipment, and working capital, land and building. The lending agency for each component of the loan may be same or different.

3.5.13.8 **Is there any agency for funding the land and building costs?**

The Banks and State Financial Corporations offer assistance for land/building/shed to a certain extent. However, some qualifying parameters have been laid down by these institutions. In addition, Housing Development Corporation also provides funds for land /building.

3.5.13.9 **What are the general conditions for availing financial assistance?**

The general conditions for getting financial assistance are:

- Eligibility criteria
- Technical /Economic viability
- Promoters contribution
- Capacity to repay loan
- Collateral securities/guarantee

3.5.13.10 **Is loan available from any other source for small projects?**

Loan is also offered under some special schemes like *P.M.R.Y.* which are directed towards the creation of self-employment.

3.5.14 **Project Report**

3.5.14.1 **What is a project report?**

The project report is a document, which gives an account of the project proposal to ascertain the prospects of the proposed plan/activity. The project report contains detailed information about:

- Land & building required
- Manufacturing Capacity per annum

- Manufacturing Process
- Machinery & equipment along with their prices and specifications
- Requirements of raw materials
- Power & Water required.
- Manpower needs
- Marketing
- Cost of the project and production.
- Financial analyses & economic viability of the project.

3.5.14.2 **How is a Project Report Prepared?**

A project report is prepared with the help of prescribed guidelines available with MSMEDI's, DIC's & financial institutions. Information about prices of machinery & equipment, raw material and other various inputs required for setting up an enterprise need to be collected from the market.

3.5.14.3 **Is there any standard model for preparing the project report?**

A model pro forma for preparing the project report is available with MSMEDI's, DIC's & financial institutions. Every institution has its own model pro forma. However, the contents of all the pro forma are almost similar.

3.5.14.4 **Is a model project report available?**

Yes, Model project profiles are available with the MSMEDIs (formerly Small Industries Service Institute's) & DIC's for the guidance of businessmen.. However, these project profiles have to be recast in accordance with the specific needs of the businessmen and the current prices of inputs.

3.5.14.5 **Which agency assists in preparation of Project Report?**

MSMEDIs, NSIC and State Govt. agencies viz. *DICs, SFCs* can help you in preparing the Project Report. You can also prepare the Project Report yourself by collecting detailed information on various points.

3.5.14.6 **What details are required for preparation of Project Report?**

Information in detail is required about the technical process, requirements of plant and machinery, raw materials, manpower requirement, market information and statutory representations (like pollution control and public safety) etc. The details of power and water tariff, land/shed/building and selling prices etc. needs to be collected as prevalent in the market.

3.5.14.7 **Which agencies can be approached for obtaining information for preparation of the Project Report?**

Businessman can approach *MSMEDIs* and state Govt. agencies viz. *Directorate of Industries, SFCs, DICs* and market channels for getting information.

3.5.14.8 **Who can help in selecting production process, equipment etc?**

Micro, Small & Medium Enterprises Development Institute's (formerly Small Industries Service Institutes), Design and Development Centers like MSME Technology Development Center's (formerly

PPDC's) /Tool Room's, Research and Developmental agencies such as NRDC's and Regional Research Laboratories can help you in selecting the right production process, suitable equipment's etc.

3.5.15 **Training**

3.5.15.1 **What basic training is required for setting up an enterprise?**

Basic training differs from merchandise to merchandise but will necessarily involve sharpening of entrepreneurial skills. Need based technical training is provided by the Govt. & State Govt. technical Institutions.

3.5.15.2 **What are the other types of training relevant for a new entrepreneur?**

One can acquire entrepreneurial skills by undergoing Entrepreneurial Development Program and Management Development program.

3.5.15.3 **What is the duration of such courses?**

These are short-term courses of 2 week's to 4 weeks duration.

3.5.15.4 **Which are the agencies providing such training?**

There are a number of Government organizations as well as NGOs who conduct EDPs and MDPs. These EDPs and MDPs and are conducted by MSME's, NIESBUD, NSIC, IIE, NISIET, Entrepreneurship Development Institutes and other state government developmental agencies.

3.5.15.5**Is different type of training available for different categories of entrepreneurs?**

Need based training courses are available for different categories of businessmen. For example, Central Footwear Training Institute's provide training in footwear. Tool Room and Tool Design Institutes provide training in Engineering Industry. Likewise other technical training is provided by various institutions of central and state govt.

3.5.15.6 **Are there any preferential criteria for imparting training?**

A businessman desirous of setting up of enterprises or his representative is preferred for attending these training programs which are offered at a nominal fee. However, there is no fee charged for imparting training for the businessmen of the NE region. Moreover, preference is accorded to weaker sections such as SC/ST, Women, Ex-servicemen. and Physically handicapped persons.

3.5.15.7 **Are there any short term courses available?**

Short term technical training courses are conducted by SISIs and other technical institutions, which vary from 3 to 6 months in duration depending on the nature of the training. In addition, short-term training programs for managers & supervisors are also conducted by MSME's to upgrade their knowledge and skills.

3.5.15.8 **Does any agency give on the spot training for installation and commissioning of equipment?**

Normally the suppliers of machinery & equipment provide on the spot training as well as facilities on the spot for installation and commissioning of equipment. However, SISIs also assist the businessmen for installation and commissioning of machinery equipment at their premises.

3.5.15.9 **Is there any agency providing training for skill upgradation?**

Skill development/upgradation courses are offered by SISIs, NSIC, PPDCs etc. In different disciplines to skilled workers engaged in the micro, small and medium enterprises with a view to equip them with better and improved technologies of production.

3.5.15.10 **Which are the organizations providing training to improve management of an enterprise?**

SISIs, Management Development Institute's, NPC, NSIC etc. Offer Management Development Programs for acquiring knowledge about the different aspects of the management required for an operation of industry. Short-term courses of two to four weeks are available on Production Management, Marketing Management, Financial Management, Export Management, Export Procedure & Documentation, Packaging for Exports, Cost Reduction, Material Management etc.

3.5.15.11 **Are there institutions providing consultancy for development or setting up of the project?**

SISIs, DICs and State industrial development corporations can provide consultancy for developers or setting up of the project. Suitable technologies are also offered by CSIR Laboratories, PPDC's, NRDCs, R&D institutions also offer consultancy at nominal charges.

3.5.15.12 **What kind of consultancy is offered by these agencies?**

The consultancy provided by these institutions includes identification of suitable merchandise , market, technologies, Raw Materials, production method, regulatory requirement etc. In fact any problem can be addressed by these institutions for setting up or running of the enterprise.

3.5.15.13 **Which agencies provide information on plant and machinery, raw materials and other equipments?**

SISIs, DIC, CSIR Laboratories, PPDC's, NRDC, R&D institutions etc. provide information on plant and machinery, raw materials and other equipments.

3.5.15.14 **How does one tackle pollution control needs of the project?**

In case your merchandise is covered under the list of the polluting industries as defined by the state government, it will be necessary to get specific clearance from the State Pollution Control Board/Committees. Pollution control equipments/measures will have to be installed by the enterprise as per need. Such polluting enterprises can only be set up in the designated industrial areas or locations and may have to link up with the common affluent treatment facility, if available in the area.

3.5.15.15 **Which institutions provide details of pollution control requirements?**

Pollution control board/ Committees and State Directorate of industries provide details of pollution control requirements. SISIs, and DICs also help in understanding of pollution needs.

3.5.15.16 **Does any agency provide training in pollution control?**

MSME's provide training in pollution control for different type of industries as per their local needs. Pollution Control Boards & Ministry of Environment also support training efforts.

3.5.16 **Marketing**

3.5.16.1 **How does a new entrepreneur market the product?**

This is an era of globalization and liberalization. The manufacturers have to offer goods and services of desired quality at optimum cost. Select the right market/customers identified at the time of planning the unit. Establish Direct marketing channels or a network of dealers as per requirement of the merchandise based upon initial survey. Highlight strengths of the merchandise .

3.5.16.2 **How does one popularize the new product?**

You may create awareness among the buyers or customers about your product's strong points in order to convince them of the utility of the merchandise . Publicity in various available forms has to be arranged within the budgetary constraints. Sell your quality, to gain customer 's confidence. Review customer feedback. Resort to live demonstration. MSME /NSIC help in popularizing the merchandise through domestic and international trade fairs/exhibitions.

3.5.16.3 **Are there any specialized agencies which offer marketing assistance?**

There are Governmental and non-governmental specialized agencies which provide marketing assistance. NSIC & KVIC are the devoted govt. agencies for providing marketing assistance to MSME units.

3.5.16.4 **Is there any other assistance offered by NSIC for the marketing MSME Product?**

Besides promotion of MSME products through exhibitions, NSIC directly market the MSME produce in the domestic and overseas market. NSIC also manages a single point registration scheme for manufacturers for Govt. purchase. Units registered under this scheme to get the benefits of free tender documents and exemption from the earnest money deposit and performance guarantee.

3.5.16.5 **Does any agency help in an exhibition of the product?**

MSME & NSIC help the micro, small and medium enterprises for exhibiting products of MSME in the domestic and international exhibition.

3.5.16.6 **Does any agency help in promoting exports?**

ITPO, DGFT, FIEO & Chambers of commerce in the different countries Ministry of Commerce provide assistance in promoting exports. Office of the Development Commissioner (MSME), Government of India provides financial assistance to micro, small and medium scale businessmen to display their merchandise in overseas fairs and also for sales-cum-study tours abroad.

3.5.16.7 **Are there any special benefits for exports?**

MSME units get special benefits such as duty drawback, advance licensing for import of capital goods and raw materials, pre- shipment and post shipment credit against firm export orders and marketing development assistance. The income tax benefit is available on exports earning.

3.5.17 **Promotional Schemes**

3.5.17.1 **What is the policy of Government for promoting a micro, small and medium enterprises ?**

Government accords the highest preference to the development of MSME by framing and implementing suitable policies and promotional schemes. Besides providing developed land and sheds to the businessmen on actual cost basis with appropriate infrastructure, special schemes have been designed for specific purposes like quality upgradation, common facilities, entrepreneurship development and consultancy services at nominal charges.

3.5.17.2 **What is the incentive provided for quality upgradation ?**

Government of India has been executing the incentive scheme for providing reimbursement of charges for acquiring ISO 9000 certification to the extent of 75% of the cost subject to a maximum of Rs. 75,000/- in each case. ISO 9000 is a mechanism to facilitate adoption of consistent management practices and production technique as decided by the businessmen himself. This facilitates achievement of desired level of quality while keeping a check on production process and management of the enterprise.

3.5.17.3 **Is there any concession on Excise Duty payable by small units ?**

MSME units with a turnover of Rs. 1 crore or less per year have been exempted from payment of Excise Duty. Moreover there is a general scheme of excise exemption for MSME brought out by the Ministry of Finance which covers most of the items. Under this, units having a turnover of less than Rs. 3 crores are eligible for concessional rate of Excise Duty. Moreover, there is an exemption from Excise Duty for MSME units producing branded goods in rural areas.

3.5.17.4 **Is priority there any on providing credit to MSME ?**

Credit to micro, small and medium scale sector has been covered under priority sector lending by banks. Small Industries Development Bank of India (SIDBI) has been established as the apex institution for financing the MSME. Specific schemes have been designed for implementation through SIDBI, SFCs, Scheduled Banks, SIDCs and NSIC etc. Loans upto Rs. 5 lakhs are made available by the banks without insisting on collaterals. The Further Credit Guarantee Fund for micro, small and medium enterprises have been set up to provide guarantees for loans to MSME up to Rs. 25 lakhs extended by Commercial Banks and some Regional Rural Bank.

3.5.17.5 **What are the policies and schemes for promotion of MSME being implemented by State Governments ?**

All the State Governments provide technical and other support services to small units through their Directorates of Industries, and District Industries Centers. Although the details of the scheme vary from state to state, the following are the common areas of support.

a. Development and management of industrial estates
b. Suspension/deferment of Sales Tax
c. Power subsidies
d. Capital investment subsidies for new units set up in a particular district
e. Seed Capital/Margin Money Assistance Scheme
f. Priority in allotment of power connection, water connection.
g. Consultancy and technical support

3.6 **Scanning Business Environment**

The organizational environment consists of both external and internal factors. The environment must be scanned so as to determine the development and forecasts of factors that will influence organizational success. Environmental scanning refers to possession and utilization of information about occasions, patterns, trends, and relationships within an organization's internal and external environment. It helps the managers to decide the future path of the organization. Scanning must identify the threats and opportunities existing in the environment. While strategy formulation, an organization must take advantage of the opportunities and minimize the threats. A threat for one organization may be an opportunity for another.

Internal analysis of the environment is the first step of environmental scanning. Organizations should observe the internal organizational environment. This includes employee interaction with other employees, employee interaction with management, manager interaction with other managers, and management interaction with shareholders, access to natural resources, brand awareness, organizational structure, main staff, operational potential, etc.
Also, discussions, interviews, and surveys can be used to assess the internal environment. Analysis of internal environment helps in identifying strengths and weaknesses of an organization.

As business becomes more competitive, and there are rapid changes in the external environment, information from external environment adds crucial elements to the effectiveness of long-term plans. As the environment is dynamic, it becomes essential to identify competitors' moves and actions. Organizations have also to update the core competencies and internal environment as per external environment. Environmental factors are infinite, hence, the organization should be agile and Virgil to accept and adjust to the environmental changes. For instance - Monitoring might indicate that an original forecast of the prices of the raw materials that are involved in the merchandise are no more credible, which could imply the requirement for more focused scanning, forecasting and analysis to create a more trustworthy prediction about the input costs. In a similar manner, there can be changes in factors such as competitor's activities, technology, market tastes and preferences.

While in **external analysis**, three correlated environments should be studied and analyzed —

- Immediate / industry environment
- National environment
- Broader socioeconomic environment / macro-environment

Examining the **industry environment** needs an appraisal of the competitive structure of the organization's industry, including the competitive position of a particular organization and its main rivals. Also, an assessment of the nature, stage, dynamics and history of the industry is essential. It also implies evaluating the effect of globalization on competition within the industry. Analyzing the **national environment** needs an appraisal of whether the national framework helps in achieving competitive advantage in the globalized environment. Analysis of **the macro - environment** includes exploring

macro-economic, social, government, legal, technological and international factors that may influence the environment. The analysis of organization's external environment reveals opportunities and threats for an organization.

Strategic managers must not only recognize the present state of the environment and their industry but also be able to predict its future positions.

3.6.1 Scanning the Market Environment

Fad is short lived mushrooming of opportunity which is difficult to predict and forecast. Business profit from fad is pure matter of luck and chance. The trend is something which takes time to build up compared to fad and has a predictable future. The trend is sometimes co-related to changes in social culture and economic situation. Megatrend is much slower in development and is associated with political, socio-economical, technological and regulatory changes. Megatrends are estimated to last around half a decade or more. For companies trend and Megatrend are of great importance because they present business opportunities for them. Currently portable music players and handheld devices are a real craze in the market with customer willing to pay premium for them. However the direction in which market is going to develop is only possible by continuous following of market.

This trend-spotting activity can be undertaken by the company itself or through market research. This activity can also be outsourced to companies, which specialize in analyzing current social and economical changes. Fitness and diet are another trend, which witness growth across the globe.
Under the influence of a number of factors to which company's stakeholders are participants. Some of the factors are as follows; globalization is affecting the way companies are conducting their business. Communication and connectivity are reaching at a new level every day. New economic powers like India, China, Brazil and Russia are exerting their influence. There are many other factors beyond the above mention which affect business working making it essential for companies to scan market condition.

Factors influencing the market can be categorized under 6 different titles, demographic, economic, ecology, technology, regulatory-political and society-culture.

1. **Demographic factors:** are associated with the changing nature and volume of the population. It follows how people are conducting themselves in the new world, increasing per capita income, urban migration, ethnically diverse cities and mega cities. These are some demographic factors companies are monitoring. For example, a country like India and China are showing the highest concentration of youth population where as Japan is showing a high number of retired workers. Therefore, demand and consumption of merchandise will also be different.
2. **Economic factors:** deals with function like purchasing power parity, income level, savings level and interest rates among many other. For example, countries with a high income level are more likely to afford luxury items compare to a lower income level country. Savings level and interest rate determine the borrowing power as well as the spending power of the customer .
3. **Ecological factors:** consist of natural resource composition in a given county. For example, demand for fossil fuel has skyrocketed in recent years there by increasing general price level in the market. Companies, therefore, are looking forward to designing merchandise which eco-friendly design that is they are less fuel dependent and give out less pollution.
4. **Technology factors:** like the internet and connectivity are changing the face of business. More and more people are doing business online. Science and medicine are also part of technology

factors. The challenge for the company is to keep up with innovation and offer merchandise, which are not obsolete.

5. **Political environment:** is also changing with more and more market based system rather than the socialist system. Furthermore, regulatory requirements like competition policy, investment policy, tax policy, etc. companies should investigate before taking their business to a particular country.
6. **Culture environment:** deals with factors like opinion people have towards themselves, others, organization and society in general. People have become more Eco conscious, contributing one or many causes they can relate to, want organization to be responsible for their action and are looking to open society with meaningful co-existence.

All this 6 factors define any market environment and companies must understand them before developing their business plan.

3.6.1.1 PEST analysis

PEST analysis (**Political, Economic, Social and Technological analysis**) describes a framework of macro-environmental factors used in the environmental scanning component of strategic management. Some analysts added **Legal** and rearranged the mnemonic to **SLEPT**; inserting **Environmental** factors expanded it to **PESTEL** or **PESTLE**, which is popular in the United Kingdom. The model has recently been further extended to **STEEPLE** and **STEEPLED**, adding **Ethics** and **Demographic** factors. It is a part of the external analysis when conducting a strategic analysis or doing market research, and gives an overview of the different macro environmental factors that the company has to take into consideration. It is a useful strategic tool for understanding market growth or decline, business position, potential and direction for operations. The growing importance of environmental or ecological factors in the first decade of the 21st century have given rise to green business and encouraged widespread use of an updated version of the PEST framework. STEER analysis systematically considers Socio-cultural, Technological, Economic, Ecological, and Regulatory factors.

3.6.1.2 Composition

The basic PEST analysis includes four factors:

- **Political** factors are basically to what degree the government intervenes in the economy. Specifically, political factors include areas such as tax policy, labor law, environmental law, trade restrictions, tariffs, and political stability. Political factors may also include goods and services which the government wants to provide or be provided (merit goods) and those that the government does not want to be provided (demerit goods or merit bads). Furthermore, governments have great influence on the health, education, and infrastructure of a nation.

- **Economic** factors include economic growth, interest rates, exchange rates and the inflation rate. These factors have major impacts on how businesses operate and make decisions. For example, interest rates affect a firm's cost of capital and therefore to what extent a business grows and expands. Exchange rates affect the costs of exporting goods and the supply and price of imported goods in an economy.

- **Social** factors include the cultural aspects and include health consciousness, population growth rate, age distribution, career attitudes and emphasis on safety. Trends in social factors affect the demand for a company's merchandise and how that company operates. For example, an aging population may imply a smaller and less-willing workforce (thus increasing the cost of labor).

Furthermore, companies may change various management strategies to adapt to these social trends (such as recruiting older workers).

- **Technological** factors include technological aspects such as R&D activity, automation, technology incentives and the rate of technological change. They can determine barriers to entry, minimum efficient production level and influence outsourcing decisions. Furthermore, technological shifts can affect costs, quality, and lead to innovation.

Expanding the analysis to PESTLE or PESTEL adds:

- **Legal** factors include discrimination law, customer law, antitrust law, employment law, and health and safety law. These factors can affect how a company operates, its costs, and the demand for its merchandise.

- **Environmental** factors include ecological and environmental aspects such as weather, climate, and climate change, which may especially affect industries such as tourism, farming, and insurance. Furthermore, growing awareness of the potential impacts of climate change is affecting how companies operate and the merchandise they offer, both creating new markets and diminishing or destroying existing ones.

Other factors for the various offshoots include:

- **Demographic** factors include gender, age, ethnicity, knowledge of languages, disabilities, mobility, home ownership, employment status, religious belief or practice, and income level.

- **Regulatory** factors include acts of parliament and associated regulations, international and national standards, local government bylaws, and mechanisms to monitor and ensure compliance with these.

3.6.1.3 **Applicability of the factors**

The model's factors will vary in importance to a given company based on its industry and the goods it produces. For example, customer and B2B companies tend to be more affected by the social factors, while a global defense contractor would tend to be more affected by political factors. Additionally, factors that are more likely to change in the future or more relevant to a given company will carry greater importance. For example, a company which has borrowed heavily will need to focus more on the economic factors (especially interest rates).

Furthermore, conglomerate companies who produce a wide range of merchandise (such as Sony, Disney, or BP) may find it more useful to analyze one department of its company at a time with the PESTEL model, thus focusing on the specific factors relevant to that one department. A company may also wish to divide factors into geographical relevance, such as local, national, and global

3.6.1.4 **Use of PEST analysis with other models**

The PEST factors, combined with external micro-environmental factors and internal drivers, can be classified as opportunities and threats in a SWOT analysis.

3.7 Sensing Business Opportunity & identifying product

3.7.1 Business Opportunity

Business Opportunity analysis is the strategy of assessing the potential for a change or enhancement to enhance the generation of revenue. The type of opportunity will vary, from small chances within a current production model that leads to expense reduction or increases overall efficiency, to the launch of new product lines that will increase profitability for the business as a whole. Whether the goal is to increase profits by reducing expenses or broadening the range of merchandise offered, undergoing an opportunity analysis helps to provide an understanding of what effects, positive and negative, are likely to take place if a particular approach is implemented.

With any type of opportunity analysis, three key questions must be answered in order for the analysis to be effective. First, what are the benefits of implementing this opportunity? Next, what adverse effects are likely to occur when the implementation takes place? Finally, how will the implementation affect the overall function of the operation, and is the result worth making the change?

The first issue to address in conducting an opportunity analysis is to identify the benefits that the change will bring about. For example, if a bread company decides to broaden the product line by offering hot dog buns along with its loaves, the benefits may be meeting a need of current customers who will now purchase buns along with loaves, leading to increased profits for the business. The analysis will look closely at what expense is involved in adjusting the production process so the buns can be produced, how the packaging should be designed, and what the unit price for a package of buns must be in order to be competitive in the marketplace. If it is determined that the associated costs can be offset by the sale of the buns and earn a profit from the venture, there is a good chance that this opportunity is worth pursuing.

Once it is determined that there is value in pursuing the idea, the opportunity analysis will then focus on the potential negative effects of implementing this new strategy. For example, how will the production of buns impact the production of loaves? If the bread production is adversely affected to the point that the company produces fewer loaves and cannot meet its production commitments with current vendors, then the profit from the bun production may be completely offset, leaving the company with no additional revenue to show for its efforts.

Any worthwhile opportunity analysis must look at the long-range effects associated with the change that is being considered. Often, this means looking at not only issues of production and cost, but also intangible factors. Should the addition of buns to the production process mean that customers cannot buy the loaves they want, then they are likely to take their business elsewhere, an action that effectively undermines not only the profits from the loaves but also reduces the customer market for the buns. Thus, the change would have a negative effect on revenue generation over the long-term and not be worth the effort.

3.7.2 Identifying Product Opportunities

Identifying product opportunities should be the core force driving companies that manufacture products, supply services, and process information. A product opportunity exists when there is a gap between what is currently on the market and the possibility of new or significantly improved products that result from emerging trends. A product that successfully fills a Product Opportunity Gap (POG) does so when it meets the conscious and unconscious expectations of customers and is perceived as useful, usable, and desirable. No one asked for a body monitor that integrated into daily activity before BodyMedia introduced the FIT System, and no one asked for an alternative hangout to a bar before Starbucks

provided the coffeehouse as "your 'third place.'" Successfully identifying a POG is a combination of art and science. It requires a constant sweep of a number of factors in three major areas: Social trends (S), Economic forces (E), and Technological advances (T).

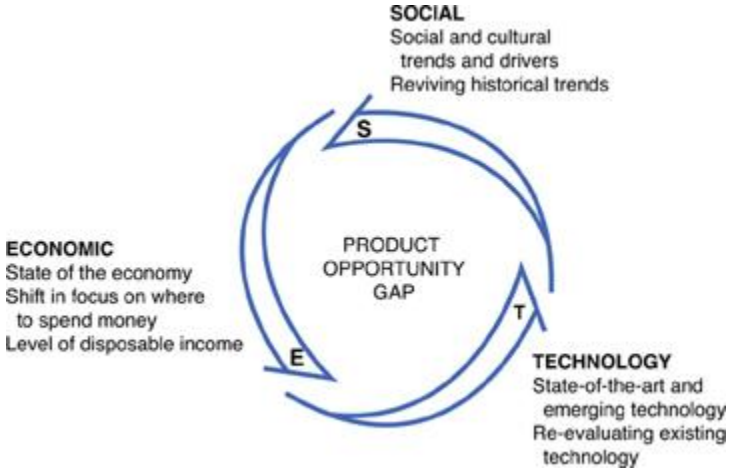


Figure Scanning SET Factors leading to POGs.

3.7.1.1 Social Factor: Entertainment

Some of the most powerful trends in the country come from the entertainment fields. Entertainment is all about fantasy and desire. Movies can vary from pure diversion to infotainment or documentary; however, to succeed, every film must hold a person's attention. Entertainment has all of the factors needed to make it a trendsetter: rapid turnover of products, access to investment capital, and a constant need to find the next story or special effect. Movie producers require a global distribution to maximize profit. They use powerful marketing techniques to get customers into theaters and to buy or rent videos for their homes. The actors, clothing, activities, sets, and special effects create trends that lead to a variety of new aesthetic influences. The technology used in films has as much trickle-down or tech transfer as NASA and military research. The scenarios created through science fiction set expectations for new technologies and space exploration.

The social factors focus on culture and social interaction and include these:

- Family and work patterns (for example, the number of single parents with two jobs or the number of double-income households with flexible hours)
- Health issues (for example, people living longer with more active lives)
- Use of computers and the Internet
- Political environments
- Successful products in other fields
- Sports and recreation (for example, Gen-X snowboarders creating a new "loose-fitting grunge wears" fashion aesthetic and lifestyle)
- Sporting events (for example, the emergence of new, retro, or ultramodern state-of-the-art facilities and the athletes who perform in them)
- The entertainment industries, including film and television
- Vacation environments (for example, the fantasy fulfillment provided by Disney World, Las Vegas, and Club Med)
- Books (for example, Oprah's Book Club)

- Magazines
- Music (from hip-hop to new classic-chic)
- Environments at work (that raise quality of workplace standards)

3.7.1.2 Economic Factor: The '90s Boom and Bust

The economic boom in the 1990s created multimillionaires overnight through IPOs, stock options, and individual investment in the stock market. Excess disposable cash resulted in a void in material goods that these young, geeky, intelligent, socially responsible, technology oriented—and rich—new group of customers sought. Lifestyle-oriented products, at times excessive, that filled this void include recreational SUVs, clothing, tech products, PDAs that connect through the Web for constant stock price monitoring, and the proliferation of coffeehouses.

Then 9-11 and the eventual great recession of the twenty-first century ensued while environmental concerns moved to the forefront. As the economy went through a downturn, people's attitudes about spending shifted. Smaller cars, including a new class of electric-based vehicles, have replaced SUVs. Smart-phones and tablets have evolved to keep people connected 24/7, especially through social media channels and from their home, where smart shoppers can look for good bargains without leaving their living room. But some things have become a seemingly permanent part of culture, with the local coffee shop still stepping in when Internet chatting—and dating—are not enough and people want to talk face to face.

The second major SET Factor is Economics. The economic factors focus on real or perceived excess income that gives people purchasing power. This results in a state we call *psycheconometrics*: the spending power people believe they have to buy the products and services they believe will enhance their lifestyle. These factors are influenced by the overall strength of and forecast for the economy, fuel costs, raw material costs, loan rates, availability of venture capital, the stock market and its forecasts, and real disposable income. Other economic issues that influence product development come from understanding who has the income, who is doing the purchasing, and for whom the purchasers are buying. As social factors change, where people spend their money changes.

The Technology factors focus on direct and imagined results from new scientific discoveries in corporate, military, and university research and the implied capabilities stemming from that research. These factors include the amazing growth in computing power predicted by Moore's Law (Intel co-founder Gordon Moore's prediction in 1965 that the number of transistors per square inch on integrated circuits would double every year) and the analogous reduction in physical size of peripherals and supporting functions; new material and manufacturing advances; electrical, mechanical, and chemical innovations; aerospace and military technologies; film and sports entertainment technologies; and micro-, nano- and biotechnologies. The capability for sensors within products to consistently connect to external systems in real time has generated a plethora of new product service options.

The SET Factors generate opportunities for producing new products that can have an effect on the way people live their lives at any given moment. The goal is to create products and services by identifying an emerging trend and to match that trend with the right technology and understanding of the purchasing dynamics. The window of opportunity is often small—a product that comes out either too early or too late can fail even if the opportunity existed initially. For example, in the 1970s, AMC introduced the Pacer, a shorter, wider car with a larger window area to maximize the internal sense of space. Many of the attributes that the Pacer incorporated became the goal of all car manufacturers in the two decades that followed. As another example, the Apple Newton was an early PDA with many of the attributes of

Smartphones today, but the cost and size compromised its appeal beyond the lead users and early adopters.

3.7.1.3 Technology Factors: Computers to Genetics

Fifty years after the first computers cranked out calculations to help the U.S. win World War II, the always-increasing power and speed of each month's latest PC chip has brought computing into every part of modern life, from the home PC, to the car transmission, to the oven, to the stereo, and now to everyone's Smartphone, iPod, and iPad. The latest technologies, from microelectromechanical systems (MEMS) in automobile airbags to layered manufacturing technologies creating structures for tissue growth, will lead to the emergence of new industries and applications. The first genetic fingerprint of the human species in the year 2000 and the first cloning of Dolly the sheep in 1997 have already begun to open up a new century of technological advancement, new products, and new—and potential—lifestyle influences.

Perhaps the most salient example of introducing products too late is the U.S. automobile industry's failure to understand the potential growth in small, well-made, fuel-efficient cars, which allowed Japanese car manufacturers to dominate the four- and six-cylinder-engine car market for decades. American car manufacturers generated their profits from small trucks and SUVs rather than the smaller fuel-efficient vehicles, partly leading to their collapse through the economic bust of the 2000s. The American car companies apparently have read the SET Factors and are introducing a wide variety of smaller, more efficient, and more intelligent vehicles, coupled with a leaner, more efficient approach to production.

The goal is to create products and services by identifying an emerging trend and to match that trend with the right technology and understanding of the purchasing dynamics.

Successful new products become necessary once they hit the market. Most customers are not even aware they need the product because they are immersed in the trend. If the company hits the trend at the point it is just catching on, the product will become instantly desirable. The length of a trend, combined with the product's attributes of use and usability, determines the lifetime of the product. Las Vegas has continued to be successful by complementing the fantasy and dreams of gambling with the characteristics of a family amusement park; Disney World has extended its market by creating vacation programs and packages for adults as well as kids. Coca-Cola has been able to maintain its position as the leading soft drink for an entire century; contrast it with Tang (the drink of astronauts), which was a hit when NASA was a major cultural influence but has now been replaced by Gatorade. Gatorade has responded to the SET Factors and evolved into the G Series, with a range of products and sports stars to promote the system of products. Barbie has lasted decades and American Girl has become a successful option for parents and children; the frenzy surrounding Cabbage Patch Dolls, on the other hand, lasted only a few years.

3.8 Product Management

Companies have to introduce new products every now and then to stay competitive. The development of new products and managing the Lifecycle of the products demand dedicated resources that can incubate new products and manage the product Lifecycle. This is the realm of product management that encompasses the roles of product development and product marketing. Whereas product development is internal, product marketing is customer focussed and faces the marketplace. While some organizations have separate teams to concentrate on product development and product marketing, in others there is a single team or person to manage both the phases. The important thing to understand is that the complexity of the product being launched and the size of the organization determine whether there would be separate

teams or one team.

The responsibilities of the product manager span the entire gamut of product development and product marketing ranging from analyzing market conditions to defining features or functions of a product and including launching the product in the marketplace and following through the entire Lifecycle.

Of course, among these responsibilities the ones that are most critical for product management are those concerned with driving new product development. More often than not the latter set of activities is handled by the marketing team and hence the product manager is responsible for incubating new products and helping them to make the transition from ideas to usable products.

The product management function is cross functional in nature and bridges many departments. For instance, the product manager has to liaise with the engineering department and the research and design department and at the same time coordinate with the sales and marketing function. The product manager also has to ensure that the finances of the product being launched are sound and that the expected revenues from the product are realized. Specifically, the product manager may have to translate the requirements of the new product given to him or her by the sales and marketing team into the technical specifications that the engineering and research and design departments need. The converse can also happen wherein the product manager is asked to convey the ideas for a new product to the sales and marketing team for the feasibility and market potential.

Often, product management is divided into inbound (product development) and outbound (product marketing) functions. As discussed earlier, the division into these categories depends on the type of product and the nature of the organization. Inbound product management deals with absorbing information about the potential product like analyzing market research data and discussion of market trends and market sensing or market intuition. Outbound product management on the other hand concentrates on the way in which the product is marketed and involves distributing information and targeting the product at consumer segments. In other words, inbound product management is the “pull” phase wherein information is absorbed and outbound product management is the “push” phase wherein information is channelized externally.

Product management has become a key function of the organizational structure and occupies a place of prominence in the organizational hierarchy. The reasons for this are not hard to find since the business landscape in the present times needs astute and agile product management. Indeed, the success or otherwise of the products being launched can make or mar the prospects of the company as a whole. It is for this reason that product managers need to be especially shrewd and smart.

3.9 The Need for Product Management in Organizations

More often than not, organizations spend a fortune on marketing and product development separately. This is the case with many companies that have different departments dealing with marketing and product development without any coordination. It is left to each of the departments to try and understand what the others are saying to form a cohesive and a coherent strategy. In the corporate world, it is common for the delivery teams say that marketing is exerting pressure on them to reduce the time to market times and it is also common for the marketing department to say that the delivery teams do not understand what it takes to drive a product into the market. This leads to a general sense of dysfunction within the organization with teams at loggerheads with each other.

The solution in such cases is often a pragmatic look at what is causing the friction and have someone to liaise with the different departments. This means that there is a need for a product management team that

tracks the entire product Lifecycle starting from the conception and incubation to the marketing and after sales phases.

The need for such a product management team is often felt more in technology companies that have a laissez faire culture and there is no holistic and integrated approach to the need to develop and market products. This has resulted in spectacular failures in the mobile technology market with leading players like Nokia and Blackberry get dethroned from their prominent positions because they did not sense what the market wanted from them and at the same time did not intuit what makes for a great idea.

The two terms introduced above, market sensing and market intuition have entered the lexicon of management in recent years. Thanks to the profusion of companies and products in the business landscape, it is no longer enough to have a great idea or a great sales strategy. The important thing is to "sense" the market signals and "intuit" the market mood in such a brilliant way that ideas are turned into workable and marketable products. This brings to the fore the need for a product management team that can rely the information from the marketing department to the product development team and ensure that the end-end product management is done in a professional and organized manner.

Companies that fail to read market signals and at the same time discard innovative ideas because they do not see the market potential often fail to achieve success in the marketplace. The point here is that great ideas should be translated into products and great products must be marketed appropriately. Since it is the responsibility of the research and design and the delivery teams to come up with great ideas and make products respectively and it is the responsibility of the marketing team to market this great product in a befitting manner, the question arises as to who is going to make them talk to each other and understand each other. Of course, even in companies that do not have product management teams, marketing and research and delivery teams do communicate.

But, what if there was a coordinating team that sees the potential in new ideas from the perspective of the marketing team and at the same time intuits and senses what the market wants from the perspective of the research and delivery teams. So, this is where the product management team with its coordinating and liaising responsibilities comes into the picture. Hence, there is an acute need for a product management team in any organization that wishes to conquer the rapidly changing marketplace. In conclusion, there is a need to reduce the dysfunction within organizations and make them adopt a comprehensive strategy towards products and product management bridges this role perfectly.

3.10 Innovation and Product Management

Innovation is the name of the game as far as companies in the 21st century are concerned. To compete effectively in the marketplace of this decade, companies need to either innovate or perish. Hence, innovation is the latest buzzword among the corporate. **The innovation cycle as applied to product management consists of three stages:**

- The Idea Generation
- Idea Conversion, and
- Idea Diffusion

For effective innovation to work in favor of the company these three stages have to be managed well and this is where the product manager comes into the picture. The product manager has to ensure that there are no breakages in the innovation value chain as represented by these three stages. Hence, the role of the product manager is to make sure that the entire chain is strong since any chain is as strong as its weakest link.

The linkages between the three stages of the innovation cycle are described here. First, the idea generation stage is the phase where the emphasis should be on generating ideas from various sources and from within the business units and from across the company and even from the customers and end users. The idea conversion stage is the phase where the lists of new ideas thus generated have to be screened for commercial viability and the kind of business that they bring to the company. The idea conversion stage is also the phase where the ideas generated have to be vetted for their technical feasibility and whether the company has the resources and the bandwidth to take the ideas to the next stage and from there the product development phase.

Finally, the idea diffusion stage is the phase where the ideas thus sourced have to be vetted and funded and approvals taken from the various internal stakeholders as well as external ones. The idea diffusion stage represents the end point of the idea stage and hence the product manager has to ensure that all these phases work together in one single unified link so as to minimize the friction between the various components in the chain.

Hence, this innovation value chain is to be managed by the product manager who has the responsibility in the overall sense of bringing the product to the incubation stage. Any company that is not able to manage the innovation value chain should consider setting up a product management team or hiring a product manager to manage this innovation value chain. The point here is the innovation value chain must be strengthened and a cohesive and coherent value proposition has to be evolved. For this, the product manager is required to take overall control of the product management function a subset of which is the task of managing the innovation value chain. In conclusion, the weaknesses in the innovation value chain must be eliminated by careful and thoughtful application of the management principles and this is where the product manager with his or her expertise in the process can help companies innovate better, faster and emerge stronger.

3.11 Product Management vs Brand Management

Often, people get confused with the concepts of brand management versus product management. They tend to think that both are the same since they deal with a specific product being marketed and hence managed from incubation to sales. However, there are crucial differences in the way product managers and brand managers operate. For instance, brand management is all about creating a mind space for the product whereas product management is concerned with features and specifications as well. Further, brand management is often done by consumer product companies that have more products and product lines and hence the overall emphasis on the brand image is more. On the other hand, product managers operate in environments where they have to take care of a single product and hence bringing it to the market is their brief and so they tend to concentrate on the big picture.

Moreover, brand management is associated with consumer product companies whereas product management is associated with software companies. This is because consumer product companies need a top of the mind recall for their products and brands since they mass market them.

In other words, consumer product companies reach out to a larger audience and wider customer base whereas software companies typically have lesser numbers of customers to contend with. Further, brand managers have to “sell” the product by creating an overall image for the brand that consists of creating a value proposition based on the perceived value that the product or the brand offers. Product managers on the other hand (in software companies) have to concentrate on the value proposition that features and technology deliver.

Apart from these differences, brand managers have to plan for brand obsolescence which means that they need to bring in new products to keep the product line replenished. Product managers on the other hand

need to concentrate on upgrades and versions of the same product instead of trying to launch an entirely different product. There is also the aspect of the lengthy product Lifecycle from conceptualizing to bringing to market in case of software products whereas brand managers typically deal with shorter life cycles. This makes the task of a brand manager harder in some cases where the urgency is more whereas the product manager has some more time. In other cases, the brand manager can relax after the product launch since sales drive the brand management rather than the marketing and branding exercises that would have been completed by then. Product managers on the other hand have to be edgy after the relate since they have to be on the lookout for glitches and bugs in the software that might derail the project the delay the customer experience.

In conclusion, brand management is more about perception and the perceived value whereas product management is more about tangible and measurable value propositions. This is expressed in the customer satisfaction surveys where brand users of consumer products rate the brand according to the perceived level of satisfaction whereas product users in software rate the product according to the specific and measurable benefits that it brings to them. Finally, brand management is a high stakes game because brands fail at an alarming rate and any consumer company with some seed capital can enter the market. In the case of software products, the products are launched only when the companies have deep pockets and can stay the course. Of course, the dotcom boom and the subsequent bust was all about software companies trying to market themselves like brands and the reason for the bust was that they forgot the basic rules of product management.

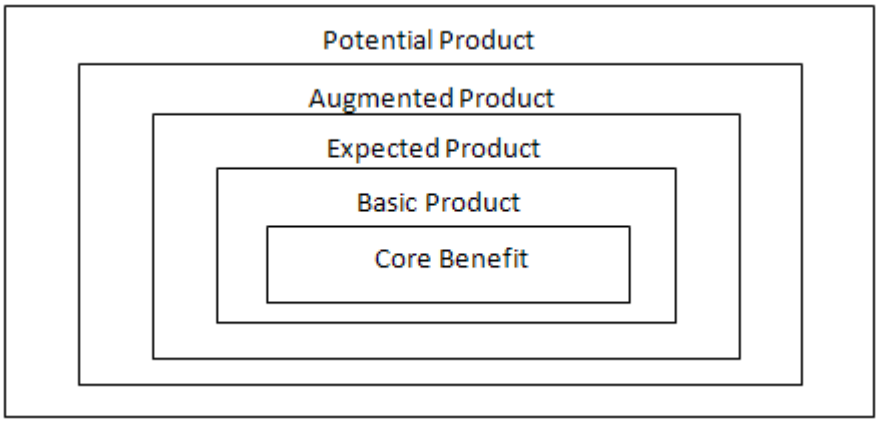
3.12 Setting the Product and Branding Strategy

The marketing strategy of a company revolves around 4Ps - Product, Price, Place and Promotion. Companies have devised a strategy by mixing the four. The most important among is the product. All the marketing push and promotion will go waste if the product is not able to deliver. To come out with winner product, companies have to understand target customers needs and requirements.

3.12.1 Product Classifications and Strategy

Anything which companies produce to satisfy particular needs and demands is referred to as a product. The product is a broad category ranging from physical goods, tourism to managing a celebrity.

A product can be classified as to be made of five levels as shown in the figure below:-



The core benefit is the underlying segment product is offering. For example, the customer is buying commuting power when she purchases a car. The cars are fitted with comfortable seats, seat cover, and

have desired color, converting a core product into the basic product. Companies are in the business of providing value to products. At the expected level companies offer music system, child lock system and temperature control features. An augmented product provides more than customer expectation like a chrome wheel or sun/moon roof. However, augmentation increases the price of the product and customers have to pay extra. An augmented product gets converted into an expected. At potential level companies provides products considering all the possible augmentation.

The product itself is arranged in a hierarchy like need family, product family, product class, product line, product type and item based on needs it satisfies. Further product can be classified on durability, tangibility and usage. Durability comprises of durable and non-durable goods. Non-durable goods comprise of product like soap and beer, which are of frequent purchase and usually consumed quickly. These goods are available at many locations and require more allocation for advertising. Durable goods include TV, washing machine and music system. These foods require a more personal touch for selling as the customer would like to understand all features and functions. Intangible products are in the form of services, like haircutting and car repair.

Product usage divides the product into industrial goods and consumer goods. Convenience goods are consumer goods, which can be bought by the customer without much fuss, for example, soaps, beer and newspaper. Shopping goods are the type of consumer goods wherein the customer compares characteristics with other products in same category bases on price, quality and appearance, for example, clothing, furniture and used car. Specialty goods are the type of consumer goods where consumers need to make extra efforts in purchasing them, for example, yacht or luxury car. Unsought goods are consumer goods, which are not part of daily life and routine, for example, smoke detectors and cemetery plots.

Industrial goods can be further classified into capital goods and regular business supply. Capital goods are type of industrial goods, which are required for production of final products, for example, plant and machinery. Business goods are type of industrial goods, which are required for day to day functioning as well as on special occasions, for example, office supplies, lubricants and spare parts.

3.12.2 Branding Strategy

Another important aspect of product strategy is branding. Branding is the process of giving identity and image of the product as to create an impression in the mind of the consumer. Branding is a long process involves lots of investments in terms of money and time from the company. Building brand identity involves designing name, symbol and logo for the product. Branding involves developing strategy to create a point of differentiation from competitors as well point of similarity with product class. A brand which reaches a high level of awareness and enjoys the loyalty from customer develops brand equity. Packaging of the products also forms part of branding strategy.

Creating a unique product identity and branding strategy is important in formulating success of the company. Customer's purchase decision will be based on attractive product and branding strategy.

3.13 Product Development Process

Companies first find the target market than segment and then customers. After these companies go about developing products, which may be a product modification or it may be a completely new product. Product offerings are increasing every year as consumers are looking for more and more variety of products. Companies which are unable to churn out new products fall back on competition and suffer the consequences. Companies face danger not just from competitors but consumer needs, technology, and product life cycle. New product development has its share of challenges. Research shows that 95 percent

of new products fail in the USA and in Europe failure rate is 90 percent.

Organizational set up has to be conducive to support new product development. Foremost companies must allocate funds for research and development, the conventional way is the percent of sales technique. Others chose to allow employees dedicate a certain amount of work time on new product development. Companies next have to organize the process of development. This can be done by product managers with new product development experience or by a cross functional team with members chosen from various departments having the knack of developing new products.

Nowadays, companies are following stage process for product development.

1. The 1st stage is **idea generation** that is the search for new products. Companies pay a particular focus on customer needs and demands to decide on the new product. Idea generation can also be done by studying competitor's product. Companies try to learn why competitor's product ticks with consumer or what more customers want from that product. Companies also look at top management for idea generation. For example, Steve Jobs of Apple is known to participate actively in an idea generating. Research groups comprising of scientist, patent holders, colleges and universities also serve as the base for idea generation.
2. The 2nd stage is **idea screening**. Not all new ideas proposed can be converted into products. Companies list ideas into three categories promising ideas, marginal ideas and rejects. Promising ideas are further processed by screening committee to be ready for the next stage. Screening should avoid the error where good ideas are dropped due to bias towards the idea generator. Another commonly occurring error is encouragement to a commercially unviable idea. Therefore, extra precautions are necessary during the screening process.
3. The 3rd stage begins when ideas move into the **development process**. Here a product idea is converted into several product concepts. Out of several product concepts, the one which looks fit is then placed against competitors to finalize marketing and positioning strategy. The product concept is introduced to a focus group of customer in a form of proto-type to understand their reaction.
4. The 4th stage involves **developing of marketing strategy for new products**. The marketing strategy involves evaluation of market size, product demand, growth potential, profit estimate in the first few years. Further marketing strategy plan is developed with the launch of product, selection of distribution channel and budgetary requirements for the 1st year.
5. The 5th stage involves the **development of the business model around the new product**. Business models start with estimation of sales, frequency of purchase, and nature of business. Next estimation of cost and expense involve in production and distribution of new products. In that basis profit estimations are reached. Discounted cash flow and other methods are used to understand the feasibility of new product.
6. The 6th stage involves the actual **production of new product**. Here more than one possible product is created, from proto-type to finalized products are produced. Decisions are taken from an operation point of view whether is technically and commercially feasible to continue production. If analysis is showing cost not within the estimate then the project is abandoned.
7. The 7th stage involves **market testing of new product**. The new product is ready with brand name, packaging, price to capture the space in consumer's mind.
8. The 8th stage involves launching of product across target market backed by a proper marketing and strategic plan. This stage is called **commercialization phase**.

Introduction of new product is part of survival technique for any firm. And with very high failure rate companies have to follow a scientific process to create new market offerings.

3.13 Effective Product Design

3.13.1 Introduction

Organization's success is dependent on customer satisfaction and delight. Customer satisfaction is achieved through the development of product and service, which have all attributes required by the customer. A success product or services do not only have an attractive package design but should be also able to provide robust performance.

Thus, product design must be practical enough for production and powerful enough to provide a competitive advantage.

3.13.2 Product Design

A good product design has following common features:

- **Utility:** The product design should make product utility as per the expectation of customers and provide steady performance through the product life.
- **Aesthetics:** Product aesthetics is important in the success of the product. The product aesthetics are dependent on the market and end customer.
- **Producible:** Product design should enable effective production of product through available production methods.
- **Profitability:** Product design should make economic sense as to deliver value to customers and sustainability to the organization.
- **Differentiable:** A good product design should enable product to be differentiated among its competition. This can be achieved by attractive packaging and also by providing additional service on the product.

3.13. 3 Objectives of Product Design

The essence of product design is to satisfy customer and maximizes the value for the customer at minimum cost. The merchandise or service should also be able to meet primary needs and desire of the customer. This may not require development of new merchandise, but an enhancement to existing merchandise or service.

3.13.4 Stages of Product Design

Product design is a creative process which looks at all the available options and beyond. The process is can be divided into three stages:

1. **First stage:** His stage involves brainstorming, bringing ideas and analysis of customer and market feedback.
2. **Second Stage:** Idea is converted into a feasible solution to satisfy the customer expectation, using available resource and technology.
3. **Third Stage:** This is the last stage in which the merchandise is introduced in the market.

3.13.5 **Factors Affecting Product Design**

A successful product design is combination factors as follows:

Correct Team Selection: This is very essential to get the correct team in place which has expert designers who are not only aware and comfortable with technology but also understanding of customer expectation.

Customer Involvement: Involvement of customer in merchandise design and testing can provide insight into the direction of the project

Prototyping and testing: Merchandise design is a high risk concept as it involves a commitment of capital and manpower; therefore, it is imperative that extensive prototyping and testing are done with customer and market.

Raw Material: It is essential that raw material to be used in the production meets the quality standards of the end merchandise . Furthermore, procurement system needs to be in place to ensure continuity, cost effective supply.

Production method and process layout: Feasibility of production method and process layout determines the future success of the merchandise .

External Factors: Environmental and government regulations play an important part in merchandise design. And these norms are updated from time to time, so merchandise design should have the flexibility to adapt.

3.13.6 **Product Selection**

Production selection process is done through a combination of financial analysis, risk analysis, existing merchandise portfolio, raw material supply and pre-determined merchandise criteria.

Review Questions

1. Define the Government's role in an Enterprise setting?
2. Explain the Govt policies for Enterprise setting?
3. Explain the Business Environment?
4. Explain the Business opportunity?

Discussion Questions

Discuss the Enterprise Launching & Resource necessary for it?

Business Plan Preparation

Learning Objectives

- To define the Procedure of Business Plan Preparation.
- To explain the Market Survey.
- To explain the Demand Analysis.
- To describe the Growth, Modernization & Expansion of Enterprise.

4.1 Business Plan Preparation – Procedure & steps

Writing a business plan can be an overwhelming task. These feelings often translate into immobilization or confusion as to how to start the business plan. Starting a business plan begins with the first step:

4.1 1 Audience & Funding Type:

When writing a business plan, you must determine who will be reading it. This decision will shape the business plan. Do you plan to go for debt or equity financing? Each form of funding for your business has pros and cons. For instance, the venture capital market can be very time consuming and competitive. Do you have the time to write the business plan for investor funding and to network within the community?

Writing a business plan for investors is 15-30 pages with in-depth analysis and full details of facts and figures to support assumptions of the market. Writing a business plan for the bank is 10-15 pages and focused with the bank's concern with risk. A venture plan presents the upside and potential return on investments, whereas a bank plan reduces the risks and sells the ability to repay the loan.

4.1 2 Business Plan Outline:

A business plan outline is the second most important starting point once you've pre-determined your audience. The business plan outline should be prepared before the actual research and writing of the business plan.

4.1 3 Research & Information Collection:

Once you have made the decision of the type of funding your business requires, it is time for the research. Business plan research covers several key areas:

- Insight from your experience working and observing the industry you will enter. This data will have to be backed but by the next two sources.
- Published information from library, Internet, and paid database services will provide information on the market growth, overall industry perspective, and customer profiles.
- Field research covers interviews with customers, suppliers, competitors, and industry experts. This provides the real insight behind all the published facts.

4.1 4 **Collection Files:**
The easiest way to go about collecting all your experiences, interviews, and research is to create files for each section of the business plan. These files can be: paper-based, computer files or set-up using business planning software. As you start the research and collection phase of planning, fill your files with notes and printouts.

4.1 5 **General Industry Overview:**
Begin the research process with an overview of the industry; uncovering industry and association reports. By having a general understanding of the industry, you will avoid embarrassment in contacting experts with basic questions. Begin the field research once you have a good grasp of the industry fundamentals and need answers to the hard-to-find information.

4.1 6 **Analysis:**
Once the bulk of the data has been collected, the process of analysis begins. Look at building a competitive profile, contingency plan, risk assessment, etc.

4.1 7 **Financials:**
Start the financial when you have found some average industry ratios for your business. Work closely with your accountant to develop realistic projections. Being overly optimistic will raise eyebrows with your investors or banker.

4.1 8 **Executive Summary:**
Save the first section for last. When you have thoroughly, completed all sections of the business plan, write the summary. Highlight the key points and include the return on investment or loan payback requirements.

4.1 9 **Reviews & Editing:**
Remember, you only have one shot at making a good impression. A well-written business plan that opens doors and wins the money is a plan that has been revised and reviewed. Do not forget this important step. Ask others for feedback. Make certain to edit, proofread, proofread, and proofread.

Business planning is not easy but by following these critical steps to writing a business plan, you will ensure your business has a chance at funding and success in the future.

4.2 Market Survey & Demand Analysis

Companies use market demand analysis to understand how much customer demand exists for a merchandise or service. This analysis helps management determine if they can successfully enter a market and generate enough profits to advance their business operations. While several methods of demand analysis may be used, they usually contain a review of the basic components of an economic market which are:

1. Market identification
2. Business cycle
3. Product niche
4. Growth potential
5. Competition

4.2.1 Market Identification

The first step of market analysis is to define and identify the specific market to target with new merchandise or services. Companies will use market surveys or customer feedback to determine their satisfaction with current merchandises and services. Comments indicating dissatisfaction will lead businesses to develop new merchandise or services to meet this customer demand. While companies will usually identify markets close to their current merchandise line, new industries may be tested for business expansion possibilities.

4.2.2 Business Cycle

Once a potential market is identified, companies will assess what stage of the business cycle the market is in. Three stages exist in the business cycle: emerging, plateau and declining. Markets in the emerging stage indicate higher customer demand and low supply of current merchandise or services. The plateau stage is the break-even level of the market, where the supply of goods meets current market demand. Declining stages indicate lagging customer demand for the goods or services supplied by businesses.

4.2.3 Product Niche

Once markets and business cycles are reviewed, companies will develop a merchandise that meets a specific niche in the market. Merchandise must be differentiated from others in the market so they meet a specific need of customer demand, creating higher demand for their merchandise or service. Many companies will conduct tests in sample markets to determine which of their potential merchandise styles is most preferred by customers. Companies will also develop their goods so that competitors cannot easily duplicate their merchandise .

4.2.4 Growth Potential

While every market has an initial level of customer demand, specialized merchandise or goods can create a sense of usefulness, which will increase demand. Examples of specialized merchandise are iPods or iPhones, which entered the personal electronics market and increased demand through their perceived usefulness by customers. This type of demand quickly increases the demand for current markets, allowing companies to increase profits through new customer demand.

4.2.5 Competition

An important factor of market analysis is determining the number of competitors and their current market share. Markets in the emerging stage of the business cycle tend to have fewer competitors, meaning a higher profit margin may be earned by companies. Once a market becomes saturated with competing companies and merchandises, fewer profits are achieved and companies will begin to lose money. As markets enter the declining business cycle, companies will conduct a new market analysis to find more profitable markets.

4.2.6 Market planning

A marketing plan usually has the following components

1. **Current market situation**
    - Where is your organization now?

    - Who are your customer groups? What are their needs and requirements? How large and diverse are they?
    - What kinds of merchandise and services do you currently provide?
    - How do you reach your customer groupings?
    - Do you have any competition?
    - What factor/s in your environment has an effect on your organization?
2. **Opportunity and issue analysis** (S.W.O.T. analysis). This identifies key issues and opportunities for your organization and it comprises an analysis of your internal operations
    - Strengths
    - Weaknesses

    Also those external factors, which affect your organization

    - Opportunities
    - Threats
3. **Objectives**. Having identified the key issues affecting your organization you can make some decisions about future objectives. These guides the development of strategies and action plans.
    - Objectives should meet certain criteria e.g. financial, and marketing which will be customer focused.
    - They should be clearly stated, measurable and listed in order of importance
    - They should be attainable and consistent with your organization's culture.
4. **Marketing strategy**. This is the game plan that needs to be implemented to achieve the objectives. It addresses the following:
    - Whom are you now targeting?
    - What do you want your position to be in terms of new merchandise /service delivery?
    - Do you want to change your organization profile and will you need to brand your organization?
    - Will you change the way you promote and advertise yourself?
    - Will there be any changes in how you reach your customer groupings?
    - Any changes in staff?
    - Is there a need for more research?
5. **Action program.** This describes:
    - What will be done
    - When will it be done?
    - Who will do it?
    - How much will it cost?
6. **Budget and controls**.
    - The Budget is essentially a cash flow statement and profit/loss statement to support the marketing plan
    - Control mechanisms and procedures should be established to monitor the progress of the plan to determine if anything needs changing. It would include a contingency plan in case something adverse should happen.

4.2.7 Demand forecasting

After gathering information about various aspects of the market and demand from primary and secondary sources. An attempt may be made to estimate future demand. These may classified in three categories as shown

1. Qualitative Methods
2. Time series projection Methods

3. Causal Methods
4. Jury of executive opinion Method
5. Chain ratio Method
6. Consumption level Method

4.2.7.1 Uncertainties in demand forecasting

Demand forecasts are subject to error and uncertainty which from three principal sources.

1. Data about past and present market. The analysis of past and present markets, which serve as the springboard for the projection exercise, may be vitiated by the following inadequacies of the data:
    - **Lack of Standardization**: Data pertaining to market features like merchandise , price, quantity, cost, income, etc. May not reflect uniform concepts and measures.
    - **A few observations**: observations available to conduct meaningful analysis may not be enough.
    - **Influence of abnormal factors**: Some of the observations may be influenced by abnormal factors like war or natural calamity.
2. Method of forecasting. Methods used for demand forecasting are characterized by the following limitations:
    - **Inability to handle quantifiable factors**: most of the forecasting methods, being quantitative in nature, cannot handle unquantifiable factors which sometimes can be of immense significance.
    - **Unrealistic assumptions**: Each forecasting method is based on certain assumptions. For example, the trend projection method is based on the mutually compensating affects premise and the end use method is based on the constancy of technical coefficients. Uncertainty arises when the assumptions underline the chosen method tend to be realistic and erroneous.
    - **Exercise data requirement:** In general, the more advanced a method, the greater the data required. For example, to use an econometric model one has to forecast the future values of explanatory variables in order to project the explained variance.
3. Environmental Change. The environment in which a business function is characterized by numerous uncertainties. The important sources of uncertainty are mentioned below:

    - Technological Change: This is a very important and very hard-to-predict factor which influences business prospects. A technological advancement may create a new merchandise which performs the same function more efficiently and economically, thereby cutting into the market for the existing merchandise . For example, electronic watches are encroaching on the market for mechanical watches.
    - Shift in Government Policy: Government resolution of business may be extensive. Changes in government policy, which may be difficult to anticipate, could have a telling effect on the business environment.
    - Development on the International Scene: Development on the International Scene may have a profound effect on industries.
    - Discovery of New Sources of Raw Material: Discovery of new sources of raw materials, particularly hydrocarbons, can have a significant effect on the market situation of several merchandises.
    - Vagaries of the Weather: Weather plays an important role in the economy of a country, are somewhat unpredictable. Extreme weather influences, directly or indirectly, the demand for a wide range of merchandise.

4.2.7.2 **Coping with Uncertainties:**

Given the uncertainties in demand forecasting, adequate efforts, along the following lines, may be made to cope with uncertainties.

1. Conduct analysis with data based on uniform and standard definitions.
2. In identifying trends, coefficients, and relationships, ignore the abnormal and out-of-the-ordinary observations.
3. Critically evaluate the assumptions of the forecasting methods and choose a method which is appropriate to the situation.
4. Adjust the projections derived from quantitative analysis in the light of unquantifiable, but significant, influences.
5. Monitor the environment imaginatively to identify important changes.
6. Consider likely alternative scenarios and their impact on market and competition.
7. Conduct sensitivity analysis to access the impact on the size of the demand for unfavorable and favorable variations of the determining factors from their most likely levels.

4.2.8 **Characterization of the Market:**

Based on the information gathered from secondary sources and through the market survey, the market for the merchandise or service to be offered may be described in terms of the following:

1. Effective demand on the past and present
2. Breakdown of demand
3. Price
4. Methods of distribution and sales promotion
5. Customers
6. Supply of competition
7. Government Policy

*4.2.**8.1** Conduct survey*

3.9.8.1.1 **Conduct of market survey:**

The information sought in a market survey may relate to one or more of the following.

1. Total demand and rate of growth of demand
2. Demand in different segments of market
3. Income and price elasticity's of demand
4. Motives for buying
5. Purchasing plans and intentions
6. Socioeconomic characteristics of buyers
7. Unsatisfied needs
8. Attitudes toward various merchandises
9. Distributive trade practices and preferences
10. Satisfaction with existing merchandise

4.2.8.1.2 Steps in a sample survey:

1. Define the target population
2. Select the sampling scheme and sample size
3. Develop the questionnaire
4. Recruit and train the field investigators
5. Obtain information as per the questionnaire from the sample of respondents
6. Scrutinize, analyze & interprets information.

4.2.8.1.2 Secondary information

Collection of secondary information:
Information may be obtained from secondary and primary sources. Secondary information is information that has been gathered in some other context and is already available. Primary information on the other hand represents information that is collected for the first time to meet the specific purpose of hand secondary information provides the base and starting point market and demand analysis.

General sources of secondary information: The important sources of secondary information useful market and demand analysis in the country are mentioned below:

1. National Census
2. National sample survey reports
3. Plan reports
4. Statistical abstract of national union
5. Statistical year book
6. Economic survey
7. Guidelines for industries
8. Annual survey of industries
9. Annual reports of the Department of commerce and industry.
10. The exchange directory
11. Monthly bulletin of reserve bank.
12. Publications of advertising agencies

Evaluation of secondary information While secondary information is available economically and readily. Its reliability, accuracy and relevance for the purpose under consideration must be carefully examined. The market analyst should seek to know:

1. Who gathered the information?
2. What was the objective?
3. When was the information gathered?
4. When was it published?
5. Have the terms in the study been carefully and unambiguously defined?
6. What was the target population?
7. How was the sample chosen?
8. How representative was the sample?
9. How satisfactory was the process of information gathering?
10. What was the degree of sampling bias and non-response in the information gathered?
11. What was the degree of misrepresentation by respondents?

4.2.8.2 Situational analysis

3.9.8.2.1 **Situational analysis & specification of objectives**

In order to get a feel of the relationship between the merchandise and its market, the project analyst may informally talk to customers' competitors, middlemen and other in the industry.

Where and how to market the new merchandise /service the objectives of the market and demand analysis in this case may be to answer the questions.

1. Who are buyers of the new merchandise /service?
2. What is the current demand for the new merchandise /service?
3. How is demand distributed temporally and geographically?
4. What is the breakup of demand for the new merchandise /service of different sizes?
5. What price and warranty will ensure its acceptance?
6. What channel distribution is most suited for the new merchandise /service?
7. What trade margins will induce distributors to carry it?
8. What are the prospects of immediate sales?

4.3 Growth, Modernization & Expansion of Enterprise

4.3.1 Introduction

The story of the Indian entrepreneurship is replete with paradoxes and surprises. During the precolonial and colonial era, the businessman was seen more as a trader-money lender merchant, bound rigidly by caste affiliations and religious, cultural and social forces ranging from the philosophy of Karma to the system of joint family. Entrepreneurship as we understand it today was definitely not forthcoming from this social segment. A number of political, economic factors too had an inhibiting effect on the spirit of enterprise among Indians. Lack of political unity and stability, absence of effective communication systems, existence of custom barriers and oppressive tax policies, prevalence of a innumerable currency system – all these combined together to restrict the growth of native entrepreneurship until around the third decade of the 19th century. The religious system of education and the low social esteem accorded to business were the other potent forces that discourage the emergence of large scale commercial ventures in the pre independence India.

The first half of the present century witnessed a gradual change in the scenario. During this period, there was a visible tendency among the natives to take to business. The spread of secular education, rising nationalist feelings and social reform movements must have given a fillip to this initial phase of the emergence of entrepreneurship. Further, the two world wars and the enormous opportunities they created for the growth of Indian industrial ventures brought about a radical change in the societal attitudes in favor of industrial entrepreneurship and broadened the vision of Indian businessmen. The independent India thus could claim to have created a conducive climate for spread of entrepreneurship. It is in this broad backdrop that the later evolution and growth of Indian entrepreneurship has to be located.

4.3.2 Entrepreneurship in independent India

In a mixed economy, as India was defined by the architects of this republic, with the public sector having the definite upper hand, the role of the state becomes very crucial. By its very nature such an economic system could not adequately focus businessmen as catalyst of economic development. The state rather

assumed the role of the major businessmen. Possibly and rightfully so, the overriding concern of the newly independent country related to correcting the anomalies and distortions created by the colonial rule.

Issues like employment generation, distributive justice and balanced regional development thus occupied the center stage of industrial policy making in India. The first Industrial policy resolution of 1948 was a solid statement of the country's philosophy of growth, the vital aspect of which was industrialization under government regulation. Naturally neither this policy nor the subsequent ones made any specific reference to the businessmen or entrepreneurship. It is interesting to note that even the small scale sector, which later came to be known as ' the breeding ground of indigenous entrepreneurship', has been promoted and nurtured for its potential for addressing the larger developmental concerns. Such concerns, together with a gradually expanding public sector had set out a framework of industrialization were the cornerstones were controls, regulation and restrictions for the large industries and a wide protective umbrella with special incentives and institutions for the small ones. This was the scenario till late 1980s.

4.3.3 The small is beautiful

In spite of the domineering presence of large and medium enterprises in the economic scene (the history of many such enterprises goes back to the preindepence era) it is the small sector that has always dominated the inquiries into Indian entrepreneurship. In fact, this is quite characteristic of many of the developing countries. It is not that the large and medium enterprises do not manifest entrepreneurship as their small counterparts. The reason could well be that it is in the small enterprise that the presence of the entrepreneur, the most visible. Also in a country like India which is vast , diverse, and less developed, small enterprises have a very definite role to play not only by contributing towards employment and income generation, but also attending to the specific needs of a large proportion of customers. Their greater visibility may also be attributable to the fact that in spite of all odds with the policy and market fronts, several thousands of small enterprises thrive in a large number of merchandise ion spheres. More importantly, the small scale sector has helped widen the entrepreneurial base by giving rise to a new class of entrepreneurs from the ranks of employees, business executive, technicians and professionals. Thus was broken the earlier myth that entrepreneurship is an exclusive domain of the socially conservative, traditional trading communities. In fact, in this 1960 study of small businessmen in the then State of Madras, James Bean observed that businessmen could emerge from a wide range of social and economic backgrounds.

4.3.4 The growth of entrepreneurship in India

Through unrecognized by policy statements, entrepreneurial initiative was breaking new grounds in the small industrial scene over the past four decades banking mainly upon the ingenuity and determination of individuals. The late sixties and early seventies also witnessed a few sporadic attempts to create entrepreneurs from non traditional communities with a view to breaking the monopoly of the dominant groups and diversifying the entrepreneurial base in the country. The state of Gujarat was the forefront of this movement.

By the late sixties it became quite evident that two resources are the most critical (in spite of favorable policies) for the development of entrepreneurship, finance (credit) and managerial capabilities. The industrial policy exercises were woefully oblivious of these two basic factors, though there were incentives and special institutions. When industrial development picked up in the sixties the bankers limited credit mainly to establish industrialists and merchants for existing projects with assured success and sufficient collaterals. A study of 53 projects financed by banks and the Gujarat State Financial Corporation during the period 1965-68 revealed many interesting things. More than two thirds of institutional loans were for diversifications and expansion of existing enterprises. Of the new loans, 30%

were given to merchants and traders with adequate financial resources and hence the required collateral. The entrepreneur's financial stake stood very high in the transactions tat a debt equity ratio 1:1. Such policies evidently were holistic to an aspiring and an otherwise competent young entrepreneur but without enough financial resources and tangible assets. As an innovative alternative to the conventional banking system an Industrial Investment Corporation was set up as a State company in Gujarat in 1968 with attractive and unconventional credit schemes.

The next task was to identify and groom potential new entrepreneurs from a variety of socioeconomic backgrounds. The entrepreneurship development program with well ell designed inputs for motivating, informing and Skilling entrepreneurial individuals was pioneered in 1970. Something started as an experiment soon spread to other parts of the country (and now to many developing countries) and became a deeply entrenched strategy for new enterprise creation over the years. Difficult models and methodologies have been evolved and tasted by different organizations. Several modifications have been carried out to suit the profile and needs of various groups of trainees. For example, potential micro enterprises in the rural sectors of the poor, whose ventures have only limited investment and low levels of technology must be addressed differently from those of enterprising women whose talents and creativity have been suppressed by age-old socio-cultural norms and practices. Both need appropriate approaches so that they become capable of manifesting their entrepreneurial competence.

Despite efforts made by a host of institutions, only less than 20% of the new entrepreneurs have access to training every year. This means that a large mass of potential entrepreneurs is still outside the reach of training interventions.

4.3.5 The transforming scenario

While training can provide the necessary skills and motivation to entrepreneurial individuals, it is the government that should create an encouraging environment so that creative individuals commercialize their innovative ideas. In other words, the spirit of enterprise comes directly in contact with the 'system' at the stage of launching a business venture. Unfortunately, inquiries among entrepreneurs time and again reiterate the negative impact of the system on the morale of the entrepreneur and the growth of enterprise. Unfriendly bankers, procedural delays, bureaucratic indifferences all impede the smooth launching of enterprises. Ironically enough, the policy imperatives with their trust on protecting the new entrepreneurs in the small sector from the shocks of unequal market relations with the large sector, have turned out to be the hardest stumbling blocks on their path to growth and prosperity. Complex and burdensome regulatory and administrative environment created as a result of excessive state intervention became the major deterrent to the emergence of new entrepreneurship. An uncanny situation has thus been created. On the one hand the numbers look impressive almost 15 million jobs, over two million enterprises; around 7500 merchandises. On the other, a good number of firms are observed to be failing due to financial inadequacy, technological obsolescence and managerial inefficiency. We have to sit back and take stock of the past now to see where and why we have gone wrong in our assessment and planning.

The changing economic scenario domestically and globally warrants that this exercise is done in right earnest without losing much time. The goals of economic policy in the nineties and beyond appear now to be two fold: developing a viable, efficient and internationally competitive small industry and creating an innovative, socially responsible and liberated class of entrepreneurs who can take on the challenges that spring up as the process of liberalization and reform progress.

With liberalization setting in, it was bound to be sooner, rather than later, that a new business class would emerge. Never could we have predicted that Azim Premji, who inherited a vegetable oil company, could beat traditional industrialists in becoming the richest India. And that a school teacher's son, Narayana

Murthy, would own the most valued company in the country, Infosys. Such twists of fate, possible only in today's India, were a far cry a decade ago.

4.3.6 Conclusion

Entrepreneurship must be developed and supported so that there is a proliferation of SMEs in the country. An entrepreneur's entry into business does not guarantee his/her survival. The attrition rate for new entrepreneurs is very high in many countries of the world. While this may be because their chosen business inappropriate or a lack of adequate technical or business expertise, one critical reason is that overall macro and micro environment in which they are forced to operate. Therefore a key consideration by the government should be to critically evaluate the exiting macroeconomic policies and their impact on grassroots entrepreneurship development.

Review Questions

1. Define the Procedure of Business Plan Preparation?
2. Explain the Market Survey?
3. Explain the Demand Analysis?
4. Explain the Growth, Modernization & Expansion of Enterprise?

Discussion Questions

Discuss the Business Plan and its operations?

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