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ENTREPRENEURSHIP DEVELOPMENT AND PROJECT MANAGEMENT

Notes as per IKGPTU Syllabus

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FACULTY OF BUSINESS MANAGEMENT AND COMMERCE

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I.K.Gujral Punjab Technical University**Master of Commerce Batch 2018 Onwards****MCOPGE 301-18****Entrepreneurship Development and Project Management****Unit I**

Introduction to Entrepreneur: Concept, Characteristics, functions of an entrepreneur, Entrepreneur Vs Manager, Types of entrepreneur, Entrepreneurial Mind Set, Key attributes of an entrepreneur, desirable and acquirable traits and behaviors, Readiness of the entrepreneur: Right age, right time and right conditions, Myths and Realities of entrepreneurship. Entrepreneurship and Intrapreneurship: Similarities and variance, Developing Corporate Entrepreneurship. Women entrepreneurs:-Meaning, role, problems for women entrepreneurs, Rural entrepreneurship, social entrepreneurship, Entrepreneurship Development, Entrepreneurial support systems and role of government in Entrepreneurship Development..

Unit II

Entrepreneurial Motivation: Concept and Theories, Entrepreneurial Strategy: Generating and Exploiting New Entry Opportunities, Generation of new Entry Opportunity, entry Strategy, Risk reduction strategies for New Entry Exploitation Creativity and Business Idea Generation: Concept of creativity, ideas from trend analysis, sources of new ideas, Methods of generating new ideas, Creative problem solving, creativity and entrepreneurship. Entrepreneurial Innovation: Concept and types, Opportunity Recognition and opportunity assessment plan, product planning and development process..

Unit III

Protecting Ideas and Legal issues for the entrepreneur. Concept of IPR, Patents, Trademarks, Copyrights, Licensing, Product Safety, Other Legal Issues in Setting Up An Organisation. **Business Plan Creating and Starting the Venture:** Concept of Business

Plan, Scope and Value, Writing the business plan, Using and implementing business plan. **Succession Planning and Strategies for Harvesting and Ending Venture:** Exit Strategy , succession of Business, Selling off, bankruptcy **Reasons of failure of business plan,** Reasons for the failure of entrepreneurial ventures.

Unit IV

Project Management: Concept, facets and Key Issues of project management. **Generation and screening of project ideas, Project Analysis:** Market and demand analysis, Technical analysis, Financial estimates and projection, **Project Selection:** Investment criteria, Risk analysis, Social Cost Benefit analysis. **Project Financing:** Financing of projects, Concept of Venture Capital in detail, Difference between Venture Capital and Private Equity. **Project Implementation:** Project planning and control, Network techniques for project management: PERT and CPM Models, **Project Review:** Post Audit and Administrative Aspects.

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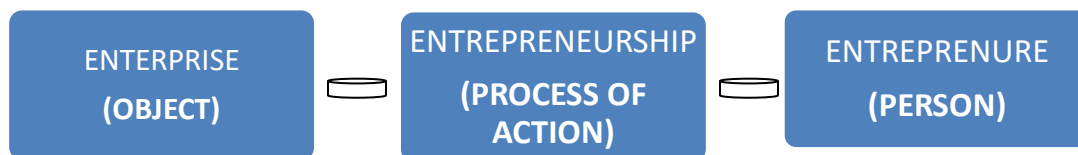
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ENTREPRENEURSHIP AND PROJECT MANAGEMENT

UNIT-I

- **CONCEPT:**
- **THE ENTERPRISE** is some business structure/object that usually carries out some commercial activity, creates new job positions, gains some profits.
- **ENTREPRENEURSHIP** is the art of starting a business, basically a startup company offering creative product, process or service. We can say that it is an activity full of creativity. An entrepreneur perceives everything as a chance and displays bias in taking decision to exploit the chance. An enterprise is created by an entrepreneur. The process of creation is called “entrepreneurship
- **AN ENTREPRENEUR** The word “entrepreneur” is derived from the French verb *entreprendre*, which means ‘to undertake’. This refers to those who “undertake” the risk of new enterprises. is a creator or a designer who designs new ideas and business processes according to the market requirements and his/her own passion. To be a successful entrepreneur, it is very important to have managerial skill and strong team building abilities. Leadership attributes are a sign of successful entrepreneurs.



An entrepreneur is a person who is action-oriented and highly motivated to take a risk and to achieve such a goal dot brings about a change in the process of generating goods or services or re-initiates progress in the advent of creating new organizations.

➤ **CHARACTERISTICS FOR THE ENTREPRENEUR :**

1. Entrepreneur is an agent

An entrepreneur is perceived as an economic agent who assembles materials for producing goods at a cost that ensures profits and re-accumulation of capital.

He is also understood as a change agent who brings about changes in the structure and formation of the organization, market and the arena of goods and services.

2. Entrepreneur is a risk-taker

A risk-taking ability is essential for an entrepreneur. Without the will to explore the unknown, one cannot discover something unique. And this uniqueness might make all the difference. Entrepreneurs have a differentiated approach towards risks. Good entrepreneurs are always ready to invest their time and money. But, they always have a backup for every risk they take.

3. Entrepreneur is a profit maker

An entrepreneur is an individual who establishes and manages the business for the principle purpose of profit and growth.

4. Entrepreneur is an achievement motivator

David C. McClelland has initiated this concept of the entrepreneur by calling him “as per sun with a strong desire for achievement.” Later on, Meredith and others have expressed the same concept while they termed “entrepreneurs are action-oriented, highly’ motivated individuals.”Therefore, entrepreneurs have to have a deep-rooted need for achieving their goals.

5. Passion:

Your work should be your passion. So when you work, you enjoy what you're doing and stay highly motivated. Passion acts as a driving force, with which, you are motivated to strive for better.

It also allows you the ability to put in those extra hours in the office which can or may make a difference. At the beginning of every entrepreneurial venture or any venture, there are hurdles but your passion ensures that you are able to overcome these roadblocks and forge ahead towards your goal.

6. Creativity:

Creativity gives birth to something new. For without creativity, there is no innovation possible. Entrepreneurs usually have the knack to pin down a lot of ideas and act on them. Not necessarily every idea might be a hit. But the experience obtained is gold. Creativity helps in coming up with new solutions for the problems at hand and allows one to think of solutions that are out of the box. It also gives an entrepreneur the ability to devise new products for similar markets to the ones he's currently playing in.

7. Professionalism:

Professionalism is a quality which all good entrepreneurs must possess. An entrepreneur's mannerisms and behavior with their employees and clientele goes a long way in developing the culture of the organization.

Along with professionalism comes reliability and discipline. Self-discipline enables an entrepreneur to achieve their targets, be organized and set an example for everyone.

Reliability results in trust and for most ventures, trust in the entrepreneur is what keeps the people in the organization motivated and willing to put in their best. Professionalism is one of the most important characteristics of an entrepreneur.

8. Knowledge:

Knowledge is the key to success. An entrepreneur should possess complete knowledge of his niche or industry. For only with knowledge can a difficulty be solved or a crisis is tackled.

It enables him to keep track of the developments and the constantly changing requirements of the market that he is in. May it is a new trend in the market or advancement in technology or even a new advertiser's entry, an entrepreneur should keep himself abreast of it. Knowledge is the guiding force when it comes leaving the competition behind. New bits and pieces of information may just prove as useful as a newly devised strategy.

He should know what his strengths & weaknesses are so that they can be worked on and can result in a healthier organization.

A good entrepreneur will always try to increase his knowledge, which is why he is always a learner. The better an entrepreneur knows his playground, the easier he can play in it.

9. Open-mindedness towards learning, people, and even failure:

An entrepreneur must be accepting. The true realization of which scenario or event can be a useful opportunity is necessary. To recognize such openings, an open-minded attitude is required.

An entrepreneur should be determined. He should face his losses with a positive attitude and his wins, humbly. Any good businessman will know not to frown on a defeat. Try till you succeed is the right mentality. Failure is a step or a way which didn't work according to the plan. A good entrepreneur takes the experience of this setback and works even hard with the next goal in line.

10. Entrepreneur is a reward receiver

An entrepreneur is a person who creates something new of value by devoting time and efforts and in turn receives monetary and personal rewards. Max Weber, Hartman, Hisrich and Peters have recognized this distinct phenomenon of entrepreneurs.

11. Customer is everything:

A good entrepreneur will always know this; a business is all about the customer. How you grab a customer's attention is the first step. This can be done through various

mediums such as marketing and advertising. It is also important that you know the needs of your customers. The product or service which is being created by your organization needs to cater to the needs of your consumers. Personalising a business for consumers will also boost the sales.

➤ **FUNCTIONS OF ENTREPRENEURSHIP:**

1. Economic and dynamic activity:

Economic activity because it involves the creation and operation of an enterprise with a view to creating value or wealth by ensuring optimum utilisation of scarce resources. Since this value creation activity is performed continuously in the midst of uncertain business environment, therefore, entrepreneurship is regarded as a dynamic force.

2. Related to innovation:

Entrepreneurship involves a continuous search for new ideas. Entrepreneurship compels an individual to continuously evaluate the existing modes of business operations so that more efficient and effective systems can be evolved and adopted. In other words, entrepreneurship is a continuous effort for synergy (optimization of performance) in organizations.

3. Profit potential:

“Profit potential is the likely level of return or compensation to the entrepreneur for taking on the risk of developing an idea into an actual business venture.” Without profit potential, the efforts of entrepreneurs would remain only an abstract and a theoretical leisure activity.

4. Risk bearing:

The essence of entrepreneurship is the ‘willingness to assume risk’ arising out of the creation and implementation of new ideas. New ideas are always tentative and their results may not be instantaneous and positive.

5. Goal oriented activity:

Entrepreneur has to develop the business objectives in clear terms. So that he can carry on the business in accordance with the objectives.

6. Value creation:

Entrepreneurship is a process of creating value for customers by exploiting untapped opportunities. Through entrepreneurship, new products, services, technologies, resources, markets are created that contribute value to community.

7. Creative and purposeful activity:

Entrepreneurship is a creative response to the changing environment. Introduction of something new and creative is the main purpose of entrepreneurship.

8. Flexibility:

It means ability to move quickly in response to changing market.

➤ IMPORTANCE OF ENTREPRENEURSHIP**1. Development of managerial capabilities:**

The biggest significance of entrepreneurship lies in the fact that it helps in identifying and developing managerial capabilities of entrepreneurs. An entrepreneur studies a problem, identifies its alternatives, compares the alternatives in terms of cost and benefits implications, and finally chooses the best alternative.

This exercise helps in sharpening the decision making skills of an entrepreneur. Besides, these managerial capabilities are used by entrepreneurs in creating new technologies and products in place of older technologies and products resulting in higher performance.

2. Creation of organisations:

Entrepreneurship results into creation of organisations when entrepreneurs assemble and coordinate physical, human and financial resources and direct them towards achievement of objectives through managerial skills.

3. Improving standards of living:

By creating productive organisations, entrepreneurship helps in making a wide variety of goods and services available to the society which results into higher standards of living for the people.

Possession of luxury cars, computers, mobile phones, rapid growth of shopping malls, etc. are pointers to the rising living standards of people, and all this is due to the efforts of entrepreneurs.

4. Means of economic development:

Entrepreneurship involves creation and use of innovative ideas, maximisation of output from given resources, development of managerial skills, etc., and all these factors are so essential for the economic development of a country.

➤ ENTREPRENEUR VS MANAGER

Entrepreneur vs Manager	
Entrepreneur	Manager
Entrepreneur is visionary and bears all financial risks.	Manager works for salary, and does not have to bear any risks.
Focuses on starting and expanding the business ideas	Focus on daily smooth functioning of business
Key motivation for Entrepreneur is achievements	Manager's motivation comes from the power that comes with their position
Reward for all the efforts is profit he earns from the enterprise	Remuneration is the salary he draws from the company
Entrepreneur can be informal and casual	Manager's approach to every problem is very formal

➤ **KEY DIFFERENCES BETWEEN ENTREPRENEUR AND MANAGER**

The difference between entrepreneur and manager can be drawn clearly on the following grounds:

1. A person, who creates an enterprise, by taking a financial risk in order to get profit, is called an entrepreneur. An individual who takes the responsibility of controlling and administering the organisation is known as a manager.
2. An entrepreneur focuses on business startup whereas the main focus of a manager is to manage ongoing operations.
3. Achievements work as a motivation for entrepreneurs. On the other hand, the primary motivation is the power.
4. The manager's approach to the task is formal which is just opposite of an entrepreneur.
5. An entrepreneur is the owner of the enterprise while a manager is just an employee of the company.
6. A manager gets salary as remuneration for the work performed by him. Conversely, profit is the reward for the entrepreneur.
7. An entrepreneur's decisions are driven by inductive logic, courage, and determination; that is why the decision making is intuitive. On the contrary, the decision making of a manager is calculative, as they are driven by deductive logic, the collection of information and advice.
8. The major driving force of an entrepreneur is creativity and innovation. As against this, a manager maintains the existing state of affairs.
9. While entrepreneur is a risk taker, the manager is risk averse.

➤ **ENTREPRENEURS ARE CLASSIFIED INTO DIFFERENT TYPES BASED ON DIFFERENT CLASSIFICATIONS AS MENTIONED BELOW: (TYPES)**

✓ **BASED ON THE TYPE OF BUSINESS:**

1. Trading Entrepreneur:

As the name itself suggests, the trading entrepreneur undertake the trading activities. They procure the finished products from the manufacturers and sell these to the customers directly or through a retailer. These serve as the middlemen as wholesalers, dealers, and retailers between the manufacturers and customers.

2. Manufacturing Entrepreneur:

The manufacturing entrepreneurs manufacture products. They identify the needs of the customers and, then, explore the resources and technology to be used to manufacture the products to satisfy the customers' needs. In other words, the manufacturing entrepreneurs convert raw materials into finished products.

3. Agricultural Entrepreneur:

The entrepreneurs who undertake agricultural pursuits are called agricultural entrepreneurs. They cover a wide spectrum of agricultural activities like cultivation, marketing of agricultural produce, irrigation, mechanization, and technology.

✓ **BASED ON THE USE OF TECHNOLOGY:**

1. Technical Entrepreneur:

The entrepreneurs who establish and run science and technology-based industries are called 'technical entrepreneurs.' Speaking alternatively, these are the entrepreneurs who make use of science and technology in their enterprises. Expectedly, they use new and innovative methods of production in their enterprises.

2. Non-Technical Entrepreneur:

Based on the use of technology, the entrepreneurs who are not technical entrepreneurs are non-technical entrepreneurs. The forte of their enterprises is not science and technology. They are

concerned with the use of alternative and imitative methods of marketing and distribution strategies to make their business survive and thrive in the competitive market.

✓ **BASED ON OWNERSHIP:**

1. Private Entrepreneur:

A private entrepreneur is one who as an individual sets up a business enterprise. He / she is the sole owner of the enterprise and bears the entire risk involved in it.

2. State Entrepreneur:

When the trading or industrial venture is undertaken by the State or the Government, it is called 'state entrepreneur.'

3. Joint Entrepreneurs:

When a private entrepreneur and the Government jointly run a business enterprise, it is called 'joint entrepreneurs.'

✓ **BASED ON GENDER:**

1. Men Entrepreneurs:

When business enterprises are owned, managed, and controlled by men, these are called 'men entrepreneurs.'

2. Women Entrepreneurs:

Women entrepreneurs are defined as the enterprises owned and controlled by a woman or women having a minimum financial interest of 51 per cent of the capital and giving at least 51 per cent of employment generated in the enterprises to women.

✓ **BASED ON THE SIZE OF ENTERPRISE:**

1. Small-Scale Entrepreneur:

An entrepreneur who has made investment in plant and machinery up to Rs 1.00 crore is called 'small-scale entrepreneur.'

2. Medium-Scale Entrepreneur:

The entrepreneur who has made investment in plant and machinery above Rs.1crore but below 5 crore is called medium scale enterprise.

3. Large scale enterprise:

The entrepreneur who has made investment in plant and machinery more than 5 crore is known as large scale enterprise.

✓ **ACCORDING TO CLARENCE DANHOF ENTREPRENEURS CAN BE OF 4 TYPES:**

1. Innovating Entrepreneurs:

Innovating entrepreneurs are one who introduce new goods, inaugurate new method of production, discover new market and reorganise the enterprise. It is important to note that such entrepreneurs can work only when a certain level of development is already achieved, and people look forward to change and improvement.

2. Imitative Entrepreneurs:

These are characterized by readiness to adopt successful innovations inaugurated by innovating entrepreneurs. Imitative entrepreneurs do not innovate the changes themselves, they only imitate techniques and technology innovated by others. Such types of entrepreneurs are particularly suitable for the underdeveloped regions for bringing a mushroom drive of imitation of new combinations of factors of production already available in developed regions.

3. Fabian Entrepreneurs:

Fabian entrepreneurs are characterized by very great caution and skepticism in experimenting any change in their enterprises. They imitate only when it becomes perfectly clear that failure to do so would result in a loss of the relative position in the enterprise.

4. Drone Entrepreneurs:

These are characterized by a refusal to adopt opportunities to make changes in production formulae even at the cost of severely reduced returns relative to other like producers. Such

entrepreneurs may even suffer from losses but they are not ready to make changes in their existing production methods.

✓ **Following are some more types of entrepreneurs listed by some other behavioural scientists:**

1. Solo Operators:

These are the entrepreneurs who essentially work alone and, if needed at all, employ a few employees. In the beginning, most of the entrepreneurs start their enterprises like them.

2. Active Partners:

Active partners are those entrepreneurs who start/ carry on an enterprise as a joint venture. It is important that all of them actively participate in the operations of the business. Entrepreneurs who only contribute funds to the enterprise but do not actively participate in business activity are called simply 'partners'.

3. Inventors:

Such entrepreneurs with their competence and inventiveness invent new products. Their basic interest lies in research and innovative activities.

4. Challengers:

These are the entrepreneurs who plunge into industry because of the challenges it presents. When one challenge seems to be met, they begin to look for new challenges.

5. Buyers:

These are those entrepreneurs who do not like to bear much risk. Hence, in order to reduce risk involved in setting up a new enterprise, they like to buy the ongoing one.

6. Life-Timers:

These entrepreneurs take business as an integral part to their life. Usually, the family enterprise and businesses which mainly depend on exercise of personal skill fall in this type/category of entrepreneurs.

➤ **WHAT IS AN ENTREPRENEURIAL MINDSET?**

Entrepreneurial mindset: a way of thinking that enables you to overcome challenges, be decisive, and accept responsibility for your outcomes. It is a constant need to improve your skills, learn from your mistakes, and take continuous action on your ideas. Anyone willing to do the work can develop an entrepreneurial mindset.

✓ **ENTREPRENEURIAL MINDSET: 5 CHARACTERISTICS OF ENTREPRENEURSHIP**

1. Decisiveness

To succeed as an entrepreneur, you must gain the ability to look at a problem or situation, digest all available data (at that point in time), and make a confident decision to move forward. Your ability as a decision-maker will **make or break** your future successes. In fact, at the opposite end, indecision is one of the greatest causes of business failure.

When you can't decide what to do, you delay taking action. In other words, you do nothing. Think about how many dreams (and businesses) **failing to take action** has killed.

Like many other skills an entrepreneur needs, being decisive is a skill that can (and should) be practiced and strengthened in your day to day life — starting with the tiniest decisions.

The entrepreneurial mindset in action: Sandwich or salad?

For example, the next time you are out for lunch at a restaurant, scan the menu once and decide what to order. And **do it confidently**. This can seem trivial or unnecessary, but it absolutely isn't. Being decisive takes practice to master and it begins with **small decisions** in the business of daily life. From here you can build on your decisiveness and begin to use it in bigger and bigger ways.

2. Confidence

There are many skills you will need to learn to accomplish everything you want in life. But how do you act confidently when you **don't know what you are doing**? You learn to act with confidence, the second characteristic of the entrepreneurial mindset. And one the of the most important qualities of an entrepreneur. It is essential that you get used to the uncomfortable feeling of knowing that you don't know what you're doing. Whether it's getting on stage to speak, launching your product, or learning how to start a blog and publishing your ideas to the world, we tend to see others doing it and incorrectly assume they've always been good at it. They weren't born knowing how to speak confidently, launch successful products, or write excellent books. They also weren't born knowing how to become entrepreneurs. **They learned** and we can, too. The difference between appearing good or bad at something is often a matter of acting confidently.

3. Accountability

The entrepreneurial mindset comes from taking responsibility for your actions and outcomes.

You need to internalize and accept that:

- Everything that happens at work – YOU are responsible for.
- Everything that happens to your business – YOU are responsible for.
- Whether you succeed or fail, it is YOUR responsibility.

From this moment forward, you must accept responsibility for everything in your life and **hold yourself accountable** to it. Sorry to tell you, but nobody cares how little time, money, or external support you have to accomplish your goals. Your circumstances may not be your fault, but they are your responsibility. All that matters is what you are doing **RIGHT NOW** to find your success. There are **no more excuses**. Accountability is required of entrepreneurs as well as successful employees. Stop passing the buck and blaming others. Hold yourself accountable – even when you aren't to blame – and take action to fix the problem. The entrepreneurial mindset requires you to take complete control and hold yourself accountable to your outcomes – both

good and bad. As James Altucher said on the podcast, life is a sentence of failures punctuated with brief successes.

4. Resilience

As an entrepreneur, you will need to learn to deal with making mistakes and failing. They are inevitable and a part of your growth. If every misstep plummets you into self-doubt, you have to change the way you look at being wrong. This **mindset shift** takes resilience and is foundational to the entrepreneurial mindset. Success rarely happens in a straight line. Taking wrong turns and making mistakes is something that happens to everyone.

“The only people who don’t make mistakes are the ones who don’t do anything.”
Resilience isn’t only helpful when dealing with catastrophic mistakes. It’s a way to handle the small, simple decisions you’ve made that didn’t turn out right.

Resilience enables you to think, act, and move iteratively — making small, incremental corrections along the way.

The entrepreneurial mindset in action: The wind-blown pilot

For example, imagine you are the pilot of a plane taking off from Miami and heading north to Boston. With the Atlantic Ocean on the right, there’s bound to be **a strong wind pushing it westward** (or to the left). As the pilot, you set a trajectory north to Boston upon departure. Yet with the wind blowing, you are beginning to get slightly off course.

Do you keep plowing ahead as planned and end up in Chicago instead? Or do you continually and **incrementally correct your course** against the wind and turbulence? The answer is obvious. You need to **constantly correct** against external forces, or you will never reach your destination. You need to be resilient to change and keep pushing ahead no matter what may try and knock you off course. There is no straight line to where you are going.

5. Humility

Humility is freedom from pride or arrogance, and it ties all of the characteristics of entrepreneurship. From decisiveness to confidence, humility will keep you focused and centered. From accountability to resilience, you will continue to move forward through failure, mistakes, and upsets. This is accomplished with humility.

➤ **KEY ATTRIBUTES OF THE ENTREPRENEUR :**

1. Entrepreneur is an agent

An entrepreneur is perceived as an economic agent who assembles materials for producing goods at a cost that ensures profits and re-accumulation of capital.

He is also understood as a change agent who brings about changes in the structure and formation of the organization, market and the arena of goods and services.

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It also allows you the ability to put in those extra hours in the office which can or may make a difference. At the beginning of every entrepreneurial venture or any venture, there are hurdles but your passion ensures that you are able to overcome these roadblocks and forge ahead towards your goal.

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Professionalism is a quality which all good entrepreneurs must possess. An entrepreneurs mannerisms and behavior with their employees and clientele goes a long way in developing the culture of the organization.

Along with professionalism comes reliability and discipline. Self-discipline enables an entrepreneur to achieve their targets, be organized and set an example for everyone.

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An entrepreneur must be accepting. The true realization of which scenario or event can be a useful opportunity is necessary. To recognize such openings, an open-minded attitude is required.

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mediums such as marketing and advertising. It is also important that you know the needs of your customers. The product or service which is being created by your organization needs to cater to the needs of your consumers. Personalizing a business for consumers will also boost the sales.

➤ **THE READINESS FOR ENTREPRENEURSHIP**

The **readiness for entrepreneurship** of individuals is defined as the confluence of a set of personal traits (or features) that distinguishes individuals with **readiness for entrepreneurship** as especially competent to observe and analyze their environment in such a way that they channel their high creative and productive

- ✓ **Readiness depends on the following characteristics of an individual who possess to perform the task effectively and efficiently. Personal entrepreneurial competencies include the following:**

a) Initiative

The entrepreneur should be able to take actions that go beyond his job requirements and to act faster. He is always ahead of others and able to become a leader in the field of business. He Does things before being asked or compelled by the situation and acts to extend the business into new areas, products or services.

b) Sees and acts on opportunities

An entrepreneur always looks for and takes action on opportunities. He Sees and acts on new business opportunities and Seizes unusual opportunities to obtain financing, equipment, land, work space or assistance.

c) Persistence

An entrepreneur is able to make repeated efforts or to take different actions to overcome an obstacle that get in the way of reaching goals. An entrepreneur takes repeated or different actions to overcome an obstacle and Takes action in the face of a significant obstacle.

d) Information Seeking

An entrepreneur is able to take action on how to seek information to help achieve business objectives or clarify business problems. They do personal research on how to provide a product or service. They seek information or ask questions to clarify what is wanted or needed. They personally undertake research and use contacts or information networks to obtain useful information.

e) Concern for High Quality of Work

An entrepreneur acts to do things that meet certain standards of excellence that gives him greater satisfaction. An entrepreneur states a desire to produce or sell a top or better quality product or service. They compare own work or own company's work favourably to that of others.

f) Commitment to Work Contract

An entrepreneur places the highest priority on getting a job completed. They make a personal sacrifice or take extraordinary effort to complete a job. They accept full responsibility for problems in completing a job for others and express concern for satisfying the customer.

g) Efficiency Orientation

A successful entrepreneur always finds ways to do things faster or with fewer resources or at a lower cost. They look for or finds ways to do things faster or at less cost. An entrepreneur uses information or business tools to improve efficiency. He expresses concern about costs vs. benefits of some improvement, change, or course of action.

h) Systematic Planning

An entrepreneur develops and uses logical, step-by-step plans to reach goals. They plan by breaking a large task into subtask and develop plans, then anticipate obstacles and evaluate alternatives. They take a logical and systematic approach to activities.

i) Problem Solving

Entrepreneurs identify new and potentially unique ideas to achieve his goals. They generate new ideas or innovative solutions to solve problems and they take alternative strategies to solve the problems.

j) Self-Confidence

Entrepreneur with this competency will have a strong belief in self and own abilities. They express confidence in their own ability to complete a task or meet a challenge. They stick to their own judgment while taking decision.

k) Assertiveness

An entrepreneur confronts problems and issues with others directly. Entrepreneur with this competency vindicate the claim to asset their own rights on others. They demand recognition and disciplines those failing to perform as expected. They asset own competence, reliability or other personal or company's qualities. They also assert strong confidence in own company's or organization's products or service.

l) Persuasion

Entrepreneurs with this competency successfully pursue others to perform the activities effectively and efficiently. An entrepreneur can persuade or influence others for mobilizing resources, obtaining inputs, organizing productions and selling his products or services.

m) Use of Influence Strategies

An entrepreneur is able to make use of influential people to reach his business goals. Entrepreneurs with this competency influence the environment (Individuals/Institution) for mobilizing resources organizing production and selling goods and services to develop business contacts.

n) Monitoring

Entrepreneurs with this competency normally monitor or supervise all the activities of the concern to ensure that the work is completed by maintaining good quality.

o) Concern for Employee Welfare

Entrepreneurs with this competency take action to improve the welfare of employees and take positive action in response of employee's personal concerns

➤ MYTHS VS. REALITY OF ENTREPRENEURSHIP**Myth No. 1: Entrepreneurs are Essentially Inventors**

Many aspirations die in the bud due to the existence of this perceived prerequisite. Entrepreneurship is often confused with the invention, where it's taken as a condition to be able to tangibly invent an app, system, product or a new equation in order to create market value. **For example**, the way Ola/Uber disrupted travel and Airbnb/Oyo Rooms disrupted hotel stays.

Reality: Entrepreneurs are Ideators

Entrepreneurship is a phenomenal journey which is flagged off with something as basic and simple as an idea. Entrepreneurs arise from an existing gap, and the right idea to fill that gap. Once the idea stands out as disruptive, innovation and invention automatically fall in line. Work it up to the top before someone else works on it to build an empire.

Myth No. 2: Entrepreneurs are mainly motivated by Money

While money is the big game, it definitely isn't the end game. Money making makes for a very narrow viewpoint for those who certainly wish to establish a business. There are a larger passion and a bigger purpose that every budding entrepreneur holds or must hold onto than just making big bucks.

Reality: Entrepreneurs are Motivated by Passion

Most entrepreneurs believe in taking a risk and living life on the edge. They carry small phones but wider visions, live on bare necessities but live for huger possibilities.

For any new business, the first few years are all about reaching a breakeven, profits become a part once execution is patiently handled and aimed for. Passion is the biggest motivation.

Myth No. 3: Entrepreneurs Have to be Risk-takers

A myth almost ingrained in the market almost believed to be a fact. Risk taking is more of an attitude when it comes to entrepreneurship. In the sea of bigger things, risk-taking is only one of the sailing boats. Very often many fierce risk takers fail due to the lack of ability to be risk avengers or that of being on the safe side of the spectrum at all times.

Reality: Entrepreneurs Have to be Challenge-takers

As an entrepreneur, all you need to be is a relentless challenger, which encompasses taking risks as well as avoiding them. To pose your idea as the distinguisher, all that you need is the attitude of a go-getter. The always prepared to face the adversity attitude should always come in play while facing obstacles, financial ups-downs and severe, cut-throat competition. Nothing is as strong as a strong will.

Myth No. 4: Entrepreneurs are Born

Where do we think they plan for the idea, while they develop in the womb? This is one of the biggest scandals of a myth, which makes thousands of people miss the chance of being the next big entrepreneur. Intelligence, high scores, family blood, none of these actually guarantees your ticket to the top.

Reality: Entrepreneurs are Made

Nothing begets dedication, will-power and courage. You aren't born an entrepreneur, you become one. The greatest entrepreneurs come from very average set-ups with almost no fortune in the bloodline. There will never be a shortcut to Hard work.

Myth No. 5: Entrepreneurship is Prone to High Failure

This myth represents every bit of anticipation and also hints of laziness. Those who are either too scared or are too engulfed in the future, often become prey to this myth in their present. Forbes once reported 90% of start-ups failed, and since then, this myth has grown to be an entrepreneurial law. Truth is spoken, start-ups fail due to lack of proper planning and execution. And if all your cards are well-timed, then this myth isn't strong enough to keep you from taking the leap.

Reality: Entrepreneurship is Prone to Performance

A service or a product, entrepreneurship is the only performance of both in the market. Failure always exists as a variable quotient but no statistical number can ever guarantee a success rate. As a dedicated and ambitious professional, your task is to only focus your energy in making your set-up perform, and when it heads a low point, not get scared but find resources to bring it back in the game.

Well, myths like these and many more keep on sprouting like weeds in the field of entrepreneurship. But the only and only reality to surpass them is to NOT believe in them. No myth or in fact reality can be bigger than your aim, and if this becomes your motto, you're the next on the top list.

➤ **ENTREPRENEURSHIP AND INTRAPRENEURSHIP: SIMILARITIES AND VARIANCE**

✓ **SIMILARITIES BETWEEN INTRAPRENEURS AND ENTRAPRENEURS**

1) Innovative Thinking

Innovative thinking is key as intrapreneurs and entrepreneurs aim to make their companies ahead of the game. They need to look out for new opportunities, technologies, and methods to grow.

2) Doing for Innovation

Both entrepreneurs and intrapreneurs have to have the confidence of achieving success and the willingness to fail. They take the leap and act on the ideas in their head.

3) Always Learning

To be ahead of the game, intrapreneurs and entrepreneurs need to continuously pick up new information and new skills. Those skills may be business-related, product/service related, or skills like creative thinking or marketing.

4) Flexibility

Things just don't always go the way as expected or planned. If intrapreneurs and entrepreneurs are not flexible with workload or schedules, their ventures may fail even before it gets off the ground. They need to think on their feet and go with the flow.

5) No giving up

Both will face more failures than successes. In order to achieve success, intrapreneurs and entrepreneurs need to be persistent.

Entrepreneurs and intrapreneurs go through similar processes

1. Process of innovation

Both entrepreneurs and intrapreneurs NEED to innovate. They need to pinpoint the market gap and innovate accordingly. They need to thoroughly research existing products/services, competitors, and patents/copyrights/trademarks.

2. Understanding the market

The way entrepreneurs and intrapreneurs gain an understanding of the market is essentially the same. They have to research and keep validating by interviewing people and getting insights to refine their products/services.

3. Prototyping

Entrepreneurs and intrapreneurs need to develop prototypes and minimum viable product (MVP) to support their innovation.

4. Team building

Entrepreneurs and intrapreneurs need to build competitive teams. They need to bring a team together and define culture and behavior. They define the roles and delegate work.

5. Funds

Entrepreneurs and intrapreneurs need to pitch to external or internal investors to fund their idea. The pitching is very similar and competitive.

6. Deadlines

Entrepreneurs and intrapreneurs need to work on extremely tight schedules. They are often time constrained due to the workload.

➤ DIFFERENCE BETWEEN ENTREPRENEURS AND INTRAPRENEURS

BASIS FOR COMPARISON	ENTREPRENEUR	INTRAPRENEUR
Meaning	Entrepreneur refers to a person who set up his own business with a new idea or concept.	Intrapreneur refers to an employee of the organization who is in charge of undertaking innovations in product, service, process etc.
Approach	Intuitive	Restorative
Resources	Uses own resources.	Use resources provided by the company.
Capital	Raised by him.	Financed by the company.

BASIS FOR COMPARISON	ENTREPRENEUR	INTRAPRENEUR
Enterprise	Newly established	An existing one
Dependency	Independent	Dependent
Risk	Borne by the entrepreneur himself.	Taken by the company.
Works for	Creating a leading position in the market.	Change and renew the existing organizational system and culture.

DEVELOPING CORPORATE ENTREPRENEURSHIP

➤ **Corporate Entrepreneurship** is a process used to develop new businesses, products, services or processes inside of an existing organization to create value and generate new revenue growth through entrepreneurial thought and action.

➤ **5 Easy Steps to Unlock Rapid Corporate Entrepreneurship and Innovation**

1. Collect and Validate Ideas From Corporate Stakeholders

The first step is to strategize with key corporate stakeholders including executives, board members, and others. Through brainstorming, group discussion, and other crowdsourcing activities, stakeholders can ideate around corporate entrepreneurship and innovation. What is the business bad at? What does it need to approve upon? Bringing in the entire team early on prevents miscommunication. The most successful corporate innovation strategies are backed by a well-informed and motivated executive team.

2. Establish Clear Corporate Innovation Goals and Objectives

With support from your business's executives, establish clear corporate innovation goals and objectives. What does the enterprise want to accomplish? Establishing clear targets is a mission-critical component of a high-powered corporate innovation program. Additionally, during implementation, teams can benchmark progress against these predetermined goals.

To create realistic entrepreneurship and innovation goals, start by:

- Running internal and competitive benchmarking. How does your business stack up against the competition in terms of innovation? A thorough market analysis is absolutely required.
- Making sure every entrepreneurship and innovation goal ties back to your broader mission and vision.
- Examining who will be responsible for reaching these goals and identify the resources you'll need to achieve or surpass those goals. Consider whether your goals can be measured.

3. Build Corporate Entrepreneurship and Innovation Teams

Most businesses build dedicated corporate entrepreneurship and innovation teams. The sole purpose of this team is to oversee the implementation and management of corporate entrepreneurship and innovation initiatives. A dedicated corporate innovation team will allow you to pursue innovation activities without disrupting normal day-to-day operations.

4. Execute Corporate Innovation Strategy

Next, it's time to get started. If you're trying to launch a new product or service, start by validating the solution, building a minimum viable product, committing to routine iteration, and achieving product-market fit. When your new and innovative product or service aligns with customer wants and preferences, it has a greater chance of succeeding in the marketplace.

"When customers are at the center of software development, they become your biggest champions and the evangelists of your software. They have a voice, are empowered and can help steer future innovation," says **Francois Ajenstat, contributor at Forbes.**

5. Join a Corporate Innovation Program

For an extra boost to your corporate entrepreneurship and innovation strategy, consider joining a **corporate innovation program**. Members of these growth-oriented programs have an opportunity to work with cutting-edge technologies such as robotics, artificial intelligence, biomedical engineering tools, and more. There are a variety of program flavors to choose from and finding the right innovation environment will orient your business towards rapid innovation success.

WOMEN ENTREPRENEUR

Women entrepreneur may be defined as a woman or group of women who initiate, organize, and run a business enterprise. In terms of Schumpeterian concept of innovative entrepreneurs, women who innovate, imitate or adopt a business activity are called “women entrepreneurs”.

Kamal Singh who is a woman entrepreneur from Rajasthan, has defined woman entrepreneur as “a confident, innovative and creative woman capable of achieving self-economic independence individually or in collaboration, generates employment opportunities for others through initiating, establishing and running the enterprise by keeping pace with her personal, family and social life.”

1. Courage

Courage is one of the most important characteristics of a woman entrepreneur. They many have the passion to start their own business, it's the courageous ones who succeeds in their career.

2. Sound and strong mind with clear vision

A disturbed mind of the woman acts as a hindrance and she cannot achieve success in her venture. There could be exceptional cases where such women could succeed in their chosen field, of course, with great difficulty by crossing all the hurdles of life. A successful woman remained balanced and stays calm under all circumstances and has a sound mind. She do not gets disturbed or panicky for small setbacks in her ventures. A woman with a sound mind has the

ability to take the right decision which helps her to succeed in her business. She has the ability to visualize the requirements of the society and is clear about the requirements of the society. A successful woman always thinks out of the box to provide what is required in the most satisfying way. This helps in achieving further success. She has a clear vision which forms the basis for a successful career life, of course personal life too.

3. Self-confident and bold

Self-confidence is one of the most important characteristics for a successful life. A confident woman has tremendous faith in herself and her abilities. She can easily resist the changes in the consumer market and succeed in her business. A woman who is bold has the inner strength to face and cross the hurdles of life, if any, with an open mind.

4. Goal oriented

Most of the successful business women set targeted goals in spite of their family responsibilities. They work hard for achieving their set goal/s. Women who are goal oriented, work harder and succeed in her business.

5. Hard working with an optimistic approach

A majority of successful women entrepreneurs have an optimistic approach. She is capable of transforming her ideas into reality through her optimistic approach. They work hard with the hope of success and do not give room to fear of failure in their mind. They remain strong and determined during adverse situations and try to come out of it. Hard work is one of the greatest abilities of a successful woman entrepreneur. She willingly works hard for achieving her goals. She takes up every work with a challenging mind and with an orientation to achieve success. She doesn't take up work for the sake of doing it or just for earning few bucks.

6. Capable of taking risks

She is capable of confidently taking risks and is efficient in making the risk, a rewarding one.

7. Assertiveness and decision making

A successful woman entrepreneur takes various decisions on various activities of her enterprise with assertiveness. She takes firm decisions on the type of venture she undertakes and the way of doing / handling it. She is clear, creative and assertive in her decision making.

8. Work-life balance

She can efficiently cope up with the stress levels in a better way by spending value time with her children, spouse and family members. She very well knows how to balance her work-life which is one of the keys to successful business. She makes time to spend with her children and supports them in every possible way without any excuses of busy work life.

9. Build and develop their networks

One of the most prominent characteristics of a successful woman entrepreneur is she is keen on meeting new people and thus tries to grow her business contacts. She readily socializes with people whom she thinks are useful in developing her business. She will never miss the social events / gatherings and she is keen on increasing her circle. She is a good relationship builder and develops mutually beneficial relationship in the society.

10. Good organizer and manager

Good organizing skills and managerial skills are the important traits of a woman entrepreneur. She is competent in developing / building a good organization. She efficiently co-ordinates with her employees and effectively manages the finances / capital. To expand her business and achieve her targeted goals, she occasionally organizes minor events like sales and exhibitions etc.

11. Leadership qualities

A successful woman entrepreneur exhibits high leadership qualities. She is capable of influencing her employees and creates an enthusiastic work environment for them. She supports them in all possible ways and encourages for a good team work to achieve targeted goals.

12. Profit-oriented and effective utilization of time

A successful business woman is mostly profit-oriented and focuses / works for her business growth. A woman with a passion for becoming an entrepreneur should try to develop the above mentioned traits, cross the hurdles with a determined mind and she is sure to have a successful tomorrow.

✓ **CHALLENGES AND PROBLEMS FACED BY WOMEN ENTREPRENEURS IN INDIA**

1. Family restriction

Women are expected to spend more time with their family members. They do not encourage women to travel extensively for exploiting business opportunities.

In India, it is mainly a women's duty to look after the children and other members of the family. Man plays a secondary role only. In case of married women, she has to strike a fine balance between her business and family. Her total involvement in family leaves little or no energy and time to devote for business.

Support and approval of husbands seem necessary condition for women's entry into business. Accordingly, the educational level and family background of husbands positively influence women's entry into business activities.

2. Lack of Finance

Family members do not encourage women entrepreneurs. They hesitate to invest money in the business venture initiated by women entrepreneurs. Bank and other Financial Institutions do not consider Middle Class Women Entrepreneurs as proper applicants for setting up their projects and they are hesitant to provide financial assistance to unmarried women or girls as they are unsure as to who will repay the loan — Either their parents or in-laws after their marriage. This humiliates unmarried women and they generally leave the idea of setting up their ventures.

For example, Kiran Mazumdar Shaw initially faced many problems regarding funds for her business. Banks were hesitant to give loan to her as biotechnology was a totally new field at that point of time and she was a woman entrepreneur, which was a rare phenomenon.

3. Lack of Education

Women are generally denied of higher education, especially in rural areas and under developed countries. Women are not allowed to enrich their knowledge in technical and research areas to introduce new products.

4. Role Conflict

Marriage and family life are given more importance than career and social life in Indian society.

5. Unfavorable Environment

The society is dominated by males. Many business men are not interested to have business relationship with women entrepreneurs. Male generally do not encourage women entrepreneurs.

6. Lack of persistent Nature

Women generally have sympathy for others. They are very emotional. This nature should not allow them to get easily cheated in business.

7. Lack of Mental strength

Business involves risk. Women entrepreneurs get upset very easily when loss arises in business.

8. Lack of Information

Women entrepreneurs are not generally aware of the subsidies and incentives available for them. Lack of knowledge may prevent them from availing the special schemes.

9. Stiff Competition

Women face lot of competition from men. Due to limited mobility they find difficult to compete with men.

10. Mobility

Moving in and around the market, is again a tough job for Middle Class Women Entrepreneurs in Indian Social system.

11. Male-Dominated Society:

Male chauvinism is still the order of the day in India. The Constitution of India speaks of equality between sexes. But, in practice, women are looked upon as abla, i.e. weak in all respects. Women suffer from male reservations about a women's role, ability and capacity and are treated accordingly. In nutshell, in the male-dominated Indian society, women are not treated equal to men. This, in turn, serves as a barrier to women entry into business.

✓ **REMEDIAL MEASURES**

Some of the remedial measures that can be undertaken to promote women entrepreneurship in India, are as follows.

1. Promotional Help

Government and NGOs must provide assistance to entrepreneurs, both in financial and non financial areas.

2. Training

Women entrepreneurs must be given training to operate and run a business successfully. Training has to be given to women who are still reluctant to take up the entrepreneurial task.

3. Selection of Machinery and Technology

Women require assistance in selection of machinery and technology. Assistance must be provided to them in technical areas so that the business unit become successful.

4. Finance

Finance is one of the major problems faced by women entrepreneurs. Both family and government organizations should be liberal in providing financial assistance to them.

5. Marketing Assistance

Due to limited mobility, women are unable to market their goods. Assistance must be provided to help them to market their goods successfully in the economic environment.

6. Family support

Family should support women entrepreneurs and encourage them to establish and run business successfully.

➤ **RURAL ENTREPRENEURSHIP**

Definition of Rural Entrepreneurship

Rural Entrepreneurship defines the entrepreneurship whose origin lies in the rural areas whereas has a lot of potentials to undertake various business, industry, agriculture and play a significant role in the economic growth of the nation.

➤ **IMPORTANCE OF RURAL ENTREPRENEURSHIP**

1. Proper Utilization of resources

All the resources related to the business are available in the remote areas and the rural entrepreneurship is associated with the proper and complete usage of all the materials to maximize the profit. Directly and indirectly, this will be helpful for making improvements in the economic and financial conditions of the rural areas. If the rural entrepreneurship does not exist, then it may lead to proper wantage of all the available resources and this might be not in favour of any nation.

When there is the proper utilization of all the resources by the rural entrepreneurs, then this may lead to increase productivity. On the other side, when the labour available in the rural areas gets

some work through these types of entrepreneurship, then it will also be helpful to eliminate unemployment. Unemployed people get employed due to rural entrepreneurship.

2. Generation of employment opportunities

A huge number of employment opportunities generated because of the rural entrepreneurship for the people who are living in these areas. A basic problem of any nation in today's era is unemployment and underemployment. This type of entrepreneurship gives ample new opportunities to people and effectively tackle the problem in a very positive way.

Rural industrialization is labour intensive and provides great dealings to all rural people. People from rural areas migrate to the urban areas in search of a job and it helps to decrease the migration by offering similar opportunities for growth in their remote areas.

3. Plug the gap

There is always a huge gap between the remote areas and urban areas in terms of better education as well as job opportunities for all. Rural Entrepreneurship helps to fill the gap by providing a similar level of growth and development opportunities for people in rural areas and compete with the urban areas too. It maintains a gap between the income in remote and the urban areas.

4. Enhance traditional culture

All type of historic and ancient artistic activities was originated from rural areas and it is obvious that people have immense talent in terms of tradition and culture. Rural entrepreneurship plays a vital role in the promotion of artistic activities and helps them to create some brilliant handicraft pieces and earn their bread and butter easily. In addition to this, the old-age artistic heritage is also conserved by protecting as well as promoting the rural entrepreneurship.

5. Foster economic development

The economic development of remote areas fosters with the help of rural entrepreneurship. On the one hand, it keeps control over the migration from rural areas to the urban areas and secondly, increases the level of growth in all the areas equally. Differentiation between the areas

such as slum, towns and cities, etc, eliminates to a great extent. Apart from this, there is a proportion of social tension and environmental pollution too.

6. Getting foreign exchanges

The products manufactured in rural areas is exported to the other nations across the world and in this way, they will earn foreign exchanges. It also enhances the rural entrepreneurship and gives a great push to the way of success.

7. Consider the taste of consumers

All the products manufactured by the rural entrepreneurship are according to the taste of the customers and fulfil all the expectations what they want. Choice of each individual taken into consideration and so, they produce jewellery, sarees, artistic materials that are produced serve all the requirements of the customers.

8. Entrepreneurial development

In the remote areas, the development of entrepreneurship is enhancing by the rural entrepreneurship. At the same token, it encourages the young generation and talented people to come up with something new and carry out the entrepreneurial tasks in the rural sector. Hence, it develops the rural areas also.

➤ TYPES OF RURAL ENTREPRENEURSHIP

1. Farm-based enterprise: This types of rural entrepreneurship comprises of different types of farming which are mentioned below:

A. Organic and Floriculture

B. Medicinal plants

C. Commercial Forestry

2. Food processing and Agro waste

It is the most preferred activity and especially in rural areas. The market of this type of entrepreneurship is expanding and tons of agro-waste is burning every day. Here is a very straightforward option of turning the waste into briquettes which can be burnt in rural industries.

To exemplify, various products are there such as rice bran oil, Gum from tamarind seeds and others can be extracted. Some other products are also made in rural areas such as handmade paper, board, packing paper and corrugated paper boards.

3. Pesticide products

Presently, we are using the chemical fertilizers for crop cultivation at a great extent. Several types of organic fertilizers such as compost, vermin-compost as well as neem based fertilizers can be produced for own use and to sell the same in urban areas also. These products are using a very low level of energy and can be easily made out of wastes.

4. Animal Husbandry based enterprise

One of the most organized and popular enterprises is dairy farming and it can begin with two to three animals to thousands of animals. This business is related to the production and distribution of milk. Poultry will be next very popular enterprise as it includes the sale of eggs and the poultry birds as well as the poultry feed industry which are also viable.

In addition to this, there is another option of commercial rearing of animals such as pigs, sheep, rabbits and goats for wool and meat where the grass is easily provided to these animals.

5. Sericulture

Sericulture is also known as apiculture and it is a very old profession. It is undeniable that silk garments are highly popular and it can also be shifted to the commercial level. Moreover, there are no issues with the production of silk and processing silk. It is also beneficial to export the products directly. Apart from this, pollination can also be done with the help of honey bees and maximizes agriculture production.

6. Handloom

Hundreds of people are working in this industry in rural areas however the benefit has taken by urban areas by selling the products produced by rural people. The rural entrepreneurs can also take up this activity and get the entire profit by directly selling the products to urban areas and export to other nations also.

There are many options for rural entrepreneurs however there is a need to take action regarding the various resources available and its proper utilization.

➤ **SOCIAL ENTREPRENEURSHIP**

Social entrepreneurship can be defined as a way of doing business for identifying social issues in society. The main motive behind this concept is doing research for defining a certain social problem. This type of entrepreneurship assists in making a social change by applying a particular set of processes, operations, and principles.

In addition to that, it is also ideal for creating research so that a certain social problem get identified followed by using the right approach for solving it. Social ventures are organized, developed, and managed by social entrepreneurs.

➤ **ADVANTAGES**

1. Applying Social Changes

The most convincing benefit of this entrepreneurship version is impact that it gives to society. The people involved in this business develop businesses for a great sort of industries that affect society positively.

2. Developing a stable employment

The main motive of social entrepreneurship is providing stable employment to society. It gives something back to the people without any motive to make a profit.

3. Creating a wide group of volunteers

The philosophy of volunteering is highly involved in social entrepreneurship. They work for boosting the positivity to the community. It can also be very useful for the welfare of people who work as volunteers.

➤ **DISADVANTAGES**

1. Minimum public exposure and recognition

It is one of the bitter truth that social entrepreneurs have to deal is lack of advertisement among public. Finding recognition for business is a very difficult task. Additionally, the majority of individuals don't put too much trust on social companies.

2. Lack of funding

There is a need for funding to support a venture irrespective of its nature. The majority of firms find it difficult to get adequate funding due to lack of recognition all over the world. It is the major issue about which the social entrepreneurs have to deal.

A great number of people get attracted towards social entrepreneurship as it allows them to help society. However, there are tons of strings attached about which one can understand after the experience.

Example of Social Entrepreneurship

One of the greatest examples of social entrepreneurship is Grameen Bank that was started by Muhammad Yunis. This platform offers microcredit loans to individuals who seek assistance for creating financial self-sufficiency. This company was started way back in 1983 and helped millions of people until now.

➤ **ENTREPRENEURSHIP DEVELOPMENT**

Entrepreneurs are a very important cog in the machinery of a country's economy. They are absolutely essential to the survival and growth of the economy. This is why developing budding Entrepreneurs is an important function.. Entrepreneur plays a vital role in economic development. Entrepreneurs serve as the catalysts in the process of industrialization and economic growth. Technical progress alone cannot lead to economic development, unless technological breakthroughs are put to economic use by entrepreneurs.

Entrepreneurs initiate and sustain the process of economic development in the following ways:

1. Capital Formation:

Entrepreneurs mobilize the idle savings of the public through the issues of industrial securities. Investment of public savings in industry results in productive utilization of national resources. Rate of capital formation increases which is essential for rapid economic growth. Thus, an entrepreneur is the creator of wealth.

2. Improvement in Per Capita Income:

Entrepreneurs locate and exploit opportunities. They convert the latent and idle resources like land, labour and capital into national income and wealth in the form of goods and services. They help to increase net national product and per capita income in the country, which are important yardsticks for measuring economic growth.

3. Generation of Employment:

Entrepreneurs generate employment both directly and indirectly. Directly, self-employment as an entrepreneur offers the best way for independent and honorable life. Indirectly, by setting up large and small scale business units they offer jobs to millions. Thus, entrepreneurship helps to reduce the unemployment problem in the country.

4. Balanced Regional Development:

Entrepreneurs in the public and private sectors help to remove regional disparities in economic development. They set up industries in backward areas to avail various concessions and subsidies offered by the central and state governments.

Public sector steel plants and private sector industries by Modis, Tatas, Birlas and others have put the hitherto unknown places on the international map.

5. Improvement in Living Standards:

Entrepreneurs set up industries which remove scarcity of essential commodities and introduce new products. Production of goods on mass scale and manufacture of handicrafts, etc., in the small scale sector help to improve the standards of life of a common man. These offer goods at lower costs and increase variety in consumption.

6. Economic Independence:

Entrepreneurship is essential for national self-reliance. Industrialists help to manufacture indigenous substitutes of hitherto imported products thereby reducing dependence on foreign countries. Businessmen also export goods and services on a large scale and thereby earn the scarce foreign exchange for the country.

Such import substitution and export promotion help to ensure the economic independence of the country without which political independence has little meaning.

7. Backward and Forward Linkages:

An entrepreneur initiates change which has a chain reaction. Setting up of an enterprise has several backward and forward linkages. For example- the establishment of a steel plant generates several ancillary units and expands the demand for iron ore, coal, etc.

These are backward linkages. By increasing the supply of steel, the plant facilitates the growth of machine building, tube making, utensil manufacturing and such other units.

Entrepreneurs create an atmosphere of enthusiasm and convey a sense of purpose. They give an organization its momentum. Entrepreneurial behavior is critical to the long term vitality of every economy. The practice of entrepreneurship is as important to established firms as it is to new ones.

➤ **ENTREPRENEURIAL SUPPORT SYSTEMS**

Entrepreneurs need strong support and advisory system in order to turn their startup ideas into valuable businesses. Supporting entrepreneurship is essential for the development and improvement of our lives. Modern-world society needs innovations and effective solutions for existing problems. The bright and ambitious minds of entrepreneurs are to turn their breakthrough ideas into successful companies with purpose, driven by their vision. By supporting entrepreneurs, we support innovation.

It includes:

1. The law makers

The decision makers and law makers in the countries must work towards improving the business environments for developing one strong entrepreneurial ecosystem. By making specific decisions like tax alleviations for small businesses and entrepreneurs, any government can increase the strength of the entrepreneurial system in the country.

2. The educators

Changes among educators, teachers and trainers must be made in order to stimulate the leadership skills and natural talents of their students. Entrepreneurship can be instigated by implementing the right methods and approaches. Not only entrepreneurs must be educated, the community as well has to be educated about the importance of entrepreneurship, because the world needs innovation.

3. Entrepreneur communities

Entrepreneurs by themselves need to understand the importance of support, connections and networking. Mentoring and leadership, spreading the knowledge and ideas can be just the first step which entrepreneurs can take in order to help the entrepreneurial communities word wide to flourish.

4. Friends and family

Choosing an entrepreneurial path is a very risky life choice which can lead to many life setbacks. But the entrepreneurial spirit and innovative vision of entrepreneurs are the leading powers supporting this very important decision. Being an entrepreneur has its challenges and giving up the stable job and regular paycheck is one of these challenges.

Even that many of the first-time entrepreneurs are aware of the risks and are ready to face any obstacles, there is one key factor which can affect the course of this important decision. The support of family and friends is very important for entrepreneurs and startup owners. They are already sacrificing a lot of their personal time which can affect their relationships with the others. How can entrepreneurs handle unsupportive friends and family is one very difficult yet important question to be answered.

5. Don't argue – explain

Avoid arguing and getting into limitless conversations where you should explain every step you take. It is tough but this is your life and you should live it the way you really want. Explain your idea well to your family and friends. Make them believe in it. Explain to them that this is what you really want and that you believe in it. Learn to stand up for your goals and to achieve them because this is what you are supposed to do.

6. Don't give up

When entrepreneurs face ultimatums from their closest people, this can damage the growth of their business. Don't give up just because your family and friends want you to do something else. They are probably worried what will happen if you will fail. Keep working hard, because the real thing that pays back is hard work, not self doubt.

7. Stay confident

Believe in your ability to turn your idea into successful business and sooner or later you will succeed. Of course, it would be better if you had the strong support of your family and friends, but you need to keep believing in yourself to make the rest of the world to believe in you too. Stay true to your vision and find the support you need in your confidence.

➤ **4 WAYS TO BUILD AN ENTREPRENEURIAL SUPPORT SYSTEM**

1. Other business owners are an obvious entrepreneurial support system

It's always a smart business move to get opinions and advice from other business owners—even if they're not in your industry. Make the time to connect over coffee, lunch, or even the phone if there are location or time restrictions. I've recently met with several of my former employees, who are now entrepreneurs themselves, which has led to new business. One of my former staffers is my go-to IT person, which saves me time and money.

2. Mentors are great too

A psychologist friend of mine once told me, "People are afraid to ask for help because they don't like feeling vulnerable." Asking for help from others often feels like we're relinquishing some degree of control over our own businesses. That's especially hard for entrepreneurs to do, but the value of having mentors is worth momentarily feeling vulnerable. I depend on my mentors for advice and am happy to mentor others. It's a win-win situation. If you don't already have a mentor, you can find free mentors at organizations like [SCORE](#) and networking organizations such as [MeetUp](#) or your industry trade association. Once you have a mentor on your support team, help is just a phone call or email away.

3. Professionals in other industries

According to a [Barlow Research study](#) conducted last year, when business owners were asked who they turn to for advice, the number-one response was overwhelmingly their accountants. Professionals such as accountants and attorneys are indispensable to have in your support system. If you don't want to pay fees to have these pros on contract, you can always pay on an as-needed basis or sign up for online services such as [LegalZoom](#), [RocketLawyer](#), or [SmallBizAccountants.com](#).

4. Online communities are highly accessible

You've probably already figured out you can find almost everything online, even a community of like-minded entrepreneurs looking for (and willing to offer) advice and support. There are hundreds of online communities you can join (such as American Express OPEN) and benefit from. Check with your industry trade association for online communities specific to your market.

➤ ROLE OF GOVERNMENT IN ENTREPRENEURSHIP DEVELOPMENT.

Government plays a very important role in developing entrepreneurship. Government develops industries in rural and backward areas by giving various facilities with the objective of balanced regional development. The government set programmes to help entrepreneurs in the field of technique, finance, market and entrepreneurial development so that they help to accelerate and adopt the changes in industrial development. Various institutions were set up by the central and state governments in order to fulfill this objective.

✓ INSTITUTIONS SET UP BY CENTRAL GOVERNMENT

1. **Small industries development organization (SIDO)**

SIDO was established in October 1973 now under Ministry of Trade, Industry and Marketing. SIDO is an apex body at Central level for formulating policy for the development of Small Scale Industries in the country, headed by the Additional Secretary & Development Commissioner(Small Scale Industries)under Ministry of Small Scale Industries Govt. of India. SIDO is playing a very constructive role for strengthening this vital sector, which has proved to be one of the strong pillars of the economy of the country. SIDO also provides extended support through Comprehensive plan for promotion of rural entrepreneurship.

2. **Management development Institute(MDI)**

MDI is located at Gurgaon(Haryana).It was established in 1973 and is sponsored by Industrial Finance Corporation Of India,with objectives of improving managerial effectiveness in the

industry. It conducts management development programs in various fields. It also includes the programmes for the officers of IAS, IES, BHEL, ONGC and many other leading PSU's.

3. **Entrepreneurship development institute of India (EDI)**

Entrepreneurship Development Institute of India (EDI), an autonomous and not-for-profit institute, set up in 1983, is sponsored by apex financial institutions – the IDBI Bank Ltd., IFCI Ltd., ICICI Bank Ltd. and the State Bank of India (SBI). EDI has helped set up twelve state-level exclusive entrepreneurship development centres and institutes. One of the satisfying achievements, however, was taking entrepreneurship to a large number of schools, colleges, science and technology institutions and management schools in several states by including entrepreneurship inputs in their curricula. In the international arena, efforts to develop entrepreneurship by way of sharing resources and organizing training programmes, have helped EDI earn accolades and support from the World Bank, Commonwealth Secretariat, UNIDO, ILO, British Council, Ford Foundation, European Union, ASEAN Secretariat and several other renowned agencies. EDI has also set up Entrepreneurship Development Centre at Cambodia, Lao PDR, Myanmar and Vietnam and is in the process of setting up such centres at Uzbekistan and five African countries.

4. **All India Small Scale Industries Board(AISSIB)**

The Small Scale Industries Board (SSI Board) is the apex advisory body constituted to render advice to the Government on all issues pertaining to the small scale sector. It determines the policies and programmes for the development of small industries with a Central Government Minister as its president and the representatives of various organizations i.e. Central Government, State Government, National Small Industries Corporations, State Financial Corporation, Reserve Bank of India, State Bank of India, Indian Small Industries Board, Non-government members such as Public Service Commission, Trade and Industries Members.

5. **National Institution of Entrepreneurship and Small Business Development(NIESBUD),New Delhi**

It was established in 1983 by the Government of India. It is an apex body to supervise the activities of various agencies in the entrepreneurial development programmes. It is a society under Government of India Society Act of 1860. The major activities of institute are:

- i) To make effective strategies and methods
- ii) To standardize model syllabus for training
- iii) To develop training aids, tools and manuals
- iv) To conduct workshops, seminars and conferences.
- v) To evaluate the benefits of EDPs and promote the process of Entrepreneurial Development.
- vi) To help support government and other agencies in executing entrepreneur development programmes.
- vii) To undertake research and development in the field of EDPs.

6. National Institute of Small Industries Extension Training

It was established in 1960 with its headquarters at Hyderabad. The main objectives of national Institute of Small Industries Extension Training are:

- i) Directing and Coordinating syllabi for training of small entrepreneurs.
- ii) Advising managerial and technical aspects.
- iii) Organizing seminars for small entrepreneurs and managers.
- iv) Providing services regarding research and documentation.

7. National Small Industries Corporation Ltd. (NSIC)

The NSIC was established in 1995 by the Central Government with the objective of assisting the small industries in the Government purchase programmes. The corporation provides a vast market for the products of small industries through its marketing network. It also assists the small units in exporting their products in foreign countries.

8. **Risk Capital and Technology Finance Corporation Ltd.(RCTFC)**

RCTFC was established in 1988 with an authorized capital of 15 crores rupees. The main objectives of RCTFC are provision of risk capital for the extension and expansion of entrepreneurial development and venture capital for the projects with high techniques for technology development and transfer.

9. **Natioanl Research and development corporation (NRDC)**

NRDC was established in 1953 under Department of Science and Industrial Research under Government of India. Its main objectives are:

i) Providing assistance in technology transfer

ii) Transfer of technology

iii) Establishing relations with various technology institutions and collecting various indigenous techniques developed by them.

10. **Indian Investment Centre**

This is an autonomous organization established by Central Government. Its main objective is to assist in promoting foreign cooperation with Indian entrepreneurs and providing necessary information to foreign entrepreneurs.

11. **Khadi and village industries Commission(KVIC)**

Khadi and Village Industries Commission established by an Act of Parliament in 1956. It is a service organization engaged in promotion and development of Khadi and Village Industries in rural areas. Its main objectives are:

- i) Providing employment in rural areas.
- ii) Improvement of skills
- iii) Rural Industrialisation
- iv) Transfer of Technology
- v) Building strong rural community base and self reliance among rural people.

12. Indian Institute of Entrepreneurship(IIE)

It was established by the Department of Small Scale Industries and Agro and Rural Industries in 1953. It is an autonomous organization with its headquarters at Guwahati. Its main objective is to undertake research, training and consultancy activities in the field of small industry and entrepreneurship.

13. Miscellaneous Organisation

In addition to above various organizations at all India level are assisting and are engaged in entrepreneur development. These include ICICI, IFCI, SIDBI, UTI, IDBI, IIBI etc.

14. National Alliance of Young Entrepreneurs(NAYE)

It has sponsored number of entrepreneurial development scheme in collaboration with various public sector banks. The main objective of the scheme is to encourage young entrepreneurs to explore investment and self –employment opportunities. It arranges for their training and assists them in procuring necessary finance. In 1975 NAYE also set up a Women's Wing to make women self-reliant and to raise their status.

15. Centre for Entrepreneurial Development(CED) Ahmedabad

It was sponsored by the Government of Gujrat and public financial institutions operating in the State. It conducts entrepreneurial development programmes at various centres. The important features of training programme are:

- i) Training programmes were conducted after survey for opportunities was made.
- ii) Appropriate linkage was established with supporting agencies supplying finance, factory sheds, raw materials, etc.
- iii) Behavioral tests were conducted to select the entrepreneurs.
- iv) Training programmes covered theoretical and practical aspects.
- v) Full time project leader took follow up action after the training was over.

16. Institute for Entrepreneurial Development (IED)

It was set up by the IDBI in association with other financial institutions, public sector banks and the State Governments. The IEDs was set up to fulfill the entrepreneurial development needs of the industrially backward States in the country.

17. Technical Consultancy Organisation (TCOs)

A network of TCOs has been established by All India Financial Institutions and State Government throughout the country. These organizations have been set up to provide comprehensive package of services to entrepreneurs in general and to small business entrepreneurs in particular. Their main functions include the following:

- i) Identifying potential industrial project.
- ii) Preparing project reports, feasibility reports and pre-investment status.
- iii. Identifying potential entrepreneurs.

Providing technical and administrative support.

Conducting techno-economic studies of the projects.

Conducting market research and surveys.

Rendering advice to set up laboratories and design centre.

18. Public Sector Banks.

Public sector banks in association with NAYE have been conducting entrepreneurial development programmes. The main thrust of these banks has been to identify potential entrepreneurs in rural and backward areas. For example Punjab National Bank started entrepreneurial assistance programme in March 1977 in the States of West Bengal and Bihar. Similarly, Bank of India started entrepreneurial assistance programme since August 1972 in the States of Punjab, Rajasthan, Himachal Pradesh, J& k and the Union Territories of Chandigarh and Delhi.

The important Forms of entrepreneurial assistance are:

- i) Identifying potential entrepreneurs
- ii) Identifying viable projects.
- iii) Assisting in preparation of project profiles

iv) Helping in project evaluation.

v) Arranging practical training.

vi) Financing the projects.

B) Institutions set up at State Level

There are a number of institutions established at state level for organizing, developing, assisting and making successful entrepreneurial development programmes. Prominent among these are:

i) Small Industries Service Institute (SISI)

ii) State Financial Corporation (SFC)

iii) State Small Industries Corporation (SSIC)

iv) District Industries Centres (DIC)

v) Technical Consulting Organisation Ltd. (TCO)

vi) Industrial Directorates

vii) Commercial and Cooperative Banks

viii) State Industrial Development Corporation

ix) Industrial Estates

x) State Industries Corporation

The above mentioned State and Central level Institutions have provided a number of concessions and facilities to promote entrepreneur development in India. They have also played an important role in balanced industrial development in the country.

UNIT II

ENTREPRENEURIAL MOTIVATION: CONCEPT AND THEORIES

➤ MEANING:

Entrepreneurial motivation is the process of transforming an ordinary individual to a powerful businessman, who can create opportunities and helps in maximizing wealth and economic development. It is defined as various factors stimulate desires and activates enthusiasm in entrepreneurs which make them attain a particular goal.

Motivation makes entrepreneur by fulfilling higher level needs such as recognition, esteem, and self-actualization. Various theories explained motivation as an influencing concept, it can bring out hidden talents and creativity, and it contributes to the individual goals and society development.

➤ CHARACTERISTICS OF MOTIVATION

1. Motivation is internal feeling of a person.
2. Motivation is a continuous process.
3. Motivation varies with person and time.
4. Motivation may be positive or negative.

➤ **FACTORS RESPONSIBLE FOR THE ENTREPRENEURIAL MOTIVATION**

1. Internal factors

2. External factors

1. Internal factors

a. Need for self-actualization

It is explained by Maslow and it is the top level need refers to the desire for self-fulfillment. Need for freedom and self-fulfillment makes the individuals or employees of the organization make them become powerful leaders or entrepreneurs.

b. Optimism

Individuals having positive mindset get motivated by finding opportunities during critical situations also. Positive attitude and perception motivate an individual to work out for the best even during unfavorable and tough situations also.

c. Positive attitude

The positive attitude is the most important factor which motivates the individuals to become successful entrepreneurs. Habituating positive attitude can lead an individual to develop constructive thinking; it motivates them to become powerful entrepreneurs, finally, the positive attitude can prove that how valuable they are.

d. Self-motivation

Most of the successful and powerful entrepreneurs are self-motivated; here they fulfill the desired objectives by motivating themselves. Though many individuals have ideas but they cannot put those for business development; however self-motivated people can take decisions to implement ideas.

e. Enthusiasm

Enthusiasm motivates in finding better solutions, finally, it stabilizes the ideas and makes them become creators and innovators which result in successful entrepreneurs.

f. Commitment

Commitment towards a goal can make to achieve success. It motivates entrepreneurs by inspiring and developing emotional attachment towards an objective.

g. Education

Education is the most important factor it motivates a person to innovate and create new products, this result in establishing an organization or a new business venture. The knowledge acquired during the course of time and innate skills highly motivates a person to become a successful entrepreneur.

h. Background

Family background, occupational background and a person's own experience in a job motivates him/her to become an entrepreneur. Having entrepreneurial background acts as a clear path to becoming a successful and powerful entrepreneur.

i. Financial background

Finance is the scarce resource which motivates and enables a person to become an entrepreneur. Money can make many things it is the major thing in deciding one's status and development, strong financial background facilitates to start a business.

2. External factors**a. Influence**

Influence of family members, friends, and society motivates the individuals to become entrepreneurs. The extent of influence shows an effect on the character, behavior, and development, it comes from the external environment. Here people get influenced by seeing successful entrepreneurs or by the words of others.

b. Availability of resources

Resource availability motivates at a high extent to become entrepreneurs, availability of land, labor, money, machinery, and materials make individual to start a new business. Though there is creativity, intelligence, commitment and enthusiasm in the individuals, but the unavailability of resources becomes an obstacle for new entrants or entrepreneurs.

c. Product's demand

Higher demand for a particular product motivate entrepreneurs to produce innovative and value added products, here product's demand motivates the individuals to become entrepreneurs. The hope of success makes them produce innovative products or substitute products, some entrepreneurs fulfill the market demand by producing complementary goods also. So the increase in products demand highly motivates to become entrepreneurs.

d. Government policies

Subsidies and benefits given by the government motivate entrepreneurs to produce new products or motivates individual to become entrepreneurs. Government policies show higher influence on establishing new firms and it leads to economic development. In the case of small scale industries, rural people are encouraged by the various training programs, financial support, and subsidies; it is one of the main reasons for the establishment of new firms and arrival of new entrants.

e. Information availability

Market knowledge and information motivate individuals to enter into the markets and to become entrepreneurs. If there is abundant information then it automatically creates interest in the minds of enthusiastic people to become entrepreneurs. Availability of information facilitates research and producing innovative and value added products, and it creates a scope to become entrepreneurs.

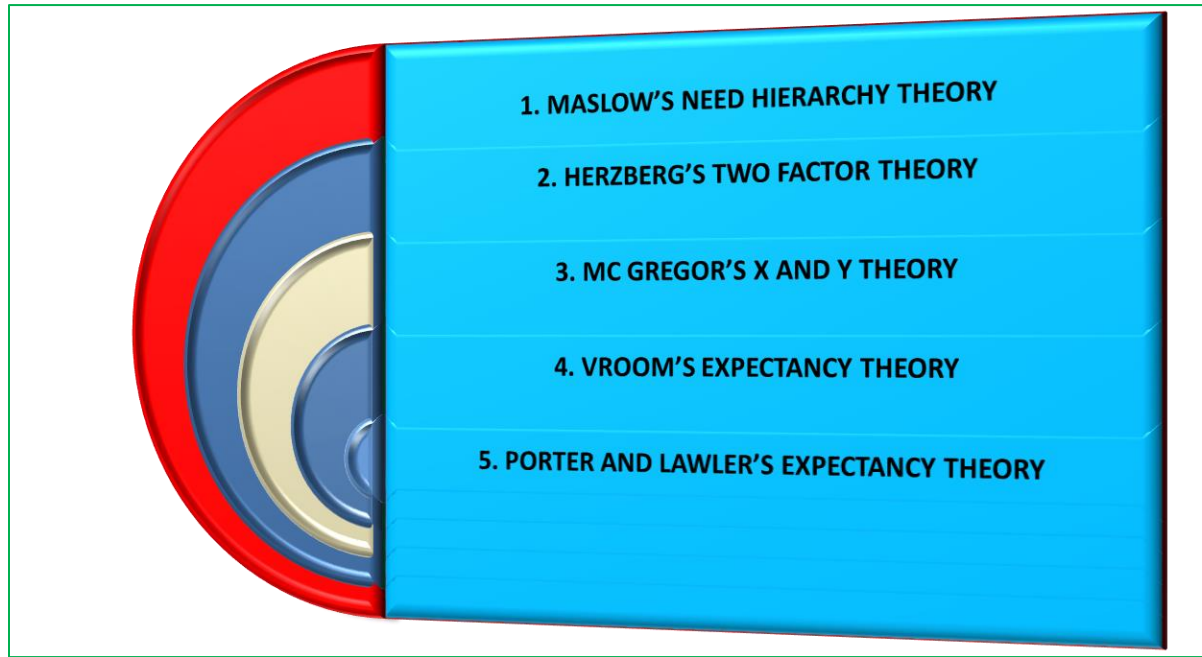
f. Technological advancement

Technological advancement acts as a path to transform ideas into products, feasibility in production and expected success rate highly motivates to become entrepreneurs. It reduces errors and cost of production and maximizes success rate, this is the reason why people are interested in becoming entrepreneurs with the increase in technology

g. Changing tastes and preferences

Changing tastes and preferences of the customers maximizes the chance to produce substitute and complementary goods, it creates a scope to innovation and establishment of the new ventures.

➤ THEORIES OF MOTIVATION



1. MASLOW'S NEED HIERARCHY THEORY (1943)

Abraham Maslow postulated that a person will be motivated when his needs are fulfilled. The need starts from the **lowest level basic needs and keeps moving up as a lower level need is fulfilled.**

a. Basic physiological needs: the physiological needs relate to the survival and maintenance of human life. These needs include such things as food, clothing, air, water and other necessities of life, which are biological in nature. These needs are primary needs.

b. Safety and security needs: after satisfying the physiological needs, people want the assurance of maintaining a given economic level. They want job security, personal bodily security, security of source of income, provision for old age, insurance against risks, etc.

c. Social needs: man is a social being. He is, therefore, interested in conversation, sociability, exchange of feelings and grievances, companionship, recognition, belongingness, etc.

d. Esteem and status needs: these needs embrace such things as self-confidence, independence, achievement, competence, knowledge and success. These needs boost the ego of individual. They are also known as egoistic needs. They are concerned with prestige and status of the individual.

e. Self-fulfillment needs: the final step under the need priority model is the need for self-fulfillment or the need to fulfill what a person considers being his mission in life. It involves realizing one's potentialities for continued self-development and for being creative in the broadest senses of the word.

Maslow proposed that all human needs are kept as per rank of importance and human behavior is to fulfill its needs as per importance rank and so he continuous in a proper sequence but after fulfillment of a need another need arise. Moreover satisfied need will no longer be a motivator and needs and wants are infinity.

2. HERZBERG'S MOTIVATION HYGIENE THEORY:

The psychologist Frederick Herzberg extended the work of Maslow and proposed a new motivation theory popularly known as **Herzberg's Motivation Hygiene (Two-Factor) Theory**. Herzberg conducted a widely reported motivational study on **200** accountants and engineers employed by firms in and around Western Pennsylvania.

He asked these people to describe two important incidents at their jobs:

(1) When did you feel particularly good about your job, and

(2) When did you feel exceptionally bad about your job? He used the critical incident method of obtaining data.

Analyzing the responses of 200 accountants and engineers who were asked about their positive and negative feelings about their work, Herzberg found 2 factors that influence employee motivation and satisfaction.

1. Motivator factors –

Simply put, these are factors that lead to satisfaction and motivate employees to work harder.

Examples: Achievements, recognition etc

2. Hygiene factors –

These factors can lead to dissatisfaction and a lack of motivation if they are absent. **Examples** include salary, company policies, benefits, relationships with managers and co-workers

3. MCGREGOR'S X AND Y THEORY:

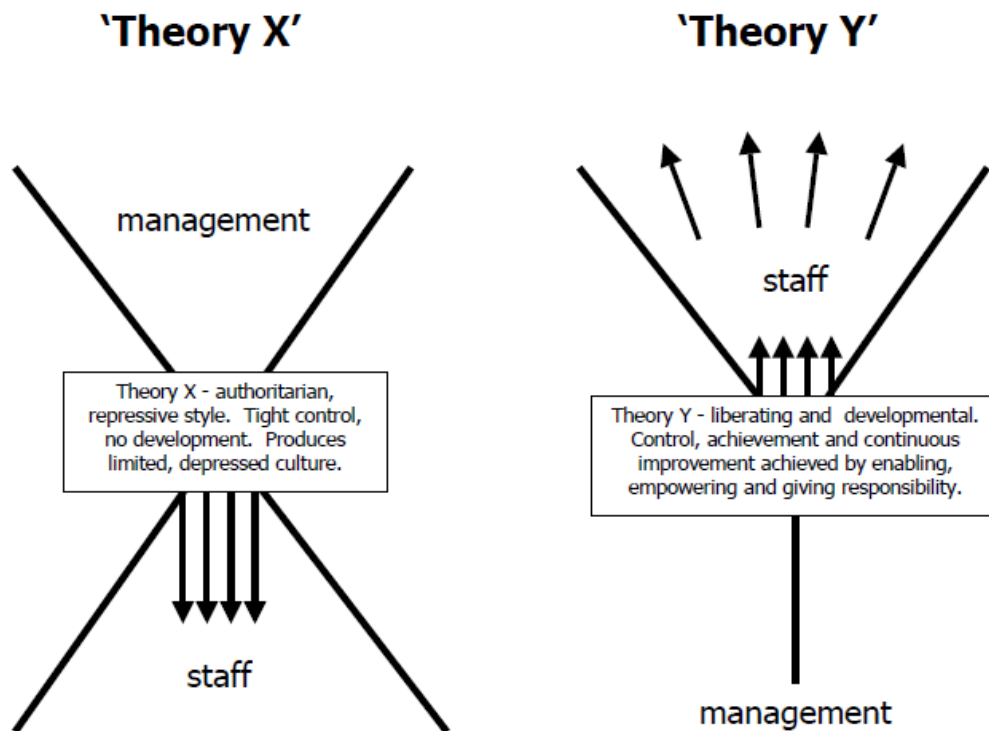
Douglas McGregor formulated two distinct views of human being based on participation of workers. The first basically negative, labeled Theory X, and the other basically positive, labeled Theory Y.

Theory X is based on the following assumptions:

1. People are by nature indolent. That is, they like to work as little as possible.
2. People lack ambition, dislike responsibility, and prefer to be directed by others.
3. People are inherently self-centered and indifferent to organizational needs and goals.
4. People are generally gullible and not very sharp and bright.

On the contrary, Theory Y assumes that:

1. People are not by nature passive or resistant to organizational goals.
2. They want to assume responsibility.
3. They want their organisation to succeed.
4. People are capable of directing their own behavior.
5. They have need for achievement

**4. VROOM'S EXPECTANCY THEORY:**

One of the most widely accepted explanations of motivation is offered by Victor Vroom in his Expectancy Theory” It is a cognitive process theory of motivation. **The theory is founded on the basic notions that people will be motivated to exert a high level of effort when they**

believe there are relationships between the effort they put forth, the performance they achieve, and the outcomes/ rewards they receive.

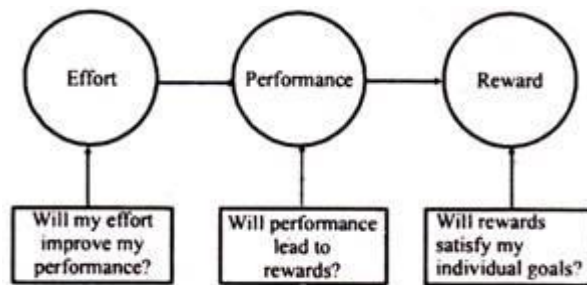


Fig 17.3: Vroom's Expectancy Model of Motivation

Thus, the key constructs in the expectancy theory of motivation are:

1. Valence:

Valence, according to Vroom, means the value or strength one places on a particular outcome or reward.

2. Expectancy:

It relates efforts to performance.

3. Instrumentality:

By instrumentality, Vroom means, the belief that performance is related to rewards.

Thus, Vroom's motivation can also be expressed in the form of an equation as follows:

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

Being the model multiplicative in nature, all the three variables must have high positive values to imply motivated performance choice. If any one of the variables approaches to zero level, the possibility of the so motivated performance also touches zero level

5. Porter and Lawler's Expectancy Theory:

In fact, Porter and Lawler's theory is an **improvement over Vroom's expectancy theory**. They posit that motivation does not equal satisfaction or performance. The model suggested by them encounters some of the simplistic traditional assumptions made about the positive relationship between satisfaction and performance. They proposed a multi-variate model to explain the complex relationship that exists between satisfaction and performance.

What is the main point in Porter and Lawler's model is that effort or motivation does not lead directly to performance. It is intact, mediated by abilities and traits and by role perceptions. Ultimately, performance leads to satisfaction,.

There are three main elements in this model. Let us briefly discuss these one by one.

a) Effort:

Effort refers to the amount of energy an employee exerts on a given task. How much effort an employee will put in a task is determined by two factors-

- (i) Value of reward and
- (ii) Perception of effort-reward probability.

b) Performance:

One's effort leads to his/her performance. Both may be equal or may not be. However the amount of performance is determined by the amount of labour and the ability and role perception of the employee. Thus, if an employee possesses less ability and/or makes wrong role perception, his/her performance may be low in spite of his putting in great efforts.

c) Satisfaction:

Performance leads to satisfaction. The level of satisfaction depends upon the amount of rewards one achieves. If the amount of actual rewards meet or exceed perceived equitable

rewards, the employee will feel satisfied. On the contrary, if actual rewards fall short of perceived ones, he/she will be dissatisfied.

Rewards may be of two kinds—**intrinsic and extrinsic rewards**. Examples of intrinsic rewards are such as sense of accomplishment and self-actualization. As regards **extrinsic rewards**, these may include working conditions and status. A fair degree of research support that, the intrinsic rewards are much more likely to produce attitudes about satisfaction that are related to performance.

6. McClelland's theory of needs

McClelland affirms that we all have three motivating drivers, and it does not depend on our gender or age. One of these drives will be dominant in our behaviour. The dominant drive depends on our life experiences.

The three motivators are:

- **Achievement:** a need to accomplish and demonstrate own competence People with a high need for achievement prefer tasks that provide for personal responsibility and results based on their own efforts. They also prefer quick acknowledgement of their progress.
- **Affiliation:** a need for love, belonging and social acceptance People with a high need for affiliation are motivated by being liked and accepted by others. They tend to participate in social gatherings and may be uncomfortable with conflict.
- **Power:** a need for control own work or the work of others People with a high need for power desire situations in which they exercise power and influence over others. They aspire for positions with status and authority and tend to be more concerned about their level of influence than about effective work performance.

➤ **ENTREPRENEURIAL STRATEGY**

✓ **MEANING:**

Entrepreneurial strategy is the means through which an organization establishes and re-establishes its fundamental set of relationships with its environment. It is **strategy** characterized by widespread and more-or-less simultaneous change in the pattern of decisions taken by an organization.

➤ **5 STRATEGIES FOR SUCCESS AS AN ENTREPRENEUR**

Entrepreneurs can come from different backgrounds and utilize varying skill sets to achieve their goals. However, a careful study of entrepreneurship shows there are a few shared strategies that can help entrepreneurs succeed in the early stages of their career. Let's take a look at some of the **strategies employed by the most successful entrepreneurs**:

1. **Learn from prior work experience.** Many entrepreneurs don't become successful overnight: they often begin at the bottom of a traditional corporate totem pole. Starting out as an employee, rather than an entrepreneur, is an opportunity to learn how organizations work. Use your early job roles to observe how management teams make strategic decisions and to develop the humility, resilience, and competitiveness you will need as a leader of a startup business.
2. **Develop a diverse set of skills.** In many ways, an entrepreneur is a full-time problem-solver first and foremost. Therefore, it's important for an entrepreneur to develop a wide skill set in various fields so that they are prepared to tackle different types of problems in their eventual leadership roles. Start by analyzing your own strengths and weaknesses, and seek to fortify your knowledge base in areas that you're unfamiliar with. For instance, if you are great at coming up with innovative ideas but lack a fundamental understanding of

business administration, try shadowing someone who works in that field to learn from them.

3. **Identify a problem that needs solving, then solve it.** The best entrepreneurs build their businesses by surveying the landscape, identifying a problem, and then constructing a business idea that seeks to solve that problem. For instance, Amazon recognized that online shopping was complicated and non-intuitive, and solved that problem by creating a streamlined interface with a vast inventory.
4. **Surround yourself with people you trust.** Your primary job as an entrepreneur and leader is to build a team of people with diverse experiences and expertise but like-minded values. Seek to recruit candidates with two essential characteristics: domain expertise in a skill base beyond your own, and a value system in alignment with your own.
5. **Remain curious.** Curiosity is one of the most important traits for entrepreneurs of every age. To constantly learn and maintain your competitive edge, you must always seek out new people and new experiences. Never lose the curiosity to see around corners.

➤ **GENERATION OF NEW ENTRY OPPORTUNITY, ENTRY STRATEGY: RISK REDUCTION STRATEGIES**

1. NEW ENTRY

a. New entry refers to:

- ✓ Offering a new product to an established or new market.
- ✓ Offering an established product to a new market
- ✓ Creating a new organization

b. Newness is both positive and negative.

1. Newness can help differentiate a firm from its competitors.
2. However, newness creates a number of challenges for entrepreneurs.

C. Entrepreneurial strategy

–The set of decisions, actions, and reactions that first generate, and then exploit over time, a new entry.

D The elements of an entrepreneurial strategy are:

1. The generation of a new entry opportunity, the result of a combination of knowledge and other resources into a bundle that will be valuable, rare, and difficult for others to imitate.
2. The exploitation of a new entry opportunity.
3. A feedback loop

E.If the entry warrants exploitation, then firm performance depends on

1. The entry strategy; the risk reduction strategy.
2. The way the firm is organized.
3. The competence of the entrepreneur and the management team.

F.Long-run performance is dependent upon the ability to generate and exploit numerous new entries.**II.GENERATION OF A NEW ENTRY OPPORTUNITY****A. Resources as a Source of Competitive Advantage.**

1. Resources are the basic building blocks to a firm's performance.
 - a. These resources are the inputs into the production process.
 - b. These can be combined in different ways to achieve superior performance.
2. These resources need to be considered as a bundle rather than just the resources that make up the bundle.

3. In order for a bundle of resources to be the basis of a firm's superior performance, the resources must be valuable, rare, and inimitable.

4. A bundle of resources is:

a. Valuable

When it enables the firm to pursue opportunities, neutralize threats, and to offer products and services that are valued by customers.

b. Rare when it is possessed by few, if any, competitors.

2. Market knowledge

It refers to the entrepreneur's possession of information, technology, know-how, and skills that provide insight into a market and its customers.

a. The entrepreneur shares some of the same knowledge that customers have about the use and performance of products.

b. The entrepreneur's market knowledge is deeper than the knowledge that could be gained through market research.

c. Entrepreneurs who lack this intimate knowledge are less likely to recognize or create attractive opportunities for new products and/or new markets.

d. The text again uses the example of mountain bikers who were aware of the problems that they personally encountered.

e. Because these bike enthusiasts had an intimate knowledge of the market, they were able to bring together resources in a way that provided a solution to customers' dissatisfaction.

3. Technological knowledge

It refers to the entrepreneur's possession of information, technology, know-how, and skills that provide insight into ways to create new knowledge.

III.ASSESSING THE ATTRACTIVENESS OF A NEW ENTRY OPPORTUNITY

A. The entrepreneur needs to determine whether a new product is in fact valuable, rare, and inimitable.

B. Information on a New Entry.

1. Prior knowledge and information search can also help assess the attractiveness of an opportunity.

- a. More prior knowledge means the entrepreneur starts from a position of less ignorance.
- b. Knowledge can be increased by searching for information on the attractiveness of the new entry opportunity.
- c. A longer search period gives the entrepreneur more time to gain more information about customer demand and protection from imitation.
- d. However, there are costs associated with this search in terms of money and time.

2. Window of Opportunity.

- a. When the window of opportunity is open, the environment is favorable for entrepreneurs to exploit a new product.
- b. However, the window of opportunity may close.
- c. The time spent in collecting additional information increases the likelihood that the window of opportunity will close.

C. Comfort with Making a Decision under Uncertainty.

1. The trade-off between more information and the window of opportunity's closing presents a dilemma.

2. The entrepreneur can commit an error of commission over an error of omission, or vice versa.
3. An error of commission occurs from the decision to pursue the new entry opportunity only to find that the entrepreneur overestimated his or her ability to create customer demand.
4. An error of omission occurs from the decision not to act on the new entry opportunity, only to find out later that the entrepreneur underestimated his or her ability to create customer demand.

D. Decision to Exploit or Not to Exploit the New Entry.

1. The decision on whether to exploit or not to exploit the new entry opportunity depends on whether the entrepreneur has sufficient information to make decision and whether the window is still open.
2. This decision depends on the stock of information and on the entrepreneur's level of comfort with making a decision without perfect knowledge.
3. The assessment of a new entry's attractiveness is less about whether the opportunity "really" exists and more about whether the entrepreneur believes he or she can make it work.

IV ENTRY STRATEGY FOR NEW ENTRY EXPLOITATION

A. Being first can create advantages that can enhance performance.

1. First movers develop a cost advantage.
 - a. The first mover is also able to move down the "experience curve."
 - b. The firm can spread its fixed costs over a greater number of units (economies of scale) as well as learn by trial and error (learning curve.)
2. First movers face less competitive rivalry.
 - a. First movers enjoy a rapidly growing market.
 - b. In the growth stage, firms are more concerned with keeping up with demand than they are with taking market share from others.

3. First movers can secure important channels.

a. First movers can select and develop strong relationships with the most important suppliers and distribution channels.

b. This may represent a barrier to those considering entry.

4. First movers are better positioned to satisfy customers: They have the chance to:

a. Select and secure the most attractive segments of a market.

b. Position themselves at the center of the market.

c. Establish their product as the industry standard.

5. First movers gain expertise through participation: They can:

a. Learn from the first generation of products and improve.

b. Monitor changes in the market that might be difficult to detect for firms not in the market

c. Build up their networks.

6. Many first movers with new products in new markets have been surpassed by firms that entered later.

V. RISK REDUCTION STRATEGIES FOR NEW ENTRY EXPLOITATION

A. A new entry involves considerable risk for the entrepreneur.

1. Risk refers to the probability and magnitude of downside loss

2. The risk comes from uncertainty over market demand, technological development, and the actions of competitors.

B. Market Scope Strategy.

1. Scope is a choice by the entrepreneur about which customer groups to serve and how to serve them.

2. Narrow-scope strategy offers a small product range to a small number of customer groups.

➤ **RISK REDUCTION STRATEGIES**

1. **Risk Acceptance:** Risk acceptance comes down to “risking it.” It’s coming to terms that the risk exists and there is nothing you will do to mitigate or change it. Instead, it understands the probability of it happening and accepting the consequences that may occur. This is the best strategy when risk is small or unlikely to happen. It makes sense to adopt risk when the cost of mitigating or avoiding it will be higher than merely accepting it and leaving it to chance.

2. **Risk Avoidance:** If a risk from starting a project, launching a product, moving your business, etc. is too large to accept, it may be better to avoid it. In this case, risk avoidance means not performing that activity that causes the risk. Managing risk in this way is most like how people address personal risks. While some people are more risk-loving and others are more risk-averse, everyone has a tipping point at which things become just too risky and not worth attempting.

3. **Risk Mitigation:** When risks are evaluated, some risks are better not to avoid or accept. In this instance, risk mitigation is explored. Risk mitigation refers to the processes and methods of controlling risk. When you identify risk and its probability, you can allocate resources for management.

4. **Risk Reduction:** Businesses can assign a level at which risk is acceptable, which is called the residual risk level. Risk reduction is the most common strategy because there is usually a way to at least reduce risk. It involves taking countermeasures to decrease the impact of consequences. For example, one form of risk reduction is risk transfer, like that of buying insurance.

5. **Risk Transfer:** As mentioned, risk transfer involves moving the risk to another third party or entity. Risk transfers can be outsourced, moved to an insurance agency, or given to a new entity as is what happens when leasing property. Risk transfers don’t always result in lower costs. Instead, a risk transfer is the best option when it can be used to reduce future damage. So, insurance can cost money, but it may end up being more cost-effective than having the risk occur and being solely responsible for reparations.

➤ **CREATIVITY AND BUSINESS IDEA GENERATION**

✓ **CREATIVITY MEANING:**

The term creativity refers to the ability to produce something that is both new and valuable. Good education, proper care and provision of opportunities to inspire, stimulate and sharpen the creative mind and it is in this sphere that parents, society and teachers make a significant contribution.

The term ‘creativity’ or creative process has been defined in many ways:

1. “Creativity implies the products of totally or partially novel identity”—Stagner and Karowski.
2. “Creativity is the capacity of a person to produce composition products or ideas which are essentially new or novel and previously unknown to the producer”—Drevdahl.
3. “Creativity is the power of the human mind to create new contents by transforming relations and thereby generating new correlates”—Spearman.

➤ **NATURE AND CHARACTERISTICS OF CREATIVITY**

a. Creativity is not confined to any individual:

Creativity is not confined to any individual, group of individuals, caste, colour or creed. It is not bound by the barriers of age, location or culture.

b. Creativity is innate as well as acquired:

Although many research findings and incidents favour the suggestion that creativity is a God given gift and natural endowment, the influence of cultural background, experiences, education and training in the nurturing of creativity cannot be ruled out. Thus one’s creativity may be correctly said to be a function of natural endowment as well as its nurturing. It is a combination of responses or ideas in novel ways.

c. Creativity is adventurous and open thinking:

Creativity is not a product of the stereotyped, rigid and closed thinking. It encourages and demands complete freedom to accept and express the multiplicity of responses, choices and ways of action.

d. Creativity carries ego involvement:

There is complete involvement of one's ego in the creative expression. One's individuality and identity are totally merged in one's creation. Here 'I' is given more weightage.

e. Creativity has a wide scope:

Creative expression is not restricted by any limits or boundaries. It covers all fields and activities of human life in any of which one is able to demonstrate creativity by expressing or producing a new idea or object.

➤ What is Idea Generation?

Idea generation is the creative process or procedure that a company uses in order to figure out solutions to any number of difficult challenges. It involves coming up with many ideas in a group discussion, selecting the best idea or ideas, working to create a plan to implement the idea, and then actually taking that idea and putting it into practice. The idea can be **tangible**, something you can touch or see, or **intangible**, something symbolic or cultural.

How it Works

Sam is a marketing manager for a shoe company, and he has about eight people who work for him. Sam is a big fan of using idea generation with his team whenever they need to tackle a new challenge. The team has a new project this month. They have to come up with a brand new way of marketing the newest line of shoes to a previously unaddressed target audience. Sam puts his group to work into pairs.

Each pair tackles the task by first thinking of many ideas, far more than they would ever use. The pair will eventually rejoin the team, and the team will select the best idea or ideas before assessing the ideas' worth on a focus group of potential customers at a later date. After feedback

from the focus group, the team will adjust their approach and build on the idea using the focus group feedback before putting their plan through real testing or trials. Finally, when the team is confident in their idea, the idea will be passed on for actual business implementation. In our example with Sam and his team, their marketing plan will be employed by the company to target their new customer demographic.

This general process structure is used across many types of businesses for many types of decisions. There is no rule saying that a company must follow this exactly, so don't be surprised if you encounter variation. If it seems like a long process, that is because it is. Some aspects require ample time, like conducting research, gathering opinions, learning about competitors, testing the idea, and improving on the idea after testing. Individual teams or companies will also find that some techniques work better for them than others, and that's just fine. Knowing a wide range of idea generation techniques allows for flexibility in a decision making process.

➤ **SEVEN CREATIVE IDEA GENERATION SOURCES AND METHODS.**

1 The 5W+H Method

Although it may seem like a random set of numbers at first glance, the 5W+H method is a really meaningful way to cope with the creative drought. The technique represents basic questions you need to ask when thinking about a specific topic: Who, what, where, when, why, and how?

Jason Richardson, a content creator at [essay papers](#), shared his thoughts with us: “If you answer each of the 5W+H questions precisely – regardless of the topic – you can get one step closer to solving your problem. These answers should stimulate your brain to rethink the whole subject and find a new angle of looking at things.”

#2 Social Listening

Idea generation doesn't mean you have to come up with a great suggestion single-handedly. On the contrary, sometimes it's enough to do a little bit of social listening and see what the target audience has to say about a certain topic. You can use social networks like Facebook or Twitter to find precious ideas coming from end-users.

Besides that, you can always organize an opinion poll to directly ask people what they want. For example, a platform such as **Survey Monkey** allows you to launch a simple survey within minutes, so it can be used as the idea generation tool.

#3 Brainstorming

Brainstorming is a well-known method that people all over the world use for decades already. What makes this tactic so popular? Well, it's the fact that no one gets laughed at for proposing a stupid idea. There is no right or wrong here – you just need to say the first thing that comes to your mind and that's it. After a quick brainstorming session, you just need to filter through all suggestions and find the ones that have the biggest potential to succeed.

#4 Role Playing

Walking in someone else's shoes is everything but easy, but sometimes it's the only way to break the barrier and think of a brilliant idea. The process is simple: you just need to switch places with your colleagues and try to embrace their point of view. It doesn't guarantee immediate results, but it often leads to interesting conclusions and brand new ideas.

#5 Use Online Tools

The Internet is filled with interesting tools that can assist you in identifying alternative ideas. You can choose between many different options, but the final decision usually depends on the nature and peculiarities of your business. However, we can definitely recommend a couple of valuable platforms here:

- **Evernote**: Nothing hurts like coming up with amazing solutions and forgetting it along the way. Evernote prevents this because it allows you to write down every thought instantly.
- **Ninja Essays**: It's a team of incredibly creative authors who can help you to brainstorm and craft high-quality topics for your websites, blogs, or research papers.

#6 Mind Mapping

Mind mapping is another method to get through the creative drought successfully. By definition, a **mind map** is a diagram for representing tasks, words, concepts, or items linked to and arranged around a central concept or subject using a non-linear graphical layout that allows the user to build an intuitive framework around a central concept.

Let's say you are writing a screenplay. In this case, you can put the main character in the center of the map and then add links leading to all other elements of your movie – from plot and love relationships to supporting roles.

#7 Think In Reverse

The last solution on our list is very amusing. Instead of thinking about how to reach your goal, you can think about how not to achieve it. For example, you can make a plan on how to reduce the number of Instagram followers instead of increasing it. The so-called negative thinking often leads people to unbelievable conclusions, which in turn brings them a bunch of new ideas.

#8. The Storyboarding Method

A storyboard is like a cartoon strip: you place pictures or written words to do with ideas, one after the other, on a sheet of paper. Then, you try to develop a story through them. When you storyboard ideas for an ideating session, you take ideas from everyone, write each down on a sticky note, paste it on a board, and then try to form a story around it. It's a great way to see how these ideas interact and see if there is a connection that can be made among them.

#9. Synectics

Synectics is usually classified as a Creative Problem-Solving (CPS) Technique along with Brainstorming and Lateral Thinking. This problem solving methodology inspires thought processes that the subject might not be aware of. **The credit for developing the technique that had its beginnings in the 1950s in the Arthur D. Little Invention Design Unit goes to George M. Prince and William J.J. Gordon.**

The process was gathered from tape recorded (starting with audio with video coming later) meetings, assessment of the outcomes, and experiments with other methods of coping with the barriers to achievements, in the meeting.

The term “Synectics” has its origins from the Greek language and means the combining of different and supposedly irrelevant elements. Though Synectics is a trademarked name, it has turned into a standard word for delineating Creative Problem Solving that takes place in groups. This idea generation technique approaches problem solving and creativity in a rational manner.

#10. TRIZ (or TIPS – Theory of Inventive Problem Solving)

It was created by Genrich Altshuller and his coworkers. It is a Russian method of problem solving. This strategy is meant to cultivate the creation of patentable inventions. However, the technique is also helpful for developing non-product solutions.

In the beginning, following the invention of bulletproof glass, a trade off happened. Though the glass would prevent the bullet from entering, the former would crack to such an extent that the vision of the pilot or driver behind the glass would be obscured. TRIZ has a considerable list of principles for settling trade offs. In this particular case, the pertinent principle was segmentation for which the solution was to create a huge pane of glass from smaller panes. This was to ensure that the cracks were limited to the one small pane. If you are capable of articulating your trade off, the chances are high that TRIZ has methods to triumph over it that have proved successful with respect to other problems.

11. SCAMPER

The basis for SCAMPER is the belief that everything new is a variation of something already in existence. SCAMPER is an acronym, and each letter indicates a different method by which the person can toy around with the features of whatsoever it is that is challenging him to come out with new ideas. The letters and their full forms are as follows:

S = Substitute

C = Combine

A = Adapt

M = Magnify

P = Put to Other Uses

E = Eliminate (alternative is Minify)

R = Rearrange (alternative is Reverse)

To utilize the SCAMPER technique, start by stating the problem you wish to solve or the thought you wish to develop. This thought/idea can be anything: a product, process or service you wish to improve, a challenge in business, or other problem. Once you have identified the challenge, you need to come up with questions. Utilize the SCAMPER checklist for guidance. Here's a sample:

S: What to substitute in my process of selling?

C: How do I blend selling with other activities?

A: What to copy or adapt the selling process of another person or company?

M: What do I put more weight on or magnify when selling?

P: What other uses can I put my selling to?

E: What do I eliminate or make easier in my process of selling?

R: How do I change, reverse or reorder my manner of selling?

With the help of these questions, you are pushed to a different viewpoint with respect to your problem and ultimately come up with original solutions.

➤ **CREATIVE PROBLEM SOLVING**

Creative Problem Solving may be defined as a problem solving technique that addresses a challenge or problem in a creative manner. The solution is creative because it is not obvious. To meet the criteria for solving a problem in a creative manner, the solution should resolve the declared problem in an original manner with the solution being reached independently. This idea generation strategy usually incorporates a team approach. This is owing to the fact that people inside the workplace are allowed to engage in the process of change in their search for creative solutions.

There are six stages in the Osborn-Parnes process of creative-problem solving.

1. Objective Finding

Pinpointing the challenge or goal and delineating your preferred output is the basis of the CPS strategy. At times, people pay no heed to certain essential aspects about the problem or take something for granted to solve it rapidly. This causes an obscurement of the thought process, and the person fails to take note of the big picture. Delineating the goal or objective provides a lucid idea pertaining to the problem that facilitates the investigation of various possible solutions to it.

2. Fact Finding

Collecting information pertaining to the problem and associated data is essential for comprehending the problem. At this stage, make a list of key details such as what and who is involved, assumptions and perceptions, viewpoints of interested parties, feelings and facts, and so on so that you may begin the process of crafting ideas.

3. Problem Finding

Using the problem objective and gathered data as a basis, determine possible challenges that may come about and the possible opportunities that are present inside of it. This would assist you with

concentrating on the problem. It is so simple to move your attention away from the aim and to come up with answers to the incorrect problems.

4. Idea Finding

Reusing a solution when we come across a problem that we possibly encountered before, is a very easy process. Our mind detects ‘conceptual blocks’ that comprise hurdles such as commitment, complacency, compression, and constancy. These hinder us from thinking creatively and developing fresh concepts or ideas. Thus, it is essential to investigate, brainstorm and determine as many probable solutions as you can.

5. Solution Finding

After you’ve done with coming up with new ideas and noting down probable solutions in list fashion, assess them to determine whether they meet your specification for success and can be executed. Improvise, reinforce and select the best idea. Make sure that the solutions are not only creative, but also useful. At times, will power is the sole solution.

6. Acceptance Finding

You have selected the best probable solution that is both actionable and satisfies the requirements for success. The next thing to do is to plan your steps for action by lucidly describing responsibilities and determining the best method to utilize the available resources. The calls for action that you put out should be comprehended by all associated with the problem solving process so that it becomes an accepted solution.

different models pertaining to creativity thinking namely “parallel thinking” and lateral thinking. The creativity practitioner created the two models over many years with “Mechanism of the Mind” – his book, coming out in print in 1969.

CREATIVITY IN ENTREPRENEURSHIP

1. **Creation of innovative ideas:** The entire procedure of entrepreneurship rotated around the creation and exploration of some innovative ideas. When an entrepreneur gets innovative that is efficient and in favour of the business, then they can stay ahead of the curve and beat the competition in a very proper manner. It is a kind of learning skill that is possessed by some individuals to explore some inventive ideas and thoughts that can create a huge difference and help the business to stay always in the hit list.
2. **Novel ways to develop and improve the products:** Creativity is all the way associated with making changes in the products or services in such a way that it creates something different. Chances of improvement in any product are high but it just needs some sort of creative thinking to know what is missing in the products. This thing can only be assessed by a creative entrepreneur.
3. **Thinking out of the world:** The intention and imagination of producing something different with unique ideas are called Creativity. Imagination is always must to cross the boundaries between the normal and unique and come up with something that can help you think outside of the box. The creative entrepreneur always thinks out of the world and replaces the traditional solutions with inventive ones. Creativity meant to be creates something new, interesting and versatile to get some potential.
4. **Searching the same patterns but the areas are different:** Somehow, due to monotonous routine and surroundings, we always go with the same procedures all the time. A connection between the dissimilar and unrelated subjects allows creativity to happen and make some successful ideas for entrepreneurship. The creation of new niches comes by merging the different ideas and fields which may give something innovative and interesting intersection. There is no fear of bringing the various disciplines together but some may have however interesting ideas comes by mixing the different fields

5. **Growth of new niches with creativity and entrepreneurship**: It is vital to explore the new aspects of conventional business in the entrepreneurship. It can be done in various ways such as by changing the manufacturing techniques, mode of delivery or make some changes in the service or product. All these changes create a big difference in business strategies and give birth to a new niche.
6. **Startup success is not enough**: Sometimes, the entrepreneurs get some initial ideas that establish a creative image of the entrepreneur in the eyes of the people and they think that it is not required to be creative again in the future. But this is not at all enough to succeed in the avenue of business as creativity keeps a business to remain ahead of the curve.
7. **A table full of untraditional ideas**: Conventional thinking leads to the same procedure for a long time if everyone is doing a particular work in the same way. But if you want to succeed, then you have to challenge the conventional techniques and bring something new in the marketplace. The breed of creativity is Disruption.
8. **Become a solution**: Creativity is not just a flash of motivation but sometimes, the great designers, artists and writers fail in front of the creativity. Continuous working on the problem is the only solution to make it right.

ENTREPRENEURIAL INNOVATION

The concepts of innovation and entrepreneurship are undeniably interrelated:

Innovation is the specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or a different service. It is capable of being presented as a discipline, capable of being learned, capable of being practiced. Entrepreneurs need to search purposefully for the sources of innovation, the changes and their symptoms that indicate opportunities for successful innovation. And they need to know and to apply the principles of successful innovation (Drucker, 1985, p. 19).

Drucker (1985) argued that innovation should be viewed as an economic or social phenomenon rather than a technological term. Innovation is not about making new inventions, but rather about recognizing how to take advantage of opportunities and changes: “Systematic innovation therefore consists in the purposeful and organized search for changes, and in the systematic analysis of the opportunities such changes might offer for economic or social innovation” (p. 35). This is consistent with Schumpeter’s (1934) view that innovation arises from new combinations of materials and forces.

➤ TYPES OF INNOVATION

1. Organizational Innovation

Organizational innovation refers to the development of a new organizational strategy that will somehow change a company’s business practices, as well as the way its workplace is organized and its relationship with external stakeholders.

▪ **Examples of organizational innovations:**

- The first companies adopting a **four-day week** working schedule of only 4 days per week
- The first companies that started to use the power of digital and allowing employees to skip the office and work from home (depending on the role)

2. Process Innovation

Process innovation is about implementing a new or improved production or delivery approach, including changes in operational methods, the techniques used and the equipment or software.

▪ **Examples of process innovations:**

- The first firms betting on SaaS (software as a service) technology, and using, for instance, cloud contact centers from **Talkdesk**, changed the way their customer support processes used to be organized
- The first hotels that decided to make decisions based on big data using, for instance, insights from the **Climber Hotel**, made changes on their decision-making approach

3. Product Innovation

Product innovation is the introduction of a new or improved good or service. These inventions or changes may have to do with improving technical specifications, the materials or the software used or even advancing on UX (user experience). However, product innovations don't need to improve all functions or performance specifications. An improvement to or addition of a new function can also be merged with a loss of other functions or the downgrade of some other specifications.

Moreover, a product innovation must add available to potential users but doesn't necessarily need to generate sales. Because if it did, then innovations with low demand or, for instance, digital products like apps that are free would be excluded. At the same time, routine changes or updates aren't considered product innovations as they are only correcting errors or making some seasonal changes.

- **Examples of product innovations:**

- Lego has been changing the materials of its famous bricks to biodegradable oil-based plastics
- The first electric vehicles introduced in the car's market were also an innovation, and new batteries with longer ranges that keep coming out are also an example of innovation

4. Marketing Innovation

Marketing innovation means developing a new marketing strategy that produces changes in, for instance, the way a product is designed or packed, or even other decisions regarding price or promotion.

- **Example of marketing innovation:**

- Haagen Dazs' new waste-free container

OPPORTUNITY RECOGNITION AND OPPORTUNITY ASSESSMENT PLAN

The key to successful domestic and international entrepreneurship is to develop an idea that has a market with a need for the product or service idea conceived.

- Opportunity assessment is often best accomplished by developing an opportunity assessment plan.
- An opportunity assessment plan is not a business plan.

✓ **AN OPPORTUNITY ASSESSMENT PLAN HAS FOUR SECTIONS:** –

--The first section develops the idea, analyzes competitive products and companies, and identifies the unique selling propositions.

- The second section focuses on the market—its size, trends, characteristics, and growth rate.
- The third section focuses on the entrepreneur's and management team's skills and experience.
- The final section develops a time line indicating the steps to successfully launch the venture.

➤ **PRODUCT PLANNING AND DEVELOPMENT PROCESS.**

Product planning is a technique of planning all the aspects of a product in its relationship with the market. It answers several basic questions related to the product such as what type of product? How much, when, where, at how much, for whom etc. In answering all these questions, a marketer tries to match the products of the company with the market expectations.

The aim of product planning is to avoid designing of unsuitable products and all the related expenses. The present day customer will not accept any product which does not suit his requirements in any way-price, style, designing, features, distribution etc. Product planning is always done keeping in mind the market or consumer expectations

✓ **Product Planning and Development Step**

1. Generation of New Product Ideas:

The first step in product planning and development is generation of ideas for the development of new/innovative products.

Ideas may come from internal sources like company's own Research and Development (R&D) department, managers, sales-force personnel etc.; or from external sources like, customers, dealers, competitors, consultants, scientists etc.

2. Screening of Ideas:

Screening of ideas means a close and detailed examination of ideas, to determine which of the ideas have potential and are capable of making significant contribution to marketing objectives. In fact, generation of ideas is not that significant as the system for screening the generated ideas.

The ideas should be screened properly; as any idea passing this stage would cost the firm in terms of time, money and efforts, at subsequent stages in product planning and development.

3. Product Concept Development:

Those product ideas which clear the screening stage must be developed into a product concept – identifying physical features, benefits, price etc. of the product. At this stage product idea is transformed into a product concept i.e. a product which target market will accept.

4. Commercial Feasibility:

At this stage, the purpose is to determine whether the proposed product idea is commercially feasible, in terms of demand potential and the costs of production and marketing. Management must also ensure that product concept is compatible with the resources of the organization technological, human and financial.

5. Product Development:

Product development encompasses the technical activities of engineering and design. At this stage, the engineering department converts the product concept into a concrete form of product in view of the required size, shape, design, weight, colour etc. of the product concept.

A model or prototype of the product is manufactured on a limited scale. Decisions are also made with regard to packaging, brand name, label etc. of the product.

6. Test Marketing:

A sample of the product is tested in a well-chosen and authentic sales environment; to find out consumers' reaction. In view of consumers' reactions, the product may be improved further.

7. Commercialization:

After the management is satisfied with the results of test marketing, steps are taken to launch a full-fledged programme for the production, promotion and marketing of the product. It is the stage where the new product is born; and it enters its life cycle process.

➤ Product Planning Process – 8 Main Objectives

i. To meet the customer needs – Successful marketing lies in identifying and meeting customer needs. Product planning is a technique which enables identification and meeting of customer needs through working with the customers and securing their feedback. This makes possible delivering customer satisfaction.

ii. To increase the sales – Product planning enables a company to manufacture appropriate products which satisfy customer expectations and thereby increase sales.

iii. To optimally utilize resources – Every company has limited resources in terms of money, material and human resources. Product planning enables the company to make the best use of such limited resources by channelizing them towards the most appropriate products.

iv. To analyze the company's strengths and weaknesses – Product planning analyzes the strengths and weaknesses of the company in the light of the market requirements. This enables the company to consolidate on its strengths and overcome its weaknesses.

v. Survival of the firm – Product planning enables a company to survive in a highly competitive market through its components such as product innovation, renovation and elimination.

vi. Commercial success – Product planning enables a company to achieve commercial success by coordinating the activities of all the specialists in the company who contribute to the product's performance in the marketplace. This is done through product development teams, marketing executives, quality managers and sales representatives.

vii. Achieving the goals of marketing management – Product management and marketing management share similar objectives, which are to maximize revenue and profit by meeting customer needs. Product managers work closely with marketing managers, using research from the marketplace to plan and prioritize product development programs, and briefing marketing teams on the benefits of new products so that they can develop effective customer communications.

viii. To plan effectively – A key objective for product management is planning and developing the specifications for a range of products or a product portfolio that meets the long-term strategic plan. The strategic plan may require development of new products to meet the needs of new market sectors or improvements and extensions to the current product range to increase share in the existing sectors.

ix. To conform to time schedules – Product managers have to meet time and budget objectives. To meet the demands of the market and counter competitive pressures, they must be able to conclude product development programs on time and on budget. That enables your company to reduce the time to bring new or improved products to market and stay ahead of your competitors.

LEGAL ISSUES IN SETTING UP THE ORGANIZATION

1. INTELLECTUAL PROPERTY RIGHTS (IPR)

➤ INTRODUCTION

Introduction Small scale industries are very important for the growth of the Indian economy. It has a significant contribution in the exports, employment generation etc and recorded higher growth than the other industrial units. Therefore, MSME sector has higher contribution for the development of the economy in the country. Hence, government is making continuous efforts to exploit the potential of the MSME's to the fullest but because of the small size these industries are facing problems in the marketing, production, technology, capital, skilled manpower etc. which leads to the industrial sickness. Thus, the future of these MSME's is in dark. It is a matter of concern that how these industries can be made competitive. The intellectual property rights can be one solution to make these industries competitive and can help in generating wealth.

Intellectual Property (IP) deals with any basic construction of human intelligence such as artistic, literary, technical or scientific constructions. Intellectual Property Rights (IPR) refers to the legal rights granted to the inventor or manufacturer to protect their invention or manufacture product. These legal rights confer an exclusive right on the inventor/manufacturer or its operator who makes full use of it's his invention/product for a limited period of time.

IPR is a strong tool, to protect the investment, time, money, and effort invested by the inventor/creator of the IP, as it gives the inventor/creator an exclusive right for a certain period of time for the use of its invention/creation. Thus, IPR affects the economic development of a country by promoting healthy competition and encouraging industrial growth and economic growth.

➤ MEANING OF INTELLECTUAL PROPERTY

Intellectual Property can be defined as inventions of the mind, innovations, literary and artistic work, symbols, names and images used in commerce. The objective of intellectual property protection is to encourage the creativity of the human mind for the benefit of all and to ensure that the benefits arising from exploiting a creation benefit the creator. This will encourage

creative activity and give investors a reasonable return on their investment in research and development.

➤ **MEANING OF INTELLECTUAL PROPERTY RIGHTS**

The intellectual property right is a kind of legal right that protects a person's artistic works, literary works, inventions or discoveries or a symbol or design for a specific period of time. Intellectual property owners are given certain rights by which they can enjoy their Property without any disturbances and prevent others from using them, although these rights are also called monopoly rights of exploitation, they are limited in geographical range, time and scope.

As a result, intellectual property rights can have a direct and substantial impact on industry and business, as the owners of IPRs one can enforce such rights and can stop the manufacture, use, or sale of a product to the public. IP protection encourages publication, distribution, and disclosure of the creation to the public, rather than keeping it a secret and to encourage commercial enterprises to select creative works for exploitation.

➤ **NATURE OF INTELLECTUAL PROPERTY**

1. Intangible Rights over Tangible Property:

The main Property that distinguishes IP from other forms of Property is its intangibility. While there are many important differences between different forms of IP, one factor they share is that they establish property protection over intangible things such as ideas, inventions, signs and information whereas intangible assets and close relationships are a tangible object. In which they are embedded. It allows creators or owners to benefit from their works when they are used commercially.

2. Right to sue:

In the language of the law, IP is an asset that can be owned and dealt with. Most forms of IP are contested in rights of action that are enforced only by legal action and by those who have rights. IP is a property right and can, therefore, be inherited, bought, gifted, sold, licensed, entrusted or pledged. The holder of an IPR owner has a type of Property that he can use the way he likes subject to certain conditions and takes legal action against the person who without his consent used his invention and can receive compensation against real Property.

3. Rights and Duties:

IP gives rise not only to property rights but also duties. The owner of the IP has the right to perform certain functions in relation to his work/product. He has the exclusive right to produce the work, make copies of the work, market work, etc. There is also a negative right to prevent third parties from exercising their statutory rights.

4. Coexistence of different rights:

Different types of IPRs can co-exist in relation to a particular function. **For example**, an invention may be patented, and the invention photograph may be copyrighted. A design can be protected under the Design Act, and the design can also be incorporated into a trademark. There are many similarities and differences between the various rights that can exist together in IP. For example, there are common grounds between patent and industrial design; Copyright and neighbouring rights, trademarks and geographical indications, and so on. Some intellectual property rights are positive rights; the rest of them are negative rights.

5. Exhaustion of rights:

Intellectual property rights are generally subject to the doctrine of exhaustion. Exhaustion basically means that after the first sale by the right holder or by its exhaustion authority, his right ceases and he is not entitled to stop further movement of the goods. Thus, once an IP rights holder has sold a physical product to which IPRs are attached, it cannot prevent subsequent resale of that product. The right terminates with the first consent. This principle is based on the concept of free movement of goods which is in force by consent or right of the rights holder. The exclusive right to sell goods cannot be exercised twice in relation to the same goods. The right to restrict further movements has expired as the right holder has already earned his share by the act of placing goods for the first sale in the market.

6. Dynamism:

IPR is in the process of continuous development. As technology is rapidly evolving in all areas of human activities, the field of IP is also growing. As per the requirement of scientific and technological progress, new items are being added to the scope of IPR, and the scope of its preservation is being expanded. Bio Patents, Software Copyrights, Plant Diversity Protection, these are few names which reflect contemporary developments in the field of IPR. The importance of intellectual property and its mobility is well established and reflected at all levels, including statutory, administrative and judicial.

➤ WHY PROMOTE AND PROTECT INTELLECTUAL PROPERTY?

There are several reasons for promoting and protecting intellectual property. Some of them are:

1. Progress and the good of humanity remain in the ability to create and invent new works in the field of technology and culture.
2. IP protection encourages publication, distribution, and disclosure of the creation to the public, rather than keeping it a secret.
3. Promotion and protection of intellectual Property promote economic development, generates new jobs and industries, and improves the quality of life.

Intellectual Property helps in balancing between the innovator's interests and public interest, provide an environment where innovation, creativity and invention can flourish and benefit all.

➤ **KINDS OF INTELLECTUAL PROPERTY**

The subject of intellectual property is very broad. There are many different forms of rights that together make up intellectual property. IP can be basically divided into two categories, that is, industrial Property and intellectual property. Traditionally, many IPRs were collectively known as industrial assets.

It mainly consisted of **patents, trademarks, copyright, and trade secret**. Now, the protection of industrial property extends to utility models, service marks, trade names, passes, signs of source or origin, including geographical indications, and the suppression of unfair competition. It can be said that the term 'industrial property' is the predecessor of 'intellectual property'.

1. Copyright

Copyright does not protect ideas. Rather, it only covers "tangible" forms of creations and original work—for example, art, music, architectural drawings, or even software codes. The copyright owner has the exclusive right to sell, publish, and/or reproduce any literary, musical, dramatic, artistic, or architectural work created by the author.

2. Patent

A patent is used to prevent an invention from being created, sold, or used by another party without permission. Patents are the most common type of intellectual property rights that come to people's minds when they think of intellectual property rights protection. A Patent Owner has

every right to commercialize his/her/its patent, including buying and selling the patent or granting a license to the invention to any third party under mutually agreed terms.

3. Trademark

Trademarks are another familiar type of intellectual property rights protection. A trademark is a distinctive sign which allows consumers to easily identify the particular goods or services that a company provides. **Some examples include McDonald's golden arch, the Facebook logo, and so on.**

4. Trade Secret

Trade secrets are the secrets of a business. They are proprietary systems, formulas, strategies, or other information that is confidential and is not meant for unauthorized commercial use by others. This is a critical form of protection that can help businesses to gain a competitive advantage. Examples of trade secrets include recipes for certain foods and beverages (like Mrs. Fields' cookies or Sprite), new inventions, software, processes, and even different marketing strategies.

➤ ADVANTAGES OF INTELLECTUAL PROPERTY

There are many advantages to IP, including the following:

- 1. There are no fees associated with IP**
- 2. Ability to have a competitive edge over other similar businesses**
- 3. IP enhances your company's value**
- 4. IP helps you market your company's products and services**
- 5. You can more easily obtain financing for your business**
- 6. Greater export opportunities**

There is no fee if you want to enhance or change your invention, particularly if it isn't formally protected. With that said, you should consider applying for formal patent protection once you've finished developing your product.

If you have patent protection over your intellectual property, then you will inevitably have a competitive edge over the competition. This is because other businesses operating in the same industry cannot copy, manufacture, use, or sell your product.

Intellectual property can help generate even more income for your business through licensing agreements or the sale of your invention. If you sell your business, it will be worth more if you have intellectual property protection. Such a sale can occur through a partial sale, full sale, merger, or acquisition.

You can easily market your business's products and services if you have patent or trademark protection over your intellectual property. This can include the design of your product or logo. It can help you differentiate your business over others to draw in potential consumers.

If you have intellectual property protection, you can more easily obtain financing from lenders and other financial institutions since it enhances your credibility with such protection.

Your business will have greater export opportunities since intellectual property can increase your competitive edge in the export markets. Therefore, you can use designs to market goods internationally. To do this, you can enter into franchising agreements with international businesses that are located in countries where you want to do business or export your patented products. This can help increase profits drastically by reaching the international market across several countries.

➤ **DISADVANTAGES OF INTELLECTUAL PROPERTY**

While there are several advantages, there are some disadvantages of intellectual property, too, including the following:

- 1. Additional costs**
- 2. Pirating**
- 3. Reduced quality**

Protecting your intellectual property could cost a lot of money, particularly if you have a very complex product that involves designs, methods, and processes. Therefore, you could be filing several patent applications to protect one product. In addition, if you hire a lawyer to assist in the application process, you can expect to pay high legal costs. You'll also need to pay filing fees and other costs associated with the patent application process.

When it comes to highly sought-after intellectual property, it is hard to stop consumers from taking such intellectual property. Furthermore, any attempt to enforce intellectual property rights could reduce a company's customer base.

As intellectual property rights become reduced, so too will the quality of the product being created. That is because there is much less of an incentive to do the work and put the time and resources in, especially if the company knows that its intellectual property rights aren't absolute.

PATENT

➤ **MEANING:**

Patents are one of the oldest forms of intellectual property protection. The basic aim of a patent system is to encourage economic and technological development by rewarding individual creativity and/or intellectual. A patent under the act is a grant from the government to inventors, for a limited period of time, the exclusive right to make, use, exercise, and vend the invention.

➤ **WHAT CAN BE PATENTED?**

The Indian Patent Act, 1970 has notified the nature of patentable inventions.

Processes	Methods of production, research, testing, analysis, and other technologies with new applications.
Machines	Products, instruments, machines, and other physical objects that have proved useful and unique in nature.
Manufactures	Combination of physical matter not found in nature fabricated in unique and useful application.
Compositions of Matter	Chemical compounds, medicines, and botanical compositions that do not exist in nature in an uncultivated state, nor those that could evolve in nature, better new and useful

➤ **TYPES OF PATENTS:**

The Patent Law classifies all the patents into three types:

1. Utility Patents.
2. Design Patents.
3. Plant Patents.

1. Utility Patents.

Patents granted for new products, processes, machines, methods of manufacturing, and composition of matter come under the category of utility patents. This is the most common patents sought by the inventors. It is granted for 17 years. The utility patents exclude most of botanical creations related to plant and agricultural use.

2. Design Patents:

Design Patents are granted for any new or original ornamental design for an article of manufacture. Examples are shoe companies such as Reebok and Nike that have become more interested in design patents as a means of protecting their ornamental designs. What is the most important element in the design patent is that it protects the appearance (say, design) of the article, not the article itself.

For example, dozens of bicycle manufacturers manufacture their bicycles for exercise and fitness. These bicycles use similar principles of dynamic tension. Nonetheless, the bicycle manufacturers design their bicycles so that these appear different and unique.

3. Plant Patent:

Plant Patent is granted for any new variety of plant that has been asexually reproduced by an inventor. The new plants may be patented only when the inventor satisfies the patent office that the new plant did not exist in nature or in an uncultivated state. Like utility patent, a plant patent provides the protection for 17 years.

➤ ADVANTAGES OF PATENTS

Patents have a number of advantages, the main one being that they allow you to be the only party who can profit from the production, use, or sale of your invention. The protections include reverse engineering, which means that if someone else manages to figure out how your invention works, they still cannot legally produce it themselves.

Another advantage is the fact that a patent can help startups secure investor financing for their company. Investors see patented inventions as more secure than un-patented ones, and are therefore more likely to provide investment funds.

Finally, the protection afforded by a patent isn't limited by your company's internal security. It extends to all instances where someone might attempt to duplicate your invention.

➤ **DRAWBACKS OF PATENTS**

While patents can provide very strong IP protection, they aren't perfect. One of the primary disadvantages of a patent is the fact that it requires significant upfront investment. Filing the documentation needed to secure a patent can be a lengthy, tedious, and expensive process, particularly if you want to make absolutely certain your invention is protected.

Often, certain inventions may not be legally **patentable**, or it may be difficult to define your invention in such a way that it prevents other parties from getting away with creating something similar to it, but not enough to fall under patent protection.

Additionally, patents require you to make your invention and its workings public, which may not always be desirable. By making schematics public, it may be possible for your competitors to find workarounds that allow them to profit off your ideas while technically staying outside the reach of your patent. This is often a problem with software and technology.

TRADEMARK

➤ **MEANING:**

A trademark is a brand or a logo that you use to distinguish your product from those of your competitors. The term Trademark is the legal term for "intellectual property".

One can also say that a Trademark is typically a name, word, phrase, logo, symbol, design, image or a combination of these elements. A trademark identifies the brand owner of a particular product or service.

➤ **WHAT IS TRADEMARK REGISTRATION?**

Trademark Registration is a legal procedure provided under the Trade Marks Act, 1999. Through trademark registration or you can say logo registration/brand registration, you can protect your brand or logo by restricting other people from using the same. By trademark registration, you get the ownership of the logo / name / brand.

The trademark registration process in India is required if a company or individual intends to protect their logo from the misuse by the third party. Trademark registration would provide a legal right to initiate an action against the third party in case of infringement of trademark.

Trademark registration will also provide an exclusive right to the owner to use it for its products or services.

➤ **NECESSITY / IMPORTANCE OF TRADEMARK REGISTRATION**

A Trademark protects your brand and provides you with the tools to prevent someone from riding on the back of your business. Trademark is capable of distinguishing the goods or services of one person from those of others and includes the shape of goods, their packaging, and a combination of colors. Let us know more reasons of Importance of Trademark Registration in India.

1. Valuable Assets

A registered trademark may prove to be a valuable assets for your company / Business. These assets keeps on appreciating over time. As your business grows over time, the value of the trademarks gets scaled up automatically. So, if your business grows, your trademark also grows in value.

2. Protection to your Brand

A registered trademark establishes ownership over the brand, name or logo. It protects your brand from any unauthorized use of the third party. The registered trademark proves that the product totally belongs to you and you have exclusive rights to use, sell, and modify the brand or goods in whichever manner you want.

3. Provides Uniqueness to Brand

A brand that is unique and different must be registered as every business needs a brand or logo that stands out, which differentiates your brand from that of others. Hence, a registered trademark gives a unique identity to your brand.

4. Easy Communication tool

Yes, Trademarks may prove to be an effective and easy communication tool. They speak for themselves. A registered trademark can be easily identified which brand your product belongs to. For example, when you see a silver color half bitten apple on any device, be it a laptop or a phone, you can easily identify that it is an Apple product.

5. Easy for customers to find

A registered trademark makes it easy for customers to find the product. As it is an effective tool and unique in its identity, the trademarks that are registered can be easily traceable and customers may reach your product easily.

6. Trademark is forever

Trademark once registered can last for eternity. The Trademark registered by any firm remains with them forever. Yes, the trademark registration shall be renewed after every 10 years.

However, the identity that it gave to the brand remains forever.

➤ **TYPES OF TRADEMARKS THAT CAN BE REGISTERED IN INDIA**

The following are a few types of trademarks which can be registered in India.

1. Words and service marks

Where word marks refer to any marks that are used to identify the products and services of a trading company or a service-providing company. While the service marks are indicating the services that a company is dealing in.

2. Shape marks

Shape marks are the marks which are the shapes of the product or packaging of the business. Appearance of the product can distinguish the product from other products.

3. Logos and symbols

Logos and symbols are the printed figure / design or character or painted design or figures that indicate the company's name, service or product's name.

4. Collective marks

When the marks are linked with a group of people or services collectively It is said to be the Collective Mark. The trademark is owned by the organization but it can be used by multiple people.

5. Series Marks

These are the marks which are registered to use before or after a chain of products where there would be a common suffix / prefix or symbol.

6. The Certification mark

This is a mark which proves that the company has met with the standards and quality of the products. This would make the public aware of the fact that a particular company's product has met the standards laid down by the certifying body.

It is always advisable to register your Trademark to save the same from unauthorized use by someone else.

➤ **ADVANTAGES OF TRADEMARK REGISTRATION**

1. Exclusive Rights:

The owner of Registered Trademark enjoys exclusive right over the trademark. The owner can use the same for all the products falling under the class (es) applied. Further, the owner can enjoy the sole ownership of the Trademark and can stop other from the unauthorized use of the Trademark under the same class where it is registered. It gives the right to sue the unauthorized user of the Trademark Registered.

2. Builds trust and Goodwill:

The established quality of your product and services are known by everyone through the trademark and which establishes trust and goodwill among the customers in market. It helps in creating permanent customers who are loyal and always opt for the same brand.

3. Differentiates Product:

It makes easy for customers to find your products. It makes your product and identity of products different from that of the existing and foreseen competitors and acts as efficient commercial tool. The logo can communicate your vision, quality or unique characteristic of your company and any organisation.

4. Recognition to product's Quality:

It gives recognition to the quality of the product. Customers attach the product's quality with the brand name and this image is created in the market about the quality of a particular brand which helps in attracting new customers as they can differentiate the quality of a product by the logo/brand name.

5. Creation of Asset:

Registration of Trademark creates an intangible asset i.e. Intellectual Property for an organisation. Registered trademark is a right created which can be sold, assigned, franchised or

commercially contracted. Also, the Trademark is an intangible asset which gives the advantage to the organisation.

6. Use of ® symbol:

Once the trademark is registered you can use the ® symbol on your logo stating that it is a registered trademark and no one can use the same trademark. It is exclusive of all types of usages as well as rights. If someone else use the trademark then you can also sue the party if the trademark is registered.

7. Protection against infringement:

No competitor or other person can use the word mark or logo registered by you under trademark. However, if in any case one uses it without the approval of the owner of trademark or make any deceptive use of same, the owner can get the legal protection under the Act and stop the person doing so.

8. Protection for 10 Years at low cost:

Online Trademark registration is done on a very low maintainability cost. Once you register the trademark you have to just pay the maintenance cost and renewal cost which is after 10 years of registering the trademark. It is cost efficient and helps your company create an unique image.

9. Global Trademark Registration:

If one wants to register the trademark in countries other than India, the trademark registered in India can be used as basis of registration there. For any person willing to expand outside India, the trademark registered in India can provide a good base along with the Established Goodwill in the Country.

10. Attract Human Resources:

Young minds aspire to join big Brands as it acts as a magnate. It inspires the positive image of the organisation and thus candidates are attracted towards them easily. This reduces the cost towards hiring and related activities.

➤ DISADVANTAGES OF THE TRADEMARK

1. Trademark registration

It is valid for a period of 10 years and wishes to renew after every 10 years. The most disadvantage of trademark registration is that you simply need to pay fees in every 10 years so as to take care of it. Non-payment of renewal fees may cause the removal of the trademark from the register.

2. Weakest protection

In terms of providing the protection to the products or services, trademark registration is that the weakest property rights amongst patents, copyright protection. Trademark doesn't protect the products always; it protects the just marketing concepts. Therefore, a trademark should go along side another property rights being the weakest protection.

3. Descriptive trademark

There are many disadvantages of choosing a descriptive trademark. Generic and descriptive trademarks aren't qualifying for registration with the registrar. Usually, descriptive trademarks are considered as weak marks because they are doing not acquire distinctiveness.

4. Cost

If you registered a descriptive trademark, you want to have a allow marketing and advertisement also so as to create an association in customer's mind with the trademark to accumulate the distinctiveness.

COPYRIGHT

➤ WHAT IS A COPYRIGHT?

In the simplest terms, copyright means the right to copy. Only the owner of the copyright, usually the creator of the piece, is allowed to produce or reproduce the work in question or to permit anyone else to do so. Copyright law rewards and protects creative endeavour by giving the sole right to publish or use your work in any number of ways. You may also choose not to

publish or to prevent anyone else from doing so. By way of example, the business that creates instruction manuals, descriptive literature, promotion material and price lists or develops computer software has the right to prevent others from copying this creation.

Copyright applies to all original literary, dramatic, musical and artistic works. Each of these general categories covers a wide range of creations. **Few examples:**

Literary Works - Books, pamphlets, product literature, instruction manuals, operation manuals, poems and other works consisting of text, including computer programs;

Dramatic Works - Films, videos, plays, screenplays and scripts;

Musical Works - Compositions that consist of both words and music, or music only (note that lyrics only fall into the literary works category);

Artistic Works - Paintings, drawings, maps, photographs, sculptures and architectural works.

➤ **BASICS OF COPYRIGHT**

1. Requirements for copyright protection

- To qualify for copyright protection work must be original**
- Originality relates to expression of thought and not to the underlying idea or thought**
- Essentially, originality refers to the fact that the work was independently created and it was not copied from somewhere else.**

2. Copyright Notice

It is not mandatory to put the notice on your work in view to be protected. But it is strongly recommended to remind people that the work is copyrighted and identifies the copyright owner.

✓ A copyright notice general consists of

- 1. The word “copyright” or the copyright symbol “©”**
- 2. The year in which the work was first published.**
- 3. The name of the copyright owner; and**

4. The words “All Rights Reserved”

➤ WHEN COPYRIGHT DOES NOT APPLY

Titles, names and short word combinations are usually not protected by copyright. A "work" for copyright purposes must be something more substantial. However, if a title is original and distinctive, it is protected as part of the work it relates to.

Copyright is restricted to the expression of an idea; it does not extend to the idea itself. You may have a brilliant idea for an advertising campaign, but until the script is actually written, or the advertisements purchased, there is no copyright protection. In the case of a game, it is not possible to protect the idea of the game, that is, the way the game is played, but the language in which the rules are written would be protected as a literary work.

Other items which are not protected by copyright include names or slogans; short phrases and most titles, methods of procedure, such as a method of teaching or sculpting, etc.; plots, characters, or factual information. In the case of a magazine article including factual information, it is the expression of the information that is protected, and not the facts. Facts, ideas and news are all considered part of the public domain, that is, they are the property of everyone. Note also that you cannot hold a copyright for a work that is in the public domain. However, you can adapt or translate such a work, and hold a copyright of an adaptation or translation.

The reporting of any event in which the public has a right to attend, unless the event is by invitation only, is deemed to be in the public domain. Conversations that are established to be confidential or off the record are the property of the giver of the material and not part of the public domain.

Duration

Copyright usually exists for the life of the author, the remainder of the calendar year in which the author dies, and for 50 years following the end of that calendar year. Therefore, protection will expire on December 31st of the 50th year, after which the work becomes part of the public domain and anyone can use it. For example, Shakespeare's plays are part of the public domain; everyone has an equal right to produce or publish them.

However, there are certain exceptions to the general rule of the life of the author plus 50 years. These are:

- Three types of works, i.e., photographs, certain cinematography, and sound recordings where protection is based on the date of creation or publication, not the life of the author;
- Works of Crown copyright;

- Certain special rules relating to works which are normally protected for the life of the author plus 50 years,

Photographs - The copyright exists for the remainder of the calendar year of the making of the initial negative or Photo, or, where there was no negative or other plate, the making of the initial photograph, and 50 years thereafter.

➤ **ADVANTAGES OF USING YOUR COPYRIGHT:**

- 1) Generate income (selling, licensing)
- 2) Get financing – using copyright as a collateral
- 3) Build up an image/brand
- 4) Allow you to claim legal damages and attorney's fees for violation of your copyright.
- 5) Copyright gives the owner the exclusive right to many of the economic rights.
- 6) **The right to production \ reproduction:** - Copyright gives the creator part of the intellectual property and the right to production and reproduction of his work.
- 7) **The right to authorize:** - These rights include the right to permit other production, reproduction and the right of broadcasting your business.
- 8) **Protection:** - of course the copyright prevents your business from theft or misuse of others.
- 9) **The moral rights** - the rights of copyright allows the owner of copyright in the object to the uses of their work that they find morally objectionable.

➤ **DISADVANTAGES**

- 1) **Lack the ability to share the work:** - copyright does not allow you to allow others to use or distribute your work in public and this can slow your work is published or not published at all.
- 2) **Copyright is not the ownership:** - you must have the copyright to be able to exercise the rights granted.

LICENSING

Licensing is an arrangement between two parties, where one party has proprietary rights protected by a patent, trademark, or copyright. This requires the licensee to pay a royalty to

the holder of the proprietary rights in return for permission to copy the patent. Licensing has significant value as a marketing strategy to holders of patents.

Procedure

A patent license agreement specifies how the licensee would have access to the patent. Licensing a trademark usually involves an agreement where the entrepreneur operates a business using the trademark and agrees to specific requirements. The agreement must be carefully worded and should involve a lawyer. Licensing a trademark generally involves a franchising agreement. The entrepreneur operates a business using the trademark and agrees to pay a fixed sum for use of the trademark.

The franchisee also pays a royalty based on sales volume, buys supplies from the franchiser, or some combination of these. Copyrights are also popular licensed property. They involve the right to use or copy books, software, music, photos, and plays. Celebrities will often license the right to use his or her name or image in a product. Hit movies can also result in new products. Licensing is also popular around special sports events.

Licensing opportunities are plentiful but should be carefully considered and planned. A significant player in licensing is **Walt Disney**, which has been actively engaged in licensing for 65 years. Licensing can be valuable for a firm that lacks resources to conduct R&D to develop a product. Technology licensing entails an agreement by which a firm (licensee) acquires rights to product technology from another firm (licensor.) Two reasons for licensing are to gain competitive advantage and to improve technical skills.

Benefits:

1. Licensing can increase revenues, without the risk and costly start-up investment.
2. Licensing can also be a way to start a new venture when the idea may infringe.

➤ **PRODUCT SAFETY AND LIABILITY**

☐The Consumer Product Safety Act, passed in 1972, created a five-member commission that has the power to prescribe safety standards for products. The commission also has the power to identify what it considers to be substantial hazards and bar products it considers unsafe.

□The act was amended in 1990 to establish stricter guidelines for reporting product defects and resulting injuries and deaths. Manufacturers could be subject to fines of \$1.25 million for not reporting product liability settlements or court awards.

□Any new product should be assessed as to whether it falls under the law. If it does, the entrepreneur has to follow appropriate procedures.

Product liability problems are complex. Recent attempts to reform the legislation passed in Congress but were vetoed by the President.

➤ **Claims regarding product safety and liability usually fall under one of these categories:**

1. Negligence extends to all parts of the production and marketing process.
2. Warranty Consumers may sue when advertising overstates the benefits of a product or when the product does not perform as stated.
3. Strict Liability. A consumer can sue on the basis that the product was defective prior to its receipt.
4. Misrepresentation occurs when advertising or other information misrepresents material facts concerning the quality of the product. The best protection against product liability is to produce safe products and to warn consumers of any potential hazards.

➤ **INSURANCE**

□The entrepreneur should purchase insurance in the event that problems do occur. Most firms should consider coverage in specific areas as a means of managing risk in the business.

Common types of insurance include:

- 1. Property insurance.**
- 2. Casualty insurance.**
- 3. Life insurance.**
- 4. Worker's compensation.**
- 5. Bonding.**

Each of these types of insurance provides a means of managing risk in the new business. Some insurance, such as disability and vehicle coverage, is required by law and cannot be avoided. Life insurance of key employees is not required but may be necessary to protect the venture.

□ The entrepreneur should consider the increasing insurance premiums in cost projections. The entrepreneur should determine what kind of insurance to purchase, how much to purchase, and from what company.

□ Skyrocketing medical costs have significant impact on insurance premiums, especially workers' compensation. Insurance companies calculate the premium for workers' compensation as a percentage of payrolls, type of business, and prior claims. Some states are undertaking reforms in this coverage.

BUSINESS PLAN

➤ **Meaning:**

In simple words, business plan is a written statement of what an entrepreneur proposes to take up. It is a kind of guide frost or course of action what the entrepreneur hopes to achieve in his business and how is he going to achieve it.

In other words, business plan serves like a kind of big road map to reach the destination determined by the entrepreneur.

➤ **DEFINITION**

Mar J. Dollinger has defined the business plan as “the formal written expression of the entrepreneurial vision, describing the strategy and operations of the proposed venture.”

According to Jack M. Kaplan, “The term business plan means the development of a written document that spells out like a roadmap where you are, where you want to be, and how you want to get there.”

➤ **BUSINESS PLAN SHOULD CONTAIN THE FOLLOWING CONTENTS**

1. General Information:

Information on product profile and product details.

2. Promoter:

His/her name, educational qualification, work experience, project related experience.

3. Location:

Exact location of the project, lease or freehold, locational advantages.

4. Land and Building:

Land area, construction area, type of construction, cost of construction, detailed plan and estimate along with plant layout.

5. Plant and Machinery:

Details of machinery required, capacity, suppliers, cost, various alternatives available, cost of miscellaneous assets.

6. Production Process:

Description of production process, process chart, technical knowhow, technology alternatives available, production programme.

7. Utilities:

Water, power, steam, compressed air requirements, cost estimates, sources of utilities.

8. Transport and Communication:

Mode, possibility of getting, costs.

9. Raw Material:

List of raw material required by quality and quantity, sources of procurement, cost of raw material, tie-up arrangements, if any, for procurement of raw material, alternative raw material, if any.

10. Manpower:

Manpower requirement by skilled and semi-skilled, sources of manpower supply, cost of procurement, requirement for training and its cost.

11. Products:

Product mix, estimated sales, distribution channels, competitions and their capacities, product standard, input-output ratio, product substitute.

12. Market:

End-users of product, distribution of market as local, national, international, trade practices, sales promotion devices, and proposed market research.

13. Requirement of Working Capital:

Working capital required, sources of working capital need for collateral security, nature and extent of credit facilities offered and available.

14. Requirement of Funds:

Break-up of project cost in terms of costs of land, building, machinery, miscellaneous assets, preliminary expenses, contingencies and margin money for working capital, arrangements for meeting the cost of setting up of the project.

15. Cost of Production and Profitability of first ten years.

16. Break-Even Analysis

17. Schedule of Implementation

➤ **SCOPE AND VALUE OF BUSINESS PLAN**

The preparation of a business plan or project report is of great significance for an entrepreneur.

- ✓ The business plan serves the following essential functions:
- ✓ First and most important the business plan is like a road map. It describes the direction the enterprise is going in, what its goals are, where it wants to be, and how it is going to get there.
- ✓ It also enables an entrepreneur to know that he is proceeding in the right direction. Some hold the view that without well spelled out goals and operational methods/tactics, most businesses flounder on the rocks of hard times.
- ✓ The next function of the business plan is to attract lenders and investors. Although, it is not mandatory for the small enterprises to prepare business plans, yet it is useful and beneficial for them to prepare the project reports for various reasons.
- ✓ The preparation of business plan is beneficial for those small enterprises which apply for financial assistance from the financial institutions and the commercial banks.
- ✓ It is on the basis of business plan or project report that the financial institutions make appraisal if the enterprise requires financial assistance or not.

➤ **What are the three main purposes of a business plan?**

Before you write your business plan, it's important to understand the purpose of creating it in the first place. There are three main reasons why you should have a business plan:

1. Establish a business focus.

The primary purpose of a business plan is to establish your plans for the future. These plans should include goals or milestones alongside detailed steps of how the business will reach each step. The process of creating a roadmap to your goals will help you determine your business focus and pursue growth.

2. Secure funding.

One of the first things private investors, banks or other lenders look for before investing in your business is a well-researched business plan. Investors want to know how you operate your business, what your revenue and expense projections are and, most importantly, how they will receive a return on their investment.

3. Attract executives. As your business grows, you'll likely need to add executives to your team. A business plan helps you attract executive talent and determine whether or not they are a good fit for your company.



➤ WRITING A BUSINESS PLAN

Writing a business plan has to be carefully planned and systematically executed. Writing business plan is especially useful for the entrepreneurs who require financial help from the outside sources like banks and financial institutions.

✓ STEPS FOR WRITING THE BUSINESS PLAN/ HOW TO CREATE AND IMPLEMENT A BUSINESS PLAN

1. Define Purpose:

The business plan will serve its purpose better if its purpose is spelt out in the very beginning. There may be multiple goals in writing the business plan. For example, the entrepreneur may be planning on using the business plan to secure bank finance as well as to attract a major corporation as a strategic partner. It is okay to have multiple goals, but some amount of customizing should be done before placing it in front of different audiences.

2. Collect Information:

All sorts of information about the business and the industry should be collected. List out all the information you already have with you, figure out the major gaps in information, and go out

there to get more information. Do not rate the quality of this information; just gather it. At this point, the more you can find the better.

3. Write Down Things:

After enough information has been gathered, you can plan on starting the actual writing. Think of a rough structure appropriate for the business plan and start writing. It is important to note down things on paper without being too particular about sequence and grammar. Approach it like a brainstorming session. Do not be critical of your efforts. Just make sure that you are putting enough thoughts on paper.

4. Prepare a Rough Draft:

Now it is time to give shape to your business plan and make it concrete. Correct grammatical mistakes and break up the written account into meaningful sections. Compare your writing to your intended outline and make necessary changes. As your work progresses, you will need to make a note of what else needs to be added. For some topics, more information will be needed. At this stage of the writing process, you are going to decide on the level of detail necessary to be included in the business plan.

5. Do Financial Analysis:

The numbers will continue to be important. After all costs and revenue estimates have been arrived at, pro-forma financial statements are to be drafted. That will lead to drawing up the sensitivity analysis, the ROI calculation, the break-even analysis, and other financial ratios. The numbers should be realistic and consistent.

6. Finalize the Plan:

Finalizing the business plan is certainly a hard job. Language and spellings have to be checked, the numbers have to be scrutinized and formatting has to be completed. Even small errors can leave a very bad impression. The business plan should not be ornate but should have a professional look about it. Set a deadline for completing it and adhere to the deadline. One good way to enforce a deadline is to tell some people that you will be showing them the business plan by a certain date. Now it will be hard for you to ignore the deadline.

7. Get the Plan Reviewed:

Do not review your business plan yourself. Ask someone else to do it. It could be a family member, a friend, or a professional acquaintance. Even better would be if you could get a number of people to do it. After getting comments on your plan, you should incorporate only those suggestions that you find convincing.

➤ **SUCCESSION PLANNING AND STRATEGIES FOR HARVESTING AND ENDING THE VENTURE**

✓ **SUCCESSION PLANNING**

It is a strategy for passing on leadership roles—often the ownership of a company—to an employee or group of employees. Also known as "replacement planning," it ensures that businesses continue to run smoothly after a company's most important people move on to new opportunities, retire, or pass away.

Succession planning can also provide a liquidity event enabling the transfer of ownership in a going concern to rising employees.

✓ **HOW SUCCESSION PLANNING WORKS**

Succession planning evaluates each leader's skills, identifying potential replacements both within and outside the company and, in the case of internal replacements, training those employees so that they're prepared to take over. Succession planning is not a one-time event; succession plans should be reevaluated and potentially updated each year or as changes in the company dictate.

In addition, businesses might want to create both an emergency succession plan, in the event a key leader needs to be replaced unexpectedly, and a long-term succession plan, for anticipated changes in leadership.

✓ **BENEFITS OF SUCCESSION PLANNING**

There are several advantages for both employers and employees to having a formalized succession plan in place:

- Employees know that there is a chance for advancement and possibly ownership, which can lead to more empowerment and higher job satisfaction.
- Knowing that the company is planning for future opportunities reinforces career development among employees.
- Management's commitment to succession planning means that supervisors will mentor employees to transfer knowledge and expertise.
- Management keeps better track of the value of employees so that positions can be filled internally when opportunities arise.

- With succession planning, leadership and employees are better able to share company values and vision.

✓ **STEPS FOR EFFECTIVE SUCCESSION PLANNING**

1. Choosing and preparing successors to take over

Whether family or not, the keys to success are collaboration, openness, sharing of values and beliefs, and communication between the founders and a new generation of owners.

2. Transferring my business

Although unique to every business, a business transition consists of a series of basic steps, such as setting your financial goals, determining legal requirements and establishing your objectives.

3. Choosing an exit strategy

One of the most important step is knowing what exit options are available to you.

A **business exit strategy** is an entrepreneur's strategic plan to sell his or her ownership in a company to investors or another company. An exit strategy gives a business owner a way to reduce or liquidate his stake in a business and, if the business is successful, make a substantial profit. If the business is not successful, an exit strategy (or "exit plan") enables the entrepreneur to limit losses. An exit strategy may also be used by an investor such as a venture capitalist in order to plan for a cash-out of an investment.

➤ **SUCCESSION PLANNING: 3 EXIT STRATEGIES FOR ENTREPRENEURS**

1. Passing the business to a successor

In this case, the successor can be a family member or a manager in the company.

✓ **Advantages:**

- reduces third-party involvement
- gives you the possibility to maintain involvement and influence in business

✓ **Disadvantages:**

- it can be difficult to identify and train the right successor
- potential for conflicts at work and/or in the family

The first step when choosing this option is to establish the ideal profile for your successor. Then, identify and evaluate potential candidates using fair, measurable criteria.

2. Transferring ownership through a management or employee buyout

Here, the management team or a group of employees pool resources to acquire all or a part of the company. This is one of the best options for owners who don't have a candidate for succession or who want to preserve the corporate culture of the business.

✓ Advantages:

- limited due diligence usually necessary
- rewards management for their long-term support for the business
- protects legacy and business independence

✓ Disadvantages:

- management often has limited access to capital and this could affect the price and the terms
- vendor take back likely (seller loans part of purchase price to buyers)
- failed purchase attempt can affect business morale and performance

3. Selling the business to a third party

There are several options for business owners who are looking to sell their small business.

- **Initial Public Offering (IPO)**—The sale and/or issuance of shares in a **private company** on a public stock exchange.
- **Private equity**—The sale and/or issuance of shares to a financial investor.
- **Sale to another business**—The sale and/or issuance of shares to another operating company.
This is a good option for shareholders looking for a clean exit and the highest possible value.

Before making a final decision, make sure the type of transition you choose will be aligned with your retirement choices. And don't forget to start planning early, at least two years before your planned exit.

➤ **POSSIBLE EXIT STRATEGIES**



1. Liquidation or Walkaway

There are times when a small business owner may decide that enough is enough, so he or she simply calls it quits, closes the business doors, and calls it a day. For example, a small shop, a restaurant, a small construction company, a shoe store, a gift shop, a consignment shop, a nail salon, a bakery, or a video store

To make any money with the liquidation exit strategy, a business must have valuable assets to sell—for example, land or expensive equipment. The name of the business may have some value, so it could be purchased by someone for pennies on the dollar and restarted with different owners. There is also a possibility that there may be a substantial amount of goodwill or even badwill if a business has been around for a long time.

- **pros**

- It is easy and natural. Everything comes to an end.
- No negotiations are involved.
- There are no worries about the transfer of control.

- **Cons**

- Get real! It is a waste. At most, the owner will get the market value of the company's assets.
- Things such as client lists, the owner's reputation, and business relationships may be very valuable. Liquidation destroys them without an opportunity to recover their value.
- Other shareholders, if any, may be less than thrilled about how much is left on the table.

- If a company's brand has any value, there is a loyal or sizeable customer base, or there is a stable core of employees, an owner would be significantly better off selling the company.

2. Family Succession

Many small business owners dream of passing the business to a family member. Keeping the business in the family allows the owner's legacy to live on, which is clearly an attractive option. Family succession as an exit strategy also allows the owner an opportunity to groom the successor; the owner might even retain some influence and involvement in the business if desired.

Succession in family firms is a multistage, complex process that should begin even before the heirs enter the business, and effects extend beyond the point in time when they are named as successors. Many factors are involved, and the succession should evolve over a long period of time.

3. Bankruptcy

Feeling the need to file for bankruptcy is a tough pill for any small business owner to swallow. Bankruptcy is an extreme form of business termination that uses a legal method for closing a business and paying off creditors when the business is failing and the debts are substantially greater than the assets.

As bankruptcy is a complicated legal process, it is important to get an attorney involved as soon as possible. There may be options other than bankruptcy, and consulting with an attorney will help. The owner must understand how bankruptcy works and the options that are available. It is also good to know that not all bankruptcies are voluntary; creditors can petition the court for a business to declare bankruptcy.

✓ Alternatives to Bankruptcy

Instead of going the bankruptcy route, a small business owner could do the following things: "Small Business Bankruptcy

- **Negotiate debt.** This involves trying to reorganize a business's finances outside a legal proceeding. The owner can work with the creditors to renegotiate the terms of payment and the amount owed to each creditor. If a business is basically profitable but the debt situation is

due to an unusual circumstance, such as a lawsuit or a temporary industry slowdown, this could be a successful solution.

- **Improve operations.** If the owner is in a position to fix the cash problem by fixing the underlying problems in the business, it may not be necessary to declare bankruptcy. An owner should look at cash-flow controls; eliminate unprofitable products, services, and divisions; and restructure into a leaner and meaner organization.
- **Turn around and restructure the business.** This alternative combines debt negotiation and operational improvement—perhaps the best choice. By doing both things at the same time, an owner will be in an even stronger position to improve the balance sheet, cash flow, and profitability—and avoid insolvency.

4. Taking a Company Public

An initial public offering (IPO) is a stock offering in which the owner or owners of equity in a formerly private company have their private holdings transferred into issues tradable in public markets, such as the New York Stock Exchange

- **Pros**
 - The owner will be on the cover of *Newsweek*.
 - The stock will be worth in the tens—or even hundreds—of millions of dollars.
 - Venture capitalists will finally stop bugging the owner as they frantically try to ensure their shares will retain value.
- **Cons**
 - Only a very few number of small businesses actually have this option available to them because there are so few IPOs in the United States each year.
 - A business needs financial and accounting rigor from day one that is way beyond what many small business owners put in place.
 - The owner will spend most of his or her time selling the company, not running it.
 - Investment bankers take 6 percent off the top, and the transaction costs of an IPO can run into the millions.

5. Selling the Business

Another possible exit strategy is selling the business. Although the sale of a business is sometimes described as the end of entrepreneurship or as failure or defeat. Selling the business can also be a relief and the beginning of the next phase of the owner's personal and professional life.

➤ **8 REASONS WHY BUSINESS PLANS FAIL**

1. Bad business ideas

Nobody likes to talk about it, but the main reason why business plans fail is bad ideas. Most ideas look great on paper—but all too often, companies realize they have invested in a bad idea once it is too late.

To avoid this, smart businesses are using “user-driven development” (UDD) to build new businesses. **Lots of ideas seem great until you figure out that the market doesn't actually want your product.** In order to ensure that a business idea is sound, entrepreneurs should search for product validation by reaching out to their target consumers before sinking huge amounts of time and money into the project.

2. Employee compensation is not incentive compatible

Business plans can fail because employees are not compensated in a way that aligns the goal of the employee with the goals of the company. In game theory, a contract is an incentive compatible if “every participant can achieve the best outcome to him/herself just by acting according to his/her true preferences”

3. No exit strategy for firing lazy co-founders

Anyone who has started a company knows that team conflicts are inevitable. A good business plan should have a step-by-step procedure for handling internal disputes. First of all, each co-founder should have a specific set of responsibilities with deadlines and consequences for failing to meet those deadlines.

4. The team is not balanced

Another problem that I often notice on business plans is that the team is not balanced.

Company culture is an often underestimated challenge. I have read several business plans that present a compelling argument for a new product; however, the majority of plans fail to put together a team that has the competencies required to actually execute the business plan.

For example, tech business plan that was making a health application for smartphones. However, the team did not have a single developer or IT specialist involved. If the business idea requires 80 percent of the labor hours to be performed by a software programmer, then the team needs at least one developer onboard. It is important to keep in mind that venture capitalists sometimes refuse to fund companies that only have one founder or have unbalanced teams.

5. Detailed financial projections are missing

The majority of business plans that I have been asked to edit have conveniently left out the balance sheet, cash flow statement, profit and loss statement, and income statement. The “numbers” are actually the most interesting part of the entire document for most investors. Break-even and return-on-investment (ROI) calculations are also parts of a good business plan.

Do not forget to factor in future expenses. **For example**, if the company needs to purchase new office equipment every three years, then the discounted value of those expenses should be included in the forecasted financial projections. Of course, the figures are only estimates, but they are important benchmarks that can be used to measure the company’s progress toward achieving their goals.

6. Spelling and grammar mistakes

If you want to be 100 percent certain that there are no spelling errors, then consider hiring a professional editor to review your business plan.

Although some people think hiring a professional editor is “over the top,” the reality is that the most competitive firms have a professional editor review all of their documents for accuracy. If a bank or investor reads a business plan with typos, they will start to wonder if the entrepreneur is competent enough to run a successful business.

7. False assumptions

One of the final mistakes that startups make is falsely assuming the values of their investors and the values of their end-users, with some of the most common false assumptions being about their political or religious affiliation. This can be game over for successful companies, so startups should be especially careful.

Several examples exist of people that falsely assumed that their opinions were not controversial or were held by the majority. For example, Matt Harrigan, CEO of the startup Packetsled, stepped down after his comments about President Trump.

8. Failure to improve business plan after receiving feedback

Once you have finished writing your business plan, it is a good idea to send it out to at least three people before showing it to potential investors.

Think of these three people as your board of advisors. Ask them to read the plan and look for logical gaps in the content. If one advisor recommends a change that you disagree with, do not ignore his advice. Instead, ask the other advisors for their opinions and then make a decision. Edit your plan according to their constructive criticism, and thank them for their help.

➤ **REASONS FOR THE FAILURE OF ENTREPRENEURIAL VENTURES.**

Failure is not something you will consider when starting a new business. But research also suggests, the failure rate for new startups within five years of their business is near to 50 percent. Most of the entrepreneurs follow all the golden rules of becoming successful. Nevertheless, there are a lot of reasons and causes behind an entrepreneur's failure, and today we will talk about the top 10 factors forcing entrepreneurs to fail in 2018.

1. Lack of Vision

It is an assumption that loving something or having so much passionate about a thing is enough reason to make it a business. But people don't understand the broader picture, the most necessary thing when starting a business is the vision. You have to realize that it is the starting point and where you would like to see yourself after 2, 5 or 10 years. A clear vision will help you to focus and can stop you from moving in a wrong direction.

2. Selection of a Business

Selection of business is eventually one of the top reasons why most entrepreneurs fail. One of the tricky moments in an entrepreneur's life comes when he or she decides which business to adapt. Yes, every business has a potential of millions in it, but you have to understand that not every business is appropriate for you. Doing proper research before selecting a business is essential. Write down pros and cons of every business idea that comes to your mind and then go with the most suitable one.

3. Lack of Proper Planning

Improper planning is another common reason why entrepreneurs fail and go out of the market. A lot of first-time entrepreneurs often neglect that having a business plan is a very vital part of starting a new business. The planning should include a long-term and a short-term strategy. Your business vision will help you to set a goal but to achieve that goal a master plan is a key.

4. Not Having Enough Capital

Starting a business without sufficient capital is almost certainly a suicide. New entrepreneurs often don't realize the importance of cash flow or underestimate the value of money they will

need to run their startup smoothly. You may also take services of a financial advisory firm; they will help you to predict how much money you'll need to launch your business.

5. Poor Implementation of the Plan

A master plan is worth nothing without proper execution. There are many reasons behind the failure of implementation, but the most critical reason is ineffective leadership. Implementation of new strategies comes with enormous challenges; leaders must have the courage and determination to overcome them with patience.

6. The Hiring of Wrong People

Hiring the right people is vital to the success of any entrepreneur. Hiring a wrong person is not only a waste of resources, but it also creates a negative work environment which is not a good sign for your company. Instead of regretting a lousy hire, take a wise move to replace it with a right one.

7. Failure in Marketing

Marketing plays the vital role in the success of every business, and it is also among the most significant factors in the failure of entrepreneurs in 2018. You can get many potential buyers for the services or products you are offering with the marketing; it is a reliable process that can significantly contribute to your business success.

8. Expanding Very Early

The expansion and growth are the primary goals of every entrepreneur, but an early evolution can lead your business to death. You must decide about growth only after carefully reviewing and analyzing all the aspects. Just keep in mind, after the expansion it will be much harder to manage your business, and you must do it at an exact time.

9. Underestimating Competition

An important reason to mention for why entrepreneurs go out of business is underestimating the competition. To take a valuable share of a market, you must understand your competitors and think them as a severe threat. To increase your odds of success, keep a keen eye on your competitor's strengths and weaknesses.

10. Giving Up Very Early

The cause which is very common in the failure of every entrepreneur is that they give up and shut down all the projects. It's tough to encourage and pick you up in massive frustration, but there is no magic pill to turn failure into success. It's time to face the truth; the path of becoming a successful entrepreneur is full of hurdles and roadblocks. Instead of giving up, learn from your mistakes and try not to repeat them.

UNIT-IV

PROJECT MANAGEMENT

➤ **MEANING:**

Project management deals with various aspects of a project such as dividing the whole project into smaller tasks and subtasks, allocating resources to tasks, assessing risks that can cause delays, communicating project status with clients and stakeholders, etc. that collectively decides the success of the project.

➤ **WHY USE A PROJECT MANAGEMENT SYSTEM?**

A person from every industry today relies on online solutions for client satisfaction and better results. There are multiple reasons to use of a project management tool, but keeping it precise, the three main reasons are:

1. **Visibility:** View progress across all your projects, identify projects at risk, monitor timelines, and share project status in real-time.
2. **Accountability:** Timely project updates to people at all levels, summary view of all projects, overdue tasks, avoid missing deadlines, and no more confusion regarding individual roles and responsibilities..
3. **Organization:** Keep workflows tools in one place, central location for all project details & updates, store project file in a secured location , and project get the templates to stay consistent.

➤ **ESSENTIAL FEATURES THAT A SYSTEM SHOULD POSSESS TO MAKE PROJECT MANAGEMENT EFFECTIVE.**

1. Risk management

A risk is any uncertain condition that might affect your project. There is particularly no project without risks. From the start to the stages of development, there is a chance unforeseen of situations to emerge and leave big impacts on the project. Therefore, project managers use the process of risk management to minimize any potential problems that may impact a project's timeline. Your system should be able to identify and manage risks in the project plan and calculate all risks in advance.

2. Resource management

Resource allocation planning is the process that describes what type of resource is needed and at what time that is critical for resource management. So, it is convenient to use a tool that offers resource management. For every project, resource management is an integral part that will make aware of the whole project cost and other related things. Therefore, it becomes really convenient to have a resource management function on a project management tool to calculate expenditures and distribute well the tasks along.

Example: Maven link offers solutions for resource planning, collaboration, and financial management.

3. Dependencies, milestones, and critical path

It is quite common to dig into a project where the tasks are connected to each other, like the 2nd task may be connected to the 10th task. In these cases, tasks cannot be done separately from each other. It is fair enough to have a system where you can define all the development stages of a project along with, task dependencies. Also, setting milestones to mark specific points in a project will make sure if your project is moving in the right direction.

Example: Gantt charts

4. Ease of use

Ease of use is a priority requirement for project managers who unquestionably have to juggle numerous projects and people at the same time. They generally don't like using tools that can be difficult to use and drain the resources of small businesses. A project management system should be easily accessible to employees using multiple devices; it should have a minimalistic design with a simple drag-and-drop interface, easy functionality, and smooth maintenance and support.

5. Third-party integrations

With teams depending on a project management system every day, it makes sense that your tool should be able to synchronize data with other apps. An integrated suite offers functionalities that are relevant to various businesses for various purposes. This is one easy and direct way to take your project management to another level. Project managers should look for a project management system with integration support for popular apps like Dropbox, Google Drive,

OneDrive, and Box. All of the top picks like ProofHub include integrations with Google Drive, Dropbox, FreshBooks, and many more.

6. Agile workflow system

Agile is a methodology of project management, which is among the most popular methods of managing projects. According to the Project Management Institute and its *Pulse of the Profession 2015: Capturing the Value of Project Management 2015*:

- 75% of highly agile organizations met their goals/business intent
- 65% finished on time
- 67% finished within budget

It is clear that agile organizations grow faster than non-agile. An Agile project management tool will maintain smooth workflow, ensure better transparency, **bring agility and flexibility, and help teams to be more productive.**

7. Using boards to manage projects

Project management boards are the decision-makers that will be helpful in connecting people who are working on the project. It focuses on the status of tasks, by which the task can be moved through different stages of the project. The teams working on projects can track what's in-progress at a glance and, manage projects in a visual way. **Boards in a project management system like ProofHub** will help sustain a steady flow of tasks in a sequential manner, thus speeding up the process of task delivery.

8. Effective time tracking

More and more managers are longing for time tracking as an important feature for better planning, accurate time estimation, and working with great precision on project tasks. A project management system with a time tracking tool will improve the way projects move forward.

9. Customizable workflows

Every team has to work using different techniques and tools because one-size doesn't fit all. Customization is the way for modern teams to work effectively. According to the team's needs, a system should be flexible enough to adapt to a unique process that tracks work progression. Custom workflows in a project management system will track work progress accurately. It becomes easy to know who is working on what and which stage of the workflow it's in for easy monitoring.

10. Native mobile app

Project managers are often on the go, in meetings, or running errands. Nobody wants to limit themselves to laptops. Mobile apps are becoming the need to stay in the loop every

minute. Project management mobile apps is a comfortable way to keep track of tasks, milestones, and deadlines.

11. Collaborate easily

Collaboration is a big part of project management and when you're using a project management system, it should be easier for you to collaborate on all the projects. The system should allow you to share documents, files, status, timelines, and tasks easily and quickly with a large number of people. Discussions and chat should be easily done with respect to both remote and in-house teams.

12. Delegate tasks easily

When you're managing a group of people, it's good to delegate tasks to each individual for ensuring the successful completion of the project. Your project management system should let you easily assign tasks across all team members. You can assign roles to each person in the team and provide them access to the relevant task information.

➤ The project management passes through the following stages of:

1. Defining the project
2. Planning the project
3. Implementation of the project; and
4. Completion and delivery of the project.

❖ WHAT ARE THE CHALLENGES OF PROJECT MANAGEMENT?

1. Keeping Teams on The Same Page
2. Poorly Defining the Goals And Objectives
3. Unrealistic Deadlines
4. Finding The Right Project Management Software
5. Scope Creep is Insidious And Creepy
6. Insufficient Team Skills

7. Miscommunication Cause Conflicts
8. Risk Management
9. Challenges of Teamwork
10. Lack of Accountability

1. Keeping Teams on The Same Page

Managing a team that is widely spread out is one big challenge for project managers. Keeping your team on the same page will make things happen interactively. Each team member will know exactly what's going on, what they need to do, and what each of them is working towards.

Challenge #2: Poorly Defining the Goals And Objectives

Poorly defined goals or goals without objectives pushes a project in danger. An important step in a project is to define goals and objectives—and that becomes a major challenge.

The project managers and team members might not be knowing what exactly to expect from the project. If the goals and objectives are not clearly defined, the project is doomed to fail. When no one is aware of the whats, whys and whens of the project, what will follow is a lot of confusion and chaos.

Starting a project without **clear objectives**, a specific direction and a **prepared plan**; it's like going on a road trip with no idea where you're going and how to get there. You will waste gas, time and effort. Likewise, your business suffers when there is no clarity and forethought before starting a project.

Challenge #3: Unrealistic Deadlines

A big thing that most teams or project managers struggle is unrealistic to project deadlines and expectations clients and stakeholders have from them. Most project timelines do eventually slip due to the unrealistic 'initial deadlines'. As we live in a world, where competition is getting aggressive and targets are set either unrealistic or unachievable rather than driven by calculated business requirements. From then, what begins is a desperate attempt where the team tries to fit the requirements in the already drawn boundaries.

Challenge #4: Finding The Right Project Management Software

It can be tedious to identify the right technology for your project team that is within your budget, to implement your projects. A well-designed project management software will ensure that projects are progressing as planned and allow you to get visibility into all your projects. At times, it can be difficult to find such a tool, especially those that meet your needs.

Challenge #5: Scope Creep is Insidious And Creepy

Scope creep arises naturally and it becomes a challenge – sneaking up suddenly and hitting your project. For example, at times when the project takes a different shape because the client wants more functionality for the same price and this is the fear of every project manager. Many clients don't know how to define their project needs This can put project managers and team members in a difficult spot as unpredictable or new changes can often lead to the project failure. Remember, a lot of little changes are as bad as one big change.

Challenge #6: Insufficient Team Skills

A team is as good as its team members. If team members are not smart or are not trained enough to perform assigned tasks, it can put the development in a risky spot. But most of the time, the team members are assigned on their availability, not for their expertise for many projects. If team members are not skilled or trained enough to meet the challenges and perform assigned tasks, it can put the development of the project in a risky spot.

Challenge #7: Miscommunication Cause Conflicts

Miscommunication, poor communication, is one of the biggest project management challenges that get in the way to deliver projects successfully.

Communication skills are the project manager's greatest asset. No matter if you are giving instructions, asking questions or seeking information, there's always a challenge to provide clear and open communication.

Challenge #8: Risk Management

“Risk management is the identification, assessment, and prioritization of risks followed by coordinated application of resources to minimize, monitor and control the events.”

Oftentimes, projects don't go as planned so risk management is one of the major project management issues that project managers have to deal with. Management experts can tell how seasoned a project manager is with his ability to oversee risks that might creep up in a project anytime. These risks can be an uncertainty in the financial market, hidden flaws in the project plan or unknown factors that can impact the success of a project.

Challenge #9: Challenges of Teamwork

Teamwork isn't really teamwork unless the team actually works. A team consists of multiple members, each having a different personality, managing and catering to their needs can be a daunting task at times. With so many people working on a project together, there can be disagreements and differences in a team that can have a negative impact on the project and work environment.

Challenge #10: Lack of Accountability

Everyone wants accountability but a few teams have it. I'm sure we are well aware of the challenge. A project manager has to make sure that the team is accountable throughout their daily workloads. Accountability is visible in the form of blame game when things go wrong but is rarely in the picture when the things are right.

➤ GENERATION AND SCREENING OF A PROJECT IDEA

Generation and Screening of a project idea begins when someone with specialized knowledge or expertise or some other competence feels that he can offer a product or service Which can cater to a presently unmet need and demand to serve a market where demand exceeds supply Which can effectively compete with similar products or services due to its better quality/price etc.

An organization has to identify investment opportunities which are feasible and promising before taking a full fledged project analysis to know which projects merit further examination and appraisal.

Generation and Screening of a project idea involves the following tasks :-

(1) Generation of ideas –

A panel is formed for the purpose of identifying investment opportunities. It involves the following tasks which must be carried out in order to come up with a creative idea –

(a) SWOT analysis – Identifying opportunities that can be profitably exploited

(b) Determination of objectives – Setting up operational objectives like cost reduction, productivity improvement, increase in capacity utilization, improvement in contribution margin

(c) Creating a Good environment – A good organizational atmosphere motivates employees to be more creative and encourages techniques like brainstorming, group discussion etc. which results in development of creative and innovative ideas.

(2) Monitoring the Environment – An Organization should systematically monitor the environment and assess its competitive abilities in order to profitably exploit opportunities present in the environment. The key sectors of the environment that are to be studied are :-

(a) Economic Sector – It includes, State of economy, Overall rate of Growth, Growth of primary, secondary and tertiary sectors, Inflation rate, Linkage with world economy, BOP situation, Trade Surplus/Deficit.

(b) Government Sector – It includes, Industrial policy, Government programmes and projects, Tax framework, Subsidies, incentives, concessions, Import and export policies, Financing norms.

(c) Technological Sector – It includes, State of technology, Emergence of new technology, Receptiveness of the industry, Access to technical knowhow.

(d) Socio-demographic sector – It Includes, Population trends, Income distribution, Educational profile, Employment of women, Attitudetowards consumption and investment.

(e) Competition Sector

It includes, No. of firms and their market share, Degree of homogeneity and production differentiation, Entry barriers, Marketing policies and prices, Comparison with substitutes in terms of quality/price/appeal etc.

(f) Supplier Sector – Availability and cost of raw material, energy and money

(3) Corporate Appraisal – It involves identification of corporate strengths and weaknesses. The important aspects that are to be considered are:-

(a) Market and Distribution –

- i. Market Image
- ii. Market share
- iii. Marketing and Distribution cost
- iv. Product line
- v. Distribution Network
- vi. Customer loyalty

(b) Production and Operations –

- i. Condition and capacity of plant and machinery
- ii. Availability of raw materials and power
- iii. Degree of vertical integration
- iv. Location advantage
- v. Cost structure – Fixed and Variable costs

(c) Research and Development –

- i. Research capabilities of a firm
- ii. Track record of new product developments
- iii. Laboratories and testing facilities
- iv. Coordination between research and other departments of the organization

(d) Corporate Resources and Personnel –

- i. Corporate Image
- ii. Clout with government and regulatory agencies
- iii. Dynamism of top management
- iv. Competence and commitment of employees
- v. State of industrial relations

(e) Finance and Accounting –

- i. Financial leverage and borrowing capacity
- ii. Cost of capital
- iii. Tax situation
- iv. Relations with shareholders and creditors
- v. Accounting and control system
- vi. Cash flows and liquidity

(4) Looking for Project Ideas –

Various sources to look for good project ideas include:-

- i. Trade fairs and exhibitions
- ii. Studying Government plans and guidelines
- iii. Suggestion of financial institutions and development agencies
- iv. Investigating local materials and resources
- v. Analyzing performance of existing industries
- vi. Analyzing social and economic trends
- vii. Analyzing new technological developments
- viii. Studying the consumption pattern of people abroad

(5) Preliminary Screening –

It refers to elimination of project ideas which are not promising. The factors to be considered while screening for ideas are:-

- ◆ **Compatibility with the promoter** – The idea must be consistent with the interest, personality and resources of the entrepreneur.
- ◆ **Consistency with Government priorities** – The idea must be feasible with national goals and government regulations.
- ◆ **Availability of inputs** – Availability of power, raw material, capital requirements, technology.
- ◆ **Adequacy of Market** – Growth in market, prospect of adequate sale, reasonable Return on Investment.
- ◆ **Reasonableness of cost** – The project must be able to make reasonable profits with respect to the costs involved.
- ◆ **Acceptability of risk level** – The desirability of the project also depends upon risks involved in executing it. In order to assess risk the following factors must be considered:- -Project`s vulnerability to business cycles -Change technology -Competition from substitutes - Government`s control over price and distribution -Competition from imports

(6) Project Rating Index →

It is a tool used for evaluating a large number of project ideas. It helps in streamlining the process of preliminary screening. Hence a preliminary evaluation may be converted in project rating index. Steps to calculate project rating index →

- I. Identifying the factors relevant for project rating
- II. Assigning weights to these factors according to their relative importance(FW)

III. Rate the project proposal on various factors using suitable rating scale (FR) (5 point scale or 7 point scale)

IV. For each factor multiply the factor rating with factor weight to get factor scores (FR X FW = FS)

V. All the factor scores are added to get the overall project rating index. Organization determines a cut off value and the project below this cut off value are rejected.

(7) Sources of the Net Present Value

In order to select a profitable and feasible project, a project manager must carry out a fundamental analysis of the product and factor market to know about entry barriers which lead to positive net present value. There are six entry barriers which result in a positive NPV project. They are – i. Economies of scale ii. Product differentiation iii. Cost advantage iv. Marketing reach v. Technological edge vi. Government policy

(8) Entrepreneurial skills →

An individual must possess the following traits and qualities in order to be a successful entrepreneur – i. He must be willing to make sacrifices ii. He must be a good Leader iii. He must be able to make quick and rational decisions iv. He must have confidence in the project v. He must be able to exploit market opportunities vi. He must have strong ego in order to survive ups and downs of a business.

➤ **PROJECT ANALYSIS**

It is the process of examining the aspects of a project in details. This is mainly to see to it that the project runs as expected and is also within the predefined budget.

➤ **What are the facts of project analysis**

1. Market analysis

Market analysis is associated primarily with two questions:

- a. What would be the collective demand of the planned product / service in future?
- b. What would be the market share of the project under evaluation?

To answer the above questions, the market analyst needs a broad variety of information and suitable forecasting methods. The kinds of data required are:

- c. Consumption trends in the past and the present expenditure level
- d. Past and present supply situation

- e. Production potential and constraints
- f. Imports and exports
- g. Formation of competition
- h. Cost structure
- i. Flexibility of demand
- j. Consumer manners and conduct, intentions, motivations, attitudes, preference, and needs.
- k. Allocation channels and marketing guidelines in use
- l. Administrative, technical, and legal constrictions.

2. Technical analysis

Examination of the technical and engineering characteristics of a project needs to be done repeatedly when a project is made. Technical analysis seek out to decide whether the fundamentals for the successful commissioning of the project has been considered and reasonably good options have been made with respect to location, size, process etc. The important questions raised in technical analysis are the following

- a. Whether preliminary tests and studies have been done?
- b. Whether the availability of raw materials, power, and other inputs has been recognized?
- c. Whether the production method opted is suitable?
- d. Whether the equipment and machines chosen are suitable?
- e. Whether the supplementary equipments and auxiliary engineering works have been given for?
- f. Whether provision has been made for handling of effluents?
- g. Whether the planned layout of the site, building, and plant is sound?
- h. Whether work schedules have been reasonably drawn up?
- i. Whether the technology planned to be employed is suitable from the social plant of view?

3. Financial analysis

Financial analysis tries to ascertain whether the planned project will be financially feasible in the sense of being able to meet the saddle of servicing debt and whether the planned project will convince the return expectations of those who provide the capital. The feature that have to be looked into while conditioning financial appraisal are the following:

- a. Investment pay out and cost of project
- b. Means of financing
- c. Cost of capital

- d. Projected profitability
- e. Break-even point
- f. Cash flow of the project
- g. Projected financial position
- h. Level of risk

4. Economic analysis

Economic analysis is also referred to as social cost benefit analysis and is concerned with evaluating a project from the larger social point of view. In such a judgment the focus is on the social costs and benefits of a project which may usually be different from its economic costs and benefits. The questions sought to be answered in social benefit analysis are the following

- What are the direct economic benefits and costs of the project measured in terms of efficiency prices and not in terms of market prices?
- What would be the impact of the project on the allocation of income in the society?
- What would be the outcome of the project on the level of savings and investment in the society?
- What would be the involvement of the project towards the achievement of certain merit wants like self-sufficiency, employment, and social order?

➤ **MARKET DEMAND ANALYSIS**

Companies use market demand analysis to understand how much consumer demand exists for a product 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:

➤ **Market Identification**

The first step of market analysis is to define and identify the specific market to target with new products or services. Companies will use market surveys or consumer feedback to determine their satisfaction with current products and services. Comments indicating dissatisfaction will lead businesses to develop new products or services to meet this consumer demand. While companies will usually identify markets close to their current product line, new industries may be tested for business expansion possibilities.

➤ **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 consumer demand and low supply of current products 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 consumer demand for the goods or services supplied by businesses.

➤ **Product Niche**

Once markets and business cycles are reviewed, companies will develop a product that meets a specific niche in the market. Products must be differentiated from others in the market so they meet a specific need of consumer demand, creating higher demand for their product or service. Many companies will conduct tests in sample markets to determine which of their potential product styles is most preferred by consumers. Companies will also develop their goods so that competitors cannot easily duplicate their product.

➤ **Growth Potential**

While every market has an initial level of consumer demand, specialized products or goods can create a sense of usefulness, which will increase demand. Examples of specialized products are iPods or iPhones, which entered the personal electronics market and increased demand through their perceived usefulness by consumers. This type of demand quickly increases the demand for current markets, allowing companies to increase profits through new consumer demand.

➤ **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 products, 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.

➤ **TECHNICAL ANALYSIS**

Technical aspects relate to the production or generation of the project output in the form of goods and services from the projects inputs. Technical analysis represents study of the project to evaluate technical and engineering aspects when a project is being examined and formulated. It is a continuous process in the project appraisal system which determines the prerequisites for meaningful commissioning of the project.

✓ **Aspects of Technical Analysis**

Technical analysis broadly involves a critical study of the following aspects, viz.,

1) Selection of Process/ Technology:

For manufacturing a product, more than one process/technology may be available. **For example**, steel can be manufactured either by the Bessemer process or by the open-hearth process. Cement can be manufactured either by the wet process or by the dry process.

The choice of technology also depends upon the quantity of the product proposed to be manufactured. If the quantity to be produced is large, mass production techniques should be followed and the relevant technology is to be adopted. The quality of the product depends upon the use to which it is relevant technology is to be adopted. The quality of the product depends upon the use to which it is meant for. A product of pharmaceutical grade or laboratory grade should have high quality and hence sophisticated production technology is required to achieve the desired quality. Products of commercial grade do not need such high quality and the technology can be chosen accordingly.

A new technology that is protected by patent rights, etc., can be obtained either by licensing arrangement or the technology can be purchased outright. **Appropriate technology:** A technology appropriate for one country may not be the ideal one for another country. Even within a country, depending upon the location of the project and other features, two different technologies may be ideal for two similar projects set up by two different firms at two different locations. The choice of a suitable technology for a project calls for identifying what is called the 'appropriate technology'.

The term '**appropriate technology**' refers to that technology that is suitable for the local economic, social and cultural conditions.

2) Scale of operations:

Scale of operations is signified by the size of the plant. The plant size mainly depends on the market for the output of the project. Economic size of the plant varies from project to project. Economic size of the plant for a given project can be arrived at by an analysis of capital and operating costs as a function of the plant size. Though the economic size of the plant for a given project can be theoretically arrived at by above process, the final decision on the plant size is circumscribed by a number of factors, the main factor being the promoter's ability to raise the funds required to implement the project. If the funds required implementing the project as its economic size is beyond the promoter's capacity to arrange for and if the economic size is too big a size for the promoter to manage, the promoter is bound to limit the size of the project that will suit his finance and managerial capabilities. Whenever a project is proposed to be set

up at a size below its economic size, it must be analyzed carefully as to whether the project will survive at the proposed size (which is below the economic size). Performance of existing units operating at below economic size will throw some light on this aspect.

3) Raw Material:

A product can be manufactured using alternative raw materials and with alternative process. The process of manufacture may sometimes vary with the raw material chosen. If a product can be manufactured by using alternative raw materials, the raw material that is locally available may be chosen. Since the manufacturing process and the machinery/requirement to be used also to a larger extent depend upon the raw material, the type of raw material to be used should be chosen carefully after analyzing various factors like the cost of different raw materials available, the transportation cost involved, the continuous availability of raw material, etc. Since the process of manufacture and the machinery/ equipments required depend upon the raw material used, the investment on plant and machinery will also to some extent depend upon the raw material used, the investment on plant and machinery will also to some extent depend upon the raw material chosen. Hence the cost of capital investments required on plant and machinery should also be studied before arriving at a decision on the choice of raw material.

4) Technical Know-How:

When technical know-how for the project is provided by expert consultants, it must be ascertained whether the consultant has the requisite knowledge and experience and whether he has already executed similar projects successfully. Care should be exercised to avoid self-styled, inexperienced consultants. Necessary agreement should be executed between the project promoter and the know-how supplier incorporating all essential features of the know-how transfer. The agreement should be specific as to the part played by the know-how supplier (like taking out successful trial run, acceptable quality of final product, imparting necessary training to employees in the production process, taking out successful commercial production, performance guarantee for a specified number of years after the start of commercial production, etc). The agreement should also include penalty clauses for non-performance of any of the conditions stipulated in the agreement.

5) Collaboration Agreements:

If the project promoters have entered into agreement with foreign collaborators, the terms and conditions of the agreement may be studied as explained above for know-how supply agreement.

Apart from this, the following additional points the deserve consideration:

- (i) The competence and reputation of the collaborators needs to be ascertained through possible sources including the Indian embassies and the collaborator's bankers.
- (ii) The technology proposed to be imported should suit to the local conditions. A highly sophisticated technology, which does not suit local conditions, will be detrimental to the project.
- (iii) The collaboration agreement should have necessary approval of the Government of India.
- (iv) There should not be any restrictive clause in the agreement that import of equipment/machinery required for the project should be channelized through the collaborators.
- (v) The design of the machinery should be made available to the project promoter to facilitate future procurement and/or fabrication for machinery in India at a later stage.
- (vi) The agreement should provide a clause that any dispute arising out of interpretation of the agreement, failure to, comply with the clauses contained in the agreement, etc., shall be decided only by courts within India.
- (vii) It must be ensured that the collaboration agreement does not infringe upon any patent rights.
- (viii) It is better to have a buy-back arrangement with the technical collaborator. This is to ensure that the collaborator would be serious about the transfer of correct know-how and would ensure quality of the output.

6) Product Mix:

Customers differ in their needs and preferences. Hence, variations in size and quality of products are necessary to satisfy the varying needs and preferences of customers, the production facilities should be planned with an element of flexibility. Such flexibility in the production facilities will help the organization to change the product mix as per customer requirements, which is very essential for the survival and growth of any organization.

For example, a plastic container manufacturing industry can be produced according to the market requirement. This will give the unit a competitive edge.

7) Selection and Procurement of Plant and machinery

a) Selection of machinery: The machinery and equipment required for a project depends upon the production technology proposed to be adopted and the size of the proposed. Capacity of each machinery is to be decided by making a rough estimate, as under; thumb rules should be avoided.

- i) Take into consideration the output planned.

- ii) Arrive at the machine hours required for each type of operation.
- iii) Arrive at the machine capacity after giving necessary allowances for machinery maintenance/breakdown, rest time for workers, set up time for machines, time lost during change of shifts, etc.
- iv) After having arrived at the capacity of the machinery as above, make a survey of the machinery available in the market with regard to capacity and choose that capacity which is either equal to or just above the capacity theoretically arrived at.

b) Procurement of Machinery

Plant and machinery form the backbone of any industry. The quality of output depends upon the quality of machinery used in processing the raw materials (apart from the quality of raw material itself). Uninterrupted production is again ensured only by high quality machines that do not breakdown so often. Hence no compromise should be made on the quality of the machinery and the project promoter should be on the lookout for the best brand of machinery available in the market. The performance of the machinery functioning elsewhere may be studied to have a firsthand information before deciding upon the machinery supplier.

In case of process industries, the capacity of the machines used in various stages should be so selected that they are properly balanced.

9) Project Scheduling:

Scheduling is nothing but the arrangement of activities of the project in the order of time in which they are to be performed.

The schedule which broadly indicates the logical sequence of events would be as under:

- i) Land acquisition
- ii) Site development
- iii) Preparing building plans, estimates, designs, getting necessary approvals and entrusting the construction work to contractors,
- iv) Construction of building, machinery foundation and other related civil works and completion of the same,
- v) Placing order for machinery,
- vi) Receipt of machinery at site,

- vii) Erection of machinery,
- viii) Commissioning of plant and taking trial runs,
- ix) Commencement of regular commercial production.

➤ **WHAT ARE FINANCIAL PROJECTIONS?**

Financial projections are an important part of managing your business. Preparing financial projections may seem like a daunting task for small business owners, but if you can create financial statements, you can create financial projections. Similar to creating a budget, financial projections are a way to forecast future revenue and expenses for your business.

Frequently used as a way to attract future investors, financial projections are also an important component when preparing a business plan for a new business or creating a strategic plan for your current business.

You can create both short-term and long-term financial projections, with most business owners using both types of projections:

Short-term projections: Short-term projections usually cover a year and are typically broken down by month.

Long-term projections: Long-term projections typically cover the next three to five years and are usually used when creating a strategic plan, or for attracting investors.

➤ **REASONS TO PROJECT FINANCIALS:**

- **First, the financial plan translates your company's goals into specific targets.** It clearly defines what a successful outcome entails. The plan isn't merely a prediction; it implies a commitment to making the targeted results happen and establishes milestones for gauging progress.
- **Second, the plan provides you with a vital feedback-and-control tool.** Variances from projections provide early warning of problems. And when variances occur, the plan can provide a framework for determining the financial impact and the effects of various corrective actions.
- **Third, the plan can anticipate problems.** If rapid growth creates a cash shortage due to investment in receivables and inventory, the forecast should show this. If next year's projections depend on certain milestones this year, the assumptions should spell this out.

➤ **PROJECT SELECTION**

It is a process to assess each project idea and select the project with the highest priority. Projects are still just suggestions at this stage, so the selection is often made based on only brief descriptions of the project.

Organizations invest huge sums of money on new projects. It is important for organizations to ensure that these investments are safe and will result in good returns and benefits for the organizations. Hence there is a need for analyse all new project opportunities to justify the decisions for making the needed monetary investments. An organization may be having multiple project opportunities to invest on and reap the benefits. But they cannot invest on all projects, they have to be selective.

The process of analyzing the new project opportunities to decide which ones will be worthwhile taking up so that organization gets the most benefits is known as project selection methods.

There are two major categories of project selection methods as below:

- **Quantitative Methods**

1. Benefits Measurement Methods
2. Constrained Optimization Methods

- **Qualitative Methods**

1. Benefits Measurement Methods

Benefits measurement methods mostly use a comparative approach by studying the possible benefits from different projects and then selecting the most beneficial ones. Some of the most important methods under this category include the following:

- **Cost Benefit Analysis** – Benefits from the project should be more than the cost invested in the project for any project to be considered for selection. A ratio of benefits to cost (BCR) should be more than 1. Higher the BCR, better the opportunity.
- **Payback Period** – Payback period is the time in which the total investment of a project is recovered. After the payback, organization truly will start making profits. Payback time of a project should ideally be lower. Lower the payback period, the project looks that much more attractive.
- **Net Present Value** – Net present value is the difference between the sum of present value of all revenue and the sum of present value of all the investment. The NPV must be more than zero for the project to be profitable. Higher the NPV, better is the choice. NPV is the most

practical criteria which discount all future values of revenue and investments to their corresponding present values to calculate profit.

- **Internal Rate of Return (IRR)** – IRR is the maximum expected return on money from a given project. Higher the IRR, better the opportunity. IRR is the rate of interest at which the NPV becomes equal to zero.
- **Scoring Model** – Scoring models are used to study different project options against certain parameters by assigning scores to them for each parameter. The project option with highest score will be the preferred one.
- **Economic Value Added** – EVA is to see if the project is profitable after deducting all cost of capital. Because then only there is economic value added in the project.
- **Opportunity cost** – Opportunity cost concept is used to study what we lose by selecting something. This can be used when we have to give up some benefits while we will be selecting some other benefits. If we have 2 projects A and B. Opportunity of selecting A is what we will be losing by not selecting B.

2. Constrained Optimization Methods

These methods are mathematical models of project selection which are used for larger projects that require complex and comprehensive calculations and simulations to study the feasibility of projects by understanding the uncertainties involved clearly. Some of the important constrained optimization methods include the following:

- Linear programming
- Nonlinear programming
- Integer programming
- Dynamic programming
- Multiple objective programming

✓ Qualitative Methods

Many times project selection is done based on non-financial considerations. These may include political reasons, personal biases, safety and security considerations, investor and customer requests etc.

Conclusion

Project selection is one of the most important steps before taking up any new project investment decision. Project selection study will be done by professionals with solid knowledge in these methods. Both quantitative and qualitative methods are used for project selection. Organizations can define clear guidelines for project selection procedures and methods to be used.

➤ **INVESTMENT CRITERIA**

These are the defined set of parameters used by financial and strategic buyers to assess an acquisition target. Sophisticated buyers will usually have two sets of criteria:

- The parameters that are disclosed publicly to intermediaries such as investment bankers, so they know what the buyer is looking for in order to source deals that fit; and
- The parameters developed for internal review that allow a buyer to quickly determine if the acquisition should be pursued further.

➤ **RISK ANALYSIS**

The term risk analysis is used to refer to the process in which the potential risks or issues are identified and analyzed which have a possibility of impacting the key business activities or critical projects so that the entities like organization and businesses can mitigate or avoid those risks to the maximum extent.

It helps in mitigating or avoiding the risks that may harm the entities. It is basically the review of all of those kinds of risks that may be associated with a particular event or any incident.

✓ **TYPES OF RISK ANALYSIS**

Quantitative and Qualitative Risk Analysis

1) Quantitative risks assessment

In this type, with the help of the simulation process, a risk model is built. Also, deterministic statistics can also be used so that the numerical values are assigned to the risk.

Now the inputs are generally the random variables that are fed into the risk model. After this, the model will generate a range of output with respect to the range of corresponding input.

For instance, the 'Monte Carlo simulation' can be used to generate a possible set of outcomes or inputs. After this, graphs and various scenario analysis is used for the analysis of the model. On the basis of this, the decision is made. Also, there are many other risk *management* tools with the help of which the outcomes can be generated.

2) Qualitative overview

Now unlike the previous one, this is an analytical method of risk analysis. In this, the risks are not identified on the basis of numerical or quantitative ratings. In the qualitative analysis, a written definite of the various uncertainties are required.

After this, the evaluation of the extent to which the risk will impact is done. And in the case of occurrence of the negative events countermeasure plans are evaluated. Almost all of the business requires to do an analysis to some extent.

➤ 6 STEPS IN THE PROCESS OF RISK ANALYSIS

1) Conducting a survey risks assessment

This is the very first step in which the input is obtained from the **management** and the department heads. In this, the documentation of specific risks or threats is done within each of the departments.

2) Identification of the risks

The main reason why the risk analysis is performed is for the evaluation of the IT systems or several other aspects of the entity. For instance the various risks to the software, hardware, IT employees, data, the possible adverse events which can happen like human error, flooding, etc.

3) Analyzing the risk

After identifying the risks, the process includes the determination of the likelihood of the occurrence of each of the risks. Along with that the consequences that are linked to it and the manner in which they would affect the main goal of the project should be taken into consideration.

4) Developing a management plan

Now after the analysis has been done and it has been found that which assets are of some worth and which can be threats, it produces control recommendations for the purpose of mitigation transferring and acceptance or for the avoidance of the risk.

5) Implementation

Now the ultimate objective of the entire risk analysis is to implement the plan so that the risks could be reduced or avoided or mitigated.

6) Monitoring the risks

This is the last step of the entire process. This involves the identification, treatment, and **management** of the risks which are all an important aspect of the risk analysis.

➤ WHAT ARE THE USES OF THE RISK ANALYSIS?

There are several uses are as follows-

1. It is used for anticipating and reducing the effects and negative future results due to some adverse incidents.
2. It is also used for the evaluation purpose to determine whether the potential risks of any project are balanced out by its benefits to aid in the process of making any decision which it comes to the evaluation of moving forward with the project.
3. Then it is also used for planning the responses for technology or the failure of any equipment or any kind of loss due to severe damage because of the occurrence of any unforeseen event caused due to natural or human errors.
4. And it is also used for identifying the impact and the preparation of the changes in the environment of the enterprise, for example, the entrance of new competitors in the marketplace of the changes that may have been recently made in the policies of the government.

✓ ADVANTAGES OF RISK ASSESSMENT.

THE VARIOUS ADVANTAGES ARE AS FOLLOWS-

1. It is beneficial when it comes to identifying, rating, and then comparing the overall risk impacts that can happen to an entity that can be both financial and organizational impact.

2. It is also beneficial when it comes to the identification of the gaps in the security and the determination of the steps that will be used next to strengthen the security and eliminate any of the weaknesses.
3. It is also advantageous in enhancing the communication of the processes of decision making since these are related to information security.
4. Then it is used to improve the security procedures and policies and also for developing a cost-effective methodology for the implementation of such pieces of information.

➤ **LIMITATION**

The limitation is that the risks are a measure that is based on probabilities. So one can never be sure of a precise amount of the risk exposure at a given point of time. Also for the calculation and the analysis of the risk no standard methods are there.

✓ **SOCIAL COST-BENEFIT ANALYSIS**

It has been defined in many ways by various exponents. It is defined— “as a methodical and rational process of identifying, evaluating and assessing the benefits (outputs) and costs (inputs) associated with alternative activities which will effectively accomplish economic targets and social goals.”

It is a kind of economic measurement (by way of analysis) of costs and benefits of the private sectors’ social responsibility performance designed in addition to the traditional financial and cost accounting.

✓ **PURPOSES OF SCB ANALYSIS:**

- (a) To determine and measure the expected future economic and social benefits that may be derived from an intended project or activity.
- (b) To determine and measure the flow of future economic and social costs that would be incurred to accomplish the benefits.
- (c) To ascertain the net benefits as a result of the above assessment.
- (d) To range the net benefits that may be realized from each of the alternative projects or activities under consideration.

(e) To arrive at a decision as to which of the projects or activities will yield the maximum benefits in relation to set economic standards and defined social goals for the national economy.

Example: If a bridge is to be constructed then how much will it benefit the people who live in that particular area is to be analyzed. Therefore, how many people are willing to use the bridge, how much traffic will be reduced and what is the increase in cost of traveling will have to be assessed as a whole to come to a conclusion.

➤ **IMPORTANCE OF SOCIAL COST BENEFIT ANALYSIS**

1. Market Failure

Market failure when a big project is not affecting everyone but only a few. A private firm would only look at profitability and related market prices to take up a deal but the government have to look at other factors. To determine the social cost in case of *market failure* and when market prices are unable to define them. These social costs are known as *shadow prices*.

2. Savings & Investment

Impact of the project on general savings and investment level. A project that induces more savings are investment in an economy and not the other way round.

3. Distribution & Redistribution of Income

The project should not lead to accumulating income in the hands of a few but, it should equally distribute the income.

4. Employment and Standard of Living

How a project affects employment and standard of living will be taken into account as well. The deal should lead to increase in employment and standard of living.

5. Externalities

Externalities are impacts of a project which can be both harmful and beneficial. Therefore, both the effects are to be assessed before sanctioning a deal. Positive-externalities could be in the form improvement in technology and negative-externalities could be in the form of increase in pollution and destruction of ecology.

6. Taxes and Subsidies

In a general cost benefit calculation, *taxes and subsidies* are considered as expenses and income respectively. Though in case of social-cost benefit analysis, taxes and subsidies are considered as transfer payments.

Social cost benefit analysis enables the government to take up new developments which will benefit everyone and not just a few. Also, it helps in bringing about an overall development in an economy and can help make decisions that will increase employment, investments, saving and consumption, thus, improving the economic activities in an economy.

➤ **PROJECT FINANCING**

Project Financing is a long-term, zero or limited recourse financing solution that is available to a borrower against the rights, assets, and interests related to the concerned project.

✓ **KEY FEATURES OF PROJECT FINANCING**

1. Capital Intensive Financing Scheme:

Project Financing is ideal for ventures requiring huge amount of equity and debt, and is usually implemented in developing countries as it leads to economic growth of the country. Being more expensive than corporate loans, this financing scheme drives costs higher while reducing liquidity. Additionally, the projects under this plan commonly carry Emerging Market Risk and Political Risk. To insure the project against these risks, the project also has to pay expensive premiums.

2. Risk Allocation:

Under this financial plan, some of the risks associated with the project is shifted towards the lender. Therefore, sponsors prefer to avail this financing scheme since it helps them mitigate some of the risk. On the other hand, lenders can receive better credit margin with Project Financing.

3. Multiple Participants Applicable:

As Project Financing often concerns a large-scale project, it is possible to allocate numerous parties in the project to take care of its various aspects. This helps in the seamless operation of the entire process.

4. Asset Ownership is decided at the Completion of Project:

The Special Purpose Vehicle is responsible to overview the proceedings of the project while monitoring the assets related to the project. Once the project is completed, the project ownership goes to the concerned entity as determined by the terms of the loan.

5. Zero or Limited Recourse Financing Solution:

Since the borrower does not have ownership of the project until its completion, the lenders do not have to waste time or resources evaluating the assets and credibility of the borrower. Instead, the lender can focus on the feasibility of the project. The financial services company can opt for limited recourse from the sponsors if it deduces that the project might not be able to generate enough cash flow to repay the loan after completion.

6. Loan Repayment with Project Cash Flow: According to the terms of the loan in Project Financing, the excess cash flow received by the project should be used to pay off the outstanding debt received by the borrower. As the debt is gradually paid off, this will reduce the risk exposure of financial services company.

7. Better Tax Treatment: If Project Financing is implemented, the project and/or the sponsors can receive the benefit of better tax treatment. Therefore, this structured financing solution is preferred by sponsors to receive funds for long-term projects.

8. Sponsor Credit Has No Impact on Project: While this long-term financing plan maximizes the leverage of a project, it also ensures that the credit standings of the sponsor has no negative impact on the project. Due to this reason, the credit risk of the project is often better than the credit standings of the sponsor.

➤ **WHAT ARE THE VARIOUS STAGES OF PROJECT FINANCING?**

1. Pre-financing stage

- **Identification of the Project Plan** - This process includes identifying the strategic plan of the project and analyzing whether its plausible or not. In order to ensure that the project plan is in line with the goals of the financial services company, it is crucial for the lender to perform this step.
- **Recognizing and Minimizing the Risk** - Risk management is one of the key steps that should be focused on before the project financing venture begins. Before investing, the lender has every right to check if the project has enough available resources to avoid any future risks.

- **Checking Project Feasibility** - Before a lender decides to invest on a project, it is important to check if the concerned project is financially and technically feasible by analyzing all the associated factors.

2. Financing Stage

Being the most crucial part of Project Financing, this step is further sub-categorized into the following:

- **Arrangement of Finances** - In order to take care of the finances related to the project, the sponsor needs to acquire equity or loan from a financial services organisation whose goals are aligned to that of the project
- **Loan or Equity Negotiation** - During this step, the borrower and lender negotiate the loan amount and come to a unanimous decision regarding the same.
- **Documentation and Verification** - In this step, the terms of the loan are mutually decided and documented keeping the policies of the project in mind.
- **Payment** - Once the loan documentation is done, the borrower receives the funds as agreed previously to carry out the operations of the project.

3. Post-Financing Stage

- **Timely Project Monitoring** - As the project commences, it is the job of the project manager to monitor the project at regular intervals.
- **Project Closure** - This step signifies the end of the project.
- **Loan Repayment** - After the project has ended, it is imperative to keep track of the cash flow from its operations as these funds will be, then, utilized to repay the loan taken to finance the project.

➤ VENTURE CAPITAL:

✓ **MEANING:**

This is a very important source of financing for a new business. Here money is provided by investors to start a business that has strong potentiality of high growth and profitability. The provider of venture capital also provides managerial and technical support. Venture capital is also known as risk capital.

✓ **FEATURES OF VENTURE CAPITAL:**

1. Venture capital investments are made in innovative projects.
2. Benefits from such investments may be realized in the long run.
3. Suppliers of venture capital invest money in the form of equity capital.
4. As investment is made through equity capital, the suppliers of venture capital participate in the management of the company.

5. Participation In Management:

Venture-capital provides value addition by managerial support, monitoring and follow up assistance. It monitors physical and financial progress as well as a market development initiative. It helps by identifying the key resource person. They want one seat on the company's board of directors and involvement, for better or worse, in the major decision affecting the direction of the company.

6. High Risk:

By definition, the Venture-capital financing is highly risky and chances of failure are high as it provides long term start-up capital to high risk-high reward ventures.

✓ *Venture capital assumes four types of risks, these are:*

- **Management risk;** Inability of management teams to work together.
- **Market risk;** Product may fail in the market.
- **Product risk;** Product may not be commercially viable.
- **Operation risk;** Operations may not be cost effective resulting in increased cost decreased gross margins.

7. High Tech:

As opportunities in the low technology, area tend to be few of lower order, and hi-tech projects generally offer higher returns than projects in more traditional areas, venture-capital investments are made in high tech. areas using new technologies or producing innovative goods by using new technology.

8. Length of Investment:

Venture capitalist help companies grow, but they eventually seek to exit the investment in three to seven years. An early stage investment may take seven to ten years to mature, while most of the later stage investment takes only a few years. The process of having significant returns takes several years and calls on the capacity and talent of venture capitalist and entrepreneurs to reach fruition.

9. Illiquid Investment:

Venture-capital investments are illiquid, that is, not subject to repayment on demand or following a repayment schedule. Investors seek to return ultimately by means of capital gains when the investment is sold at the market place.

10. Equity Participation & Capital Gains:

Investments are generally in equity and quasi-equity participation through direct purchase of shares, options, convertible debentures where the debt holder has the option to convert the loan instruments into the stock of the borrower or debt with warrants to equity investment.

➤ **Advantages of Venture Capital:**

- They bring wealth and expertise to the company
- Large sum of equity finance can be provided
- The business does not stand the obligation to repay the money
- In addition to capital, it provides valuable information, resources, technical assistance to make a business successful

Business expertise: Aside from financial backing, obtaining venture-capital financing can provide a start-up or young business with a valuable source of guidance and consultation. This can help with a variety of business decisions, including financial management and human resource management. Making better decisions in these key areas can be vitally important as your business grows.

Additional resources: In a number of critical areas, including legal, tax and personnel matters, a VC firm can provide active support, all the more important at a key stage in the growth of a young company. Faster growth and greater success are two potential key benefits.

➤ **Disadvantages of Venture Capital**

- As the investors become part owners, the autonomy and control of the founder is lost
- It is a lengthy and complex process
- It is an uncertain form of financing
- Benefit from such financing can be realized in long run only.

➤ **DIFFERENCE BETWEEN VENTURE CAPITAL AND PRIVATE EQUITY**

✓ **What is Venture Capital?**

Venture capital is referred to funds invested by individuals or investors to start-ups or small companies aspiring to establish a fresh concept and new entrepreneur. All those new private companies who cannot raise their funds from the public sector may raise funds from the venture capital.

This type of investment indicates high risk but is supported by fresh and top qualified entrepreneurs. Venture Capital firms assist developing businesses in their initial stages before making it public.

It is a popular funding process and sometimes required to raise money for bank loans, capital markets, or other debt instruments. These type of investor is known as a Venture Capitalist, and the capital they provide is called equity capital.

✓ **What is Private Equity?**

Private equity can be defined as the capital investment, which is made by companies or investors in the private firms that are not a part of the stock exchange. These fund investments are made by the high net worth firms or individuals. These investors acquire private companies' shares or earn authority of public companies to take them private and de-list from public stock exchanges.

Private Equity firms purchase an existing company and help them to develop and expand. The primary strategy of this entity is Venture Capital, Mezzanine Capital, Leveraged Buyout, and Growth Buyout.

This entity has become an essential part of the financial services and is one of the attractive funding options.

Parameters	Venture Capital	Private Equity
Meaning	These are small investments used to grow the company in their primary stage	It is the investments to those firms which are not listed on any public stock exchange
Investment Stages	Initial stage	Later stage
Fund Invested	In a large number of firms	In a few companies
Industries	Industries such as high technology, energy conservation, etc. that need initial	All Industries

	investments	
Focus on	Management Skill	Corporate Governance
Risk Involved	High	Low
Capital Required	For operations growth	It is required for business expansion and growth

PROJECT IMPLEMENTATION (OR PROJECT EXECUTION)

It is the phase where visions and plans become reality. This is the logical conclusion, after evaluating, deciding, visioning, planning, applying for funds and finding the financial resources of a **project**. Technical **implementation** is one part of executing a **project**.

✓ **BENEFITS OF AN IMPLEMENTATION PLAN**

The implementation plan plays a large role in the success of your overall strategic plan. But more than that, communicating both your strategic plan and the implementation of it therein to all employees helps staff to feel as if they have a sense of ownership within the company's long-term direction.

1.Increased Cooperation

An implementation plan that's well communicated also helps to increase cooperation across all teams. It's easy to work in a silo—you know exactly what your daily process is and how to execute it. But reaching across the aisle and making sure your colleague is aligned on the goals that you're also trying to meet? That's another story entirely. But with an implementation plan in place, it helps to bridge the divide just a little easier.

2. Ensure Buy-In

Additionally, with an implementation plan that's thoroughly-researched and well defined, you can [ensure buy-in from stakeholders](#) and key partners involved in the project. And no matter which milestone you're at, you can continue to get that buy-in time and time again.

3. Stay on Track

At the end of the day, the biggest benefit of an implementation plan is that it makes it that much easier for the company to meet its long-term goals. When everyone across all teams knows exactly what you want to accomplish and how to do it, it's easy to make it happen.

➤ How to Make an Implementation Plan

There's not really a standard one-size-fits-all solution when it comes to creating your implementation plan. It's more of an amalgamation of tasks that comes from a needs assessment when evaluating your strategic plan. Generally, an implementation plan tends to look like the following.

1. Research and Discovery

- What teams need to be involved to achieve the strategic goals?
- How long will it take to make the strategic goals happen?
- What should be allocated from a budget and resources standpoint?

By interviewing stakeholders, key partners, customers and team members, you can determine the most crucial assignments needed and prioritize them accordingly. It's also at this stage that you should list out all the goals you're looking to achieve to cross-embed the strategic plan with the implementation plan. Everything must tie back to that strategic plan in order for your implementation plan to work.

2. Map Out Assumptions and Risks

This acts as an extension to the research and discovery phase, but it's also important to point out the assumptions and risks in your implementation plan. This can include paid time off or

holidays you didn't factor into your timeline, budget constraints, losing personnel, market instability or even tools that require repair before your implementation can commence.

3. Assign Responsibility

Each activity must include a primary champion to be the owner of it. For tasks to be properly assigned, this champion will need to do the delegating. This means that they ensure that all systems are working as per usual, keep track of their teams' productivity and more. Project planning software is practically essential for this aspect.

4. Determine Activities

Next you need to finalize all the little activities to round out your plan. Start by asking yourself the following questions:

- Who needs to be involved in the plan?
- What are the stakeholder requirements?
- What resources should be allocated?
- Are there any milestones we need to list out?
- What are the risks involved based on the assumptions we notated?
- Are there any dependencies for any of the tasks?

➤ **PRODUCTION PLANNING AND CONTROL**

Meaning:

Production planning and control is an important task of Production Manager. It has to see that production process is properly decided in advance and it is carried out as per the plan. Production is related to the conversion of raw materials into finished goods. This conversion process involves a number of steps such as deciding what to produce, how to produce, when to produce, etc. These decisions are a part, of production planning. Merely deciding about the task is not sufficient.

The whole process should be carried out in a best possible way and at the lowest cost. Production Manager will have to see that the things proceed as per the plans. This is a control function and has to be carried as meticulously as planning. Both planning and control of production are necessary to produce better quality goods at reasonable prices and in a most systematic manner.

Production planning is the function of looking ahead, anticipating difficulties to be faced and the likely remedial steps to remove them. It may be said to be a technique of forecasting ahead every step in the long process of production, taking them at a right time and in the right degree and trying to complete the operations at maximum efficiency.

Production control guides and directs flow of production so that products are manufactured in a best way and conform to a planned schedule and are of the right quality. Control facilitates the task of manufacturing and sees that everything goes as per the plans.

➤ **OBJECTIVES OF PRODUCTION PLANNING AND CONTROL:**

Planning of production precedes control. Whatever is planned needs to be controlled. The ultimate objective of both planning and control is to use various inputs in an efficient way and to have a proper control over various targets and schedules fixed earlier.

✓ **Production Planning:**

1. To determine the requirements for men, materials and equipment.
2. Production of various inputs at a right time and in right quantity.
3. Making most economical use of various inputs.
4. Arranging production schedules according to the needs of marketing department.
5. Providing for adequate stocks for meeting contingencies.
6. Keeping up-to-date information processes.

✓ **Production Control:**

1. Making efforts to adhere to the production schedules.
2. Issuing necessary instructions to the staff for making the plans realistic.

3. To ensure that goods produced according to the prescribed standards and quality norms.
4. To ensure that various inputs are made available in right quantity and at proper time.
5. To ensure that work progresses according to the predecided plans.

➤ **MAIN ELEMENTS OF PRODUCTION PLANNING & CONTROL**

The following are main elements of Production Planning and Control.

1. Routing

It is about selection of path or route through which raw materials pass in order to make it into a finished product. The points to be noted while routing process are – full capacity of machines, economical and short route and availability of alternate routing. Setting up time for the process for each stage of route is to be fixed. Once overall sequence are fixed, then the standard time of operations are noted using work measurement technique.

2. Loading and scheduling

Loading and Scheduling are concerned with preparation of workloads and fixing of starting and completing date of each operation. On the basis of the performance of each machine, loading and scheduling tasks are completed.

3. Dispatching

Dispatching is the routine of setting productive activities in motion through the release of orders and instructions, in accordance with previously planned time and sequence, embodied in route sheet and schedule charts. It is here the orders are released.

4. Expediting / Follow-up

It is a control tool which brings an idea on breaking up, delay, rectifying error etc., during the progress of work.

5. Inspection

Inspection is to find out the quality of executed work process.

6. Corrective

At evaluation process, a thorough analysis is done and corrective measures are taken in the weaker spots.

➤ STAGES OF PRODUCTION PLANNING & CONTROL

Production Planning & Control is done in three stages namely,

1. Pre-planning
2. Planning
3. Control.

Stage 1: Pre-Planning

Under this phase of production planning, basic ground work on the [product design](#), layout design and work flow are prepared. The operations relating to the availability scope and capacity of men, money materials, machines, time are estimated.

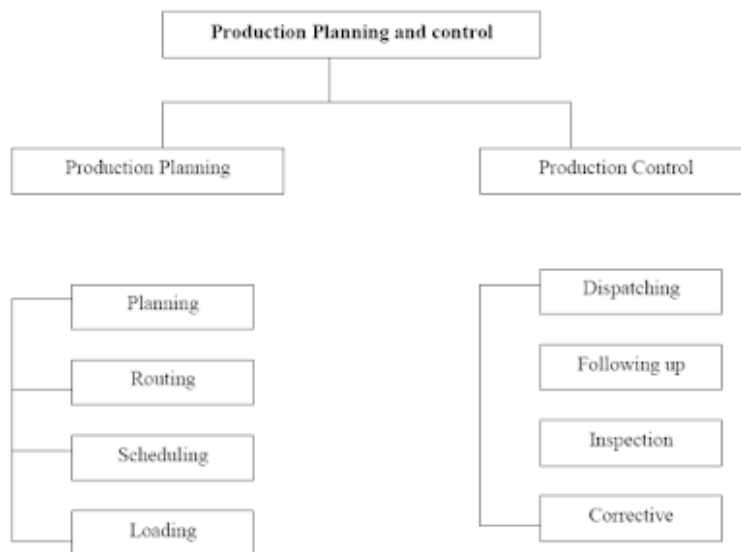
Stage 2: Planning

This is a phase where a complete analysis on routing, estimating and scheduling is done. It also tries to find out the areas of concern for short time and long time so that prominent planning can be prepared.

Stage 3: Control

Under this phase, the functions included are dispatching, follow up, inspection and evaluation. It tries to analyze the expedition of work in progress. This is one of the important phases of the Production Planning and Control

➤ FUNCTIONS OF PRODUCTION PLANNING AND CONTROL :



1. Materials Function:

Raw materials, finished parts and bought out components should be made available in required quantities and at required time to ensure the correct start and end for each operation resulting in uninterrupted production. The function includes the specification of materials (quality & quantity) delivery dates, variety reduction (standardization) procurement and make or buy decisions.

2. Machines and Equipment:

This function is related with the detailed analysis of available production facilities, equipment down time, maintenance policy procedure and schedules. Concerned with economy of jigs and fixtures, equipment availability. Thus the duties include the analysis of facilities and making their availability with minimum down time because of breakdowns.

3. Methods:

This function is concerned with the analysis of alternatives and selection of the best method with due consideration to constraints imposed. Developing specifications for processes is an important aspect of PPC and determination of sequence of Operations.

4. Process Planning (Routing):

It is concerned with selection of path or route which the raw should follow to get transformed in to finished product

The duties include:

- (a) Fixation of path of travel giving due consideration to layout.
- (b) Breaking down of operations to define each operation in detail.
- (c) Deciding the set up time and process time for each operation.

5. Estimating:

Once the overall method and sequence of operations is fixed and process sheet for each operation is available, then the operations times are estimated. This function is carried out using extensive

analysis of operations along with methods and routing and standard times for operation are established using work measurement techniques.

6. Loading and Scheduling:

Scheduling is concerned with preparation of machine loads and fixation of Starting and completion dates for each of the operations. Machines have to be loaded according to their capability of performing the given task and according to their capacity.

Thus, the duties include:

- (a) Loading the machines as per their capability and capacity.
- (b) Determining the start and completion times for each operation.
- (c) To Co-ordinate with sales department regarding delivery schedules.

7. Dispatching:

This is the execution phase of planning. It is the process of setting production activities in motion through release of orders and instructions. It authorises the start of Production activities by releasing materials, components, tools, fixtures and instruction sheets to the operator.

The activities involved are:

- (a) To assign definite work to definite machines, work centres and men.
- (b) To issue required materials from stores.
- (c) To issue jigs, fixtures and make them available at correct point of use.
- (d) Release necessary work orders, time tickets etc. to authorize timely start of operations.
- (e) To record start and finish time of each job on each machine or by each man.

8. Expediting:

This is the control tool that keeps a close observation on the progress of the work. It is a logical step after dispatching which is called “follow-up” or “Progress”. It co-ordinates extensively to execute the production plan. Progressing function can be divided in to three parts, i.e. follow up of materials, follow up of work in process and follow up of assembly.

The duties include:

1. Identification of bottlenecks and delays and interruptions because of which the production schedule may be disrupted.
2. To devise action plans (remedies) for correct the errors.
- 3 To see that production rate is in line with schedule.

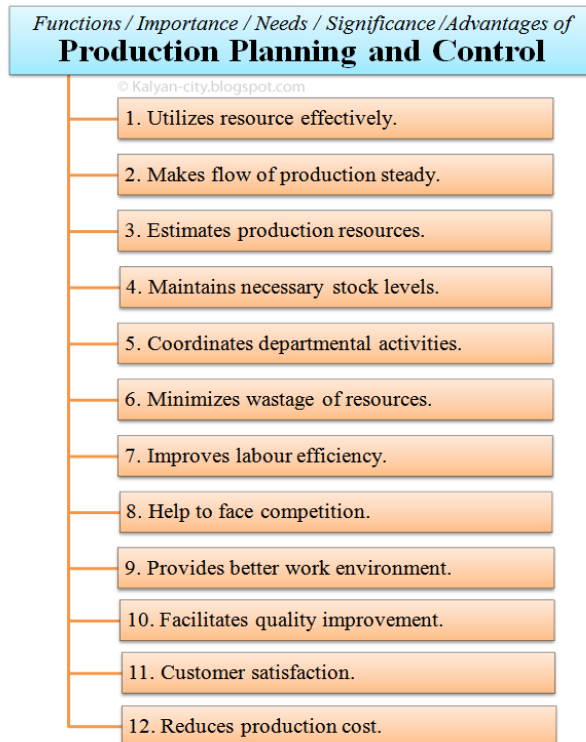
9. Inspection:

It is a measure control tool. Though the aspects of quality control are the separate function, this is of very much important to PPC both for the execution of the current plans and in scope for future planning. This forms the basis for knowing the limitations with respects to methods, processes etc. which is very much useful for evaluation phase.

10. Evaluation:

This stage though neglected is a crucial to the improvement of productive efficiency. A thorough analysis of all the factors influencing the production planning and control helps to identify the weak spots and the corrective action with respect to preplanning and planning will be effected by a feed back. The success of this step depends on the communication, Data and information gathering and analysis.

➤ **NEED SIGNIFICANCE ADVANTAGES OF PPC**



1. Utilizes resources effectively

Production planning and control result in effective utilization of plant capacity, equipment and resources.

It results in low-cost and high-returns for the organization.

2. Makes flow of production steady

Production planning and control ensure a regular and steady flow of production. All machines are put to their optimum use. This helps in achieving a continuous production of goods. This also helps to provide a regular supply of goods to consumers.

3. Estimates production resources

Production planning and control help to estimate the resources like men, materials, machines, etc. The estimate is made based on sales forecast. So, production is planned to meet sales requirements

4. Maintains necessary stock levels

Production planning and control prevent over-stocking and under-stocking of materials.

Necessary stocks are maintained. Stock of raw-material is maintained at a proper level in order to meet production demands. Stock of finished goods is also maintained to meet regular demands from customers.

5. Coordinates departmental activities

Production planning and control helps to co-ordinate the activities of different departments. Consider, for an example, the marketing department co-ordinates with production department to sell the goods. This results in profit to the organization.

6. Minimizes wastage of resources

Production planning and control ensure proper inventory of raw-materials and effective handling of materials. This helps to minimize the wastage of raw materials. It also ensures production of quality goods. This results in minimal rejects and minimum wastage.

7. Improves labor efficiency

There is maximum utilization of manpower. Training is provided to the workers.

The profits are shared with the workers in form of increased wages and other incentives.

Workers are motivated to perform their best. This results in improved labor efficiency.

8. Helps to face competition

Production planning and control help to give delivery of goods to customers in time.

This is because of regular flow of quality production. So, the company can face competition effectively, and it can capture the market.

9. Provides better work environment

Production planning and control provide a better work environment to workers.

They get better work facilities, proper working hours, leave and holidays, increased wages and other incentives.

10. Facilitates quality improvement

Production planning and control facilitate quality improvement because the production is checked regularly.

Quality consciousness is developed among the employees through training, suggestion schemes, quality circles, etc.

11. Customer satisfaction

Production planning and control help to give a regular supply of goods and services to consumers at competitive market price. This results in customer satisfaction.

12. Reduces production costs

Production planning and control make optimum utilization of resources, and it minimizes wastage. It also maintains an optimal level of inventories. Overall, this reduces the production costs

➤ **PERT and CPM: Techniques of Project Management**

PERT and CPM are techniques of project management useful in the basic managerial functions of planning, scheduling and control. PERT stands for “Programme Evaluation & Review Technique” and CPM are the abbreviation for “Critical Path Method”. These days the projects undertaken by business houses are very large and take a number of years before commercial production can start

➤ **Meaning of Programme Evaluation Review Technique (PERT):**

PERT was first used in 1957 as a method of planning and controlling the Polaris Missiles Programme by Booz, Allen and Hamilton together with U.S. Naval department. The aim was to finish the project two years in advance. PERT describes basic network technique which includes planning, monitoring and control of projects. PERT finds applications in planning and control of complex set of tasks, functions and relationships.

➤ **Steps Involved in PERT Planning Techniques:**

The PERT planning technique consists of the following steps:

- (1) The project is broken down into different activities systematically.
- (2) Activities are arranged in logical sequence.
- (3) The network diagram is drawn. Events and activities are numbered
- (4) Using three times estimate, the expected time for each activity is calculated.
- (5) Standard deviation and variance for each activity are computed.
- (6) Earliest starting times and latest finishing times are calculated.

(7) Expected time, earliest starting time, and latest finishing times are marked on the network diagram.

(8) Slack is calculated.

(9) Critical path(s) are identified and marked on the network diagram.

(10) Length of critical path or total project duration is found out.

(11) Lastly, the probability that the project will finish at due date is calculated.

(e) Identify the critical path(s) and mark on the network diagram.

1. ESTIMATION OF ACTIVITY TIME INCLUDES:

For dealing with uncertainties associated with different activities, PERT approach computes expected time for each activity from the following three time estimates:

(a) Optimistic Time (t_o):

It is the shortest possible time in which an activity can be completed if everything goes exceptionally well.

(b) Most Likely Time (t_m):

It is the time in which the activity is normally expected to complete under normal contingencies.

(c) Pessimistic Time (t_p):

It is the time which an activity will take to complete in case of difficulty, i.e., if mostly the things go wrong. It is the longest of all the three time estimates.

The t_o , t_m and t_p are combined statistically to develop the expected time (t_e) for an activity. The fundamental assumption in PERT is that the three time estimates form the end points and mode of Beta distribution (Fig. 10.3). It is further assumed that t_p and t_o are about equally likely to occur whereas the probability of occurrence of t is 4 times that of t_p or t_o .

➤ ADVANTAGES OF PERT:

The following advantages are derived from the pert:

1. It compels managers to plan their projects critically and analyse all factors affecting the progress of the plan. The process of the network analysis requires that the project planning be conducted on considerable detail from the start to the finish.

2. It provides the management a tool for forecasting the impact of schedule changes and be prepared to correct such situations. The likely trouble spots are located early enough so as to apply some preventive measures or corrective actions.
3. a lot of data can be presented in a highly ordered fashion. The task relationships are graphically represented for easier evaluation and individuals in different locations can easily determine their role in the total task requirements.
4. The PERT time (T_e) is based upon 3-way estimate and hence is the most objective time in the light of uncertainties and results in greater degree of accuracy in time forecasting.
5. It results in improved communication; the network provides a common ground for various parties such as designers, contractors, project managers etc. and they must all understand each other's role and contributions.

The network will highlight areas that require attention of higher priority so that concentration can be applied to the key jobs without ignoring the lower priority tasks. This gives the management an opportunity to shift attention to any critical task so that the entire project is completed in time.

➤ **LIMITATIONS OF PERT:**

Some of the limitations and problems that arise are:

1. Uncertainty about the estimate of time and resources. These must be assumed and the results can only be as good as the assumptions.
2. The costs may be higher than the conventional methods of planning and control. Because of the nature of network and network analysis, it needs a high degree of planning skill and greater amount of details which would increase the cost in time and manpower resources,
3. It is not suitable for relatively simple and repetitive processes such as assembly line work which are fixed-sequence jobs.

Hence PERT is not very effective in manufacturing operations, since it deals in the time domain only and does not deal with the quality information which is necessary in manufacturing processes.

➤ **WHAT IS THE CRITICAL PATH?**

In project planning, the critical path is the longest sequence of tasks that must be done to successfully complete the project. Tasks that are in the critical path cannot start until the previous task has been completed. These are tasks that, if delayed for a certain amount of time, will throw the whole project off schedule.

Calculating the critical path, then, is key to managing a project. Identifying the critical path lets project managers know which activities must happen for the project to be successful. If any activities on the critical path change, then the project end date will ultimately be affected.

➤ **WHAT IS THE CRITICAL PATH METHOD IN PROJECT MANAGEMENT?**

Once you have mapped out your critical path, you can use the critical path method (CPM) to help create your [project schedule](#). CPM is used to model projects, and is done by looking at all the tasks and figuring out a timeline in which to complete the project. This includes:

- Estimating the time it will take to complete the project tasks
- Identifying any task dependencies
- Setting [project milestones](#) and deliverables
- Setting [stakeholder expectations](#) related to deadlines

After making these considerations, you gain insight into which activities must be prioritized. Then, you can [allocate the necessary resources](#) to get these important tasks done. Tasks you discover are not on the critical path are of a lesser priority, and can be delayed or even removed from the project plan if they're causing the [project team](#) to become overallocated. Project managers use the critical path to keep the project on track and produce the final deliverable on schedule.

➤ **CRITICAL PATH – DEFINITION OF TERMS**

To properly understand the concept of critical path, you first need to understand the various terms used in this method.

Earliest start date. This is simply the earliest date that a task can be started in your project. You cannot determine this without first knowing if any tasks are dependent on this one task, or figuring out other constraints that might impact the start of this task. Next is the earliest finish date. This being the earliest date your task can be completed.

Latest start date. This is the very last minute in which you can start a task before it threatens to upset your project schedule. And you need to calculate what the latest finish date is for the same reason. By having a clear picture of this timeframe, you can better schedule the project to meet its deadline.

Float. Also known as slack, float is a term that describes how long you can delay a task before it impacts the planned schedule and threatens the project's deadline. When you are collecting tasks for the critical path, they must have zero float. But if the tasks do have some float, then they go on the non-critical path, which means if this task is delayed the project can still finish on time.

Crash duration. This describes the shortest amount of time that a task can be scheduled. You can get there by moving around resources, adding more towards the end of the task, to decrease the time needed to complete the task. This often means a reduction in quality, but is based on a relationship between cost and time.

➤ **ADVANTAGES OF CRITICAL PATH METHOD (CPM):**

It has the following advantages:

1. It figures out the activities which can run parallel to each other.
2. It helps the project manager in identifying the most critical elements of the project.
3. It gives a practical and disciplined base which helps in determining how to reach the objectives.
4. CPM is effective in new project management.
5. CPM can strengthen a team perception if it is applied properly.
6. CPM provides demonstration of dependencies which helps in the scheduling of individual activities.
7. It shows the activities and their outcomes as a network diagram.
8. It gives a fair and concise procedure of documenting of project.

9. It helps in determining the slack time.
10. An explicit and clear approach of communicating project plans, schedules, time and cost performance is developed.
11. It is extensively used in industry.
12. It helps in optimization by determining the project duration

➤ **DISADVANTAGES OF CRITICAL PATH METHOD (CPM):**

It has the following disadvantages:

1. The scheduling of personnel is not handled by the CPM.
2. In CPM, it is difficult to estimate the completion time of an activity.
3. The critical path is not always clear in CPM.
4. For bigger projects, CPM networks can be complicated too.
5. It also does not handle the scheduling of the resource allocation.
6. In CPM, critical path needs to be calculated precisely.

➤ **PROJECT REVIEW**

✓ **Meaning:**

It is an assessment of the status of a project, at a particular point in time. The first time in the project life cycle that a project review is undertaken is at the end of the first project phase, called "Initiation". During this project review, a decision is made as to whether or not the team has met the objectives and is approved to proceed to the next project phase, being the "Planning" phase. Performing a project management review at the end of each phase is critical to the success of the project, because it allows the Project Sponsor to control the progress of the project and make sure that it passes through each Project Phase smoothly.

✓ **WHEN IT IS TO BE DONE:**

As soon as the project team believes they have completed a particular project phase, a project review should be undertaken. There will usually be at least three project reviews during the project life cycle: at the end of the Initiation, Planning and Execution project phases. The template on this page will help you complete a project review for the "Initiation" project phase. The items included in the project review form are targeted towards this phase specifically.

➤ **PROJECT AUDIT AND ADMINISTRATIVE ASPECTS**

An audit of a project after it has been commissioned is referred to as a post-audit. Most firms do a post-audit for projects

A **project audit** is a **formal review of a project**, often intended to assess the extent to which project management standards are being upheld.

Audits are generally carried out by a specially designated **audit department**, the **Project Management Office**, an **approved management committee** or an **external auditor**.

Whoever is responsible for **performing the audit** must be in charge of the designated authority and issue related recommendations.

The final objective of a project audit is to ensure that the **project meets the standards** of project management through investigation and evaluation.

An audit of a project after it has been commissioned is referred to as a post-audit. Most firms do a post-audit for projects

➤ **FIVE MAIN OBJECTIVES OF A PROJECT AUDIT:**

1. Ensure the quality of products and services

A **project audit** acts as a **quality assurance tool**. It reviews the [project life cycle](#) evaluating the results yielded during the different stages, from the design phase to implementation.

When reviewing the design phase, a project audit evaluates the thoroughness of the design concepts, including the analysis of alternative designs.

Furthermore, it is assessed whether the solution is ready for the **pilot test** and finally, during the implementation review, the project audit assesses and confirms the implementation at each site where the product is adopted.

The identification of the errors during the process contributes to the resolution of the problems and to understand if the project should continue through a go/no-go decision at each stage.

2. Ensure the quality of project management

A **project audit** ascertains that the project management satisfies the standards by assessing whether it complies with the organisation's **policies, processes and procedures**. It evaluates the methodology used to help identify gaps in order to introduce the required improvements.

3. Identify the business risk

Project audits support the [identification of business factors](#) where **risks may reside**, which could affect **budget, time, environment and quality**.

After all, the organization itself is keen to achieve a positive outcome to the project.

The project audit assesses the [feasibility of the project](#) in terms of affordability and performance by providing transparency and assessing costs, time and resources.

Apply a review and equalization approach when it comes to controlling the budget, examining data that includes estimated and actual costs, as well as costs of meeting goals.

4. Improve project performance

The monitoring of the various phases of the project life cycle can contribute to the **improvement of the project team's performance**.

The audit also helps to improve the budget and resource allocation.

Identifying priorities, corrective measures and preventive actions can lead to a positive project outcome.

The troubleshooting process allows the project team to provide solutions and helps prevent similar problems from recurring in the future.

5. Learn

A project audit can deliver **learning opportunities** through assessments of project management expertise.

Providing reviews and feedback allows individuals and project teams to ponder their own performance.

➤ **AUDIT POLICIES AND ACTIVATION PROCEDURES**

In order to achieve the benefits expected from a **project audit**, each stage, element and outcome of the audit process must be clearly set out and openly disclosed, including:

- **Audit mission** statement: this document should clearly define the purposes, objectives, authority and limits of the audit operation, as well as the type of audits to be conducted.
- **Specification of audit competencies**: a detailed specification of the auditor's skills and experience, showing that the audit staff possess adequate expertise to audit the project.
- **Roles and responsibilities of the actors involved**: a detailed statement of all the roles and responsibilities covered by the audit, both for the person conducting the audit and for the project team – including the project manager, team members, project sponsors, clients and any stakeholder.
- **'Trigger' audit criteria**: a complete list of all the criteria on the basis of which projects will be selected for an audit. It would be too costly and time-consuming and would defeat the purpose of the audit process itself. Thus, specific criteria should be established to identify projects to be audited on the basis of risk, complexity, internal value, costs, etc.
- **Audit start procedures**: a description of the procedures for the initiation of the audit, including the process by which individual project managers are informed of an outstanding audit and the related preparation requirements.

- **Audit execution procedures:** a list of audit procedures that cover the methods to be used during the audit. This varies according to the type and timing of each audit, but may include personal interviews with project staff, document reviews, questionnaires and more.
- **Audit reporting procedures:** a specification of the audit reporting procedures, which covers how and the way in which the audit results will be reported and reviewed. In order to minimize the threatening nature of the project audit, all parties should be fully aware of how the results will be disclosed and used within the organization.
- **Audit redress procedures:** a specification of all procedures to be followed to appeal and/or dispute the reported audit results

✓ **ADMINISTRATIVE ASPECTS IN PROJECT:**

1. Identifying investment opportunities
2. Classifying the investments into categories
3. Finalising and submission of the proposal
4. Making decisions
5. Performing capital budgeting
6. Implementing what's decided
7. Review

IMPORTANT QUESTIONS**UNIT -1 & UNIT-2****➤ SHORT QUESTIONS:****WRITE A SHORT NOTE ON:**

- 1) Functions of an entrepreneur
- 2) Difference between Entrepreneur and Managers
- 3) Myths and Realities of entrepreneurship.
- 4) Entrepreneurship and Intrapreneurship: **Similarities and variance**
- 5) Problems for women entrepreneurs
- 6) Entrepreneurial support systems
- 7) Corporate Entrepreneurship.
- 8) Entrepreneurial Motivation
- 9) Creativity
- 10) Define Entrepreneurial Mind Set
- 11) Entrepreneurial Innovation
- 12) Product planning and development
- 13) Social Entrepreneurship
- 14) Rural Entrepreneurship
- 15) Idea generation
- 16) Risk reduction strategies for New Entry Exploitation
- 17) Differentiate between creativity and intelligence

➤ **LONG QUESTIONS**

- Q1.** What are the functions of entrepreneur? Explain in details the various types of entrepreneur.
- Q2.** Define the women entrepreneurs and discuss the problems for women entrepreneurs in rural area.
- Q3.** What is entrepreneurial strategy? Highlight the theories of entrepreneurial motivation.
- Q4.** Elaborate the concept of creativity. What are the sources of new ideas? Explain the methods of generating new ideas.
- Q5.** Define entrepreneur. Discuss the role of entrepreneurship in economic development.
- Q6.** Discuss the various factors affecting entrepreneurial growth in the country.
- Q7.** Explain the importance of entrepreneurship.
- Q4.** Explain the various problems obstructing the growth of entrepreneurship.
- Q8.** Define women entrepreneur. Discuss the challenges faced by women Entrepreneur.
- Q9.** Explain the types of entrepreneurs in detail.
- Q10.** Discuss the various steps taken by the Indian govt. to develop women Entrepreneurs
- Q11.** Discuss the role of government in Entrepreneurship Development.
- Q12.** What is entrepreneurial strategy? Highlight the theories of entrepreneurial motivation
- Q13.** Elaborate the concept of creativity. What are the sources of new ideas? Explain the methods of generating new ideas.
- Q14.** What are the important blocks to creativity? How does these blocks be overcome to create organisational culture to promote creativity?
- Q15.** From an entrepreneurial perspective explain the significance of the statement: ‘A good idea is not enough’.
- Q16.** Discuss the essential ingredients of a good business plan.
- Q17.** “Entrepreneurship is all about money and getting rich quickly”. Do you agree with this? Justify your answer.

Q18. Explain different categories of entrepreneurs. Give suitable examples.

CASE STUDY-I

Almost after twenty years of struggle, Radha became the only woman entrepreneur in Orissa to manufacture Electrical appliances. She has been able to set her market in the market and is known for quality, standard and safe product. She has successfully managed business to business and business to customer models. She has been awarded for her commendable work from prestigious industrial institutions and media. She started her career as a worker in electrical goods manufacturing company. Under her supervision came the unit where electrical appliances were serviced. She worked there for a couple of years and gained experience in this field. Being an efficient worker, Radha could not satisfy her restless search for a challenge that stretched her interest of starting a service unit of appliances. She resigned from the job and stepped out to do something on her own, in this same field. But Smita did not have the capacity to become self-employed because she was not clear about the prospects. She had lost her father, but her uncle motivated and supported her to go ahead. This chain of difficulties did not lessen Radha's welled-up enthusiasm. After persistent attempts and not very supportive banker, Radha lost hope of getting a loan and with her own resource of Rs. 27,000 managed to set up a unit in a rented premise in a busy commercial area. The place proved to be one of the advantages for Radha. She started with a team of three including herself. For her financial need she twice received micro credit loans from ICECD. The Chinese products in India market initially had poses challenges. But she continued with her good quality and service to clients and succeeded. She feels her products have the required market now and will have in future too. Today, 50 year old Radha is a genial housewife, a grandmother, and a prosperous entrepreneur in the field of electrical appliances. Her tailpiece advice to every prospective woman entrepreneur is —never let your low educational qualification dampen your enterprising inclination, for you too can succeed like me.

Questions :

- a. What made Radha a successful women entrepreneur?**
- b. Identify the challenges and problems of women entrepreneurs in India.**

c. Comment upon role of government in entrepreneurship development in India.

IMPORTANT QUESTIONS

UNIT -3 & UNIT-4

➤ **SHORT QUESTIONS:**

WRITE A SHORT NOTE ON:

1. Concept of IPR
2. Patents
3. Trademark
4. Business Plan
5. Succession Planning
6. Venture Capital
7. Project Management
8. Technical Analysis
9. Social Cost Benefit analysis (SCBA)
10. Project Selection
11. Difference between PERT and CPM
12. Project Review
13. Private Equity
14. Difference between Private equity and Venture capital
15. Post Audit and administrative aspects in project
16. Financial Projections
17. Risk analysis
18. Copyright and Licensing
19. Project financing
20. Project planning and control
21. Bankruptcy
22. Project Analysis

23. Idea generation
24. Exit strategy
25. Screening of a project idea
26. Product Niche

➤ **LONG QUESTIONS:**

Q1. Explain in detail the Business plan process. What are the reasons of failure of business plan?

Q2. Discuss in detail the Succession Planning and Strategies for Harvesting and Ending Venture.

Q3. What is market feasibility? How will you determine the market feasibility of a project ?

Q4. Define venture capital. Explain various stages involved in venture financing.

Q5. What are the reasons to promote and protect intellectual property?

Q6. Discuss the kinds of intellectual property in detail.

Q7. What are the steps for writing the business plan and how the business plan is created and implemented.

Q8. Discuss the various reasons for the failure of business plan.

Q9. Describe the essential features that a system should possess to make project management effective.

Q10. Discuss the challenges that are faced by the project manager while handling the project.

Q11. Define technical analysis. Explain the various aspects of

Q12. What is network technique for project? How PERT is different from CPM?

Q13. Discuss the advantages and disadvantages of PERT and CPM.

Q14. What are financial projections? Why it is necessary in project management?

Q15. Discuss the methods of project selection in detail.

Q16. Explain the process of risk analysis. Also discuss its uses.

Q17. What is SCBA? Explain the approaches of SCBA in detail. What is the purpose of SCBA?

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Roll No.

Total No. of Pages : 02

Total No. of Questions : 17

M.Com. (2018 Batch) (Sem.-3)

ENTREPRENEURSHIP AND PROJECT MANAGEMENT

Subject Code : MCOPGE 301-18

M.Code : 76835

Time : 3 Hrs.

Max. Marks : 60

INSTRUCTIONS TO CANDIDATES :

1. SECTION-A contains EIGHT questions carrying TWO marks each and students has to attempt ALL questions.
2. SECTION-B consists of FOUR Subsections : Units-I, II, III & IV. Each Subsection contains TWO questions each carrying EIGHT marks each and student has to attempt any ONE question from each Subsection.
3. SECTION-C is COMPULSORY and consist of ONE Case Study carrying TWELVE marks.

SECTION-A

1. Social Entrepreneurship
2. Entrepreneurial Innovation
3. Project Analysis
4. Product Planning
5. Bankruptcy
6. Venture capital
7. Idea generation
8. Myths and reality

SECTION-B

UNIT-I

9. What are the functions of Entrepreneur? Explain in details the various types of Entrepreneur.
10. Define the women Entrepreneurs and discuss the problems for women entrepreneurs in rural area.

UNIT-II

11. What is entrepreneurial strategy? Highlight the theories of entrepreneurial motivation.
12. Elaborate the concept of creativity. What are the sources of new ideas? Explain the methods of generating new ideas.

UNIT-III

13. Explain in detail the Business plan process. What are the reasons of failure of business plan?
14. Discuss in detail the Succession Planning and Strategies for Harvesting and Ending Venture.

UNIT-IV

15. What is SCBA? Explain the approaches of SCBA in detail.
16. What is network technique for project? How PERT is different from CPM?

SECTION-C

17. Case Study :

The refrigerator market has almost revived after the introduction of no-frost models and the entry of a number of brands in recent times. Godrej, LG and BPL are some of the brands which have come out with campaigns to get into the “consideration set” of the consumer mindset. Whirlpool had launched a campaign for its range of frost-free fridges with an appeal different from those of the competitive brands. The advertisement projected Whirlpool as a very dependable brand in social situations avoiding embarrassment in front of hosts. It emphasizes the capability of the refrigerator to produce ice quickly when it is most needed.

Questions :

You are required :

- a. To study the various appeals of refrigerators in the market and comment on the appeal of Whirlpool in particular.
- b. Identify the specific conceptual appeal involved and comment on the positive and negative aspects of the appeal.

NOTE : Disclosure of Identity by writing Mobile No. or Making of passing request on any page of Answer Sheet will lead to UMC against the Student.