Q 1. What according to you are the critical attributes of successful entrepreneur? Answer with special reference to any entrepreneur of your choice? (2009)

OR

Your friend want to be successful entrepreneur, what tips would you give him? What are the different types of entrepreneurs? (2011)

OR

What according to you, in the essential Indian style of entrepreneurship? Give suitable illustration back by appropriate theoretical insights? (2008)

Ans. Anybody can become an entrepreneur provide he has a got a certain set of behavioral traits and mental aptitude. His success depends more on hard work than good luck .He must be a DOER and not a DREAMER. The success of an entrepreneur depends largely on his intelligence, imagination capacity to innovate and his ability to turn vision into realities. It is not necessary that he should possess a professor's intelligence a prophets foreseeing capacity a salesman Persuasiveness, a banker's financial talent, a film star's magnetic personality so on. The only capacity very Essential to become an entrepreneur the willingness to work hard. There are certain characteristic features which make an entrepreneur successful in his venture. They have been briefly discussed hereunder.

1) Hard Work: A successful entrepreneur is one who is willing to work hard from the very beginning of his Enterprise. An entrepreneur with his tenacity and hard work and pervasive perseverance can revive his Business even from the verge of collapse.

2) Business Acumen and Sincerity: Business Acumen stands for shrewdness and ability again the success of an enterprise depends upon the sincerity of the people behind the enterprise. If a person is sincere about his Venture he will move heaven and earth to make it a success.

3) Prudence: A Successful entrepreneur must be prudent in all his dealing. He should have the ability to work out the details of the venture from all angles assess the favorable factors and pitfalls and take suitable Measures to overcome the pitfalls.

4) Achievement Motivation: An achievement motivation is the most important characteristics of an Entrepreneur since all other characteristics emanate from this motivation. He must have a strong desire to achieve high goals in business. In fact this achievement motivation helps him to surmount the obstacles suppress anxieties and repair.

5) Self reliance and Independence: A Successful entrepreneur wants to follow his routine Policies and procedure and he does not like to be guided by others. He is found to be self reliant by Acting as his own master and making him responsible for all his decisions. He does not like to work for others.

6) Highly Optimistic: Successful entrepreneur is always optimistic about his future and he is never distributed by the present problems. He always expects a favorable situation for his business and hence he is able to run his business successfully in the midst of temporary hurdles. He does not allow the past to obsess him.

7) Keen Optimistic: An entrepreneur must have been foresight to predict the future business environment. He has the capacity to visualize the likely changes to take place in the market, customer’s attitude, technological development, & government Policy etc. and takes timely actions accordingly.

8) Planning and Organizing Ability: An entrepreneur is a firm believer in planning and systematic work. Above all he must have the ability to bring together all scattered resources required for starting up a new venture.

9) Innovativeness: When all is said and done innovation becomes a different task. One should be always innovative to satisfy the varying demands of customers.

10) Risk Taking: An entrepreneur is not a gambler and hence he should not assume high risk. However he must love a moderate risk situation, high enough to be exciting but with a fairly reasonable chance to win.

11) Communication Skill: Communication Skill is the secret of success most entrepreneurs. Good Communication Skills enables them to put their points across effectively and with clarity and there by helps them to win customers.

Types of Entrepreneur:-

Clarene Danhof, on the basis of his study of the American Agriculture, classified entrepreneurs in the manner that at the initial stage of economic development entrepreneurs have less initiative and drive and as economic development proceeds, they become more innovating and enthusiastic. Basing on this, he classified entrepreneurs into four types.

i. Innovating Entrepreneurs: An innovating entrepreneur is one who introduces new goods, inaugurates new method of production, discovers new market and reorganizes 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.

ii 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 under-developed regions for bringing a mushroom drive of limitation of new combinations of factors of production already available in developed regions.

iii Fabien Entrepreneurs: Fabien entrepreneurs are characterized by very great caution and scepticism in experimenting new change in the 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.

iv 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 lossess 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:

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.

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 ‘partner’

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

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.

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.

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.

Q 2. "Entrepreneurs are born & not made" Do you agree? Give reasons in support of your contention? (2010)

Ans. One of the keys to growing our economy in the 21st Century, much as in past eras, has been the importance of the entrepreneur. These are the individuals who take the risks and build the enterprises that employ people, bring innovation and new products to the economy. Over the past 10 to 15 years there has been a concerted effort to establish programs in Entrepreneurship with the idea of teaching eager and ambitious people how to start their own businesses and realize their entrepreneurial potential. This is an admirable idea with a worthwhile goal in mind, but there's a catch. While certain proficiencies such as developing a business plan or finding sources of funding can be taught, <u>but the basic profile of the entrepreneur is deeply imbedded in the personality structure of the individual and no matter how much specialized education and training is offered to a person, they either have the right stuff or they don't.</u>

In the case of the entrepreneur, the lessons of success can be imparted to anyone, but actually having the ability to implement these lessons is some-thing else altogether. What will be probably even more disconcerting to our erstwhile educators is the observation that the entrepreneurial personality is not necessarily a healthy or a well-adjusted one. In fact, the entrepreneur's personality is formed early in life, and it is likely locked into place by the person's late adolescence. At the heart of the matter are two basic needs that have a big say in whether a person is cut out to be an entrepreneur, and they are the twin needs for control and recognition. Ironically, most entrepreneurs start their own enterprises because they resist being controlled by other people. For example, when asked why they left a former employer to start their own business, many entrepreneurs will say they "didn't want to be put in a box," referring to the neat set of boxes that comprise the typical organizational chart.

Interestingly high controlling individuals tend to manage at the extremes. Initially, when they start their own businesses and their span of control is small, but manageable, they tend to be very controlling. They are unlikely to delegate to others and they have to have their hand in everything that goes on at the company. If their enterprise is successful and starts to grow rapidly, the entrepreneur soon realizes that he or she can't control everything, and their management style takes on new approach 180-degrees in the other direction from what they did previously. Specifically, the high controlling entrepreneur relinquishes all control of the operation, because that person realizes that it is impossible to control each and every detail with so many things going on at once. It is often at this stage the new business either goes to the next level under the guidance of more professional management or it shrinks back and it remains a smaller operation for the duration of its life span.

Oh by the way, there is one other natural born quality that sets entrepreneurs apart from most people. They're usually very smart. There are many people who possess high needs for control and recognition, but without the intelligence to offer a new idea or organize a business operation, they are unlikely to be entrepreneurs. In their case, they are termed "difficult employees," and they are, perhaps, the topic for another newsletter at a future date and time.

Entrepreneurial Decision Process:-

A person decides to do something either because something in that activity lures him or he takes it as option in lieu of something else, i.e., he is forced to do it by people or circumstances. The factors which lure a person to become entrepreneur are called Pull factors and the factors that compel him are called Push factors.

<u>Pull Factors</u>:

(a) **Perception of Advantages** – If a person feels that he can earn better or overall gains in terms of money. Status, security, future, etc as an entrepreneur are better than working as an employee, he tends to turn an entrepreneur.

(b) **Spotting an Opportunity** – Many employees spot a business opportunity in the course of their work and decide to exploit that opportunity rather than pass it on to their employer. Many employees buy unsuccessful businesses at throw away prices from their former employers and turn them around.

(c) **Government Policies** – Government very often formulate policies to promote certain business activity or backward areas which offer tax concessions/holidays, cash subsidies, cheap land, etc, which improve success and profit prospects.

(d) **Motivation -** From biographies or success stories.

(e) **Influenced -** By Culture, Community, Family Background, Teachers, Peers, etc. Entrepreneurship is contagious. Communities like Punjabies and Marwaries are historically entrepreneurial. They are known for seeking and exploiting business opportunities in most remote areas. It is a culture that propels them.

Push Factors:

(a) **Job Dissatisfaction** – Many people start their own venture because they feel dissatisfied with their existing jobs/boss/work environment.

(b) **Relocation** – Repeated or especially unhappy relocation sometimes prompts some people to entrepreneurship.

(c) **Joblessness** – This is the biggest source of micro level entrepreneurships. Many parents help their academically poor children, who fail to find a job, to start their own micro ventures. But success rate in such ventures is poor. The very traits responsible for their academic failure lead to business failure.

(d) **Layoff** – Layoffs often lower the market value of an employee to half. Thus, if a person is laid off and he is unable to find a suitable job for him, he might think of starting his own business.

(e) **Retirement** – Many retired, but physically and mentally fit, people start their own business either to supplement their pension/savings or just to keep themselves gainfully occupied.

(f) **Boredom** – This is applicable to many ladies from well to do families. With their army of servants to take care of home, they find an avenue to keep the boredom away and start ventures like boutiques, fashion designing, etc.

Q 3. "Intrapreneuring lies at the heart of a learning organization." Comment upon this statement & enumerate the steps involved for developing Intrapreneurial skills in the organization? (2009, 2012)

Ans. Intrapreneurship is defined as entrepreneurship within an existing business setup. That is to say Intrapreneurship is corporate entrepreneurship. When a corporation indulges in entrepreneurial activities, like diversification into new businesses, it is called Intrapreneurship. Intrapreneurs is a manager who focuses on innovation and creativity; who brainstorms, dreams and puts ideas into profitable venture by operating within the organisational environment. It is a tool for capitalizing the entrepreneurial spirit of employees in the organisation. It gives managers the freedom to try new ideas by employing firm's resources in a unique way.

Characteristics of Intrapreneurs:-

An Intrapreneur is not far removed from an entrepreneur. The major difference being that an entrepreneur risks his own money where as an Intrapreneur works with his employer's money. Thus, the risk level of an Intrapreneur is considerably reduced. Secondly, the desire for independence and material success is not as strong in case of Intrapreneurs. For most other characteristics, the two match perfectly.

1. **Vision** – It is the basis for successful venture. An Intrapreneur has ability to visualise from idea to implementation.

2. **Motivation** – Intrapreneur is generally self motivated, but expect corporation reward and recognition.

3. **Orientation** – Intrapreneur is achievement oriented.

4. **Risk Appetite** – Intrapreneurs are moderate risk takers since risk acceptance depends on their skills. Wild risk takers are not affordable to corporate.

5. **Locus of status** – Intrapreneurs wants to do the work on their own rather than delegate like managers

6. **Failure and Mistakes** – Intrapreneurs hide risky projects and ideas to ensure learning without political cost and public failure. They develop multi disciplinary team in the organisation and may go beyond organisation boundaries for results.

7. **Goal set up** – Intrapreneur is determined to do things not even asked for. They set goals and quality standards.

Steps for Setting Intrapreneurship in Organisation:-

1. Secure Commitment to Intrapreneurship from Top, Upper and Middle Management:

- **Cultural Changes** – The cultural changes needed to development the spirit of Intrapreneurship in an organisation is not possible without whole hearted commitment of its full line of higher management. It requires prolonged commitment and investment in arranging to expose the spirit of Intrapreneurship among the employees. Talk shows are organised and bulletins published to expose people to this concept. Seminars and strategy sessions are held to transform the organisation into an intrapreneurial organisation.
- **Resource Requirement** – Intrapreneurship demands commitment of lot of resources; material as well as human. Without commitment of higher management, such resources will not be available for any Intrapreneurial venture.
- **Confidence Building** – While Intrapreneurship leads to rich rewards for the company, there is very little direct benefit to the employees. Most tend to work as Intrapreneur to give expression to their creative zeal. On top of that, there is always a fair amount of risk of failure in such ventures. Therefore, unless the employees have full support of the higher management, they will not stick their neck out in such a venture.

2. Create Framework for Intrapreneurship: Once cultural changes have been launched, which is a long slow process lasting approximately 2–3 years, parallel, a framework needs to be developed as to how the ideas will be processed and executed, how they will be funded, how they will be monitored and how will the losses, whenever they occur will be accounted.

3. Identification of Intrapreneurial Leaders: Not everyone has entrepreneurial spirit. Therefore, people with entrepreneurial characteristic need to be identified, selected and trained. Along with training, a mentor/sponsor system is also needed to be developed. These mentors from the top management will give the needed guidance and support to the Intrapreneurial leaders.

4. Identify the general areas of Intrapreneurial Thrust: Every company has a priority area where it would like to move forward. Such areas need to be identified and notified to employees. An IT company would rarely want to foray into hardcore manufacturing sector even if the prospects are quite promising.

5. Improve Responsiveness and Flexibility: Intrapreneurial spirit cannot sustain the usual snail paced and ultra cautious bureaucratic decision making process in case of capital investments that is typical of ordinary organisations. Use of technology to speed up decision making process and induce flexibility in the process is required.

6. Modifying Organisational Structure: A fat hierarchical organisational structure is inherently sluggish in decision making. A flat organisational structure is more suited to the Intrapreneurship. Therefore, certain modifications to the organisational structure may be needed. However, it is easier said than done.

7. Publicity of Ideas: New ideas should be well publicised. While such publicity is a morale booster for the author of the idea and therefore encourages more people to come forward with ideas, published ideas get scrutinised and value added by other people.

8. Tapping Customers Base for New Ideas: Customers are the richest source of new ideas. 3M Corporation, holding over 6 lakh patents, claims that almost 70% of new ideas have been contributed by the customers themselves.

9. Create Strong Support Structure for Intrapreneurship: This is particularly important since most people have short term focus on quarterly, half yearly and yearly numbers. Intrapreneurial ventures are long term projects and therefore may get overlooked for funding and other support. Similarly, appraisal of the Intrapreneurs may get adversely affected since there is nothing concrete to show quarter by quarter. Such a mishap is to be strongly guarded against because if such a thing does happen, it would kill the initiative among the employees.

10. Create a Strong Reward System Linked to Performance of the Intrapreneurial Venture: Notwithstanding all the OB theories to the contrary, nothing works as fast and as effectively as tangible/material rewards system to motivate most people to put their best feet forward.

11. Create an Evaluation System: Some Intrapreneurial venture is bound to fail for various reasons including change in external environment. Also, some ventures are likely to astonish with their success even the most optimistic supporters. Therefore, regular evaluation of the ventures in hand is necessary. Promising ventures might need further thrust or scaling up in size while unsuccessful need to be wound up.

Q 4. What are various quick start routes to entrepreneurship? Discuss their relative merits & De-merits? (2009, 2012)

OR

What is meant by franchising? Why is it said to be a gift of the 20th century to the world of business? Also discuss the merits & demerits of franchising as a quick start route to business? (2010)

Ans. An entrepreneur has four options to start business. They are as follows;

1) Franchising:-

The toughest part of business is to gain customer acceptance and trust for your product. Franchising is an start-up strategy that minimises this uncertainty from business venture. Franchising strategy is adopted by well established and visible brands. Franchising is a special form of licensing which allows the franchisee to sell a highly publicised product or service using the franchiser's brand name or trademark, carefully developed procedures and marketing strategies. The franchise is operated by the franchisee, who must adhere to the strict policies of the franchising company. Like in case of licensing, in this case too, the franchisee pays a fee to the franchiser, normally as percentage of sales. McDonald outlets are all franchisee outlets. Actually most of the food chain companies' outlets are franchisee outlets. The entrepreneur is trained in conduct of business and supported in marketing by the franchiser besides using a name that has some established image and some ready customers.

Four Characteristics of Franchising –

(a) A contractual relationship in which franchise licenses the franchisee to carry out business under the name owned by or associated with franchiser.

(b) Controlled by the franchiser over the way in which franchisee carries out the business.

(c) Assistance to the franchisee by the franchiser in running the business prior to commitment and throughout the contract period.

(d) Franchisee's business is a separate entity from that of the franchiser. The franchisee provides and seeks capital in the venture.

There are three types of franchising available –

(i). **Product Franchising:** Sales outlets are franchised. Most of the apparels and shoes companies follow this format. It facilitates easy accessibility to the product for customer and achieves sale transaction without any value addition.

(ii). **Process Franchising:** outlets are granted to use the brand name and process of the franchiser. The process and recipe are generally patented by the parent company. Like soft drinks companies who franchise bottling plants.

(iii). **Business format franchising:** Name, sale and method of doing business are transferred for a yearly fee/percentage of yearly sales. McDonald's outlets fall in this category. This is the most common type of franchising.

Advantages to the Entrepreneur –

- **Product Acceptance:** The franchisee usually enters into a business that has an accepted brand name and therefore ready customer base. The franchisee therefore does not have to spend resources trying to establish the credibility of the business.
- **Management Expertise:** Management assistance is provided by the franchiser. Each new franchise is often required to take a training program on all aspects of operating the franchise. This training could include classes in accounting, personnel management, marketing and production.
- **Capital Requirement:** A new venture can be costly both in terms of time and money. The franchise offers an opportunity to start a new venture with upfront support that could save the entrepreneur significant time and possibly less capital. In some cases the franchiser will also finance the initial investment to start the franchise operation. The initial capital required to purchase the franchise generally reflects a fees for the franchise, construction cost and purchase of equipment. The pre-structured layout of the facility, control of stock, inventory and the potential buying power of the entire franchise operation can save the entrepreneurs significant funds.
- **Knowledge of the Market:** Most franchiser will be constantly evaluating market conditions and determining the most effective strategies to be communicated to the franchisees.
- **Operating and Structural Control:** Two problems that many entrepreneurs have in starting a new venture are maintaining quality controls of the product and services and establishing effective managerial controls. Administrative controls usually involve financial decisions revolving to cost, inventory, cash flow and personal issues such as criteria for hiring/firing, scheduling and training to ensure

consistent service to the customer. These controls will usually be outlined in a manual supplied to the franchisee by the franchiser.

Advantages to Franchiser –

- **Expansion Advantage:** The most obvious advantage of franchising as an expansion strategy for the entrepreneur is that business can be expanded quickly with little capital. A franchiser can expand a business nationally and even internationally by authorising and selling franchise in selected locations. The capital necessary for this expansion is much less than it should be without franchising. Operating a franchised business requires fewer employees than a non franchised one. Head quarters and regional offices can be slightly modified to primarily support the needs of the franchises.
- **Cost Advantages:** The franchiser can purchase supplies in large quantities and get economies of scale that would not have been possible otherwise. Many franchised businesses purchase parts, accessories, packaging and raw material in large quantities and then in turn sell them to franchisees.

Problems in Franchising –

- The problem in franchising usually centres on the inability of the franchiser to provide service and advertising. When promises made in the franchise agreement are not kept, the franchisee may be left without any support in important areas.
- The franchisee may also face a problem when a franchiser fails or is brought out by another company. In some case, the franchiser finds it difficult to find quality franchisee. Poor management can cause individual franchise failure.

2) Acquisition:-

An acquisition is the purchase of a company or a part of it so that the acquired company is completely absorbed and no longer exists as business entity. Entrepreneur can start & expand the venture by acquiring an existing business.

Advantages of Acquisition –

- Acquired firm has an established management and operating practices.
- Entrepreneur gets a well established customer base from the acquired firm

- Entrepreneur acquires well established channels and sales structure, suppliers, retailers, wholesalers, manufacturers by acquiring the firm.
- Actual cost of acquiring can be lower than other methods of expansion
- The employees of the existing business can be an important asset & can help the business to continue its successful mode.
- Since entrepreneur does not have to find suppliers, channel members, employees or customers more time can be spent assessing opportunities to expand the business.

Disadvantages of Acquisition –

- Most firms offered for acquisition have an erratic, marginally successful or even unprofitable track record. It is important to review the records to assess future potentials.
- Entrepreneur may assume he can succeed where others have failed. Self evaluation is important before agreement.
- Even though the entrepreneur brings new ideas & management qualities, the venture may never be successful for reasons that are not possible to correct.
- When business changes hands, often, key employees also leave. Loss can be devastating since value of business is often a reflection of efforts of employees.
- It is possible that purchase price is too high

Determining the Price of an Firm for Acquisition –

There are three main valuation processes a entrepreneur can use to determine the fair price of an acquisition;

(a) Asset Based Price of firm is calculated on the basis of value of tangible assets

(b) Discounted Cash flow Method for calculating the present value of future earnings

(c) Market Valuation of Approximately Similar Companies

<u>3) Joint Ventures</u>:-

Joint Ventures are partnership projects. Two or more companies join hands to launch a third company. While the capital is often shared between the JV companies, there is a complementary relationship between the strengths and weaknesses of the two companies. While one firm may have cutting edge technology but no knowledge of marketing dynamics of other country, second firm may have obsolete technology but a strong presence in that product segment of targeted market. Thus, coordination of superior technology and equally strong marketing and managerial strength creates a formidable company which has all strengths and few weaknesses. Airbus Industries of Europe is a joint venture among many companies in Britain, France, Spain and Germany.

4) Ancillarisation:-

An ancillary unit is defined as an industrial undertaking engaged in;

1. Manufacturer of parts & components, sub– assemblies, tooling or intermediates
2. Supply not less than 50 % of its production to one or more other industrial undertaking for use in their production. Major part of production of an ancillary unit is used by another company in its production. Thus, a company engaged in supplying headlights or rear view mirror to Maruti is an ancillary unit if 50% or more of its sales come from supply to Maruti and other car manufacturers. However, a tyre company supplying tyres to Maruti cannot be called an ancillary unit because its major part of production is not consumed by a few industrial units. Thus, an SSI can be an ancillary but every SSI is not an ancillary.

Advantages of Ancillarisation –

- Investment can be minimised by sourcing part of requirements by subcontracting to an ancillary unit.
- JIT concept followed by many Ancillary units helps the large companies to bring down the inventory level and saves a lot of money.
- Sourcing is economical from ancillary units that are normally located near the company.
- Ancillary units work with the parent companies in the process & product development.

Major benefits of Ancillarisation Drive to a Country –

- It is the first step towards full fledged industrialisation of the country. India is now embarking on this path through ancillarisation of automobile spares.
- Helps in generating employment
- Helps in growth of GDP
- Promotes entrepreneurship

Problems with Ancillarisation –

Delay in payments puts ancillary company in big trouble. If the parent company is big, then the ancillary company finds it difficult to take even any legal action for non payment.

- When parent company revises the specifications, ancillary units are sometimes not given the expected support for adopting the higher technology, nor given sufficient time to bring changes in the technology to match that of parent company.
- Reckless multiplication of suppliers by the parent company makes the ancillary units operate below BEP. As a result these units incur losses because of capacity under utilisation.
- Any problems in production or marketing of parent units' product reflect on sales of ancillary unit due to its overdependence.

Q 5. "Social entrepreneurship is the need of the hour." Bring out the significance of this statement & also put forward an integrated action plan for stepping up social entrepreneurship in the country? (2009, 2012)

Ans. Social entrepreneurship is the recognition of a social problem and the uses of entrepreneurial principles to organize create and manage a social venture to achieve a desired social change. While a business entrepreneur typically measures performance in profit and return, a social entrepreneur also measures positive returns to society. Thus, the main aim of social entrepreneurship is to further broaden social, cultural, and environmental goals. Social entrepreneurs are commonly associated with the voluntary and not-for-profit sectors, but this need not preclude making a profit. Social entrepreneurship practiced with a world view or international context is called international social entrepreneurship.

A well known modern social entrepreneur is Muhammad Yunus, founder and manager of Grameen Bank and its growing family of social venture businesses, who was awarded a Nobel Peace Prize in 2006. The work of Yunus and Grameen echoes a theme among modern day social entrepreneurs that emphasizes the enormous synergies and benefits when business principles are unified with social ventures. In some countries - including Bangladesh and to a lesser extent, the USA social entrepreneurs have filled the spaces left by a relatively small state. In other countries particularly in Europe and South America they have tended to work more closely with public organizations at both the national and local level. In India, a social entrepreneur can be a person, who is the founder, co-founder or a chief functionary of a social enterprise, or a Non Profit, which raises funds through some services and occasionally products. Today, nonprofits and non-governmental organizations, foundations, governments, and individuals also play the role to promote, fund, and advise social entrepreneurs around the planet. A growing number of colleges and universities are establishing programs focused on educating and training social entrepreneurs.

With the current economic climate, it is very likely that social needs will increase and, consequently, the number of people committed to addressing them will increase. Definition of social entrepreneurship has changed over time. From corporate philanthropy to non-profit and now to self-sustainability, Social Entrepreneurship has evolved and will keep evolving with time and needs of the world. Social entrepreneurship is expected to be the next big thing to influence India as the country juggles to achieve a balance between a growing GDP growth, ensuring inclusive growth and attempting to address issues ranging from education, energy efficiency to climate change.

The Challenges for Social Entrepreneurs –

The problems that social entrepreneurs face can be similar to the problems their counterparts in the business world face when it comes to the challenges of starting, running and sustaining a business. Before entering a market with a new business idea, a social entrepreneur should have a clear understanding of the problems and issues they may face so that they can make informed decisions. Some of the major challenges are outlined in the following text:

1. The first challenge has to do with governments. The majority of them have yet to recognize social entrepreneurship as a legitimate field of endeavour.

2. Entrepreneurship in India is still encumbered by the traditional educational system of the country. As education is the main source for promoting entrepreneurship in the business sector of the economy, there is still a lack of specific curriculum on entrepreneurship development in the Indian education system. Due to this gap in the Indian education system the country's entrepreneurial sector is still underdeveloped and struggling. Even business schools that have developed curriculum on entrepreneurship are lacking in terms of social entrepreneurship.

3. The next challenge is to encourage businesses to discover the competitive advantages offered by working in partnership with social entrepreneurs. From a financial perspective, reaching untapped markets can be greatly facilitated by linking with social entrepreneurs who have spent decades designing, implementing and refining innovative ways of bringing previously excluded groups into the marketplace. From a human resources perspective, the ability to attract top talent is a major challenge for companies. But the best and the brightest today are looking for more than impressive salaries and stock options. They want something more something that gives meaning to their work and their lives. Supporting social entrepreneurs in different ways shows that companies care about more than the bottom line.

4. Lack of capital is a major challenge for the Indian entrepreneur. Generally, the social entrepreneurs run their business with their own funds or by raising funds from the local money lenders at a high rate of interest, which sometimes becomes a financial burden on them. The reason behind this is the bank's avoidance to providing loan facilities for social entrepreneurs given the various social complications attached with them.

5. Over the last decade there has been a strong call for their reform to render these organizations better equipped to respond to the challenges of the 21st century. Strong criticism has been levelled at multilateral financial institutions, particularly those responsible for finance, development and trade, for their failure to engage civil society and interest groups in consultations on their policies. Some institutions have responded by devoting time and energy to dialogue with non-state actors. But more needs to be done. We are in an interesting phase of new thinking and experimentation, and this is where these institutions have a vital and catalytic role. They should embrace risk as a key opportunity for global renewal, and make it a priority to spot and legitimize those who have the capacity to imagine and the ability to implement what they imagine through disciplined innovation.

6. The next challenge for social entrepreneurs relates to foundations and philanthropists who should be the ones catalyzing social transformation by supporting the social innovators. Foundations and high net worth individuals are certainly well placed to engage in that process, as they are free of two forces that dominate the decisions of governments and business respectively.

7. Lack of government support is a major hindrance for social business development in India. Currently, the government is not providing any kind of assistance for promoting these social cause ventures. The government's policies and regulations for social entrepreneurs are very complex and strict, with no tax incentives or subsidies being provided for a social business, the combination of which acts as major impediment to the growth of social businesses in India.

8. Social enterprises have to get competent manpower from a variety of sources professionals, volunteers, labourers and community participants. To align the motives of all these groups with the long term growth of the organization is a challenge for the founders. In order for social enterprises to fulfil their mission in a holistic manner they must typically employ manpower from the underprivileged sector of the society, leading to increased training and developmental cost as these people are typically uneducated and unskilled. The organizations have to attempt to fulfil the aspirations of all these divergent groups and still come out with the best results.

Q 6. What is creativity? How can one nurse & promote it effectively in entrepreneurial organization so as optimize results? (2012)

OR

Creativity is the primary motivation in entrepreneurship. An entrepreneur looks from different point of view e.g. How would you apply the creativity process to : (a) Ball Pen (b) Mobile (c) Stapler (d) Handkerchief

Ans. Creativity is an important attribute of a successful entrepreneur. Unfortunately, creativity tends to decline with age, education, lack of use and bureaucracy. It generally declines in stages, beginning when person starts school; it continues to deteriorate through the teens and continues to progressively lessen through ages 30, 40, 50.

Creative Problem Solving Techniques:-

1. Brainstorming:

The first technique, brainstorming, is probably the most well known and widely used for both creative problem solving and idea generation. In creative problem solving, brainstorming can generate ideas about a problem within a limited time frame through spontaneous contributions of participation. A good brainstorming session stars with a problem statement that is neither too broad nor too narrow. Once problem statement is prepared, 6 to 12 individuals are selected to participate. To avoid inhibiting responses, no group members should be a recognized expert in the field of problem. All ideas, no matter how illogical, must be recorded, with participants prohibited from criticizing or evaluating during the brainstorming session.

2. Brain-writing:

Brain-writing is a form of written brainstorming. It was created by Bernd Rohrabacher at the end of 1960 under the name of Method 635 and differs from classical brainstorming by giving participants more time to think than in brainstorming sessions, where the ideas are expressed spontaneously. Brain-writing is silent, written generation of ideas by a group of people. The participants write their ideas on special forms or cards that are circulated within the group, which usually consists of 6 members. Each group member generates and writes down three ideas during a five-minute period. The form is passed to the adjacent person, who writes down three new ideas, and so on, until each form has passed all participants.

A leader monitors the time internals and can reduce or lengthen the time given to participants according to the needs of the group. In a variation of this idea generation method, the participants are located at their own workplaces and the sheets are rotated by e-mail, in which case the time internal can be longer.

3. Gordon Method:

The Gordon Method, unlike many other creative problem-solving techniques, begins with group member not knowing the exact nature of the problem. This ensures that the solution is not clouded by preconceived ideas and behavioral patterns. The entrepreneur starts by mentioning a general concept associated with the problem. The group responds by expressing a number of ideas. Then a concept is developed, followed by related concepts, through guidance of the entrepreneur. The actual problem is then revealed, enabling the group to make suggestion for implementation and refinement of the final solution.

4. Checklist Method:

In the Checklist method, a new idea is developed through a list of related issues or suggestions. The entrepreneur can use the list of questions or statement to guide the direction of developing entirely new idea or concentrating on specific “ideas” areas.

The checklist may take any form and be any length. One general checklist is as follows:

- Put to other uses? New ways to use as is? Other uses if modified?
- Adapt? What else is like this? What other ideas does this suggest? Does past offer parallel? What could I copy? Whom should I emulate?
- Modify? New twist? Change meaning, colour, motion, odour, form and shape? Other Changes?
- Magnify what to add? More time? Greater frequency? Stronger? Larger? Thicker? Extra value? Plus ingredient? Duplicate? Multiply? Exaggerate?
- Minify? What substitute? Smaller? Condensed? Miniature? Lower? Shorter? Lighter? Omit? Streamline? Split up? Understated?
- Substitute? Who else? What else instead? Other ingredient? Other material? Other process? Other power? Other place? Other approach? Other tone of voice?

- Rearrange? Interchange components? Other pattern? Other layout? Other sequence? Transpose cause and effects? Change pacts? Change schedule?
- Reverse? Transpose positive and negative? How about opposites? Turn it backward? Turn it upside down? Reverse roles? Change shoes? Turn tables? Turn other cheeks?
- Combine? How about a blend, an alloy, an assortment, an ensemble? Combine units? Combine purpose? Combine appeals? Combine ideas?

5. Free Association:

One of the simplest yet the most effective methods that entrepreneurs can use to generate new ideas is free association**.** This technique is helpful in developing an entirely new slant to a problem. First, a word or phrase related to a problem is written down, then another and another, with new word attempting to add something new to the ongoing thought processes, thereby creating a chain of ideas ending with a new product idea emerging.

6. Forced Relationships:

Force Relationships**,** as the name implies, is the process of forcing relationships among some product combinations. It is a technique that asks questions about objects or ideas in an effort to develop new ideas.

The new combination and eventual concept is developed through a five-step process:

- Isolate the elements of the problem
- Find the relationship between this elements
- Record the relationship in an orderly form.
- Analyze the resulting relationships to find ideas or patterns.
- Develop New ideas from these patterns

7. Collective Notebook Method:

In the collective notebook method**,** a small notebook that easily fits in the pocket – containing a statement of the problem, blank pages and any pertinent background data is distributed. Participant considers the problem and its possible solutions, recoding ideas at least once, but preferably three times, a day. At the end of a month, a list of best ideas is developed, along with any suggestions. This technique can also be used with a group of individuals who recorded their ideas, giving their notebooks to a central coordinator who summaries all the material. The summary becomes the topic of the final creative focus group discussion by the group participants.

8. Attribute Listing:

Attribute listing is an idea-finding technique that requires the entrepreneur to list the attributes of an item or problem and then look at each from a variety of viewpoints. Through this process, originally unrelated objects can be brought together to form a new combination and possible new uses that better satisfy a need.

9. Big-Dream Approach:

The big-dream approach, to coming up with a new idea requires that the entrepreneur dream about a problem and its solution, in other words, thinking big. Every possibility should be recorded and investigated without regard to all the negatives involved or the resources required. Ideas should be conceptualized without any constraints until an idea is developed in a workable form.

10. Parameter Analysis:

A final method for developing a new idea – parameter analysis – involves two aspects:

- Parameter identification
- Creative synthesis

As indicated in the below figure, step one involves analyzing variables in the situation to determine their relative importance. These variables become the focus of the investigation, with other variables set aside. After the primary issues have been identified, the relationships between the parameters that describe the underlying issues are examined. Through an evaluation of the parameters and relationships, one or more solutions are developed; this solution development is called creative synthesis.

Q 7. Outline the points of similarities & differences between entrepreneurs & manager. Provide appropriate example? (2008, 2009)

Ans. An Entrepreneur and a Manager make an interest comparison. To succeed as an entrepreneur, one is required to possess great managerial skills and more. Therefore, there are a lot of commonalities between the two in terms of planning, organising, directing and controlling abilities which are essential qualities of a manager. There comparison is as follows:

Comparison of Entrepreneurs, Intrapreneurs and Traditional Managers			
	Traditional Managers	**Entrepreneurs**	**Intrapreneurs**
Primary Motives	Promotions and other Traditional Corporate rewards such as office, staff and power	Independence, opportunity to create and Money	Independence and ability to advance in corporate rewards
Time Orientation	Short Term - Meeting Quotas and Budgets, weekly, monthly, quarterly and annual planning horizon	Survival and achieving 5 to 10 year growth of business	Between Entrepreneur and traditional managers depending on urgency to meet self imposed and corporate timetable
Activity	Delegates and supervises more than direct involvement	Direct Involvement	Direct involvement more than delegation
Risk	Careful	Moderate Risk Taker	Moderate Risk Taker
Status	Concerned about status symbols	not concerned about status symbols	not concerned about traditional status symbols --- desires independence
Failure and Mistakes	Tries to avoid mistakes and surprises	Deals with Mistakes and failures	Attempts to hide risky projects from view until ready
Decisions	Usually agrees with those in upper management positions	Follows dream with decisions	able to get others to agree to help achieve dream
Who Serves	Others	Self and Customers	Self, Customers and Sponsors
Family History	Family members worked for large organizations	Entrepreneurial small business, professional or farm background	Entrepreneurial small business, professional or farm background
Relationship with Others	Hierarchy as basic relationship	Transaction and deal making as basic relationship	Transactions within Hierarchy

Q 8. "Gender Bias is the largest single stumbling block that hiders the progress of entrepreneurs." Elaborate with the help of suitable theoretical insights & practical examples. Also outline a strategy to deal effectively with gender bias? (2008, 2010, 2011)

OR

Explain the problem faced by women entrepreneurs in India. Narrate the organization which supports women entrepreneurs, enabling them to solve their problems & progress further. (2012)

Ans. Women entrepreneurs 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". The Government of India has defined women entrepreneurs based on women participation in equity and employment of a business enterprise. Accordingly, a women entrepreneur is defined as "an enterprise owned and controlled by a women having a minimum financial interest of 51 percent of the capital and giving at least 51 percent of the employment generated in the enterprise to women". However, this definition is subject to criticism mainly on the condition of employing more than 50 percent women workers in the enterprises owned and run by the women.

In nutshell, women entrepreneurs are those women who think of a business enterprise, initiate it, organize and combine the factors of production operate the enterprise and undertake risks and handle economic uncertainly involved in running a business enterprise.

Problem Faced by Women Entrepreneurs in India:-

1. Problems of Finance:

Finance is regarded as "life-blood" for any enterprise, be it big or small. However, women entrepreneurs suffer from shortage of finance on two counts. Firstly, women do not generally have property on their names to use them as collateral for obtaining funds from external sources. Thus, their access to the external sources of funds is limited. Secondly, the banks also consider women less credit worthy and discourage women borrowers on the belief that they can at any time leave their business. Given such situation, women entrepreneurs are bound to rely on their own savings, if any and loans from friends and relatives who are expectedly meagre and negligible. Thus, women enterprises fail due to the shortage of finance.

2. Scarcity of Raw Material:

Most of the women enterprises are plagued by the scarcity of raw material and necessary inputs. Added to this are the high prices of raw materials, on the one hand, and getting raw material at the minimum of discount on the other. The failure of many women cooperatives in 1971 engaged in basket making is an example how the scarcity of raw material sounds the death-knell of enterprises run by women.

3. Stiff Competition:

Women entrepreneurs do not have organizational set us to pump in a lot of money for canvassing and advertisement. Thus, they have to face a stiff competition for marketing their products with both organized sector and their male counterparts. Such a competition ultimately results in the liquidation of women enterprises.

4. Limited Mobility:

Unlike men, women mobility in India is highly limited due to various reasons. A single woman asking for room is still looked upon suspicion. Cumbersome exercise involved in starting an enterprise coupled with the officials' humiliating attitude towards women compels them to give up idea of starting an enterprise.

5. Family Ties:

In India, it is mainly a woman'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.

6. Lack of Education:

In India, around three fifths (60%) of women are still illiterate. Literacy is the root cause of socio-economic problems. Due to the lack of education and that too qualitative education, women are not aware of business, technology and market knowledge. Also, lack of education causes low achievement motivation among women. Thus, lack of education creates problems for women in the setting up and running of business enterprises.

7. 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 able, i.e. weak in all respects. Women suffer from male reservations about a woman's role, ability and capacity and are treated accordingly. In nutshell, in the male dominated India society, women are not treated equal to men. This, in turn, serves as a barrier to women entry into business.

8. Low Risk-Bearing Ability:

Women in India lead a protected life. They are less educated and economically not self dependent. All these reduce their ability to bear risk involved in running and enterprise. Risk bearing is an essential requisite of a successful entrepreneur.

In addition to above, problems, inadequate infra structural facilities, shortage of power, high cost of production, social attitude, low need for achievement and socio-economic constraints also hold the women back from entering into business.

Development of Women Entrepreneurs –Recent Trends:-

Days are gone when women in India remained confined to within four walls of their homes and their immense strength and potential remained unrecognized and unaccounted for. Now, they are increasingly participating in all spheres of activities. The fact remains that the citadels of excellence in academic, politics, administration, business and industry are no longer the prerogatives of men in India. The general consensus that is emerging in all discussions relating to the development of women is that promotion of women entrepreneurs should form an integral part of all development efforts. Te experience of the United Stated where the share of women owned enterprises is continuously on increase strengthens the view that the future of small –scale industries depends very much on the entry of women into industry. Several national and international organizations and agencies have appreciated the need for and importance of developing women entrepreneurs in recent years. A brief review of it is given here.

With a view to develop better half of the society, the United Nations declared the decade 1975-85 as the decade for Women. The UNIDO preparatory Meeting on the Role of

Women in industrialization in Developing Countries held at Vienna during 6-10 February, 1978 identified several constraints such as social, attitudinal and institutional barriers, inadequate employment opportunities, inappropriate and inadequate training, insufficient information and so on which held women back from participating in industrial activities. The World Conference of the United Nations Decade for Women held at Copenhagen in Denmark, on 30th June 1980 also adopted a programme aimed at promoting full and equal opportunities and treatment of women in employment and their access to non-traditional skilled trades.

The First National Conference of Women Entrepreneurs held at New Delhi in November 1981 advocated the need for developing women entrepreneurs for the overall development of the country. It called for priority to women in allotment of land, sheds, sanction of power, licensing, etc. The Second International Conference of Women Entrepreneurs organized by the National Alliance of young Entrepreneurs (NAYE) held in 1989 at New Delhi also adopted certain declarations involving women's participation in industry.

The Government of India has been assigning increasing to the development of women entrepreneurs in the country in recent years. The Sixth Five Year Plan, for example, proposed for promoting female employment in women owned industries. The Government moved a step forward in the Seventh Five Year Plan by including a special chapter on integration of Women in Development. The chapter suggested:

- To treat women as specific target groups in all development programmes.
- To devise and diversify vocational training facilities for women to suit their varied needs and skills.
- To promote appropriate technologies to improve their efficiency and productivity.
- To provide assistance for marketing their products.
- To involve women in decision making process.

In her recent Industrial Policy 1991, the Government of India further stressed the need for conducting special entrepreneurship development programmes for women with a view to encourage women to enter industry. Product and process oriented courses enabling women to start small-scale industries are also recommended in the policy statement.

There are several institutional arrangements both at the centre and the state levels like nationalized banks, state financial corporations, state industrial corporations, district industry centres and voluntary agencies like FICCI’s Ladies organization (FLO), National Alliance of Young Entrepreneurs (NAYE) which have been engaged in protecting and developing women entrepreneurs in the country. Added to these are national and international women associations set up with a purpose to create a congenial environment for developing women entrepreneurship in rural and urban areas.

Q 9. Outline & discuss the socio-cultural, legal economic, political & technological factors (PEST) Which can make or mar the entrepreneurial climate in the county. Discuss this with special reference to the contemporary Indian environment? (2008, 2009, 2012)

OR

Describe the process the of scanning the environment to start an entrepreneurial venture, please give a scheme to short list a few good business idea?

Ans. For a new venture to be set up, an initial environment analysis is critically required to identity trends, changes accruing at national and international level, gather knowledge about the government polices in terms of financial and commercial impact on the company, knowledge about raw material ability, infrastructure and utilities availability at the proposed site, etc.–

Analysis of External (Macro) Environment:- Macro environment is source of threats, opportunities & constraints and uncontrollable. Therefore, the strategy has to be drawn around those uncontrollable within the constraints imposed and opportunities offered by them. Macro Environment can be further sub-dived into following

(A) Remote Environment (Global as well as Domestic)

(i) Social

(ii) Legal

(iii) Economic

(iv) Political

(v) Technological

(B) Industry Environment (Porter's five forces model)

(i) Entry Barriers

(ii) Suppliers Powers

(iii) Buyers' Power

(iv) Substitute Availability

(v) Competitive Rivalry

(C) Operating Environment

(i) Competitors

(ii) Creditors

(iii) Customers

(iv) Labour

(v) Suppliers

(D) Socio - Cultural Environment

(i) Demographic factors such as:

- Population size and distribution
- Age distribution
- Education levels
- Income levels
- Ethnic origins
- Religious affiliations
- Housing conditions

(ii) Attitudes/Belief towards: Materialism/capitalism/socialism, free enterprise individualism, role of family, role of government, collectivism, language, etc

(iii) Cultural structures including: Religious beliefs and practices, consumerism, environmentalism, Work Ethics, Pride of accomplishment, diet and nutrition, etc.

(E) Technical Environment

(i) Efficiency of infrastructure, including: roads, ports, airports, rolling stock, hospitals, education, healthcare, communication, etc.

(ii) New manufacturing processes

(iii) New products and services of competitors

(iv) New products and services of supply chain partners

(v) Any new technology that could impact the company

(F) Legal Environment

(i) Minimum Wage laws

(ii) Environmental Protection laws

(iii) Industrial laws

(iv) Union laws

(v) Copyright and Patent laws

(vi) Effectiveness of Law & Order enforcement machinery.

(G) Political Environment

(i) **Political Climate:** Type of govt (Capitalist/Communist/Democratic/Autocratic etc.)

(ii) **Political Stability and Risk** – What political stability relates to business is the stability of govt policies. In many countries like Japan, Italy, France, and Germany and even in our own country, governments have changed but business policies of the govt have remained constant over the time. Political instability is serious when business policies change drastically with governments.

(H) Economic Environment

(i) GNP or GDP per capita

(ii) Economic growth rate

(iii) Inflation rate

(iv) Consumer and investor confidence

(v) Currency exchange rates

(vi) Unemployment rate

(vii) Balance of payments

(viii) Future trends

(ix) Budget deficit or surplus

(x) Corporate and personal tax rates

(xi) Import tariffs and quotas

(xii) Export restrictions

(xiii) Restrictions on international financial flows

Scanning these macro environmental variables for threats and opportunities requires that each issue be rated on two dimensions. It must be rated on its potential impact on the company, and rated on its likeliness of occurrence. Multiplying the potential impact parameter by the likeliness of occurrence parameter gives us a good indication of its importance to the firm.

Q 10. Imagine that you are professor of entrepreneurship management & you have to address MBA student on "Importance of entrepreneurship". How will you go about this task? (2010)

Ans. The word development is used in so many ways that its precise connotation is often baffling. Nevertheless economic development essentially means process of upward change whereby the real per capita income of a country increases over a long period of time. Then a simple but meaningful question arises what causes economic development? This question has absorbed the attention of scholars of socio-economic change for decades. In this section we attempt to shed light on an important aspect of that larger question, the phenomenon of entrepreneurship. The one major issue we address here is what is the significance of entrepreneurship of economic development?

Adam Smith, the foremost classical economist, assigned no significance to entrepreneurial role in economic development in his monumental work 'An enquiry into the nature and causes of the wealth of nations, published in 1976. Smith extolled the rate of capital formation as an important determinant of economic development. The problem of economic development was ergo largely the ability of the people to save more and invest more in any country. According to him each individual is led by an invisible hand in pursing his / her interest. He always advocated the policy to liassez – faire in economic affairs. In this theory of economic development, David Ricardo identified only three factors of production namely, machinery, capital and labour, among whom the entire produce is distributed as rent, profit and wages respectively. Ricardo appreciated the virtues of profit in capital accumulation. According to him, a profit lead to saving of wealth ultimately goes to capital formation.

Thus in both the classical theories of economic development, there is no room for entrepreneurship. And, economic development seems to be automatic and self regulated. Thus the attitude of classical economists was very cold towards the role of entrepreneurship in economic development. They took the attitude: "the firm is shadowy entity and entrepreneur even shadowed – or at least is shady when he is not shadowy". The economic history of the presently developed countries for example America, Russia and Japan sends to support the fact that the economy is an effect for which entrepreneurship is the cause. The creepy role played by the entrepreneurs in the development of the western countries has made the people of under developed countries too much conscious of the significant of entrepreneurship for economic development. It is necessary to increase entrepreneurship both quantitatively and qualitatively in the country. It is only active and enthusiastic entrepreneurs who fully explore the potentialities of the countries available resources. “Labour, technology and capital.”

Schumpeter visualized the entrepreneurs as the key figure in economic development because of his role in introducing innovation. Parson and Smelser described entrepreneurship as one of the two necessary conditions for economic development, the other being the increase output of a capital. Hardison includes entrepreneurs among the prime movers of innovation and Sayigh simply describes entrepreneurship as necessary dynamic cause. It is also opinioned that development does not occur spontaneously as a natural consequence when economic conditions are in some sense (‘right ‘,; a catalyst or agent is needed, and this requires an entrepreneurial ability. It is this ability that she perceived opportunities which others do not see or care about. Essentially, the entrepreneur searches for change, sees need and the brings together the manpower, material and capital required to respond the opportunity what he sees. Akio Moiita, the president who adopted the company’s products to create walkman personal-stereo and India’s Gulshan Kumar of T-Series who skimmed the audio cassette starved vast Indian market are the clearest example of such able entrepreneurs.

The role of entrepreneurship in economic development varies from economy to economy depending upon its material resources, industrial climate and responsiveness of the political system to the entrepreneurial functions. The entrepreneur contributes more in favorable opportunity conditions than in the economies with relatively less favorable opportunity conditions.

Viewed from opportunity point of view the underdeveloped regions, due to the paucity of funds, lack of skilled labour and non existence of a minimum social and economic overhead, are less conducive to the emerging particularly of innovative entrepreneur. In such regions entrepreneurship does not immerge out of industrial back ground with well developed institutions to support and encourage it. Therefore, entrepreneurs in such regions may not be an “innovator” but an “imitator” who would copy the innovations introduced by the “innovative” entrepreneurs of the developed regions. In these areas, according McClelland’s concept of personality aspect to entrepreneurship, some people with high achievement motivation come forward to behave in an entrepreneurial way to change the stationery inertia, as they would not be satisfied with the present status with the society.

Under the conditions of paucity of funds and the problem of imperfect market in underdeveloped regions, the entrepreneurs are bound to launch their enterprises on a small scale. An imitation requires lesser funds than innovation. It is realized that such regions should have more imitative entrepreneurs. It is also felt that imitation of innovations introduced in developed regions on a massive scale can bring about rapid economic development in under developed regions also. But it does not mean that such imitation requires in any way lesser ability on the part of the entrepreneurs. In this regard, Berna opines " it involves often what is aptly been called subjective innovation, that is the ability to do things which have not been done before by the particular industrialists, even though unknown to him, the problem may have been solved in the same way by others. " These imitative entrepreneurs constitute the main sprig of development of under developed regions.

India aims at decentralized industrial structure to militate the regional imbalances in levels of economic development; small scale entrepreneurship in such industrial structure plays an important role to achieve balanced regional development. It is unequivocally believed that small scale industries provide immediate large scale employment, ensure a more equitable distribution of national income and also facilitate an effective mobilization of capital and skill which might otherwise remain unutilized. Lastly the establishment of entrepreneurship of development institutes and alike by the Indian government during the last decades is a good testimony to her strong realization about the premium mobile role of entrepreneurship. The important role that entrepreneurship plays in the economic development of an economy can now be put in a more systematic & orderly manner as follows –

1. Entrepreneurship promotes capital formation by mobilizing the ideal saving of the public.

2. It provides immediate large scale employment. Thus it helps reduce the unemployment problem in the country, i.e. the root of all social economic problems.

3. It promotes balanced regional development.

4. It helps reduce the concentration of economic power.

5. It stimulates the equitable redistribution of wealth, income and even political power in the interest of the country.

6. It encourages effective resource mobilization of capital and skill which might otherwise remain unutilized and idle.

7. It also induces backward and forward linkages which stimulate the process of economic development in the country.

8. Last but by no means the least, it also promotes country's export trade i.e. an important ingredient to economic development.

Thus it is clear that entrepreneurship serves as a catalyst of economic development. On the whole the role of entrepreneurship in economic development of a country can best be put as "an economy is the effect for which entrepreneurship is the cause ".

Q 11. What is a business plan? What are its various chapter-wise components? Why do some businesses Plans fail? (2008, 2009, 2012)

OR

Visualize that you have already prepare a business plan for a start up in service sector. One of your immediate tasks is to present it bankers so as to obtain financial assistance. Which aspects of your business plan would you like to stress & convince your bankers? How will you do it? (2010, 2011)

Ans. A well thought out and carefully structured Business plan is the key to the long term success of any business. Their business plan is the ultimate tool for communication and marketing to all stakeholders including strategic partners and investors in a new venture. The business plan should stress business and financial aspects versus technical details and should address the information needs of all stakeholders.

Reasons for a Business plan-

Your reasons for compiling a Business plan will be different for each situation.

- If you are starting a new business you will require a plan to clearly assess every aspect of the business and show how it will succeed.
- To identify the strengths and weaknesses of the business to decide if you will be able to make it success.
- If you are already up and running and in need of extra finance you will need a plan to convince those putting capital into your business that you can and will succeed.

The Executive Summary:

The Executive Summary the first part of your Business plan is a key element of the document. Think of it as the carrot that will keep potential stakeholder reading. It must be crisp and concise must summarized all the key sections of the Business plan and must convey a clear, powerful message.

Project Description:

This section must contain the following information.

- This would depend on the type of industry In case of demand based industries the location must be meet the market.

- In case of resources based industries (eg. Sugar industries) the location must be close to resources base.
- In case of skill based industries (eg. Carpet weaving, brassware the location must be close to the skill centre.
- In case of foot loose industries there is no specific criterion to choose the location.
- Even details about physical infrastructure facilities available such as the raw material availability, availability of water methods of disposal of wastes etc.

The Marketing Plan:

The sales strategy should include elements such as the necessary sales channels and partnerships and the number of people you will need to executive the strategy. The more specific this strategy the better that way your audience will be able to visualize the process. Your marketing plan will describe how you will promote and self your products or services It will includes details of

- Markets Research
- Your Target Market
- The Competition
- Marketing Methods

Capital Cost and Sources of Finance:

The Financial section of your Business plan should outline how capital you need to raise, how you will use the proceeds when you expects to be profitable and how you intend to finance your business. The amount you need to raise should be based on your sales strategy hiring plants capital expenditure and expected timing of customer traction. The most important expect of finance i.e. financial forecasts and Financial Analysis. This is the most difficult part of compiling a Business plan for the finances forecasts the market research comes to your rescue. It provides you with accurate sales forecast. The financial analysis goes hand in with the sales forecast as the sales forecast is presented in the of cash flow forecast which in turn lead to profit & loss & balances sheet forecasts.

Onetime costs - e g costs incurred on vehicles land and building furniture, jigs plant and machinery, preliminary expenses contingence expenses etc each cost them must be mentioned separately.

Working Capital Costs - include costs incurred on raw material, work in progress & finished goods inventory and accounts receivables.

Other Financial Aspects -

The following are the other important financial aspects that must be included in the Business plan.

- The Projected balance sheet.
- The Projected profit & loss account.
- The Projected cash flow statement

Also breakeven point of sales needs to be calculated which shows the point of sales where there is neither profit nor loss.

Benefits of the Business to the Community:

This section can be classified as the impact of the business on the economy and the contribution of the business to the society. Here the entrepreneur must perform a cost-benefit analysis with respect to its impact on the rational economy and on society.

The following social and economic benefits should be mentioned.

Promoting Employment: The number of persons the units proposes to employ vis-à-vis the current employment situation in the area.

Import Substitution: How much foreign exchange the firm would save?

What is the proposed indigenization Programmed?

Ancillarisation: If any work would be sub-contracted what will be the level of Ancillarisation and the additional employment them generated? How will this business help in the overall development of the area?

Top Reasons why Businesses Fail?

(I) The Marketing Aspect:-

Marketing keeps your products selling and money flowing into your business, which makes your businesses run. It is crucial that you do it effectively. Some of major mistakes made while marketing are as follows.

1. Ignoring competitions: Today customers go where they can find the best products and services, and the best value even if that means breaking off lo9ng-term relationships.

Monitors your competitors, and don't be ashamed to copy their best ideas (without violating the law of course). Better yet devote some time to formulating a new business model products, or services that can give you an edge.

2. Ineffective customer service: Once you attract customers you will have to work hard to keep them. Customer service is the key aspect of your business. If you don't follow through with your customers, they will find someone who will market Myopia is one of the common mistakes committed by the business today. This is the inability to look at the need of the customers.

3. Falling to validate your customer: This may sound obvious but too many entrepreneurs assume they know exactly what their customers need without bothering to ask take the time to learn about your customers and build your Business plan around their needs and desires.

(II) The Financial Aspects:-

Finance is the life-blood of a business and its management effectively is one of the important factors for the success of the business. Poor financial can lead to disasters ultimately leading to the closure of business. Some of the important factors to be considered here are as follow.

1. Lack of foresight: This may also be referred to as overlooking the risks or not expecting the unexpected. Due to lack of foresight:

- Unfavourable gearing and leverages.
- Inappropriate diversion of capital.
- Overtrading.
- Improper tax planning.

The above are some of the common mistakes committed.

2. Cash flow problems: This is probably the most common problem in businesses and could turn serious enough to shut you down. You need to know how to track the money coming into and out of your business. Even a profitable venture will flounder if it runs short of cash in addition you must learn to make cash flow projections that will help you decide how much money you can afford to spend and warn you imminent trouble.

(III) The Inappropriate Team:-

The Top Management leads the business through its whole life cycle. Selection of an inappropriate team who are the main decision markets can hamper the success of the business. Some of the common problems faced are:

- Lack of cohesion and effective team building.
- Ineffective managing and feedback
- Inability to cop up with the fast changing business environment and resistances to dynamic changes.

Q 12. Working capital cycle starts with cash & end with cash. Comment by giving suitable examples? (2011)

Ans. Financial Management is an integral part of business administration and ranks equally in importance with other key result areas such as production and marketing. The fundamental objectives of any venture are survival and growth, though there could be other social objectives too. It could, however, be said that all objectives too. All objectives center on ht economic objectives, which means maximization of profits. Financial management plays a major role in fulfilling the above includes functions like analyzing and forecasting financial needs, managing working capital, planning the capital structure etc.

Short term and Long term finance:

Financial sources can be categorized into short term and long term. While short term finance is utilized for short term requirements, long term finance is deployed to meet both long term and short term uses.

The sources of short-term finance include:

- Sundry creditors
- Bank borrowings for working capital
- Deposits / borrowings from friends, relatives and others
- Advances received from customers

The sources of long-term finance customers:

- Equity / owners capital and deposit
- Term loans form financial institutions and banks
- Seed capital, margin money and subsidy from Government and financial institutions.

Besides the above external sources, there is an internal source of funds that is generated by the industry itself through retention of profits or conversion of assets into funds. For sound financial health of any industry, it is essential that shout-term finance be utilized for acquisition of current assets only which are normally converted into cash within one year. Long-term finance, on the other hand, is utilized for acquiring fixed assets as also partly for financing current assets, that is, for meeting margin on working capital.

The application for loan or say a short-term finance always needs the backup of a project

Report, is essential when the Small-Scale wants to apply for the loan for monetary support.

Management of working capital:

Working capital is defined as that part of the capital which is invested in the working or current assets like stock of raw materials, semi-finished goods, Sundry debtors, bills receivables etc. this capital is also known as circulation capital or revolving capital. Working capital is used for financing current assets i.e. the day-to-day business needs. It is also used for purchasing raw-materials. A major portion of the working capital lies in the business in the form of semi-finished, finished goods and cash. Working capital is also required for payment of wages and salaries, overhead expenses like power, rent, taxes, repairing and up to date maintenance of machinery etc. The amount in respect of goods sold on credit (sundry Debtors) represents a vital portion of the working capital.

Classification of Working Capital:

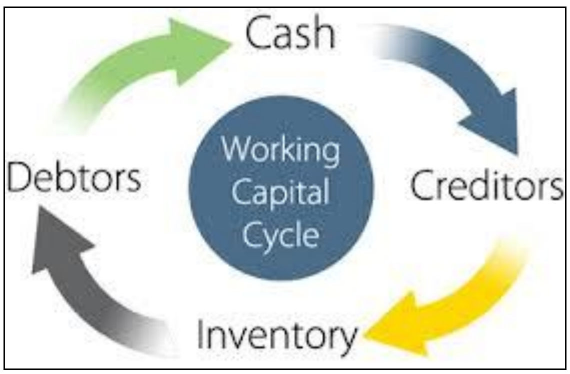
1. Regular working capital – Meeting continuous day-to-day business needs of the firm, changes its form it is invested and reinvested in the business called as fixed of regular corking capital.

2. Variable working capital not regular, not static, required to meet the requirements of a rise in the total quantity of goods produced during certain seasons in the year, this additional capital is called variable or seasonal working capital.

3. Special working capital needed on special occasions viz. increasing prices of raw materials, business recession, strike, failure of the machinery, fire, etc. Especially working capital is needed to finance the firm on such occasions.

Working capital is often classified as gross working capital and networking capital. The former refers to the total of all the current assets and the latter is the difference between total current assets and total current liabilities. Ongoing review of gross working capital is essential for efficient management of current assets. However, for a long-term view, we have to concentrate on net working capital. The net working capital of a healthy unit should have a positive rule. A periodic study of the causes of changes that take place in the net working capital is necessary. Changes in net working capital can be measured in terms of value as also in percentages by comparing current assets, current liabilities and working capital over a given period, this involves the basic approach to working capital analysis.

Deployment of working capital is best explained by what is called the operation cycle. Any manufacturing organization is characterized by a cycle of operations consisting of purchase of raw materials, converting the raw materials, converting the raw materials into finished goods and realizing cash. It is diagrammatically represented above. This operating cycle is also called the cash to cash cycle indicates ho cash is converted into raw materials, work-in-process, finished goods, bills and finally back to cash. Working capital is the total cash that is circulating in this cycle. It also becomes clear that working capital cash be turned over, or reused after completing the cycle. Essentially, management of working capital will mean apart from finding out the source of meeting capital requirements by reducing the cycle time for optimum results.



The following factors are pertinent for having an overall vies of the forces affecting working capital needs:

- Nature of business
- Production policies
- Manufacturing process
- Growth and expansion of business
- Business cycle fluctuations
- Terms of purchase and sales
- Withdrawals by promoters etc.

It may be noted that, for any industry, there are likely to be periodic changes in any or all of the above. Therefore, management of working capital becomes a dynamic activity.

Raising Working Capital:

Working capital requirements of a unit are met by internal as well as external sources. The major external source is the banking system. Banks offer various types of credit facilities for meeting the financial requirements of their customers. Their approach is normally flexible particularly towards small-scale sector. Credit facilities are granted by banks against the inventory holdings, book debts and bills receivables, for export oriented units by way of export finance (pre-shipment credit and post-shipment credit) etc. certain contingent facilities like issuing letters of credit and guarantees are also offered by them.

Though banks have flexible schemes for financing working capital needs, larger units with working capital requirements above Rs.10lakhs are required to comply with the norms laid by the Tandon Committee and Chore Committee accepted by Reserve Bank of India.

Q 13. What role do support organizations play in nurturing effective entrepreneurship in the county? Indicate plan of action for further strengthening their performance (2008)

OR

There are various types of organization rendering assistance to entrepreneur in India. Narrate the names of such organizations & explain the specific role they play in assisting entrepreneurs. (2012)

Ans. Small Industries Development Organization:-

The Small Industries Development Organization (SIDO) headache the Additional Secretary & Development Commissioner (DC-SSD) an apex body for formulating policies for the development of SSI in the country and is playing a very constructive role for strengthening this vital sector. It functions through a network of SISI's. Branch SISI's, Regional Testing Centers, Footwear Training Center Production Center, Field Testing Stations and specialized institute.

<u>It renders services such as:</u>

Advising the Government in policy formulation for the promotional and development of SSI's.

- Providing techno-economic and managerial consultancy, common facilities and extension services to small-scale units.
- Providing facilities for technology up gradation, modernization quality improvement and infrastructure.
- Human Resource Development through training and skill up gradation.
- Providing economic information services.
- Maintaining a close liaison with the Central Ministries, Planning Commission, State Governments, Financial Institutions and other Organizations concerned with development of SSI's.
- Evolving and coordinating Policies and Programmes for development of SSI's and ancillaries to large and medium scale industries.
- Monitoring of PMRY Scheme.
- SISI, Mumbai has set-up a Technology Resource Centre in Mumbai.

National Small Industries Corporation Limited:-

The genesis of the National Small Industries Corporation Ltd. (NSIC) was a result of the recommendations of an International Planning Team, which visited India in 1954 sponsored by the Fort Foundation for suggesting ways for development of small scale industries. NSIC was registered in 1955 under the Companies Act.

<u>It renders services such as:</u>

- Assistance to Small-Scale units in securing reasonable share of Government Purchases.
- Government orders both by a system of corporation taking prime contracts and then issuing sub-contracts or assisting the small scale units in getting contracts from the Government Purchase Agencies.
- Supply of machines both indigenous and imported to small scale industrial units on hire purchase under easy instalment repayment terms.
- Scheme of providing machinery and equipment on lease terms for encouraging technological up-gradation, modernization, expansion and diversification. Under the scheme 100% finance is provided.
- Advertising of the small scale industries products within the country by formation of consortia of units manufacturing same or similar purchase products.
    - Agency basis and
    - Securing institutional orders
    - Export Marketing
- Export marketing is encouraged among small scale units who can gradually acquire capability to independently handle the export of their products. Exports of the products as well as projects are undertaken.
- Allotment scarce raw material.
- Warehousing facilities.
- Marketing activities include arrangement of Buyer Seller meets, Trade Fairs both National and International etc.

Small Industries Development Bank of India (SIDBI):-

In response to the long standing demand of the small scale sector in India, Small Industries Development Bank of India (SIDBI) was set up by an Act of Parliament, as an apex institution for promotion, financing and development of industries in the small scale sector and for coordinating the functions of other institutions engaged in similar activities. SIDBI is a wholly owned subsidiary of Industrial Development Bank of India (IDBI). It commenced its operation on April2, 1990 by taking over the outstanding portfolio and activities pertaining to the small-scale sector. SIDBI is operating through its Head Office at Lucknow and a network of 5 Regional Offices and 33 Branch Offices in all the states.

SIDBI under the Charter has, inter alia, been assigned the task of being the main purveyor of term finance to the small-scale sector in the country. Small scale industrial units, artisans, village and cottage industrial units in the tiny sector and small road transport operators are extended financial assistance mainly by way of refinance through primary lending institutions (PLIs) viz. state Financial Corporation (SFCs), State Industrial Development Corporations / State Industrial Investment Corporations (SIDCs / SIICs) and banks, which have a wide network of over 65,000 branches.

With a view to encouraging bills culture and helping the SSI units realize their sale proceeds of capital goods / equipment and component sub-assemblies / intermediates, SIDBI directly discounts bills arising out of these transactions and also rediscounts those bills that is discounted by the banks. In addition, SIDBI has also introduced direct finance schemes for specialized marketing agencies, sub-contracting ancillary units and infrastructure development agencies so as to the gaps in these areas in the existing credit delivery mechanism SIDBI has been providing assistance to well – run companies on the selective basis for acquiring machinery / equipment both indigenous and imported for modernization / expansion / diversification / balancing etc. under Equipment Finance Scheme (EFS). Project loans are also consi9dered on a selective basis. It also provides assistance for working capital, credit rating, quality certification and vendor development. Besides, SIDBI operated a Venture capital fund for support to ventures in the small scale sector which have special features in terms of technology, market prospects, return on investment or entrepreneurial profile.

SIDBI schemes for the SSI sector:

Over the years, the approach of the bank has been to identify the gaps in the existing credit delivery systems for SSIs and devise tailor- made schemes not only for providing refinance but also for direct lending to SSIs. While extending direct assistance to SSIs, the Bank has been pursuing the policy of supplementing the efforts of PLIs. Each of Schemes of SIDBI is directed to mitigate specific problems faced by SSI sector such as delayed payment of bills, obsolescence of technology, working capital requirements, marketing inadequacies lack of inadequacies, lack of infrastructure, insufficient export capital venture capital and human resources development. (refer to the box below).

1. Delayed payment of bills schemes:

- Direct Discounting of Bills (Components) Scheme.
- Direct Discounting of Bills (Equipments) Scheme.
- Direct Factoring Services.
- Bills Rediscounting Scheme (Equipments).
- Bills Rediscounting Scheme against Inland Supply Bills of SSIs.
- Invoice Discounting Scheme.

2. Obsolescence of technology scheme:-

- Technology Development and Modernization Fund (TDMF) Scheme (both direct and indirect assistance).
- ISO 9000 Scheme (both direct and indirect assistance)
- Technology Up gradation Fund Scheme for Textile Industry (both direct and indirect assistance).
- Tannery Modernization Fund Scheme (both direct and indirect assistance).

3. Working capital requirement schemes:

- Single Window Scheme (Through PLIs).
- Composite Loan Scheme (Through PLIs).
- Working Capital Term Loan (Direct Assistance).

4. Marketing inadequacies scheme:

- Scheme for Financing Activities relating to marketing of SSI Products.

5. Lack of suitable infrastructure schemes:

- Scheme of Direct Assistance for Development of Industrial Infrastructure for SSI Sector.

- Scheme of Integrated Infrastructural Development (IID).

6. Insufficient Export Credit Schemes:

- Pre-shipment Credit in Foreign Currency.
- Scheme for Export Bills Financing.
- Rupee Pre-shipment/ Post-shipmen Credit.
- Foreign Letters of Credit.

7. Venture Capital Availability Schemes:

- Venture Capital Scheme.

8. Human resource development schemes:

- Entrepreneurship Development Programmed.
- Small Industries Management Programmed.
- Skill –cum- Technology Up-gradation Programmed.

Maharashtra Small Scale Industries Development Corporation ltd (MSSIDC):-

Maharashtra Small Scale Development Corporation was established in 1962 and later on it got registers as a public limited company Corporation has head office at Mumbai and Seven divisional Offices and twenty-three branch offices at various districts. One Production center (Parthiani Production). At Paithan Districts Aurangabad and one liaison offices at Delhi. To help Small-scale entrepreneurs development of SSI and provide stability to SSI

1. Supply under Raw Material Credit /Supply Scheme:

- Bank Guarantee & Credits
- Warehousing Services
- Performa Invoice
- Supply Rate order
- Post dated cheques

2. Marketing Assistance:

Corporation helps to sell products of SSI units to state Government /Central Government Undertaking Some units have been registered with the Corporation as suppliers to the government undertakings. Corporation assists the SSI units in filling tenders published by state /Central Government .Once the purchase orders received to give concerned SSI order to supply material and to help get payment of that order in time. After given supply order to SSI Corporation gives 75% advance payment to concerned SSI IF he gave bank surety. Under another scheme concerned customer gives certificate of received goods. Then concerned SSI get 80% payment from Corporation So SSI get working capital and can supply goods and keep production continued On behalf of State government Corporation supply r to government buyer, under 19 Price Agreement Annual Supply Scheme.

3. Import Export Assistance:

SSI can import raw material from particular producer through corporation. Imported goods/material can keep in corporations go-down or custom banded as he wishes after the payment goods can distributed accordingly to SSI It is a necessary to customize goods in certain period under his scheme.

4. Warehousing on commercial basis:

Storage & handling raw material handling. Equipments to assist SSI for public undertaking and other producers

5. Handicraft/Handloom/Exhibition:

Provides shops to Handicraft/Handloom industries skill workers artists via exhibitions media and marketing.

6. Paithani Sari:

Productions and Marketing for paithani saris.