ENTREPRENEURSHIP

PGDBA-201



BLOCK 2:
ENTREPRENEURIAL VENTURE, ENTREPRENEUR FUNCTIONS AND PROJECT MANAGEMENT

Dr. Babasaheb Ambedkar Open University

ENTREPRENEURSHIP



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ROLE OF SELF INSTRUCTIONAL MATERIAL IN DISTANCE LEARNING

The need to plan effective instruction is imperative for a successful distance teaching repertoire. This is due to the fact that the instructional designer, the tutor, the author (s) and the student are often separated by distance and may never meet in person. This is an increasingly common scenario in distance education instruction. As much as possible, teaching by distance should stimulate the student's intellectual involvement and contain all the necessary learning instructional activities that are capable of guiding the student through the course objectives. Therefore, the course / self-instructional material are completely equipped with everything that the syllabus prescribes.

To ensure effective instruction, a number of instructional design ideas are used and these help students to acquire knowledge, intellectual skills, motor skills and necessary attitudinal changes. In this respect, students' assessment and course evaluation are incorporated in the text.

The nature of instructional activities used in distance education self-instructional materials depends on the domain of learning that they reinforce in the text, that is, the cognitive, psychomotor and affective. These are further interpreted in the acquisition of knowledge, intellectual skills and motor skills. Students may be encouraged to gain, apply and communicate (orally or in writing) the knowledge acquired. Intellectual-skills objectives may be met by designing instructions that make use of students' prior knowledge and experiences in the discourse as the foundation on which newly acquired knowledge is built.

The provision of exercises in the form of assignments, projects and tutorial feedback is necessary. Instructional activities that teach motor skills need to be graphically demonstrated and the correct practices provided during tutorials. Instructional activities for inculcating change in attitude and behavior should create interest and demonstrate need and benefits gained by adopting the required change. Information on the adoption and procedures for practice of new attitudes may then be introduced.

Teaching and learning at a distance eliminates interactive communication cues, such as pauses, intonation and gestures, associated with the face-to-face method of teaching. This is particularly so with the exclusive use of print media. Instructional activities built into the instructional repertoire provide this missing interaction between the student and the teacher. Therefore, the use of instructional activities to affect better distance teaching is not optional, but mandatory.

Our team of successful writers and authors has tried to reduce this.

Divide and to bring this Self Instructional Material as the best teaching and communication tool. Instructional activities are varied in order to assess the different facets of the domains of learning.

Distance education teaching repertoire involves extensive use of self-instructional materials, be they print or otherwise. These materials are designed to achieve certain pre-determined learning outcomes, namely goals and objectives that are contained in an instructional plan. Since the teaching process is affected over a distance, there is need to ensure that students actively participate in their learning by performing specific tasks that help them to understand the relevant concepts. Therefore, a set of exercises is built into the teaching repertoire in order to link what students and tutors do in the framework of the course outline. These could be in the form of students' assignments, a research project or a science practical exercise. Examples of instructional activities in distance education are too numerous to list. Instructional activities, when used in this context, help to motivate students, guide and measure students' performance (continuous assessment)

PREFACE

We have put in lots of hard work to make this book as user-friendly as possible, but we have not sacrificed quality. Experts were involved in preparing the materials. However, concepts are explained in easy language for you. We have included may tables and examples for easy understanding.

We sincerely hope this book will help you in every way you expect.

All the best for your studies from our team!

ENTREPRENEURSHIP

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BLOCK 2: ENTREPRENEURIAL VENTURE, ENTREPRENEUR FUNCTIONS AND PROJECT MANAGEMENT

UNIT 1
CREATING ENTREPRENEURIAL VENTURE

UNIT 2
FUNCTIONS OF AN ENTREPRENEUR

UNIT 3
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BLOCK 2: ENTREPRENEURIAL VENTURE, ENTREPRENEUR FUNCTIONS AND PROJECT MANAGEMENT

Block Introduction

Entrepreneurship is possibly the most desirable element in human society. It acts as a catalyst for growth of economy or society. A successful entrepreneur has been treated as heroes, while those who failed were possibly ridiculed by the society. Hence, the study of this subject is quite interesting. Under this study an attempt can be made to understand how did the process developed over years and an analysis can also be made to find out the reasons for the success or failure. It may be also noted that the skills which makes a successful entrepreneur can also be applied for success in a non-business situation as well, for example, while running a team in any organization. Hence, it is very important to learn this subject.

Unit 1 will help you to learn the basics of the Entrepreneurship process and also the role of Entrepreneur in recognizing and managing opportunity. This unit will also help you to know views of Economists, Sociologists, Psychologists about Entrepreneur. Unit 2 will help you to know more about an Entrepreneur, in terms of it's attributes and characteristics etc. Unit 3 explains the role of an Entrepreneur in the development of economy, How the Entrepreneurship process could be helped for further success.

Block Objective

After learning this block, you will be able to understand:

- How to plan and create an Entrepreneurial Venture?
- The more and better understanding of an Entrepreneur
- The type of organization, which is most suited for any business
- How to manage the process of creating an Enterprise/Business?

Block Structure

Unit 1: **Creating Entrepreneurial Venture**

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UNIT 1: CREATING ENTREPRENEURIAL VENTURE

Unit Structure

1.0 Learning Objectives

1.1 Introduction

1.2 Business Planning Process

1.3 Environmental Analysis – Searching and Scanning

1.4 Identifying Problems and Opportunities

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1.0 Learning Objectives

After learning this unit you will be able to understand:

- The Business Planning Process
- The Scope of the Business Plan
- The Elements of the Business Plan
- How to analyze Environment– Searching and Scanning?
- The Problems and Opportunities
- How to Define Business Ideas
- How to List and explain the Basic Government Procedures to Be Completed Structure

1.1 Introduction

The process of creating a new entrepreneurial venture is called the entrepreneurial process. This process goes beyond the mere problem solving approach inherent in a managerial process or by a manager, and involves creativity, perseverance and risk taking by the entrepreneur. However, the entrepreneurial process can only take place if the environment for entrepreneurship in favorable. The environment in this case signifies the type of economy, the incentives available to entrepreneurs, the constraints placed upon them, the availability of markets and resources, etc.

However, it is possible to lay down a general procedure or process that captures the essence of entrepreneurship, if the other factors are favorable. The process has four distinct steps:

1. Identifying opportunities
2. Developing the business plan
3. Determining the resources required, and
4. Managing the enterprise

Of the above, the step of developing the business plan is a crucial one, meriting detailed study. It is therefore covered in the next subsection, "Business Planning Process". Opportunity identification is the process by which the entrepreneur recognizes an opportunity for a new business venture. This may happen serendipitously, where the entrepreneur simply happens to stumble on a good business idea, or it may be the result of a carefully structured process by the entrepreneur. For instance, the entrepreneur may ask friends, acquaintances and even employees about their lifestyles, what they perceive as missing in their lives, things they are unsatisfied with, etc. From such casual conversations, the entrepreneur may gain an understanding; develop an idea for a business venture.

Entrepreneurs are constantly on the lookout for new ideas. They evaluate the lives of friends, relations, co-workers, even strangers at party, in terms of needs, and the products and services that fulfill those needs. They are attuned to phrases like "I wish I had something that could …", or "I wish I could find someone to …" These phrases signal a need in the person saying them and entrepreneurs quickly latch on to that need and develop a product or service to fulfill that need.

However, this does not mean that entrepreneurs develop products and services for every need they encounter. Once an entrepreneur encounters a need, he will then put it through a process of screening and evaluation to decide whether

the venture to fulfill that need would be financial viable. The entrepreneur also evaluates the proposed business venture in terms of risks and returns, personal inclination and skill set of the entrepreneur himself, financial outlay, estimated product life cycle, etc.

Once an entrepreneur is convinced of the economic, social, psychological and chronological viability of the idea, he proceeds to the next step, developing the business plan.

1.2 Business Planning Process

The business plan flows from the evaluation process carried out by the entrepreneur when he screens his ideas for soundness. It is a written document detailing all the relevant elements (internal and external) inherent in making the venture a success. It may be split into functional sub-plans such as the Marketing Plan, Finance Plan, Operations Plan, etc. It is a "road map" for the first three years of the proposed business venture and answers three basic questions; "Where is the venture now?" and "How will it get there".

The business plan is usually prepared by the entrepreneur himself. However, in cases of complex business processes or businesses involving areas where the entrepreneur is weak (such as technologically intensive businesses), the entrepreneur may hire a consultant to prepare the business plan.

a. Scope of the Business Plan

The business plan may be aimed at one or more of several audiences.

For e.g., it may be aimed at bankers or venture capitalists for the purpose of securing finance. Or it may be aimed at suppliers to gain a supply commitment. It may be aimed at potential customers. Thus, the business plan must be able to satisfy the unique needs of all these audiences. It must address the issues each of them is interested in and answer all their queries and doubts.

There are three crucial angles from which the Business Plan must be written:

1. The Entrepreneurial angle
2. The Marketing angle
3. The investor angle

The planning process brings objectivity to the venture. When the entrepreneur first gets his idea to start the enterprise, the product / service may

seem like a sure shot success. However, by going through the business planning process, the entrepreneur is forced to look at factors like competition, size of the market, SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis, etc. The entrepreneur thus becomes aware of the actual size and scope of the project and the obstacles to progress that may be present. He can then plan on ways and means to overcome those obstacles. In some cases, the entrepreneur may realize that some obstacles cannot be overcome and may decide to terminate the project at that point itself. This will save a lot of time, money and effort that would otherwise have been poured into the enterprise without success.

b. Elements of the Business Plan

It helps if the entrepreneur has a basic format of a business plan. Such packages cannot replace the knowledge and expertise of the entrepreneur, but they to the structure the ideas and to format the business plan such that it can be presented to investors, potential, clients, etc.

In general, the Business Plan must have the following elements:

1. Introductory Page

The Introductory Page gives, at a glance, the purpose of the report, the financing required and the name of the person / company preparing the report. It usually contains the following:

a. Title of the Report

b. Name of the company and its owners

c. Name of the person who has prepared the report

d. A brief description of the proposed business (usually not more than a paragraph or two)

e. The amount of financing required

f. A statement of the confidentiality of the report

Thus, the potential investor has, at a glance, the concept of the business, the owners and the financial outlay expected. This is important because some investors may have made policy decisions about:

i) **The type of business -** Some investors, due to reasons that may be personal, political, and religious, etc., do not invest in certain types of business. For

example, the investor may have made a decision not to invest in any business involved in the production or distribution of alcohol or tobacco. The Introductory Page thus saves him the time it would have taken to read through a major part of the report, only to realize he would never invest in it anyway.

ii) **The owner of the business -** Investors have to protect their investment. Therefore, it is important for them to know who the promoters of the proposed business are. If the owners have a history of failed businesses, the investor may study the report in greater detail. On the other hand, if the investor has previously funded a business by the owners and it has proved a success, the investor may look more favorably on the report.

iii) **The financial outlay -** Investors may also have a policy on the amount of money they will invest in a particular type of business on in a particular type of business or in a particular owner. The introductory page tells them at a glance whether the proposed business falls within the financial limits they have laid down.

2. Executive Summary

The Executive Summary is prepared after the entire report is prepared, but is placed at the beginning of the report. The purpose of the Executive Summary is to stimulate the interest of the investor and to provide key information that will make the investor read the entire report. The Executive Summary is usually not more than three to four pages in length.

The Executive Summary should highlight the salient features of the plan, including the nature of the proposed business, the financial plan, the marketing plan and the steps that will be taken to ensure the success of the business.

3. Industry Analysis

The Industry Analysis is a description and discussion of the industry within which the proposed business will operate. The investor must know the context of the business and the Industry Analysis is vital in this regard. The Industry Analysis provides:

a. **The history of the industry -** This gives a historical background to the industry and tells the investor whether it is the relatively new industry or a well established one. Some investors, in fact, may prefer newer industries,

since such industries tend to embrace technology more quickly. Others may prefer older industries with a history of stability within the general economy.

b. **Current scenario in the industry -** This provides the current state of affairs vis-à-vis the labor situation, infrastructure, laws and taxation, etc.

c. **Future trends** - These projections help the investor decide whether the risks and rewards are within the parameters he may have laid down for investment.

d. **Competitors** - Each major competitor should be identified and analyzed. The investor will specifically be looking for a SWOT analysis of each competitor and how they will react to a new entrant into the market. The plan must also briefly describe how the new venture plans to tackle competition.

e. **Customers -** The market should be segmented and the target segment clearly identified. The investor will specifically look for data on how the new venture's customers profile will differ from that of existing players.

f. **Government intervention -** The level of government intervention in that particular industry must be mentioned. Investors may be reluctant to invest in an industry where the government intervention is high

g. **Government forecasts and support -** If there are any forecasts made by the government; these should be included in the report. Similarly, any support provided by the government must be mentioned.

4. Description of Venture

The Description of Venture is a complete overview of products / services to be offered by the business, its operating procedure, etc. Key included are:

a. **Product / Service -** This describes the product or services in detail.

b. **Location of the business -** This is important because investors would like to know whether the place of business has sufficient infra structure to support the support the business. If it is to be a retail operation, then factors like traffic, accessibility, visibility etc. are also important.

c. **State of the building -** This provides information like whether the building is old, new or under construction, need for renovation must be mentioned.

The purchase / lease cost, parking space available, etc., must also be mentioned.

d. **Skills required by personnel -** The special skills required by personal to run the business must be mentioned. The plan should also mention whether persons with such skills are easily available, whether additional on the job training will be required, etc., must be required, etc.

e. **Office equipment requirement -** The plan should mention the types and number of units of each type that the business will require. If purchases are to be made in phased manner, the estimated duration of each phase must be mentioned. The plan should also mention whether equipment will be leased or purchased and the cost of such procurement.

f. **Business background of the entrepreneur -** The investors will be interested in knowing the business background of the entrepreneur, Successful ventures started by him / her, currently running businesses, etc.

g. **Personal background of the entrepreneur.**

h. **Reason for starting the venture.**

i. **Developmental work completed to date.**

5. Production Plan

The production plan provides details of how the product will be produced. If it is a service, the plan will detail the processes and methodology of providing the service. Some important elements of this section of the plan are:

a. Scope of production: Whether the business will be responsible for all or only part of the manufacturing operation.

b. Whether a part of the process is to be sub contracted. If so, details of subcontractors.

c. Cost of subcontracting.

d. Production process layout with illustrations.

e. Initial material requirements.

f. Raw material requirements.

g. Cost of manufacture. Future capital requirements.

h. List of potential suppliers and their background.

6. Marketing Plan

This plan describes market conditions and the strategy to price, promote and distribute the product. The marketing plan must be as detailed as possible, since most investors consider marketing to be the most crucial element in the success of the venture. The marketing goals and the methods to achieve those goals must be clearly given.

7. Organizational Plan

This plan described how the business will be organized. It details the management structure, flow of authority and responsibility, etc. It also indicates the kind of ownership of the organization, whether a proprietorship, partnership, private limited company, public limited company, etc. Some of the elements of this section of the business plan are:

a. Form of ownership.

b. If a partnership, names and background details of partners.

c. If a limited company, names of principal (major) shareholders and amount of stock held by them.

d. Names of background of the Board of Directors.

e. Method of operating the bank account (who has signing authority, whether the account is to be operated on an either/or basis or only with all signatures of operating authorities etc.

f. Details of members of the managing team (if any).

g. Roles and responsibilities of key managers

h. Salary packages, perquisites (perks), etc. of key managers.

8. Risk Factors

It would be foolish to presume that a new business venture does not face any risk in the marketplace. The wise entrepreneur, does a thorough study of factors involved and takes pains to plan ahead to tackle such risks. The business plan, therefore, must contain an assessment of risk associated with the proposed venture. Risks may arise out of competition, weak infrastructure, internal weaknesses (weaknesses in the ownership, management etc.), technological advancement, etc. For e.g. the advent of the telephone and subsequently fax and

internet has more or less made the telegraph obsolete in most parts of the world. Therefore, the entrepreneur must be aware of current technology, the advancement path of technology and its impact on the proposed business.

9. Financial Plan

The Financial Plan contains the financial blueprint for the venture. In general, the following areas are covered in the Financial Plan:

a. The forecast sales and approximate expenses for the first three years of the business in summary form

b. The monthly breakdown of forecast sales and approximate expenses for the first year of operation

c. Cash Flow (projected) for the first three years in summary form

d. Monthly projected Cash Flow for the first year of operation

e. Working capital gap and means of covering this gap (short term borrowing, cash credit from the bank, public deposits, etc.)

f. Projected Balance Sheet, summarizing the assets, liabilities, investments and retained earnings (reserves) projected at the end of the first year of business

10. Appendix

The appendix contains reference material, lists of sources of information, letters from customers, commitment letters from suppliers, investors, banks, etc, and is generally included in the Appendix. However, any document or other material included in the Appendix must have a reference in the main business plan.

Check your progress 1

1. The 'Business Plan' is one of the most important document to be created by any Entrepreneur and for its' preparation, the consideration should be as following:

   a. The Entrepreneurial angle
   b. The Marketing angle
   c. The investor angle
   d. All of the above
   e. None of the above

1.3 Environmental Analysis – Searching and Scanning

Environmental Analysis refers to the process of assessing external, uncontrollable factors that may affect the business plan. It is usually a part of the Marketing Plan and identifies, locates and analyses factors of risk and opportunity that would affect the business. Environmental Analysis also offers tentative solutions and strategies to tackle the risks identified.

The variables that are generally considered in Environmental Analysis are

a. **Economy**: This covers areas like the trends in GDP, unemployment statistics (area-wise), disposable income, etc. Such data is gathered from government sources, independent studies by economists etc.

b. **Culture:** This covers a gamut of variables from the impact of demographic shifts, attitude trends, cultural responses to safety measures, health, nutrition, environmental awareness, etc. Such information is usually gathered from secondary sources such as newspapers, magazines, independent studies, etc.

c. **Technology:** The plan must study existing technology as well as trends in technology. While it is difficult to predict advances in technology, some linking of the trends can be gathered from resources committed by leading technology companies, an analysis of the time taken for a technology to reach the country within which the business is to operate, etc. For example, if the business is to be situated within India, a look at how long it is taking internet technologies, wireless technologies, mobile phone technology, etc. to reach India will give a reasonable forecast of the trend of technology.

d. **Industry Demand:** This covers aspects as growth or shrinkage of the market entry trends of competitors, changes in consumer needs, etc. Such information usually available from secondary sources such as trade journals, chamber of commerce, etc.

e. **Legal Aspects:** This area is concerned with the existing and future legislation governs the particular business that is to be started. Factors like restrict ownership structure, mandatory procedures, permissions, restrictions on advertising, safety regulations, etc. will affect the setting up of the business as well as the marketing strategy to be adopted. This is therefore another important factor of the environment to be considered.

f. **Competition:** Large competitors would pose a major threat to any fledgling business. Even smaller competitors in sufficient numbers can so fragment

the market that the entry of a newcomer could be very difficult. The entrepreneur must be aware of existing as well as future competition. Even if the business is a new one, offering a never before product or service, there is bound to be competition from persons offering similar products or services. Information about competitors can be gathered from newspapers, trade journals, chambers of commerce, etc.

g. **Raw Material:** Since the manufacturing process begins with the procurement of raw materials, the entrepreneur must pay special attention to the availability of raw materials, the entrepreneur must pay special attention to the availability of raw material seasonal shortages, transportation problems, etc. This information can be gathered from trade journals, chambers of commerce etc.

The above were the external factors that the entrepreneur must take into consideration while assessing the environment. They are often uncontrollable factors and the entrepreneurs have to make contingency plans to circumvent the adverse conditions that may arise due to some of the above factors.

In addition to these external factors, there are often internal factors which, though more within the control of the entrepreneur must be foreseen and fine tuned for better running of the venture.

Some of these internal factors are:

1. **Finance -** As we saw in the section on the business plan finances play a major role in the success of the business. Therefore the entrepreneur must pay close attention to factors like Cash Flow, Sources of Funds, Borrowing, Raising the Capital, etc.

2. **Management -** The management team set up for the running of the business. The entrepreneur must crucial element of the internal environment of the business. The entrepreneur must ensure that there is proper delineation of authority and responsibility, channels of upward and downward communication, etc. The entrepreneur must evaluate and anticipate the need for special technical knowledge among the managers and take steps to ensure that such needs are fulfilled in a planned and organized manner.

3. **Suppliers -** The entrepreneur must evaluate suppliers on criteria such as price, quality, timeliness of delivery, reliability, etc. In some cases, where suppliers are few, the degree of control exercised by the entrepreneur may

be less. In such cases, a plan must be worked out to cater to contingencies like short supply, rise in prices etc.

4. **Company mission -** The Mission Statement of the company is its guideline principle. It gives a definite goal for everyone to work towards. It actually helps define and describe the nature of the business and the means to be used to achieve corporate goals, in addition to define the main goal itself. Therefore, the entrepreneur must pay special attention to these aspects of the internal environment.

In brief, the sources of information on the environment (Environment Scanning) are:

- Family
- Colleagues
- Bankers
- Trade Journals
- Catalogues
- Customers
- Salesmen
- Business Councilors
- Books
- Chambers of Commerce and Guides
- Friends and Acquaintances
- Employees
- Magazines
- Newspapers / Newsletters

Check your progress 2

1. Environmental Analysis is highly desirable before launching any business and they should consider the following factors :

   a. Economy
   b. Industry Demand
   c. Legal Aspects
   d. Competition
   e. All of the above
   f. None of the above

1.4 Identifying Problems and Opportunities

As we have seen before, Entrepreneur is constantly looking for new ideas. They are always lookout for "wish statements", where friends, acquaintances and even strangers might say "I wish I had…", or "I wish this would…" While most entrepreneurs do not have a formal "opportunity spotting mechanism", they often rely on similar sources for ideas. Some of these sources are:

a. Consumers
b. Business Associates
c. Distributors
d. Technocrats
e. Colleagues
f. Friends
g. Acquaintances

For example, consumers may provide feedback to the entrepreneur that a certain product, while good, does not fulfill certain other needs. This may give rise to a completely new product that takes all these needs into consideration. At other times, consumers may express a wish for something totally unrelated to the product, but where the entrepreneur has definite expertise and resources, leading to the development of a new product.

In other cases, business associates may pass on feedback from their own consumers, or from other business associates unknown to the entrepreneur. Thus the opportunity spotting network may be widespread, with needs filtering back to the entrepreneur.

However, merely hearing about a need is not enough. Others hear about needs too, but might not recognize them as opportunities. What sets the entrepreneur apart from the others in his ability to recognize a definite need and to see a way to fulfill this need? It is a coming together of perceived needs and knowledge of one's own expertise in a particular field that can be used to fulfill those needs.

The entrepreneur must also evaluate the opportunity on various bases before he decides to start a business venture to take advantage of the opportunity in question. The cause of the opportunity is important, since different causes give rise to situations with different "windows of opportunity". The Window of Opportunity refers to time period available for creating the business venture. Technological change, market conditions, government regulations, competition, etc. each create different windows of opportunity which the entrepreneur must recognize.

The opportunity must also fit in with the entrepreneur's own goals and personal expertise. If an entrepreneur is personally fired by a particular opportunity, it will spur him to put in the necessary time and effort to cash in on the opportunity. If the entrepreneur is only looking at the monetary rewards that will accrue at the end of setting up the business venture, he will quickly tire of the many steps that must be taken even before the business sees the light of day. Even if he does set up the business, it takes tremendous personal commitment and hard work before the monetary rewards start coming in. If the process itself is not to the entrepreneur's liking, the project is bound to fail.

Having spotted an opportunity, the entrepreneur does not directly rush into production. An analysis called Opportunity Analysis is conducted, to identify the problems associated with the opportunity as well as the conditions that make the opportunity feasible and profitable. Usually, the Opportunity Analysis studies the following:

1. **The Need:** This is the market need than the product/service hopes to fulfill. In most of the cases, this need is fairly obvious. However, in some cases, a certain amount of research is required to identify the need.
2. **Personal Observations:** These are observations and recorded experiences of the entrepreneur himself with regard to the market need identified above.
3. **Social Conditions:** These are the social conditions that lie beneath the market need.

4. **Market Research:** This refers to the data available from secondary sources that shed greater light on the market need. The entrepreneur has to gather all relevant market data to test the feasibility of the proposed venture.

5. **Existing Competition:** It is crucial to ascertain whether competition exists in the market that the entrepreneur wishes to enter. The strength of existing competition is also important, as it will indicate the level of effort necessary to carve a market segment.

6. **Existing Patents:** Often, products that fulfill certain needs may already have been patented and simply be awaited a developer. The entrepreneur must ascertain whether a patent exists for two reasons. Firstly, he could save a lot of time, effort and money if the product has already been developed and patented. Secondly, he avoids litigation and costly curt procedures in future.

7. **International Market Condition:** If a business is to succeed, it must enter as many markets as it can, the international market being the most lucrative. Therefore, the entrepreneur must ascertain the situation in the international market.

8. **Revenue Models:** The entrepreneur must be clear as to how the business will make money. Sometimes, the proposed business may, on the face of it, be just breaking even, but the benefits in terms of recognition and therefore spin off businesses may be greater.

Check your progress 3

1. Entrepreneur is constantly looking for new ideas. And as per the book here are few sources:

   a. Business Associates
   b. Distributors
   c. Technocrats
   d. All of the above
   e. None of the above

2. As per the text that you have just studied one item among the following is not part of 8 options of "Opportunity Analysis", which one:

   a. Price of your chosen offering
   b. The need
   c. Market research
   d. Social condition

1.5 Defining Business Ideas

From the various needs that the entrepreneur comes across, only one or two will actually be turned into a successful enterprise. The entrepreneur spots a need, and then applies his mind to generate ideas to fulfill that need. This is the Business Idea Generation Process. Some of the ways in which an entrepreneur generates business ideas are:

1. **Brainstorming -** Brainstorming is a creative process where the entrepreneur simply puts down ideas without any attempt to evaluate them or check there feasibility. The aim is to generate as many ideas as possible without regard to their workability. i.e. quantity instead of quality. In the course of brainstorming, ideas being to "spark other ideas". Thus, a simple idea leads on to another idea, which may leads on to another, and so forth. When the judgmental aspect is suspended, ideas can flow free and fast, thus increasing the chances of hitting upon a winning idea.

2. **Improving Processes -** In some cases, the entrepreneur may examine the way products and services are currently being produced, and introduce innovations and improvements in the production process. This is also a means of generating business ideas and bringing creativity to the entrepreneurial process.

3. **Expanding a Hobby -** Some entrepreneurs find that they are very good at a particular hobby, and expand this hobby into a business. Some examples are Photography, Interior Designing, Fashion Designing, Card Making, Cookery, Printing, Graphic Designing etc.

4. **Recycling Waste -** With people becoming increasingly concerned about the environment and the negative impact of waste on the quality of life, the conversion of waste into products of value has become a very lucrative business. Some examples are: using waste fiber to process into wood substitutes, recycling plastic waste into household and industrial products etc.

5. **Revamping existing products -** Sometimes, through the use of new technology of by applying old technology more efficiently, existing products can be improved. This becomes a business idea on its own.

Once the process of ideation or idea-generation is complete, the entrepreneur must evaluate the ideas and select the one that has the most

likelihood of success. Some of the criteria that entrepreneurs apply to select ideas are:

i) **Technical competence of the entrepreneur:** The ideas must fit the technical background and understanding of the entrepreneur. This does not mean that the entrepreneur must be an expert in that particular field, but he must have at least a basis understanding of the field and what is required to run the business successfully.

ii) **Availability of raw material:** When raw material is available locally, the idea becomes much more feasible. If raw material has to be procured from distant places, it could create problems in manufacture. Therefore, business ideas that utilize readily available raw materials are far more likely to succeed.

iii) **Uniqueness of the product:** If the product fulfills a definite need and is not currently available in the market, it makes the product far more likely to succeed. For example, motorcycle riders frequently had to struggle to attach their briefcases to the bikes while riding. An entrepreneur then designed the "bungee cord", a pair of elastic ropes with hooks at each end, which could easily be looped through the briefcase handle and then attached to the motorcycle. The product was an instant success.

iv) **Special skills of the entrepreneur:** If the business idea uses the specialized skills of the entrepreneur, whether in manufacturing, marketing or any other aspect, the idea is more likely to succeed.

Thus we see that, while opportunities may abound, it is the entrepreneur who identifies a definite need, generates ideas to fulfill that need, analyses the ideas and finally selects the business idea that is most likely to succeed in fulfilling the need while at the same time proving profitable for the entrepreneur.

Check your progress 4

1. As per the text earlier some of the ways in which an entrepreneur generates business ideas are:

   a. Technical competence of the entrepreneur
   b. Uniqueness of the product
   c. Special skills of the entrepreneur
   d. All of the above
   e. None of the above

1.6 Basic Government Procedures to Be Completed

Government procedures and legal requirements vary with the type of business and the type of organization that the entrepreneur initiates. In general, some of the governmental procedures that need to be followed are:

1. **Permission and Licenses:** Some products require the permission of the government before they can be manufactured and/ or sold. Some examples are arms and ammunition, alcohol, etc. The entrepreneur must find out which permissions are required and apply for them before beginning to manufacture the product.

2. **Excise and other duties:** In some cases, excise duties, sales tax and other duties may be applicable to the product or service. The entrepreneur must ensure that these statutory duties are paid on the products and services handled by the business.

3. **Registration of organizational documents:** Partnership deeds, Society documents, Memoranda and Articles of Association etc., have to be registered with the proper authorities before the business can commence operation. The entrepreneur must ensure that these legal formalities are taken care of before commencing.

4. **Location permissions, Shop Act License etc.:** In some cases, permissions from the local authority must be obtained before a property can be used for a particular business activity. For example, manufacturing operations involving machinery that causes vibrations cannot be started in older buildings. Similarly, pollution and zoning laws are in force, which prohibit the starting of certain types of industries in residential and other areas. For certain types of business, a Shop Act license or its equivalent has to be obtained and the conditions mentioned therein be fulfilled before or soon after starting operations. The entrepreneur must comply with these laws or risk stoppage of his business.

5. **Employee State Insurance:** When the number of employees crosses a certain limit, the owners of the business must take a group insurance policy for the employees.

6. **Provident Fund:** Similarly, the management must deduct the relevant Provident Fund contribution from the employees' salary and deposit this, along with the owner's contribution, into the relevant Provident Fund account.

7. **Individual and Corporate Taxes:** The business must ensure that relevant personal taxes such as Income Tax, Professional Tax, etc., are deducted at source whenever required and deposited into the designated accounts at regular intervals. The business has to ensure that corporate income is correctly assessed and taxes are paid.

Thus, the legal requirements and procedures are a complicated matter that have several variables that change according to the type of business, the form of organization, the product or service being offered, the number of employees, etc. The entrepreneur's best course of acting is to consult the relevant expert, whether it is a Chartered Accountant, Excise Consultant, Sales Tax Consultant, etc.

Check your progress 5

1. As per the reading earlier, one of the following is not a governmental procedures that need to be followed, which one?
   a. Permission and Licenses
   b. Registration of organizational documents
   c. Location permissions, Shop Act License etc.
   d. Excise and other duties
   e. Holding a staff meeting

1.7 Let Us Sum Up

In this unit, you were taken through the process of developing business. Once an Entrepreneur has a business idea, he needs to plan properly for converting that idea into a proper business. In the preceding few pages, you must have understood the importance of planning and documenting the "Business Plan' in a well structured document. The detailing required will definitely help an Entrepreneur in creating and executing a successful venture. This document, you might have realized, is also needed for getting the necessary funding etc. Subsequent chapters will explain those details to you.

It is also important to analyze the different areas, namely economy, competition etc. and you must have gained enough knowledge to deal with it.

A brief exposure was also given to you regarding, different Governmental procedure, which might have to be taken care of for any proposed venture. With all these knowledge a budding Entrepreneur should get equipped to face a real situation better.

1.8 Answers for Check Your Progress

Check your progress 1

Answer: (1-d)

Check your progress 2

Answer: (1-e)

Check your progress 3

Answer: (1-d), (2-a)

Check your progress 4

Answer: (1-a)

Check your progress 5

Answer: (1-d)

1.9 Glossary

1. **Balance Sheet -** A financial statement that summarizes a company's assets, liabilities and shareholders' equity at a specific point in time.
2. **Shop Act license -** A set of acts by Govt to be followed by any organization.
3. **Feasibility -** It is the state or degree of being easily or conveniently done.
4. **Patent -** It is a set of exclusive rights granted by a sovereign state to an inventor or assignee for a limited period of time in exchange for detailed public disclosure of an invention.
5. **Demographic -** Groups defined by certain criteria.

1.10 Assignment

You are requested to plan for a business and prepare a report on its' environmental analysis.

1.11 Activities

You may prepare a Business Plan for the above business.

1.12 Case Study

Eureka Forbes with their wide range of water purifiers have done an excellent job of "Entrepreneurship". This is what they have mentioned in their website:

"The customer has always been at the centre of our business and we are constantly expanding our ways of reaching out to them to understand their needs and aspirations. Passion for delivering with excellence has always motivated us to come up with high quality products to ensure satisfaction and the wellbeing of the families.

In a similar endeavor, we introduced direct selling in India and pioneered the water and air purification systems, vacuum cleaners and security systems. We have since added channels to enhance our reach and respond effectively to the needs of our customers.

Our Consumer Channel was established to effectively respond to the expectations of customers looking for the means to safer and healthier living. It offers them a range of water purification and home cleaning products through a network that has rapidly spread to encompass over 15,000 dealers across over 1,800 cities and towns across India.

Valuing the special bond it shares with customers, our team puts in extra efforts to maintain and deliver products of unmatched quality. Strict adherence to quality control policies ensures that its products meet the customer expectations in every way. Crafted carefully to meet the needs and suit the lifestyle of modern-day customer base, these home products are extremely convenient to use. Eureka Forbes products for home features the latest technology that simplifies tasks, enhances efficiency levels and saves time.

The comprehensive range of products offered by Eureka Forbes are a perfect blend of personal touch with professional craftsmanship making them stand out."

Discussion questions:

1. What are the reasons for success of Eureka Forbes with their water purifier products?

2. They had used direct marketing. Do you think that was the right approach? Give reasons for your answer.

3. You are also requested to carry out a total study of this water purifier market and plan a new business as their competitor.

1.13 Further Readings

1. Entrepreneurship Development by S. Anil Kumar.
2. Entrepreneurship Development in public Enterprises by Joseph Prokopenko and Igor Pavlin.
3. Entrepreneurship Development in India by Sami Uddin.
4. The Entrepreneurial Venture: readings selected by William Andrews Salhman and Amar Bhide.

UNIT 2: FUNCTIONS OF AN ENTREPRENUER

Unit Structure

2.0 Learning Objectives

2.1 Introduction

2.2 Broad Functions of an Entrepreneur

2.3 Qualities of a True Entrepreneur

2.4 Forms of Business Organization

2.5 Choice of Proper Forms of Organization

2.6 Let Us Sum Up

2.7 Answers for Check Your Progress

2.8 Glossary

2.9 Assignment

2.10 Activities

2.11 Case Study

2.12 Further Readings

2.0 Learning Objectives

After learning this unit, you will be able to understand:

- The Broad Functions of an Entrepreneur
- The Qualities of a True Entrepreneur
- The different Forms of Business Organization
- The Advantages and Disadvantages of Sole Proprietorship and The Joint Hindu Family Firm
- About Partnership Organization

2.1 Introduction

Exploitation of business opportunity is the main function of an entrepreneur. The free enterprise system is claimed to provide man the greatest possible chance

to use his initiative and individual ability in his own interest. It is further contended that this freedom is essential to the highest degree of economic progress. Each individual basically free to develop his peculiar capacity largely for his own reward is seen as the production and consumption unit par excellence. The driving effort of free individuals, wisely curbed only to prevent license and educated to accept necessary social responsibility, is held to mean the greatest prosperity for the nation.

2.2 Broad Functions of an Entrepreneur

We are now in a position to list the broad functions of an entrepreneur into the following three categories:

1. Innovation
2. Risk-taking
3. Organization and management, including (a) planning of an enterprise; (b) coordination, administration and control; and (c) routine type of supervision.

Risk- bearing means provisions for capital in order to enable the entrepreneur to establish and run the enterprise. An important function of an entrepreneur is to reduce uncertainty in his plan of investment and expansion of the enterprise. Innovation means "doing the new things or the doing of things that are already being done in a new way". It includes new process of production, introduction of new products, creation of new markets, discovery of new and better source of raw materials and finally the creations of a better form of industrial organization. And organization basically implies bringing together the various factors of production. The purpose is to allocate the factor in order to minimize losses and reduce costs in production.

An entrepreneur performs any one or more of these functions at a particular time in an organization

Economists like Cotillion, J.B. Say and others stressed risk-taking as the specific function of an entrepreneur. Marshall recognized organization and management of the enterprise as the important functions of an entrepreneur. According to Schumpeter the primary function of an entrepreneur was never a risk-bearer. While discussing it he stressed that thought the basic function of an entrepreneur was to innovate this function must always appear mixed up with other kinds of activity. He wrote: "Everyone is an entrepreneur only when he actually carries out new combinations and loses that character as soon as he has

built up his business, when he settles down to running it as other people runs their business."

Arthur H. Cole described an entrepreneur as a decision maker and described the following functions of an entrepreneur; (a) The determination of those objectives of an enterprise and the change of those objectives as condition required or made advantageous ; (b) The development of an organization including efficient relations with subordinates and all employees; (c) The securing of adequate financial resource the relations with existing and potential investors; (d) The requisition of efficient technological equipment and the revision of it as new machinery appeared ; (e) The development of a market for the products and the devising of new products to meet or anticipate consumer's demand ; (f) The maintenance of good relations with public authorities and with society at large.

Modern writers have emphasized all the three functions – innovation, risk-taking and organization. In the initial stage of the establishment of an enterprise one may have to bear, risk, and manage innovate, organize and take decision all by on self. He reduces uncertainty in his plan of investment, diversification of production and expansion of the enterprise. He even manages the day –to-day activities of the enterprise. He takes business decisions and works of a manager also. But as enterprise grows, entrepreneurs or group of entrepreneurs deal with more number of workers, more complex and technical problems and more complex relationship with suppliers, customers and government. Entrepreneurial functions are divided into a number of person specialized in their respective fields. Therefore, entrepreneurial functions are filled by a corporate body and not embodied in a single physical person. Every social environment has its own way of filling the entrepreneurial function. For instance if the department of agriculture of the government in many countries including India took steps in revolutionizing the agriculture methods it would be said to have acted as an entrepreneur.

When the organization is big and grows bigger entrepreneurs start making delegation of authorities to subordinate executives. Moreover, the net work of decision making becomes more complex. But regardless of these changes in the form and increase in the complexity of organization, the central functions of the entrepreneur remain the same. The entrepreneur determines alone without any managerial interference in what lines of business is to employ capital and how much is to be employed. He determines the expansion and contraction of the size of the total business and its various branches. There are essential decisions which

are instrumental in the conduct of the business and entrepreneur are at the helm of affairs.

The entrepreneur is in essence an institution which comprises of all the people required to perform various function. The tasks of such people are not only to do with innovations, but also with understanding and implementing the adjustments that are required of the production units, when they expand on account of change in demand and in market conditions. They must do more than merely adjust. They must foresee the opportunities that are inherent or when they arise in a given situation and at times they must be in a position even to make opportunities out of a given situation.

Check your progress 1

1. One of the following statements is not correct, which one?
   a. Economists like Cotillion, J.B. Say and others stressed risk-taking as the specific function of an entrepreneur.
   b. Marshall recognized organization and management of the enterprise as the important functions of an entrepreneur.
   c. According to Schumpeter the primary function of an entrepreneur is to make profit.
   d. Arthur H. Cole described an entrepreneur as a decision maker.
   e. All of the above
   f. None of the above

2.3 Qualities of a True Entrepreneur

With the broad functions of an entrepreneur discussed in the preceding chapter (that of innovations, risk-bearing and organization and management) we may now discuss the main qualities of an entrepreneur. He should posses all such qualities with which he perform any or more of the functions. Besides, an entrepreneur plays an important role in the development of an economy. He must possess some important qualities which are of great importance to the country's rate of economic progress.

An entrepreneur should be one who bears, innovates or imitates and organize the business. As successfully he performs such functions to the extent he justifies his existence. In an economy or in any situation he is expected to combine all factors of production in a manner as to maximize output at minimum cost of production. Whether he performs the various functions effectively is determined by the nature of quality control, cost reduction, improved labor relations, profit earning and the like. All this is possible if the entrepreneur is especially a talented person and he possesses the following main quantity in him:

1. Capacity to assume risk and possessing self-confidence -

The entrepreneur assumes risk and he should have, therefore, self-confidence. He should be anxious to expand and have the willingness to tie up capital and wait for good returns. He is an innovator and also a financier having a dual capacity and he should be therefore, in search of quick and large profits ready to shift investments for better output and result. As an organizer, the entrepreneur guarantees wages to his employees, and interest to those who have lent him capital and intense element of risk. Business game consists of great risks, and rewards are also great when risks are successfully covered. The ability to perform services and the risks involved are inseparable. Therefore, for successful covering the risks, highest order of ability is required. A successful entrepreneur would be one who has tact, patience, and sagacity, power of observation and wisdom and ability of discrimination. He should be mentally alert, gifted with discernment, practically wise, acute-minded, and shrewd and an exceptionally intelligent person. He must be a good judge of human nature and must possess the qualities of leader ship. With the spread of knowledge, the entrepreneurs are increasing both in India and in other developing countries.

2. Technological knowledge, alertness to new opportunities, willingness to accept change and ability to imitate -

The entrepreneur should have a keen desire to change and adopt new technology. In order to become successful he should have perseverance to overcome obstruction, fear and variety of difficulties. He should have the capacity to pick and choose from a large number of associates and subordinates and should be able to wisely delegated authority. At the same time he should be able to wisely delegate authority. At the same time he should have the ability to inspire loyalty.

Technological change is the prime mover in the process of economic development. Historically, inventions and innovation have led the process of growth in advance countries. In underdeveloped countries the search of a new technology should be the prime objective of good entrepreneur. Their success depends to a great deal on their ability to adjust and adapt new conditions and newer technology. Technological knowledge consists of devising new good and new ways of producing existing goods and services. The entrepreneur must be interested in new goods and be prepared to attempt new ways of doing things. They should be interested in changing the pattern of production in the light of resources available to keeping in mind their competitive position in the market and also the quality of their produce. Any dynamic organization needs its ideal men, its creative thinkers, and its people who could plan and change and initiate a productive process or a new product or explore a new market. They should be alert, flexible and able to adapt to changing conditions. Economic growth is a highly dynamic process. With the growth of industry and rise in income of the people, there is a growing demand of goods hitherto not in demand and here lies ability and capacity of the wise entrepreneur who could explore this new demand. They should be alert to new opportunities and willing to incur the necessary risk in exploiting the new situation.

An entrepreneur is interested in initiating and accepting changes. He is expected to discover new combinations involving new product, new methods of production, development of market, and utilization of a new source of productive factors and a new form of organization. In underdeveloped countries there is a dearth of such men. People are not very enthusiastic because the economic environment is unhealthy and timed with uneconomic culture and age long traditions. In developed countries people accept the change as a way of life, which is not the condition in underdeveloped countries. And, that is why, in developed countries entrepreneur are in short supply. Willing to accept change is a remarkable quality of a successful entrepreneur.

In underdeveloped countries entrepreneur should possess the ability of imitation. It is true that conditions in such countries are such that people are not prepared to take risk resulting from innovations, but they should be ready to take risk resulting from innovations, but they should be ready to take up such projects which involve less cost and risk as they are of imitating as against innovating character. They should be able to harmonies new ideas of different innovations to their own organization. Writing on the industrial revolution and industrial innovations, Meier and Baldwin mention: “Although the hope of profits was a

major stimulant to innovation, there were also other prerequisites first, technical knowledge which could be utilized second, entrepreneur who recognized the opportunities, and respond to them ; third, the ability to respond by having adequate finance for the introduction of new techniques. The increasing amount of inventive activity has already been considered, but the role of entrepreneurs and the role of finance now require amplification." The further write:" Schumpeter's hero the 'innovating entrepreneur' played a central part in the rise of modern capitalism. The entrepreneur spirit of the entrepreneur is also emphasized by Somber, who interprets this spirit as a mental attitude that is dominated by the principles of acquisition, competition and economic rationality. Even though the natural environment of the eighteenth century was favorable to growth, there must also have been individuals who were willing to undertake the risks of innovating and who were prompt to do so by an attraction to money."

3. Ability to Marshall Resources -

A true entrepreneur is one who has the ability to mobilize resources in the best possible manner for achieving the business objective. He should be one who is able to reduce the cost of production to the minimum without reducing the quality of the product. Harrison writes: "A dynamic organization needs its ideal men, its creative thinkers, its people who can plan and initiate changes. The organizational ability is probably the most critical skill needed for industrial development on a large scale. The organizational builder must be able to harness the new ides of different innovators to the rest of the organizational. He must be able to select and develop person who can properly manage and control a labor force. He task is to stimulate initiative and enthusiasm in the accomplishment of the objectives of the organizational. He must be able to multiply himself by effectively delegating responsibilities to others. Indeed, the ability to build organization is perhaps the most precious of all entrepreneurial skills and thus those who can achieve success in this very critical area may be the ones who nearly fulfill the role of the true entrepreneur.

4. Ability of organization and administration -

The ability of building organization is one of the most critical skills needed for industrial development of a country. The organizer must be able to harvest the new ideas to the best in his organization. He must be able to select and develop persons who can properly manage the affairs. The entrepreneur must have the

ability of selection, training and development of the persons composing the labor force. He must have confidence to provide sufficient incentive for work. He should have the ability to raise the productivity of labor. He should know the technique of scientific management. He requires the employment of specialized personnel and investment of line on the part of members of the line organization. Even more important, he requires high level of education, experience and training among the members of the managerial organization.

If we look towards the developed countries of the world we find them equipped with all kinds of technological skill and in possession of trained and talented entrepreneur. When we go through their historical growth we find that there is long list of entrepreneur who was instrumental in introducing new methods, new products, and new markets new forms of industrial organization. Although such people were drawn from all strata, they formed a sociological group having common characteristics. They were men who valued business as a means and sign of achievement; they were people who appreciated the possibility of innovations and they were people who tried to overcome the resistances and obstacles standing in the way of doing new things. Their motive was to increase profit and improve efficiency by reducing cost. They were the great figures of the industrial revolution in England, who earned their reputation as innovators and organizers. They fulfilled in one person the functions of capitalist, financer, manager, merchant and salesman.

A study of European entrepreneur in the nineteenth century at time of industrial revolution further reveals that a typical entrepreneur was found more self-centered than others. He believed in breaking-up the old traditions and establishing new traditions. Such an entrepreneur was found highly ambitious. He had the desire of establishing a kind of private kingdom, a dynasty. He had the will to conquer, the impulse to fight and succeed and a tendency to prove he superior to others.

A true entrepreneur, besides possessing functional qualities mentioned above, must possess the broad personality contours which help him in developing initiative and drive to accomplish such tasks which he decides from time to time. In the early period an economist like J.B Say observed that an entrepreneur must possess the following special qualities; he must have “judgment, perseverance, and knowledge of the world as well as of business. He is called upon to estimate, with tolerable accuracy the importance of specific product, the probable amount of demand, and the means of its production: at another, buy or order the raw material, collect laborers, find consumers, and give at all times a rigid attention to

order and economy, in a world, he must possess the art of superintendence and administration."

In connection with a recent study of entrepreneurs, James J. Berna stressed the following qualities of a good entrepreneur.

a. He is an enterprising individual. He is energetic, resourceful, alert to new opportunities, able to adjust to changing conditions and willing to assume risks involved in changes.

b. He is interested in advancing technologically and in improving the quality of product.

c. He is interested in expanding the scale of his operations, and he reinvests to this end. James Berna further writes: "In the writer's opinion, these are the basic criteria which must be used in evaluating entrepreneur's performance in an under-developed country. They sum up, first of all, what is usually implied the phrase "spirit of enterprise". It is difficult to conceive of a first-rate industrial entrepreneur who is not adaptable to change anxious to grow larger and improve technologically."

Classification

In a study of American agriculture, Clarence Danh of has classified entrepreneur in the following manner. This classification gives us an idea that, at the initial stage of development, entrepreneur has less initiative and drive and as development proceeds they become more innovating and enthusiastic. And similarly when entrepreneur are shy and humble the environment is underdeveloped and similarly when entrepreneurs are innovating, business environment becomes healthy and developed.

There are four categories of entrepreneurs

1. Innovating entrepreneurs
2. Imitating entrepreneurs
3. Fabian entrepreneurs
4. Drone entrepreneurs

1. **Innovating entrepreneurship** is characterized by aggressive assemblage of information and the analysis of result deriving from novel combinations of factors. Men in this group are generally aggressive in experimentation who exhibited celerity in putting attractive possibilities into practice. Such an entrepreneur is one who sees the opportunity for introducing a new

technique or a new commodity or a new market. He may raise money to launch an enterprise, assemble the various factors, choose top managers and set organization that introduces new market, and re-organizes the enterprise. Innovating entrepreneurs are such who are very commonly found in developed countries. In underdeveloped countries, on the other hand, their number is very small. A country with little or no industrial tradition can hardly produce innovating entrepreneurs. Such entrepreneurs can work only when a certain level of development is already achieved, and people look forward to change and progress.

2. **Imitative entrepreneurship** is characterized by readiness to adopt successful innovation inaugurated by innovating entrepreneurs. Imitative entrepreneurs are also revolutionary entrepreneurs with the difference that they do not innovate the changes themselves; they just imitate techniques and technology innovated by others. Such entrepreneurs are particularly important in underdeveloped countries because the contribute significantly to the development of such economies, such entrepreneurs are most suitable for the underdeveloped regions because in such countries people prefer to imitate the technology, knowledge and skill already available in more advanced countries.

3. **Fabian entrepreneurship** is characterized by very great caution and skepticism in practicing any changes. Such entrepreneurs have neither will to adopt new methods innovated by the most enterprising entrepreneurs. Such entrepreneurs are shy and lazy. Their dealing is determined by customs, religion tradition and past practices. They are not much interested in taking risk and they try to follow the footsteps of their predecessors.

4. **Drone entrepreneurship** is characterized by a refusal to adopt use opportunities to make changes in production. Such entrepreneurs may even suffer losses but they do not make changes in production methods.

The reason of the backwardness of the underdeveloped countries lies in the fact that they are deficient in innovating and imitating entrepreneur when they are found in abundance in developed countries. Men are needed who can imitate the technologies and products to the particular conditions prevailing in such countries. And at times there is need of changing and adjusting the new technologies to their special conditions. Such countries primarily need imitators who are responsible for transforming the system with the limited resources they possess. James Berna writes:" The importance of these humbler entrepreneurs who "exploit possibilities as they present themselves and mostly on a small" must not be under-estimated. In

the first place, such adaptation requires no mean ability. It often involves what has aptly been called "subjective innovation", that is the ability to do things which have not been done before by the particular industrialist, even though, unknown to him, the problem may have been solved in the same way by others." Speaking on the importance of imitating entrepreneur in underdeveloped countries, he further writes; "He is, perhaps rather pedestrian figure by western standards; an adaptor and imitator much more than a true innovator; a man who has much more in common with Marshall's organizer of the factors of production than Schumpeter's creative disturber…but in a poor country attempting to industrialize potent changes-producing figure nonetheless."

Check your progress 2

1. An entrepreneur is especially a talented person and is expected to possesses the following main quantity in him:
   a. Capacity to assume risk and possessing self-confidence ;
   b. Ability to Marshall resources ;
   c. Ability of organization and administration.
   d. All of the above
   e. None of the above
2. One of the following is not "four categories of entrepreneurs", which one.
   a. Innovating entrepreneurs
   b. Imitating entrepreneurs
   c. Smart entrepreneurs
   d. Drone entrepreneurs

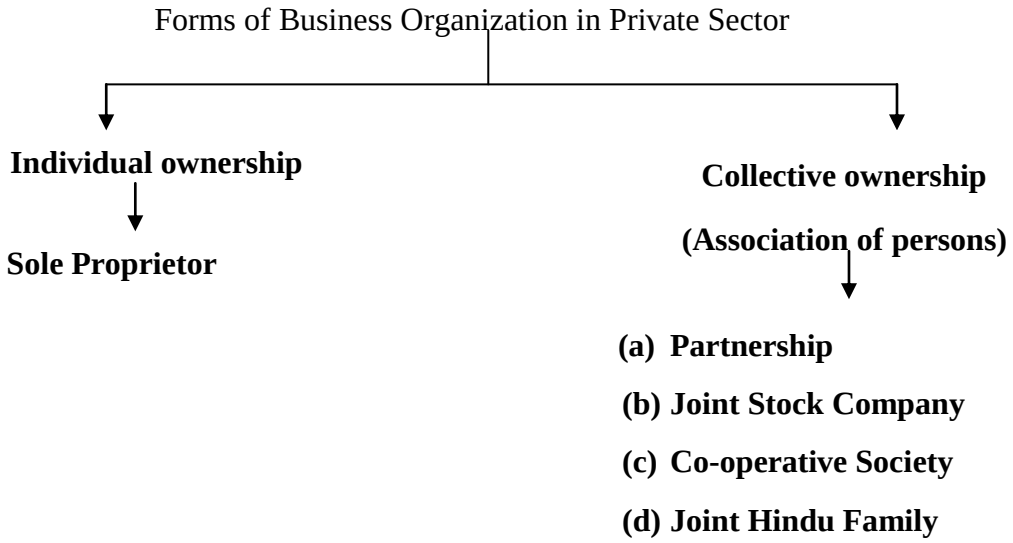
2.4 Forms of Business Organization

The sole object with which all business concerns are started is to make profit by the use of capital, by the employment of labor, by utilizing materials and by producing or disposing of commodities. All these factors of production share the profits obtained by their joint efforts. Such a concern can be started either by one person or by a group of persons in the private sectors or by Government or

other public bodies in the public sector. From this point of view, there are four main forms for a business unit. If only one person starts the business, we call that business sole proprietorship, and group of persons start the business, that either partnership business or Joint Stock Company or co-operative form of organization. For business purposes, therefore, the chief forms of ownership organizations are:

1. Individual or sole proprietorship
2. Partnership
3. Joint stock company
4. Co-operative society

Besides, these Hindu Joint Families also undertake business in India, although this form is fast losing ground as a form of business organization. Also, these above forms of organization are used essentially for business firms in the private sector.



Though a business enterprise may be owned by the above forms of organization, usually one form is more suitable than others for the particular enterprise. The choice will depend upon the considerations such as the type of the product, capital requirement, State control, legal requirements, competitive conditions in the chosen industry level of taxation, ownership privileges and so on.

Ideal Form of Organization

Before studying the features, merits and demerits of the various forms of organization, it is desirable to know some of the characteristics, which make for

an ideal form of business organization. The characteristics of an ideal form of organization are found in varying degrees in different forms of organization. The businessman, while choosing the form of organization for his business, will have to decide the form of organization with reference to the following ideals.

1. Ease of Formation

The entrepreneur must be in a position to establish the business without much difficulty and the formation process should not be time-consuming and should involve little expenses and minimum legal formalities.

2. Ease of Raising Capital

If a concern requires a huge amount of capital, the preconditions necessary for attracting capital from the public are: (a) safety of investment (b) fair return on investment, and (c) transferability of investment.

3. Limit to Liability

The firm might be organized either on the principle of limited liability or unlimited liability. But from the point of view of risk, it is better to have limited liability. This means that the entrepreneur's liability is limited only up to the amount of capital agreed to be contributed by him whereas unlimited liability means the personal assets of the owner will be held liable for the debts of the business.

4. Direct Relationship between Ownership, Control and Management

A good form of organization must also have a feature of associating the owner with the management of the firm. This means that the responsibility for management or control of management must be in the hands of owners. If the owners have no control in the management; the firm may not be organized efficiently.

5. Continuity of Stability

Stability is necessary both from the point of view of the entrepreneur and society. Uninterrupted existence enables the entrepreneur to formulate long-term plans for the prosperity of the concern. From the point of view of society, the stability of the firm ensures continuous employment and uninterrupted supply of their economic needs.

6. Flexibility of Operation

Flexibility and adaptability to the changes is another ideal of a good form of organization. Changes may take place either in the market conditions or in the condition of the supply of various factors of production. Sometimes, the State's policy towards the industry may be changed or there may be a change in the management policies. The nature of organization should be such as to be in a position to adjust to the changes without much difficulty.

7. Lighter Tax Liability

All the forms of organization are subject to the levy of taxes by the State. But as taxes are levied on different basis, some forms of organization may liable for high rate of taxation while some others may be taxed at the low rate. Hence, other things being equal, the ideal form of organization is one which is liable to low rate of taxation.

8. Freedom from State Regulation

As the State has been evincing keen interest in the economic activity of the nation, the business enterprise is being controlled by the State. This involves the spending of much time and money by the entrepreneur in observing all the rules and regulations. Hence, keeping in view the peculiar requirements of an enterprise, the entrepreneur must select such a form of organization on which the State exercises minimum control.

9. Retention of Business Secrets

The entrepreneur will also have to ensure that the form of organization chosen by him allow vital secrets to be retained without being leaked out to the competitors.

Check your progress 3

1. One of the following is not 'collective ownership', which one?

   a. Partnership
   b. Joint stock company
   c. Co-operative society
   d. Sole proprietorship
   e. None of the above

2.5 Choice of Proper Forms of Organization

The various characteristics of an ideal form of organization discussed above cannot be taken into account singly. Rather they are to be weighed against each other in the light of the requirements of the enterprise proposed to be started. Some requirements which guide entrepreneurs in making this choice are:

1) Nature of business - Trading, manufacturing, commercial or service.
2) Expected life span of business.
3) Requirements of capital for the business and the available sources of finance.
4) Expected volume of business.
5) Area of operations - whether local, national or international.
6) Extent of government control and the freedom desired by the entrepreneurs.
7) Legal formalities for establishing and organizing the business.
8) Rights and responsibilities (including personal liability) of the owners.
9) Opportunities and requirements for decision making.
10) Tax advantage under different type of organization.

Of the various factors discussed above in the choice of a proper form of organization for a business, the most important is that of raising the requisite amount of capital. Limited liability is the next important factor. The other factors are relatively less important. Nevertheless, the factors discussed above are to be weighed against each other and a form of organization which will provide the maximum net gain has to be decided. The distinguishing features of each form of organization with their respective merits and limitations are discussed below:

A. Sole Proprietorship

A sole partnership (or one-man business or sole trader or individual proprietorship or individual entrepreneurship) is a form of business organization in which an individual introduces his own capital, uses his own skill and intelligence in the management of its affairs and is entitled to receive all the profit and assumes all the risks of ownership.

Leading Features

The following are the essential features of a sole proprietorship:

a. The business is owned singly by an individual.

b. The business is controlled by single person.

c. The individual assumes all the risks to which the business is exposed.

d. The individual has an unlimited liability. His personal assets can be used for the payment of business liabilities.

e. The business firm is not a separate legal entity from the sole proprietor.

f. No legal formalities are necessary to set up the business as such but there may be legal restrictions on a particular type of business. For example, no individual can start or run a bank or an insurance company; he may do so without any legal formalities. But in some cases a license may be necessary, e.g. if he wants to start a restaurant, license from the health department of the municipal corporation will be required.

g. He has almost unlimited freedom of action and decides everything for the firm without fear of any opposition, but of course, at his own risk. To sum up, the proprietor is his own master in this form of organization.

h. That there may be employees makes no different. He may instead take the help of the member of the family.

Evaluation

As capital is limited the liability of the entrepreneur is unlimited, this form of organization is all right for a small-scale business. This is obvious from the discussion of its merits and limitations given below.

Advantages

The following are the advantages of sole proprietorship:

i. **Ease of Formation:** It is easy to form a sole proprietorship as no legal formalities or other complicated procedure is required to be followed. Men with limited means can start an independent business and get themselves self-employed. The cost of starting this type of organization is also negligible.

ii. **Incentive:** All the profits of the business belong to one person and this gives great incentive to the owner to take personal interest in his business and manage it most efficiently.

iii. **Freedom of Action:** In matters of business dealing the sole proprietor can take his own decisions and there is none to question his authority. This type of freedom of action promotes initiative and self-reliance.

iv. **Quick Decision:** As there is no need to consult any other person, the sole proprietor can take prompt decisions. Promptness in business matters can result only when the entire responsibility of business lies with the proprietor.

v. **Flexibility:** As quick decision can be taken, the sole proprietor can adapt himself to the changing situation with comparative ease. Further, flexibility is facilitated by the little capital and small-scale operation which can be adjusted to the new situation with ease.

vi. **Personal Touch:** As only one man is dealing with the business, the proprietor can come into close contact with the customers and he can earn goodwill by attending to the customers' demands promptly and satisfactorily.

vii. **Business Secrecy:** In this type of business, it is easy to maintain the secrecy of business. Any change he wants to make regarding business methods or policies can be done without the knowledge of others. Maintaining business secrecy is very important in competitive business.

viii. **Social Desirability:** From the social point of view, sole proprietorship is desirable as it ensures that too much wealth does not concentrate in a few hands. It may be one of the ways in which equitable distribution of wealth is ensured. Further, the principle of unlimited liability of the proprietor ensures sufficient responsibility to the society.

Disadvantages

Some of the disadvantages of sole proprietorship are:

i. **Limited Resources:** In this type of concern, the resources are very limited, s only one person is responsible for the business, and the capital is limited to his capacity. If the business needs expansion, it cannot take place as the amount of capital that can be paid is restricted by the extent of his personal credit.

ii. **Limited Managerial Ability:** The managerial ability is also limited. While running business many problems arise, and it may not be possible for one person to solve them. Again, the sole proprietor may not be an expert in performing every function like purchasing, selling, accounting, and correspondence. He may be an expert in accounts but not in purchases. There are very few people who are experts in every field.

iii. **Unlimited Liability:** All the personal properties of the proprietor are liable to an unlimited extent for the debts of the business. This is a very serious handicap to the owner and this discourages the expansion of business even when there are prospects of earning profits.

iv. **Uncertain Future:** This kind of business also suffers from an uncertain future. If the sole trader dies, his business may come to an end. Long period stability which is a condition precedent to progress cannot be achieved with this form of business.

v. **No Economies of Large Scale and Specialization:** Because of the small size, sole trader cannot secure economies of large scale manufacturing, buying and selling. Further, as the degree of specialization is very small, the benefits of specialization or services of experts cannot be obtained.

vi. **Suitability:** From the above account of advantages and disadvantages of sole proprietorship, it is clear that this form of business organization is most suitable where:

Capital required is small,

Risk involved is relatively not high,

Nature of business affairs is simple of character and requires quick decision,

The personal contact with the customers has great importance, and Where special regard has to be shown to the tastes and fashions of customers

The retail shops, professional firms, household and personal service concerns are mostly started by individual proprietors. Thus, the individual proprietorships are continuing to exist in spite of the development of bigger organizations like partnership, firm and Joint Stock Company.

B. The Joint Hindu Family Firm

In India a large number of businesses are carried on in the shape of Joint Hindu Family (JHF) firms which are in essence individual entrepreneurs possessing almost all the advantages and limitations of sole proprietorship. A JHF comes into existence by the operation of law. If the business set up by a person is carried on by male members of his family after his death, it is a case of JHF. Except in Bengal where dayabhaga system of Hindu law is prevailing, in the rest of India mitakshara system of inheritance is in operation according to which three successive generations in the male line simultaneously inherit the ancestral property from the moment of their birth. Thus son, grandson and great-grandson become joint owners of ancestral property by reason of their birth in the family. They are called coparceners-in-interest. The Hindu Succession Act, 1956, has extended the line of coparcenary interest to female relatives of the deceased coparcener or male relative claiming through such female relatives. The family business is included in heritable property and is thus the subject of coparcenary interest. Under the dayabhaga law the male heirs become members on the death of the father.

The business is ordinarily managed by the father or other senior member of the family and he is called Karta or Manager; other members have no right of participation in the management. The Karta has control over the income and expenditure of the family and he is the custodian of the surplus, if any. The other members of the family cannot question the authority of the Karta and their only remedy is to get the family dissolved by mutual agreement. If the Karta has misappropriated the funds of the business, he has to compensate the other coparceners to the extent of their share in the joint property. The Karat can borrow funds for conduction the business but the other coparceners are liable only to the extent of their shrew in the business. In other words the liability of the Karta is unlimited.

A Joint Hindu Family can enter into partnership with others. But outsiders cannot become members of the Joint Hindu Family. The death of a member does not dissolve the business of the family. Dissolution of the Joint Hindu Family is possible only through mutual agreement. The male adult members can demand partition of the property of the Joint Hindu Family. On separation, a coparcener has no right of asking for previous accounts.

Advantages

Some of the advantages of Joint Hindu Family Firm are as follows:

1. Every coparcener is guaranteed a 'bare subsistence' irrespective of the extent of his contribution to the business.
2. There is scope for younger members of the family to get the benefit of knowledge and experience of elder members of the family.
3. Members of the family are taught to work not only for their own benefit of entire family without being selfish.
4. Members of the family who are sick, unemployed, old and bodily infirm, windows and orphans are looked after by the other members of the family with due care.
5. This form of organization provides an opportunity to develop virtues of discipline, self sacrifice and co-operation.
6. Benefits of 'division of labor' can be secured by assigning the work to members of the family as per their specialization.
7. As Karta enjoys full freedom in conducting family business, he can take quick business without interference by others.
8. As the liability of Karta is unlimited, he takes maximum interest in business in order to manage it on the most efficient lines.

Disadvantages

As against the above advantages, the Joint Hindu Family Firm suffers from the following disadvantages:

1. There is no encouragement to work hard and to earn more, because members who work hard are not properly rewarded and the benefit of their hard work is shared by all co-partners irrespective of the work turned out by them.
2. As Karta takes the responsibility to manage the firm, the other members of the family may become lazy and inactive.
3. The Karta exercises full control over the entire business, and other co-partners have no right to interfere in the management of business and by this, the initiative and enterprise of individuals are hampered.

4. Generally, the views of the younger members of the family may not be approved by the elder members of the family. This leads to conflict between old and young members of the family and this may result in the partition of business.

5. As Karta enjoys full freedom in conduction the business and as other co-partners have no right to interfere with the Karta in respect of conducting business, he may misuse this freedom for his personal benefits.

Evaluation

This form of business organization is losing ground with the gradual end of the joined Hindu family system. It is being replaced either by sole proprietorship or partnership firm.

C. Partnership Organization

To become a successful businessman one must possess adequate capital, knowledge and experience of business, technical skill, knowledge of accounting, purchasing and selling methods, etc. But generally it is difficult to find a person possessing all the qualities required for the success of the business. One may possess capital, but may be lacking experience in business or vice versa. Hence there arises the need for formation of partnership business where two or more persons join together of whom some may have adequate capital and some other may be experts in other fields like purchasing, selling accounting etc.

Definition

In India, the partnership organization is governed by the Partnership Act 1932. Section 4 of the Act defines partnership as "the relation between persons who have agreed to share the profits of a business carried on by all or any of the acting for all". Persons who enter into partnership are individually called partners and collectively a firm and the name under which business is carried on is called the 'firm name'.

Essential Characteristics

The definition of partnership given above contains the following elements:

a. Partnership is relationship between certain persons.

b. Who have entered into an agreement?

c. For carrying on business for gain.

d. For sharing the profits derived from the business, and

e. Which is carried on by all the people's party to the agreement or any of them acting for all?

All the elements stated above must be present before a group of persons constitute a partnership. The essential characteristics of partnership are explained below:

Plurality of Persons

For constituting a partnership there must be an association of two or more persons. But the maximum number of persons in the case of banking business is 10 and in the case of other business 20. The maximum number is laid down as such for association by the Companies Act, 1956

Contractual Relationship

The partnership is the result of an agreement, express or implied, between persons who form the partnership. The Indian Partnership Act clearly states that the relation partnership arises from contract and not from status. Two persons may be considered partners in the commercial and legal sense unless they enter into an agreement for the same Likewise a joint Hindu family firm is not a partnership.

Profit Motive

The primary motive of partnership contract is mutual gain or profit. But if the manager of a firm is given a share in profits, he is not to be treated as a partner, because other elements of partnership are not satisfied.

Existence of Business

If an agreement is made between two or more persons for a social or charitable cause it is not partnership. Partners while agreeing to share the profit of business, also undertake to share its losses, if any.

Principal-agent Relationship (implied agency)

The partnership business should be carried on by all or by any one of the partners acting for all the partners. This implies that the partners not only own the business, but also manage it. Though the partners have a right to take part in the management, it may not be possible for all the partners to take part. If any one partner manages the business, he does it on behalf of the others. The relation between partners is one of agency so that every partner binds the other partner by an act in the name of the partnership firm and in the ordinary course of its

business. In other words, three is mutual agency. Each partner is the agent of the other partners and each is the principal. For this reason it is sometimes stated that the law of partnership is an extension of the law of agency.

Other Legal Characteristics of Partnership Organization

Certain other important legal characteristics of partnership organization are worth mentioning. They are:

Unlimited Liability

The liability of each partner of firm is unlimited in respect of the firm's debts. The liability of partners is joint and several, and therefore even one of the partners can be called upon to pay the debts of the firm in case the firm's assets are insufficient.

No Separate Legal Entity

The partnership firm has no independent legal existence apart from the persons who constitute it.

Utmost Good Faith

A partnership agreement is based on mutual confidence and trust of the partners. The partners must, therefore, be just and honest towards the other partners. They must disclose all facts and render true accounts relating to the business of the firm and not make any secret profits.

Restriction on Transfer of Interest

No partner can transfer his share to an outsider without the consent of all other partners.

Unanimity of Consent

No change may be made in the nature of the business without the consent of all the partners.

Dissolution

In the following cases, the dissolution of partnership takes place:

1. By the expiry of the term of the partnership.
2. By the completion of a particular adventure, and/or
3. By the death, retirement or insolvency of a partner.

Registration of firm

The Partnership Act provides for the registration of partnership with the Registrar of Firms appointed by the Government. The Act does not make it compulsory for partnership to be registered, nor does it imposes any penalty for non-registration. But the Act imposes certain disabilities on the partners of an undersigned firm so as to make registration very desirable. It lies down that an unregistered firm will not be able to enforce its claims against third parties if the suit is for more than Rs.100. No partner of an unregistered firm can file a suit to enforce his right under the partnership deed. Third parties can however file suits against the firm and the partners. Also non registration of a firm does not affect the following:

a) The right of a partner to sue for dissolution of the firm or for accounts of, and his share in the dissolved firm.

b) The power of an official assignee to realize the property of an insolvent partner.

c) The rights of a firm or its members have no place of business in India.

d) Suits not exceeding Rs.100.

e) Suits arising otherwise than under a contract for instance a suit against a third party for infringement of trademarks of the firm.

Kinds of Partners

In a partnership organization, there are different kinds of partners. They are classified as follows:

i) **Active Partner:** There are some partners who contribute not only capital to the partnership business but also take active part in the management of the business, and they are called active partners.

ii) **Sleeping Partners or Dormant Partners:** In partners contribute only capital does not participate in the management of the business they are called sleeping or dormant partners. Though they do not participate in the business, it does not preclude them from their liability to the third parties.

iii) **Nominal Partners:** Sometimes, person lends their names and credit to the partnership firm but neither contributes any capital nor takes active part in the management of the business. Such partners are called nominal partners. They are partners in name only and are not entitled to the direct benefits of partnership. Legally they are regarded as partners and are liable for all the

debts for which their names and credit are used.

iv) **Partners in Profits Only:** If a person is entitled to a certain share of profits without being liable for the losses he is known as partner in profits only. He will not be allowed to take part in the management of the business, but will be liable to third parties for all the acts of the partnership.

v) **Partner by Estoppels:** If any person behaves in such a way that others consider him to be a partner, he will be held liable to those persons who have been misled and lent finance to the firm on the assumption that he is a partner. Such a person is known as partner by estoppels. He is not a true partner of the firm and also is not entitled to any share in the profits of the firm.

vi) **Minor Partners:** A minor also can be admitted into a partnership firm. But, as he cannot enter into a contract, he cannot be a full-fledged partner. The liability of a minor partner is limited to the extent of his share in the firm. Within six months after attaining majority, he has to give public notice stating whether he will continue as partner or not. If he fails to announce within the prescribed period, he will be treated as having decided to continue as a partner. If he chooses to continue as a partner or deeded to be a partner, his liability will become unlimited, with effect from date of original admission of the benefits of partnership.

Advantages of Partnership Organization

The following are the advantages of general partnership organization:

1. **Ease of Formation:** Like the sole proprietorship, a partnership can be formed without expense and legal formalities. Even registration is not compulsory.

2. **Larger Resources:** When compared to sole proprietorship, resources are more and hence the scale of operation can be increased if necessary. The talents, managerial abilities and power of judgment of two or more persons are combined in partnership and this facilitates better organisation of business.

3. **Great Interest in the Business:** The partners take more interest in the business as they are owners and as profit from the business depends on the efficiency with which they manage it.

4. **Quick Decision:** As partners meet very often, can be taken regarding business policies and by this the firm would be in a position to take advantage of changing business conditions.
5. **Flexibility:** As partnership is free from legal restriction on its activities, the line of business can be changed at any time. If it is a company, its object cannot be changed without the sanction of Central Government.
6. **Lighter Risk:** In the case of Sole Proprietorship, all the losses will have to be borne by only one person, but in partnership, the losses are shared among the partners and hence this is lighter risk.
7. **Protection to Minority:** The minority interest is well protected by law. In the case of important matters like change in nature of the business and other matters of policy, unanimity is necessary. Even in ordinary matters where unanimity is necessary, a dissatisfied partner may withdraw and dissolve the firm.
8. **Influence of Unlimited Liability:** The principle of unlimited liability helps the firm to secure additional funds for the business, as the financiers are assured of refund of their amounts. Further, the partners will be careful in their business dealings because of the fear of their personal properties being liable under the principle of unlimited liability.
9. **Better Public Relation:** As the size of the business is not very big and as the partners themselves look after the business, there is great scope to develop cordial relation with the employees, customers and others and this would help the business in many ways.

Disadvantages

1. **Great Risks:** As the liability is joint and several, any one of the partners can be upon to pay all the debts of the firm. This affects not only the capital contributed by him but also his personal properties. Further, as every partner has a right to take part in the management of the firm, any misjudgments or faults by one of them would bring disaster to the other partners.
2. **Lack of Harmony:** As every partner has equal voice in the management, everyone would try to assert his position and this might lead to internal friction and misunderstanding crops and as a result, the business may be very much affected and may come to an end.

3. **Limited Resources:** As the number of partners cannot be more than 10 in the case of banking business and 20 in the case of any other business, there is a limit to the amount of capital that can be raised. This is a great handicap of partnership, particularly where a business which requires more or fixed capital outlay obviously calls for some other forms of business organization.
4. **No Legal Entity:** The partnership has no independence existence apart from the persons, who compose it, i.e., it is not a legal entity.
5. **Lack of Public Confidence:** As no legal regulations are followed at the time of its formation and enjoy as there is no publicity of its affairs, a partnership may not enjoy public confidence.
6. **Lack of Stability:** There is instability in the life of partnership, because the death, retirement and insolvency of a partner can affect the continuity of business. Even any single partner, if he is dissatisfied with the business can bring about dissolution of partnership. Hence, a business which requires a long period for establishment and consolidation is unit for being organized as a partnership firm.
7. **Suitability:** The above drawbacks suggest that partnership organization tends to be useful only for comparatively small business, such as retail trade, moderate sized mercantile houses, professional services or a very small manufacturing business. However, as compared to a sole proprietorship, partnership is bigger in size and operation and is well suited for business units of medium size.

Check your progress 4

1. One of the following is not an advantage of Partnership Organization, which one?
   a. Ease of Formation
   b. Quick Decision - as partners meet very often, quick decisions can be taken regarding business
   c. Limited liability
   d. All of the above
   e. None of the above

2.6 Let Us Sum Up

In this unit possibly, you got an opportunity to learn broad functions of Entrepreneur, this knowledge is useful in your journey on the path of learning the subject Entrepreneurship. You can try and relate this to the characteristics known Entrepreneurs. This will possibly improve your learning. Also try to relate his/her qualities and match with your learning from this unit.

The unit also tried to explain the different possible forms of ownership, namely

- Sole Proprietorship,
- Partnership,
- Joint Hindu Family Firm,
- Co-operative Firm,
- Joint Stock Company etc.

Not only an attempt was made to make you understand about them but also advantages and disadvantages of all these models were explained in details. It is expected that with this inputs, you can understand under what situation each type of ownership makes more sense.

2.7 Answers for Check Your Progress

Check your progress 1

Answers: (1-c)

Check your progress 2

Answers: (1-d), (2-c)

Check your progress 3

Answers: (1-c)

Check your progress 4

Answers: (1-d)

2.8 Glossary

1. **Stimulate -** To rouse to action or increased activity.
2. **Perseverance -** Persistence in doing something despite difficult.
3. **Fabian -** An organization of socialists aiming to achieve socialism by gradual rather than revolutionary means.
4. **Drone -** In a technological context, is an unmanned aircraft.
5. **Skepticism -** a sceptical attitude; doubt as to the truth of something.

2.9 Assignment

Please visit a Company registration office and write the process for registration of a firm.

2.10 Activities

Study the shops and establishment act and list out the main 10 points, which one has to observe for opening a restaurant in any city.

2.11 Case Study

Please study the Business Plan that you have already made. Now after reading this unit, you have also gained some knowledge about the different possible ownership patterns. Decide, what type of ownership is best suited for your proposed business. Give justification for your decision and also list out the disadvantages for the proposed type of ownership and list the precautions that you need to take to safeguard your proposed business.

2.12 Further Readings

1. Entrepreneurship Development by S. Anil Kumar.
2. Entrepreneurship Development in public Enterprises by Joseph Prokopenko and Igor Pavlin.
3. Entrepreneurship Development in India by Sami Uddin.

UNIT 3: PROJECT MANAGEMENT

Unit Structure

3.0 Learning Objectives

3.1 Introduction

3.2 Project Management

3.3 History of Project Management

3.4 The Traditional Triple Constraints

3.5 Project Control Variables

3.6 Project Management Tools

3.7 Project Feasibility

3.8 Estimating and Financing Funds Requirements

3.9 Let Us Sum Up

3.10 Answers for Check Your Progress

3.11 Glossary

3.12 Assignment

3.13 Activities

3.14 Case Study

3.15 Further Readings

3.0 Learning Objectives

After learning this unit you will be able to understand:

- The Concept of Project Management
- The Traditional Triple Constraints
- The Project Control Variables And Project Management Tools
- About Project Feasibility
- The estimating and financing funds requirements

3.1 Introduction

In addition to the Business Plan, which is basically meant to be used as a marketing tool for the venture for investors, bankers, government entities etc, the entrepreneur usually makes a more detailed Project Feasibility Plan to be used as an internal tool to ensure the success of the venture. The feasibility Report is a detailed expansion of the Business Plan, containing SWOT (Strengths, Weaknesses, Opportunities & Threats) Analysis, marketing feasibility, technical feasibility, etc., to be used as a guide for the venture in its crucial formative years.

In addition, the entrepreneurs also arrange for funds from various lend institutions. It is important for the student of management to be aware of these institutions and to have a comprehensive idea of the types, tenures and limits of funds available from such institutions.

3.2 Project Management

Project Management is the discipline of planning, organizing, and managing resources to bring about the successful completion of specific project goals and objectives. A project is a finite endeavor—having specific start and completion dates—undertaken to create a unique product or service which brings about beneficial change or added value. This finite characteristic of projects stands in sharp contrast to processes, or operations, which are permanent or semi-permanent functional work to repetitively produce the same product or service. In practice, the management of these two systems is often found to be quite different, and as such requires the development of distinct technical skills and the adoption of separate management philosophy, which is the subject of this article.

The primary challenge of project management is to achieve all of the project goals and objectives while adhering to classic project constraints—usually scope, quality, time and budget. The secondary—and more ambitious—challenge is to optimize the allocation and integration of inputs necessary to meet pre-defined objectives. A project is a carefully defined set of activities that use resources (money, people, materials, energy, space, provisions, communication, motivation, etc.) to achieve the project goals and objectives.

Check your progress 1

1. The 'Entrepreneur' needs to know the concepts of 'Project Management" as well and the reasons are:
   a. To achieve all of the project goals and objectives
   b. To manage the classic project constraints—usually scope, quality, time and budget.
   c. All of the above
   d. None of the above

3.3 History of Project Management

As a discipline, project management developed from different fields of application including construction, engineering, and defense. In the United States, the forefather of project management is Henry Gantt, called the father of planning and control techniques, who is famously known for his use of the Gantt chart as a project management tool, for being an associate of Frederick Winslow Taylor's theories of scientific management and for his study of the work and management of Navy ship building. His work is the forerunner to many modern project management tools including the work breakdown structure (WBS) and resource allocation.

The 1950s marked the beginning of the modern project management era. Again, in the United States, prior to the 1950s, projects were managed on an ad hoc basis using mostly Gantt Charts, and informal techniques and tools. At that time, two mathematical project scheduling models were developed: (1) the "Program Evaluation and Review Technique" or PERT, developed by Booz-Allen & Hamilton as part of the United States Navy's (in conjunction with the Lockheed Corporation) Polaris missile submarine program; and (2) the "Critical Path Method" (CPM) developed in a joint venture by both DuPont Corporation and Remington Rand Corporation for managing plant maintenance projects. These mathematical techniques quickly spread into many private enterprises.

At the same time, technology for project cost estimating, cost management, and engineering economics was evolving, with pioneering work by Hans Lang and others. In 1956, the American Association of Cost Engineers (now AACE International; the Association for the Advancement of Cost Engineering) was formed.

In 1969, the Project Management Institute (PMI) was formed to serve the interest of the project management industry. The premise of PMI is that the tools and techniques of project management are common even among the widespread application of projects from the software industry to the construction industry.

Definitions

- **Project Management -** Body of Knowledge as defined by the Project Management Institute — PMI): Project management is the application of knowledge, skills, tools and techniques to project activities to meet project requirements.
- **Project management methodology -** The planning, monitoring and control of all aspects of the project and the motivation of all those involved in it to achieve the project objectives on time and to the specified cost, quality and performance.
- **Project -** A temporary endeavor with a finite completion date undertaken to create a unique product or service. Projects bring form or function to ideas or needs.

Job description

Project management is quite often the province and responsibility of an individual project manager. This individual seldom participates directly in the activities that produce the end result, but rather strives to maintain the progress and productive mutual interaction of various parties in such a way that overall risk of failure is reduced.

Check your progress 2

1. One of the following statements is not correct, which one?
   a. PERT, developed by Booz-Allen & Hamilton as part of the United States Navy's (in conjunction with the Lockheed Corporation) Polaris missile submarine program;
   b. 1930s marked the beginning of the modern project management era.
   c. Henry Gantt, called the father of planning and control techniques, All of the above
   d. In 1969, the Project Management Institute (PMI) was formed.

3.4 The Traditional Triple Constraints

The Project Management Triangle:

The time constraint refers to the amount of time available to complete a project. The cost constraint refers to the budgeted amount available for the project. The scope constraint refers to what must be done to produce the project's end result. These three constraints are often competing constraints: increased scope typically means increased time and increased cost, a tight time constraint could mean increased costs and reduced scope, and a tight budget could mean increased time and reduced scope.

Project objectives

Project objectives define target status at the end of the project, reaching of which is considered necessary for the achievement of planned benefits. They can be formulated as S.M.A.R.T.

- Specific,
- Measurable (or at least valuable) achievement,
- Achievable (recently Acceptable is used regularly as well),
- Relevant and
- Time terminated (bounded).

The evaluation (measurement) occurs at the project closure. However a continuous guard on the project progress should be kept by monitoring and evaluating.

Check your progress 3

1. One of the following is not an item of "S M A R T" , which one:
   a. Specific,
   b. Measurable (or at least valuable) achievement,
   c. Achievable (recently Acceptable is used regularly as well),
   d. Regular and
   e. Time terminated (bounded).

2. Introducer of a new good, of a new method of production, the opening of a new market

   a. Owner of land or capital

   b. Working with a team of people to cultivate land etc.

   c. All of the above

   d. None of the above

3.5 Project Control Variables

Project Management tries to gain control over variables such as risk:

Potential points of failure: Most negative risks (or potential failures) can be overcome or resolved, given enough planning capabilities, time, and resources. According to some definitions (including PMBOK Third Edition) risk can also be categorized as "positive--" meaning that there is a potential opportunity, e.g., completes the project faster than expected.

Customers (either internal or external project sponsors) and external organizations (such as government agencies and regulators) can dictate the extent of three variables: time, cost, and scope. The remaining variable (risk) is managed by the project team, ideally based on solid estimation and response planning techniques. Through a negotiation process among project stakeholders, an agreement defines the final objectives, in terms of time, cost, scope, and risk, usually in the form of a charter or contract.

To properly control these variables a good project manager has a depth of knowledge and experience in these four areas (time, cost, scope, and risk), and in six other areas as well: integration, communication, human resources, quality assurance, schedule development, and procurement.

Ref: http://www.rl.ac.uk/ppdstudentships/lecture11_tyndel.ppt

Project development stages

Regardless of the methodology used, the project development process will have the same major stages: initiation, planning or development, production or execution, maintenance and controlling, and closing.

a. **Initiation:** The initiation stage determines the nature and scope of the development. If this stage is not performed well, it is unlikely that the project will be successful in meeting the business's needs. The key project

controls needed here are an understanding of the business environment and making sure that all necessary controls are incorporated into the project. Any deficiencies should be reported and a recommendation should be made to fix them.

b. **Planning and design:** After the initiation stage, the system is designed. Occasionally, a small prototype of the final product is built and tested. Testing is generally performed by a combination of testers and end users, and can occur after the prototype is built or concurrently. Controls should be in place that ensures that the final product will meet the specifications of the project charter.

c. **Executing:** Executing consists of the processes used to complete the work defined in the project management plan to accomplish the project's requirements. Execution process involves coordinating people and resources, as well as integrating and performing the activities of the project in accordance with the project management plan. The deliverables are produced as outputs from the processes performed as defined in the project management plan.

d. **Monitoring and Controlling:** Monitoring and Controlling consists of those processes performed to observe project execution so that potential problems can be identified in a timely manner and corrective action can be taken, when necessary, to control the execution of the project. The key benefit is that project performance is observed and measured regularly to identify variances from the project management plan. In this stage, auditors should pay attention to how effectively and quickly user problems are resolved.

e. **Closing:** Closing includes the formal acceptance of the project and the ending thereof. Administrative activities include the archiving of the files and documenting lessons learned. Closing phase consists of two parts:

- **Close project -** to finalize all activities across all of the process groups to formally close the project or a project phase
- **Contract closure -** necessary for completing and settling each contract, including the resolution of any open items, and closing each contract applicable to the project or a project phase.

Check your progress 4

1. For successful project management there are five phases, as listed below one of them is not in the right place, which one?

   a. project initiation stage;

   b. project execution or production stage;

   c. project planning or design stage;

   d. project monitoring and controlling systems;

   e. Project completion stage.

3.6 Project Management Tools

Project management tools include

- Financial tools
- Cause and effect charts
- PERT charts
- Gantt charts
- Event Chain Diagrams
- RACI diagram
- Run charts
- Project Cycle Optimization
- List of project management software
- Participatory Impact Pathways Analysis (An approach for developing common understanding and consensus amongst project participants and stakeholders as to how the project will achieve its goal)

Project management associations

Several national and professional associations exist which have as their aim the promotion and development of project management and the project management profession.

Check your progress 5

1. Some of tools for Project management are :

   a. Cause and effect charts
   b. PERT charts
   c. Gantt charts
   d. All of the above
   e. None of the above

3.7 Project Feasibility

A. Technical Feasibility

Technical feasibility refers to the feasibility of the units to produce the required quantity of units to make the business viable. In the case of service ventures, the technical feasibility refers to the feasibility of the service center to handle the volume of service operations required to sustain the business and make it profitable.

1. **Size of the Unit:** Size of the land, floor space etc. are important considerations in determining the output of the proposed unit. The size of the unit will also influence the layout of the production process and the use of technology. Location of the business

   The physical location of the production and marketing units are crucial in determining the success of the business. The proper location of the unit ensures that it is close to the sources of raw materials as well as close to labor and the first point of sale.

2. **Layout:** Layout of the actual plant can be critical in ensuring smooth production and minimal operation and maintenance cost. The layout plan is crucial, since once installed it can be extremely difficult, if not impossible, to change the location/orientation of machinery conveyor systems etc. Lighting and ventilation

3. **Manufacturing Process:** The entrepreneur must ensure that the manufacturing process utilizes the latest technology and techniques so that it can manufacture the required quantity quickly and cheaply.

4. **Inventory Control:** The next important aspect of technical feasibility is the control of inventory of both, raw material, as well as finished products. Inventory control involves the determining of quantities of raw materials and finished goods at site as well as in transit. Proper inventory control

offers several advantages like continuous availability of raw materials and work-in-progress, economies of scale, i.e. quantity discounts on large orders and efficient use of transportation etc.

Here you must also understand an important item called EOQ. Factors that affect the Economic Order Quantity, or EOQ (the most efficient quantity of stock to be re-ordered) are:

a. Total cost

b. Inventory carrying cost (ICC), the cost of storing and maintaining inventory at site or in go downs

c. Order-Processing cost, the cost of actually placing the order (telephone calls, Purchase Orders, envelopes, stamps etc.)

The formula for determining the EOQ is

$Q = \sqrt{(2\,CS)/I}$

Where Q = EOQ

C = Annual usage in units

S = Order Cost per order

I = Inventory Carrying Cost per annum

Another important aspect of Inventory Control is the ABC analysis of the units to be carried. ABC analysis refers to the analysis of the cost of carrying each unit of inventory. It is usually found that a small percentage of units lock up a major share of the capital, while the bulk of the units lock up smaller shares of capital.

5. **Purchase Policy:** This is another major factor, in the technical feasibility. The right purchase policy consists of buying the right materials in the right quantity, of the right quality, at the right time and place and from the right source.

B. Financial Feasibility

Financial feasibility refers to the cash flow of the proposed business. The entrepreneur must be able to forecast Fixed Capital and Working Capital requirements and plan ahead to ensure that capital is available whenever required.

Steps in Financial Planning are -

a. Determination of the Capital/structure

b. Forecasting quantities of finance, pattern of financing and timing of floating corporate securities.

The various elements of the Financial Plan are -

a. Fixed Capital

b. Working Capital

c. Credit Policy

d. Debt-Equity ratio

Finance is of two kinds, Long-term and Short-term. Long-term finance is required for purchase of fixed assets such as land, building, machinery, etc. Short-term finance is required to meet the daily cash requirements of the business such as purchase of raw material, payment of utility bills, wages and salaries etc.

Long-term Finance is sourced from the following -

a. Owner's Capital (equity)

b. Term loans from financial institutions

c. Loans and deposits

d. Hire-purchase and leasing facilities

e. Seed Capital, Venture Capital, Margin Money etc. from government institutions and

f. Other sources, such as IDBI's Bill Rediscounting Scheme

Short term Finance is sourced from -

a. Working Capital borrowings from banks

b. Loans and Deposits

c. Creditors

d. Customer Deposits

C. Marketing Feasibility

Marketing Feasibility refers to the estimation of demand and supply and the means to satisfy the demands. Marketing feasibility begins with the analysis of the benefits that customers would receive from the proposed product / service.

D. Personnel Feasibility

Personnel Feasibility refers to the feasibility of hiring, retaining, compensating, motivating and promoting the required personnel to run the unit. Personnel feasibility also takes into consideration various legal aspects that govern the hire, compensation and firing of personnel at various levels in the organization. Some of the important legal aspects that the entrepreneur must consider are, Industrial Dispute Act, The Payment of Wages Act, Payment of Gratuity Act, Employees State Insurance Act & The Indian Trade Union Act etc.

E. Management Feasibility

Another important aspect of the new venture is the management feasibility of the venture. The entrepreneur must ensure that he has right personnel, with the right qualifications and experience, to manage the enterprise.

Check your progress 6

1. One of the below is not correct, which one?

   The formula for determining the EOQ is $Q = \sqrt{(2\,CS)/I}$

   Where

   a. Q = EOQ

   b. C = Annual usage in units

   c. S = Order Cost per order

   d. I = Interest

   e. None of the above

3.8 Estimating and Financing Funds Requirements

The entrepreneur has also to estimate the funds required by the venture and plan ahead to identity the sources from where those funds will be taken. The following aspects need to be covered.

a. **Cost Estimate of the Venture:** The entrepreneur must estimate the upfront cost of the venture such that the picture of the cost emerges.

b. **Financial Structure:** The entrepreneur must ensure that aspects like the debt equity ratio falls within the norms set by the RBI as well as industrial norms for similar ventures. Currently, the debt equity ratio is fixed at 1:5:1 for large and medium projects and 3:1 for small scale industries.

c. **Profits:** The entrepreneur must estimate the profits and ensure that they are adequate to sustain and grow the business. The profits must cover the repayment of loans taken as well as contingency funds, reserve funds etc., which will help the business absorb fluctuations in the market situation.

Stages of Venture Capital Funding

Venture Capital funding goes through various stages, the main ones being:

- Early Stage Finance
- Second Stage Finance, and
- Later Stage Finance

Let us study these stages in some detail

Early Stage Finance

1. **Seed Finance:** This refers to the financing of the initial product development enabling the entrepreneur to prove the feasibility of a project and qualify for start-up capital. It is the riskiest type of venture capital investment.

2. **Start-up Finance:** This forms the bulk of most venture capital projects. Start-up finance refers to finance given to organizations that are less than one year old. Failure rate of such organizations is one in three, but the risks to venture capitalists are still lesser in this case than in the case of seed finance.

3. **First Stage Finance:** This is the stage at which the organization has a fully functional management team and a marketable product. While a safer bet than seed finance or start-up finance, this form of finance also has its own

risks, such as competition, risk of obsolescence and defection of key personnel.

Second Stage Finance

Second Stage Financing refers to the additional injection of funds for the expansion of an enterprise that is already in business, having built up a client base and growing stocks of inventory as well as account receivables. While safer than first stage financing, it is usually resorted to by companies that are still not making a profit due to internal or external factors.

Later Stage Finance

1. **Third Stage Finance:** Also referred to as Mezzanine Finance, this refers to finance given for capacity expansion and setting up proper distribution channels so as to enable the unit to reach optimal production to enjoy benefits of scale. Venture Capitalists tend to invest in some companies at this stage to hedge investments in other companies at prior stages.
2. **Replacement Capital:** Also called Money-Out Deal, this refers to the purchase of shares from existing shareholders so as not to disturb the capital structure of the business. This may occur when some shareholders wish to exit their holdings due to a need for cash or a dispute with the management.
3. **Turn around Finance:** This form of financing is used to turn around companies that are bankrupt or on the verge of bankruptcy and need finance for restructuring so as to generate profits.
4. **Management Buy-Out/Buy-In:** A Management Buy-Out refers to a situation where the management team takes over the ownership of the unit with the help of the Venture Capitalist. A Management Buy-In refers to a situation where outsiders take over the ownership, leaving the management team intact.

Venture Capital may be in the form of Equity, Quasi Equity instruments or normal debt. Equity refers to the buying of shares in the venture. Venture capitalists prefer to be minority shareholders, but reserve some rights to appoint nominees on the board of directors, examine the books of accounts, etc. In the case of Quasi Equity instruments, the participation is in the form of loans, but the servicing of the loan may be linked to the performance of the venture. In the case of normal debt, loans are advanced to meet short term obligations. However, normal debt usually constitutes only a small part of the capital structure for venture capitalists.

Check your progress 7

1. One of the following statements is not correct, which one?

   a. First Stage Finance- This is the stage at which the organization has a fully functional management team and a marketable product.

   b. Venture capital companies mobilize savings and channelize them into enterprises with innovative and untried business ideas, but which may lack a proven track record.

   c. Short term loans are provided for purchase of equipment and machinery as well as for the purchase of land, to meet the cost of construction, preliminary expenses and margin money for working capital requirements.

3.9 Let Us Sum Up

In this unit, the Project Management aspect has been explained in detail. As a management student you must be aware of the importance of a good project management requirement to help an Entrepreneur in his proposed venture. To make your understanding better not only the process of project management but its historical development has also been dealt in the previous unit.

The next item which was dealt was Finance, which is the most critical resource for any Entrepreneurship venture. After reading the unit, you must have not only understood how check the financial feasibility but also how to manage finance better. An attempt was also made to explain types of funding requirements and sources etc.

3.10 Answers for Check Your Progress

Check your progress 1

Answer: (1-c)

Check your progress 2

Answer: (1-b)

Check your progress 3

Answer: (1-d)

Check your progress 4

Answer: (1-a)

Check your progress 5

Answer: (1-d)

Check your progress 6

Answer: (1-d)

Check your progress 7

Answer: (1-c)

3.11 Glossary

1. **Market Segmentation -** It is a marketing strategy which involves dividing a broad target market into subsets of consumers, businesses, or countries who have, or are perceived to have, common needs, interests, and priorities, and then designing and implementing strategies to target them.
2. **Profit and Loss Statement -** A financial statement that summarizes the revenues, costs and expenses incurred during a specific period of time - usually a fiscal quarter or year.
3. **Bill Rediscounting -** It is a short-term negotiable debt instrument for a second time. Banks may rediscount these short-term debt securities to assist the movement of a market that has a high demand for loans.
4. **Debt-Equity ratio -** A measure of a company's financial leverage calculated by dividing its total liabilities by stockholders' equity. It indicates what proportion of equity and debt the company is using to finance its assets.
5. **Statistical Quality Control (SQC) -** This refers to the use of statistical methods in the monitoring and maintaining of the quality of products and services.

3.12 Assignment

Visit the website of at least 3 financial institutions as mentioned in the above text and find out their roles in funding for any business.

3.13 Activities

For the Business Plan already made, please carry out the following:

1. Estimate the funding requirements.
2. Assume the projected sales to work out the revenue and cost.
3. Prepare a monthly cash flow, Profit & Loss statement for one year.

3.14 Case Study

Tasty burger

Background

Entrepreneur Mr. Rao opened his first restaurant on New Delhi's Chandni Chowk in 2011. It was originally called 'Relish' but a year later he changed the name of the restaurant to 'Tastyburger' as he wanted it to be more fun. He says Tastyburger is a dedication to the humble burger and a desire to bring people really good food, really fast. He wants Tastyburger to focus on using the best quality ingredients to prepare the best possible burgers – a restaurant where the food does the talking.

Growth

In 2015 Mr. Rao wanted to expand and so he opened another Tastyburger near to New Delhi's well-known shopping area, Princes Street .

With this new restaurant his aim was to provide burgers quicker, cheaper and in a way that enabled the customer to eat them as they were intended – with their hands. Some of the burgers were re-designed to enable Tastyburger to offer better value portions and to get the food to customers quicker, allowing people to have a faster, slicker and more enjoyable experience whilst still giving them time to enjoy the BIG burger experience.

The future

After the success of Tasty burger Mr. Rao now wants to grow further but is not sure how to expand or change the business.

Choose one of the following themes/options and develop a simple business proposal that Tasty burger can take forward:

a) Identify another location in New Delhi for Tasty burger.

b) Alter Tasty burger's pricing and promotion policies to compete with other fast-food businesses.

c) Identify sources of finance to allow Tasty burger to expand.

Once you have chosen what option to focus on you could research and present it by -

1. choosing and selecting appropriate information from at least two sources (primary and secondary)
2. preparing a simple business proposal, based on your research findings
3. presenting your business proposal to others (e.g. this could be your class, practitioners, managers of the business you are using as an example), using a method suitable for the option you have chosen
4. making a suggestion as to the likely success of your proposal

3.15 Further Readings

1. Entrepreneurship Development by S. Anil Kumar.
2. Entrepreneurship Development in public Enterprises by Joseph Prokopenko and Igor Pavlin.
3. Entrepreneurship Development in India by Sami Uddin.
4. The entrepreneur: an economic theory by Mark Casson.

Block Summary

In this block at attempt was made to make you understand the process of creating an Entrepreneurial venture by explaining you the business planning process, environmental analysis process etc. An exposure was also given on various regulatory needs. Once that was explained, the forms of business organizations were explained and guidance were also given to select the right form of organizations for any business. After this the knowledge of project management, funding management etc. were also given so that you are totally aware of the needs while planning for an Entrepreneurial venture. After reading this block you must have understand the following:

- To plan and create an Entrepreneurial Venture
- Develop more and better understanding of an Entrepreneur
- Decide the type of organization, which is most suited for any business
- And also how to manage the process of creating an Enterprise/Business

Block Assignment

Assume you are the CEO of a Financial Institutions and the business plan that you have already made are given to you. Study the plan and critically analyze the different feasibility of the proposed venture.

Short Answer Questions

1. Explain in brief the elements of a Business Plan.
2. Write a brief description of Venture in a Business Plan
3. What is (a) Marketing Plan and (b) Financial Plan
4. Write briefly the importance of an Introductory Page in a Business Plan.
5. Discuss the broad functions of entrepreneurs.
6. Explain the qualities of an entrepreneur.
7. Write short notes on;
    a) Partnership
    b) Unlimited Liability
    c) Partnership Organization
    d) Joint Hindu Family Firm
    e) Advantages of sole proprietorship
    f) Industrial Disputes Act
    g) Management Feasibility
    h) Finance from Commercial Banks
    i) Role of ICICI and IDBI in financing a project

Long Answer Questions

1. What is environmental analysis with reference to Entrepreneurship?
2. How does the Entrepreneur go about defining the Business Idea?
3. What are the basic governmental procedures to be complied with in starting an entrepreneurial venture in India?
4. Discuss the categories of entrepreneurs in detail.

Entrepreneurial Venture, Entrepreneur Functions and Project Management

5. What are the forms of organization? Discuss the merits and demerits of each form
6. What is Technical Feasibility with reference to Project Management?
7. Explain how an Entrepreneur goes about projecting the Personnel Feasibility of his project.
8. Explain in detail the process of Venture Capital funding.

Enrolment No. ☐

1. How many hours did you need for studying the units?

Unit No	1	2	3	4
Nos of Hrs				

2. Please give your reactions to the following items based on your reading of the block:

Items	Excellent	Very Good	Good	Poor	Give specific example if any
Presentation Quality	☐	☐	☐	☐	_____
Language and Style	☐	☐	☐	☐	_____
Illustration used (Diagram, tables etc)	☐	☐	☐	☐	_____
Conceptual Clarity	☐	☐	☐	☐	_____
Check your progress Quest	☐	☐	☐	☐	_____
Feed back to CYP Question	☐	☐	☐	☐	_____

3. Any Other Comments

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Education is something which ought to be brought within the reach of every one.

- Dr. B. R. Ambedkar

Dr. Babasaheb Ambedkar Open University
Jyotirmay' Parisar, Opp. Shri Balaji Temple, Sarkhej-Gandhinagar Highway, Chharodi,
Ahmedabad-382 481.

ENTREPRENEURSHIP

PGDBA-201



BLOCK 1:
BASIC OF ENTREPRENEURSHIP AND ROLE OF ENTREPRENEUR

स्वाध्यायः परमं तपः

Dr. Babasaheb Ambedkar Open University

ENTREPRENEURSHIP



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ROLE OF SELF INSTRUCTIONAL MATERIAL IN DISTANCE LEARNING

The need to plan effective instruction is imperative for a successful distance teaching repertoire. This is due to the fact that the instructional designer, the tutor, the author (s) and the student are often separated by distance and may never meet in person. This is an increasingly common scenario in distance education instruction. As much as possible, teaching by distance should stimulate the student's intellectual involvement and contain all the necessary learning instructional activities that are capable of guiding the student through the course objectives. Therefore, the course / self-instructional material are completely equipped with everything that the syllabus prescribes.

To ensure effective instruction, a number of instructional design ideas are used and these help students to acquire knowledge, intellectual skills, motor skills and necessary attitudinal changes. In this respect, students' assessment and course evaluation are incorporated in the text.

The nature of instructional activities used in distance education self-instructional materials depends on the domain of learning that they reinforce in the text, that is, the cognitive, psychomotor and affective. These are further interpreted in the acquisition of knowledge, intellectual skills and motor skills. Students may be encouraged to gain, apply and communicate (orally or in writing) the knowledge acquired. Intellectual-skills objectives may be met by designing instructions that make use of students' prior knowledge and experiences in the discourse as the foundation on which newly acquired knowledge is built.

The provision of exercises in the form of assignments, projects and tutorial feedback is necessary. Instructional activities that teach motor skills need to be graphically demonstrated and the correct practices provided during tutorials. Instructional activities for inculcating change in attitude and behavior should create interest and demonstrate need and benefits gained by adopting the required change. Information on the adoption and procedures for practice of new attitudes may then be introduced.

Teaching and learning at a distance eliminates interactive communication cues, such as pauses, intonation and gestures, associated with the face-to-face method of teaching. This is particularly so with the exclusive use of print media. Instructional activities built into the instructional repertoire provide this missing interaction between the student and the teacher. Therefore, the use of instructional activities to affect better distance teaching is not optional, but mandatory.

Our team of successful writers and authors has tried to reduce this.

Divide and to bring this Self Instructional Material as the best teaching and communication tool. Instructional activities are varied in order to assess the different facets of the domains of learning.

Distance education teaching repertoire involves extensive use of self-instructional materials, be they print or otherwise. These materials are designed to achieve certain pre-determined learning outcomes, namely goals and objectives that are contained in an instructional plan. Since the teaching process is affected over a distance, there is need to ensure that students actively participate in their learning by performing specific tasks that help them to understand the relevant concepts. Therefore, a set of exercises is built into the teaching repertoire in order to link what students and tutors do in the framework of the course outline. These could be in the form of students' assignments, a research project or a science practical exercise. Examples of instructional activities in distance education are too numerous to list. Instructional activities, when used in this context, help to motivate students, guide and measure students' performance (continuous assessment)

PREFACE

We have put in lots of hard work to make this book as user-friendly as possible, but we have not sacrificed quality. Experts were involved in preparing the materials. However, concepts are explained in easy language for you. We have included may tables and examples for easy understanding.

We sincerely hope this book will help you in every way you expect.

All the best for your studies from our team!

ENTREPRENEURSHIP

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ENTREPRENEURSHIP

BLOCK 1: BASIC OF ENTREPRENEURSHIP AND ROLE OF ENTREPRENEUR

UNIT 1

CONCEPTS OF ENTREPRENEURSHIP

UNIT 2

THE ENTREPRENEURIAL DEVELOPMENT PERSPECTIVE

UNIT 3

ROLE OF ENTREPRENEUR IN ECONOMIC DEVELOPMENT

BLOCK 1: BASIC OF ENTREPRENEURSHIP AND ROLE OF ENTREPRENEUR

Block Introduction

Entrepreneurship is possibly the most desirable element in human society. It acts as a catalyst for growth of economy or society. Successful entrepreneurs have been treated as heroes, while those who failed were possibly ridiculed by the society. Hence, the study of this subject is quite interesting. Under this study an attempt can be made to understand how did the process developed over years and an analysis can also be made to find out the reasons for the success or failure. It may be also noted that the skills which makes a successful entrepreneur can also be applied for success in a non-business situation as well, for example, while running a team in any organization. Hence, it is very important to learn this subject.

Unit 1 will help you to learn the basics of the Entrepreneurship process and also the role of Entrepreneur in recognizing and managing opportunity. This unit will also help you to know views of Economists, Sociologists, and Psychologists about Entrepreneur. Unit 2 will help you to know more about an Entrepreneur, in terms of its attributes and characteristics etc. Unit 3 explains the role of an Entrepreneur in the development of economy, How the Entrepreneurship process could be helped for further success.

Block Objective

After learning this block, you will be able to understand:

- The concept of Entrepreneur and Entrepreneurship.
- The Entrepreneurship development process.
- The role of Entrepreneur.

Block Structure

Unit 1: Concepts of Entrepreneurship

Unit 2: The Entrepreneurial Development Perspective

Unit 3: Role of Entrepreneur in Economic Development

UNIT 1: CONCEPTS OF ENTREPRENEURSHIP

Unit Structure

1.0 Learning Objectives

1.1 Introduction

1.2 Concepts of Entrepreneurship Development

1.3 Economists' View, Sociologists' View and Psychologists' View

1.4 Entrepreneurial Economic Success Index

1.5 How to Recognize an Opportunity?

1.6 How to Make an Opportunity?

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1.0 Learning Objective

After learning this unit, you will be able to understand:

- The concept of Entrepreneurship Development
- How the Entrepreneurship is viewed?
- How to Recognize an Opportunity and make an opportunity
- The New Global concept of an Entrepreneur

1.1 Introduction

An Entrepreneur is an interesting but challenging subject for study. He is a catalyst of development; with him we prosper, without him we are poor. Many research studies have been done on this subject. Theoretical studies have tried to identify antecedents that make an entrepreneur. Empirical investigations have probed into his success or otherwise. However, hardly any study has developed criteria to measure his development and correlate it with his antecedents. The present study purports to fill the void by investigation of entrepreneurship.

1.2 Concepts of Entrepreneurship Development

What is Entrepreneurship?

a. Early French Thinking

In France, in the 16th century, a leader of the military expedition was termed as an entrepreneur. Around 1700 A.D. the term was used for architects and contractors of public works. Quesnay recognized a rich farmer as an entrepreneur who manages and makes his business profitable by his intelligence and wealth. Turgot differentiated ownership of capital as a separate economic function in business. For Richard Cantillon, anybody engaged in economic activity was an entrepreneur. To J. B. Say the entrepreneur was a person endowed with the qualities of judgment, perseverance and knowledge of the world as well as of business. Thus, in course of time the French tradition regarded an entrepreneur as a person translating a profitable idea into a productive activity. However, he was regarded as one of the four factors of production but not the first and foremost. Because of its emphasis on assembling of productive facilities and bearing risk the concept was regarded as static.

b. Early British Thinking

British economists, on the other hand, assumed the framework of perfect competition. All units of a product being identical and supply being always equal to demand, the organizer of the productive activity was considered no more a risk taker but just a capitalist. This provided no scope for entrepreneurial activity and no word, as J.S. Mill lamented, to personify entrepreneur was found in British literature. Nasseau Senior, classifying factors of production in a new way, tried to break through, but could not succeed much. The classical economists made no distinction between income from ownership and income from management and regarded returns accruing to the capitalist employer as

profit. This neglect of distinction between entrepreneur and capitalist was more than an analytical oversight. Risk-bearing and coordination part was totally neglected. The younger mill rightly separated the two, regarding profit as the reward of entrepreneur. But, neo-classical economists, specifically Marshall, reaffirmed profit as a single undifferentiated income flow, relegating entrepreneurship to management which is a specific variety of skill.

Strangely enough, Marx recognized pure type of entrepreneurial return – a return that accrues to a businessman when he introduces novel improvements. It is a product of certain specific historical conjecture and of social inequality and therefore cannot claim to have any social functionality. He is a contradictory product of a contradictory society. Marx regarded entrepreneur as a social parasite.

c. Early American Thinking

The revolutionary transformation in business structure brought to the surface inadequacies of the then prevailing economic explanation of the term entrepreneur. Francis A. Walker distinguished functions of an entrepreneur from those of a capitalist and maintained that profit was not synonymous with interest. J.B. Clark stated that entrepreneurial profits directly depended upon "successful introduction into the economic process technological, commercial and organizational improvements".

A sharp exposure to the 'Entrepreneur' is found in the writings of Joseph A. Schumpeter. The introduction of a new good, of a new method of production, the opening of a new market, the conquest of a new source of supply of raw material or half manufactured goods and the carrying out of the new organization of the industry are the changes introduced by an entrepreneur. Rather, one who introduces these changes, called 'innovations', is an entrepreneur. Introduction of such innovations disrupts the economy and takes it to a higher level. Economic development is self – propelling since the beginning. "The carrying out of new combinations we call 'enterprise' and the individual whose function it is to carry them out we call 'entrepreneur".

Schumpeter's concept of entrepreneur was superior and realistic. It imbibed initiative, authority, and foresight of the person relegating his image as a risk-bearer. Till Schumpeter's time entrepreneur was a personality superimposed on the frame of economic activity. It was Schumpeter who treated entrepreneur as an integral part of economic growth.

d. Advanced Thinking

Arthur H. Cole, considering innovation as a purposeful activity stated "Entrepreneurial activity proceeds in relationship to the situation internal to the unit itself, to the social group that really constitutes the unit and to the economic, political and social circumstances – institutions, practices and ideas which surround the unit.

Though references to social climate being conducive to entrepreneurial innovations are found in Schumpeter, it was Max Weber who discussed social aspects of entrepreneurship. He maintained that the driving entrepreneurial energies were generated by exogenously supplied religious belief.

David McClelland shifted the focus from socio economic factors to socio-psychological factors. "Achievement Motivation" (need for Achievement– N-ach in short) was the most distinguishing feature of an entrepreneurial personality. In developed countries people were evaluated in terms of achieved status rather than in terms of 'ascribed statuses. 'N-ach' was traced to child-rearing practices and to have a significant positive correlation with economic growth.

E.E. Hagen put forth a personality theory to show that, people, who had enjoyed social standing at some stage in their histories, fall into a 'retreatist' phase and with an urge to regain that lost status emerge as entrepreneurial personality. Hagen calls this 'Law of Subordinate Group'.

Thomas Cochran tried to theories that entrepreneurs were a model personality in the society. They represented certain ascertainable levels of education, social status and types of cultural conditioning that produced roughly definable modal personality. The individual's performance as a businessman is influenced by three factors: his own attitude towards occupation, the role expectations held by sanctioning groups and the operational requirements of the job. Society's values are the most important determinants of the two factors.

Frank Young's theory of supply of entrepreneurship was a group theory. A group of sub-group experiencing low status recognition or denial of access to important social network and being in possession of a greater range of institutional resources than other groups in the society becomes reactive to improve its symbolic position.

John H. Kunkel's was a behaviorist model. Individuals perform various activities of which some are accepted by the society while others are not. The accepted are rewarded. The rewards act a reinforcing stimulus increasing the

probability of repeating that behavior pattern. This pattern of social behavior is entrepreneurial behavior.

Bert Hoselitz maintained that marginal men or groups are enjoying an ambiguous culture and social position having no bondage of tradition to inhibit them from thrashing an intruder path could make adjustments in situations of change and become good entrepreneurs.

As scientific organizational knowledge came to be systematically applied to industrial activity, the average size of the firm grew considerably. Consequently, individual entrepreneur has been increasingly replaced by a body of decision-makers whom Galbraith calls 'technocrats'. With a giant-like structure of the firm, the study of organization got importance.

Alexander has rightly remarked, "Although this material has contributed to an increased understanding of an entrepreneur and his activities in different areas, no single conceptual framework, no one unifying theme has emerged". Entrepreneur is a human being living social and psychological goals. Therefore, unless a theory of entrepreneurship is woven into sociological and psychological it cannot give sense of economic web.

e. African Countries

Harris and Rowe have enumerated the following factors causing impediments to entrepreneurial development in Africa, difference between social world in which an African entrepreneur lived and economic world in which he had to operate, undeveloped, uninstitutionalised ways of gaining knowledge, recruiting skills and borrowing money; absence of commercial experience, lack of inter-regional mobility, oligopolistic market conditions, shortage of viable projects, absence of business environment, management deficiency resulting into low level of capacity utilization, poor standard of financial management and little potential to innovate. Development of contacts breaking the vicious circle of isolation and widening the horizon of experience can foster entrepreneurship in African countries.

f. Greece

A.P. Alexander noted that the reforms introduced by Kemal Ataturk withdrew prestige and status of some groups of people in Greek society. These groups with lost status were attracted to new opportunities. This proved Hagen's theory with one limitation; the time lapse between loss of respect and rise of entrepreneurship was not as long as that considered necessary by the theory. The

situation in Greek society proved Papanek's conclusion that economic incentives were enough to attract ambitious persons to entrepreneurial class.

g. France

French entrepreneur was conservative, security-minded, valuing independence in preference to growth, cautious, thrifty and Calvinist.

h. Mexico

A revolution in Mexico drove landlords off the land depriving them of wealth and status. Obeying Hagenian Law of Subordinate Group they embraced the industrial vocation as did lower samurai in Japan in Tokugawa regime.

i. Indonesia

Entrepreneurship developed on the islands where the impact of Dutch destruction of entrepreneurial motives was not deep or long standing. Higgins noted that Balians had a group focused image of change while the Javanese had an ego focused image of change.

j. Japan

Hirsschmeier and Zasuo Noda described Japanese entrepreneur as 'community centered'. Gustav Ramis stated "Somewhere between the Schumpeterian auto centred entrepreneur and the caricature of government officials lays the community centered entrepreneur. Koza Yamamura did not agree with this. Revolutionary reforms introduced by Meiji emperor them, obeying Hagenian Law of Subordinate Group, provided economic leadership in entrepreneurial garb. Strong sense of discipline inherited from feudal period, loyalty, public-mindedness and national unity coupled with high degree of diligence and intelligence made the Japanese entrepreneur distinguishable from others.

k. Pakistan

Zafar Arafat noted that decentralization of management practices, dispersal of location, family support, competitive practices, dispersal of location, family support, competitive spirit and change in motive from profit to patriotism and independence accounted for the success of the entrepreneurs.

l. India

According to V.R. Gaikwad and R.N. Tripathy, bold, dashing and pragmatic personality, managerial competence, high motivation, dominant

socio-economic power enjoyed by the family and contacts at higher social and governmental level, lead to entrepreneurial development.

According to M.U. Deshpande, political system was responsible for dormancy of entrepreneurship. Financial help from family and father's occupational status were significantly related to entry. Industrial entrepreneurship was a result of collective ambitions and aspirations of the family. As V. Louis put it, earlier jobs in a similar unit prepared individuals for independence venture.

A. P. Upadhye found that success of entrepreneur was due to incentives offered by development agencies, family upbringing from particular caste and craft, proving attention to financial function and formal education.

The analytical description of the entrepreneur in this section presents before us the personality of a functionary. The working definition of 'entrepreneur' accepted for this study is that of Yale Brozen with slight modification. Entrepreneur is a person or a group of persons who, having perceived opportunity to manufacture a product, endeavors to establish an organization through which he develops his idea into tangible products in response to changing market conditions, demands of the buyers and technology. In doing so, he grows with the organization.

H.N. Pathak maintained that interplay of factors like favorable, timely and appropriate government policies and quick adaptability by the enterprises are responsible for all-round growth of entrepreneurial talent.

Respect for an individual, continued opportunity for advancement and open door policy by Raunog Singh was the factors that helped development of entrepreneurship in that group.

R.A. Sharma notices two streams in entrepreneurial growth. In the familiar spheres, the entrepreneurship was dispersed among various spheres and in other sphere it was thinly spread among socially well-known communities. Strong desire to do something independent in life, technical knowledge and/or manufacturing experience, financial assistance from institutional sources, business experience in the same or related lines, accommodation in industrial estates and heavy demand are the factors that induced the new and small entrepreneurial class. The emerging new entrepreneurial class was more open than old.

Check your progress 1

1. The 'Entrepreneur' is found in the writings of Joseph A. Schumpeter. He mentioned 'Entrepreneur'' as?
   a. Introducer of a new good, of a new method of production, the opening of a new market
   b. Owner of land or capital
   c. Working with a team of people to cultivate land etc.
   d. All of the above
   e. None of the above
2. For Indian context there were many views in favor of growth of Entrepreneurship. Few are as given below.
   a. H.N. Pathak maintained that interplay of factors like favorable, timely and appropriate government policies and quick adaptability.
   b. A.P. Upadhye found that success of entrepreneur was due to incentives offered by development agencies, family upbringing from particular caste etc.
   c. All of the above
   d. None of the above

1.3 Economists' View, Sociologists' View and Psychologists' View

a. Economist's View

In economic analysis entrepreneurial functions are supposed to be directed to materialistic objective of maximization though its foundations may be high order as spiritual, patriotic, social, psychological or ethnic. Entrepreneurial activity is a form-giving activity giving form to the wishes of the society, to ideas to the efforts of the factors and to the raw material is processed through.

J.B. Say states that, to rationally combine the forces of production into a new producing organization is the function of the entrepreneur. J.S. Mill lists superintendence, control and direction as entrepreneurial functions.

- **Superintendence** - to assemble the means, turn out maximum cost and to supervise the work.
- **Control** - the flow of goods, use of finance, utilization of machinery and the activities of the subordinates.
- **Direction** - the entrepreneur is a goal-oriented person; he has to keep organization constantly on the path of his objective. This is an activity of producing in present what future will demand. Mill emphasizes managerial and administrative functions. The entrepreneur's is an activity of producing in present what future will demand. Mill emphasizes managerial and administrative functions. Organization and superintendence are major functions of an entrepreneur according to Marshall. Organization building capacity is most critical skill expected of an entrepreneur. He assigns to the entrepreneur the functions of risk-bearing, innovation and management. An entrepreneur is an uncertainty-bearer buying at fixed price and selling at an uncertain one.

Kirzener viewed the entrepreneur as a disequilibrating force. It is the alertness to unnoticed opportunities which creates a tendency of the ever circular flow of equilibrium. According to Harvey Leibenstein, "Entrepreneur is an individual or group of individuals with four major characteristics. He connects different markets; he is capable of making market deficiencies (gap-filling); he is input completer and he creates or expands time-binding, input-transforming entities (firms)."

1. To Schumpeter, innovation is the sole function of an entrepreneur. It covers the introduction of a new good, a new method of production, a new market, a new source of supply of raw materials or half-manufactured goods and a new organization of any industry for creation of a monopoly position or revolutionizes the pattern of production.

B.F Hoselitz reports, "The primary function of entrepreneurship is the investment of time, capital and energy in economically significant pursuits; the emphasis is on decision-making in its various aspects. Harbinson enumerates four functions; the undertaking or managing of risks and handling of economic uncertainty; planning and innovation; coordinating, administration and control, routine supervision. Ability to build organization is, perhaps, Harbinson adds, the most precious of all entrepreneurial skills, Redlich's threefold division of functions is

1. Capitalist – employing the factors and buying raw material, setting up the organization;
2. Managerial innovations, supervision and coordination of productive activities;
3. Entrepreneurial – decision making. Benjamin Higgins lists seeing opportunities for introduction of new techniques, new products and exploitation of new resources and organizing factors of production into an enterprise to take advantage of these opportunities as essential for economic development.

b. Sociologists View

Sociologists consider the entrepreneur as a role performer corresponding to the role expected by the society. Wishes of the society are exhibited through customs and taboo, rewards and restrains, ethnic values and child-rearing practices, nationalist's attitude and patriotic inculcations and protestant ethic. He is conditioned by the social milieu to which he belongs.

According to Peter Marris, to assemble or reassemble from what is available, very concrete kind of imagination, to see what others have missed, sensitivity to business and social environment, zest in industrial development and entrepreneurial courage are the factors that make an entrepreneur.

According to Flavia Derossi, coordination at every stage – inception, maintenance and expansion is the function of an entrepreneur. She feels an entrepreneur needs two qualities:

1. Optimistic outlook that there is a possibility of change, the environment can be mastered and he himself can introduce the required change. He finds difficulties challenging and stimulating; he thrives on them.
2. In a sphere as dynamic as industry, new problems are seized upon as opportunities of testing one's own capabilities.

c. Psychologists View

Among psychologists, Frank Young described entrepreneur as a change-agent. K.L. Sharma maintains that entrepreneurs are men who exhibit qualities of leadership in solving persistent professional problem; but those persons

likewise demonstrate eagerness to seize unusual opportunities. They have a business gambler's itch.

T.V. Rao and Udai Pareek describe entrepreneurship as a creative and innovative response to environment. The entrepreneur is goal oriented rather than means oriented. He must not have only a high capacity of risk-taking but must also have high capacity of risk-sustaining which is a function of high confidence.

In sum, the foregoing description of the functions of an entrepreneur presents the profile of a functionary. Economic point of view presents him as perceiver of otherwise unnoticed opportunity, organization builder, adapter of new profitable activity and beneficiary thereof. Sociological analysis presents him to be a personality molded by various practices of social enforcement and values imbibed in him. Psychologically entrepreneurship is a vigorous application of the person's energies towards the goals cherished for long. Sustaining which is a function of high confidence.

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Check your progress 2

1. One of the Economist viewed 'Entrepreneur' as
   a. J.S. Mill lists superintendence, control and profit as entrepreneurial functions.
   b. J.S. Mill lists superintendence, control and direction as entrepreneurial functions.
   c. J.S. Mill lists investment, control and direction as entrepreneurial functions.
   d. All of the above
   e. None of the above

1.4 Entrepreneurial Economic Success Index

Management of financial resources is the area next in importance to management of productive activity. Raising and utilization of financial resources exhibit entrepreneur's capability to convince the financial institutions of his needs, his mastery over the situation in the unit, forecasting his need, planning for the future and the like. Entrepreneurial Economic Success Index, developed by M.M.P. Akhori, is used to measure entrepreneur's performance. The index represents -

1. Propensity to take risk.
2. Ambition to acquire success.
3. Capacity to raise resources.
4. Capacity to struggle for the development of the unit.
5. Managerial capacity to generate profit.
6. Ability to use capital assets efficiently and find out avenues to utilize them.

The formula to measure the success index is:

$$\frac{OC2}{OCTY} + \frac{BC2}{OC} + \frac{RC2}{(NP+PR)}$$

$$\frac{T1}{(T1 \quad NP)}$$

Where OC = Own Capital

BC = Capital Borrowed by the entrepreneur

RC = Capital raised by him

T1 = Total investment in the enterprise

OCTY = His own capacity to invest

NP = Net profit

PR = Proportion of total profit invested for further expansion, Diversification and / or modernization

The value of the index measures the success status of the entrepreneur as under:

(a) Very successful : above 0.7

(b) Successful : between 0.45 and 0.7.

(c) Less successful : between 0.2 and 0.45

(d) Unsuccessful : below 0.2.

Check your progress 3

1. Entrepreneurial Economic Success Index, developed by M.M.P. Akhori, is used to measure entrepreneur's performance, using many items. Some of them are.
   a. Propensity to take risk.
   b. Ambition to acquire success.
   c. Capacity to raise resources.
   d. All of the above
   e. None of the above

1.5 How to Recognize an Opportunity?

a) Failure to See Opportunities

Without doubt, most ordinary administrators whose continuing mediocrity stems from their failure to see changes to improve and expand their operation really have some desire to him more successful. Much of their weakness lies in the fact that they do not know an opportunity when they see it. This deficiency may be due to one or more of a number of circumstances. First, the individual's inclination to favor personal safety and position and/or his natural laziness works a type of hypnosis on him so that he cannot see beyond the routine. Whatever ambition to progress he may have is overwhelmed by the stronger negative force.

Second, he may lack the intellectual attributes of the type necessary to analyze a situation or problem in terms of its potentiality. One mental element here missing is imagination. A third circumstance which prevents the administrator from seeing opportunities is his indoctrination. Many an administrator in his formative years as business executive, if not in all his prior education and experiences, has been steeped in the philosophy of conservation and conformity. He has been trained away from risk-taking and so dare not look for opportunity, at least not for situations that are quite uncertain.

Finally, the administrator may not detect situations which can be turned to advantage because of the confining effect of the organizational environment. Tradition or the direct will of the top administration may dictate that each executive stay on his assigned track. He is quickly checked or diverted if he starts off on a new scent.

b) Where to Look for Opportunities

Opportunities are where they are found. This truism is significant. It means that the administrator should look for advantageous situations in those places and at those times where they are most likely to occur. However, he should give especial heed to the principle of problem situations: in searching for the solution to a specific problem, opportunities are frequently uncovered and occasions to make opportunities are met. A large percentage of opportunities are a byproduct of attempted problem-solving. The administrator who remembers this fact will often find a wealth of promising situations at hand.

c) Changes in Scope of Operation

The specific sources of opportunities are legion. Prominent in any list would be a change in the scope of the operation of the organization. Either expansion or retrenchment creates temporary total or partial vacuums. Things are in state of flux; policies are not yet completely defined; the ultimate assignment of functions is still uncertain; controls are likely to be inappropriate; and power centers in general are upset and shifting. The strategically minded executive can here find a rich lode. Problems with all their possibilities or exploitations are generally more numerous at this time. Possible opposition to his aims of long standing may be off-balance or removed in the changes taking place. The administrator may find himself peculiarly free to liquidated or weakened and since innovation is the order of the day.

Opportunities arising from a change in the magnitude of an operation can be illustrated by the case of the well-established small manufacturer of lawnmowers who is expanding into the toy and sports goods fields and who is, therefore, building two new plants. The controllers have been restricted in his activities by a close family ownership clique dedicated to old fashioned personal management. He has been able to do nothing truly important, except to maintain routine accounting service. Well aware of the real functions of a true controller and cognizant of what he could contribute to improve administration and his own status, he is squarely confronted by a major enlargement involving complexities which the family is not able to shrug off or meet with their old

procedures. Specifically, he relaxes the need for standardized records, uniform reports, budgetary control, and profit planning in a multi-plant management. Expansion now affords him the chance to move forward by impressing upon ownership the necessity for these steps.

d) Internal Organizational Changes

Internal organizational change is also high in the enumeration of sources of opportunity. This may take various forms, e.g., centralization, decentralization, or re-departmentalization. Every change in organizational structure disturbs some established relationships. The upset situation may offer opportunities to the smart administrator. Old bonds are severed; products have to be sold to new people and new loyalties to be won; new positions are created and need to be filled; personnel are to be reassigned and reallocated; and goals, especially those of departments and other divisions, may be modified or enlarged.

Situations which can be exploited with gain are particularly common in program of decentralization. Each decentralized unit is likely to be somewhat of an imitation of its parent, paralleling to a goodly degree the home office. It therefore provides a multiplication of jobs, titles and power centers, and a certain proliferation of administrative problems, both of which may present opportunities. In fact, decentralization fairly reeks with opportunities. The mere creation and staffing of more (even if smaller) administrative units creates an empire situation with some controlling mechanism. Many chances for contributions to administrative improvement as well as to personnel advancement lie in its tentacles.

e) Difficult Situations

There is one school of thought which holds that opportunities to help group and self are to be found in facing difficulties. Problems are said to be the source of real opportunity.

Are there grounds for the belief? There are substantial reasons to believe the affirmative. On the one hand, problems are inherently motivational forces to all except those who ignore them. They induce thought and action simply because they are obstacles to the courses already charted. The more thinking and doing man undertakes, the more avenues are likely to open up to him for his excursions. On the other hand, problem-solving demands both analysis and synthesis- one a process essentially of exportation. In all aspects of human behavior, these are the steps by which frontiers of opportunity are revealed.

Certainly, the traffic manger faced with a carrier strike and the resultant pile-up of goods and stringent complaints of his vendors is forced to consider alternate means of transportation. The problem virtually thrusts upon him the opportunity to revise his mode of shipment.

f) Administrative Crisis

The administrator crisis is related to the problem as a source of opportunity. Something totally unexpected, or of such importance that it overwhelmingly attracts attention away from routine functioning and ordinary difficulties, suddenly appears. The crisis may be internal or external. The former is illustrated by the death of a hard-driving young executive, a serious clash between two or more officials of the company, the discovery of a major neglect or sell-out by a trusted employee, or even a strike or lock-out. The latter is seen in many forms also the beginning of a war or the declaration of an armistice, the passage of legislation by Congress which did not seem to have a chance, a surprising decision by a court or public regulatory body, an important invention or discovery by a competitor, a tactical shift in a competitor's pattern of competition, or an unanticipated negative response by consumers to an expansive advertising campaign. Whatever its form, a crisis calls attention away from the everyday pattern of administration and tends to relegate former aims, at least for a time, to less significant status. New ideas and seemingly fantastic schemes, as well as bold action, become acceptable. Here is opportunity laid bare.

g) Personal Alliances

Nothing has been said of personal alliances as a source of opportunity. Yet, it is probably one of the most fertile. These alliances arise out of blood kinship, obligations of friendship, indebtedness for past favors, affiliations of a religious, political, fraternal or social nature, recognition of mutual views or interests and chance contact. All personal alliances have one element in common which can yield opportunities. It is the link between the parties that transcends hard and cold criteria of business values. Therefore, the alert administrator who enjoys a personal alliance has a bond with another or others beyond the basic financial nexus of profitable operation. This may introduce him to situation which he can use to his advantage. The administrator who would avail himself of the openings made possible by a personal alliance should be constantly aware of the danger of taking unfair advantage of personal connections.

h) Social Drift

Social drift will be cited as a final origin of opportunity in this selective presentation of sources. It is a phenomenon hard to describe. It may be either merely a fad or fashion, or a real secular trend. It signifies an acceptance by the public of something, for instance, a commodity, a service, a system, a method, a procedure, a title, or even a symbol. The strategic administrator should have no trouble in understanding the two major openings offered by this group acceptance. First, there is the greater possibility of his successfully proceeding toward a goal which is currently in favour. A wide-awake office manager now has a much better chance to get a laptop with internet facility and a pen drive to carry the information simply because automation has become the symbol of progress. Second, there is a possibility of using public acceptance, whether it is national or confined merely to the industry or company, figuratively to beat opposition into submission. An old-fashioned treasure who believes in manual computation and simple machine usage can be persuaded to "go modern" by the argument that everybody wants a many are using high speed data processing equipment.

Here is a chance for some administrative self-hypnosis. The ascertainment and measurement of public approval is very difficult.

Check your progress 4

1. The 'Entrepreneur' is capable of recognizing an opportunity under the following situations, as
   a. Where to Look for Opportunities
   b. Changes in Scope of Operation
   c. Difficult Situations
   d. All of the above
   e. None of the above

1.6 How to Make an Opportunity?

Any situation is composed of a number of elements. If the leader can provide one or more of these elements or if he can somehow direct of control them he can determine to this extent the nature of the situation. In such sense,

business administrators can make their own opportunities, or at least contribute to the development of situations which they can use to advantage. The action necessary thus to make the future may be heavy and involves, or it may be nothing more than a minor and simple step. Its dimensions and directions are set by the type of opportunity the leader desires and by the obstacles in his way.

It is impossible to discuss the type of opportunity sought in any definite sense because it will vary greatly with administrator, time and other circumstances. Suffice it to state that the ambitious executive who wishes to push himself, his department, or his company ahead by tailor-making openings for forward action must define clearly in his own mind and for his own guidance the kind of opportunity he seeks. The executive who does not do this may be disappointed in one of two ways. If he does not have in mind a clear goal in terms of the opportunity sought, he may either find that the opening he has made is far too little for the plan he wishes to effectuate or, quite differently, that he has caused unnecessary disturbance in the organization by over-manipulation.

The determinant of the nature of the action necessary in opportunity making is the obstacle to its creation. These obstacles include unfriendly company policies, opposition by superiors or other influential personnel in the organization, moral and legal principles and sanctions, time, money and facilities, and a host of imponderables. It is a truism that the more formidable the obstacles, the greater or cleverer will be the action required. The important point to be emphasized here is the necessity for a proper appraisal of these obstacles. They may be as insignificant as to require only slight nudging or they may be so large as to make the effort to create the opportunity inadvisable. Many an administrator has suffered serious setback to his aspirations for self and organizational advancement by attempting to surmount barriers in a certain way of to attack them at all. Obstacles, especially unknown human ones, have a way of effectively fighting back. Had he correctly gauged their strength, he would have proceeded differently. Furthermore, a realistic view of obstacles may even reveal other opportunities not planned or anticipated.

Check your progress 5

1. The 'Entrepreneurship' needs to be given opportunity. Some of the obstacles are :
   a. Unfriendly company policies,
   b. Opposition by superiors or other influential personnel in the organization,
   c. Moral and legal principles
   d. All of the above
   e. None of the above

1.7 Five Elements of an Opportunity

1. **The critical moment -** The exact time in the development of a situation at which the other necessary elements can best be synthesized. If a director of research wishes to create the opportunity to launch a research project and has obtained his superior's approval, the requisite authorization for funds, the necessary facilities and the project director and his staff. In this the missing element is when should he launch it? In this case the moment when the company needs the stimulation of new product development, and so is seizes upon it and announces the project.
2. **Possession of Power -** Possession of power by someone in the sense that he has the capacity to take or to induce exploitative action is a second element of opportunity. Obviously, no situation can be used to advantage unless some has the power to seize it and use it.
3. **Availability of Means of Exploitation -** While it might be considered as closely related to the possession of power as to be a part of the second element, it is of such import as to demand separate mention. In a practical sense, no opening for action exists unless the means necessary to act exist or are attainable.
4. **Absence of Effective Resistance and Interference -** Freedom to decide and to act on the part of the opportunity-seeker or – maker is essential. If someone or a group within or without his organization is sufficiently influential as to block his use of the situation, it loses its promise for him and is not, therefore, an opportunity. The degree of freedom essential is found in a condition of vacuum, an area in which no one has as yet moved;

in a condition of neutrality, as state in which possible interferers are still open-minded; and in a condition of conversion, an accomplishment of having no real opposition within the company, has the necessary opening for his desired course of action.

5. **Possibility of Gain -** The last element of an opportunity, which might logically have been treated fist, is possibility of gain of some type. This element is so obvious; however, that it scarcely needs discussion. By definition, an opportunity is a situation which can be used to advantage. It should be understood that the gain may be small or large, immediate or ultimate. The important thing, very clearly seen in the created opportunity, is that there is some expectation that rewards be recognized as possible. Certainly, the research director saw or sensed some promise of gain to him or his group or he would not have worked to create the opportunity.

Check your progress 6

1. As per the text above, there are five elements in an opportunity for an 'Entrepreneur' and few of them are:
   a. The critical moment
   b. Possession of Power
   c. Absence of Effective Resistance and Interference
   d. All of the above
   e. None of the above

1.8 New Global Concepts of Entrepreneur

America's capacity for innovation cannot be increased without the vigorous efforts of our higher education system. Except for a few outstanding universities like Stanford and MIT, traditional students don't believe in university programs as a means of entrepreneurial growth. They are constantly shown images of successful entrepreneurs forgoing college and learning their life lessons on the "streets."

Universities and private colleges provide a tremendous opportunity for young people to flex their entrepreneurial muscle. In many cases, higher education provides a second chance. Students can overcome socioeconomic

impediments that can diminish their career options. They can rehabilitate lack luster high school performance and develop reputations for hard work.

Entrepreneurs succeed in large part due to the size of their strategic networks. Their knowledge, both tacit and explicit, is required to get the ball rolling on a new venture. But, it is the mentor and peer relationships which protect them from dissipating too much energy in the startup phase and position them for sustainable success. Students involved in campus entrepreneurship programs have a decided competitive advantage in this regard.

The former CEO of Microsoft, Bill Gates, asked the following question of Linked In members, "How can we do more to encourage young people to pursue careers in science and technology?" After some discussions, we would suggest improving the context of science and technology in the media. Imagine NBC's Las Vegas meets Sci-Fi's Eureka.

Context is like the neighborhood that bright ideas are raised in. The mainstream media often portrays entrepreneurs as bores with no social skills. They also tend to tuck them away in less than inviting environments. Most of the time, they are stuck in basements or out in garages away from normal people.

Young people have aspirations. They like entrepreneurship. They don't like uncertainty unless it's cool. Mainstream media never shows how exciting it is to work at startups or for technology companies. If the technology incumbents did a better job of marketing to kids in America, then young people might take a chance on something as risky as science and technology careers.

Check your progress 7

1. The Entrepreneurship is flourishing due to many factors and some of them are:
   a. Universities and private colleges provide a tremendous opportunity for young people to flex their entrepreneurial muscle.
   b. Land has become more fertile.
   c. Working with a team of people has become easier.
   d. All of the above
   e. None of the above

1.9 Let Us Sum Up

In this introductory chapter the concepts of Entrepreneurship Development has been explained. Entrepreneurship has developed over years all over the world. To make a proper understanding of this subject the views from different countries, namely France, Britain, America, Africa, Mexico, Japan, Pakistan and India are presented.

Other than the geographical views another view from different groups namely, Economist, Sociologists, Psychologists are also presented to clearly understand the process of Entrepreneurship. This possibly completes the understanding.

You might have already understood that Entrepreneurship is a process of finding opportunities and utilizing it for success and hence few pages in the book deal with this aspect as well.

It is expected that you will develop a fair understanding of the concept of Entrepreneurship Development and be ready to learn more about this interesting subject.

1.10 Answers to Check Your Progress

Check your progress 1

Answers: (1-a), (2-c)

Check your progress 2

Answers: (1-b)

Check your progress 3

Answers: (1-d)

Check your progress 4

Answers: (1-d)

Check your progress 5

Answers: (1-d)

Check your progress 6

Answers: (1-a)

Check your progress 7

Answers: (1-a)

1.11 Glossary

1. **Entrepreneur -** Can be defined as a person who organizes and manages any enterprise, especially a business, usually with considerable initiative and risk.
2. **Entrepreneurship -** It is the process of starting a business, a start-up company or other organization.
3. **Capitalist -** Person or group of persons who either trades/runs organizations mostly for profit.
4. **Innovation -** Doing something new, not done before.
5. **Decentralization -** It is the process of redistributing or dispersing functions, powers, people or things away from a central location or authority.
6. **Disequilibration -** to destroy the equilibrium in or of; throw out of balance.
7. **Economists -** An expert who studies the relationship between a society's resources and its production or output.
8. **Sociologists -** They study the organization, institutions, and development of societies, with a particular interest in identifying causes of the changing relationships among individuals and groups.
9. **Psychologists -** They study the emotional and behavioral characteristics of an individual, group.

1.12 Assignment

Read the history of formation of one company in India by using I'net. For example "History of Tata Steel", read the same and then tries to relate with your learning of Entrepreneurship. What do you think drove Sir Jamshedji Tata to build this organization?

1.13 Activities

There are a number of organizations in India which have been formed under different conditions as stated as "Opportunity". For example Lijjat Papad was possibly formed under 'Difficult Situation'. Learn more by self-study.

1.14 Case Study

Here is a brief write up on ITC Limited. ITC is one of the most successful companies in India. For a student of Entrepreneurship, there is possibly lot of learning from such companies. Hence, please read the paragraph below and can also use I'net for further studies.

ITC- History and Evolution

ITC was incorporated on August 24, 1910 under the name Imperial Tobacco Company of India Limited. As the Company's ownership progressively Indianised, the name of the Company was changed from Imperial Tobacco Company of India Limited to India Tobacco Company Limited in 1970 and then to I.T.C. Limited in 1974. In recognition of the Company's multi-business portfolio encompassing a wide range of businesses - Fast Moving Consumer Goods comprising Foods, Personal Care, Cigarettes and Cigars, Branded Apparel, Education and Stationery Products, Incense Sticks and Safety Matches, Hotels, Paperboards and Specialty Papers, Packaging, Agri-Business and Information Technology - the full stops in the Company's name were removed effective September 18, 2001. The Company now stands rechristened 'ITC Limited, where 'ITC' is today no longer an acronym or an initialised form.

Discussion questions:

1. What do you think are the reasons for success of ITC?
2. Why is the diversifying?

3. Critically analyse each of their diversification plans and suggest improvement.

1.15 Further Readings

1. Entrepreneurship Development by S. Anil Kumar.
2. Entrepreneurship Development in public Enterprises by Joseph Prokopenko and Igor Pavlin.
3. Entrepreneurship Development in India by Sami Uddin.

UNIT 2: THE ENTREPRENUERIAL DEVELOPMENT PERSPECTIVE

Unit Structure

2.0 Learning Objectives

2.1 Introduction

2.2 Concepts of Entrepreneurship Development

2.2.1 Evolution of the concept of Entrepreneur

2.2.2 Entrepreneur vs. Intrapreneur

2.2.3 Entrepreneur vs. Entrepreneurship

2.2.4 Entrepreneur vs. Manager

2.2.5 Values of successful entrepreneurs

2.2.6 Attitudes

2.3 Attributes and Characteristics of a Successful Entrepreneur

2.4 Let Us Sum Up

2.5 Answers for Check Your Progress

2.6 Glossary

2.7 Assignment

2.8 Activities

2.9 Case Study

2.10 Further Readings

2.0 Learning Objectives

After learning this unit, you will be able to understand:

- The Concept of Entrepreneurship Development.
- The Evolution of the concept of Entrepreneur.
- The Attributes and Characteristics of a Successful Entrepreneur.
- The Values of successful entrepreneurs.
- To Give a Checklist for individuals who want to become Entrepreneurs.

2.1 Introduction

Entrepreneurs and entrepreneurship are vital components of economic development. While entrepreneurs have been active in society for centuries, the concept of entrepreneurship and the study of this concept have been resurgence in recent years, especially with the advent of new technologies that have given rise to entirely new businesses and business models.

The purpose of this chapter is to study the concept of Entrepreneurship and to understand how entrepreneurs have been perceived through history. This study will give an insight into the development of entrepreneurship itself and will aid in understanding the challenges faced by the modern entrepreneur. In general, everyone understands that an entrepreneur is one who initiates and runs a business, creating a system that fulfills a need of society. The system consists of men, materials, machinery and money and produces goods or services to fulfill a specific need identified in society. However, a study of how the term Entrepreneur has evolved through the ages will bring about an understanding of how the concept of business itself has evolved through history.

2.2 Concepts of Entrepreneurship Development

Entrepreneurship is a concept that has undergone several revisions through history. In the modern context, Entrepreneurship is seen differently by different entities. For e.g. sociologists and psychologists see the term differently from economists, since these two entities focus on different aspects of entrepreneurship.

Economists focus on "the impact of entrepreneur's actions on the economy."

Sociologists and Psychologists focus on "why entrepreneurs act the way they do?"

Management experts and students of management focus on "how entrepreneurs act?"

Given the above, it is easy to see why there is no unified concept or understanding of entrepreneurship and of entrepreneurs. However, a glance at some of the definitions of entrepreneurship will bring us closer to understanding the concept and how it varies from entity to entity. This covered in the following section.

2.2.1 Evolution of the concept of Entrepreneur

The word "Entrepreneur" is a French word, literally meaning "go-between". Thus, the term implies an agent or intermediary who establishes himself between seekers and providers with the intension of making profit. However, the term has progressed far beyond its literal meaning and today encompasses concepts like risk-taking, innovation, management of resources, organization of the tools of trade, etc. The following table traces the development of the term Entrepreneur and Entrepreneurship through history.

Table Development of the Concept of Entrepreneurship

Time	**Definition of 'Entrepreneur'**
Middle Ages	Person in charge of large scale projects
17th Century	Person bearing the risk of loss in large, fixed-price contracts with the government
1725	Person bearing risks, as opposed to person supplying capital (Richard Cantillon)
1803	Person enjoying the profits of entrepreneurship, as opposed to person enjoying the profits of supplying capital (Jean Baptiste Say)
1876	Person who receives profits from managerial capabilities as opposed to person who receives interest from capital supplied (Francis Walker)
1934	Innovator who develops untried technology (Joseph Schumpeter)
1961	Energetic, moderate risk taker (David McClelland)
1964	Person who maximizes opportunities (Peter Drucker)
1975	Person who takes initiative, organizes some social and economic mechanisms and accepts risks of failure (Albert Shapero)
1985	Person who creates something different with value by devoting the necessary time and effort, assuming the accompanying financial, psychological and social risks and receiving the resulting rewards of monetary and personal satisfaction (Robert Hesrich)

From the above table it is apparent that the terms "Entrepreneurship" have undergone several revisions in understanding, evolving from simply a person in

charge of large scale projects in the middle Ages, to the creation of value by the judicious use of intelligence and resources. Let us study the term in the light of definitions provided by various experts through the ages.

Definitions

A person who pays a certain price for a product to result in an uncertain price thereby making decisions about obtaining and using resources while assuming the risk of enterprise… (Richard Cantillon)

An individual who forms an organization for commercial purpose, he is a proprietary capitalist, a supplier of capital and at the same time a manager who intervenes between the labor and the consumer. (Adam Smith)

A change agent who transform resources into useful goods and services, thus creating the circumstances lending to economic growth (Carl Manger)

One who seeks to reform or revolutionize the pattern of production by exploiting an innovation or an untried technological possibility for producing a new commodity, or producing an old one in a new way by opening up a new source of supply of material or a new outlet of products. (Joseph Schumpeter)

One, who always searches for change, responds to it and exploits it as an opportunity. (Peter Drucker)

(Entrepreneurship is) A dynamic process of creating incremental wealth (Robert Ronstand)

An individual who bears the risk of operating a business in the face of uncertainty about future conditions (Encyclopedia Britannica)

The above definitions enable us to form a general profile of an entrepreneur. In general, an entrepreneur is someone who:

- Spots a new business opportunity or a new need and brings resources together to supply that need, or
- Finds a new way of bringing resources together to refine an existing product.
- Faces an uncertain business climate.
- Takes the risk of operating within that uncertain climate and
- Seeks to make profits from his business activity.

Thus, an entrepreneur is unwilling to work for someone else. He is a person who prefers to work for him. He is a person of foresight, spotting needs

and opportunities that others have not seen. He is a manager of resources, bringing together the resources needed to fulfill the need has spotted. In some cases, he may find a different use for an existing product and thus increase demand for that product. An entrepreneur has faith in his ideas and is willing to take the risk of loss in fulfilling the need that he has spotted. He does all of these things with the intension of making a profit.

2.2.2 Entrepreneur vs. Intrapreneur

An "Intrapreneur" is a person who comes up with new product ideas, new processes, new markets, etc. within the context of an existing organization. He is thus an employee, who does not wish to strike out on his own, but is provided with the space to peruse his ideas within a large corporation. Sometimes, corporations support such intrapreneurs and even encourage them to run their own business with capital and other resources from the parent company. Xerox Corporation is one company that encourages Intrapreneurship. The corporation has setup Xerox Technology Ventures (XTV) for the purpose of generating profits by investing in promising technologies of the company. A prime example of the success of this venture is that of Quad Mark, which was set up by an existing employee of Xerox Corporation, with help and support from XTV and Tawans Advanced Scientific Corporation. Quad Mark was set up by Dennis Stemmle, an employee of Xerox, with venture capital provided by Xerox and Advanced Scientific Corporation. 20% of Quad Mark is owned by Stemmle, thus giving him the incentive to take the technology to the limit in the hope of making profits.

The following table (Table below) shows the difference between an Entrepreneur and Intrapreneur based on various parameters:

Table Difference between Entrepreneurs an Intrapreneur

Parameter	**Entrepreneur**	**Intrapreneur**
Primary Motive	Independence, creative opportunity and economic profit	Independence and ability to reap corporate rewards
Activity	Direct involvement in all areas of the business	Direct involvement in major areas, with delegation in other areas

Risk taking	Moderate to high risk taker	Low to moderate risk taker
Attitude towards failure and mistakes	Takes full responsibility and tries to correct mistakes and overcome failure	Hides risky projects from view until they are ready
Decisions	Takes all decisions to follow his dream	Persuades company in which he works to finance his dream
Family background	Comes from a family with a history of entrepreneur or small business. May even come from a farming background	Comes from a family where both, entrepreneurs and salaried persons have equal status
Relationship with others	Basis of relationship with others is transactions and deal making, defining his own hierarchy	Relates to others within the existing hierarchy

Thus, an entrepreneur is generally more of a risk taker than an entrepreneur. He believes in making all the decisions and defines how his business is to be run. He refuses to work within a given hierarchy, preferring to define the hierarchy himself. The entrepreneur, on the other hand, has faith in his idea, but is not so much of a risk taker. He prefers to develop his idea within the framework of a given hierarchy, accepting a lower return or lower profit in exchange for greater stability.

The advantage an entrepreneur has is that he can call upon existing resources within the company to develop his idea. He is also at lower risk, since the capital is provided by the company he works for. Thus, his ideas stand a better chance of seeing the light of day and he also has the benefit of greater resources from the parent company. In addition, if he is working for a well-known company that supports his venture, he is more likely to be accepted by clients and customers, making marketing easier.

We can look at entrepreneurship from two angles: as an environment within a company or as a set of attribute of a person. Let us examine these angles in some detail.

As an environment within a company.

An organization can consciously foster entrepreneurship. However, some companies are more in a position to develop entrepreneurship than others. Characteristics of such companies are:

- They operate on the frontiers of technology.
- They encourage new ideas.
- They encourage trial and error.
- They allow failure.
- They do not try to place any parameters on opportunities.
- They make resources available to all.
- They have a multidisciplinary team based approach.
- They have a long time horizon for product.
- They have an appropriate volunteer program.
- They have an appropriate reward system.
- They provide sponsorship and mentorship.
- Top management supports entrepreneurship.

Entrepreneurship as a set of attributes or characteristics of a person some individuals are more entrepreneurial than others. Characteristics of entrepreneurs are:

1. An understanding of the environment
2. Vision
3. Flexibility
4. Team player
5. Encouraging free and frank discussion
6. Ability to garner the support of management, colleagues and subordinates
7. Persistence

2.2.3 Entrepreneur vs. Entrepreneurship

Entrepreneur

An entrepreneur is a person with specific business, managerial and personal skills. An entrepreneur exhibits behavior which includes:

1. Taking initiative
2. Ability and desire to recognize social and economic mechanism to enable production
3. Acceptance of risk of failure

Thus, the entrepreneur is a person with specific characteristics, who brings together certain resources to combine them into a product with a higher value than its components. These resources include capital, labor, materials and other assets. Psychologically, the entrepreneur is driven by a need to obtain or attain something. He is willing to experiment, eager to accomplish and intolerant of authority. He is a pragmatic risk taker, who bears risks, not for thrill but as a necessary condition of achieving his goal. He is usually 'street-smart', able to work within existing social system and turning them to his advantage. He is also strong willed and committed to his goals.

Entrepreneurship

Entrepreneurship is the dynamic process of creating incremental wealth. It is the process of creating something new and assuming the risks and rewards that result from that process. Thus, entrepreneurship denotes an atmosphere or culture within which entrepreneurs can develop. It is a combination of the economic, cultural and social climate, which can either encourage or stifle creativity and risk taking, thus either encouraging or extinguishing the entrepreneurial spirit.

Entrepreneurship consists of the following:

1. The creation of something new, which has value for the producer and the audience (customer, client)
2. The ability and willingness to spend time, effort and money in the creation of the value mentioned above
3. The ability and willingness to assume the risk in terms of finance face the fortune if things go wrong.

2.2.4 Entrepreneur vs. Manager

Entrepreneur must have managerial skills; every manager cannot be an entrepreneur. Entrepreneurship, therefore, encompasses management is a subset of entrepreneurship. We can understand the difference between an entrepreneur and a manager by applying the same parameters we used to study entrepreneurs and entrepreneurs, as the following table (Table below) shows.

Table Differences between Entrepreneurs and Manager

Parameter	Entrepreneur	Manager
Primary Motive	Independence, creative opportunity and economic profit	Promotion and other traditional corporate rewards such as increments, power and control over staff etc.
Activity	Direct involvement in all areas of the business	Delegates and supervises rather than gates directly involved. Does not consider aspects of the business that are outside his job definition
Risk taking	Moderate to high risk taker	Low risk taker
Attitude towards failure and mistakes	Takes full responsibility and tries to correct mistakes and overcome failure	Tries to avoid mistakes and failure. May be cautious to the point of inaction if the risk is too high
Decisions	Takes all decisions to follow his dream	Agrees with company policy and those above him in the corporate hierarchy
Family background	Comes from a family with a history of entrepreneurs or small business. May even	Comes from a family whose members generally work for large

	come from a farming background	corporations or the government
Relationship with others	Basis of relationship with others is transactions and deal making, defining his own hierarchy	Relates to others within the existing hierarchy

Thus we see that the manager is more concerned with the maintenance of status quo, while the entrepreneur is willing to upset the situation to create something new. The manager rarely takes risks, while the entrepreneur understands and accepts that risk is part of the process of fulfilling his dream. The manager welcomes authority, while the entrepreneur shuns it. The manager is comfortable in a hierarchy, while the entrepreneur prefers a flatter organization structure.

While entrepreneurs can be found in a wide spectrum of businesses, cultures and economies, most successful entrepreneurs exhibit certain attributes and characteristics. The purpose of this section is to study these attributes and characteristics so as to reach an understanding of entrepreneur and the entrepreneurs and the entrepreneurial spirit.

Attributes and characteristics can be studied at different levels. The first subsets of attributes that we can study are Values. Values are generalized concepts of behavior and thinking that are developed through culture, family background, schooling, etc. Akhorie and Mishra outline the following values as most common among entrepreneurs.

2.2.5 Values of successful entrepreneurs

a. Innovativeness

The entrepreneur is a creative individual, with a desire and ability to do new things. Entrepreneurs are not satisfied with following the herd. Even if an entrepreneur is to produce an existing product or service, he will do so in a new and innovative manner.

Entrepreneurs are different from inventors, in that inventors lack the drive to market their inventions to new markets. Entrepreneurs, on the other hand, recognized the value of new inventions and take efforts to bring those inventions

to the marketplace. Entrepreneurs are thus "ideas men with workers hands". In other words, they ideate, innovate and then put their ideas into action.

b. Independence

Entrepreneurs value their independence and strive to constantly be in control of their work environments. They are intolerant of control by others and tend to work out plans and strategies on their own rather than wait for input or suggestions from others. This does not mean they do not collaborate with others or seek their advice. They may take input from others, but ultimately will make their own decisions.

c. Outstanding Performance

Entrepreneurs want to be the best. They are not satisfied with merely doing what others do. They want to do it differently ideally; they want to do something entirely new for which they will be recognized.

Usually entrepreneurs believe in the existence of God or Supreme Being bestowed with a destiny by the Power. Entrepreneurs accept and build on past mistakes. They consider mistakes as just, another step in the ladder of success. Mistakes do not bog them down, but instead inspire them to rethink, rework and overcome the mistake.

d. Respect for work

Entrepreneurs have a very strong work ethic. They are willing to do all it takes to get the job done and do not shirk from work of any kind. While executives too, put in long hours at work, entrepreneurs put in even longer hours and in fact, are "always on the job". Their minds, their thoughts, their actions, are all tuned towards achieving their final objective.

The next subset of attributes that can be studied is Attitude. Attitude denotes an approach to life and work, a 'tendency' to act and react in a particular way in different situations.

Akhori and Mishra have identified the following attitudes as closely linked to the entrepreneurial spirit

2.2.6 Attitudes

a. Tendency to take moderate risk: Entrepreneurs take risk as an integral part of the process of achieving their goals. They do not take unnecessary risks purely for the thrill of taking risks. Even entrepreneurs who abandon

all other avenues of income in the pursuit of their goals do so because they believe that there is no other way to achieve their goals. The risk is an aspect of the path to their goals and not a goal in itself.

b. **Perception of economic opportunity:** Entrepreneurs are quick to spot economic opportunity where others may see only problems or recreation. Entrepreneurs look for opportunities to turn their talents into cash and are thus attuned to seeking out the economic benefit in every sphere of activity in which they are involved.

c. **Imagination and creativity:** Entrepreneurs display great imagination and creativity in solving problems. Unwilling to follow conventional wisdom, they seek their own solutions to problems. It is from this that their innovativeness springs.

d. **Initiative:** Entrepreneurs take the initiative in getting the job done. They do not wait for the "right circumstances" themselves. Proactive by nature, they prefer to anticipate events rather than wait for something to occur for them to react.

e. **Believe in changing the environment:** Entrepreneurs believe they can change the environment. If there are elements in the environment that the unfavorable to them, they believe they can change those elements, thus modifying the environment to suit them. This stems from a firm belief in themselves and their abilities.

f. **Enjoy freedom of expression and action:** Entrepreneurs enjoy freedom of expression and revel in the ability to act for themselves. They do not like to accept instructions from others and value their independence. They are thus most likely to give up their job and begin a venture on their own.

g. **Gain satisfaction from completion of tasks:** Entrepreneurs gain a deep satisfaction from seeing a job to completion. To them, the completion of a job signifies success and, being driven by a desire to succeed, they take immense pleasure in completing the job.

Check your progress 1

1. Which statement or statements are true?
   a. Economists focus on "the impact of entrepreneur's actions on the economy."
   b. Sociologists and Psychologists focus on "why entrepreneurs act the way they do?"
   c. Management experts and students of management focus on "how entrepreneurs act?"
   d. All of the above
   e. None of the above
2. For an Entrepreneur, which statement is true:
   a. They do not want to take any risks.
   b. They work for only money.
   c. They are just opposite to Entrepreneur.
   d. All of the above
   e. None of the above

2.3 Attributes and Characteristics of a Successful Entrepreneur

Successful entrepreneurs have certain definite characteristics. It is important to study these characteristics with a view to understanding the behavior of entrepreneurs.

a) The Achievement Motive, as opposed to mere Competitiveness:

Entrepreneurs are motivated by a need to achieve. This leads to competitiveness, but competitiveness with a positive goal. If a person is merely competitive for the sake of running others down or showing his superiority, he generally does not achieve anything concrete. The entrepreneur, however, wants to achieve something, for which he simply uses competitiveness as a path towards that achievement.

b) Perseverance:

Entrepreneurs have a "stick-to-it" attitude. They persevere in the face of hardships and setbacks, trying out different strategies until they succeed. Perseverance does not mean a foolhardy attempt to succeed by trying the same thing again and again. The prime example here is of Tomas Edison, who tried out hundreds of different materials for the filament of his incandescent lamp (light bulb) until he found the right material. Had he simply tried the same material a thousand times, he would not have succeeded. The perseverance lay in is determination to try out different materials, but with the same end purpose in mind. Similarly, entrepreneurs are willing to preserve towards their goal, trying out different paths until they find the right one.

c) Moderate risk taking:

Entrepreneurs take risks because they have to, in order to achieve their goals. The taking of risks is a means to an end, and not an end in itself. This is the difference between and entrepreneur and a gamble. The gambler has no other goal except the thrill he gets from taking the risk. The entrepreneur, on the other hand, knows that unless he takes some risk, he will not be able to achieve his goals.

d) Use of Feedback:

The myth of the stubborn entrepreneur ignoring worldly advice is just that a myth. The real entrepreneur constantly takes feedback from others, often actively seeking feedback from peers and informed sources. They use this feedback to make whatever corrections are needed in the path to their goal. The entrepreneur who seeks feedback is different from the insecure individual who constantly needs encouragement to achieve something. The entrepreneur expects and makes use of negative feedback as well as positive feedback, evaluating both in terms of the source of the feedback, his own observations, etc. finally making his own decision.

e) Readiness to face uncertainty:

The entrepreneur knows that he lives in an uncertain environment. He is ready to the uncertainties of the environment, in fact preferring these uncertainties to the income and security of a permanent job. This tolerance of ambiguity is viral for anyone who wishes to be an entrepreneur, for the safety and security of a job cannot foster the adventure that spurs the entrepreneur to achieve something new.

f) Personal Drive:

Entrepreneurs possess tremendous personal drive and are willing and able to work long hours. Entrepreneurs, in fact, are known to be able to work in spurts of several days with little sleep, without losing their energy and desire to achieve. They are characterized by high energy levels as well as the ability to keep cool in tense circumstances.

g) Self Confidence:

Entrepreneurs possess tremendous self-confidence. They believe in themselves and in their ability to achieve their goals. At the same time, they are not overconfident or arrogant. They have a firm faith in their ability to tackle any contingency, while at the same time possessing the pragmatism to call on others for help whenever required.

h) Initiative:

Entrepreneurs take the initiative in any enterprise. They are willing to put themselves in the forefront of operations, taking responsibility for the success of failure of the operation. This characteristic is manifest in several situations and is not confined to the business world. Entrepreneurs take the initiative in several of their personal and social situations as well.

i) Belief in self:

It is distinct from self-confidence. "Belief in oneself" is the tendency to take personal responsibility for all the events in one's life. Entrepreneurs do not believe in fate, instead believing that they are in full control of their lives and are responsible for the successes and failures they face.

j) People skills:

Although believers in themselves as architects of their own destiny, entrepreneurs know that they have to garner the co-operation and help of other people. They have a well-developed set of people skills, ranging from persuasiveness to the ability to motivate others.

k) Flexibility:

Closely linked to perseverance is the characteristic of Flexibility, enabling an entrepreneur to change his path and style to suit circumstances, without losing sight of his goal. Flexibility, however, should not be confused with indecisiveness, where the person keeps changing his mind out of a feeling of insecurity.

l) Rational approach:

Entrepreneurs do not get emotionally involved in their projects. When they need help, they are able to call on experts, regardless of whether they personally like them or not.

Checklist for individuals who want to become Entrepreneurs

The following checklist, generated from empirical data, gives some idea of the general characteristics of entrepreneurs. There are, of course, exceptions to the list, but in general, entrepreneurs exhibit most of the characteristics listed below:

An Entrepreneur is generally

a. **The oldest child in the family** - Perhaps the responsibility of caring for younger siblings or the time spent with parents in the absence of other children develops the independent streak in the entrepreneur.

b. **Married** - Most entrepreneurs agree that their spouses provide vital emotional and practical support.

c. **Male** - Without being gender-biased, evidence shows that most entrepreneurs are male. However, female entrepreneurs are now starting new ventures at two to three times the rate of men.

d. One who starts his first significant venture in his thirties?

e. A degree holder

f. One whose primary motive is to be independent.

g. One who reports a strong relationship with his father?

h. One who describes himself as a "Doer" rather than a "Thinker"?

i. One who takes moderate risk?

j. One who doesn't particularly stand out in a crowd?

Who is an Entrepreneur?

Different views and perspectives about entrepreneur

Entrepreneurs are made, not necessarily born.

A true entrepreneur is the one who has a genuine attitude to serve people. Again there are two kinds of entrepreneurs - entrepreneurs who create products for a common man and entrepreneurs who create products for business

customers. The second type is usually done in universities or guys who have years of experience working in established companies.

Most importantly an entrepreneur has a certain vision. He has a certain perspective of what should be done and what should not be done. He believes what he perceives to be the truth around him to be the truth and he goes out to prove to the people what the truth is.

An entrepreneur has the ability to see symmetric patterns in haphazard market situations

An entrepreneur is someone who thinks he is smarter than the status quo wisdom of the market. Then he goes about outsmarting the market using the building blocks available in the market. When this outsmarting becomes sustainable, he is successful. When it becomes scalable then he is a run-away hit.

Entrepreneurship is about creating value. Entrepreneurship is all about identifying the problem and finding a solution before anybody else does. The timing of the solution is also very important.

Entrepreneurs work towards changing the status-quo for the better. It may involve making something (already existing) better or it may involve creating something from scratch.

Apple pioneered the Graphical User Interface, but it was Microsoft which took it to the next level. Hence, innovation, which is the hallmark of entrepreneurship, could be incremental in nature, not necessarily ground-breaking.

"Capt. Gopinath who started Deccan Aviation is also an entrepreneur because he pioneered low-cost flying in India. This kind of business, though it existed elsewhere in the world, he took the initiative of bringing it to India."

You need not venture out on your own to be a successful entrepreneur, but your contribution can fetch better recognition if you have the guts to venture out on your own.

Narayana Murthy would not have been known as a successful entrepreneur if he had helped Patni (his job before Infosys) grow to be a multi-billion dollar company. The success of Google, Microsoft, IBM etc. is because of a lot of entrepreneurs working for those organizations, but decided not to venture out on their own.

R Buckminster Fuller said, "Every child is born a genius—9,999 out of every 10,000 are swiftly, inadvertently, de-geniuses by grown-ups." Albert

Einstein agrees. Picasso said, "Every child is born an artist. The trick is to remain an artist."

There's a trend here. And the trend can easily be extended to entrepreneurship and innovation in technology. The growth in the Indian technology and services industry (IT and BPO) has created a strong "service-centric economy" built on the movement of jobs from overseas to an abundant, highly educated, English speaking labour force. India's challenge doesn't seem to be proving that the IT/BPO firms can win business or maintain clients. It is that India needs to shift from a service-based economy to an "innovation-based economy" and that's very new to us. We've all talked about it, and continue to talk about it. But why is it that Google, 8-year-old, with approximately 6,000 employees is worth $128.36 billion, and Infosys, India's star, is 25-year-old, with approximately 53,000 employees, and is worth $28.95 billion. If we total up all the major Indian IT and BPO firms, the market valuations of all of them combined would probably not come close to that of a Google, Oracle, SAP, or Microsoft.

Every Indian is a born entrepreneur. Every Indian has it in them to innovate. Ask the person standing in line for a movie ticket if he's thought of figuring a way to get a ticket faster if the line wasn't moving fast enough. Or the driver who's stuck in a traffic jam if he's thought of using the opposite lane to make his way through. Every single day in every single life in our country, we have people who use innovative ways to "short circuit" a process that the rest of the world would follow without question. If that's not innovation, what is? By definition, entrepreneurs in technology make a living out of "short circuiting" a process—something that the world was used to doing a certain way, they figure out how to do it in less time, with less resources, or with better efficiency/accuracy.

The question is—if every one of us is a born entrepreneur and destined to innovate, what happens to the spark in us? And why is it that I believe we need to make more entrepreneurs? Simply, as Einstein and Buckminster Fuller and Picasso said—we are de-geniuses, we don't remain artists—life takes over and teaches us to live lives of "competent mediocrities".

In order for us to make more entrepreneurs, we need to focus on creating an environment where innovation thrives and entrepreneurship can be developed. This innovation environment will be the backbone of what will make India claim its position as the global IT superpower.

The solution is redefining entrepreneurship as a roles based (rather than process based) occupation. To that end, there are four roles common to all entrepreneurs and you basically know you're an entrepreneur when you find yourself doing these four roles. The point being is that the word "entrepreneur" has no meaning on its own. It's just shorthand for describing four very specific other jobs.

1. **Role as an investor -** If you are weighing up risk/return profiles and doing due diligence to figure out if one venture is worth pursuing over another - you're an entrepreneur.
2. **Founder ship -** If you've identified a problem and are using leverage to harness resources currently outside of your control to deliver an elegant solution to the problem- you're an entrepreneur.
3. **CEO -** If you're thinking about risk management and how to prevent your start-up from screwing up - you're an entrepreneur.
4. **Directorship -** If you're in board meetings trying to vote on strategic direction for your start up - you're an entrepreneur.

If you're not doing all of those four things - then you must be something else.

Check your progress 2

1. An organization can consciously foster entrepreneurship, by avoiding one of the following:
   a. They do not allow failure.
   b. They do not try to place any parameters on opportunities.
   c. They make resources available to all.
   d. They have a multidisciplinary team based approach.
   e. All the above

2.4 Let Us Sum Up

It is expected that historical development of Entrepreneurship which is once again narrated here would have helped you. The last few pages might have also helped you to understand what makes a successful Entrepreneur and how

does it differ from Managers. You might have already understood that an Entrepreneur who actually creates an organization and runs it can also be found in many other places. One such person is 'Intrapreneurs'. These people may not own any organization but as an employee works and makes an organization successful. Detailed comparisons have been made for you to indentify the differences between them.

Once you have understood the characteristics of an Entrepreneur, they can be spotted quite easily. And may be an attempt can be made to shape a person as an Entrepreneur. Several examples (from India as well) of successful Entrepreneurs were also discussed to facilitate learning of the subject.

Please note that several courses have now come up to help Entrepreneurs learn their jobs properly. Later in this book an attempt will be made to explain them to you.

2.5 Answers for Check Your Progress

Check your progress 1

Answer: (1-d), (2-c)

Check your progress 2

Answer: (1-a)

2.6 Glossary

1. **Frontier** - A region just beyond or at the edge of a settled area.
2. **Multidisciplinary** - It involves drawing appropriately from multiple disciplines to redefine problems outside of normal boundaries and reach solutions based on a new understanding of complex situations.
3. **Persistence** - It is continuing in an opinion or course of action in spite of difficulty or opposition.
4. **Street-smart** - A person who has a lot of common sense and knows what's going on in the world.
5. **Attributes** - To regard as arising from a particular cause or source.

6. **Spectrum** - A band of colours, as seen in a rainbow.
7. **Collaborate** - To work jointly on an activity or project.
8. **Perception** - The ability to see, hears, or become aware of something through the senses.

2.7 Assignment

Air Deccan was a wholly owned subsidiary of Deccan Aviation. It was started by Captain G. R. Gopinath as India's first low-cost carrier and its first flight took off on 23 August 2003 from Bangalore to Hubli. It was known popularly as the common man's airline, with is logo showing two palms joined together to signify a bird flying. The tagline of the airline was "Simpli-fly," signifying that it was now possible for the common man to fly. The dream of Captain Gopinath was to enable "every Indian to fly at least once in his lifetime." Air Deccan was the first airline in India to fly to second tier cities like Hubballi, Mangalore, Madurai and Visakhapatnam from metropolitan areas like Bangalore and Chennai. Air Deccan's phenomenal growth spurred the entry of more than half a dozen low-cost air carriers in India. Later, as Kingfisher Red, the airline faced stiff competition from SpiceJet , IndiGo Airlines, Jet Lite and GoAir. The growth of these low-cost air carriers has also forced mainstream domestic Indian airlines to lower their fares.

Carry out some self-study and find out the reasons for failure of "Air Deccan "which had a remarkable growth.

2.8 Activities

Also learn about Captain G.R.Gopinath and find out his strong and weak points as an Entreprenuer as you have learnt in earlier lessons.

2.9 Case Study

When IndiGo, India's largest airline by passengers carried, reported a profit of Rs.787 crore in the 2013 financial year, it stunned many in a manner unusual for an earnings broadcast. Aviation has always been a thorny industry, one as is said only half in jest that makes millionaires out of billionaires, but

Indian aviation has stood out as notoriously brutal owing to high taxes and costly airport charges. – Economic Times

As you might be aware that Indigo in India is doing very well in terms of growth and profitability. They must be doing many things right an Entrepreneurship. Try to discover them and learn as a student of Entrepreneurship.

2.10 Further Readings

1. Entrepreneurship Development by S. Anil Kumar.
2. Entrepreneurship Development in public Enterprises by Joseph Prokopenko and Igor Pavlin.
3. Entrepreneurship Development in India by Sami Uddin.

UNIT 3: ROLE OF ENTREPRENEUR IN ECONOMIC DEVELOPMENT

Unit Structure

3.0 Learning Objectives

3.1 Introduction

3.2 General Contributions of Entrepreneurs to the Economy

3.3 Role of Entrepreneur in the Indian Economy

3.4 Entrepreneurial Culture and Motivation,

3.5 Hints to help Entrepreneur,

3.6 The Global Role of the Entrepreneur

3.7 Let Us Sum Up

3.8 Answers for Check Your Progress

3.9 Glossary

3.10 Assignment

3.11 Activities

3.12 Case Study

3.13 Further Readings

3.0 Learning Objectives

After learning this unit you will be able to understand:

- The General Contributions of Entrepreneurs to the Economy
- The Role of Entrepreneur in the Indian Economy
- The Entrepreneurial Culture
- The Role of Motivation
- The hints to help Entrepreneurs
- The Global Role of the Entrepreneur

3.1 Introduction

Entrepreneurs create opportunities for increased per capita output and income. On one hand, they create new products and services to fill needs in society. On the other, they provide employment, either directly in units controlled by them, or in tertiary units that supply their units with raw materials, machinery, etc. One theory of economic growth portrays innovation as the key in stimulating investment in new technologies and new products.

3.2 General Contributions of Entrepreneurs to the Economy

In general, entrepreneurs contribute in the following way to the economy of the country in which they operate:

1. Entrepreneurs make unique contributions to the economy

Entrepreneurs change the way people work and live and thus change the way the economy itself functions. For example, Children First, and entrepreneurial venture in the USA, changed the way people worked in offices. Started by Rosemary Jordano in 1992, Children First provides back-up child care to employees of around 300 businesses in the USA. This service has resulted in employees missing fewer days of work, thus making them more productive. The service has also resulted in greater peace of mind for employees, thus making them more efficient and effective at work.

2. Entrepreneurs create innovations that improve the quality of life

For example, Michael Dell, founder of Dell Computer Systems, has established a number of philanthropic and community service foundations within his organization. These foundations work in the field of educational, environmental, business, economic and social issues to improve the quality of life of people. Even if entrepreneurs do not establish such foundations, their products and services themselves can improve the quality of life of people in the economy. Children First's services have resulted in a more relaxed workforce, giving them peace of mind. Martha Stewart's books, tapes, videos and CDs are referred to by thousands of Americans for tips on household chores including kitchen tasks, gardening and home décor.

3. Entrepreneurs create new jobs

Dell Corporation employs 36,000 employees. Children first have created new jobs for around 250 people. Martha Stewart Omnimedia employs over 420 people, including 180 in-house editor, art and style directors, designers, craftsmen, cooks, gardeners, and business and administrative staff. Thus we see that entrepreneurs create jobs for people, empowering them and making the economy stronger.

4. Entrepreneurs make the economy more competitive

By providing jobs, unique services and psychological advantage, entrepreneurs strengthen the economy and make it more competitive in the global marketplace. For example, by reducing absenteeism, Children First makes companies more productive. In providing made-to-order computers for individuals, Dell Corporation has spread its manufacturing operations across the globe, thus taking advantage of local economies of scale and local prices. Currently, the Corporation has manufacturing units in Texas, Tennessee, Brazil, Ireland, Malaysia, and China. It can thus serve a diverse range of markets at very competitive prices.

Thus we see that entrepreneurs contribute greatly towards strengthening the economy and making it more competitive providing jobs to millions of people and helping millions of other through philanthropic foundations and community service.

Check your progress 1

1. What are the General Contributions of Entrepreneurs to the Economy?
   a. Entrepreneurs make unique contributions to the economy.
   b. Entrepreneurs create innovations that improve the quality of life.
   c. Entrepreneurs create new jobs.
   d. All of the above.
   e. None of the above.

3.3 Role of Entrepreneur in the Indian Economy

Entrepreneurs play a major role in the development of the Indian Economy. Entrepreneurs play a pivotal role in engendering economic growth and regional development. According to NIESBUD, some of the areas in which entrepreneurs have had a positive and lasting impact are:

- Employment Generation
- National Production
- Dispersal of Economic Power
- Balanced Regional Development
- Gainful utilization of the vigor of youth

Let us study these aspects in detail:

Unemployment is a major problem in any developing economy and is a special problem in India in addition to the rapid rate of population growth and poor utilization of resources. Government does create jobs, but such jobs are dead-ends to economic development. Once a vacancy is filled in a government department, no new vacancy can be created for the next at least thirty years or so, until the person retires. Entrepreneurs on the other hand create jobs for themselves as well as generate employment for many more. The very nature of entrepreneurship ensures that ventures grow, expanding the employment opportunities and thus providing employment for many more over a period of time. Entrepreneurship also has a cascading effect, inspiring others to start entrepreneurial ventures as ancillary units to larger entrepreneurial ventures.

National Production/National Income

Entrepreneurs produce goods and services for consumption within the country as well as for export. This substantially increases the National Product and consequently, National Income. As National Income increases, so does per capita income, from the various employment opportunities generated. This puts a larger disposable income in the hands of the populace, which begins to demand, thus pushing up National product again. Thus, entrepreneurship has a positive effect on National Product and National Income.

Dispersal of Economic Power

Economic power today rules the world. For a long time, the structure of the Indian Economy concentrated this economic power in the hands of a few,

creating virtual monopolies that controlled much of India's resources. However, with the growth of entrepreneurship and the push given to entrepreneurial development by the government, this economic power is now beginning to get dispersed among a large number of people, thus avoiding monopolies and the concentration of economic power in the hands of a few.

Balanced Regional Development

Until the late sixties, only six cities in India were host to fifty percent of the industries. With the development of an entrepreneurial spirit, entrepreneurs who wanted to avoid the stiff competition in cities with established industries began ventures in other, lesser developed areas. The growth of these ventures automatically brought in development in the form of employment Roads, transportation, education, entertainment, etc. Entrepreneurship thus helped achieve a balanced regional development.

However, there was a negative side to this too. Regions that do not have entrepreneurs of their own tend to attract entrepreneurs from other regions, who rush in to fulfill the demands of the populace. However, such entrepreneurs do not re-invest in the current region, preferring to siphon off their profits to the regions whence they originally came. The concept of "building in one's ancestral land" meant that profits from other regions were invested in land, buildings and other infrastructure in the entrepreneur's home town, an effect termed "the leech effect" by Dr.M.M. P. Akhori.

In order to avoid this leech effect, entrepreneurs need to spring up in their own regions, thus ensuring a balanced regional development.

Check your progress 2

1. According to NIESBUD, some of the areas in which entrepreneurs have had a positive and lasting impact in India are:
   a. Employment Generation
   b. National Production
   c. Dispersal of Economic Power
   d. All of the above
   e. None of the above

3.4 Entrepreneurial Culture and Motivation

Entrepreneurial Culture refers to the environment, social structures, economic infrastructure and attitudes that promote entrepreneurship. Some countries, such as the USA, pride themselves on their entrepreneurial culture, where everyone, regardless of age, background, education, etc., is empowered to be an entrepreneur if they so choose. In other countries, such as India, social and cultural factors show a preference for "job" rather than "business" for most individuals, barring traditional communities that have always been entrepreneurial in nature

1. Personal Background

Studies on entrepreneurial culture and the environment in which entrepreneurship thrives concentrate on aspects like the childhood and family environment, education levels and education history, value systems inculcated by family and society, age of the entrepreneur when he starts his first major venture and the work history of the entrepreneur. Let us study these aspects in some detail.

2. Childhood and Family

Some studies, notably by Henning and Jardim and Hisrich and Brush, have indicated a correlation between the birth-order and the tendency towards entrepreneurs. The studies have shown that female entrepreneurs are more likely to be the first-born. This has been attributed to factors like greater self-confidence because of almost exclusive attention paid to the child in the first year of more after its birth. One can also attribute the tendency of the first born to be an entrepreneur to a greater sense of responsibility instilled in the child in taking care of younger siblings. However, no conclusive evidence has been found to link birth-order to the definitive creation of an entrepreneur. More study has to be done on this aspect before a clearer picture can emerge.

In terms of parental occupations, it was found that entrepreneurs tend to have entrepreneurial fathers and often entrepreneurial mothers as well. Such parents were found to have a strong influence on the children's choice of occupation and provided strong role models for entrepreneurship.

In terms of parental support, it is crucial to be supportive of children's activities and interests. Children who are encouraged to explore their talents and natural inclinations are more likely to become entrepreneurs.

3. Education

While the general impression is that entrepreneurs are less educated than others of similar age and background, studies show that this is not the case. Even mediocre students who go on to become entrepreneurs tend to pursue studies in their chosen field of entrepreneurship and excel in those studies. Entrepreneurs also show a highly developed ability to deal with people and have above average writing and speaking skills.

4. Value Systems

Value systems refer to the personal values that entrepreneurs have and which they live by. While values like creativity, resource management, etc. are high among entrepreneurs, they are similarly high among managers. Therefore, these values alone cannot be said to indicate an entrepreneurial bent of mind. This indicates that entrepreneurs possess values in addition to the ones they share with successful managers. Studies show that the term "winning" is frequently used by entrepreneurs and in entrepreneurial ventures that succeed. Therefore, it can be presumed that "winning" is a value or trait that may indicate an entrepreneurial spirit. However, more solid research needs to be done on this aspect.

5. Age

In studying the age of the entrepreneur, two yardsticks are generally used. The Chronological Age (that is, the number of years that have passed after the person's birth) and The Entrepreneurial Age (that is, the number of years the entrepreneur has spent in his chosen field).

The chronological age of entrepreneurs tends to be lie between 22 and 45. In other words, a person is most likely to be over 22 and under 45 when he starts his first major venture. There is also a psychological value attributed to steps of five. In other words, entrepreneurs are most likely to start a major venture at 25, 30, 40 or 45. These are usually considered milestones in a person's life and entrepreneurs report a feeling of "it has to be now or never" when they reach these milestones.

6. Work History

Work history of entrepreneurs shows a tendency to be dissatisfied with working under someone, or a feeling of lack of challenge, lack of promotional opportunity etc. There can be no doubt that this feeling of dissatisfaction drives the entrepreneur to quit his job and start his own venture. However, the work

history of the entrepreneur also shows that experience in finance, produce/service development, manufacturing, distribution etc.; provide the means to make the entrepreneur's venture a success.

Motivation

The desire for independence emerges as the single most common motivation for starting one's own venture. Entrepreneurs prefer to have full control over what they do and the desire to be one's own boss has been found the world over to be the driving force that enables entrepreneurs to accept the financial, social and other risks of becoming an entrepreneur. This motivation enables entrepreneurs to endure the long hours, frustration anxiety and other negative aspects of entrepreneurship.

Support Systems

Support systems refer to the networks that grow in social situations. These networks are like a grid of people; colleagues, old school mates, professional acquaintances, etc. who help the individual entrepreneur in various ways.

Moral Support Systems

Moral support systems are the network of family and friends that encourage the entrepreneur and cheer him on when he may feel low or discouraged. Most entrepreneurs acknowledge that their spouses are their best supporters, allowing them to spend the long hours necessary in developing the venture and providing solace in the lonely hours when the entrepreneur may begin to lose hope.

Friends are another important factor in the grid of moral support systems. Friends can provide honest and hard-headed advice, encouragement, understanding and assistance.

Professional Support Systems

Professional Support Systems are network of individuals with expertise in various aspects that touch upon the entrepreneurial venture. Mentors, trade associations, chambers of commerce, clubs and societies, etc., form the professional support system of the entrepreneur.

Clients and customers also form an excellent professional support network. Word of mouth is the most powerful form of advertising, and it helps if the entrepreneur forms a personal rapport with customers. Such customers can also provide valuable feedback to the entrepreneur, which will help in product enhancement.

Suppliers can also be a powerful professional support system, helping to establish credibility with creditors and customers. They can also provide information of trends in industry, often tipping off the entrepreneur about impending shortages or gluts.

Micro-Enterprise Promotion in Agriculture: Indian Imperatives and Global Perspective through Entrepreneurs

It is enlisted just to know the role of entrepreneurs in Indian Economy but the total scenario is endless.

1. Sustainable rural entrepreneurship process: creating added values for the economy.
2. Dairy farming-a profitable enterprise.
3. Income and employment generation through forest and forest based industries.
4. Opportunities and challenges for Indian livestock in context of globalization.
5. Micro enterprises in agriculture for sustainable development.
6. Fodder supply micro models for peri - urban systems.
7. Livestock enterprise: a potential sector for employment and income generation.
8. Constraints and strategies in livestock enterprise promotion in India.
9. Rural industries in India: issues, challenges and strategies.
10. Creating, entrepreneurial environment and sustainable development in agriculture through farmers-scientists interaction - a case study.
11. Piggery micro-enterprise an unexploited profitable husbandry for rural people.
12. Value addition of unconventional fiber handicrafts for women empowerment.
13. An innovative strategy for employment generation and rural prosperity in apiculture/Jatropha Curcas.
14. Role of agriculture in rural livelihood.
15. Problems and factors affecting the performance of milk cooperative societies in promoting dairy as a micro enterprise in Punjab.

16. Promoting rural employment through micro enterprise development.
17. Women entrepreneurship development.
18. Entrepreneurial opportunities for farm/non-farm women Rajasthan.
19. Entrepreneurial opportunities for home-science graduates.
20. Commercialization of developed designs from the sculptures of Chaturmukha Jain Temple of Ranakpur.
21. Strengthening Self Help Groups for agro-business in Bikaner district-concept and component.
22. Rural women empowerment through Self Help Groups.
23. Self Help Group-bank linkage and microfinance: an Indian perspective.
24. Discovering assets through the community helpers program: a Canadian model.
25. Motivation types and sources for self-employed rural women.
26. Entrepreneurship development among rural women through bee keeping enterprise.
27. Self-Help Groups as catalyst of rural development-how they can do it?
28. Impact of Swarna Jayanti Grama Swarozgar Yojana (SGSY) on women beneficiaries in Karnataka - a research study.
29. Communication web on micro finance.
30. Sustainable eco-enterprises for women's empowerment - the role of micro-credit.
31. Micro-credit: basic issues and strategies.
32. Women Entrepreneurs Under Swarnajayanti Gram Swarozgar Yojana (SGSY) -- case-studies.
33. Micro-credit support in promoting women micro enterprises.
34. Marketing strategies for micro enterprise development.
35. Micro-enterprise promotion in rural India: interventions needed through vocational education and training.
36. Empowering villagers through micro enterprises.
37. Reorienting farm education for entrepreneurship development and self-employment.

38. Notion of value and sustainable development in community mobilization.
39. Role of information technology in promoting rural enterprises.
40. Privatization of extension services for agri-enterprises promotion in India.
41. Culture and social animation: the community mobilizer.
42. Training and HRD for promoting rural entrepreneurship.
43. Blending technology: a systematic approach to empower rural women.
44. Girl child's personality and type of school: need for convergence for entrepreneurial growth.
45. Contribution of farm women to family income in rural areas of Bikaner district of Rajasthan.
46. Women and work: mapping dimensions of poor women's work in a globalizing environment.
47. Experiences in micro enterprise promotion with rural women.
48. Extension strategies to promote entrepreneurship among rural women.
49. Gender issues and entrepreneurship development a case study of rural women's cooperative credit society.
50. Entrepreneurship development programmes towards income generation for rural and tribal women -- a success story.

Science and Technology Entrepreneurship Development (STED) Project

- General Guidelines and Performa for submission of Proposals
- List of Science and Technology Entrepreneurship Development (STED) Project Centers

Science and Technology Entrepreneurship Development Scheme (STEDS) was launched in 1985 when NSTEDB prepared a scheme to map the available material resources in industrially backward regions and prepare a basket of technically feasible and economically viable project profiles of enterprises that could be promoted by local S and T entrepreneurs and thus tapping hitherto un-utilized / under-utilized resources. Later the scheme was re-christened as "Science and Technology Entrepreneurship Development Scheme (STEDS)".

Initially the scheme was launched in 13 districts in consultation with the Planning Commission. A National Advisory Committee was formed to prepare the guidelines and oversee the implementation of the scheme. Accordingly, Task

Forces having members from concerned state govt. agencies, banks, etc. were constituted under the Chairmanship of the District Collector to guide the officials manning the scheme. The scheme took off quite well in most of the locations and project profiles for utilization of available resources were prepared.

In 1996-97, STEDS program was reformulated. The National Advisory Committee was reconstituted and eminent scientists, technologists, economists and social activists were invited as its members.

The Sted Project

In the project mode, the STED project aims to bring about a socio-economic development of an area through the intervention of Science and Technology. The project envisages matching of the material and the human resources of the district to create new enterprises and employment by usage of Science and Technology processes. It involves identification of opportunities through a detailed scientific survey and exploitation of the opportunities thus identified by the entrepreneurs. The total project life is four years. Currently the STED project is being implemented in 39 districts of the country.

Objectives

The broad objectives of the project are -

- To identify possible resource based projects in the region covering both rural and urban areas.
- To identify S and T intervention (like technology selection, modification, alteration and dissemination) for exploiting the opportunities by prospective entrepreneurs.
- To improve working of existing enterprises through S and T intervention to upgrade the technology and modernization of units.
- To organize regular enterprise awareness programs and skill development programs for creating suitable entrepreneurial environment in the district.
- To launch at least 200 micro-enterprises in the district during the four years of duration in which at least 50 technology-driven micro-enterprises are to be in technology specific areas as identified by the implementing agency earlier.

Implementation Methodology

Implementation Mechanism

The Host Institution (HI) or Implementing Agency (IA) identifies amongst other 3-4 specific technology areas, which are specific to the location of STED project implementation. Based on this identification, the HI / IA prepare the opportunities available in these technology areas indicating the source of technology and likely collaboration with the technology provider. The HI / IA should also mention his expertise in the selected technologies, if any.

The broad mechanism to be adopted for implementation is -

- Market survey for identification of resources of the region which include
- Man
- Material
- Market
- Methods (Science)
- Mechanics and Mechanism (Technology)
- Preparation of opportunities profile.
- Identification and counseling of potential entrepreneurs.
- Training of entrepreneurs.
- Providing escort services to the potential entrepreneurs
- Counseling the existing enterprise for technology up gradation and modernization.

Target Group

The target group would be essentially unemployed youth who may or may not possess necessary skill to launch a micro-unit but have the necessary desire and aptitude for such venture. Others including ex-army men, would also be covered under the project.

Agency

The project is awarded to a reputed Technical Consultancy Organization (TCO), Non-Government Organization (NGO) or any organization having a

proven track record in the field of entrepreneurship development. The agency is selected based on their past Performance in the area, credibility and staff availability.

Linkages

For successful and effective implementation, linkages would be established with reputed and national level R and D institutions for sourcing technologies and up gradation of existing technologies. Institution like SIDBI, NABARD and the Lead banks would be involved right from the training stages for better acceptability of the project proposal amongst the financial institutions at the time of sanctioning and disbursing the loan. The STED project would function closely with the district administration without whose involvement and intervention it may not produce desired results. Linkages with other schemes and programs of the Central and State Government would be established for availing benefits of various Government schemes.

Evaluation and Monitoring

The STED Project is a four-year project with the financial support for four years. However, the continuation of project and annual funding is entirely Performance oriented. The Performance is monitored both in quantitative and qualitative aspect. The Expert Advisory Committee on STED project evaluates the Performance and monitors the progress of the project. For this purpose, the Advisory Committee meets two to three times in a year at the project site. Regular site visits by a team consisting of one committee member and one officer from NSTEDB secretariat ensures a timely monitoring of the project. In such case where shortfall in achievement of target is noticed monitoring team visits the project to suggest mid-term corrective action. In extreme cases, the project may also be terminated mid-term if revival is found to be unfeasible or impossible.

Expected Outcome

Each STED Project is expected to generate at least 200 model micro-enterprises over the project duration of four years. It is also expected that at least 50 micro-enterprises will be launched in the specific technology areas (identified earlier by HI/IA through survey).

Check your progress 3

1. Entrepreneurial Culture refers to the environment, social structures, economic infrastructure and attitudes that promote entrepreneurship. Here are few factors which might influence Entrepreneurship.

   a. Personal Background
   b. Childhood and Family
   c. Work History
   d. All of the above
   e. None of the above

3.5 Hints to Help Entrepreneur

You believe in yourself. You have ideas and dreams. Use these convictions to create a rewarding and fulfilling business life, where you are the boss. During the agonies and ecstasies of starting my own company, I learned these "rules of entrepreneurship" the hard way…on the job! Perhaps it can help those of you who are just beginning, to start on the right track and to avoid the road blocks along the way.

You probably need a break from the complexity of starting a business. Here is some fundamental business advice—simple, straight forward and easy to implement.

1. Find a need be ahead of your time. Find a niche where the Giants won't bother to go.
2. Identify your market and learn all about it. You have to know everything about your business at the start.
3. Prepare a business plan...yes you have to. No bank will take you seriously without a plan for profits.
4. Have adequate financing to start and to stay. Success does not happen overnight, so be sure you're financially fit.
5. Pay for the best professional advice. Lawyers, accountants, insurers do work on an as needed, fee basis.
6. Keep your overhead low and your standards high. Work from home or at a low cost, convenient location.
7. Establish a clearly defined distribution network. Whatever your product or service, how will you present and sell it?

8. Be creative—your new idea does count. Depend on marketing strategies rather than costly advertising to grow.
9. Seek and hire the most qualified people. From the first employee, look for someone who knows more than you.
10. Know your competition and work to win. Be persistent, focused and flexible…anything can happen.
11. Learn from the success and failure of others. Read, watch trends, and observe what is "hot" in your industry.
12. Use technology as a tool for building your business from computers to telecommunications to the Web-use them all.
13. Don't be sensitive and don't take it personally. Be prepared for rejection, but never give up your dream.
14. Never underestimate the power of passion. You will need to take risks and believe when no one else does.

Starting a business requires discipline and discipline requires rules. You may want to follow "rules of entrepreneurship" or create your own set of rules. But you must clearly identify your goals and live by them. Use them as a road map to your success. Good luck!

Defining Goals for Small Business

By Terri Lonier Small Business Author

If our vision is the destination, the ideal structure we see on the horizon, then goals are the substance that gives flight to our ideas. For example, assuming you've chosen the type of building you want, you can now decide how many rooms it will have and how they will be furnished—the style and ambience you want to achieve.

Business goals are as diverse as the people who establish them. Some are no-brainers, such as "win enough clients to pay the rent and my salary." A goal can be as specific as "install a new graphics program, so I can target that client who demands this capability from its vendors." A goal might be as short-term as "get this done by Friday" or as long-term as "in 10 years I want to be reporting $10 million in sales."

Goals are measuring sticks; but on these sticks, we get to draw the dividing marks. We determine what we'd like to achieve during a specific time frame; we design a particular outcome. You define your goals to meet your needs.

Goals are also your guideposts, established to keep you on the right path and to help you assess your progress.

Manage Tactics

We all wrestle with innumerable tasks that fill up our daily "To-Do" lists. Most new business owners, and many experienced ones, too, are all too familiar with activities that can take us in a dozen different directions at the same time. They scatter our focus, until at the end of the day we're exhausted—but find ourselves wondering whether we've accomplished anything of importance.

No doubt about it, such tasks can derail the most capable business owner. That's why it's important to make the distinction between a tactic, an approach to accomplishing something, and an activity, which, while necessary, could be assigned a lower priority or delegated elsewhere, freeing you to keep your eye on the prize.

Formulate Strategies

Unlike establishing a vision, defining goals and employing daily tactics, which are individual undertakings, strategies can be shared, adapted and refined among other entrepreneurs in other field.

Strategies are the blueprints you draw to help you achieve your goals; they are the systems you use to get yourself where you want to be. Employing strategies is putting brain before brawn, planning before you act. Strategies are so important that I had no difficulty filling an entire book with them! But to give you the power you need to succeed, strategies must be put in the context of your business "building"—integrated with your vision, your goals, and your tactics.

This article is excerpted from Smart Strategies for Growing Your Business by Terri Lonier.

5 Tips to Creatively Search for Funding

1. Contact your state, county and local development departments. Many offer funding programs to foster business within a certain geographic area.
2. Take advantage of organizations aimed at helping you. The National Organization of Women Business Owners offers special funding programs for women entrepreneurs, for example, and the National Minority Supplier Development Council has an arm that works with minority entrepreneurs.
3. Call on the community banks in your area. These smaller banks pride themselves on helping small business owners.

4. Find out of there are any revolving loan fund (RLF) programs for which you might qualify. They provide "gap financing" that your bank won't or can't offer. Your banker should know of any RLFs available.
5. Visit www.sba.gov/financing, the finance section of U.S. Small Business Administration's Web site. It provides details on SBA's many funding programs. Perhaps you qualify for one.

Check your progress 4

1. The 'Entrepreneur' can possibly learn from some 'tips' which are listed in the earlier texts. Here are few listed and one of them is not correct, which one :
   a. Be creative—your new idea does count. Depend on marketing strategies rather than costly advertising to grow.
   b. Do not hire the most qualified people. Do not hire an employee, who knows more than you.
   c. 10. Know your competition and work to win. Be persistent, focused and flexible…anything can happen.
   d. All of the above
   e. None of the above

3.6 The Global Role of the Entrepreneur

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

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

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

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

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

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

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

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

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

As an entrepreneur, you are extremely important to your world. Your success is vital to the success of the nation. To help you develop a better business, one that contributes to the health of the economy, I'm going to suggest

that you take some time to sit down, answer the following questions, and implement the following actions:

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

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

Check your progress 5

1. From your reading the earlier chapter, which statement given below you think is best to fit your learning?
   a. Entrepreneurs are a national treasure, and should be protected, nourished, encouraged and rewarded as much as possible.
   b. Entrepreneurs create all wealth, all jobs, all opportunities, and all prosperity in the nation.
   c. As an Entrepreneur, you are extremely important to your world. Your success is vital to the success of the nation.
   d. All of the above
   e. None of the above

3.7 Let Us Sum Up

While reading this unit you must have realized the importance of an Entrepreneur in developing the economy of any country. Without their contribution the growth of society will be highly handicapped. They create new jobs, helps society improve quality of life etc. This is universally true and India is no exception. This view was possibly developed over a period of time and now everyone is almost convinced that Entrepreneurs are the main driving force for the growth and hence prosperity of any nation and also the entire world. Hence they need motivation and also facilitation by the society or Governments.

The book has made an attempt to make you understand this and also the importance of creating and using a proper environment for the growth of so called, Entrepreneurship culture.

Now it is an accepted fact that most dynamic societies in the world are the ones that have the most entrepreneurs, plus the economic and legal structure to encourage and motivate entrepreneurs to greater activities.

3.8 Answers for Check Your Progress

Check your progress 1

Answer: (1-d)

Check your progress 2

Answer: (1-d)

Check your progress 3

Answer: (1-d)

Check your progress 4

Answer: (1-b)

Check your progress 5

Answer: (1-d)

3.9 Glossary

1. **Commercialization** - It is the process or cycle of introducing a new product or production method into the market.
2. **Unconventional** - Not conforming or adhering to accepted standards.
3. **Sustainable** - able to be maintained at a certain rate or level.
4. **Globalization** - The worldwide movement toward economic, financial, trade, and communications integration.
5. **Hard-headed** - someone who won't change their mind easily.
6. **Micro enterprises** - As per Govt. of India manufacturing unit requiring less than 10 Lakhs and services unit less than 5 lakhs of investment falls under this category.

3.10 Assignment

Select 4 Entrepreneurs, may be 2 Entrepreneurs who created large organizations like Shri Dhirubhai Ambani of Reliance and Mr. Bill Gates of Microsoft (one from India and the other from outside India). Also select 2 more who created relatively smaller organizations. Read and learn more about them and try to understand their characteristics, utilization of opportunities etc.

- Write the biography of any two entrepreneurs from your city.

3.11 Activities

There are a number of organizations in India providing technical and financial support to budding Entrepreneurs. The book has covered few. Find out at least 2 more and write notes on their activities.

3.12 Case Study

The hyper markets in India are growing in leaps and bounds during the last decade. Big Bazar is one such organization. Here is a brief on them.

"We created magic in every category and saw the average Indian change her consumption habits," says Sandip Tarkas, president, customer strategy,

Future Group. But there was this perception at the back of their minds that Big Bazaar was 'too crowded' and spelt narrow alleys and jostling. "It is this experience that we hope to change, even as the competitive pricing remains the same," asserts Tarkas.

Two years ago, Big Bazaar started housing expensive brands alongside its private labels. So consumers saw a Rs 1,299 Lee Cooper jeans sit beside the Rs 499 Big Bazaar one. The retailer found that while its own labels were selling, the consumer didn't bat an eyelid before purchasing the more expensive brand either. Similarly, Big Bazaar played around in other categories. With 24 crore-plus footfalls that the retailer now gets every year, it found that there were people looking for brands at both ends of the spectrum.

There is also a book by Mr.Kishore Biyani, the founder and chief executive officer of Future Group, which owns Big Bazar. You may like to read the book and list strength and weaknesses of Mr.Biyani as an Entrepreneur. Also critically analyze "Big Bazar" as an Enterprise.

3.13 Further Readings

1. Entrepreneurship Development by S. Anil Kumar.
2. Entrepreneurship Development in public Enterprises by Joseph Prokopenko and Igor Pavlin.
3. Entrepreneurship Development in India by Sami Uddin.

Block Summary

You must have already found out how important this subject of "Entrepreneurship" is. It is possibly one of the most significant contributor for the growth of economy and hence society. Unit 1 has been designed to help you to understand who is an Entrepreneur. For better appreciation views from different spheres (namely Economists, Sociologists and Psychologists) were presented and also from different countries all over the world. It was also explained how do an Entrepreneur becomes successful by exploiting opportunities.

Unit 2 went little deeper to help you in understanding an Entrepreneur better in terms of attributes and characteristics.

Unit 3 dealt with the role of an Entrepreneur and specially for the Indian Economy. However, now the boundaries of the countries are also disappearing and hence you were also exposed to the 'Global Role of Entrepreneur'.

After successful reading and working on the exercises of this block hope you have understood the following:

- The concept of Entrepreneur and Entrepreneurship
- Also understand the Entrepreneurship development process.
- And finally the role of Entrepreneur

Block assignment

Short answer questions

1. Trace the evolution of the concept of entrepreneurship.
2. Explain in detail the difference between an entrepreneur and Entrepreneur.
3. How is an Entrepreneur different from a manager?

Long answer questions

1. Do you feel that entrepreneurs have really contributed in economic development? Discuss your views with supporting examples.
2. What is the general contribution of entrepreneurs in economy? Explain with special emphasis on Indian Economy.
3. What is Entrepreneurial Culture? Explain with reference to Personal Background, Motivation and Support Systems.

Enrolment No. ☐

1. How many hours did you need for studying the units?

Unit No	1	2	3	4
Nos of Hrs				

2. Please give your reactions to the following items based on your reading of the block:

Items	Excellent	Very Good	Good	Poor	Give specific example if any
Presentation Quality	☐	☐	☐	☐	_____
Language and Style	☐	☐	☐	☐	_____
Illustration used (Diagram, tables etc)	☐	☐	☐	☐	_____
Conceptual Clarity	☐	☐	☐	☐	_____
Check your progress Quest	☐	☐	☐	☐	_____
Feed back to CYP Question	☐	☐	☐	☐	_____

3. Any Other Comments

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Education is something which ought to be brought within the reach of every one.

- Dr. B. R. Ambedkar

Dr. Babasaheb Ambedkar Open University
Jyotirmay' Parisar, Opp. Shri Balaji Temple, Sarkhej-Gandhinagar Highway, Chharodi,
Ahmedabad-382 481.

ENTREPRENEURSHIP

PGDBA-201



BLOCK 3:
ENTREPRENEURSHIP DEVELOPMENT AND SOCIAL RESPONSIBILITIES OF BUSINESS ENTREPRENEURS

स्वाध्याय : परमं तपः

Dr. Babasaheb Ambedkar Open University

ENTREPRENEURSHIP



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ROLE OF SELF INSTRUCTIONAL MATERIAL IN DISTANCE LEARNING

The need to plan effective instruction is imperative for a successful distance teaching repertoire. This is due to the fact that the instructional designer, the tutor, the author (s) and the student are often separated by distance and may never meet in person. This is an increasingly common scenario in distance education instruction. As much as possible, teaching by distance should stimulate the student's intellectual involvement and contain all the necessary learning instructional activities that are capable of guiding the student through the course objectives. Therefore, the course / self-instructional material are completely equipped with everything that the syllabus prescribes.

To ensure effective instruction, a number of instructional design ideas are used and these help students to acquire knowledge, intellectual skills, motor skills and necessary attitudinal changes. In this respect, students' assessment and course evaluation are incorporated in the text.

The nature of instructional activities used in distance education self-instructional materials depends on the domain of learning that they reinforce in the text, that is, the cognitive, psychomotor and affective. These are further interpreted in the acquisition of knowledge, intellectual skills and motor skills. Students may be encouraged to gain, apply and communicate (orally or in writing) the knowledge acquired. Intellectual-skills objectives may be met by designing instructions that make use of students' prior knowledge and experiences in the discourse as the foundation on which newly acquired knowledge is built.

The provision of exercises in the form of assignments, projects and tutorial feedback is necessary. Instructional activities that teach motor skills need to be graphically demonstrated and the correct practices provided during tutorials. Instructional activities for inculcating change in attitude and behavior should create interest and demonstrate need and benefits gained by adopting the required change. Information on the adoption and procedures for practice of new attitudes may then be introduced.

Teaching and learning at a distance eliminates interactive communication cues, such as pauses, intonation and gestures, associated with the face-to-face method of teaching. This is particularly so with the exclusive use of print media. Instructional activities built into the instructional repertoire provide this missing interaction between the student and the teacher. Therefore, the use of instructional activities to affect better distance teaching is not optional, but mandatory.

Our team of successful writers and authors has tried to reduce this.

Divide and to bring this Self Instructional Material as the best teaching and communication tool. Instructional activities are varied in order to assess the different facets of the domains of learning.

Distance education teaching repertoire involves extensive use of self-instructional materials, be they print or otherwise. These materials are designed to achieve certain pre-determined learning outcomes, namely goals and objectives that are contained in an instructional plan. Since the teaching process is affected over a distance, there is need to ensure that students actively participate in their learning by performing specific tasks that help them to understand the relevant concepts. Therefore, a set of exercises is built into the teaching repertoire in order to link what students and tutors do in the framework of the course outline. These could be in the form of students' assignments, a research project or a science practical exercise. Examples of instructional activities in distance education are too numerous to list. Instructional activities, when used in this context, help to motivate students, guide and measure students' performance (continuous assessment)

PREFACE

We have put in lots of hard work to make this book as user-friendly as possible, but we have not sacrificed quality. Experts were involved in preparing the materials. However, concepts are explained in easy language for you. We have included may tables and examples for easy understanding.

We sincerely hope this book will help you in every way you expect.

All the best for your studies from our team!

ENTREPRENEURSHIP

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ENTREPRENEURSHIP

BLOCK 3: ENTREPRENEURSHIP DEVELOPMENT AND SOCIAL RESPONSIBILITIES OF BUSINESS ENTREPRENEURS

UNIT 1

ENTREPRENEURSHIP DEVELOPMENT AND GOVERNMENT

UNIT 2

SOCIAL RESPONSIBILITIES OF BUSINESS ENTREPRENEURS

BLOCK 3: ENTREPRENEURSHIP DEVELOPMENT AND SOCIAL RESPONSIBILITIES OF BUSINESS ENTREPRENEURS

Block Introduction

Entrepreneurship is possibly the most desirable aspect in today's human society. It acts as a catalyst for growth of economy or society. Successful entrepreneurs have been treated as heroes, while those who failed were possibly ridiculed by the society. Hence, the study of this subject is quite interesting. Under this study an attempt can be made to understand how did the process developed over years and an analysis can also be made to find out the reasons for the success or failure. It may be also noted that the skills which makes a successful entrepreneur can also be applied for success in a non-business situation as well, for example, while running a team in any organization. Hence, it is very important to learn this subject. In this block we will also discuss the role of Entrepreneur in our society and also the regulatory aspects.

Unit 1 will help you to learn the basics of the Entrepreneurship development under regulations. What are the duties of Entrepreneur and what kind of assistance available. Unit 2 will help you to know more about the Business Entrepreneur, in terms of his roles in fulfilling the social obligations. This has become more important now and hence you need to study this as well.

Block Objective

After learning this block, you will be able to understand:

- The Role of Various Government Bodies and Various Agencies in Promoting Entrepreneurship.
- About Business Development Service Providers for Micro Enterprise & Micro Finance.
- The Meaning of Social Responsibility of Business and realize the Social Responsibility of Business under changing scenario.
- The Characteristics of Social Responsibilities of Business.
- The Social Responsibilities Strategies.
- The Social Responsibilities of Business towards Different Groups & business ethics.

Block Structure

Unit 1: **Entrepreneurship Development and Government**

Unit 2: **Social Responsibilities of Business Entrepreneurs**

UNIT 1: ENTREPRENUERSHIP DEVELOPMENT AND GOVERNMENT

Unit Structure

1.0 Learning Objectives

1.1 Introduction

1.2 Role of Various Government Bodies in Promoting Entrepreneurship

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1.6 Let Us Sum Up

1.7 Answers for Check Your Progress

1.8 Glossary

1.9 Assignment

1.10 Activities

1.11 Case Study

1.12 Further Readings

1.0 Learning Objectives

After learning this unit, you will be able to understand:

- Introduce Various Incentives Subsidies and Grants
- About the small industrial services institute.
- About the Entrepreneurship Development Institute of India (EDII)

1.1 Introduction

The government has instituted several bodies to help in the creation, financing and running of businesses, ranging from medium to small and tiny industries. The development of these sectors has always been an integral part of

the planning process in India. With the new liberalization policy, these sectors are now facing increased competitions, and entrepreneurs need to know of the various institutions and bodies that offer help to medium, small and tiny industries.

1.2 Role of Various Government Bodies in Promoting Entrepreneurship

Small Scale Industry in India is governed by the Ministry of Small Scale Industries. The Ministry has been playing a major role in the development of the small scale sector through its various programs. For example, the Department of Small Scale and Agro Rural Industries, which functions under the Ministry, has been conducting various developmental programs. Towards this end, it has formulated a citizen's charter with the following mission statement.

"To support the SSI by way of an advocacy role, provide services to support SSI growth and to organize programs through government and NGOs that provide assistance to the small-scale sector, from undertaking surveys and market research to arranging funding, training programs, etc." Let us first examine the role of the government in promoting entrepreneurship in India.

The importance of these sectors can be seen from the fact that, as in March 2000 Small Scale industries were providing employment to more than 187 lakh people, with a turnover exceeding Rs.27, 00,000 crores and export earnings of almost Rs.44,000 crores. With these sectors thus forming such a crucial part of the economy, it is also in the nation's interest for the government to encourage and aid such enterprises.

Some of the general incentives and facilities are:

1. **Fiscal Incentives** - Full exemption of excise duty for small scale industries with a turnover of up to Rs.50 lakhs and concessional duty for small scale industries with a turnover of between Rs.50 lakh and Rs.100 lakhs.
2. **Reservation of Products** - 836 products have been reserved for manufacture exclusively by small scale units.
3. **Government Purchase** - Price and purchase preference by government for products manufactured in the small scale sector.
4. **Training** - Infrastructural support to Entrepreneurship Development Institutes.

5. **Joint Programs** - Joint programs have been set up with the State Bank of India and Small Industries Development bank of India for modernization and technology up gradation in certain sectors.
6. **NGO** - Industrial associations and voluntary agencies are given assistance in setting up facilities to help local entrepreneurs.
7. **Seminars** - Seminars and programs on aspects like vendor development, quality, etc. are organized.
8. **ISO Certification** - Special assistance is given to SSIs to enable them to improve their systems and thus be able to apply for ISO certification. Financial assistance is also available for small enterprises to acquire ISO-9000 certification.
9. **Credit Policies** -
    a. Priority in lending to SSIs by banks
    b. Concessional rate of interest for loans upto Rs.2 lakhs for SSIs
    c. Specialized SSI branches in specific areas
    d. Delegation of authority to branch heads to sanction loans for small industries
    e. Sample surveys to determine if small units were getting adequate credit.

Role of Central Government

The Central Government has set up several bodies to aid in the growth of the Small Scale Sector.

The various bodies that fall under the jurisdiction of the Central Government are:

SSI Board

The Small Scale Industries Board is the apex advisory body, set up to aid in the development of the small scale sector by coordinating and inter-linking the other bodies and institutions working in the sector. The board was constituted to advise the government on issues pertaining to the Small Scale sector. The board is constituted of representatives from the Central Government, State Government, Reserve Bank of India, State Bank of India, etc. The representatives from standing committees entrusted with the task of ideating ways and means to provide financial, marketing and other assistance to small scale industries.

Small Industries Development Organization (SIDCO)

The Small Industries Development Organization (SIDCO) is a nodal organization working under the Ministry of Small Scale Industries. It helps in laying down the policies of the central government.

It has the following organizations working under its jurisdiction.

- Small Industries Service Institute (SISI)
- Branch level institutions
- Extension centers
- Regional training centers
- Field testing stations Tool rooms
- Central Footwear Training Institute (CFTI)
- PPDC
- NISIET
- NIESBUD
- EDI
- Entrepreneurship Development and management training
- Extension and training services
- Skill Development
- EDIs
- Preparation of product profiles
- Plant modernization studies
- Testing services
- Sub-contract exchanges
- Tool rooms
- Marketing support
- Data collection and feasibility studies
- Employment under Prime Ministers Rojgar Yojna (PMRY) also encourages the entrepreneurs by giving three national awards every year to SIDCO outstanding SSI entrepreneurs in the country.

We shall study the working of various agencies mentioned above in their respective sections later in this chapter.

Role of State Government

Directorate of Industries

The Directorate of Industries is the executive agency for the promotional and development of the village and small industries sector. It acts under the overall guidance of SIDCO, and performs both, regulatory and developmental functions. The directorates of Industries operate through a network of District Industrial Centers (DIC) at the district level, industrial officers at the sub-divisional level and extension officers at the block level.

The Directorate of Industries is the executive agency for the promotion and development of the village and small industries sector. It acts under the overall guidance of SIDO and performs both, regulatory and developmental functions. The directorate of Industries operates through a network of District Industrial Centers (DIC) at the district level, industries officers at the sub-divisional level and extension officers at the block level.

The main bodies that fall under the jurisdiction of the Directorate of Industries are:

- District Industries Centers
- State Finance Corporations (SFCs)
- State Industrial Development Corporation / State Industrial Investment Corporation (SIDC / SSIC)
- Small Scale Industries Development Corporation (SSIDC)

We shall study the working of some of these agencies in their respective sections later in this chapter.

Check your progress 1

1. Some of the general incentives and facilities provided by Government to Entrepreneurs are:
   a. Fiscal Incentives
   b. Reservation of Products
   c. Government Purchase
   d. All of the above
   e. None of the above
2. There are special Credit Policies for Entrepreneurs, such as :
   a. Priority in lending to SSIs by banks
   b. Concessional rate of interest for loans up to Rs.2 lakhs for SSIs
   c. Specialized SSI branches in specific areas
   d. All of the above
   e. None of the above
3. The 'Entrepreneur' is assisted by SIDCO by providing many kinds of assistance. They have a number of Institutes under them to help as listed below. However, one of them is incorrect, which one?
   a. Small Industries Service Institute (SISI)
   b. IDBI
   c. Field testing stations Tool rooms
   d. Central Footwear Training Institute (CFTI)

1.3 Introductions to Various Incentives Subsidies and Grants

Export Oriented Units

Export Oriented Units refer to units that produce goods and services for export to other countries. The Export-Import (EXIM) Policy of the Government of India lays down the meaning, entitlements and duties for EOUs and other export

related bodies in the EXIM Policy 2002-03. These aspects are covered in chapter 6 of the policy, relevant portions of which are given below.

EXIM Policy 2002-2003

[Selected readings from chapter 6 of EXIM Policy 2002-03]

EXPORT ORIENTED UNITS (EOUs), UNITS IN EXPORT PROCESSING ZONES (EPZs), ELECTRONICS HARDWARE TECHNOLOGY PARKS (EHTPs) NAD SOFTWARE TECHNOLOGY PARKS (STPs)

Eligibility

(Covered in section 6.1 from Chapter-6 of EXIM Policy 2002-2003)

The Section: Units undertaking to export their entire production of goods and services may be set up under the Export Oriented Unit (EUO) Scheme or Software technology Park (STP) Scheme. Such units may be engaged in manufacture, services, repair, remarking, reconditioning, re-engineering including making of gold / silver / platinum jewellery and articles thereof, agriculture, including agro-processing, aquaculture, animal husbandry, bio-technology, floriculture, horticulture, pisciculture, viticulture, poultry, sericulture and granites and may export all products except restricted and prohibited items of exports in ITC (HS). Units for generation / distribution of power may also set up in EPZs. No trading units shall be permitted.

Meaning: Only manufacturing, repairing, servicing and remaking units qualify to be set up under the schemes outlined above. Trading units are not permitted.

Export and Import of goods

(Covered in section 6.2 of EXIM Policy 2002-2003)

The Section: A EUO / EHTP / STP unit may export goods and services including agro-products, party processed jewelry, sub—assemblies and components. It may also export by products, rejects, waste scrap arising out of the production process.

Meaning: New products and services as well as by products, waste and scrap may be exported.

The Section: A EUO / EPZ / EHTP / STP unit may import without payment of duty all types of goods, including capital goods, as defined in the policy, required by it for its activities as mentioned in paragraph 6.1 above or in connection therewith, provided they are prohibited items of imports in the ITC

(HS). The units shall also permit to import goods required for the approved activity, including capital goods, free of cost or on loan from clients.

Meaning: All types of goods required for the activity of the unit may be imported free of import duty. Even free samples, etc., will not attract any import duty.

Second hand Capital Goods

(Covered under Section 6.3 of EXIM Policy 2002-2003)

Second hand capital goods may also be imported without payment of duty.

Application and Approvals

((Covered in Section 6.7 of EXIM Policy 2002-2003)

The Section - Section 6.7 (a) only project having an investment of not less than Rs. 50 lakhs and above in plant and machinery shall be considered for establishment under EUOs scheme. (This shall however not apply to existing units and units in EPZ / EHTP / STP / Agriculture / Floriculture / aquaculture / animal husbandry / information technology, services and such other sectors as may be decided by the BOA).

Meaning - Units set up in the scheme must have a minimum investment of Rs. 50 lakhs in plant and machinery, except in certain sectors such as agriculture, floriculture, IT, etc.

The section - Section 6.7 (b) In other cases, approval may be granted by the Board of Approval (BOA) set up for this purposes as notified and indicated at Appendix 14-B.

Meaning - Units that do not meet the criteria set in Section 6.7 (a) may still be permitted to set up, provided they take approval from the Board of Approval through the given procedure.

The Section - Section 6.7 (c) Proposals requiring industrial licenses may be considered by the Board of Approval on a case basis.

DTA Sale of finished products / rejects / waste / scrap / remnants and by-products Section 6.8 states that the entire production must be exported, except for rejects, waste scrap and remnants that meet certain criteria. Such items may be sold within India on payment of certain duties. In case such items are destroyed (with the permission or customs authorities), no duties are payable.

Export through status holder

Covered in Section 6.10 of EXIM Policy 2002-2003)

An EOU / EPZ / EHTP / STP unit may export goods manufactured by it through a merchant exporter / status holder recognized under this Policy or EUO / EPZ / EHTP / STP / SEZ unit.

Samples

(Covered in section 6.11 of EXIM Policy 2002-2003)

Procedure for export / supply of samples by STP / EUO / EPZ / EHTP units is given in paragraph 6.11 of the handbook Vol-I.

Entitlement for supplies from the DTA

(Covered in section 6.12 of EXIM Policy 2002-2003)

(a) Supplies from the DTA to EUO / EPZ / EHTP / STP units will be regarded as "deemed exports" and the DTA supplier shall be eligible for the relevant entitlements under paragraph 8.3 of this policy besides discharge of EP if any, on the supplier. In addition the EUO / EPZ / EHTP / STP units shall be entitled to the following:

1. Reimbursement of Central Sales Tax.
2. Exemption from payment of Central Excise Duty on all goods as per entitlement under paragraph 6.2 of the policy.
3. Reimbursement of Central Excise Duty on all goods as per entitlement under paragraph 6.2 of the policy.
4. Reimbursement of Duty paid on fuels procured from domestic oil companies, by the Development Commissioner of the concerned Zone as per the rate of Drawback notified by the Directorate General of Foreign Trade from time to time.

(b) Supplier of cut and polished diamonds, precious and semi-precious stones, synthetic stones and processed pearls from DTA to EOU/EPZ units shall be eligible for grant of Replenishment Licenses at the rates and for the items mentioned in Appendix-13 of the handbook (Vol.1).

The entitlements under paragraph (a) (1) and (2) above shall be available provided the goods supplied are manufactured in India.

In addition to the above sections, there are several sections that deal with issues like sub-contracting, export through exhibition, etc.

Fiscal and Tax Concession

The government offers a wide range of concessions to investors in India to promote industrial growth and exports. The important concessions include

- Deduction of preliminary and pre-operative expenses in setting up a project
- Complete tax exemption for profits from exports.
- Full or part exemption of foreign exchange earnings on construction projects, hotels and tourism related services, royalties, commissions etc.
- Five year tax holidays within the first eight years of commercial operations for 100% EOUs and units in FTZs.
- Tax exemption for income from export of computer software or technical services.
- Deduction of 30% of gross total income for 10 years for new industrial undertakings established by companies.
- Deduction of capital research and development expenditure. Tax holiday for profits from new power projects for first five years of operation.
- Five year tax holiday for entrepreneurs who builds maintains and operate infrastructure facilities in areas of highways, expressways, new bridges, airports, ports and rapid mass transport system.

Taxation – Incentives, Rebates and Allowances – General Tax Incentives

In each section of Personal Tax (income tax), Indirect taxes (sales, excise & customs duty) and the corporate taxes there are certain rebates given to the tax payer if he fits in the prescribed criteria. These concessions or Tax Holidays as they call are meant to attract more and more people to pay tax. These rebates also mean less 'pinch' on the pockets and a good fast growth of economy.

General Tax Incentives

The government offers many incentives to investors in India with a view to stimulating industrial growth and development. The incentives offered are normally in line with the government's economic philosophy, and are revised regularly to accommodate new areas of emphasis. The following are some of the important incentives offered, which significantly reduce the effective tax rates for the beneficiary companies:

1. Five year tax holiday for:
   - Power projects.
   - Firms engaged in exports.
   - New industries in notified states and for new industrial units established, in electronic hardware / software parks.
   - Export Oriented Units and units in Free Trade Zones.
   - As of 1994-95 budget firms engaged in providing infrastructure facilities, can also avail of this benefit.
2. Tax deductions of 100 per cent of export profits.
3. Deduction of 30 percent of net (total) income for 10 years for new industrial undertakings.
4. Deduction of 50 per cent on foreign exchange earnings by construction companies, hotels and on royalty, commission etc. earned in foreign exchange.
5. Deduction in respect of certain inter-corporate dividends to the extent of dividend declared.

Check your progress 2

1. The EXPORT ORIENTED UNITS (EOUs), can avail various benefits, some of them are listed below.
   a. Deduction of preliminary and pre-operative expenses in setting up a project
   b. Complete tax exemption for profits from exports.
   c. Five year tax holidays within the first eight years of commercial operations for 100% EOUs and units in FTZs.
   d. All of the above
   e. None of the above

1.4 Role of Various Agencies in Entrepreneurship Development

A. **District Industries Centre (DIC)**

The District Industrial Centers come under the Directorate of Industries, a State level organization. At the district level, the District Industrial Centre (DIC) identifies the potential entrepreneurs and helps them by providing consultancy and technical guidance to select the project and machinery, trade and activity, sources of raw materials, and marketing. The entrepreneurs are trained through various institutions. Subsidies are sanctioned to units whose capital investment does not exceed Rs.5 lakhs and the subsidy amount (10 to 15%) does not exceed Rs.75, 000. This subsidy is provided only after the starting of the unit.

B. **Small Industries Service Institute**

The primary objective of SISIs, of which there are 28 in India, is the promotion and development of small scale units. SISIs offer a wide range of services for prospective and existing entrepreneurs through a team of technical management and economic experts. The major categories of services provided are:

- Technical Consultancy: Counseling and guidance in selection of product, process and all aspects of setting up new units.
- Preparation of project profiles/project reports.
- ISO 9000 certification consultancy and training, Processing subsidy claims
- Modernization, quality improvement and cost reduction.
- In-plant study and sick unit study for revival.
- Diversification and new product development, productivity improvement.
- Pollution control and effluent treatment.
- Energy conservation and energy management.
- Capacity assessment and enlistment with National Small Industries Corporation.
- Management consultancy for SSIs.

C. **Entrepreneurship Development Institute of India (EDII)**

EDI has empowered the creation of several training programs in specific areas, adding greatly to the creation of several training programs in specific areas, adding greatly to the creation and growth of entrepreneurs in India.

Some of the areas in which programs have been initiated are:

- Entrepreneurship In Education
- Micro Finance & Micro Enterprise Development
- Performance And Growth Of Existing Entrepreneurs
- Performance Improvement Of Entrepreneurship Development (Ed)
- Entrepreneurship Environment And Support System
- Strategic International Programs.

Designed to fill the lacunae in the existing educational system, EDI tries to prior independent thinking, creativity, a spirit of innovation and motivation for setting challenging and achievable goal. The Institute tries to inculcate a spirit of enterprise the present generation as a way to promote entrepreneurship and new enterprise culture as a solution to the problems of unemployment, under-employment and disguised unemployment.

The EDI has designed and successfully implemented several national and international training programs and workshops for the academic community and for the youth.

The major programs under this thrust area are:

- Faculty Development Programs (FDP) in Entrepreneurship for Teachers.
- Summer Camp on Entrepreneurial Stimulation for Children.
- Summer Camp on Entrepreneurial Adventure for Youth.
- Post-Graduate Diploma in Business Entrepreneurship and Management (PGDBEM).

Micro Finance & Micro Enterprise Development

The Institute is engaged in rural development, poverty alleviating and employment generation through promotion of micro and small enterprises. This is being done in collaboration with t large number of NGOs. The institute is also addressing the credit needs of the trained potential rural entrepreneurs and

regularly organizes training programs on Micro Credit Delivery System (MCDS) Management, for strengthening the partner NGOs in the area of micro-finance.

To strengthen NGOs through building their managerial capabilities, the institute has also launched programs on Sustainability of NGOs through better management. It also provides a platform to NGOs and Bankers for interaction with the objective of facilitating access of the poor to credit.

The following are major programs under this thrust area:

1. Workshop of Heads of NGOs / VOs on Rural Entrepreneurship Development (RED) Strategy.
2. Trainers' Training Programs for Extension Workers of NGOs on Rural Entrepreneurs Development.
3. Workshop on Informal Micro Credit Delivery System.
4. Training Programs on Management of Micro Credit Delivery System.
5. Training Programs for Capacity Building of NGOs.
6. Programs and Growth of Existing Entrepreneurs

Small and medium enterprises in India are often unable to face the challenges of liberalization and globalization. Government can no longer provide them with protection barriers and incentive mechanisms to ensure their survival and growth. Anticipating the need for management strategy and growth oriented awareness and competencies, the EDI has initiated Performance Improvement Programs (PIPs), focusing on functional management inputs and strategic techniques.

Some of the programs initiated are:

1) Succession Planning for Entrepreneurial Continuity (SPEC)
2) Performance Improvement Programmed (PIP) for Existing Entrepreneurs
3) Small Industry Management Assistant Programmers (SIMAP)
4) Growth-cum-Business Counseling Program.
5) Internationalization of SME business operations.
6) Entrepreneurship Program

Performance Improvement of Entrepreneurship Development Institutions and Entrepreneurship Development Programs Fully cognizant of the fact that 'Entrepreneurship Development' is the main activity to be carried out by a large

number of Entrepreneurship Development (ED) organizations, programs conceptualized and designed by the EDI address the need to train the trainer-motivators of these organizations through training techniques, updated information and documentation. The Institute regularly organizes trainers' meets and chairmen / chief executives' meet to foster linkages among trainers and chief executives of the ED organizations to facilitate experience sharing.

EDI has also supported the creation of Centers for Entrepreneurship Development (CED) and Institutes of Entrepreneurship Development (IEDs) in several states of the country with a view to institutionalizing ED activities.

Besides, in order to recognize the significant contribution of Entrepreneur Trainer-Motivators (ETMs) in the field of ED, EDI has instituted the 'Entrepreneur Trainer-Motivators Award' at a national level.

The core programs under this thrust areas are:

1. Diploma in Business Entrepreneurship and Management
2. Entrepreneurship Development Programs (EDP)
3. National Trainers' Course (NTC)
4. Functional Trainers' Program on Entrepreneur Selection, Motivation, Counseling & Communication
5. National Trainers' Convention
6. Best Entrepreneur Trainer-Motivator (ETM) award

Entrepreneurship Environment and Support System

The support system and institutional mechanism often make or break an enterprise. Entrepreneurship environment and support systems therefore seek to sensitize officials of support organizations to issues like the unique needs of entrepreneurs, the need to upgrade their own knowledge, etc., in order to remove major irritants in emergence and growth of SMEs.

Further, in order to reduce the dependence of women on low technology and low investment projects and help them make space for themselves amidst male dominance in entrepreneurship, training programs and workshop on gender issues are designed for trainer motivators and support system officials to make them favorably inclined towards the needs of women entrepreneurs.

Some of the programs offered are:

1. Effective Business Counseling Programmed for Extension Officers
2. Workshop for Sensitizing Support System for Promoting Micro Enterprises
3. Focused Behavioral Event Interview (FBEI) Training Programmed
4. NGO Bankers Interface
5. Gender and Enterprise Development (GED)
6. Training Programmed on Project Appraisal and Entrepreneur Assessment

Strategic International Programs

The EDI has extended its services across continents in response to the global responsibility vested in it by leading international institutions, including the United Nations Industrial Development Organization (UNIDO), the Commonwealth Secretariat, and the International Labor Organization (ILO), the World Bank, the SAARC and governments of many developing countries. EDI has been called upon to initiate customized programs and projects a view to sharing its expertise in Entrepreneurship Development and New Enterprise Creation. The Institute offers the following programs for the international participants:

- Entrepreneur Trainer Motivators Programs
- Industrial Project Preparation and Appraisal (IPPA)
- Computer model for Feasibility Analysis and Reporting (COMFAR)
- Faculty Development Program (FDP) in Entrepreneurship for Teachers
- Post Graduate Diploma in Business Entrepreneurship and management (PGDBEM)
- Trainers Training Programs for Extension Workers of NGOs on Rural Enterprise Development
- Training Programmed on Management of Micro Credit Delivery Systems
- Training Programmed for Capacity Building of NGOs
- Performance Improvement Programmed (PIP) for Existing Entrepreneurs
- Growth-cum-Business Counseling Programmed
- Entrepreneurship Programmed
- Open Learning Program in Entrepreneurship (OLPE)

- Entrepreneurship Development Programs (EDP)
- Focused Behavioral Event Interview (FBEI) Training Programmed

National Institute of Entrepreneurship and Small Business Development (NEISBUD)

This institute was set up as society on July 6th, 1983 under the Societies Act, 1860. It is an apex body for the coordination and overseeing of activities of various institutions engaged in entrepreneurial development. The Institute is responsible for the development of syllabi for training various groups, the creation and provision of training manuals and the lending of support to various governmental and non-governmental agencies engaged in Entrepreneurship Development Programs. Towards this end, the Institute also provides "Train-the-Trainer" programs for motivators, trainers and mentor Entrepreneurs.

Niesbuds programs are largely funded by the government and help organizations that are directly or indirectly involved in entrepreneurship development activities. The Institute is constantly revising and updating its programs to match the rapidly changing entrepreneurial climate and thus keep entrepreneurs on the cutting edge of modern business practices and opportunities.

Members of the faculty are drawn from senior and experienced professionals specialized in entrepreneurial development, motivation, project identification, finance, small industry management, women entrepreneurship, etc. The Institute has conducted a large number of courses for different target groups. The training programs are specially formulated to cater to the unique needs of the target groups and course content and methodology is constantly updated to reflect current business challenges. The institute also conducts tailor-made courses for organizations and agencies depending on their specific requirements.

National Entrepreneurship Development Board (NEDB)

The National Entrepreneurship Development Board (NEDB) is the apex body for Entrepreneurship development in the country. It devises and recommends to the Government, shames for promotional of Entrepreneurship for encouraging self-employment in small scale industries and small business. The board also recommends suitable facilities and incentives for Entrepreneurship training. The board may appoint comities for specific purposes and also invites persons to the meeting of the Board, as and when necessary.

NEDB was set up by the government with the following objectives:

1. To seek to evolve a ten years perspective plan of recourses development and support services required by micro, tiny, small and medium scale Entrepreneurs to lead a national drive by the concerned governmental agencies both Central and State Government, R&D institutions, Entrepreneurship promoting institutions and all others interested in supporting the cause of Entrepreneurship and Entrepreneurial ventures.
2. To articulate priorities and design and monitor the implementation of action plans thereby helping the area to cope with the business environment of 21st Century.
3. To identify & remove entry barriers for potential Entrepreneurs (first generation and new Entrepreneurs).
4. To focus on existing Entrepreneurs in micro, tiny and identify and remove constraints to survivals, growth and continuously improve performance.
5. To facilitate the consolidation, growth and diversification of existing Entrepreneurial venture in all possible ways.
6. To support skill up gradation and renewal of learning processes among practicing Entrepreneurs and managers of micro, tiny small and medium enterprises.
7. To sensitizes to support agencies in the area of Entrepreneurship about the current requirement of growth.
8. To act as catalyst to institutionalize Entrepreneurship development by supporting and strengthening state level institutions for Entrepreneurship development as most Entrepreneurship related activities take place at the grass root level and removing various constraints to their effective functioning.

Check your progress 3

1. The Entrepreneurship Development Institute of India (EDII) conducts a number of program and some of them are as following. One of them is not correct, which one?
   a. Managing partnership
   b. Micro Finance & Micro Enterprise Development

c. Performance And Growth Of Existing Entrepreneurs

d. Performance Improvement Of Entrepreneurship Development (Ed)

e. None of the above

1.5 Business Development Service Providers for Micro Enterprise & Micro Finance

Rationale

Micro-enterprise and micro-finance development have emerged as major strategies to combat the twin issues of poverty and unemployment that continue to pose a major threat to the polity and economy of both the developed and developing countries. While micro-finance, as a means to empower poor, has been quite successful in many countries, the utilization of credit for adequate income and employment generation is a cause of concern for most of the stakeholders. The missing link is that micro-enterprise and micro-finance, more often than not, have been dealt with in isolation without any synergy between the two.

The micro businesses need an enormous range of services. The issues and debates in Business Development Services (BDS) for micro enterprise and micro finance sector have raised a few important issues like: roles of Micro Enterprise and Micro-finance promoting institutions, BDS's relation to local economic development, ascertaining sustainability of BDS and so on.

Guidelines to Entrepreneurs for Approaching Different Agencies

For Selection of Industry

1. Small Industries Service Institutes
2. Indian Investment Centre, Parliament Street, new Delhi-110001
3. Ministry of Industrial Development, Government of India.

For registration

1. Director of Industries
2. Small Industries Service Institutes

For Factory accommodation

1. Director of Industries (state government)

For Machinery, raw material and technical knowledge

1. Small Industries Service Institutes.
2. National Small Industries Corporations
3. State Small Industries Corporations
4. Chief Controller of Imports and Exports, New Delhi
5. Development Commissioner, Small Scale Industries Organization, New Delhi
6. Director of Industries
7. Chief Controller of Imports and Exports, and its Post offices
8. Council of Scientific and Industries Research, New Delhi or its National Laboratories
9. National Research Development Corporation.
10. Small Industries Extension Training Institute, Hyderabad
11. The Inventions Promotion Board, New Delhi.

For Finance

1. State Finance Corporations
2. State directors of Industries
3. State Bank of India and its subsidiaries
4. Commercial Banks
5. State Industries and Investments Corporation
6. National Small Industries Corporation
7. Industrial Credit and Investments Corporations of India
8. Small Industries Service Institutes

For Marketing etc

1. Small Industries Service Institutes
2. Indian Standards Institution
3. Directors of Industries
4. National Small Industries Corporation, New Delhi
5. State Small Industries Corporations
6. Chief Controller of Imports and Export, New Delhi
7. Directorate of Export Promotion, Udyog Bhavan, New Delhi
8. Export Promotion Councils
9. State Trading Corporation Of India
10. India Institute of Foreign Trade, New Delhi
11. Minerals and metals Trading Corporation of India

Check your progress 4

1. The 'Entrepreneur' can seek finance from a number of agencies as listed below. However, one of them is incorrect, which one?
   a. The Inventions Promotion Board, New Delhi.
   b. State Finance Corporations
   c. State directors of Industries
   d. State Bank of India and its subsidiaries
   e. Working with a team of people to cultivate land etc.
   f. All of the above
   g. None of the above

1.6 Let Us Sum Up

In the earlier units the importance of Entrepreneurship for the economy and society was explained. This fact has now been acceptable to all Governments and India is no exception. Hence in this unit you were exposed to the various

organizations, which has been setup to help Entrepreneurs in their effort. There is a now a Ministry of Small Scale Industries. The Ministry has been playing a major role in the development of the small scale sector through its various programs.

State Governments have also extended their helping hands with support to Entrepreneurs and you must have now a fair idea after reading the earlier unit.

Since many Entrepreneurs start with a small venture and hence special coverage has also been given to micro-finance.

Hope after reading this unit, you have received a fair knowledge on this important aspect of Entrepreneurship.

1.7 Answers for Check Your Progress

Check your progress 1

Answers: (1-d), (2-d), (3-b)

Check your progress 2

Answers: (1-d)

Check your progress 3

Answers: (1-a)

Check your progress 4

Answers: (1-a)

1.8 Glossary

1. **Psychographic** - It is the study of personality, values, opinions, attitudes, interests, and lifestyles.
2. **Primary source** - A primary source is a document or physical object which was written or created during the time under study.
3. **Secondary sources** - It is the information that has been gathered by researchers and recorded in books, articles, and other publications.
4. **Creditors** - A person or company to whom money is owing.

5. **Hire-purchase -** The term hire purchase originated in the U.K., and is similar to what are called "rent-to-own" arrangements in the United States. Under a hire purchase contract, the buyer is leasing the goods and does not obtain ownership until the full amount of the contract is paid.
6. **Margin Money -** Borrowed money that is used to purchase securities. This practice is referred to as "buying on margin".
7. **Bankruptcy -** A legal proceeding involving a person or business that is unable to repay outstanding debts.

1.9 Assignment

Visit the websites of at least 3 Government organizations which are listed above and find out the kind of help you might get for your proposed business. Make a comparison to find out the best option.

1.10 Activities

Visit any Branch of State Bank of India and meet the Manager responsible for loans to SSI. Find out the process and write a report on your findings.

1.11 Case Study

1. Please visit the following website:
2. Case study on "Bowzo: a Case Study in Engineering Entrepreneurship ".
3. Please list your leanings from the case study.

1.12 Further Readings

1. Entrepreneurship Development by S. Anil Kumar.
2. Entrepreneurship Development in public Enterprises by Joseph Prokopenko and Igor Pavlin.
3. Entrepreneurship Development in India by Sami Uddin.
4. The entrepreneur: an economic theory by Mark Casson.

UNIT 2: SOCIAL RESPONSIBILITIES OF BUSINESS ENTREPRENEURS

Unit Structure

2.0 Learning Objectives

2.1 Introduction

2.2 Meaning of Social Responsibility of Business

2.3 Changing Views of Managements Responsibility

2.4 The Social Responsibility of Business Involves Ethics

2.5 Characteristics of Social Responsibilities of Business

2.6 Need for Assumption of Social Responsibilities

2.7 Social Responsibilities Strategies

2.8 Social Responsibilities of Business towards Different Groups

2.9 Business Ethics Core Responsibilities of Entrepreneurial Performance

2.10 Let Us Sum Up

2.11 Answers for Check Your Progress

2.12 Glossary

2.13 Assignment

2.14 Activities

2.15 Case Study

2.16 Further Readings

2.0 Learning Objectives

After learning this unit, you will be able to understand:

- The Meaning of Social Responsibility of Business
- The Changing Views of Managements Responsibility
- The Social Responsibility of Business
- The Need for Assumption of Social Responsibilities

- The Social Responsibilities of Business towards Different Groups
- The Business Ethics Core Responsibilities of Entrepreneurial Performance

2.1 Introduction

Business depends on society for the needed inputs like money, men and skills; Business also depends on society for market where products may be sold,

Thus, business depends on society for existence, sustenance and encouragement, and being so many dependants, business has definite responsibility towards society.

2.2 Meaning of Social Responsibility of Business

Social responsibility of business means the obligation of business enterprises to make decisions and follow lines of action which are desirable in terms of the objectives and values of society. Decisions may affect environment, consumers and the community.

Social responsibility is thus an obligation of decision-makers to take actions which protect and improve the welfare of society as a whole along with their own interests.

Every decision the businessman takes have social implications. It could be opening new branch, closure of existing branch, replacement of men by machines, lying off employees, sub-contracting. Society is affecting in one way or the other.

Social responsibility is not new to our country. In olden days, whenever famine, floods, etc. occurred, leading businesses of the area would provide food and other assistance to the needy. The Tatas are a common example.

Check your progress 1

1. The expansion of CSR under the subject Entrepreneurship means :

   a. Company, Sales & Revenue
   b. Corporate Social Responsibility
   c. Company Services Revenue
   d. None of the above

2.3 Changing Views of Managements Responsibility

There have been changes in attitudes of managements in taking social responsibility in the past century. Let us examine these:

Phase I. Profit maximizing management - This derives strength from Adams Smiths "Wealth of Nations", entrepreneurs produce what people want and they want profit. They produce more for self-interest to earn more profit and benefit all. Thus, competition will bring down prices. "What is good for business is good for country."

The classical economic doctrine of maximizing profit was against corporate social responsibility.

Phase II. Trusteeship management - it began with diffusion of corporate ownership as shareholders. So managers are not only to maximize profits, but also serve as trustees of employees, stockholders, suppliers, customers and public at large. They emphasized concern for the interest of others as well as one's own. The change in society's attitudes and expectations is reflected in the socio-economic model of business. This model views business as a sub-system of society.

Phase III. Quality-of-Life Management (QOL) - The values of QOL management contrast with both the profit maximize and the trustee manager. Now the essential equation becomes "what is good for society is good for our company". While accepting profits as essential, the QOL management would neither produce nor sell unsafe or shoddy goods.

It also considers government as a partner in a joint effort to solve society's problems.

Modern View

Peter Drucker argued that management should assume social responsibility. It is thus important for management to consider the impact of every business policy and action upon society. It has to consider the actions are likely to promote the public good, to advance the basis beliefs of society, and to contribute to its stability, strength and harmony.

Drucker observed that managements to consider demands made by the society on the enterprise. It is for management to convert these demands from threats into opportunities with least damage to the enterprise. Here focus is on "quality of product and customer service."

Now the feeling is, in addition to making profit, business should help solve social problems.

Check your progress 2

1. The Entrepreneurship as per Peter Drucker stated the following about Management:
   a. It should assume social responsibility.
   b. To consider the impact of every business policy and action upon society.
   c. In addition to making profit, business should help solve social problems.
   d. All of the above
   e. None of the above

2.4 The Social Responsibility of Business Involves Ethics

The social responsibility of business involves ethics which must be reflected in the philosophy of business organization. To be effective, a sound ethics must be recognized by top management and reflected in the policies of the firm. Members should voluntarily accept it.

Right leadership, integrity, proficiency, commitment to social values of a manager can change the expected behavior of individuals.

Top management commitment, leadership, examples are crucial to corporate ethics / culture. This commitments is communicated in many ways such as- speeches, directives, company publications, policy statements and most important, actions. Top management should establish clear policies that encourage ethical behavior.

Management must assume responsibility for disciplining wrong doers.

Companies should provide mechanism for 'whistle blowing' as a matter of policy. Any employee becomes aware of unethical behavior should be encouraged to report incident to his superior.

Managements should give training / orientation programs explaining their organizations code of ethics. By offering course in business ethics in MBA

programs helps in creating conscientious managers with a morally responsible approach to business.

"The concept of social responsibility of business is two way traffic". Business renders services to the society and thereby enhances its well-being. At the same time, it owes its very existence to society. It is influenced by the economic, social and political frame-work in which it operates. The mutual dependence requires it to take care of certain social obligations and make it function under the overall control and discipline of society. The trade unions, consumers association, shareholder bodies have by their actions have brought about a big change in the outlook of businessmen. They have begun to appreciate the human relations approach and have accepted the principle of better conditions of work for better morale of workers. They have started providing more details regarding working of their organization to shareholder, selling goods cheaper to increase their sales, better quality of production to build up their own image, higher wages and better conditions of work to increase the efficiency of workers, etc. it is now increasingly recognized that business cannot discharge efficiently its long run responsibilities to owners unless it behaves responsibly towards employees, consumers, government and the public at large. "Acceptance of large measure of responsibility towards the community is therefore, good business as well as good citizenship". According to Owen D. Young, "Consumers have right to demand that a concern so large not only do its business honestly and properly, but further that it shall meet its public obligations and perform its public duties in a world, vast as it is, and that it should be a good citizen".

According to the old view if a particular business was utilizing as efficiently as possible the resources at its disposal in producing the requisite goods and services, it was acting in a socially responsible manner. But the modern concept of social responsibility has enlarged very much the extent of its scope. The operations of business enterprises affect a wide spectrum. The resources they make use of are not limited to those if the proprietors and the impact of their operations is felt also by many a people who are in no way connected with enterprises. The shareholders, the suppliers of resources, the employees, the local community and society at large are affected by the way an enterprise functions. According to Guider, "Industry in the twentieth century can no longer be regarded as a private arrangement for enriching shareholders". It has become a joint enterprise in which workers, management and consumers, the locality; government to K.R Andrews social responsibility may be taken to mean," intelligent and objective concern for the welfare of the society that restraints

individual and corporate behavior from ultimately destructive activities". H.R. Bowen is of the view that "a businessman has an obligation to pursue those policies to make those decisions or to follow those lines of actions which are desirable in terms of objectives and values of our society". The business is expected to recognize and understand the aspirations of the society and determine to contribute to its achievements. If the corporation has to function effectively it has to be accountable to the public at large. The declaration issued by the international seminars on social responsibility of business held in India in 1965 co-related the Gandhi concept of trusteeship with the social responsibility of business. Gandhiji advocated that private property should be used for the common good.

There has been growing acceptance of the plea that business should be socially responsible in the sense that the business enterprise which makes use of the resource of society and depends on society for its functioning should discharge its duties and responsibilities in enhancing the welfare of the society of which it is an integral part. The Sachar Committee in its report submitted to the government in August 1978 observes "in the development of corporate ethics we have reached a stage where the question of responsibility of business to the community can no longer be scoffed at or taken lightly. The corporate sector does not function in isolation. The company must behave and function as a responsible member of society like any other individual. It cannot share moral values nor can it ignore actual compulsions".

According to Prof. Keith Davis, social responsibility begins where the law ends. A firm is not being socially responsible if it merely complies with minimum requirements of law, because this is what any good citizens would do. Social responsibility goes one step further. It is a firm's acceptance of a social obligation beyond the requirements of law. Philanthropic activities are different from social obligations. The former being purely voluntary have to be distinguished from social responsibilities, which are obligatory not strictly enforceable by law.

It is wrong to think that there is any conflict between profit objective and social obligations. It is a very significant social obligation of business to manage itself most efficiently and profitably. Profit is necessary to fulfill social obligation and is a symptom of good business health.

Profit is essential for the survival as well as for growth of business. It is also needed to earn prestige to innovate and introduce new ideas and techniques to assess a manager's performance and development, to provide better conditions of work for the workers and so on. A business suffering from losses cannot continue

for long and its closure may hit the various sections of society adversely. Accordingly to Peter Drucker, "The problem of any business is not maximization of profit but the achievement of sufficient profit to cover the risks of economic activity and thus to avoid loss." And therefore, profit is to be earned and loss is to be avoided. Besides, the moment profits are misused either for individual satisfaction or to exhort society by establishing monopolies, hording of goods, acquiring of political power for selfish gains, etc they become a curse to the society.

The profit maximization objective of business suffers from several serious shortcomings. It encourages concentration of economic power in a few hands. Those who acquire economic power also wiled political power. Concentration of economic power and political power in hands of selected few enables them to misuse it against public interest. They are able to influence government policies to their own advantage. Irresponsible power elites perpetuate their control over industry.

Family dominated managements do not allow professional management to grow and workers' and consumers' exploitation continues unabated. The environment is polluted and the quality of life goes down. Opportunities for better living and self development are reduce to the minimum.

According to Urwick, "Profit earning cannot be the objective of a business any more than eating is the objective of living". The first love of good management should be to efficiently utilize and conserve corporate resources to produce economic wealth and bring about economic welfare. Management must, along with earning profits, protect the legitimate rights and interest of shareholder, workers, customers and the community as a whole. Nothing can be a bigger offence than to increase one's profits by evasion of taxes by selling substandard or under weighed goods to the consumers by forcing workers to work under inhuman conditions, etc. No one can be allowed to earn profit by acting in a manner, which is inconsistent with the socio-economic policies and philosophy of the government. Management while earning profits cannot be negligent to the indirect adverse effect of its activities on the society such as the problem of pollution, unemployment, ill health deteriorating working conditions, etc.

Business must take care of the feeling, attitudes and relations among the people who work for it. Business must satisfy legal requirements and continue to follow customary practices regarding its social obligations.

The conflicts of profit motive and social obligation arise only when business begins to act contrary to the ideology and general values of society. No one shall object to the profits of a business so long as it continues to fulfill its legitimate social obligations.

Check your progress 3

1. One of the following statement is not correct, which one ?

   Introducer of a new good, of a new method of production, the opening of a new market

   a. According to Urwick, "Profit earning cannot be the objective of a business any more than eating is the objective of living".

   b. According to Prof. Keith Davis, social responsibility begins where the law ends.

   c. Gandhiji advocated that private property should not be used for the common good.

   d. None of the above

2.5 Characteristics of Social Responsibilities of Business

After studying some of the definitions of social responsibilities of business certain characteristics of these responsibilities emerge clearly.

1) There is no conflict between individual interests and various obligations towards the different sections of the community the workers, consumers, suppliers and the society at large. Maximization of profit cannot be allowed beyond a certain limit if it goes contrary to the interests of society. There should be perfect harmony and co-ordination between individual profit and social obligations

2) Social responsibilities apply to both private sector and public sector businesses. Their responsibilities connect individual responsibilities with social aspects.

3) The social responsibilities treat business as social institution whose organization and functions must be carried on to fulfill the objectives, hopes and ambitions of the society.

4) These responsibilities emphasize the all round development of various sections of persons connected with business. They also accept the Gandhi an ideas of social justice and trusteeship concept.

5) The concept of social responsibilities of business is a two-way traffic. This means if the business is socially responsible to discharge its duties in enhancing the welfare of the society, the society also owes its responsibility towards business.

6) These responsibilities are closely connected with the ethical and moral values and ethical standards.

7) These responsibilities are not static and rigid but elastic. Society is dynamic. These ideas and values are undergoing changes. Business environment affect the moral and ethical values, which are constantly changing and undergoing modifications.

The social responsibilities of business towards different sections of the society include those towards

Owners (Shareholder)

Itself,

Employees,

Consumers,

Suppliers,

Competitive institutions, creditors, and

The society at large

1. Responsibilities towards the Shareholder –

The shareholders are the real owners of the company. The responsibility of the company to them is a primary one. Needless to say, to provide dividend the company should earn a sufficient profit. Adequate reserves should be built up so that it will be able to declare a reasonable dividend during the lean period as well. If the company continuously suffers losses, not only will it be unable to pay dividends but value of its shares will it be unable to pay dividends but the value of its shares will also fall and result in the erosion of the shareholders, a capital. Hence, to discharge its responsibilities to the shareholders, a company shall earn sufficient profit. If the company fails to cope with changes in a changing and

dynamic world, its position will be shaken and the shareholder's interests will be affected. By growth, innovation and diversification, the company should consolidate and improve and help strengthen the share prices. The shareholders are interested not only in the protection of their investment and the return on it but also in the image of the company. It shall therefore, be the Endeavour of the company to ensure that its public image is such that the shareholder can feel proud of their company.

2. Responsibilities to the Employees –

The success of on organization depends to a very large extent on the morale of the employees and their wholehearted co-operation. Employee morale depends to a large extent on the discharge of the company's responsibilities to them and the employer-employee relations.

3. Responsibilities to Consumers –

It has been widely recognized that customer satisfaction shall be the key to satisfying the organizational goals. Among the important responsibilities of the business to the customer are:

(a) To improve the production and reduce price and also to improve quality and smoothen the distribution system to make goods easily available to the consumer.

(b) To do research and to improve the quality of products and introduce better and new products.

(c) To supply goods at reasonable prices where there is a seller's market and to provide the required after sales services;

(d) To ensure that the product has no adverse effect on the health of the consumers; and

(e) To avoid misleading the consumers by improper advertisement or otherwise.

4. Responsibilities to the Community –

A business has lot of responsibility to the community around its location and to the large. These responsibilities include;

a) Taking appropriate steps to prevent environmental pollution and to preserve the ecological balance;

b) Rehabilitating the population displaced by the operation of the business if any;

c) Assisting in the over-all development of the locality;

d) Talking steps to conserve scare resources and developing alternatives wherever possible; and

e) Improving the operations of the business and contributing to research and development.

Other Responsibilities

In addition to the aforesaid basic responsibilities several others gradually attract attention of progressive managements. For instance

a) Cultural responsibility ;

b) Moral responsibility ;

c) Responsibility for the private enterprise system ;

d) Responsibility for good government ;

e) Responsibility to co-operate in the achievement of the social-economic programs of the government.

It should be the Endeavour of the businessman to continuously remind themselves that their business entity in functioning within the framework of the society and is governed by the aforesaid responsibilities

a) Cultural Responsibility - Cultural patterns are not static and differ society to society. Companies, like individual and other institutions, function under the influence of the cultural environment in which they operate. They have the added responsibility of consciously conducting themselves in such a way that they respect and value the cultural spirit of the society. "This culture responsibility is not just inherent values that lend uniqueness to any environment".

b) Moral Responsibility - Moral Responsibility is narrower in scope. It is more direct and deeper and internal to the business entity. It governs the organization interactions with groups such as suppliers, customs distributors, employees, shareholder and the government. "Moral code" in

such interactions comes essentially from within as an urge to be consistent and harmonious in all interactions. This consistency of actions lends balance, coherence the essence of moral Responsibility

c) **Responsibility for the Private Enterprise system -** The free enterprise system is being harped upon almost continuously by the government, educators, press, its political enemies and public opinion. Thus, no conscientious management can consider that its organization is something a part from the mainstream. Such a management is also responsible for the continuity of the system, which enables the company to flourish.

The vulnerability of free enterprise lies in the area of profit or loss. Profit is the lifeblood of any enterprise. Any attempt to weaken or destroy the ability of the business to make adequate profit should be prevented by all reasonable and legal means. For this it is necessary for the management to understand the development in the legislative field and to comprehend what such measures as prices changes notifications and abridgement of the right to meet the lower price of a competitor would mean to economic freedom. Voice may be raised in legal as well as public forums against legislation affecting profit directly and substantially.

Those who have limited comprehension of profit may call profit-making a 'sin'. There are four kinds of sins that an enterprise can commit:

i) Unpardonable sin,

ii) Unfortunate sin,

iii) Myopic sin, and

iv) Glorious sin.

i) **Unpardonable sin** is the sin of making loss and draining the valuable scare resources of the society.

ii) **Unfortunate sin** is the sin of slow and painful death where a concern is run with no regard to current surplus so as to make provision for replacement of assets. The resources will be eaten up over a period of time. This is like living on past bank balance with no concern for its replenishment.

iii) **Myopic sin** is the sin of business expansion with no concern for efficiency, for the resources is blocked in such careless and growth-less expansion, the economy of the society is strained.

iv) **The glorious sin** is the sin of making profit so as to preserve and expand resources of the society through sustained growth.

The attack should not be on the size of surplus but on the deposition of the surplus, i.e., the way it is disposed off. As long as the surplus is channeled into productive economic activity a positive service to the society is performed as against the eating up of resources through making losses.

Private sector has a vital role to play in our national economy. There cannot be progress without healthy competition, adequate profits and their canalization into productive economic activities. It is the responsibility of the corporate managements not only but also takes all reasonable steps to make it self-sustained to the extent possible.

d) Responsibilities for good government -

The government looms constantly larger in the affairs of business. The corporate sector in particular tends increasingly to look to the government for assistance in solving financial and other problems. Demands for expanded and new public services multiplying day by day which if not fulfilled and tackled properly, will certainly affect production, sales and aspects of business. The concern of the corporate managements for a good government is therefore, unavoidable and justified. The business community has a special responsibility to exam the policies of government continuously.

Responsibility to co-operate for the success of the socio economic program of the government –

All democratic countries face a two-fold problem. Firstly to promote industrial development within their boundaries and secondly to achieve certain social-economic objectives. The state has therefore, to think of putting certain restraints and curbs on private enterprise. Undue concentration of wealth and economic power in few hands is regard as being detrimental to public good. It gives rise to the possibility that those having economic power may manipulate the political processes to acquire more wealth and power to the democratic countries today, suitable legislation has been enacted to keep the monopolies within control and discourage restrictive trade practices.

India is a mixed economy where the public and private sectors are assigned specific roles. The two sectors are expected to supplement the work of each other. It is indeed, obligatory on the part of the private corporate sector to co-operate for the success of socio-economic programs of the government. It may be helped by faithfully striving to achieve the goals set for it in the plan document generating

enough resources and employment opportunities, contributing to the public exchequer, etc.

Enlightened industry has now come to realize that good community relations are desirable and important. Most of us have now also come to realize that in conducting a profitable business operation, good community relations are no longer just desirable and important but they are vital for the survival of the business. Industry has four responsibilities to the community.

1. Living right and being a good neighbor.
2. Providing support-moral, personal and financial to those institutions and causes which :
   a) Make ours a better town in which to live and work, and
   b) Are traditionally bound to our way of life and which are thus a means of preserving it.
3. Communicating in a manner, which to live and work, which not only will explain sell out own company but will serve as a convincing and powerful voice raised on behalf of the entire business community.
4. Providing leadership for our corporate citizens and for our communities.

Each of these responsibilities calls for its own planned program and individual approach but each will be interwoven.

Check your progress 4

1. The 'Entrepreneur' is also expected to carry out the following responsibilities:
   a. Cultural responsibility ;
   b. Moral responsibility ;
   c. Responsibility for the private enterprise system
   d. All of the above
   e. None of the above

2.6 Need for Assumption of Social Responsibilities

1. The institution of business exists only because it performs invaluable services for society which gives business its character.
2. A business organization, would in its own self-interest, like a better community in which to conduct its business. For this it would implement special programs for social welfare.
3. It is also necessary to establish public image for business organization to secure more customers, better employees and higher profit.
4. To avoid government regulations and controls it is also necessary for business to restrict its flexibility of decision making. The failure of business to assume social responsibilities voluntarily invites the government to interface and regulate.
5. It is also essential to avoid misuse of national resources and economic powers.
6. This is also essential to avoid class conflicts. Industrial peace is necessary for more production and welfare of community.

Thus, the need for social responsibilities arises from the viability of the business itself, to fulfill long run self-interest, to establish better putter public image, to avoid government regulation or control, to avoid misuse of national resources and economic power, to avoid class conflicts and to convert restraints into resources and economic power.

Some relations for business to discharge social responsibility are as under:

1. Public Expectations from Business have changed. It is argued that business exists because it satisfies the needs of society. If business at any time fails to live up to societies expectations, it may become extinct.

   If business wishes to remain viable in the long-run, it must respond to societies needs and give society what is wants. Business has debts which it owes to society as duty-of gratitude.
2. Society creates better environment for business. A firm which is more responsive to improvement of community quality of life will get better community in which to conduct business. Getting manpower will be easy, crime will be less.
3. Public image is improved if firm supports social goals. It may gain more customers, better employees.

4. Before government stretches its long arms, business should discharge its obligations to society. Otherwise society will force government to make laws / regulations.
5. Balance of responsibility with power is a must. Business has vast social power and it affects economy and social problems. So equal amount of social responsibility is required.
6. Business has vast pool of resources (men, talents, money, functional and professional expertise, etc.) and is in better position to work for social goals.
7. Other institutions have failed to handle social problems, so society is turning to business.
8. Prevention is better than cure. If business delays dealing with social problems, it may have to deal with more serious social breakdowns, therefore, business has moral responsibility.
9. Citizenship argument. Corporations are citizens and citizens have civic duties and responsibilities, corporations must discharge these voluntarily.

Check your progress 5

1. As per the text above one of the statement is not correct, which one :
   a. Public Expectations from Business have changed. It is argued that business exists because it satisfies the needs of society.
   b. Business is expected to make profit and need not bother about society, which will be taken care of by others.
   c. Public image is improved if firm supports social goals. It may gain more customers, better employees.
   d. Before government stretches its long arms, business should discharge its obligations to society. Otherwise society will force government to make laws / regulations.

2.7 Social Responsibilities Strategies

Business responses to social responsibility tend to fall within four degrees / categories.

a. Social opposition. This view is taken by the business which feels they have no obligation to society in which they have no obligation to society in which they operate. When they are caught for any offence, they cover it up by denying it. For Example: M.S. Shoes for price rigging of shares.

b. Social obligation. Companies have firm believed that they have obligation to obey the laws, e.g. install safety equipment required by the law.

c. Social response position is taken by some companies that meet their social obligation as laid by law, e.g. and they will go beyond the legal requirement, if benefits out-weight the costs.

d. Social contribution is the position taken by companies which believe that they have deep obligation to serve society. They are responsible citizen and are eager to contribute to the improvement of society.

The approach to social responsibilities is explained in the figure below.

Figure: Approaches to Social Responsibility

	Degree of Social Responsibility		
Social Contribution	Social Response	Social Obligation	Social Opposition

Ackerman's Model of Social Responsibility

Kobert Ackerman suggests that representatives should be the goal of corporate Endeavour. He described three stages through which companies pass in developing response to social issues.

Phase I. Awareness stage: Corporations top managers learn of a social existing problem. CEO merely acknowledges the problem.

Phase II. Planning Action Stage: Hires specialist or consultant to prepare plan for dealing it.

Phase III. Implementation Stage: While resolving the problem, there is integration of policy into ongoing operations. Managements commit resources and organizational commitment is obtained at all levels.

Example: It has been suggested that women who use computer stand higher chances of having problem pregnancies. Management responsive to this problem may well be the only responsible for taking course of action.

Business as Responsible Person

Business plays a very significant role in economy, social, political and technological affairs. So business owes responsibilities to all segments of society.

Wealth of a country is to a great extent controlled by business. This gives business and its executives "enormous power" to affect the lives of employees, consumers, shareholders, etc.

Business is a part of the total environment in which we live, being influenced by it, while being a force in influencing it. The relationship between business and its environment is one of mutual benefit. Both of them from and give to various segments. Only through such a relationship can a business survive and prosper.

Modern business has acquired a sense of social responsibility to society in general and to its different segments in particular. The objective of business is to balance the conflicting claims of 'stakeholders'. Business is not to confine to productive or commercial activities as its social concern, but it has to take into account social problems which arise due to its activity. Social and ethical considerations must equally concern the business.

Why business should assume social responsibility

There are five broad reasons:

1. **Responding to demands of society -**

   As business gets larger, the public takes more interest in it, as it has greater impact on the community. Managers respond to public opinion so as to maintain public image of their company.

   If an organization does not respond, the society will either force it to do so through laws or society may no longer permit it to survive, e.g. safety of products, etc. The original purpose of corporations was to serve the public good.

2. **Longer-run self-interest of business -**

   For example, (a) Concern for employees can harmonies with company's best interest, (b) Responsibilities to shareholders for attracting investment and (c) Avoiding environmental pollutions.

3. **Moral justification -**

   Business now tends to participate in the development of better world.

4. Ethical behavior and generation of profits for shareholders is not incompatible.

5. All stakeholders have a "stake" in companies because they can be harmed, if a company behaves unethically.

Government has enacted number of laws to check these practices and to bring in an element of ethics into business. Government will continue to intervene by enacting legislation and impose penalties for unethical practices.

Whatever is Legal is Ethical?

This is to judge the business activities exclusively from the point of view of law. For example, though maximization of profit is one primary goal of an organization, but charging unfair prices or exploitation of workers are considered as unethical practices.

Some unethical practices in business are:

- Piracy of products and copy rights.
- Deceptive advertising.
- Bribery, payment of kickbacks, corruption, candles
- Employee theft.
- Sexual harassment.
- Discriminatory personnel policies, favoritism in promotions, compensation etc.
- Black – marketing.
- Production of unsafe products.
- Exploitation of environment by manufacturers.
- Giving confidential information/secrets to competitor by employees, and

- Under invoicing.

Such acts, which indirectly create moral stress and impair the ability of competent managers to act with total integrity, improved managerial ethical decision-making and moral performance, can lead to both increased profitability and desirable organizational order.

Check your progress 6

1. As per the reading above you would have found that some unethical practices to be avoided in business are:
   a. Piracy of products and copy rights.
   b. Deceptive advertising.
   c. Bribery, payment of kickbacks, corruption, candles
   d. Sexual harassment
   e. All of the above
   f. None of the above

2.8 Social Responsibilities of Business towards Different Groups

In this chapter we have attempted to present social responsibilities of business for various interest groups. These can be divided under two broad categories:

1. Internal interest groups.
2. External interest groups.

Various interest groups who have stake in the business are:

Internal Interest Groups

1. Responsibilities toward owner

It is to be ensured that owners, share-holders, partners get fair dividend or a fair return on the capital invested. Fair return has to be more than bank rate and it should be reasonable.

Further share-holders expect security of investment and share in capital appreciation as bonus shares.

2. Responsibility towards Employees

The traditional concept of "master-servant relationship" has to change to the concept of "partnership' between labor and management.

The major areas of relationship are:

a) **Wages -** These should be need-based and productivity-related.

b) Salaries for managerial personnel are to be linked to responsibilities. Ceiling on managerial remuneration by government to be adhered to. Besides it is to be seen there are not much disparities between wages of employees and salaries of managerial personnel.

c) **Relationship between employers and employees -** There are various lapses on the part of employers which include :

- Unsympathetic treatment to employees by supervisors
- Favoritism in promotions etc
- Lack of communication between managers and workers
- Lack of communication between management and workers
- Lack of appreciation of meritorious achievements and no condemnation of neglect and lethargy
- Delay in settling grievances/disputes with employees.
- Lapses on part of employees, i.e. indiscipline in carrying out orders.
- Lack of desire by employees to improve efficiency.
- Role of politically inspired trade unions frequent strikes, gheraos etc.

d) Industrial legislation, i.e. laws relating to employees to be followed strictly.

e) **Welfare of employees:** employer to provide health, safety, working condition and welfare measures for conducive work environment.

External Interest Groups

1. Responsibility towards Consumers and Community

- The consumer and the community are ultimate judges of business and its products. So it has to be ensured.
- Products meet the needs of consumers.
- Prices are reasonable. There is no hoarding-cornering of products to raise prices.
- After sale service is available,
- Quality and standards (ISI, Agmark) are adhered.
- Consumer associations are to be vigilant and to report falling of standards.

2. Businessmen's Responsibilities towards Government

- Employer has to be law abiding, follow laws relating to trade, factories and labor.
- To pay his dues and taxes fully and honestly.
- Not to corrupt public servants.
- Avoid adulteration.

Indian Scene – Business as a Responsible Person

Indian socio-economic environment have lent an added significance to the concept of business as a "responsible person".

1. Indian government has been committed to socialistic pattern of society, in which private interest is to be subordinated to national consideration.
2. The Constitution of India provides for economic and social justice.
3. Tate financial institutions contribute to a great part of the financial needs of business.
4. Emergence and development of professional management is wedded to the fulfillment of socio-economic objectives.
5. There is growing public awareness and consciousness about the role of business in maintaining environmental protection and cleanliness.
6. Growth of trade unions for protection of employee's interests.
7. Emergence of consumer protection agencies/forums.

These factors contribute towards corporate social responsibility.

Many large enterprises in India have emphasized their social responsibility in their annual reports, e.g. TISCO, ITC, SAIL, BHEL, ONGC, etc. have developed neighborhood projects. The Sachar Committee (1978) appreciated that some enlightened business houses are contributing to solve problems of rural development, environmental protection, and control of pollution and provision of clean water. They are recognizing social responsibility as development of corporate ethics.

To conclude, by being more socially responsive, business may avoid further regulations which limit the freedom of business.

It has to be realized that the future of business depends on its ability and willingness to respond to the changing expectations of society. Corporations must present themselves as being committed to social causes. A global company has to develop global sensitivity.

The corporations are now doing 'social audit', i.e. presenting additional objectives and comprehensive information about organization's social performance which reflect social responsibilities. Some areas covered in social audit are i.e.:

a. Social benefits to the staff – various facilities etc.

b. Social benefits to the community-local taxes paid to panchayat, municipality, environmental improvements, and generation of job potential.

c. Social benefits to the public-taxes paid and follow the duties towards government**.**

Check your progress 7

1. The corporations are now doing 'social audit', as a part of CSR, one of the areas listed below is not correct, which one?

   a. Total salaries paid to its employees.

   b. Social benefits to the staff – various facilities etc.

   c. Social benefits to the community-local taxes paid to panchayat, municipality, environmental improvements, and generation of job potential.

   d. Social benefits to the public-taxes paid and follow the duties towards.

2.9 Business Ethics Core Responsibilities of Entrepreneurial Performance

According to Peter Pratley (The Essence of Business Ethics), it is important to define core moral responsibilities at a minimal level. By accepting an outspoken commitment to these responsibilities, TQM can gain a lot. The core moral responsibilities are three-fold.

First of all, the corporation is committed to its original and basic moral core responsibility: that is, producing goods and services that are functional and safe for the individual consumer. On top of this perennial cornerstone of business, other core activities now have to be added.

The second moral commitment therefore concerns the larger environment; environmental core and reduction of resource depletion.

Finally, the third accepted responsibilities refer to the quality of the corporation itself as a moral community: At a minimum level this implies the absence of certain abuses.

These three core moral responsibilities for business organizations aim at guaranteeing a minimum of moral excellence. They are linked with an idea of normative entrepreneurial performance and encapsulate what the public may at least expect from an entrepreneur committed to quality management.

These three entrepreneurial responsibilities also imply a redefinition of corporate objectives. It pushes the meaning of the famous separatist expression ‘mind your own businesses in a quite opposite direction. Corporate mission statements that include these moral responsibilities enlarge the matters for which the public may hold business accountable for by insisting on safe and reliable customer relationships, environmental care and humane working conditions.

The entrepreneur should gain this broader perspective as the corporation commits itself to wider human objectives, especially in relation to our common future. Although industry will go through even more stringent reductions of employee numbers in the future, certain minimum standards of working conditions should be agreed upon by all those committed to quality goods. This statement is a moral appeal for legal means and voluntary covenants to enforce respect for minimum labour rights.

To summaries our discussion:

1. The corporation producing quality products and services accepts specific moral responsibilities. At a minimum level, there are three such corporate responsibilities:
   a. Consumer care, expressed by satisfying demands for case of use and product safety:
   b. Environmental care; an
   c. Care for minimum working conditions.
2. Corporations should not remain mute about their moral performance and commitments. A balanced presentation of one's corporate response in face of specific moral concerns can create a basis of understanding with one's own employees as well as with the concerned public. Communicate the priorities you have in your commitment to quality management by a sophisticated use of moral talk."

Check your progress 8

1. As per the Corporate Social Responsibilities, at a minimum level, there are three such corporate responsibilities as listed below. However there are four listed, pick the one which is not correct:
   a. Consumer care, expressed by satisfying demands for case of use and product safety:
   b. Maximize profitability to help economy
   c. Care for minimum working conditions.

2.10 Let Us Sum Up

As you might have by now understood the importance of Entrepreneurship towards the growth of economy and society in general. And hence various institutes both in Government and others have been extending support for the growth and success of Entrepreneurship. At the same time Entrepreneurs do also need to understand their social responsibility. This means the obligation of business enterprises to make decision and follow lines of action which are desirable in terms of the objectives and values of society. Decisions may affect environment, consumers and the community. In this unit this important aspect has

been dealt with fair amount of details. Hope after reading this unit, you have understood this important aspect very well.

In this unit we have attempted to present social responsibilities of business for various interest groups. (namely, Internal interest groups & External interest groups).

You possibly now understand that business is not to confine to productive or commercial activities as its social concern, but it has to take into account social problems which arise due to its activity. Social and ethical considerations must equally concern the business.

2.10 Answers for Check Your Progress

Check your progress 1

Answer: (1-b)

Check your progress 2

Answer: (1-d)

Check your progress 3

Answer: (1-c)

Check your progress 4

Answer: (1-d)

Check your progress 5

Answer: (1-b)

Check your progress 6

Answer: (1-e)

Check your progress 7

Answer: (1-a)

Check your progress 8

Answer: (1-b)

2.11 Glossary

1. **Liberalization** - It refers to a relaxation of previous government restrictions, usually in such areas of social, political and economic policy.
2. **Cognizant** - aware (usually followed by of).
3. **Behavioral** - manner of behaving or acting.
4. **Catalyst** - a substance that causes a chemical reaction to happen more quickly.
5. **Micro-finance** - It refers to a variety of financial services that target low-income clients.
6. **Effluent treatment** - is the process of removing contaminants from wastewater.
7. **Doctrine** - a particular principle, position, or policy taught or advocated.
8. **Ethics** - Moral principles that govern a person's behaviour or the conduct.

2.12 Assignment

Do you agree with the core responsibilities of entrepreneurial performance of business ethics? Explain your view with specific examples.

2.13 Activities

You are requested to visit the website of at least 2 major corporate in India and find out the evidence of their evidence of fulfillment of social responsibilities. You might have to read their Annual Reports as well.

2.14 Case Study

Most of the reputed corporate bodies in India, have adopted corporate social responsibility in their business practice. Tata is one of them. Please read about it in this site:

After careful reading, please write down your analysis about their role if meeting the social obligations.

2.16 Further Readings

1. The Social Responsibility of Business by Joel. B. Haynes and Paul. L. Wilkens.
2. Social Responsibility of Business: two points of view by James. C. Worthy and Theodore Levitt.
3. Social responsibilities of Business Corporations by Committee for Economic Development.

Block Summary

Historically Entrepreneurship becomes a highly desirable process for today's society. And hence various Governmental bodies were formed to assist Entrepreneur. It was considered to be a catalyst for the growth of not only society but also economy. In fact many authors believe that Entrepreneurs are also responsible for most of the technological inventions etc. which has helped mankind to reach where they are today. In this block under Unit 1 you must have learnt the various forms of support and assistance, which Entrepreneurs can expect.

In this unit Entrepreneurship process included responsibility towards the society, which are not only desirable but also a must under regulation.

After reading this block you must have understood the following:

- Explain the Role of Various Government Bodies and Various Agencies In Promoting Entrepreneurship
- Learn about Business Development Service Providers for Micro Enterprise & Micro Finance
- Comprehend the Meaning of Social Responsibility of Business and realize the Social Responsibility of Business under changing scenario
- List the Characteristics of Social Responsibilities of Business
- Analyze the Social Responsibilities Strategies
- Explain Social Responsibilities of Business towards Different Groups & business ethics.

Block Assignment

Write Short Notes on:

1. Small Industries Services Institute
2. NIESBUD
3. NEDB
4. DIC
5. SIDO
6. Business ethics
7. Social responsibilities strategies
8. Legality and ethics
9. Internal interest groups.
10. External interest groups.

Long questions

1. What are the general incentives and facilities offered by the government in encouraging Entrepreneurship in India?
2. Explain the role of the Central Government in developing Entrepreneurship in India.
3. Explain the role of the State Government in developing the Indian Entrepreneur.
4. What are Export Oriented Units? Briefly explain how the EXIM Policy governs the setting up of EOUs.
5. Enumerate some of the Fiscal and Tax concessions available to entrepreneurs in India.
6. What is the role of the EDH in developing the Entrepreneur in India?
7. Explain the Social Responsibility of a business.
8. Discuss business as a responsible person.
9. Explain the Social Responsibility of business entrepreneurs, its meaning and changing views of management's responsibility.

Enrolment No. ☐

1. How many hours did you need for studying the units?

Unit No	1	2	3	4
Nos of Hrs				

2. Please give your reactions to the following items based on your reading of the block:

Items	Excellent	Very Good	Good	Poor	Give specific example if any
Presentation Quality	☐	☐	☐	☐	
Language and Style	☐	☐	☐	☐	
Illustration used (Diagram, tables etc)	☐	☐	☐	☐	
Conceptual Clarity	☐	☐	☐	☐	
Check your progress Quest	☐	☐	☐	☐	
Feed back to CYP Question	☐	☐	☐	☐	

3. Any Other Comments

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Education is something which ought to be brought within the reach of every one.

- Dr. B. R. Ambedkar

Dr. Babasaheb Ambedkar Open University
Jyotirmay' Parisar, Opp. Shri Balaji Temple, Sarkhej-Gandhinagar Highway, Chharodi,
Ahmedabad-382 481.

ENTREPRENEURSHIP

PGDBA-201



BLOCK 4:
ENTREPRENEURS FAILURE AND WOMEN ENTREPRENEURS

Dr. Babasaheb Ambedkar Open University

ENTREPRENEURSHIP



Knowledge Management and
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ROLE OF SELF INSTRUCTIONAL MATERIAL IN DISTANCE LEARNING

The need to plan effective instruction is imperative for a successful distance teaching repertoire. This is due to the fact that the instructional designer, the tutor, the author (s) and the student are often separated by distance and may never meet in person. This is an increasingly common scenario in distance education instruction. As much as possible, teaching by distance should stimulate the student's intellectual involvement and contain all the necessary learning instructional activities that are capable of guiding the student through the course objectives. Therefore, the course / self-instructional material are completely equipped with everything that the syllabus prescribes.

To ensure effective instruction, a number of instructional design ideas are used and these help students to acquire knowledge, intellectual skills, motor skills and necessary attitudinal changes. In this respect, students' assessment and course evaluation are incorporated in the text.

The nature of instructional activities used in distance education self-instructional materials depends on the domain of learning that they reinforce in the text, that is, the cognitive, psychomotor and affective. These are further interpreted in the acquisition of knowledge, intellectual skills and motor skills. Students may be encouraged to gain, apply and communicate (orally or in writing) the knowledge acquired. Intellectual-skills objectives may be met by designing instructions that make use of students' prior knowledge and experiences in the discourse as the foundation on which newly acquired knowledge is built.

The provision of exercises in the form of assignments, projects and tutorial feedback is necessary. Instructional activities that teach motor skills need to be graphically demonstrated and the correct practices provided during tutorials. Instructional activities for inculcating change in attitude and behavior should create interest and demonstrate need and benefits gained by adopting the required change. Information on the adoption and procedures for practice of new attitudes may then be introduced.

Teaching and learning at a distance eliminates interactive communication cues, such as pauses, intonation and gestures, associated with the face-to-face method of teaching. This is particularly so with the exclusive use of print media. Instructional activities built into the instructional repertoire provide this missing interaction between the student and the teacher. Therefore, the use of instructional activities to affect better distance teaching is not optional, but mandatory.

Our team of successful writers and authors has tried to reduce this.

Divide and to bring this Self Instructional Material as the best teaching and communication tool. Instructional activities are varied in order to assess the different facets of the domains of learning.

Distance education teaching repertoire involves extensive use of self-instructional materials, be they print or otherwise. These materials are designed to achieve certain pre-determined learning outcomes, namely goals and objectives that are contained in an instructional plan. Since the teaching process is affected over a distance, there is need to ensure that students actively participate in their learning by performing specific tasks that help them to understand the relevant concepts. Therefore, a set of exercises is built into the teaching repertoire in order to link what students and tutors do in the framework of the course outline. These could be in the form of students' assignments, a research project or a science practical exercise. Examples of instructional activities in distance education are too numerous to list. Instructional activities, when used in this context, help to motivate students, guide and measure students' performance (continuous assessment)

PREFACE

We have put in lots of hard work to make this book as user-friendly as possible, but we have not sacrificed quality. Experts were involved in preparing the materials. However, concepts are explained in easy language for you. We have included may tables and examples for easy understanding.

We sincerely hope this book will help you in every way you expect.

All the best for your studies from our team!

ENTREPRENEURSHIP

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PGDBA-201

ENTREPRENEURSHIP

BLOCK 4: ENTREPRENEURS FAILURE AND WOMEN ENTREPRENEURS

UNIT 1

WHY ENTREPRENEURS FAIL

UNIT 2

WOMEN ENTREPRENEURS

BLOCK 4: ENTREPRENEURS FAILURE AND WOMEN ENTREPRENEURS

Block Introduction

All over the world many people have made attempts to be a successful Entrepreneur. In most of the cases more than once, but unfortunately due to various reasons they have failed. Some Entrepreneur might have failed once or twice but finally made a successful organization. In this block we will make an attempt to understand the reasons for failure. And possibly future Entrepreneurs can learn from these and take precautions to avoid them.

In this block you will also have a closer look at women Entrepreneurship. These days while women are almost matching men in every sphere of life, there should also be more women Entrepreneurs. And while you will learn the reasons, at the same time you will also be exposed to the facilitating factors for women Entrepreneur. Hence, it is hoped that after completion of this block your understanding of the subject will be probably complete. Here are the unit-wise details of the coverage.

Unit 1 will help you to learn the reasons of failure of the Entrepreneurship in various functions/aspects of any business. Unit 2 will help you to know more about women Entrepreneur and the special facilities which are offered to them to bring more women Entrepreneurs.

Block Objective

After learning this block, you will be able understand:

- Different functions of business and the kind of problems which might crop up and lead to its' failure.
- The reasons of failure of small retailing have been given in this block.
- In India the number of women entrepreneurs is very low and an attempt has been made to analyze the reasons.
- They are also offered very special assistance all over the world, including India and some inputs have been given on them.

Block Structure

Unit 1: **Why Entrepreneurs Fail**

Unit 2: **Women Entrepreneurs**

UNIT 1: WHY ENTREPRENUERS FAIL

Unit Structure

1.0 Learning Objectives

1.1 Introduction

1.2 Financial Problems

1.3 Administrative Problems

1.4 Marketing Problems

1.5 Production Problems

1.6 Fatal Mistakes for Small Retailing

1.7 Let Us Sum Up

1.8 Answers for Check Your Progress

1.9 Glossary

1.10 Assignment

1.11 Activities

1.12 Case Study

1.13 Further Readings

1.0 Learning Objectives

After learning this unit, you will be able to understand:

- The Financial Problems
- The Administrative Problems
- The common Marketing Problems
- The Production Problems
- The Fatal Mistakes for Small Retailing

1.1 Introduction

When we consider the qualities of entrepreneurs, they are creative, energetic and innovative leaders, so we think they only get success. But actually, entrepreneurs also fail and sometimes stop the venture. If we know the reasons of failure we can take care of the venture.

We all know entrepreneurs are innovators who keep us on our competitive toes. They create jobs. They pave the way for new industries and markets. They are the artists and poets of the business world, rushing in where the rest of us angels fear to tread and seeing the world in ways most of us never could imagine.

But if they are so smart, how come so many new businesses fail?

The most obvious reasons are the following:

1. **Lack of a proper business idea -** If the business idea is flawed from the start, the business has little hope of succeeding. Too often, entrepreneurs cannot distinguish between hope and hard facts. They see things their way when the market situation may in fact be different. In the desire to push their plans through, they may ignore market realities and this causes the venture to fail.

2. **Lack of preparation -** Often, entrepreneurs do not prepare well for the hard work that comes with starting one's own venture. They may even start several ventures at once, hoping that one of them will click. This can cause problems when too many diverse situations call for attention and the entrepreneur cannot concentrate fully on one venture.

3. **Flaws in the business plan -** Sometimes, the entrepreneur takes the trouble to prepare the business plan, but the plan itself may be flawed due to several reasons. Lack of proper information, lack of experience, a reluctance to share the plan with others, etc., may cause the plan to be flawed and hence the venture fails.

4. **Changes in the environment -** Sometimes there are unforeseen changes in the environment, which changes the whole scenario as far as the new venture is concerned. Changes in the supply set-up, suppliers going bankrupt, and changes in the customers taste or preferences, any of these may contribute towards the failure of the venture.

5. **Competition -** With the meaning of various technologies, companies which were so far not competitors might suddenly find themselves competing for the same market segment. This happened when cameras went digital and camera manufacturers suddenly found themselves batting it out in the marketplace with manufacturers of computers and communication equipment. Today, even certain cell phones are competitors in the camera market. If the entrepreneur is unprepared for such changes in the competitor's profile, it could spell doom for the venture.

6. **Changes in government Laws -** Changes in laws might force businesses to change the way they operate and, if they are unprepared for such changes, they may have to face a hostile environment. Similarly, companies that may have been depending on government funding, or looking to the government as a major buyer may suddenly find that they have lost that mainstay.

7. **Failure to predict the end of the Product Life Cycle -** All products has a life cycle, in that people step using them in their content format. For example, the mimeograph, or cyclostyling machine was replaced with the photocopying machine. Manufacturers of mimeographs suddenly found that they no longer had a market and had to change their focus. Similarly suppliers of consumables for such machines had to change their manufacturing setup. If entrepreneurs fail to predict the end of the product life cycle and therefore fail to make suitable changes in their machinery, supply chain, personnel, etc., the venture comes to an end.

8. **Lack of Finance -** Sometimes entrepreneurs may lack the funds to start with. They may hope that as orders start coming in, they will be to plough back profits to finance their venture. However, this may not be the case and the business may fold.

9. **Labor unrest -** A lack of proper labor relations may lead to strikes and lockouts, affecting production and pushing the business towards closure.

10. **Rapid Expansion -** Sometimes, too rapid an expansion may also affect the cash flow of the business. Funds may be diverted towards expansion projects when they should instead have been utilized to stabilize the organization. Rapid expansion also puts a strain on personnel who may suddenly have increased workloads and may find it difficult to keep the existing unit going. Even if finances and personnel expansion are planned for and catered to, the market itself may not be able to absorb the increased output.

Apart from the above, there are some traditional reasons why entrepreneurs fail. Let us examine some of these reasons:

1.2 Financial Problems

Finance is the life blood of the organization. If the entrepreneur has failed to forecast the financial requirements of the business, it will soon run into problems. Salaries will become a burden, suppliers may refuse to deliver, agents and wholesalers refuse to stock products.

India has still to develop a culture that supports entrepreneurs, rather than stifles it. Institutions that were set up to encourage ventures actually behave like commercial banks, stuck in the rut of mortgaging assets and putting stringent conditions upon borrowing. In spite of all the developmental efforts of various governments, small and tiny industries still face problems in accessing finance, sometimes even having to resort to borrowing from the unorganized sector to stay afloat.

Similarly, entrepreneurs themselves are reluctant to upgrade their financial knowledge and skills, thus running into problems that could have been easily avoided. This leads to problems in the following areas:

- Access to and usage of Long-term Capital
- Access to working capital
- Recovery of debts
- Taxation
- Cash flow

Check your progress 1

1. The 'Entrepreneur' might fail due to financial problem and few reasons are listed below. But one of them is not correct, which one?
   a. Entrepreneurs themselves are reluctant to upgrade their financial knowledge and skills,
   b. Not maintaining a Bank a/c
   c. Recovery of debts
   d. Taxation
   e. Cash flow
   f. None of the above

1.3 Administrative Problems

Lack of proper developmental programs, insensitivity to employee's needs, etc., can become a nightmare for the entrepreneur. Employees will be disheartened, top personnel may defect to another organization. Not upgrading the skills of employees also makes the unit non-competitive in the marketplace and this can spell doom for the business. Major problems in the administrative function are:

1. Lack of proper planning
2. Poor project implementation
3. Poor management
4. Labor problems
5. Inadequate capacity utilization
6. Low level of technical skills
7. Lack of strategies
8. Problems of inadequate infrastructure (location, power, water, communication)
9. Lack of scientific and industrial research
10. Bureaucratic red tape and regulation

Added to this, most small enterprises in India are either sole proprietorships or partnerships with only one active partner. Caught up in issues like production and management, very little attention is paid to human resource development and the setting up of administrative processes and procedures. This invariably leads to administrative problems. There are no proper training programs implemented, entrepreneurs themselves do not attend seminars and training programs on administrative issue and HR.

On the part of training institutions, there is sometimes very little connection between the skills imparted and the actual requirements on the job. Institutions need to work in close collaboration with running units to understand the requirements of industry and tune their training programs to build up a workforce that can be easily absorbed in the industry. Units will benefit from this collaboration too, since they will be building up a set of well trained youths who have the necessary skills to run the business smoothly and successfully.

There is a pressing need for vocation training, especially in the rural sector, where youth do not have access to as many options as their counterparts in cities.

Check your progress 2

1. The 'Entrepreneur' might fail due to Administrative problems as well and few reasons are listed below. But one of them is not correct, which one?

   a. Taxation
   b. Lack of proper planning
   c. Poor project implementation
   d. Inadequate capacity utilization
   e. All the above
   f. None of the above

1.4 Marketing Problems

Goods produced must be sold. This axiom cannot be ignored. Nor can the fact that merely selling the goods at some future date is not enough. The goods must be sold as fast as they are produced to prevent inventory carrying coast and to maintain proper cash flew.

Marketing problems may arise due to the following:

1. Lack of knowledge about market about market situations and composition
2. Heavy composition from lager players

3. Inadequate / improper branding
4. Poor after sales service
5. Problems in distribution
6. Poor advertising / inadequate advertising
7. Improper sales promotion activities

India does not have a developed subcontracting helps develop small industries as ancillary units. The advantages are twofold. On the hand, larger industries can have a quicker turnaround time, producing units in a shorter time frame than if they were doing all operations themselves. On the other hand, the ancillary units help there an entrepreneurial culture and the economy benefits as whole. When a small unit is an ancillary of a larger unit, its marketing problems are considerably reduced. It need not go in for expensive advertising and promotional schemes. Its product, price and place are more or less a given and it does not to waste resources on market research, product development, pricing issues, etc.

For the larger units, sub contracting makes good business sense, as smaller units can produce components faster and cheaper than they can. Smaller units have lesser overheads. Decision-making is also quicker in smaller units, allowing them to quickly change production processes, pricing policies, etc. Thus, the larger units get their components built quicker, cheaper and at a standard of quality they can set themselves.

However, an allied issue is that of timely payments. Small units need to be paid on time to maintain their cash flow. They do not have large reserves to help them tide over shortages of cash due to delayed receipts. Therefore, larger industries and even the government need to ensure that ancillary units are paid regularly and on time.

Check your progress 3

1. The 'Entrepreneur' might fail due to marketing problems as well and few reasons are listed below. But one of them is not correct, which one?

   a. Problems in distribution
   b. Poor advertising / inadequate advertising
   c. Improper sales promotion activities
   d. All the above
   e. None of the above

1.5 Production Problems

The technological environment is changing at a rapid pace, forcing entrepreneurs to constantly change processes, raw materials, machinery and personnel. Entrepreneurs that do not take the changes in technology in their stride are soon left by the wayside, Stuck with products that are too costly to manufacture or too clunky to sell. The common problems in production are:

1. Raw material shortages
2. Lack of proper capacity utilization
3. Lack of proper quality control
4. Lack of utility services or poor utility services
5. Out dated technology
6. Non standardized products and processes

On the positive side, technology is rapidly becoming cheaper. Telecommunication is becoming more widespread and the telephone and fax machine are rapidly giving way to cell phones and e-mail. So much so, that cell phones with internet connectivity are already out in the market, making communication faster, cheaper and more efficient.

However, entrepreneurs need to take advantages of these strides in technology. For this, they themselves must be techno-savvy and be able to quickly adopt new technologies, simultaneously adapting their existing business processes to best utilize this new technology. Assistance on the "old way" of working can leave many a unit by the wayside.

The government needs to implement a program of education about new technology through seminars, conferences, short training programs, etc. The issue of technology up gradation needs to be tackled on a war footing, enabling struggling industries to embrace new technology for effective and efficient working. The following problems need to be addressed immediately:

- Lack of knowledge about new technology. Sometimes entrepreneurs are unaware that a particular technology even exists
- Non availability of funds for technology up gradation
- Lack of initiative, funds and infra structure to develop indigenous technology

Steps to help technological up gradation in small industries:

1. Development of standards and testing to enable small industries to inculcate a culture of quality
2. Empowering small industries to test the quality of raw materials purchased by them
3. Starting of Vendor Development departments in large industries to identify and aid small industries and develop them as technology partners
4. Provision of tools, jigs and fixtures, etc., by the mother unit on loan to the ancillary unit
5. Technical assistance from the mother unit to the ancillary unit in the initial stages
6. Fixing of inventory levels, re-order quantities and periodicity of re-order so that seasonal fluctuations do not affect the working of ancillary units

Changes from a changing business scenario

Competition in India has intensified as a result of India's compliance with WTO rulings. Lower tariffs have led to a flood of cheap imports, threatening local manufacturers. Foreign companies, especially MNCs, have established subsidiaries and acquired domestic firms, thus posing challenges to other manufacturers.

On the export front, India faces the challenges of quality in a global marketplace, especially given the stringent norms of environmental, safety and health standards in developed nations.

The Internet has thrown up new challenges in entrepreneurship, producing competition among vendors on a global scale and empowering small units to do business with almost anyone on the planet. The net has also posed a threat to agents and middlemen like wholesalers and retailers, since web portals allow factories to offer their products directly to consumers at factory prices, making it chapter for the end customer to pick up products – even in small lots – directly from manufacturer. Some important lessons small entrepreneurs need to learn from the Internet are:

1. The Internet facilitates "friction free" capitalism by providing a means of direct contact between manufacturer and the end consumer

2. Middlemen face the challenges of being wiped out as consumers prefer to deal directly with the manufacturer and are empowered to do so by the Internet
3. As the "virtual market economy" forces company to sell at the lowest possible price, companies will have to devise strategies to lower their own cost and add value to their products to remain competitive
4. The "Service Approach" will gain ground, as companies empower their employees to deal directly with customers
5. As e-business gains ground, the customers are put in a better position to bargain for the lowest prices, the best service and the fastest delivery. Companies will have to leverage their individual strengths to offer the consumer various options if they intend to retain customers.

Check your progress 4

1. The 'Entrepreneur' might fail due to Production problems and few reasons are listed below. Please select the right answer.
   a. Raw material shortages
   b. Lack of proper capacity utilization
   c. Lack of proper quality control
   d. All of the above
   e. None of the above
2. Today's Entrepreneurship must learn to use Internet. Few reasons are as given below. However, one of them is not correct, which one?
   a. The Internet facilitates "friction free" capitalism by providing a means of direct contact between manufacturer and the end consumer.
   b. A middleman becomes stronger as consumers prefer to deal directly with them and are empowered to do so by the Internet.
   c. The "Service Approach" will gain ground, as companies empower their employees to deal directly with customers.

1.6 Fatal Mistakes for Small Retailing

In today's fast-moving and ever-changing business environment, mistakes can be fatal. Even at best, statistics show that about half of small businesses last less than two years. Even though the list of potential mistakes that retailers can make is long, the following six are some of the most frequent and devastating.

1. **Failure to plan effectively and objectively:** Many new retailers plunge into business with little more than a prayer and a lot of optimism. Take time to prepare a business plan and estimate your financial needs. Nothing kills a retail business quicker than under funding. Planning should also include location, your market demographics and your product line.

2. **Focusing on products and not the market:** Sometimes the owner stubbornly hangs on to a product or product line, even though the market has passed them by. You're in business to make a profit, not to sell a particular product. Don't become too attached to your products. A word of caution is appropriate here: You shouldn't arbitrarily dump a product line because of seasonal or occasional setbacks. There are ways to update your product lines without ditching them entirely. For example, if you run a gift shop that carries home decor products, you need to update your product offerings regularly to stay in step with changing decorating styles.

3. **Small retailers cannot effectively compete with big-box retailers:** and the internet on many standard over-the-counter products like small appliances and electronics and should concentrate instead on more individualized products and services. You can offer more personal service and more choices on custom-made and one-of-a-kind products, such as lamps, rugs, furniture, and locally produced merchandise.

4. **Failure to change with the market environment:** This is somewhat related to No. 2 above, but it's focused more on selling methods and media. Only a few years ago, movies were rented and returned at local video stores. Today, they're mostly rented online and/or by mail, or by downloading them directly to your computer. The internet has dramatically changed many of our shopping practices, and customers are demanding more specialized and customized products and services, as well as comfortable venues in which to shop. Selling standard products off the rack from a plain-vanilla store environment rarely works anymore.

5. **Underestimating the demands of retailing:** The demands of operating a successful retail store are many, constant and, frankly, all-consuming at times. Some would-be retailers mistakenly assume they can open and operate a retail store in their spare time. Retailing involves an endless cycle of buy, market, display and sell that can be extremely tiresome and demanding, especially for some personality types. It also means lots of long days and/or nights in the store selling and in the office ordering and paying bills. Of course, with success comes an increasing quality of life if you hire more employees to provide relief, but this in itself carries its own set of problems and demands.

6. **Neglecting customer service:** This may be the biggest cause of retail failure. Some retailers think that customers are there for their convenience, not the other way around. Many retail businesses fail because they were located in inconvenient locations and because they didn't accommodate their business hours to customer needs. If you're targeting working people, for example, you probably won't succeed if you open at 10 and close at 3.

The other major sin in this category is failing to treat all customers with courtesy and respect. Things as basic as not greeting customers when they enter the store, offering help in merchandise selection, and ignorance about the store policies and stock are commonplace occurrences. Train your employees--and yourself--on the basics of customer courtesy and service.

There are so many risks and pitfalls in today's rapidly changing marketplace; it makes sense to increase your odds of success by avoiding them.

Check your progress 5

1. As per the text above there are a number of fatal mistakes which an 'Entrepreneur' might commit and few reasons are listed below. One of them is not correct, which one?

   a. Neglecting customer service

   b. Offering a low price for the product/service

   c. Failure to change with the market environment

   d. Focusing on products and not the market

   e. None of the above

1.7 Let Us Sum Up

No Entrepreneur possibly wants their business to fail. However, it is a well-known fact that a large number of business fail due to many reasons. Hence in this unit at attempt has been made to explain the reasons why businesses fail. The reasons could be external and internal to the business. And to explain this better, all the major functions of an organization were taken up and possible reasons of failure due to each one of them were analyzed.

It is also known that a majority of Entrepreneur start small business and hence a special focus was given to deal with the possible reasons of failure of small units.

1.8 Answers for Check Your Progress

Check your progress 1

Answer: (1-b)

Check your progress 2

Answer: (1-a)

Check your progress 3

Answer: (1-d)

Check your progress 4

Answer: (1-a), (2-b)

Check your progress 5

Answer: (1-b)

1.9 Glossary

1. **E-business** – the business of buying and selling goods and services on the internet.
2. **Branding** – The process involved in creating a unique name and image for a product in the consumers' mind, mainly through advertising campaigns.
3. **Bureaucratic** – A system of government in which most of the important decisions are taken by state officials.
4. **Product Life Cycle** – is the cycle through which every product goes through from introduction to withdrawal or eventual demise.
5. **Ancillary** - support to the primary activities or operation of an organization, system, etc

1.10 Assignment

Interview any one business entrepreneur and write a report on problems faced by him when he started off.

1.11 Activities

From the above outcome of interview, list out the plan of actions to avoid such problems for any future Entrepreneur.

1.12 Case Study

You need to list out the reasons of failure. What is your learning? Write them down in the order of importance.

1.13 Further Readings

1. Entrepreneurship Development by S. Anil Kumar.
2. Entrepreneurship Development in public Enterprises by Joseph Prokopenko and Igor Pavlin.
3. Entrepreneurship Development in India by Sami Uddin.

UNIT 2: WOMEN ENTREPRENEURS

Unit Structure

2.0 Learning Objectives

2.1 Introduction

2.2 Reasons for Low / No women Entrepreneurs,

2.3 Role, Problems and Prospects,

2.4 National Organizations of Women Entrepreneurs,

2.5 International Organizations of Women Entrepreneurs,

2.6 Networks Promoting Women's Entrepreneurship.

2.7 Let Us Sum Up

2.8 Answers for Check Your Progress

2.9 Glossary

2.10 Assignment

2.11 Activities

2.12 Case Study

2.13 Further Readings

2.0 Learning Objectives

After learning this unit you will be able to understand:

- The Reasons for Low / No women Entrepreneurs
- Their Role, Problems and Prospects
- The National Organizations of Women Entrepreneurs
- The International Organizations of Women Entrepreneurs
- The Networks Promoting Women's Entrepreneurship

2.1 Introduction

In today's world, more and more women are taking the entrepreneurial route. Women Entrepreneurs now comprise between 5 to 10 % of the total number of entrepreneurs in the country. This chapter explores the motivation, feasibility, problems and prospects of female entrepreneurs. Internationally, women are now starting ventures at three times the rate of men. They are similar to their male counterparts in terms of the "Departure Point" (the point at which the entrepreneurs decides to quite his / her job and start a venture), which is usually a strong interest and experience in the area of their venture.

However, in terms of motivation, business skills and occupational backgrounds, women entrepreneurs are markedly different from men. Some of the differences between female and male entrepreneurs on various aspects are listed below:

Motivation

Male entrepreneurs are motivated by a desire to make things happen. They also desire personnel independence and personal and job satisfaction from being in control.

Women entrepreneurs, on the other hand, are motivated by a desire to accomplish something. Their desire for independence stems from a feeling of frustration at not being permitted to perform and grow in a job situation.

Sources of Funds

Male entrepreneurs tend to take funding from banks, investors and friends and family in addition to their own savings.

Women entrepreneurs tend to rely mostly on their own savings, personal loans.

Occupational Background

Male entrepreneurs are usually recognized specialists in their field of work. They are competent in a variety of business functions and usually have a technical background.

Female entrepreneurs typically have middle-management experience and have a service-related occupational background.

Personality

Male entrepreneurs tend to be egocentric and persuasive. They are innovative and idealistic, have a high level of self-confidence and are enthusiastic and energetic.

Age of starting venture

Males typically start their first venture between the ages of 25 and 35.

Females typically start their first venture between the ages of 35 and 45.

Educational background

Men usually have a degree in business or a technical field, mostly engineering.

Women typically have a degree in liberal arts. However, with the large number of women now enrolling in engineering and other technical streams, this aspect is set to change.

Type of venture

Male entrepreneurs typically start a manufacturing or construction business.

Female entrepreneurs typically start a service related business, such as an educational service, consultancy or public relations.

2.2 Reasons for Low / No women Entrepreneurs

While the number of women entrepreneurs is no doubt growing, they still for minority in the total number of entrepreneurs. Women face a number of barriers prevent them or deter them from becoming entrepreneurs. Some of the reasons are:

Cultural Barriers

Traditionally, women have been relegated to the home. While the number of women in the workface has increased, the taking on the role of entrepreneur is often seen as a challenge to tradition and culture. Women are permitted to work, but not to start their own ventures.

Family Responsibilities

Entrepreneurial ventures place tremendous demands on time. The family responsibilities of many women prevent them from dedicating that amount of time

to the venture. Often, women start a venture but find that the pressure from family responsibilities prevents them from making the venture a success.

Lack of Education

We have seen that most entrepreneurs are well educated, possessing at least a college degree. Women in India are often married off at an early age and discontinue their studies at that point. Entrepreneurial ventures can only succeed if the entrepreneur is well versed with finance, marketing etc., a background that women often do not get due to their having to discontinue studies.

Tendency to depend on personal funds

Women entrepreneurs tend to depend on personal funds and personal loans to finance their ventures. Their reluctance to take institutional funding prevents the venture from growing, often preventing the venture from even taking off the ground.

Lack of support from spouses

Husbands often do not support their wives in entrepreneurial ventures. For a venture to succeed, it is vital for the entrepreneur to have emotional support, to get them through the long and lonely process of making a venture successful. When this emotional support is lacking, the entrepreneur may get disheartened and abandon the venture.

Lack of awareness

While there are many support institutions and NGOs already in place to help women entrepreneurs, a lack of awareness about their existence prevents women from using their services.

Check your progress 1

1. One of the following is not the reason for low number of women Entrepreneurs, which one?
   a. Tendency to depend on personal funds
   b. Lack of support from spouses
   c. Banks do not give loans to women
   d. Family Responsibilities

2.3 Role, Problems and Prospects

Role

Given their focus on the service sector, women entrepreneurs fill an important gap in the kinds of industry a nation develops. Women entrepreneurs have an important role to play in developing the service sector, especially in areas where men typically do not start ventures, such as office services, care giving, hospitality, catering, etc. Women entrepreneurs need to be lauded for their increased investments, finding a niche in the export market, creating a sizable employment for other and setting the trend for other women entrepreneurs in the organized sector.

Women entrepreneurs have made a niche in sectors like fashion, cosmetics and beauty treatments, etc., on the upper end of the market and catering, nursing, care-giving, education, etc., on the lower end. The terms upper and lower end need not necessarily refer to turnover but are more an indicator of the glamour of the business that women entrepreneurs are currently engaged in.

Problems

The main problems women entrepreneurs face are:

1. **Lack of knowledge about markets -** Women entrepreneurs, particularly rural entrepreneurs, often have no knowledge of the various markets to whom they can sell their products. For example, the military, schools etc., constitute bulk markets those women entrepreneurs simply have no idea that such a market exists.
2. **Lack of knowledge about government procedures -** Women entrepreneurs lack knowledge about government procedures to be followed in setting up units, etc. This leaves them at the mercy of inspectors, agents and others who harass them and prevent them from working efficiently.
3. **Lack of knowledge about financial solutions -** Women entrepreneurs are often unaware of financial solutions provided by banks and other financial institutions. Thus, in a cash crunch, they are more likely to fold rather than seek aid from institutions.
4. **Inability to use technology -** Given the fact that most women entrepreneurs are currently educated in Arts rather than in technical subjects, they show a reluctance and inability to use technology to their advantage. They thus miss out on several benefits that modern technology driven market.

5. **Lack of training -** Women face the problem of lack of training. Often, the home situation forces them to forgo training in specific fields where they may be lacking in skills, such as business administration and marketing. They may be expert in their own field, such as tailoring, but lack the necessary skills in marketing, finance and administration that are required to run the business successfully.

6. **Lack of family support -** In a male dominated society, many women are forced to perform traditional roles in the family. Even if such women do manage to overcome initial opposition and start the venture, they find that spouses and in laws often put subtle barriers in their way, thus forcing them to abandon the venture halfway. There are several instances where successful women entrepreneurs are forced to choose between their business and the family and end up giving up a lucrative venture.

   Secondly, even if the family does not actively discourage the women entrepreneur, she often finds that the emotional support she needs in the dark years of the venture is not forthcoming from the husband. As mentioned earlier entrepreneurship is a bleak process, involving long periods of loneliness and isolation, and entrepreneurs frequently need emotional support from a spouse. If such support is not forthcoming, the entrepreneur may lose courage and drop the venture.

7. **Lack of proper representation -** Women entrepreneurs are often unable to present their unique needs to the government. Working in scattered, isolated islands of their own, they cannot come together to make a proper presentation to government bodies, financial institutions, etc., to put before them their unique needs and aspirations. Therefore, their needs go largely unaddressed.

8. **Cultural barriers -** Women entrepreneurs face covert and overt resentment from officials, customers, suppliers and service providers because of their gender. Since they have traditionally been in the background, they are seen to be a threat to male dominated industries and face a lack of co-operation from various entities.

Prospects

There can be no doubt that the number of women entrepreneurs is increasing. However, certain steps need to be taken to help women entrepreneurs. Some of the steps are:

1. **Counseling -** Most of the time women don't know where to start or what kind of enterprise they should take up. Counseling on the types of enterprises they can start, the kind of capital required skills that can be converted into business ventures, etc., is essential to encourage women entrepreneurs. Counseling centers should also pay attention to the family background of the women entrepreneur, the family support she currently receives, spare time available, etc., so that she can be correctly counseled as to the type of venture she can start.

2. **Help with government formalities -** As pointed out above, women entrepreneurs are often unaware of government procedures. It would helps if there were agencies that helped women comply with various government formalities so that they can run the business smoothly.

3. **Help with identifying markets -** Women entrepreneurs often need guidance in identifying markets. Agencies that work with women entrepreneurs can often point them in the right direction and help them identify large markets as well as niche markets. For example, women who start tailoring ventures often do not know that the army is one of the largest consumers of stitched garments (uniforms). Similarly, local schools, local companies, etc., are often very good markets that women entrepreneurs can tap into. The aid of an agency that can guide them to these markets is invaluable in developing a cadre of women entrepreneurs.

4. **Training Programs -** Often, women may have the time and the motivation to start an enterprise, but may lack basic skills. Training programs in vocational subjects such as tailoring stenography, jeweler making, etc. would be invaluable in developing these entrepreneurs. In India, the Ministry of Industry has established the Small Industries Institute that has facilities in all the major cities where women (and men) can get training on manufacturing agricultural products, jewelry, and other products. NGOs and government agencies working with women entrepreneurs can guide women to these facilities so that they can pick up these facilities so that can pick up these basis skills and convert them into lucrative business ventures.

   Women entrepreneurs may also be lacking in inputs as far as knowledge of finance, production, marketing, personnel, etc. are concerned. Training programs in these disciplines, tuned to the needs of such entrepreneurs, would go a long way in empowering them to run their business successfully.

5. **Dissemination of information -** Women, especially in rural areas, often have a great family burden imposed on them. Given this fact, it is imperative that information be delivered to them rather than have they gone to centers where information is available. Women may not be able to spare the time to travel to an information center to get information on government schemes, finance schemes, financial institutions, training programs, market information, etc.

6. **Representation to government -** There is also a pressing need for the unique problems, requirements, etc., of women entrepreneurs to be put before the government. For this to happen, there has to be representation of grassroots women entrepreneurs at the national level. Since the entrepreneurs themselves can scarcely be expected to take an active part in this representation, there has to be some effort made to gather data from these entrepreneurs and put this data before the government. While such structures exist on paper, too often they are mired in red tape and bureaucracy. Therefore, there have to be committed women's groups that can suitably represent women entrepreneurs at various levels. For example, the Federation of Indian Women Entrepreneurs (FIWE), with the help of the Finance Ministry, was able to get women entrepreneurs on the boards of all India's major financial institutions, government agencies, purchasing organizations, and corporations. As a result, in the future the needs and requirements of women-owned business are more likely to be taken into consideration.

7. **Provision of finance -** The government has granted several concessions that benefit women entrepreneurs. For example, the Small Industries Development Bank of India and state level government banks now require that women entrepreneurs raise a smaller percentage of the capital they need. If a man is starting a business, he has to have a funding ratio of 1to 3; that is, he must put up one rupee for every three he obtains from the banks. But in the case of women, they must put up just 10% and can obtain financing for the remaining 90%. The only limitation is that this kind of credit can be given only to very small businesses. Such limitation is that this kind of credit can be given only to very small businesses. Such latitude to women will go a long way in enabling them to start up businesses on their own.

   However, commercial banks still do not have any women-centric schemes. In other words, women-owned businesses (where women own 51% or more

of the capital and at least 51% of the staff are women) have no special place in the finance schemes formulated by commercial banks. Also, commercial banks tend to concentrate their business at the upper end of the spectrum in most slabs. For example, in the small scale sector, most of the finance is pitched at units that have a capital near or at the ten million rupee mark, which is the very top end of the spectrum. Most business run by women, however, is nowhere near this mark and tends to hover around the lower end of the slab. They are therefore left out of the schemes run by commercial banks for the small scale sector.

Thus, while medium and large scale units – whether run by women or men – have no problem getting credit, small scale and tiny industries, a category into which a majority of the women entrepreneurs fall, hardly get any credit at all.

8. **The International scene -** In an increasingly globalized scenario, women from various nations too, need to band together to develop women entrepreneurs. Women need to know not only what is happening beyond their doorstep, but also beyond the seas, on the international front. Towards this end, organizations like the FIWE and IFWE (the International Federation of Women Entrepreneurs) are providing great service. The IFWE was started by the national presidents of federations of women entrepreneurs in eight countries – Pakistan, Nigeria, Indonesia, Malaysia, India, China, Korea and Australia.

Some Important Schemes for Women Entrepreneurs:

- Mahila Udyam Nidhi Scheme by the Maharashtra State Financial Corporation (MSFC), to encourage women entrepreneurs to start their own ventures.
- Shree Shakti Schemes by State Bank of India.
- Schemes by Mahila Arthik Vikas Mahamandal (MAVIM).
- Priya Darshini Scheme by Bank of India.
- P.M.R.Y. (Prime Minister's Rozgar Yojana) Project Cost upto Rs.2.00 lakhs.
- Seed Money Scheme Project Cost upto Rs.10.00 lakhs.
- National Equity Fund Project Cost upto Rs.50.00 lakhs.
- DIC Loan Scheme Project Cost upto Rs.2.00 lakhs.

Here is some fundamental business advice—simple, straight forward and easy to implement.

1. Find a need—be ahead of your time.
   Find a niche where the Giants won't bother to go.
2. Identify your market and learn all about it.
   You have to know everything about your business at the start.
3. Prepare a business plan.
   No bank will take you seriously without a plan for profits.
4. Have adequate financing to start and to stay.
   Success does not happen overnight, so be sure you're financially fit.
5. Pay for the best professional advice.
   Lawyers, accountants, insurers do work on an as needed, fee basis.
6. Keep your overhead low and your standards high.
   Work from home or at a low cost, convenient location.
7. Establish a clearly defined distribution network.
   Whatever your product or service, how will you present and sell it?
8. Be creative—your new idea does count.
   Depend on marketing strategies rather than costly advertising to grow.
9. Seek and hire the most qualified people.
   From the first employee, look for someone who knows more than you.
10. Know your competition and work to win.
    Be persistent, focused and flexible…anything can happen.
11. Learn from the success and failure of others.
    Read, watch trends, and observe what is "hot" in your industry.
12. Use technology as a tool for building your business.
    From computers to telecommunications to the Web -use them all.
13. Don't be sensitive and don't take it personally.
    Be prepared for rejection, but never give up your dream.
14. Never underestimate the power of passion.
    You will need to take risks and believe when no one else does.

Check your progress 2

1. The main problems 'Women Entrepreneurs' face as listed below:
   a. Lack of knowledge about markets
   b. Lack of knowledge about financial solutions
   c. Inability to use technology
   d. All of the above
   e. None of the above

2.4 National Organizations of Women Entrepreneurs

1. **Federation of Indian Women Entrepreneurs (FIWE)** is one of India's premier national level institutions for women devoted to entrepreneurship development. It was founded in 1993 and has over 15000 individual members and over 28 member associations spread over the country.

   The objective of the organization is to help in the Economic Empowerment of Women, particularly the SME segment, by helping them to become successful entrepreneurs and become a part of the mainstream industry by providing help in the form of technical knowledge, industry research and expertise and networking platforms for women to develop their skills through training.

   The organization ensures that the women entrepreneurs' opinions, ideas and visions are taken into consideration by policy makers and other agencies for the development of Enterprise in Women.

2. **Confederation of Women Entrepreneurs (COWE)** is situated in Hyderabad and listed with voluntary organizations and NGOs.

3. **Association of Women Entrepreneurs of Karnataka (AWAKE)** It is a not- for-profit NGO founded in 1983 and devoted to development of entrepreneurship among women. The functioning of the organization is carried out by women entrepreneur members who volunteer to guide women who want to start or improve their business. They provide counseling, training, peer group support and share their experience and expertise.

4. **TiE Stree Shakti (TSS)** The Indus Entrepreneurs, founded in 1992 in Silicon Valley by entrepreneurs rooted in the Indus region launched this

forum for women entrepreneurs based on their significant contribution to self, family and society. According to TiE,

- Women usually start businesses in the fields of catering, beauty salons and boutiques.
- Women hold only 15% of the top management positions in private organizations.
- 78% women from poor families want to start their own ventures.

5. **Consortium of Women Entrepreneurs of India** is located in Karol Bagh, Delhi and is a NGO. It is also involved in a plethora of activities to encourage, guide and help budding women entrepreneurs.

Check your progress 1

1. There are a number of organizations in India to help 'Women Entrepreneurs' as listed below.
   a. Confederation of Women Entrepreneurs (COWE)
   b. Association of Women Entrepreneurs of Karnataka (AWAKE)
   c. Federation of Indian Women Entrepreneurs (FIWE)
   d. All of the above
   e. None of the above

2.5 International Organizations of Women Entrepreneurs

1. **Association of Women Business Centers:** The AWBC develops and strengthens a global network of women's business centers to advance the growth and success of women business owners. Its strategic focus is on advocacy (outreach, lobbying and legislation), capacity building (leadership, training and sustainability) and research (global trends and impact).
2. **Center for women and enterprise:** Launched in 1995, they have helped over 14,500 women start businesses and grow them into successful ventures.
3. **American Business Women's Association ABWA's:** mission is to bring together businesswomen of diverse occupations and to provide opportunities

for personal and professional growth through leadership, education, networking support and national recognition.

4. **Alliance of Business Women International:** ABWI is a non profit organization founded in 1995 to encourage and support businesswomen involved or interested in international trade opportunities.

5. **Athena Foundation:** Supporting, developing and honoring women leaders, inspiring women to achieve their full potential and creating balance in leadership worldwide is the mission of this organization, founded by Martha Mertz in the early 80's.

The above are only a few of the prominent national and international organizations involved in the entrepreneurship development for women. There are numerous other such organizations working towards encouraging and helping women entrepreneurs.

Check your progress 4

1. One of the statement given below in not correct, which one:

   Introducer of a new good, of a new method of production, the opening of a new market

   a. Alliance of Business Women International: ABWI is a profit making organization founded in 1995

   b. Center for women and enterprise: Launched in 1995, they have helped over 14,500 women…

   c. Association of Women Business Centers: The AWBC develops and strengthens a global network of women's business.

2.6 Networks Promoting Women's Entrepreneurship.

Again, there are a huge number of such networks functioning all over the world, some of which are being enumerated below.

1. **Association of Organizations of Mediterranean Businesswomen -** It is an European and Mediterranean Platform of Businesswomen Organizations composed by a total of twenty-five Associations Members located

throughout all Mediterranean from Spain to Syria, passing through Morocco, Algeria, France, Italy, Croatia, Albania, Greece, Malta, Cyprus, Turkey, Lebanon, Egypt and Jordan.

2. **Impress Network International network for entrepreneurial women**, **UK -** Founded by successful business women to 'inform, educate & reciprocate' - Impress Network was designed to guide women entrepreneurs through the whole process of achieving professional and personal success. There are tips on business and marketing, sales and PR, as well as help on dealing with psychological and health issues.

3. **WENNET (Women Innovators for Europe) -** Business women and women scientists have a key role to play in the future of regional economies. However, it is vital that these "Women Innovators" gain access to international networks and other like-minded people in Europe. WENNET offers women innovators the opportunity to learn about cooperating and offers support services to them for doing business internationally.

4. **Euroimpressa Legnano**, **Italy -** Euroimpresa Legnano is a limited consortium company founded in 1996. Euroimpresa's mission is to activate endogenous resources, promoting development projects supported by resources from various expense centres. Euroimpresa offers assistance and consultancy services to the local communities and SMEs. It has promoted several interventions in West and North Milan aiming at evaluating the efficacy of the instruments for increasing female employment rates, paying attention to adaptability and to self-employment and small entrepreneurship prospects.

5. **FCEM -** France (Femmes Chefs d'Entreprises Mondiales – World Women Entrepreneurs) It encourages and counsels female start-ups, ensures representation of women entrepreneurs in the social dialogue, informs and trains women entrepreneurs, besides creating networks.

Check your progress 5

1. There are large numbers of organizations to help 'Women Entrepreneurs'. Please select the correct statement from the list given below:

   a. Association of Organizations of Mediterranean Businesswomen

   b. Impress Network: International network for entrepreneurial women, UK

   c. WENNET (Women Innovators for Europe)

   d. All of the above

   e. None of the above

2.7 Let Us Sum Up

As already stated earlier in this block, the number of women Entrepreneurs is relatively small and hence a detailed analysiz has been made in this unit. It is expected that after reading this unit, you must have understood the reasons. There are a number of organizations created to specially help women Entrepreneurs and they have been discussed in details.

In today's world wide networking sis possible at a relatively small expense and hence some inputs have been given on this aspect as well. You might have read a brief list of financial assistance availability as well.

2.8 Answers for Check Your Progress

Check your progress 1

Answer: (1-c)

Check your progress 2

Answer: (1-d)

Check your progress 3

Answer: (1-d)

Check your progress 4

Answer: (1-a)

Check your progress 5

Answer: (1-d)

2.9 Glossary

1. **Long-term Capital -** investment owned for longer than 12 months.
2. **Working Capital -** It is a financial metric which represents operating liquidity available to a business.
3. **Egocentric -** having little or no regard for interests, beliefs, or attitudes other than one's own.
4. **Niche -** a comfortable or suitable position.
5. **NGO -** It is an organization that is neither a part of a government nor a conventional for-profit business. Usually set up by ordinary citizens.

2.10 Assignment

Pick at least 3 organizations in India which assist Women Entrepreneurs in India. Find out what is the assistance one can expect and prepare a report which might help future Women Entrepreneurs.

2.11 Activities

Visit any Branch of a Nationalized Bank which is near your location. Meet the right person and find out the assistance they can provide to Women Entrepreneurs. Prepare a report based on your discussions.

2.12 Case Study

Shri Mahila Griha Udyog Lijjat Papad, popularly known as Lijjat, is an Indian women's cooperative organization.

Lijjat was the brain child of seven Gujarati women from Bombay (now Mumbai). The women lived in Lohana Niwas, a group of five buildings in Girgaum. They wanted to start a venture to create a sustainable livelihood using the only skill they had i.e. cooking. The seven women were Jaswantiben Jamnadas Popat, Parvatiben Ramdas Thodani, Ujamben Narandas Kundalia, Banuben. N. Tanna, Laguben Amritlar Gokani, Jayaben V. Vithalani, and one more lady whose name is not known.

The women borrowed Rs 80 from Chhaganlal Karamsi Parekh, a member of the Servants of India Society and a social worker. They took over a loss-making papad making venture by one Laxmidasbhai, and bought the necessary ingredients and the basic infrastructure required to manufacture papads. On 15 March 1959, they gathered on the terrace of their building and started with the production of 4 packets of papads. They started selling the papads to a known merchant in Bhuleshwar. From the beginning, the women had decided that they would not approach anyone for donations or help, even if the organisation incurred losses.

However, their turnover reached Rs6.50 Billion and they are having over 45,000 people.

You may like to read more about them and the company over I'net and list out the reasons for their success.

2.13 Further Readings

1. Women Entrepreneurs by D. Lalitha Rani.
2. Women in Business: perspectives on women entrepreneurs by Shiela Allen and Carole Truman.
3. Women Entrepreneurs by Kamla Rani.

Block Summary

Entrepreneurship is one of the most important and interesting subject. However, this subject needs to be studied along with the case studies and assignments for you to develop a proper understanding and appreciation. Once upon a time it was thought, that Entrepreneurs are born and not made but now a days those ideas are undergoing a change.

And after reading this subject you must have also realized that it is possible to learn and practice Entrepreneurship for anyone with drive and willing to put in hard work.

After successful completion of this block you must have learnt the following:

- Understand the likely Financial, Administrative, Marketing or Productions Problems of any Business
- Learn the Fatal Mistakes for Small Retailing
- Know the Reasons for Low / No women Entrepreneurs
- Discuss their Role, Problems and Prospects
- Learn about the National Organizations of Women Entrepreneurs
- Learn about the International Organizations of Women Entrepreneurs
- Explain the Networks Promoting Women's Entrepreneurship

Block Assignment

Write short notes on:

1. Role of Women entrepreneurs.
2. Problems faced by Women entrepreneurs in India.
3. Methods to develop women entrepreneurs.
4. Important schemes for women entrepreneurs in India.
5. Prospects of women entrepreneurs.
6. Marketing Problems faced by Entrepreneurs.
7. Administrative Problems.
8. Challenges from the new Business Scenario, including e-business.
9. Financial Problems.
10. Role of human resources in causing administrative problems.

Long answer questions

1. State the obvious and traditional reason why Entrepreneurs fail.
2. Enumerate and explain the major mistakes of small retailing.
3. Explain how women entrepreneurs differ from male entrepreneurs on various aspects.
4. Why is there a low incidence of women becoming Entrepreneurs in India?
5. How can Women Entrepreneurs be developed in India?
6. Write short notes on:
    a. Role of Women entrepreneurs
    b. Problems faced by Women entrepreneurs in India
    c. Methods to develop women entrepreneurs
    d. Important schemes for women entrepreneurs in India
    e. Prospects of women entrepreneurs
    f. Marketing Problems faced by Entrepreneurs.
    g. Administrative Problems

Entrepreneurs Failure and Women Entrepreneurs	h. Challenges from the new Business Scenario, including e-business. i. Financial Problems j. Role of human resources in causing administrative problems

Enrolment No. ☐

1. How many hours did you need for studying the units?

Unit No	1	2	3	4
Nos of Hrs				

2. Please give your reactions to the following items based on your reading of the block:

Items	Excellent	Very Good	Good	Poor	Give specific example if any
Presentation Quality	☐	☐	☐	☐	_____
Language and Style	☐	☐	☐	☐	_____
Illustration used (Diagram, tables etc)	☐	☐	☐	☐	_____
Conceptual Clarity	☐	☐	☐	☐	_____
Check your progress Quest	☐	☐	☐	☐	_____
Feed back to CYP Question	☐	☐	☐	☐	_____

3. Any Other Comments

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Education is something which ought to be brought within the reach of every one.

- Dr. B. R. Ambedkar

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