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ENTREPRENEURSHIP DEVELOPMENT, PAPER CODE-305

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UNIT I THE FOUNDATIONS OF ENTREPRENEURSHIP

Introduction:

The word entrepreneur has come from the France word "entreprendra" which means to undertake, to pursue opportunities to fulfill needs and wants through innovation to undertake business.

In the year 1725 the word entrepreneur was first brought into economics by a social scientist named Richard cantilion., the expert who invented the theory of entrepreneurship was David mc cellion in 1961.

An Entrepreneur

An entrepreneur is an individual who accepts some sort of risk — usually financial — in the pursuit of new ventures. The word can apply to any person organizing a new project or opportunity, though it is most often used in a business context. A person in this role is often characterized as innovative, independent, optimistic, creative, and hard-working.

"An entrepreneur sees an opportunity which others do not fully recognize, to meet an unsatisfied demand or to radically improve the performance of an existing business. They have unquenchable self-belief that this opportunity can be made real through hard work, commitment and the adaptability to learn the lessons of the market along the way.

"They are not diverted or discouraged by skepticism from 'experts' or from those from whom they seek backing and support, but willing to weigh all advice and select that which will be helpful. They are prepared not just to work seriously hard but to back their judgment with personal investment at a level which will cause problems if they are wrong about the opportunity. They understand that achievements are the result of team work and know how to choose the necessary blend of talents and inspire them with their vision."

There was various definition of entrepreneur:
According to America heritage dictionary:

"Entrepreneur is a person who organizes operates and assumes the risk for business venture"
The dictionary of social science has defined entrepreneur from functional viewpoint. According to it "entrepreneur is a person 1) who exercise the function or 2) initiating coordinating controlling or institute major change in a business enterprise and or 3) bearing those risk of operation which arise from the dynamic nature of society and imperfect knowledge of the future which can cast through transfer calculation or elimination

According to encyclopedia Britannica
"Entrepreneur as the individual who bears the risk of operating a business in the face of uncertainty about future condition and who is rewarded accordingly by his profit or losses".

Richard cotillion says "Entrepreneur is the agent who purchased the means of production for combination into marketable product".
So we can say that entrepreneur a person who takes risk for establishing a new venture or business in order to create utility for the welfare of human being as well as for him of herself. She or he is always a person who seeks out opportunities and takes on challenges.

The benefits of Entrepreneurship:

Entrepreneurs develop business ideas and test them in a business venture, and entrepreneurs produce innovations for employers. Entrepreneurship and intrapreneurship provide similar advantages; without them, society wouldn't have as many services and physical comforts as it enjoys in the 21st century. Most importantly, entrepreneurs and intrapreneurs benefit their organizations.

Motivation
The prospect of a new business venture, albeit a startup of one entrepreneur or a venture inside a company, motivates people to achieve. An organization should encourage employees to innovate by providing the right working environment. Some conditions that foster innovation are encouraging new ideas, providing access to resources, supporting trial and error and failure, and multi-disciplinary teamwork.

Stability
In a firm that encourages innovation, or ways to improve operations and products and create new products, the owners and employees enjoy economic stability. This company adapts to changes in the market to stay competitive and therefore has a better chance for survival. Stakeholders, although not innovators themselves, share in the economic stability provided by innovation. Without new business ideas, a company might lose its relevance in the market, which can lead to scaling down operations or going out of business.

Drawbacks of entrepreneur:
An entrepreneur may sometime become successful and sometime becomes failure. There are some causes of such success and failure. They are noted below:

- **Selection of business:** It is an important aspect. That means an entrepreneur has to determine what type business he is going to start. Form various points of view the

  feasibility of the business should be tested.

- **Proper planning:** Proper planning me s also important. For planning, planning premises like political, economic, social premised should be considered first. The steps of planning should be followed properly.

- **Initial capital:** if the initial capitals are not an optimal level the organization would fall. So whether the enterprise is big or small the initial capital should be sufficient enough.

- **Determination o0f market demand:** Through research the demand in the market should be identified. Both for long term and short term it should be considered.

- **Marketing of product:** If the promotion policy, channel of destitution, transportation is not good the enterprise would fall.

- **Education and experience:** One of the important tasks of the entrepreneurs is to select right person for the right post because the success of an enterprise depends on the right selection of employees.
- **Joint initiative:** One may have much money and another may have more merit. Through joint initiative it can be balanced. But sometime for joint initiative misunderstanding arise, or sometimes corruption occur which may result in fall of enterprise.
- **Employment:** Recruitment and appointment should be properly done. Those who have specialized skill should be appointed to that specialized job. Inefficient, corrupted employees may be responsible for fall of business.

- **Location of business:** Site selection is an important factor. While starting a new business, an entrepreneur should think about the location of the business. In this case, many factors should be considered such as availability of raw materials, proper communication system, availability of labor, marketing facilities and so on.

- **Qualities of management:** The management must have a minimum quality to success otherwise it would fall.

The cultural diversity of Entrepreneurship:

A growing body of area-level research has suggested links between aspects of urban cultural diversity and economic performance. In practice, these area-level results reflect multiple processes that largely operate at the level of firms; this section sets out the most important.

The power of small business:

Small businesses are in many ways the lifeblood of the economy. They hold the key to economic recovery around the globe because of their role in driving innovation and creating jobs.

Small businesses and entrepreneurs, particularly those in the high tech space, have driven **innovation**, **invention** and the **creation of new industries**. And the sustained recovery of the global economy hinges on their ability to grow.

Mistakes of an Entrepreneur:

In today's tough economic times, it is a good idea to start a business and become your own boss instead of searching for dream jobs you might never find. As a young and upcoming entrepreneur, you will be full of zeal and spirit and will always be willing to do everything possible to make things move your way. However, this does not mean you will be successful in everything you do. As a normal human being, you are bound to make many little mistakes along the way that will end up costing you. For you to avoid making these mistakes and do well, you should learn from older entrepreneurs who have made several trials, failed at one point or another, and finally managed to succeed.

The following are the top 7 common mistakes often made by young entrepreneurs. Go through them and identify the ones that ring a bill in your mind. Most importantly, learn how to avoid them to increase your chances of standing out among your competitors in the field of entrepreneurship.

1. Not Having Clear Goals and Vision

One of the greatest mistakes you can ever do as an entrepreneur is failing to come up with clear goals for your business. According to research, many young entrepreneurs just decide to venture into business without even thinking about the implications. They are not only unsure of what they want to achieve, but also don't know how to achieve it.

2. Taking Financial Planning for Granted

Failing to put enough finances for your business in place is a clear indication that your business will be going nowhere. For a business to thrive and stay afloat, everything must be budgeted and catered for from the start. If you do not have enough capital to invest in your business, it is better to start looking for ways to get money early enough even it means loaning or looking for part-time jobs. Even though it's not easy, you can also try to ask for funds from your trusted friends and family members.

Once you get enough money from loans, other infrastructural investments, or salaries, you need to plan very carefully on how to use it for the betterment of your business. Avoid mismanaging business money as much as possible. Do not start behaving like other irresponsible young adults wasting money on fancy cars, girlfriends, and expensive trips for no good reason. In any case you do not know how to manage large sums of money due to inexperience, it is very important for you to ask for advice from trusted friends, business associates, or relatives.

3. Trying to Do Everything Alone

It is very true that most young entrepreneurs prefer handling everything in their businesses alone without asking for assistance from others. This is very detrimental for any type of business. You should always know that running a business is a great challenge that you can never face alone even if you have all the necessary resources at hand. Therefore, you should stop wasting your valuable time trying to do everything alone and start looking for professional support and help from different people. Never be afraid of asking for any type of assistance from people who are more experienced than you. Always strive to work with like-minded individuals who can help you with better ideas on how to manage your business.

Even though it is a good idea to ask for help from others, it is very dangerous to seek for help from everyone. Due to jealousy, some people will try to give you wrong and conflicting opinions just to prevent you from succeeding. The best thing for you to do is to identify and listen to a few trusted individuals who you believe can help you out. Before you start doing anything you are told, you should be able to trust your own instincts and ensure you are doing the right thing.

4. Being Greedy

If your main intention for becoming an entrepreneur or businessman is to get money and become rich, be sure to fail terribly. Being greedy is one of the deadliest mistakes you can ever make as an entrepreneur because instead of building you, it will only destroy you and make you very miserable than you could never have imagined. Never keep your mind solely on the amount of money you expect your business to give you. Instead, try to concentrate on other important things like how to serve your clients in the best way possible, how to motivate your employees, how to get more business partners, how to invest wisely, and other vital factors that can make your business better in future. In addition, always be content with whatever your business has to offer, however little and be proud that you are managing your own life better than many of your peers or colleagues.

5. Unwilling to Admit Faults

Making a mistake is one thing, admitting and correcting it is another. There is no way a person can correct a mistake before admitting to being wrong. Research reveals that a great percentage of entrepreneurs are always unwilling to admit their faults. They tend to believe that their ideologies, strategies, and the way they handle their business issues are the best and should not be questioned by others. They turn deaf ears to important and helpful advises coming from other people. This is very wrong and unprofessional.

It is very important for you to own up to your mistakes and do whatever necessary to correct and learn how to avoid them in future. Try to see where you went wrong and listen to what others have to tell you because they might be having better ideas than you on how to make things work out. By doing this, you will be avoiding unnecessary troubles and inconveniences in the future, which is very healthy for your business. Do not be afraid to listen to what others have to tell you and never assume that you are the only one who knows better. Asking for advise or ideas from others does not mean that they are better than you or that you are inferior.

6. Being Impatient

According to statistics, about 60% of businesses do fail every year because of impatient entrepreneurs. They want to start making money immediately the business is in operation. Impatience is a very dangerous disease that attacks and kills a business in a very easy manner.

As a young entrepreneur, it is very important for you to understand that a business does not grow overnight. It takes time for any business to grow and start bringing in enough income according to expectations. Depending on the nature of your business, things might start getting bright for you after week, months, or even years only if you exercise patience. Concentrate on doing your best at all times and wait to reap the fruits of your hard work when the right time comes. Even though waiting for long might seem unbearable, never try to relent. You have no idea when you might stumble upon something capable of changing your business forever.

7. Forgetting to Create a Brand

Most entrepreneurs usually focus their minds on getting the job done and forget about giving their businesses a clear identity. You need to understand that not many people will trust you immediately you start operating your business. It is a very sensible idea for you to work on building a brand image for your business or company so that potential customers will know exactly what to expect from you. A good brand not only increases your credibility, but will also

sends your company's message clearly and allows you to connect well with your customers and motivate them to keep on coming back for your services and/or good.

How to avoid the pitfalls:

There are many mistakes you can make while working to get your product or business to the market – and staying on the path to profitability once you do – but let's start with the top four.

1. Strategic mentors

Entrepreneurs stumble and often fail when they get hung up on owning everything. While control is good, owning 100% is not necessary to your new venture. Other people can bring years of experience to the table. Don't be afraid to give up equity to someone who's been there before. After all, owning 90% of a successful business is much better than 100% of a failure. And you just may find you'll grow more quickly with another expert in tow. Always remember that it's important to have the right people in place, but you have to stay hands-on. Give rope, but stay on top of the decisions being made.

2. New media

Today a lot of entrepreneurs don't pay attention to the new media opportunities available to them. Social networks offer fantastic ways to promote a business. The old media avenues – television, radio and print – are very expensive. They're a few channels broadcasting to millions. New media, on the other hand, is millions of channels broadcasting to a few. Social media helped the Snuggie become popular. TV personalities like Ellen DeGeneres or Al Roker would wear a Snuggie, and suddenly images of them were everywhere. Many entrepreneurs fail to make the transition from old to new. Don't be one of them.

3. Capital offense

Cash is key in the early stages of business development. In their haste to launch a business quickly, many entrepreneurs set out undercapitalized. It's important to not only plan for your launch; you also have to plan for the future. We're talking dollars and sense. There are some serious issues to contend with if you launch an undercapitalized business. Capital is needed to pay wages, equipment leases, suppliers, bank loans, rent, and utility bills while your business catches on with consumers. You should plan for at least six months of capital so you don't need to pull any money out of your business.

Years ago, I was a commercial real estate and business broker. I sold to small manufacturing companies, bars, delicatessens, etc. If the purchase price was $100,000, the purchaser assumed that was all the capital he needed. But that's not the case. As the new owner, you need to jumpstart your business. It will take six months before you turn a losing business into a sustainable business – and a salary.

Don't just focus on the cost to open the doors – that's just the first part of your capital needs. A marketing budget and sustainable cash for the first six months will be the keys to your success. I recently spoke at a Valley Economic Development Center conference in San Francisco. The VEDC lends money to small businesses. I heard a terrible story about a gentleman who opened a muffler franchise. Four months into the business, he closed the doors because he was out of cash. He expected business to just come in the door because he was opening a nationally recognized franchise. You need enough capital to weather the storm.

4. Big promotion

You need to put a nice chunk of your budget into advertising and promotion. In the early days of your launch, it's important to set aside a higher percentage of your budget for things like cost per customer acquisition, marketing, and other means of promotion. Once an entrepreneur lands a customer, he or she needs to focus on continued opportunities for that customer. Keep an ongoing relationship via email and be sure to value your customer base as much as you can. Entrepreneurs don't focus enough on "what else can I sell my existing customers?"

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UNIT II LAUNCHING ENTREPRENEURIAL VENTURES:

Creativity and innovation:

Entrepreneurship as a process by which individuals and groups generate novel ideas, sort through the choice set to identify the ideas that are most promising, present ideas to relevant stakeholders (who similarly undertake an evaluation process), mobilize resources and support, and embody their ideas in an organizational form that engages in market-based competition. Social science has much to say about each step in this process, whether through the psychology of creativity and innovation, the sociology of organizations, or the economics of innovation.

Social scientific understanding of the processes by which creative people develop novel ideas that garner interest and support from stakeholders that lead to new organizations and new industries, and that, in some cases fundamentally alter economic and social orders.

Methods to initiate ventures:

One needs both vision and pragmatism to launch a successful venture.

1. **Define your raison d'etre:** According to Guy Kawasaki "The best reason to start an organization is to make meaning – to create a product or service that makes the world a better place." The world could be defined as your neighborhood, town, or city, basically to be successful identify a need or demand and attempt to fill it or eliminate it from people's lives.
2. **Succinctly articulate your vision:** In as few words as possible define your organization's goal, three words is better than five words. This mantra or motto should be immediately understandable to: employees, customers, suppliers, and supporters.
3. **Begin:** As the opening quotation implies, once you begin, you may be surprised how much you can accomplish or who aids you in achieving your goal. Create a prototype or samples, find your first customer, do something to demonstrate your commitment and the possibilities that lie ahead.
4. **Make Money a Priority:** In order to achieve your vision it must be profitable or at least self sustaining. Determine a business model that will allow your revenues to exceed your costs.
5. **List what comes next:** This short list should contain the organization's milestones, assumptions that are built into your business model and the tasks you need to accomplish to create your organization.

6. **Research:** Arguably this should have begun before defining your raison d'etre, however if you haven't already, make sure you have solid primary and secondary research showing that a need or gap exists and your product or service fills it. Also show that demand is such that your venture will be profitable or self-sustaining. Do not forget to research competitors and potential competitors as well as government regulations.
7. **Write A Business Plan:** The more money you need to raise, the better your business plan needs to be. The three most important things to articulate are: the quality of your team, the organization's competitive advantage, and the attractiveness of the market you plan on entering. Write no more than twenty five pages including an excellent executive summary of no more than two pages, preferably one, perform financials are also a must. Consult legal and accounting professionals as necessary. A ten slide (or less) presentation is optional but recommended.
8. **Register Your Business:** Determine the correct legal structure and officially register your venture. See the Resources section for details.
9. **Obtain Financing:** Your Performa financials will have identified the amount of money needed to launch as well as initial operating capital. Your vision, mantra, research, and business plan will aid you in obtaining the necessary funds.
10. **Location, Permits, Launch:** Some ventures are reliant on finding an excellent location or obtaining key permits and operating licenses. Do not underestimate the time, energy, and difficulties involved. Once over these hurdles you can commence marketing efforts and open the doors.

Legal challenges in Entrepreneurship ventures:

legal concepts consist of
a) Inception of the Venture
b) The Ongoing Venture
c) Growth and Continuity of the Venture

a) The Inception of an entrepreneurial venture is comprised of
1) Laws governing intellectual property**:** patents, copyrights, trademarks
2) Forms of business organization: sole proprietorship, partnership, corporation, franchise
3) Tax considerations
4) Capital formation
5) Liability questions

b) The Ongoing Venture is comprised of
1) Personnel law: hiring and firing policies, equal employment opportunity, collective bargaining
2) Contract law: legal contracts, sales contracts, leases

c) Growth and Continuity of the Venture is comprised of

1) Tax considerations: federal, state and local, payroll, incentives
2) Governmental regulations: property, administrative agencies, consumer law
3) Continuity of ownership rights: property laws and ownership, wills, trusts and ownership, bankruptcy

Search for Entrepreneurial capital:

Venture capital firms differ in size, geographic focus, industry specialty, and funding stage. Most firms stay closely involved with their portfolio companies, taking board positions, recommending management candidates, providing advice, and identifying valuable contacts.

Entrepreneurs approaching venture capitalists must have a business plan; however, it should be short and concise, rather than presenting the business in full detail because venture capitalists will conduct exhaustive due diligence. The plan should spell out the amount of funding the entrepreneur is seeking but should not detail the terms.

Venture capitalists consistently emphasize the importance of the management team in an entrepreneurial venture and focus much of their due diligence on the key people involved. They assert that a good idea is only executable when implemented by a top-notch executive team. Personal introductions are the best way to give your plan a chance. Use your network to find mutual acquaintances. Introductions give both sides an immediate reference point and raise your request above the incoming noise.

Submitting a Plan for Funding:

Prior to submitting your company for funding, you should create the following documents:

1. Executive Summary: About two pages long. This is usually sufficient for an initial submission. The venture capitalist will ask for other documents if they decide to proceed.
2. Business Plan: Up to 30 pages long. Most venture capitalists will ask to see a copy of your business plan.
3. Resumes: Keep them to one page if possible. Venture capitalists like to see resumes for all members of your key management team.
4. Financial Projections: Make sure these are realistic and explicitly describe the assumptions supporting the model
5. Capitalization Table: Describes the current ownership of the company, including number of shares and percentage. Include the employee option pool in this calculation.

UNIT III FORMULATION OF THE ENTREPRENEURIAL PLAN

Entrepreneurial plan:

The salient features of a business plan that should be drafted by an entrepreneur are as follows.

a. Admino graph
b. Broad understanding of the quantity and quality of the proposed products and services
c. Costing
d. Detailed Market studies
e. Evaluating the list of proposed products and/or services
f. Feasibility report
g. Growth profile of the scheme
h. Having the details regarding Sources of inputs
i. Information related to scheme of manufacture or provision of the services
j. Anticipated problems and their management.

The assessment functions with opportunities:

The various activities performed in the society are aimed at meeting the needs like economic, psychological, a few social, a few political and some others cultural or spiritual. They are met by foot, clothes, habitat, changing life styles, transport, entertainment and other modes. However all these requirements change continuously depending on the local conditions and impact of science and technology, time and place.

These changes demand fresh adjustments, modifications, inputs, patterns and innovations. An entrepreneur should be able to supply and supply these adjustments modifications, input, innovations. The sensing of the opportunity is critical for the entrepreneur because of the following reasons.

- To foresee the changes.
- Understand the significance and magnitude of these changes.
- Anticipate the quality and time of arrival of these changes.
- Understand the needs of the users of these changes.

Any lack in any of the above competencies can adversely affect the success of the enterprise. Thus sensing the opportunity, as it is essential for the success of the enterprise, is critical for a successful enterprise.

The marketing Aspects of new ventures:

Normally, micro and small-scale enterprises do not include sophisticated techniques which are used for preparing project reports of large-scale enterprises. Within the small-scale enterprises too, all the information may not be homogeneous for all units.

In fact, what and how much information will be given in the project report depends upon the size of the unit as well as nature of the production. A general set of information given in any project report is listed by Vinod Gupta (1999) in his study on “Formulation of a Project Report”. We are reproducing it here for your information and knowledge.

Project formulation divides the process of project development into eight distinct and sequential stages.

These stages are:

1. General Information.

2. Project Description.

3. Market Potential.

4. Capital Costs and Sources of Finance.

5. Assessment of Working Capital Requirements.

6. Other Financial Aspects.

7. Economic and Social Variables.

8. Project Implementation.

The nature of information to be collected under each one of these stages has been given below:

1. General Information:

The information of general nature given in the project report includes the following:

Bio-data of Promoter:
Name and address of entrepreneur; the qualifications, experience and other capabilities of the entrepreneur; if these are partners; state these characteristics of all the partners individually.
Industry Profile:
A reference of analysis of industry to which the project belongs, e.g., past performance, present status, its organization, its problems, etc.
Constitution and Organization:
The constitution and organizational structure of the enterprise, in case of partnership firm, its registration with the Registrar of Firms; application for getting Registration Certificate from the Directorate of Industries/District Industry Centre, etc.
Product Details:
Product utility product range; product design; advantages to be offered by the product over its substitutes, if any.

2. Project Description:
A brief description of the project covering the following aspects is given in the project report.

(a) Site: Location of enterprise; owned or leasehold land; industrial area; No Objection Certificate (NOC) from the Municipal Authorities if the enterprise location falls in the residential area.

Physical Infrastructure:
Availability of the following items of infrastructure should be mentioned in the project report:
(i) Raw Material:
Requirement of raw material, whether inland or imported, sources of raw material supply.

(ii) Skilled Labor:

Availability of skilled labor in the area, arrangements for training laborers in various skills.

(b) Utilities:

These include:

(i) Power:
Requirement for power, load sanctioned availability of power.
(ii) Fuel:
Requirement for fuel items such as coal, coke, oil or gas, state of their availability.
(iii) Water:
The sources and quality of water required should be clearly stated in the project report.

(c) Pollution Control:

The aspects like scope of dumps, sewage system and sewage treatment plant should be clearly stated in case of industries producing emissions.

(d) Communication System:

Availability of communication facilities, e.g., telephone, telexes etc. should be stated in the project report.

(e) Transport Facilities:

Requirements for transport, mode of transport, potential means of transport, distances to be covered, bottlenecks etc., should be stated in the business plan.

(f) Other Common Facilities:

Availability of common facilities like machine shops, welding shops and electrical repair shops etc. should be stated in the report.

(g) Production Process:

A mention should be made for process involved in production and period of conversion from raw material into finished goods.

(h) Machinery and Equipment:

A complete list of items of machinery and equipment's required indicating their size, type, cost and sources of their supply should be enclosed with the project report.

(i) Capacity of the Plant:

The installed licensed capacity of the plant along with the shifts should also be mentioned in the project report.

(j) Technology Selected:

The selection of technology, arrangements made for acquiring it should be mentioned in the business plan.

(k) Research and Development:

A mention should be made in the project report regarding proposed research and development activities to be undertaken in future.

3. Market Potential:

While preparing a project report, the following aspects relating to market potential of the product should be stated in the report:

(i) Demand and Supply Position:

State the total expected demand for the product and present supply position. This should also be mentioned how much of the gap will be filled up by the proposed unit.

(ii) Expected Price:

An expected price of the product to be realized should be mentioned in the project report.

(iii) Marketing Strategy:

Arrangements made for selling the product should be clearly stated in the project report.

(iv) After-Sales Service:

Depending upon the nature of the product, provisions made for after-sales service should normally be stated in the project report.

(v) Transportation:

Requirement for transportation means indicating whether public transport or entrepreneur's own transport should be mentioned in the project report.

4. Capital Costs and Sources of Finance:

An estimate of the various components of capital items like land and buildings, plant and machinery, installation costs, preliminary expenses, margin for working capital should be given in the project report. The present probable sources of finance should also be stated in the project report. The sources should indicate the owner's funds together with funds raised from financial institutions and banks.

5. Assessment of Working Capital Requirements:

The requirement for working capital and its sources of supply should be carefully and clearly mentioned in the business plan or project report. It is always better to prepare working capital requirements in the prescribed formats designed by limits of requirement. It will minimize objections from the banker's side.

6. Other Financial Aspects:

In order to adjudge the profitability of the project to be set up, a projected Profit and Loss Account indicating likely sales revenue, cost of production, allied cost and profit should be prepared. A projected Balance Sheet and Cash Flow Statement should also be prepared to indicate the financial position and requirements at various stages of the project.

In addition to above, the Break-Even Analysis should also be presented in the project report. Break-even point is the level of production/ sales where the industrial enterprise shall earn neither profit nor incur loss. In fact, it will just break even. Break-even level indicates the gestation period and the likely moratorium required for repayment of loans.

Break-even point (BEP) is calculated as follows:

BEP = F/S-V x 100

Where, F = Fixed Cost

S = Sales Projected

V = Variable Costs

Thus, the break-even point so calculated will indicate at what percentage of sales, the enterprise will break even i.e., no profit, no loss.

7. Economic and Social Variables:

In view of the social responsibility of business, the abatement costs, i.e., the costs for controlling the environmental damage should be stated in the project. Arrangements made for treating the effluents and emissions should also be mentioned in the report.

Besides, the socio-economic benefits expected to accrue from the project should also be stated in the report itself.

Following are the examples of socioeconomic benefits:

(i) Employment Generation.

(ii) Import Substitution.

(iii) Ancillarisation.

(iv) Exports.

(v) Local Resource Utilization.

(vi) Development of the Area.

8. Project Implementation:

Last but no means the least, every entrepreneur should draw an implementation scheme or a time-table for his project to ensure the timely completion of all activities involved in setting-up an enterprise. Timely implementation is important because if there is a delay, it causes, among other things, a project cost overrun.

In India, delays in project implementation have become a common feature. Delay in project implementation jeopardizes the financial viability of the project, on the one hand, and props up the entrepreneur to drop the idea to set-up an enterprise, on the other. Hence, there is a need to draw up an implementation schedule for the project and then to adhere to it to complete the project in time.

Following is a simplified implementation schedule for a small business project:

An Illustrative Implementation Schedule

Tasks/Months	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. Formulation of Project Report														
2. Application for Term-Loan														
3. Term-Loan Sanction														
4. Possession of Land														
5. Construction of Building														
6. Getting Power and Water														
7. Placing Order for Machinery														
8. Receipt and Installation of Machinery														
9. Manpower Recruitment														
10. Trial Production														
11. Commencement of Commercial Production														

The above schedule can be broken up into scores of specific tasks involved in setting up the enterprise. "Project Evaluation and Review Technique (PERT)' and "Critical Path Method (CPM)' can also be used to get better insights into all activities related to implementation of the project.

Financial statements in new ventures:

Definition - What are Financial Statements?

Financial Statements represent a formal record of the financial activities of an entity. These are written reports that quantify the financial strength, performance and liquidity of a company. Financial Statements reflect the financial effects of business transactions and events on the entity.

Four Types of Financial Statements

The four main types of financial statements are:

1. **Statement of Financial Position**

   Statement of Financial Position, also known as the Balance Sheet, presents the financial position of an entity at a given date. It is comprised of the following three elements:

   - Assets: Something a business owns or controls (e.g. cash, inventory, plant and machinery, etc)
   - Liabilities: Something a business owes to someone (e.g. creditors, bank loans, etc)
   - Equity: What the business owes to its owners. This represents the amount of capital that remains in the business after its assets are used to pay off its outstanding liabilities. Equity therefore represents the difference between the assets and liabilities.

2. **Income Statement**

   Income Statement, also known as the *Profit and Loss Statement*, reports the company's financial performance in terms of net profit or loss over a specified period. Income Statement is composed of the following two elements:

   - Income: What the business has earned over a period (e.g. sales revenue, dividend income, etc)
   - Expense: The cost incurred by the business over a period (e.g. salaries and wages, depreciation, rental charges, etc)

   Net profit or loss is arrived by deducting expenses from income.

3. Cash Flow Statement

Cash Flow Statement, presents the movement in cash and bank balances over a period. The movement in cash flows is classified into the following segments:

- Operating Activities: Represents the cash flow from primary activities of a business.
- Investing Activities: Represents cash flow from the purchase and sale of assets other than inventories (e.g. purchase of a factory plant)
- Financing Activities: Represents cash flow generated or spent on raising and repaying share capital and debt together with the payments of interest and dividends.

3. **Statement of Changes in Equity**

   Statement of Changes in Equity, also known as the *Statement of Retained Earnings*, details the movement in owners' equity over a period. The movement in owners' equity is derived from the following components:

   - Net Profit or loss during the period as reported in the income statement
   - Share capital issued or repaid during the period

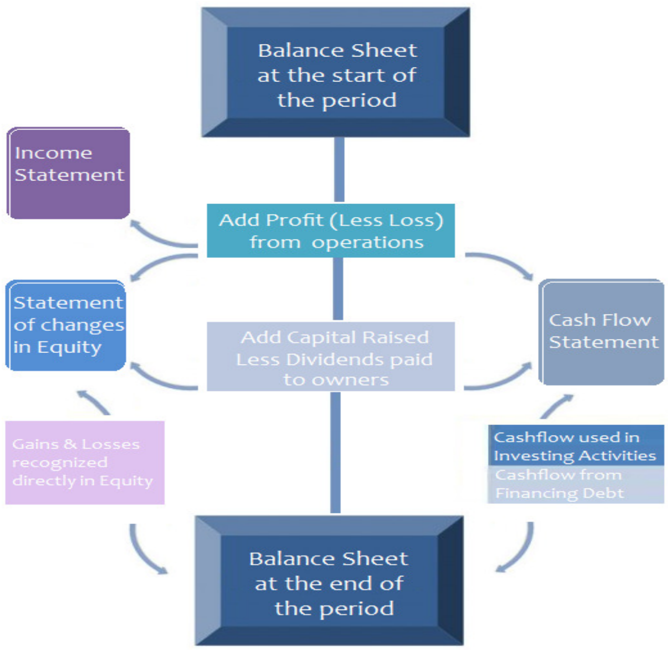
- Dividend payments

4.

- Gains or losses recognized directly in equity (e.g. revaluation surpluses)
- Effects of a change in accounting policy or correction of accounting error

Link between Financial Statements

The following diagram summarizes the link between financial statements.



Business plan preparation for new ventures:

A business plan is a detailed description of how an organization intends to produce market and sell a product or service. Whether the business in housing, commercial or some other enterprise, a solid business plan describes how this new venture will operate successfully. To help the staff and boards of nonprofit community development organizations create effective business plans. It includes information on how to prepare the components of a business plan, including the Executive Summary, Company & Product Description, Market Description, Operations, Management & Ownership Structure, Financial Information, and Risks & Mitigation Strategies. Worksheets and examples are provided to assist the entrepreneur in preparing their own business plan.

UNIT IV STRATEGIC PERSPECTIVES AND GROWTH IN ENTREPRENEURSHIP:

Strategic Growth in Entrepreneurship

Growth of small enterprises is influenced by the background/resource of the entrepreneur, the nature of the firm, and the strategic decisions taken by the owner/manager. Entrepreneurs of the small businesses are the sole strategic decision makers and their close control supports easy translation of entrepreneurial vision into action. Their ability, need and opportunity are the major determinants of growth. Small business entrepreneurs show different motives and also have different attitude and behavior towards growth. Also a given set of entrepreneurial characteristics beneficial in one context may work adversely in the other. A fit between strategy, structure and processes is more favourable to the performance.

Three propositions are based on the theoretical framework are - (1) Personal ambition and vision of the entrepreneurs drive the growth of small organisations, (2) The entrepreneurs of small organisation search for strategic fit in the market and the environment, and (3) The entrepreneurs of small organisation continue to search better fit in the market. The propositions need to be validated with the help of empirical work

The differentiation **strategy** is also possible for SMEs. The core of this strategy is to offer the customer a special advantage along dimensions that are highly valued by the customers (Porter, 1985).

This could be e.g. quality leadership where the enterprise aims to offer the market the best quality compared to its competitors. The differentiation potential of SMEs is mostly imbedded in the business idea of the enterprise or in a technical innovation. A common mistake of entrepreneurs is being enthusiastic about their new ideas, neglecting the market, and failing to assess if there is a target group for the new products or services.

Another dimension of assessing an enterprise's market entry is the *product/market strategy*. The decision within this strategy is whether to implement existing or new products in present or new markets. The original matrix concept of the product/market strategy by Ansoff (1965) consists of four different strategies: 1) present product in present market, representing status quo, 2) present product in new market, e.g. through internationalization, 3) new product in old market, usually based on some innovation, and 4) new product in new market,

The valuation challenge in Entrepreneurship:

Financial planning also helps to determine the value of a venture and serves as an important marketing tool towards prospective investors.

Traditional valuation techniques based on accounting, discounting cash flows (Discounted cash flow, DCF) or multiples do not reflect the specific characteristics of a start-up. Instead, the venture capital method, the First Chicago or the fundamental methods are usually applied.

.The final harvest of a new venture:

Harvesting is the final phase in the entrepreneurial value creation process, which includes building, growing, and harvesting. Harvesting is the process entrepreneurs and investors use to exit a business and liquidate their investment in a firm. While all three phases are important pieces of the entrepreneurial process, many entrepreneurs who fail to execute a successful harvest do not realize the full benefits of their years of labor. Harvesting is the means for capturing or unlocking value, reducing risk, and creating exit options. It is about more than money, as it also involves personal and non-financial considerations. As a consequence, even upon realizing an acceptable monetary value for the firm, an entrepreneur who is not prepared for the lifestyle transition that accompanies the harvest may come away disappointed with the overall outcome. Thus, crafting a harvest strategy is as essential to the entrepreneur's personal success as it is to his or her financial success.

Institutions Supporting Small Business Enterprises:

In March 1995, **the dti** published the White Paper on National Strategy for the Development and Promotion of Small Business in South Africa, which encourages the establishment of a support framework, in the form of enabling legislation, institutional reform, leveraging financial and other forms of assistance, for small business development.

Government has established several institutions mandated to deliver a wide range of key services, including both financial and non-financial support services, to small enterprises.

Government institutions that offer support to SMMEs include the following:

- Small Enterprise Development Agency (SEDA);
- Small Enterprise Finance Agency (SEFA);
- National Empowerment Fund (NEF);
- Industrial Development Corporation (IDC);

- National Youth Development Agency (NYDA);
- Land Bank;

Central level institutions and State level institutions:

For developmental purposes, the entire field of village and small industries has been grouped broadly under six different areas.

Each area comes under the overview of one of the following organizations set up by the Central Government:

a) The Small-Scale Industries Board
b) The Khadi and Village Industries Commission
c) The All India Handicrafts Board
d) The Central Silk Board
e) The Central Coir Board
f) The All India Handloom Board

The Small-Scale Industries Board is chaired by the Union Minister of Industry with the Development Commissioner for Small-Scale Industries (DCSSI) as its Member Secretary. Other union ministries, state governments, SSI associations, financial institutions, eminent industrialists etc. are represented on the board. As the Secretariat of this board the office of the DCSSI (also known as Small Industries Development Organization (SIDO)) is the nodal agency for formulating, coordinating and monitoring the policies and programmes for promotion and development of small-scale industries in the country.

Facilities are provided by SIDO through a network of 26 small industries service institutes (SISIs), 20 branch institutes, 40 extension centers, product and process development centres, production centers, field testing stations etc. in areas where specific types of industries are concentrated.

- **Other agencies and Industry Associations: India International Trade Centre (IITC-INDIA)**
  http://www.iitcindia.com/
- **Maharashtra Industrial and Economic Development Association**
  http://www.mieda.in/
- **Export Import Bank of India**

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