

Setting up Enterprise



Setting up Enterprise

Introduction



- Setting of an enterprise is a complex process. Various institutions and organizations are providing training to young people to understand the process of setting up enterprise unit.
- The entrepreneur should have complete knowledge of men, material, machinery, market, and products. A number of formalities like approval and clearance from government departments are to be completed before setting up an enterprise.
- The setting of an enterprise involves the study of business opportunities, developments of a feasible business plan and identification, determination and arrangement of men, materials, machinery and market for products. This learning object explain the detail procedure to setup a business enterprise.

Setting up Enterprise



Entrepreneurial development

- The process of starting a new business venture is embodied in the entrepreneurial development process. The process can be classified into four phases.

Setting up Enterprise



**Identification and
evaluation of the
opportunity:**

Develop a business Plan

**Determine the Resources
Required**

**Implementation and
management of the
enterprises:**

**Entrepreneurial
development**

Setting up Enterprise



Indemnification and evaluation of the opportunity:

- Business idea/opportunity must be carefully screened and evaluated for market potential, financial viability and technical feasibility.
- Entrepreneur should understand the cause of opportunity.
- It may be technological change, market shift, government regulation or competition.

Setting up Enterprise



Develop a business Plan

- A good business plan develops in order to catch the defined opportunity.
- Business plan helps the entrepreneur in developing framework of activities, arranging finance and other inputs, selecting appropriate production technology, and securing clearance from the government and successfully managing the resulting venture.

Setting up Enterprise

Determine the Resources Required

- This process starts with an appraisal of the entrepreneur's available resources.
- **Types of resources:**
- **Financial:** this includes money, shares and other assets
- **Physical:** refers to tangible property such as equipment and office space
- **Human resources:** includes the knowledge, training, experience, as well as the time of the business owner and employees
- **Technological:** are embodied in a process, system or physical transformation, eg. unique software products and tailored information system architecture
- **Reputation:** encompasses the perceptions that people in the business' environment have of the business
- **Organizational:** include the business' structure, routines and systems

Setting up Enterprise



Implementation and management of the enterprises

- After resources are identified, the entrepreneur set the business venture, employs the resources through the implementation of the business plan, manages the enterprise, creates and looks for growth.

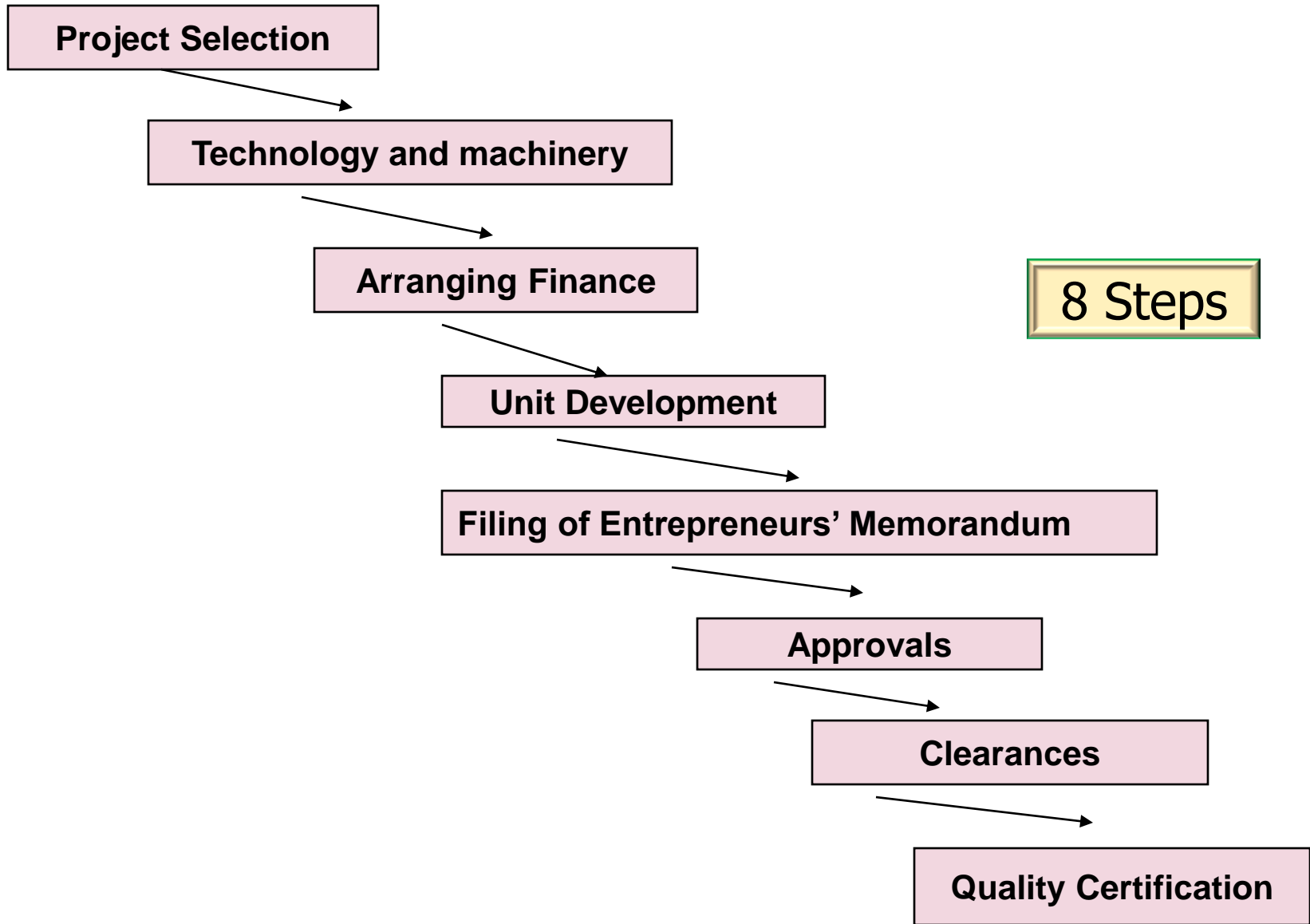
Setting up Enterprise



Steps in setting up an enterprise

- Ministry of Micro, Small and Medium Enterprises (MSME) has defined 8 distinct steps for setting up micro, small and medium level enterprises. These steps have been given in details at <http://dcmsme.gov.in/howtsetup/getstart.htm>.

Steps in setting up an enterprise





Project Selection

- After emergence of viable business opportunity, project has to be conceptualised in all dimension of 4 Ps of Project
- (i) Product (shape, size and nature),
- (ii) Process (technology to produce the product),
- (iii) Place (Location of plant), and
- (iv) Partner (Technological or Financial Collaborator).

The factors like marketing strategy availability of raw-material, Process Technology, accessibility to the market and incentive and support from Government are considered in making choice of a product.



Project Selection (Contd.....)

- After emergence of viable business opportunity, project has to be conceptualised in all dimension of 4 Ps of Project
- (i) Product (shape, size and nature),
- (ii) Process (technology to produce the product),
- (iii) Place (Location of plant), and
- (iv) Partner (Technological or Financial Collaborator).

The factors like marketing strategy availability of raw-material, Process Technology, accessibility to the market and incentive and support from Government are considered in making choice of a product.



Technology and machinery

- After selection of product, process technology is selected for production/manufacturing of product. In selecting the process technology, following point should be keep in mind:
- Requirement of level of skills and complexity of machines.
- Requirement of large quantities of water and/or power-
- Issue related to product patent if any
- Any special pollution or environmental regulations.
- Appropriateness to the local environment and conditions.

Setting up Enterprise



Arranging Finance

- Monetary support is necessary to take off small enterprises.
- The monetary support is required as seed capital, short, medium and long term loans and for mitigating risk.
- The important institutions provide credits to business enterprises are commercial/Regional Rural/Co-operative Banks, Small Industries Development Bank of India (SIDBI) and State Financial Corporations, etc.

Setting up Enterprise



Unit Development

- Setting up an establishment requires negotiating a favourable plot or shed purchase, organising for proper construction of building, design of interiors and finding good deals for equipment and machinery.
- Getting power connection causes delay in setting up of plant.
- Projections for manpower and staffing, machinery and materials are made in the business plan.
- Selection of proper manpower and procurement of right machinery and materials are very important and critical in establishment of plant to success.



Filing of Entrepreneurs' Memorandum

- Filing of memorandum by a Micro, Small or Medium Enterprise Section 8 of the ***Micro, Small and Medium Enterprises Development (MSMED) Act, 2006*** is necessary.
- The memorandum may be filed by all three categories of enterprises with the District Industries Centre in the jurisdiction of which the enterprise is (or, is proposed to be) located.
- **The** File Format for Entrepreneurs Memorandum and the detail procedure for filing it are available at <http://dcmsme.gov.in/howtsetup/getstart>

Setting up Enterprise



Approvals

- These include regulatory, taxation, environmental and certain product specific clearances. Virtually, no small scale industries require a license from the Govt. of India.
- The units are, of course, subject to the location / land use and zoning restrictions in force under the local laws.

Setting up Enterprise



Clearances:

- An entrepreneur has to obtain several clearances or permissions depending upon the nature of his unit and products manufactured. Regulatory or Taxation related, product specific and environment & pollution related are mainly required.



Quality Certification

- Quality certification is very important in competitive markets and especially in international markets. To avail the quality certification like ISO-9000, a significant cost has to be borne.
- A scheme has been launched to give financial incentive to those SSI units who acquire ISO-9000 certification, by reimbursing 75% of their costs of obtaining certification, subject to a maximum of Rs. 0.75 lacs per unit.

Setting up Enterprise



Let Us Sum Up

- Setting of an enterprise is complex process.
- This can be divided in four distinct phases
 - (i) Identification and evaluation of the opportunity,
 - (ii) development of business plan,
 - (iii) determination of resource required, and
 - (iv) Implementation and management of the enterprises.

Ministry of Micro, Small and medium Enterprise has also prepared 8 distinct steps to be followed in setting of enterprises which explain also clearly explain the regulatory and other requirement required for setting up a business enterprise.