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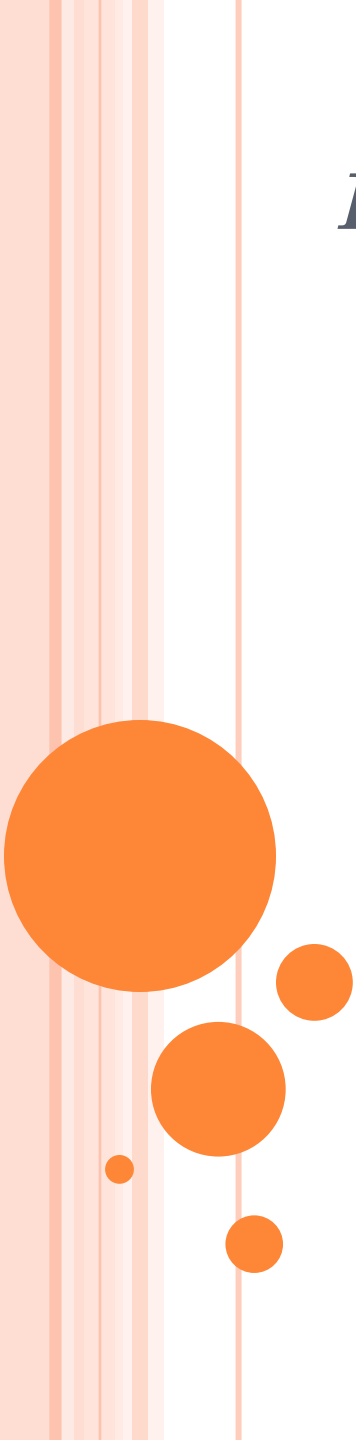
CHAPTER :

ENTREPRENEURIAL ENVIRONMENT

LEARNING OBJECTIVES

- **L01:** Describe why people become entrepreneurs and what it takes, personally.
- **L02:** Summarize how to assess opportunities to start new companies.
- **L03:** Identify common causes of success and failure.
- **L04:** Discuss common management challenges.
- **L05:** Explain how to increase your chances of success, including good business planning.
- **L06:** Describe how managers of large companies can foster intrapreneurship and entrepreneurial orientation.





“I BELIEVE THAT WE ARE ALL BORN WITH THE ABILITY TO BE AN ENTREPRENEUR, BUT WE HAVE TO LEARN TO UNLEARN THE RISK-AVERSE BEHAVIOR THAT BECAME PART OF OUR CULTURE IN THE DEVELOPED WORLD OVER THE PAST 500 YEARS.”

-FRANK MOSS

WHAT IS AN ENTREPRENEUR?

- **Entrepreneur** – an individual who establishes a new organization without the benefit of corporate sponsorship.



SMALL BUSINESS VS. ENTREPRENEURIAL VENTURE

- **Small business**: a business having fewer than 100 employees, independently owned and operated, not dominant in its field, and not characterized by many innovative practices.
- **Entrepreneurial venture**: A new business having growth and high profitability as primary objectives



MYTHS ABOUT ENTREPRENEURSHIP

- **Myth #1:** Anyone can start a business.
- **Myth #2:** Entrepreneurs are gamblers
- **Myth #3:** Entrepreneurs want the whole show to themselves.
- **Myth #4:** Entrepreneurs are their own bosses and completely independent.
- **Myth #5:** Entrepreneurs work longer and harder than managers in big companies.
- **Myth #6:** Entrepreneurs experience a great deal of stress and pay a high price.
- **Myth #7:** Entrepreneurs are motivated solely by the quest for the almighty dollar.



MYTHS ABOUT ENTREPRENEURSHIP (CONT'D)

- **Myth #8:** Entrepreneurs seek power and control over others.
- **Myth #9:** If an entrepreneur is talented, success will happen in a year or two.
- **Myth #10:** Any entrepreneur with a good idea can raise venture capital.
- **Myth #11:** If an entrepreneur has enough start-up capital, he or she can't miss.
- **Myth #12:** Entrepreneurs are lone wolves and cannot work with others.
- **Myth #13:** Unless you attained 600 on your SATS or GMATs, you'll never be a successful entrepreneur.



NEW VENTURE CREATION

- **Entrepreneurs**: Individuals who establish a new organization without the benefit of corporate support.
- **Intrapreneurs**: New-venture creators working inside big companies; corporate entrepreneurs.



WHY BECOME AN ENTREPRENEUR?

- Challenge
- Profit potential
- Enormous satisfaction
- Better quality of life
- Desire for independence
- Satisfaction of building something from nothing
- Watching the market embrace your ideas

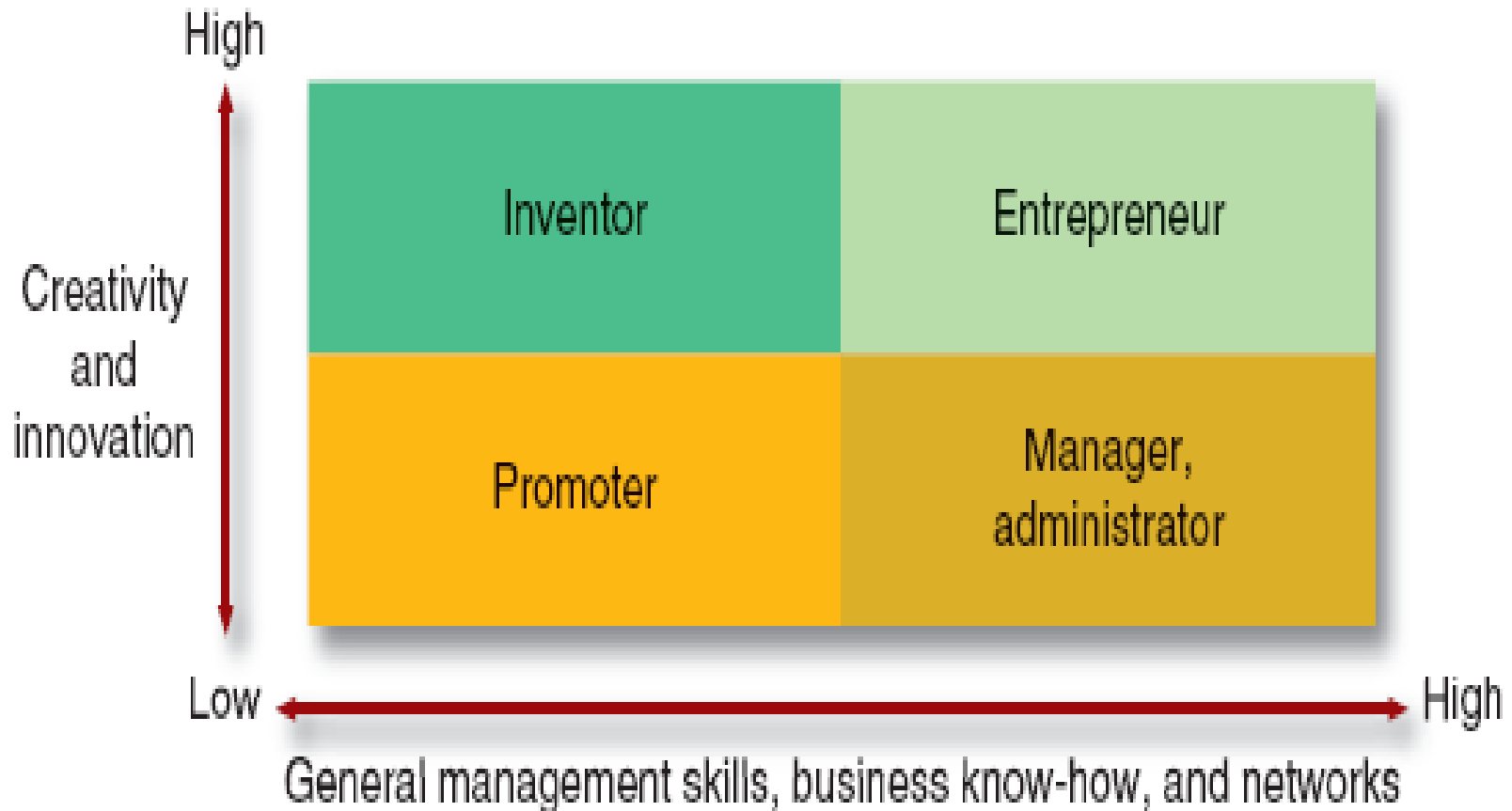


WHAT DOES IT TAKE TO SUCCEED?

- Innovation and creativity skills
- General management skills
- Business know-how
- Social networks



WHICH ONE ARE YOU? WHO IS THE ENTREPRENEUR



SOURCE: J. Timmons and S. Spinelli, *New Venture Creation*, 6th ed. (New York: McGraw-Hill/Irwin, 2004), p. 65.



INGREDIENTS FOR STARTING A BUSINESS

- A great idea
- Spot, create and exploit opportunities
 - Technological discoveries
 - Demographic changes
 - Lifestyle and taste changes
 - Economic dislocations
 - Calamities
 - Government initiatives and rule changes



FRANCHISES

- An entrepreneurial alliance between a franchisor (an innovator who has created at least one successful store and wants to grow) and a franchisee (a partner who manages a new store of the same type in a new location).
 - Franchisor – an innovator who has created at least one successful store and seeks partners to operate the same concept in other local markets.
 - Franchisee – the operator of one or more stores according to the terms of the alliance.



E-COMMERCE BUSINESS MODELS

- 1. Transaction fee model** – companies charge a fee for goods or services.
- 2. Advertising support model** – advertisers pay the site operator to gain access to the demographic group that visits the operator's site.
- 3. Intermediary model** – a web site brings buyers and sellers together and charges a commission for each sale.



MORE E-COMMERCE BUSINESS MODELS

- 4. Affiliate model** – sites pay commissions to other sites to drive business to their own sites.
- 5. Subscription model** – The website charges a monthly or annual fee for site visits or access to site content.



SIDE STREET EFFECTS

When entrepreneurs start their enterprises and then let the market decide whether it likes their ideas.

Unexpected opportunities may appear, so you must be prepared to act quickly and effectively on any opportunity that presents itself.

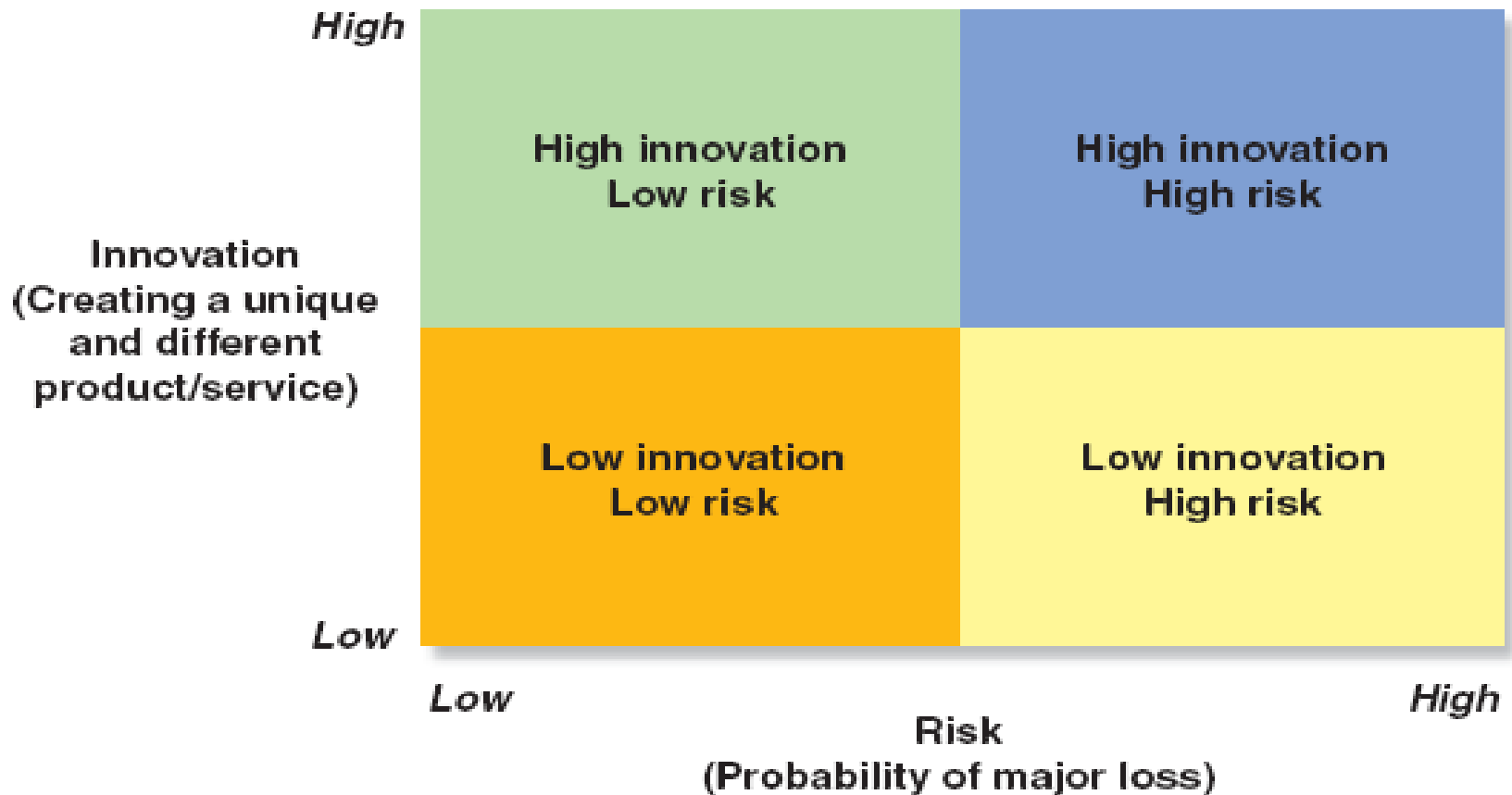


CHARACTERISTICS OF AN ENTREPRENEUR

1. Commitment and determination
2. Leadership
3. Opportunity obsession
4. Tolerance of risk, ambiguity, and uncertainty
5. Creativity, self-reliance, and ability to adapt
6. Motivation to excel



ENTREPRENEURIAL STRATEGY MATRIX



SOURCE: From "Entrepreneurial Strategy Matrix: A Model of New and Ongoing Ventures," by Sonfield and Lussier. Reprinted from *Business Horizons*, May–June 1997. Copyright © 1997 by the Trustees at Indiana University, Kelley School of Business.



IMPROVING THE ODDS OF SUCCESS

- Anticipate risk and cushion business to help it weather setback.
- Foresight and talent to survive in an hostile environment.
- Business incubators – protected environments for new, small businesses.



TEST YOUR KNOWLEDGE

Which of the following characteristic(s) does NOT contribute to entrepreneurs' success?

- A) commitment and determination.
- B) tolerance of risk, ambiguity, and uncertainty.
- C) motivation to excel.
- D) opportunity obsession.
- E) need for affiliation.



COMMON MANAGEMENT CHALLENGES

1. You might not enjoy it
2. Survival is difficult
3. Growth creates new challenges
4. It's hard to delegate
5. Misuse of funds
6. Poor controls
7. Mortality
8. Going public



PLANNING FOR SUCCESS

Business Plan – to help determine the viability of your enterprise, guide you as you plan and organize, and help you obtain funding.



OPPORTUNITY ANALYSIS

- A description of the good or service, an assessment of the opportunity, an assessment of the entrepreneur, specification of activities and resources needed to translate your idea into a viable business, and your source of capital.
 - What market need does my idea fill?
 - What personal observations have I experienced or recorded with regard to that market need?
 - What social condition underlies this market need?



KEY PLANNING ELEMENTS

1. The People
2. The Opportunity
3. The Competition
4. The Context
5. Risk and reward



NONFINANCIAL RESOURCES

- **Legitimacy** – people’s judgment of a company’s acceptance, appropriateness, and desirability, generally stemming from company goals and methods that are consistent with societal values.
- **Social capital** – a competitive advantage from relationships with other people and the image other people have of you.



NONFINANCIAL RESOURCES

- Top-management team
- Advisory boards
- Partners



TEST YOUR KNOWLEDGE

A description of the product or service, an assessment of the opportunity, an assessment of the entrepreneur, specification of activities and resources needed to translate the idea into a viable business, and the source(s) of capital is a(n):

- A) opportunity analysis.
- B) business incubator.
- C) business audit.
- D) accounting analysis.
- E) business plan.



**POLICY PERSPECTIVE
IN INDIA
TO PROMOTE
*ENTREPRENEURSHIP***



INTRODUCTION

- Indus Valley Civilization
- The Early Years
- The Maurya Era
- The Gupta Era
- The Middle Age
- The Mughal Era I & II
- The Colonial Era
- **The Colonial Era II** – J.R.D. Tata, G.D.Birla, Godrej ,...many more



SOCIAL VALUES RELATED TO ENTREPRENEURSHIP

The Spirit of Entrepreneurship and its effectiveness is to a large degree affected by prevailing climate of religion , social values and culture



ACCENTURE REPORT 2001

- Till 1947 – India was slowly progressing
- In 1991 – Took the first into global economy

- There are 5 key imperative for success of entrepreneurial organization
 1. Use Strategy and Purpose
 2. Be Big , Work Small
 3. Build belief that entrepreneurship is valued
 4. Encourage diversity of thinking
 5. Make the most of your knowledge



POLICY PERSPECTIVE 2002

- Since Independence, the Govt. of India, has promulgated several Industrial Policy Resolution/ Statements (IPR/IPS) aimed at promoting industrial growth and simultaneously entrepreneurship.
- The IPR 1948 envisaged a mixed economy and emphasized the entrepreneurial , promotional , regulatory & Planning roles of the state in the industrialization of the country.
- Industrial (development & Regulatory) Act 1951



POLICY PERSPECTIVE 2002

- The Resolution Of 1956 made industrial policy more social – oriented, and widened the scope of public sector.
- The IPR 1956 – initiate measures to improve the competitive strength of small enterprises.
- The Industrial Licensing policy 1970
- The Industrial Licensing policy 1977 : emphasis that “Whatever can be produced by small and cottage industries must only be so produced”



THE INDUSTRIAL LICENSING POLICY 1977

- Expansion of the list of reserved items for exclusive production by the SSI sector from 180 to 807 items.
- Enhanced limits for investment in plant and machinery for tiny , SSI and ancillary units to Rs.1,10 and 15 lakhs respectively
- Mass creation of district Industries Centres
- Separate wing IDBI to deal with credit requirement of small sector
- Promotion of technological self – reliance
- Rehabilitation programmes for sick units
- Restricted role towards foreign capital and collaboration



DEFINITIONS OF SSI

YEARS	DEFINITION GIVEN BY	SSI UNIT	ANCILLARY UNIT	EMPLOYEMENT CRITERION
1950	Fiscal commission	—	—	10-50 workers
1955	SSI board	Capital investment upto Rs. 5L	Same ssi unt.	Upto 50, if using power & less than 100 if not using if not using power
1960	Ministry of commerce & industry	CI upto Rs.5 lcks.	SAME	employment criterion dropped
1975	Govt. Of India (GOI)	CI up to Rs.10L	Rs. 15L	-do-
1980	GOI	uptoRs. 20 lacks.	Rs.25L	-do-
1985	GOI	uptoRs. 35L	Rs. 45L	-do-
1991	GOI	uptoRs. 60 L	Rs. 75L	-do-
1997	GOI	Upto Rs.3 crore	Not defined	-do-
2000	GOI	uptoRs. 1 crore	-do-	-do-

COMPREHENSIVE POLICY PACKAGE FOR SMALL SCALE INDUSTRIES & TINY SECTOR 31ST AUG. 2000

Task: Visit The Link :

- <http://www.dcmsme.gov.in/policies/policypkg.htm>
- **Reason:** each policy Annexure is there for reference –understand in detail



MSME

MICRO, SMALL AND MEDIUM ENTERPRISES

- The Micro, Small and Medium Enterprises Development Act, 2006 has come into force from 2 October 2006 and consequent Notifications under the provisions of the said Act for classification of classes, constitution of Advisory Committee, National Board for Micro, Small and Medium Enterprises (NBMSME).
- Office website (www.dcmsme.gov.in)



MSME

Enterprise	Engaged in Manufacturing / Preservation of Goods (incl. Processing Units)	Engaged In Providing/ Rendering of Services
Micro Enterprise	Not to Exceed Rs. 25 Lakhs.	Not to Exceed Rs. 10 Lakhs.
Small Enterprise	More than Rs.25 lakhs but does not exceed Rs. 5 Crores.	More than Rs.10 lakhs but does not exceed Rs. 2 Crores.
Medium Enterprise	More than Rs.5 Crore Rupees but does not exceed Rs. 10 Crore.	More than Rs. 2 Crore Rupees but does not exceed Rs. 5 Crore.

Source: RBI circular ref. RPCD.PLNFS. BC.No.63/ 06.02.31/ 2006-07 dated April 4, 2007.

ANALYSIS OF BUSINESS OPPORTUNITIES IN DIFFERENT SECTORS OF ECONOMY AT NATIONAL & GLOBAL LEVEL



OBJECTIVE

- Scan the business environment in terms of the entrepreneurial opportunities and threats
- Use your creativity and innovativeness in identifying business ideas
- Tap other sources for idea generation



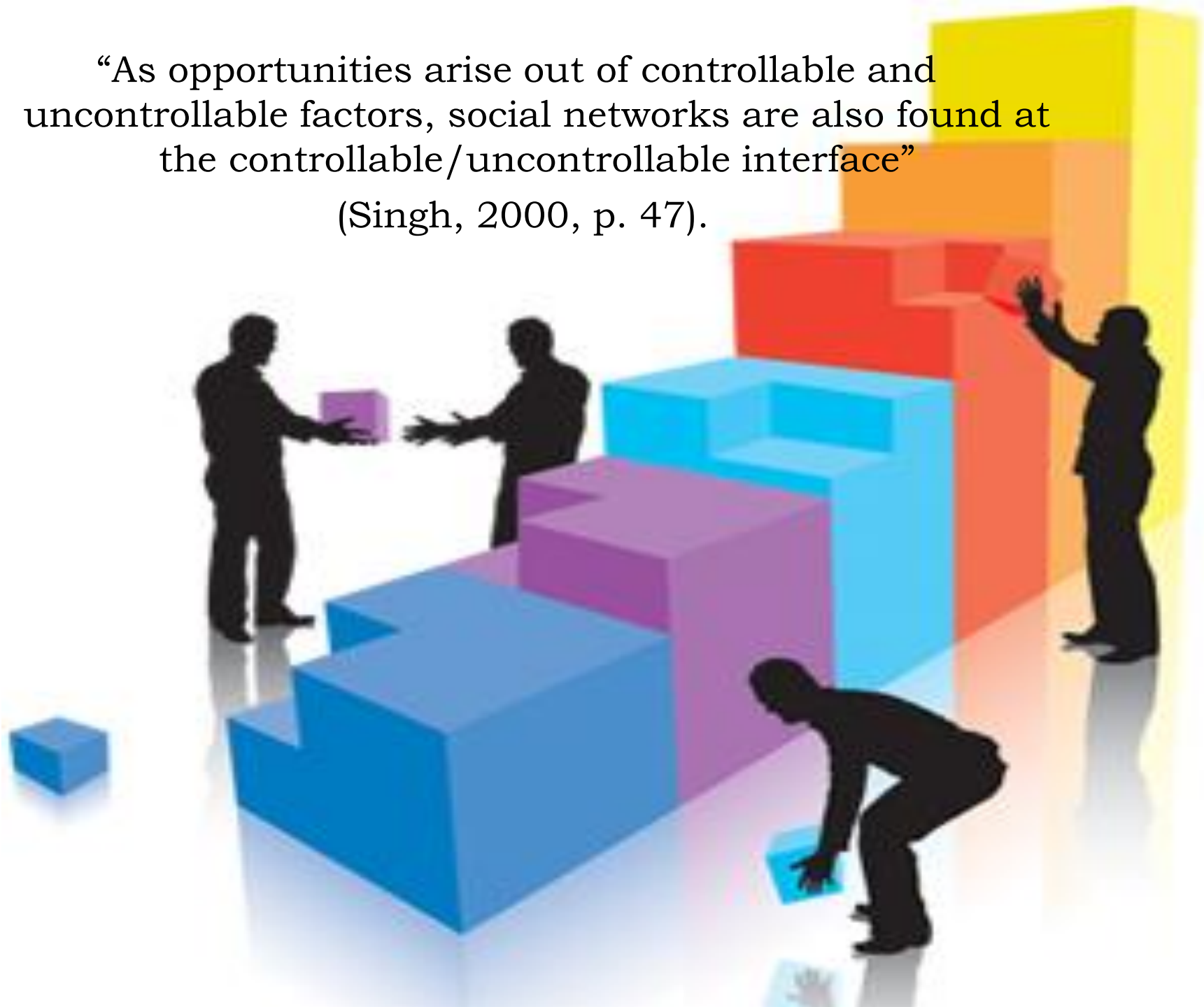
OPPORTUNITY RECOGNITION

- ❖ Opportunity recognition has been acknowledged to be a key issue of the entrepreneurial process (Ozgen & Baron, 2007) because it represents the first critical step to the venture creation (Christensen, Madsen & Peterson, in Hills, 1994; Timmons & Spinnelli, 2004).
- ❖ An opportunity can be **recognized** (identified), **evaluated**, and **exploited** (Eckhardt & Shane, 2003; Shane & Venkataraman, 2000).
- ❖ **The successful identification and development of opportunities derives in the creation of successful businesses (Ardichvili et al, 2001).**



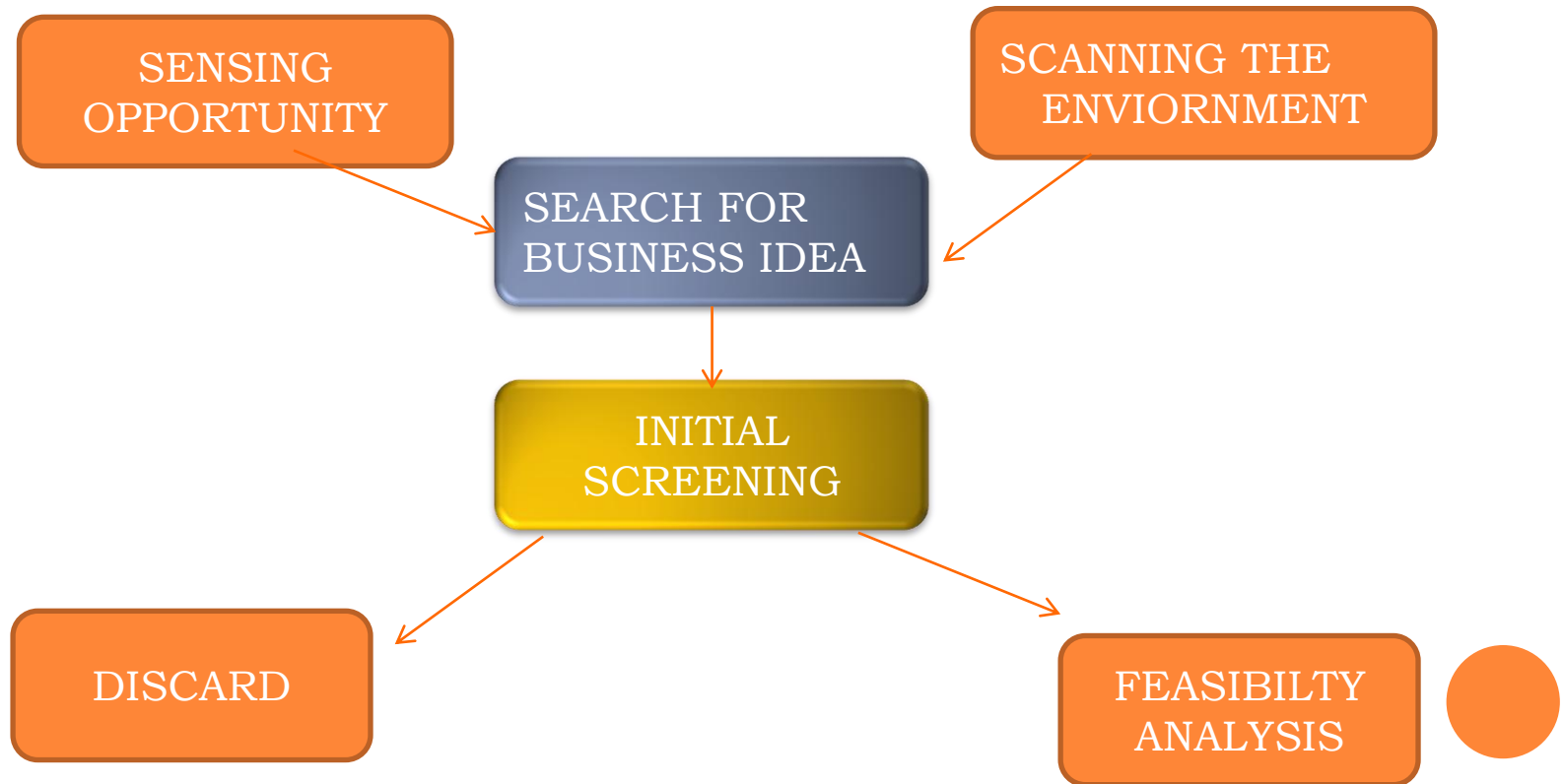
“As opportunities arise out of controllable and uncontrollable factors, social networks are also found at the controllable/uncontrollable interface”

(Singh, 2000, p. 47).



OPPORTUNITY SCOUTING

- The entrepreneurial process begins with identifying an opportunity and evaluating it through an initial screening process. If it appears reasonable a detailed business plan can be made. If not it can be discarded. (Figure. 1)





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INNOVATION



This can be done, for example, by:

- **Adding product features** – a job which is hard to do can be made easier for example electric mixers and grinders have dramatically reduced the labour expended in Indian kitchens. Another example is that of the Courier Service which has almost threatened the functioning of the Indian Postal Service,
- **Cutting cost** – the entrepreneur can change the expensive product for example the prices of computers and cell phones have come down drastically,
- **Simplifying operations** - through creative distribution and financing for example these days' loans for washing machines, televisions are given by the seller many a times.









Canon

EOS
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innOvaTiVe iDeAS





MAIL: BUSINESS PLAN BASIC

- tdhulla@vpmthane.org

- Sub: Business plan EM Group No:

Or

- Hard Copy with group No: and Group members name
 - Soft copy of all groups by 6.00pm





THANK YOU!!!!!!!!!!!!!!

**NOTE : NOTES WITH QUESTIONS
VIA MAIL & PRESENTATIONS**