



ENTREPRENEURSHIP DEVELOPMENT COURSE MATERIAL

VISION & MISSION STATEMENTS OF THE INSTITUTE

VISION

- To emerge as the most preferred Business School with Global recognition by producing most competent ethical managers, entrepreneurs and researchers through quality education.

MISSION

- **Knowledge through quality teaching learning process:** To enable the students to meet the challenges of the fast challenging global business environment through quality teaching learning process.
- **Managerial Competencies with Industry institute interface:** To impart conceptual and practical skills for meeting managerial competencies required in competitive environment with the help of effective industry institute interface.
- **Continuous Improvement with the state of art infrastructure facilities:** To aid the students in achieving their full potential by enhancing their learning experience with the state of art infrastructure and facilities.
- **Values and Ethics:** To inculcate value based education through professional ethics, human values and societal responsibilities.



PROGRAMME EDUCATIONAL OBJECTIVES (PEOs)

PEO 1 – Placement: To equip the students with requisite knowledge skills and right attitude necessary to get placed as efficient managers in corporate companies.

PEO 2 – Entrepreneur: To create effective entrepreneurs by enhancing their critical thinking, problem solving and decision-making skill.

PEO 3 - Research and Development: To make sustained efforts for holistic development of the students by encouraging them towards research and development.

PEO4 - Contribution to Society: To produce proficient professionals with strong integrity to contribute to society.

Program Outcome

PO1 - Problem Solving Skill: Apply knowledge of management theories and practices to solve business problems.

PO2 - Decision Making Skill: Foster analytical and critical thinking abilities for data-based decision making.

PO3 - Ethical Value: Ability to develop value based leadership ability.

PO4 - Communication Skill: Ability to understand, analyze and communicate global, economic, legal and ethical aspects of business.

PO5 - Individual and Leadership Skill: Ability to lead themselves and others in the achievement of organizational goals, contributing effectively to a team environment.



PO6 - Employability Skill: Foster and enhance employability skills through subject knowledge.

PO7 - Entrepreneurial Skill: Equipped with skills and competencies to become an entrepreneur.

PO8 - Contribution to community: Succeed in career endeavors and contribute significantly to the community.

Program Specific Objectives

PSO 1: Finance: The students should demonstrate proficiency in analyzing financial statements, evaluating investment opportunities and making financial decision to maximize shareholders' value.

PSO 2: Marketing: Students should be able to create a comprehensive marketing plan that integrates effective communication strategies, leading to customer success and the accomplishment of marketing objectives.

PSO 3: Logistics: Students will acquire knowledge of inventory management for domestic and global supply chains, thereby developing problem-solving skills in logistics to optimize supply chain efficiency.

PSO 4: Business Analytics: The students should able to analyze data, communicate insights, take data-driven decisions and solve business problems effectively.



UNIVERSITY OF MADRAS

MASTER OF BUSINESS ADMINISTRATION (MBA) DEGREE PROGRAMME
SYLLABUS WITH EFFECT FROM 2023-2024

Subject Code	Subject Name	Category	L	T	P	O	Credits	Inst. Hours	Marks		
									CIA	External	Total
434D1A	Entrepreneurship Development	Extra Disciplinary	3	-	-	-	3	45	25	75	100
Course Objectives											
C1	To introduce students to entrepreneurship and its growth in India.										
C2	To impart knowledge on innovation, its types, role of technology in innovation, patents and licensing.										
C3	To orient the students on new venture creation										
C4	To enable students to prepare a feasible business plan										
C5	To give inputs on various types of financing available for new ventures.										
SYLLABUS											
UNIT	Details							No. of Hours	Course Objectives		
I	Introduction: The Entrepreneur – Definition – Characteristics of Successful entrepreneur. Entrepreneurial scene in India; MSME; Analysis of entrepreneurial growth in different communities – Case histories of successful entrepreneurs. Similarities and Distinguish between Entrepreneur and Intrapreneur.							9	C1		
II	Innovation in Business: Types of Innovation – Creating and Identifying Opportunities for Innovation – Design Thinking- The Technological Innovation Process – Creating New Technological Innovation and Intrapreneurship – Licensing – Patent Rights – Innovation in Indian Firms							9	C2		
III	New Venture Creation: Identifying Opportunities for New Venture Creation: Environment Scanning – Generation of New Ideas for Products and Services. Creating, Shaping, Recognition, Seizing and Screening of Opportunities. Feasibility Analysis: Technical Feasibility of Products and Services – Marketing Feasibility: Marketing Methods – Pricing Policy and Distribution Channels							9	C3		
IV	Business Plan Preparation: Benefits of a Business Plan – Elements of the Business Plan – Developing a Business Plan – Guidelines for preparing a Business Plan – Format and Presentation; Start-ups and e-commerce Start-ups. Business Model Canvas							9	C4		



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V	Financing the New Venture: Capital structure and working capital Management: Financial appraisal of new project, Role of Banks – Credit appraisal by banks. Institutional Finance to Small Industries – Incentives – Institutional Arrangement and Encouragement of Entrepreneurship.	9	C5
Total		45	
Course Outcomes			
Course Outcomes	On completion of this course, students will;	Program Outcomes	
CO1	Be able to know about growth of entrepreneurship in India	PO4, PO7	
CO2	Gain knowledge on innovation, its types, role of technology in innovation, patents and licensing	PO7, PO8	
CO3	Obtain knowledge on new venture creation	PO6, PO7	
CO4	Be able to prepare a business plan	PO7, PO8	
CO5	Gain knowledge on various types of financing available for new ventures.	PO7, PO8	
Reading List			
1.	http://www.jimssouthdelhi.com/sm/BBA6/ED.pdf		
2.	https://www.cengage.com/highered		
3.	https://roadmapresearch.com/entrepreneurship-beyond-curriculum		
4.	The International Journal of Entrepreneurship and Innovation		
References Books			
1.	Reddy, N., Entrepreneurship: Text and Cases, Cengage Learning, 2010.		
2.	Roy, R., Entrepreneurship, 2nd Edition, Oxford University Press, 2011.		
3.	Barringer, B., Entrepreneurship: Successfully Launching New Ventures, 3rd Edition, Pearson, 2011.		
4.	Bessant, J., and Tidd, J., Innovation and Entrepreneurship, 2nd Edition, John Wiley & Sons, 2011.		
5.	Desai, V., Small Scale Industries and Entrepreneurship, Himalaya Publishing House, 2011.		
6.	Entrepreneurship: Successfully Launching New Ventures, Global Edition, 6th Edition Bruce R. Barringer, Texas A & M University, R. Duane Ireland, ©2018 Pearson		

	PO 1	PO 2	PO 3	PO 4	PO 5	PO 6	PO 7	PO 8
CO 1				3			3	
CO 2							3	2
CO 3						2	3	
CO 4							3	2
CO 5							3	3

3-Strong 2-Medium 1-Low



Unit I - Introduction

Entrepreneurship

Defined as the process by which individuals pursue opportunities without regard to resources they currently control for the purpose of exploiting future goods and services (Eesley, 2016).

Definition

Entrepreneur

As the one who owns, launches and assumes the risks of an economic venture. This definition also incorporates people who take over an already existing business (Gartner et al, 1994).

An entrepreneur is the one who always searches for change, responds to it and exploits it as an opportunity. Innovation is the specific tool of entrepreneurs, the means by which they exploit changes as an opportunity for a different business or different service (Peter Drucker).

Characteristic of Successful Entrepreneur

- Independent & achiever
- Opportunity Grabber
- Information Seeker – Decision Maker
- Optimistic
- Keen learners
- Urge to Build
- Risk Taker



- Goal Setter
- Hard Working
- Persuasive & Networker
- Self-Confident
- Managerial Skill
- Team Builder
- Clear Objectives
- Business Secrecy
- Emotional Stability
- Technical Knowledge
- Human Relation Ability
- Able to Communicate
- Organizational Skills
- Conceptual Skills
- Interpersonal Skills
- Practical Skills
- Personal Skills
- Public Relation
- Time Management

Functions of Entrepreneur

- Initiation



- Watching for Opportunities
- Persistence
- Information Seeker
- Quality Conscious
- Commitment to Work
- Efficiency Lover
- Proper Planning
- Self Confidence
- Assertiveness
- Persuasion
- Efficient Monitoring
- Concern for Employee

Role of Entrepreneur in Economic Development

- Capital formation
- Generation of employment
- Improvement in per capita income
- Reduces concentration of wealth
- Balanced regional development
- Resource mobilization
- Improvement in standard of living
- National Self-Reliance



- Harnessing Natural Resources
- Backward and forward linkages
- Sense of purpose

Types of Entrepreneurs

- Innovative Entrepreneurs
- Imitating Entrepreneurs
- Fabian Entrepreneurs
- Drone Entrepreneurs
- Social Entrepreneurs
- Agricultural Entrepreneurs
- Trading Entrepreneurs
- Manufacturing Entrepreneurs
- Women Entrepreneurs
- Inventors & Challenger Entrepreneurs
- Life-Timer Entrepreneurs

MSME Definition

Enterprises	Manufacturing and Service Enterprises	
	Investment	Turnover
Micro	Not more than Rs. 2.5 crores	Not more than Rs. 10 crores



Small	Not more than Rs. 25 crores	Not more than 100 crores
Medium	Not more than Rs. 125 crores	Not more than Rs. 500 crores

Entrepreneurial Scene in India

Emerging Trends in the Indian Startup Ecosystem

- Entrepreneurs from successful startups are acting as angel investors to support new ideas – Serial entrepreneurs have founded more than 150 startups.
- Some of the investors are turning in to entrepreneurs. More than 20 startups founded by former investors.
- 2019 turned out to be a remarkable year, with seven unicorns added into the unicorn club.
- Startups in 3D printing, robotics, cryptology and blockchain are emerging.
- The number of unicorns is expected to be around 100 by 2025.
- Global unicorns are leveraging the Indian startup ecosystem to build innovative products.

Entrepreneur vs Intrapreneur

Basis for Comparison	Entrepreneur	Intrapreneur
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Meaning	Entrepreneur refers to a person who set up his own business with a new idea or concept.	Intrapreneur refers to an employee of the organization who is in charge of undertaking innovations in product, service, process etc.
Approach	Intuitive	Restorative
Resources	Uses own resources	Use resources provided by the company
Capital	Raised by him	Financed by the company
Enterprise	Newly Established	An existing one
Dependency	Independent	Dependent
Risk	Borne by the entrepreneur himself	Taken by the company
Works for	Creating a leading position in the market	Change and renew the existing organizational system and culture.

History of Entrepreneurship



Historical Evolution of Entrepreneurship in Indian Context		
Pre-colonial	Panchayat Raj Pre- 1700	□Agriculture base Self sufficient rural economy
Post-colonial	British Raj 1700 - 1950	□Importance to trade & Industries – impact of industrial revolution and subsequent World War I & II □1840 – Construction of Railways □1870 – Coal Mining led to the establishment of factory system □1847 – <i>Ranchodlal Chotalal</i> envisaged the textile mfg. on modern line □1854 – 1 st Textile Mfg. Mill got established by <i>Mr. Cowsajee Nanabhoy Dawar, Parsee</i> □1855 – 1 st Jute Mill got established □1911- Indian had 700 factories
After Independence	License Raj 1951 - 1985	□Due to scarcity of resources and protection policy to certain industry benefited established entrepreneurial communities only.
Before Liberalisation	Jugad Raj 1985 - 1995	□Nexus between politicians and established business person taken place. Most financial scams happened during this period.
After Liberalisation	Invisible Raj 1995 – 2013	□Liberal economy created most entrepreneurial opportunities, new markets and competition as well. □Governments, Institutions and other financial agencies are putting efforts to promote entrepreneurship among youths.

Scenario of Entrepreneurship in India

- Shifted from emerging market to fastest-growing market (Tech companies).
- Indian Start-Up ecosystem – Third largest (World) with over 100 unicorns (valuations of US \$ 1 billion or more) – last decade.
- 2022 – 42 Technology-led start-ups - unicorn club.
- Sectors & Industries – fintech, agri tech & health tech.
- Government initiatives facilitated the growth of Entrepreneurship.

Evolution of an Ecosystem

- Indian Ecosystem – Three waves of entrepreneurial activity with distinct focus areas (Information technology, consumerism & innovation).
- Success of Indian IT businesses – empowered the Indian Middle Class.



- Economy liberalized – income grew & more capital was available – resulted in increased consumption.
- Advent of smartphones – Development of e-commerce businesses
- India has become R&D centre for multinational companies with creation of new business models.
- Future: Unicorns will be diverse – cutting-edge technologies (robotics).
- Not only Family Business Entrepreneurs – Emergence of Young Non-Business Background Entrepreneurs.

Changed Scenario - Entrepreneurship

- Education
- New avenues of funding (Angel funders, private equity, venture capitalists, non-banking financial companies (NBFCs))
- Willingness to fail – Return to the job market (Education)
- Indian Business Models – studying global business trends (Eg: AllBirds) – First Mover
- Only 2 Indian industries have gone global (IT & Pharma)
- India has a skilled and educated pool of workers – creates huge opportunity
- Indian business – focus on wellness (Yoga, tea & ayurveda) – not as big as IT & pharma



Future

- ✓ Invest on human capital
- ✓ Must be liberated from fear of failure
- ✓ Value addition with profitability & not valuation

Analysis of Entrepreneurship – Different Communities

NAME OF THE COMMUNITY	DOMINATION IN BUSINESS	REASON BEHIND THE DEVELOPING ENTREPRENEURIAL CULTURE
Shetty (Bunt)	Food Chain / Hotel Business	Due to their economic backwardness, Bunts migrated to the neighbouring State of Maharashtra particularly to Mumbai city and settled down almost a century ago in search of employment / business and livelihood. Due to their hardworking nature and determination to come up in life, they are known as a progressive community.
Sindhis	Textiles/ Electronics	During 1947 India-Pakistan partition the community struggled a lot. The community struggled due to displacement from their place of origin. They are one of the most successful entrepreneurial communities.



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Marwaris/ Marwadis	Finance/ Manufacturing	Due to geographical reasons (bare land etc.) community migrated all over the world. Their community network and business preferences are tightly knit together. High community dominance presence in Trade Channels across India.
Punjabis	Automobiles	Like Sindhis, they had to leave Pakistan-occupied Punjab unwillingly during India-Pakistan separation during 1947. Due to their strong physique they were preferred in hard core machinery/ transportation and automobile businesses.
Gujaratis	Textile/ FMCG/ Share Market	Majority of the Gujarati thrive as business persons. Gujarat is a leading Industrial State that ranks its commercial capital and textile city.



Marwari Entrepreneurs: A Legacy of Industry

The Marwari community, originating from Rajasthan, has a rich history of entrepreneurship marked by strategic risk-taking and a strong trading heritage. Their contributions have shaped India's industrial landscape.

They built some of India's most influential business houses, including the Birla Group, Bajaj, and RPG Enterprises, diversifying across various sectors like textiles, automotive, and IT.

Strategic Networking

Leveraging extensive social and business connections to foster collaboration and market reach.

High Adaptability

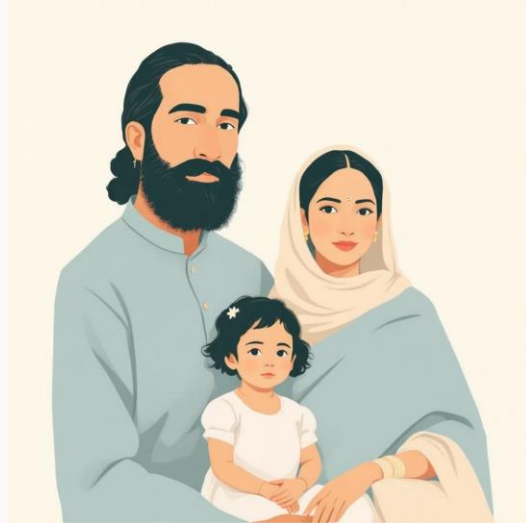
Ability to pivot and thrive amidst changing market conditions, seizing new opportunities.

Strong Family Support

Intergenerational commitment and shared resources bolstering ventures through challenging times.

Capital Pooling

Collective investment strategies that enable funding of ambitious projects and rapid expansion.



Chettiar Community: Financial Acumen & Global Reach

The Chettiar community from Tamil Nadu is renowned for its historical dominance in money lending and banking. Their expertise facilitated significant economic development, particularly across South and Southeast Asia.



Financial Pioneers

Historically, they excelled in money lending, banking, and facilitating complex trade finance across regions.

Community-Centric Investment

Significant contributions to local education, infrastructure development, and strengthening temple-based social structures.

Modern Ventures

Today, Chettiar-backed Non-Banking Financial Companies (NBFCs) and real estate firms continue to thrive, adapting effectively to contemporary market demands.

They were pioneers in establishing banking ventures and financial services across Southeast Asia, demonstrating an early form of global financial integration. Their investments extended to local education, vital infrastructure, and robust community networks centered around temples, fostering holistic development.

The Chettiar legacy highlights the power of specialized financial knowledge and unwavering community solidarity in fostering enduring entrepreneurial success across generations.



The Patel Motel Phenomenon in the U.S.

A remarkable case of community-driven entrepreneurship, over 50% of motels in the United States are owned and operated by Indian-origin Patels, predominantly from Gujarat. This dominance is a testament to strategic leveraging of community strengths.



1

Unwavering Family Involvement: Multi-generational participation ensures dedicated, hands-on management and seamless business continuity.

2

Frugal Living & Reinvestment: Profits are meticulously saved and consistently reinvested into property acquisition, upgrades, and business expansion.

3

Robust Community Network: Strong ties within the Gujarati community provide crucial access to capital, reliable labor, and shared industry knowledge.

This Harvard-referenced case study illustrates how deeply ingrained community bonds and shared cultural values can translate into significant global economic impact, providing a blueprint for successful ethnic entrepreneurship.

Innovators of India: A Startup Ecosystem Spotlight

India's vibrant startup landscape is powered by visionary entrepreneurs who have successfully disrupted traditional industries and created entirely new markets. Their journeys offer invaluable lessons in innovation and scalability.



Byju Raveendran (Byju's)

Pioneered the EdTech revolution with personalized learning apps, making quality education accessible to millions across diverse demographics.



Falguni Nayar (Nykaa)

Transformed the beauty and wellness retail sector, building a leading e-commerce platform with a powerful omnichannel presence.



Vijay Shekhar Sharma (Paytm)

Revolutionized digital payments and financial services, driving significant financial inclusion across India with innovative mobile solutions.



Ritesh Agarwal (OYO Rooms)

Disrupted the hospitality industry with an asset-light model, standardizing and aggregating budget accommodations globally.

These leaders exemplify the dynamism and immense potential of India's entrepreneurial spirit, inspiring a new generation of founders to tackle complex challenges.



Social Entrepreneurship: Impact Beyond Profit

Social entrepreneurs leverage sound business principles to address pressing societal challenges, creating sustainable solutions that uplift communities and foster inclusive growth. India offers compelling examples of this transformative approach.



Selco Solar (Harish Hande)

Bringing **affordable solar energy solutions** to remote, underserved rural communities in India, empowering them with light, economic opportunity, and improved quality of life.

The core lesson from these innovative ventures is the profound potential of entrepreneurship not just for wealth creation, but for driving community upliftment and fostering pervasive positive social change.



Araku Coffee Tribal Cooperatives

Establishing **sustainable livelihood models** for tribal farmers by promoting organic coffee cultivation and ensuring fair trade practices, enriching the local economy.

Unit II

Innovation

STICKY SUCCESS

It was during a flight in 1967 that Wolfgang Dierichs, a scientist working for the German company Henkel, had a flash of creative insight. The company made a wide range of stationery products and one area in which he worked was in adhesives. As he sat waiting for the plane to take off he noticed the woman next to him applying lipstick. His insight was to see the potential of the lipstick tube as a new way to deliver glue. Put some solid glue in a tube, twist the cap and apply it to any surface.

The company launched the 'Pritt Stick' in 1969, and within two years it was available in 38 countries around the world. Today, around 130 million Pritt



Sticks are sold each year in 120 countries and the product has sold over 2.5 billion units since its invention.

Introduction to Innovation

Innovation is found to be a part and parcel of the entrepreneurial domain.

Innovation is the key used by a common man to open the door of entrepreneurship, sustain and flourish therein.

In simple terms innovation can be defined as the act of doing things in a novel way.

Relationship between innovation and entrepreneurship has been discussed by many researchers on the basis of the structure (Caird, 1988), strategy (Littunen, 2000) and process (Cornwall et al, 1982).

The Innovation Imperative

INNOVATION IS ABOUT

- Identifying or creating opportunities
- New ways of serving existing markets
- Growing New Markets
- Rethinking services
- Meeting social needs
- Improving operations-doing what we do but better

Innovation vs Entrepreneurship

"Innovation is a discipline, with its own, fairly simple rules. And so is entrepreneurship. Neither of them requires geniuses. Neither of them will be



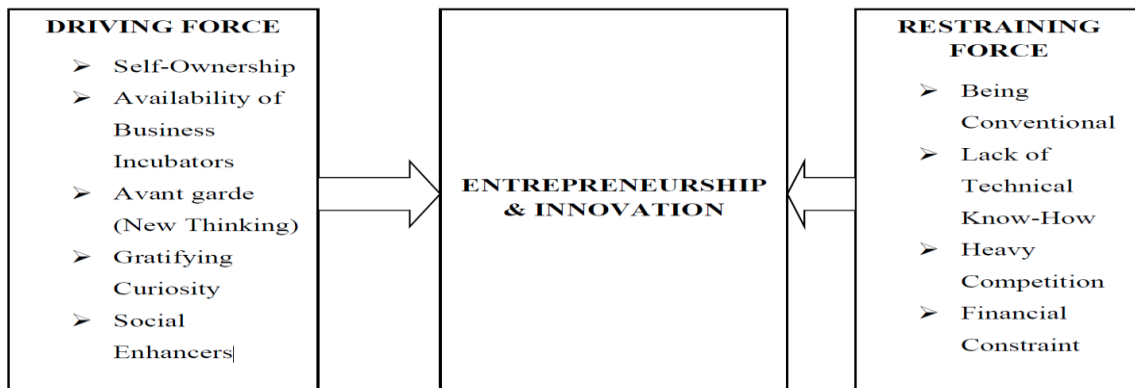
done if we wait for inspiration. Both are work. And only those businesses, and those business executives, who accepts this are likely to survive.” – Peter F. Drucker

AUTHORS	INNOVATION vs ENTREPRENEURSHIP
Herbig <i>et al</i> (1994)	Three basic components of innovation as: the capital; the infrastructure; & the capacity of the entrepreneurs to make the first two components work.
Zhao (2001)	Innovation has to concentrate on market needs, and also requires entrepreneurship in the context of achieving commercial success.
Schumpeter (1911; 1950)	Portrayed entrepreneurs as innovators because their activity incorporates innovation while introducing a new process, product or organization.
Lefebvre <i>et al</i> (1997)	Entrepreneurs are viewed as actors who are involved in the process of initiating and implementing innovations



Baumol (1990)	Entrepreneurs are ingenious and innovative.
Drucker (1998)	Innovation is at the heart of entrepreneurship activity and it is due to innovation that many entrepreneurs carry out their activity.
Hsueh <i>et al</i> (2004)	Innovation is found to be one of the contributing factors for the strategic growth of the company as well as the promotion of entrepreneurship.

Force Field Analysis



"Change in the form of entrepreneurship and innovation can occur only when the driving forces exceed restraining forces."



According to empirical studies conducted by Borooah *et al*, 1999; Peprah *et al*, 2015 self-ownership is found to be a driving force for entrepreneurs. Studies conducted by Allen *et al*, 1990; Al-Mubarak *et al*, 2010 reveals that an organization called business incubators act as facilitator in developing entrepreneurs. *Avant garde* is a French term used to describe people with innovative skills. Certain studies conducted by Elbaz *et al*, 2014; Wolters, 2000 reveal that innovative skills possessed by an individual can be viewed as a driving force towards entrepreneurship. The act of being curious kindles a person's interest to become an entrepreneur (Kashdan *et al*, 2011; Jeraj *et al*, 2015). Social enhancers like family support (Sirmon *et al*, 2003; Discua Cruz *et al*, 2013), mentoring (Sullivan, 2000; Chukuwa *et al*, 2013), networking (Birley, 1989; Reynolds, 1991) and peer group influence (Burton *et al*, 2002; Nanda *et al*, 2006) act as facilitators in order to develop entrepreneurs. The restraining forces of entrepreneurs were being conservative (www.schwabfound.org, 2015), lack of technical know-how (www.shodganga.inflibnet.ac.in, 2013), heavy competition (Rauch *et al*, 2000) and financial constraint (Kerr *et al*, 2009; Fluck *et al*, 2000).

Design Thinking

Design thinking is a methodology which provides a solution-based approach to solving problems. It's extremely useful when used to tackle complex problems that are ill-defined or unknown—because it serves to understand the human needs involved, reframe the problem in human-centric ways, create numerous ideas in brainstorming sessions and adopt a hands-on approach to prototyping and testing.



The five stages of design thinking process are:

Empathize: research the users' needs.

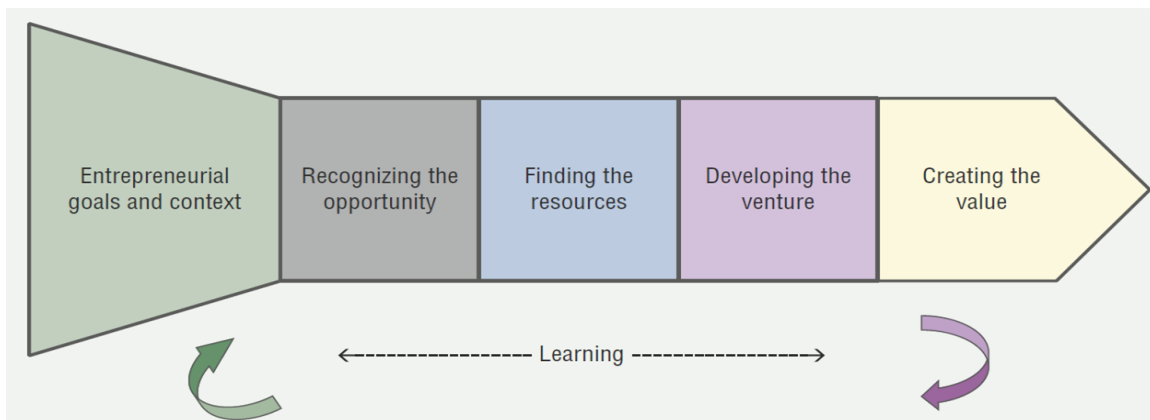
Define: state the users' needs and problems.

Ideate: challenge assumptions and create ideas.

Prototype: start to create solutions.

Test: try your solutions out.

A Process Model for Innovation & Entrepreneurship



Recognizing the Opportunity: Innovation Triggers come in various forms. Eg: New Technological Opportunities or Changing Requirements on the part of markets. **The message here is clear:** if we are going to pick up the innovation trigger signals then we need to develop some pretty extensive antennae for searching and scanning around us – and that includes some capability for looking into the future.

Finding the Resources: Innovation by its nature is a risky business. Have doubts about whether the business will work or not. So how to build a portfolio of businesses which balance the risks and potential rewards. This decision is



very tough for first time entrepreneurs. So this stage is very much about *strategic* choices. Does the idea fit a business strategy, does it build on something we know about (or where we can get access to that knowledge easily) and do we have the skills and resources to take it forward? And if we don't have those resources, which is often the case with the lone entrepreneur at start-up, how will we find and mobilize them?

Developing the Venture: Having picked up relevant trigger signals, made a strategic decision to pursue some of them and found and mobilized the resources we need, the next key phase is actually turning those potential ideas into some kind of reality. In some ways this implementation phase is a bit like making a kind of 'knowledge tapestry', by gradually weaving the different threads of knowledge (about technologies, markets, competitor behaviour, etc.) into a successful innovation.

Early on it is full of uncertainty but gradually the picture becomes clearer – but at a cost. We have to invest time and money and find people to research and develop ideas and conduct market studies, competitor analysis, prototyping, testing, etc. in order to gradually improve our understanding of the innovation and whether it will work. Eventually, it is in a form which can be launched into its intended context – an internal or external market – and then further knowledge about its adoption (or otherwise) can be used to refine the innovation.

Creating the Value: Despite all our efforts in recognizing opportunities, finding resources and developing the venture, there is no guarantee we will be able to capture the value from all our hard work. We also need to think about,

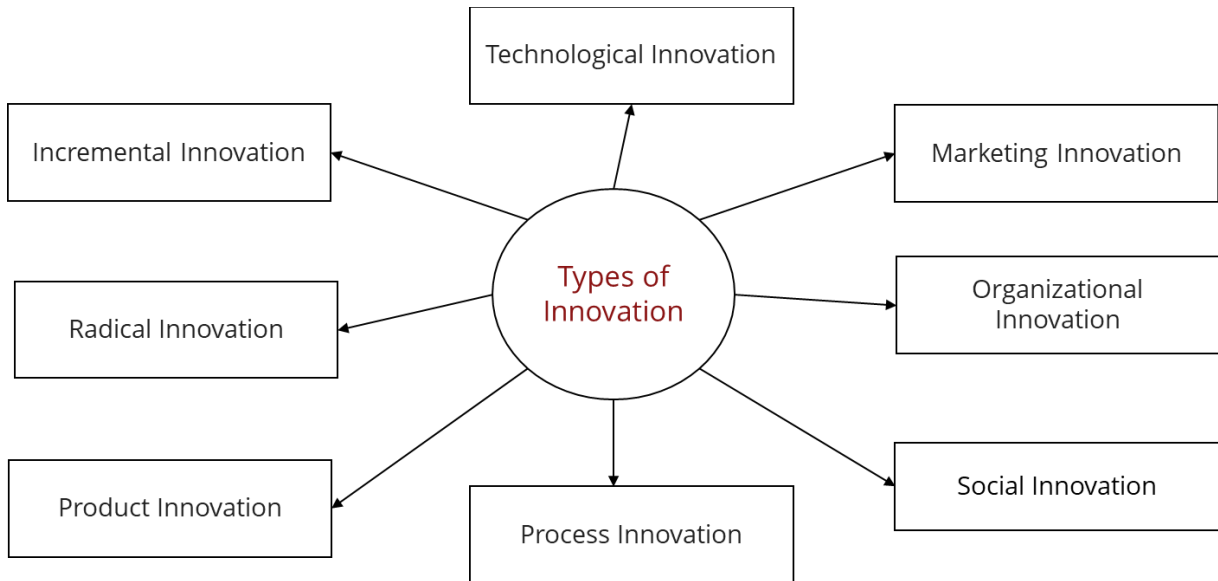


and manage, the process to maximize our chances – through protecting our intellectual property and the financial returns if we are engaged in commercial innovation or in scaling and spreading our ideas for social change so that they are sustainable and really do make a difference. We also have an opportunity at the end of an innovation project to look back and reflect on what we have learnt and how that knowledge could help us do things better next time. In other words, we could capture valuable learning about how to build our innovation capability.

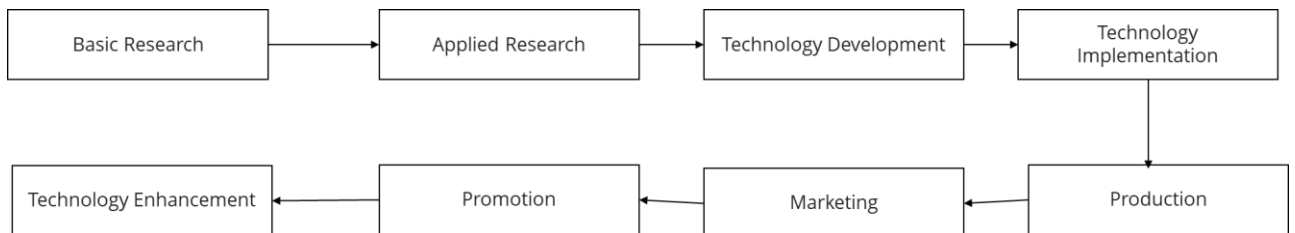
Innovation vs Entrepreneurship

Stage in lifecycle of an organization	Start-up	Growth	Sustain/scale	Renew
Creating commercial value	Individual entrepreneur exploiting new technology or market opportunity	Growing the business through adding new products/ services or moving into new markets	Building a portfolio of incremental and radical innovation to sustain the business and/ or spread its influence into new markets	Returning to the radical frame-breaking kind of innovation which began the business and enables it to move forward as something very different
Creating social value	Social entrepreneur, passionately concerned to improve or change something in their immediate environment	Developing the ideas and engaging others in a network for change – perhaps in a region or around a key issue	Spreading the idea widely, diffusing it to other communities of social entrepreneurs, engaging links with mainstream players like public sector agencies	Changing the system – and then acting as agent for the next wave of change

Types of Innovation



The Technological Innovation Process



Making an enduring company is far harder and more important than making a great product.

(Steve Jobs, founder Apple Corporation)

Corporate Entrepreneurship

- Corporate entrepreneurship is a procedure utilized for creating new business, solutions or services inside a present company for giving values and creating new sort of revenues using the thoughts and actions of an entrepreneur.



- This process creates the foundation for boosting revenue and innovation in the company.
- There is an exact idea about the resources and environment required for support and motivation is provided by corporate entrepreneurship.
- It can motivate the intrapreneurs to take the necessary action and take the company to the required goals.
- The main motive of this process is creating ideas with having disruptive nature instead of making little bit changes.
- Additionally, it creates an environment where innovations are led by company employees instead of being applied by management.

Corporate Entrepreneurship - Definition

Corporate Entrepreneurship is generally believing to refer to the development of new ideas and opportunities within large or established businesses.

Directly leading to the improvement of organizational profitability and an enhancement of competitive position or the strategic renewal of an existing business.

Examples: Google

Personnel Characteristics

- ➡ Encourage innovation and opportunity spotting.
- ➡ Embed within people a strong vision of what the organization can become.
- ➡ Motivate people to achieve, set goals and encourage achievement through public recognition and reward.



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- ➔ Encourage people to belong to and 'own' the organization, ensuring that they share in its success, so that they are motivated to see it grow.
- ➔ Encourage a 'can-do' and 'work-is-fun' culture.
- ➔ Encourage delegation and decentralization, pushing decision-making down the organizational hierarchy.
- ➔ Empower staff to make the right decisions for the organization.
- ➔ Ensure there is a 'light touch' with management so that staff can exercise their sense of empowerment.
- ➔ Encourage organizational self-confidence and self-efficacy by celebrating achievement and success.
- ➔ Encourage open communication and the sharing of information and knowledge, so the organization can react quickly to environmental changes and capitalize on opportunities.
- ➔ Encourage continual learning (unlearning & relearning) from this information and knowledge.
- ➔ Recognize change as the norm and something to be welcomed rather than avoided.
- ➔ Ensure success is celebrated.
- ➔ Recognize the importance of experimentation and balanced risk-taking.
- ➔ Not penalize failure unnecessarily, but always learn from it.

Management Characteristics



- ➔ Create a clear purpose for the organization, which is underpinned by a strong shared vision or strategic intent.
- ➔ Develop deep relationships with all stakeholders within and outside the organization – staff, customers, suppliers and partners.
- ➔ Rely on these strong relationships to give the organization identity and cement trust.
- ➔ Facilitate management through this relationship rather than relying on formal structures and hierarchies.
- ➔ Use these networks to gain information and knowledge so as to better manage the risks it faces.
- ➔ Encourage the sharing of this information and knowledge so as to allow strategizing.
- ➔ Encourage collaboration, for example through teamworking and partnership.
- ➔ Encourage continuous strategizing at all levels of the organization as well as the development of strategic options.
- ➔ Adopt an incremental, adaptive approach to decision-making, using small incremental steps, learning by doing, so as to better manage the risks it faces.

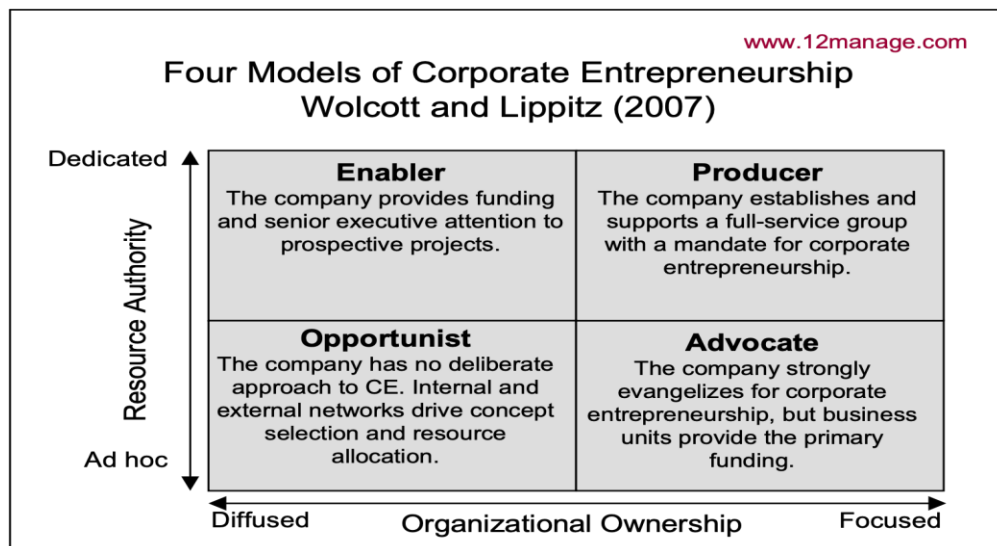
Corporate Entrepreneurship

ADVANTAGES	DISADVANTAGES
Resource Availability	Long Approval Cycles



Minimal Set-up	Limited Financial Rewards
Recognized Brand	Hindering Ability for Maneuverability
Sales Force	Not having the actual ownership

Corporate Entrepreneurship Models



Four Models

Clearly, what works for one company will not necessarily work for another. Through our research, we have identified two dimensions under the direct control of management that consistently differentiate how companies approach corporate entrepreneurship. The first dimension is organizational ownership: Who, if anyone, within the organization has primary ownership for the creation of new businesses? (Note: Responsibility and accountability for



new business creation might be focused in a designated group or groups, or it might be diffused across the organization.) The second is resource authority: Is there a dedicated “pot of money” allocated to corporate entrepreneurship, or are new business concepts funded in an ad hoc manner through divisional or corporate budgets or “slush funds?”

Together the two dimensions generate a matrix with four dominant models (see “Four Models”): the opportunist (diffused ownership and ad hoc resource allocation); the enabler (diffused ownership and dedicated resources); the advocate (focused ownership and ad hoc resource allocation); and the producer (focused ownership and dedicated resources). Each model represents a distinct way of fostering corporate entrepreneurship. A closer look at the models illustrates how they help companies build corporate entrepreneurship in different ways.

The Opportunist Model All companies begin as opportunists. Without any designated organizational ownership or resources, corporate entrepreneurship proceeds (if it does at all) based on the efforts and serendipity of intrepid “project champions” — people who toil against the odds, creating new businesses often in spite of the corporation.

Consider Zimmer Holdings Inc., a medical device company headquartered in Warsaw, Indiana. Zimmer has R&D organizations that undertake new product development but no formal organization or dedicated resources for corporate entrepreneurship. So when trauma surgeon Dana Mears had an idea for minimally invasive surgery for hip replacements, he presented and explored it informally with Zimmer manager Kevin Gregg. The two then got the go-ahead



from top management (including CEO Ray Elliot), who approved the use of company resources for concept development and experimentation. The new medical approach required innovations in training, so the company established the Zimmer Institute, and by 2006 more than 6,000 surgeons were being trained there in a dozen different types of minimally invasive surgical procedures. The resulting improvement in patient outcomes (and hence lower total costs) has led to some private insurers paying a premium for certain Zimmer procedures. Today, that new business has helped Zimmer achieve superior overall growth despite severe industry pricing pressure.

The opportunist model works well only in trusting corporate cultures that are open to experimentation and have diverse social networks behind the official hierarchy (in other words, places where multiple executives can say “yes”). Without this type of environment, good ideas can easily fall through organizational cracks or receive insufficient funding. Consequently, the opportunist approach is undependable for many companies. When organizations get serious about organic growth, executives realize they need more than a diffused, ad hoc approach. As a result of its past success with minimally invasive surgical procedures, Zimmer has instituted more formalized development practices for bringing new businesses to market. As such, the company has begun to evolve beyond the opportunist model.

The Enabler Model The basic premise of the enabler model is that employees across an organization will be willing to develop new concepts if they are given adequate support. Dedicating resources and processes (but without any formal organizational ownership) enables teams to pursue opportunities on



their own insofar as they fit the organization's strategic frame. In the most evolved versions of the enabler model, companies provide the following: clear criteria for selecting which opportunities to pursue, application guidelines for funding, decision-making transparency, both recruitment and retention of entrepreneurially minded employees and, perhaps above all, active support from senior management.

Google Inc. is the poster child of the enabler model. Kevai Desai, a Google program manager, describes his company in the following way: "We're really an internal ecosystem of entrepreneurs... sort of like the [Silicon] Valley ecosystem but inside one company." At Google, employees are allowed to spend 20% of their time to promote their ideas to colleagues, assemble teams, explore concepts and build prototypes. Project groups form on the fly, based on requirements defined by the teams themselves. An initial core team typically includes a project manager, technical lead, product marketing manager (for competitive analyses, focus groups, market targeting and so on), user-interface designer, quality-assurance specialist and an attorney (for privacy, trademark and other legal input). If the team believes it has a winner, it appeals to the Google Product Council for funding. This group, which includes the company founders, top executives and engineering team leads, provides broad strategic direction and initial resources. Successful project teams receive assistance from the Google Product Strategy Forum to formulate their business models and set milestones. Importantly, Google applies no preconceived criteria or hurdle rates to the projects. As long as a project appears to have potential and maintains the interest of Google employees, it can continue.



At any given time, Google typically supports more than 100 new business concepts in various stages of development, and information about the projects is maintained in a central, searchable database. Managers estimate that approximately 70% of the projects support the company's core business in some fashion, 20% represent emerging business ideas and 10% pursue speculative experiments. If a project succeeds, team members can receive substantial bonuses (called Founder's Awards), sometimes in the millions of dollars.

Google's entrepreneurial culture, dynamic market and extraordinary access to capital make the company difficult to replicate. Nonetheless, other organizations have had success using the enabler model. The Boeing Co. and Whirlpool Corp., for example, have found that dedicated funds for innovation combined with clear, disciplined processes for allocating those funds can go a long way toward unlocking latent entrepreneurial potential. Well-designed enabler practices also have the side benefit of exposing senior management to ambitious, innovative young employees, allowing the company to identify and nurture future leaders.

But firms should be aware that the enabler model is not just about allocating capital for corporate entrepreneurship. Personnel development and executive engagement are also critical. Google spends an extraordinary amount of time and effort on recruiting. To be hired, a program manager or senior engineering candidate might go through 20 interviews in multiple stages before the company determines whether that individual has the right combination of "entrepreneurial DNA," broad technical talent and intellectual agility. Executive



engagement is essential for people to trust that the process of corporate entrepreneurship is being taken seriously — that is, the company will indeed pursue the development and commercialization of good ideas. Without sufficient support from senior management, promising concepts can end up as casualties of conflicts with established businesses. Another danger is that the enabler model could degenerate into “bowling for dollars,” in which people apply for funds for ordinary business-unit projects or for ideas that they are not really seriously interested in pursuing.

The Advocate Model What about cases in which funding isn’t really the issue? In the advocate model, a company assigns organizational ownership for the creation of new businesses while intentionally providing only modest budgets to the core group. Advocate organizations act as evangelists and innovation experts, facilitating corporate entrepreneurship in conjunction with business units.

Consider E.I. du Pont de Nemours and Co., the 200-year-old global conglomerate. In 1999, CEO Chad Holliday realized that the company needed some new thinking because, even though margins and returns had improved during the prior six years, growth had declined. So Holliday asked DuPont veteran Robert A. Cooper to head a small internal group that focused on company growth, and the result was the Market Driven Growth initiative.

The program provides employees with a wide range of assistance, everything from idea conceptualization through commercialization. For instance, it includes a four-day “business builder” session that helps people generate and prioritize different business concepts. After this, a team will typically spend



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from four to eight weeks developing a detailed business plan, including a 180-day “contract” with senior management to address major uncertainties of the proposed concept. Then the team and a facilitator from the Market Driven Growth program will present the plan to business unit leadership for approval.

Success within one business unit has a way of building interest from others, and over time teams like those at DuPont can become critical change agents. Although consultants can help the process, ultimately the best advocates come from a company’s veteran ranks — those who are well-known, respected and experienced in making change happen within the organization. As DuPont’s Cooper recalls, “I thought I’d spend most of my time helping design and build new businesses.... Instead, I spent at least half my time advocating.”

The core of the Market Driven Growth program is currently staffed with five full-time employees. Becoming part of this group has become a sought-after opportunity for up-and-coming managers who want to gain senior-level exposure and have a direct impact on the company’s growth. Although DuPont’s senior executives actively and openly support the program, they have never mandated its adoption by the company’s different business units. To win that support, the program worked with leaders from the business units early on to help define the mission, growth domain and criteria for opportunities they would be willing to fund. In 1999, DuPont’s corporate headquarters invested in the process development and the pilot engagements to allow the program to gain credibility, but after that each business unit had to pay its own way. Today, DuPont still doesn’t require its business units to



participate, but they do so because they recognize the value of the initiative. One of the program's early supporters was Ellen Kullman, then group vice president for DuPont's safety and protection businesses, who has since become an enthusiastic champion of the initiative. By 2005, Kullman noted, "We have nearly a half a billion dollars of new revenues we would not have had had it not been for this program."

The Producer Model A few companies such as IBM, Motorola and Cargill pursue corporate entrepreneurship by establishing and supporting formal organizations with significant dedicated funds or active influence over business-unit funding. As with the enabler and advocate models, an objective is to encourage latent entrepreneurs. But the producer model also aims to protect emerging projects from turf battles, encourage cross-unit collaboration, build potentially disruptive businesses and create pathways for executives to pursue careers outside their business units.

To pursue corporate entrepreneurship, Cargill Inc., the \$75 billion global agriculture products and services company based in Wayzata, Minnesota, has established its Emerging Business Accelerator. **8** As David Patchen, the group's founder and managing director, recalls, "Prior to the EBA, we lacked a clearly defined process for pursuing opportunities that fell outside of the scope of existing business units and functions.... We needed a new approach to complement our business units and Cargill Ventures [an internal venture group]."

Managers often don't know what to do with new concepts that don't fit an existing business, and incentives typically discourage them from absorbing



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near-term losses. That's where the Emerging Business Accelerator comes in. When Cargill's de-icing business unit identified a novel de-icing technology, the group realized it might not be well-suited to develop and commercialize the innovation. The technology — an epoxy overlay that inhibits ice formation — was going to be a high-end product that would be sold to road builders worldwide for critical applications such as bridges. But Cargill's de-icing business unit primarily sells commodity products to transportation department agencies in North America. So the new technology was transferred to the Emerging Business Accelerator, which brought the offering to market.

Such successes have helped the Emerging Business Accelerator become a global clearinghouse for new concepts and value propositions across Cargill. The group maintains a Web site for people to submit ideas, both from inside and outside the company. When an opportunity appears promising, the Emerging Business Accelerator develops a high-level plan, performs due diligence, recruits talent and, if approved by the group's board of directors provides capital and monitors the project's progress. In the early stages, project teams focus on refining their concept, business model and market offerings. To do so, they spend considerable time with potential customers to validate the market for their products or services. Projects that achieve validation from real customers graduate into either existing or new business units.

Through 2006, the Emerging Business Accelerator has evaluated dozens of opportunities, and seven significant projects have received funding of which



six are ongoing. The Emerging Business Accelerator aims to generate revenues from projects within three years so that it does not become viewed merely as a source of funds for pie-in-the-sky research. It employs many development paths: greenfield investments, patent licensing, minority investments tied to business development agreements and small acquisitions. It selects, staffs and monitors — but does not operate — new business opportunities. In essence, it manages the process but not the ideas, which helps build trust and encourages collaboration among stakeholders. Cargill has found that assigning projects to managers with other profit-and-loss responsibilities does not work, so full-time teams are created.

The producer model is not without its share of challenges and risks. First, it can require significant investments over many years. Motorola's corporate entrepreneurship group, for instance, has an annual budget in the tens of millions of dollars and a dedicated staff of more than 35 people. Second, integrating successful projects into established business units can be difficult. Project teams often become isolated and can be perceived as threats to existing business units, particularly when they have pilfered top talent. Ultimately, building credibility and trust throughout the company is critical for the producer model to succeed. Most of the corporate entrepreneurship leaders in our study said that they spend more than half their time on communications within the company, and we have found that successful producer models are generally run by senior leaders who have mastered the art of internal corporate politics.

Intellectual Property Rights - Definition



Intellectual property is any product of human intellect that is intangible but has value in the marketplace. It is called “intellectual” property because it is the product of human imagination, creativity and inventions.

COMPONENTS OF INTELLECTUAL PROPERTY

Any firm’s intellectual property consists of intangible assets such as:

- Licensing
- Patents
- Trademarks
- Copyrights – website contents
- Trade Secrets

Trade secrets may be a formula, recipe or process used to gain a competitive advantage.

Components of IPR- Licensing

Licensing is an agreement where one firm permits another to use its intellectual property for compensation such as royalty, fees or commission.

Two parties of licensing are 1. Licensor 2. Licensee.

CASE STUDY

✓ In May 2018, Nestle and Starbucks entered into a \$7.15 billion coffee licensing deal. Nestle (the licensee) agreed to pay \$7.15 billion in cash to Starbucks (the licensor) for exclusive rights to sell Starbucks’ products (single-



serve coffee, teas, etc.) around the world through Nestle's global distribution network.

✓ Additionally, Starbucks will receive royalties from the packaged coffees and teas sold by Nestle.

✓ The licensing agreement provided Starbucks with the ability to drive brand recognition outside of its North American operations through Nestle's distribution networks.

✓ For Nestle, the company gained access to Starbucks' products and strong brand image.

Components of IPR- Licensing - Merits & Demerits

ADVANTAGES TO THE LICENSOR	DISADVANTAGES TO THE LICENSOR
Easy entry to new geographical regions and foreign markets	Possibility of loss of control of their IPR
Lower capital requirements	Have to depend on the skills, abilities and resources of licensee to generate revenues
Ability to generate passive revenues through royalties	Improper use of IPR by Licensee
Able to gain the expertise and skills of licensee	



ADVANTAGES TO THE LICENSEE	DISADVANTAGES TO THE LICENSEE
Quick access to the new market	More rely on the license
Not to own the resources, can be acquired through license	Licensee is responsible for the end success
Able to reach greater heights with the use of License	Licensee have to pay fee

Components of IPR- Patent

PATENT

- Patents secure the inventor's legal and commercial rights over their inventions.
- An exclusive right granted to inventors when they invent or develop a product.
- The inventor has exclusive rights to produce it and has the right to license the idea to other companies to allow them to produce that particular product under a licensing agreement.
- The patent system was first introduced in India in the year 1856.
- Ex: A software developed to detect the thickness of glasses is one of the brightest inventions that every big company would keen to invest; Light Bulb.

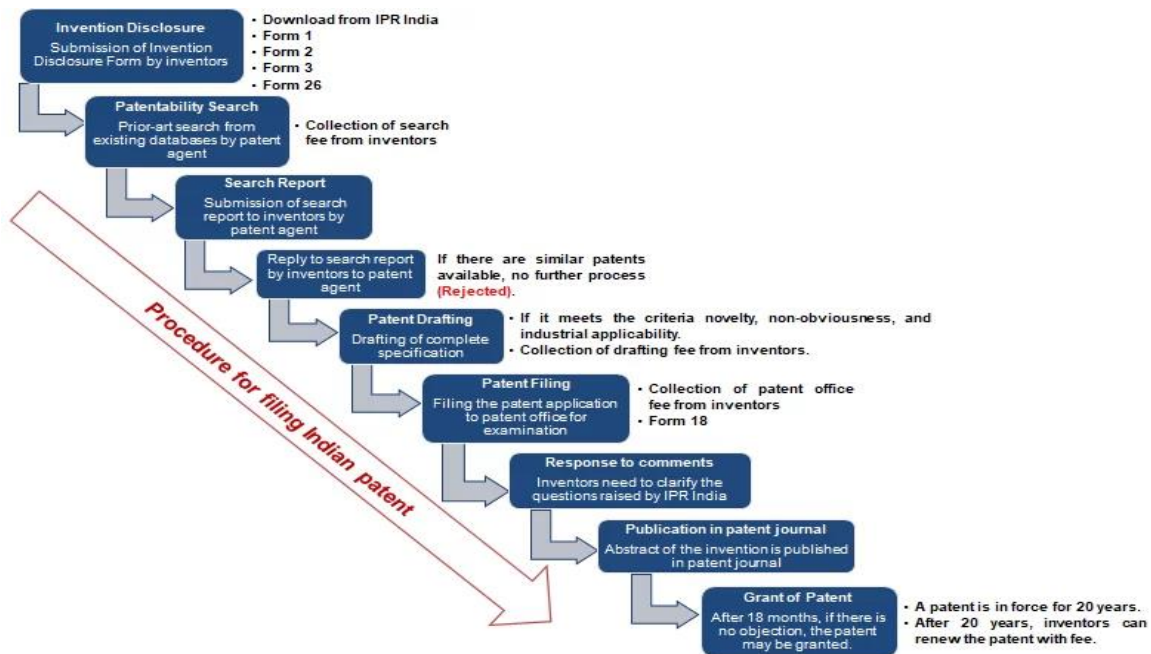
Components of IPR- Patents



OBJECTIVES OF PATENT RIGHT

- ✓ It protects the ideas of the inventor.
- ✓ It deals with the precise nature of rights which a person can acquire.
- ✓ It deals with the methods of transfer of those rights to others.
- ✓ It protects the inventor of the original product/process from the unauthorized reproduction.
- ✓ It encourages the inventor to create original process/product by rewarding them with exclusive rights for a limited period.

The Process of Obtaining a Patent



Types of Patent

- **UTILITY PATENT:** A new Process, machine, system, or any new useful improvement thereof.



➤ **DESIGN PATENT:** Ornamental design for an article of manufacture. Ex. Car, jewellery

➤ **PLANT LAYOUT:** Any distinct and new variety of plant. If one comes across new, distinctive plants, that may not have been seen or heard of before; they can obtain a patent: It must fit the requirements under the plant patent laws before applying.

Based on the application status

1. PROVISIONAL PATENTS

➤ An inventor can file for a provisional patent if their invention is still in its development phase and they intend to make improvements to it.

➤ They will get 12 months to develop and enhance their invention and convert the provisional patent into a complete patent application.

2. COMPLETE PATENT

If one has their complete invention in place and is ready to get their patent, they can file a complete patent application.

Registration of Patent

➤ The application will be verified by the Controller General of patent examiner.

➤ The examiner will check whether the invention is eligible for patenting.

➤ The examiner will cross check the existing list of patent holders to know whether an invention is already been registered in the office.



- The examiner after the examination of the applicant communicates his objection, if any to the applicant.
- If the applicant is unable to remove the objection, then the examiner will refuse to grant patent.

Rights of Patent Holder

- To publish the invention.
- To make adaptation or alteration of work.
- To sell or transfer his right to other person.
- To import or export the whole part of the work.

Intellectual Property Rights – Patents – Merits & Demerits

ADVANTAGES OF A PATENT	DISADVANTAGES OF A PATENT
Product becomes intellectual property	Not suitable for every business
Financial benefits to the inventor	Keeping Secrecy
Advantages of Patent for Investors	Lengthy Application Process (3-4 yrs)
Restricted Competition	Unbearable Costs (patent fee, attorney fee and cost of legal paper work)



Best for Small Businesses and Start-Ups	Patents don't last forever
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Innovation in Indian Firms

- India was ranked 40th among 132 countries in Global Innovation Index.
- The World Intellectual Property Organization ranked India 6 steps higher than its position in 2021.
- Consecutively India ranked among the top 50 innovative countries in the World.
- Within six years India's rank rose from 86th rank in the world to 40th rank.
- Innovation grew due to the efforts by the government (Atal Innovation Mission-AIM, NITI AAYOG & The Better India Initiative), start ups and encouragement provided by various institutions in the country.
- Human Capital, Investment, Knowledge Workers, Business Environment and Safety & Legal Environment act as enablers for innovation.

Innovation in Indian Firms

S.No	NAME OF THE BUSINESS	AREA OF INNOVATION	IMPLEMENTATION OF INNOVATION
1	Meesho	For popularizing e-commerce by helping people sell	Meesho fosters entrepreneurship by letting users curate digital boutiques and market and sell to



		to their social networks	their networks via their social media accounts. The company currently has two million resellers on its platform.
2	Milk Mantra	For boosting tens of thousands of farmers' productivity by 31% and income by 57% via its ethical sourcing network	Milk Mantra helps track the quality and quantity of the milk that farmers produce. This information helps the farmers better determine the market value of their product.
3	Cipla	For formulating a pediatric AIDS drug that can be sprinkled in food or water	About 80,000 babies and toddlers die of AIDS each year, mostly in Africa, in part because their medicines come in hard pills or bitter syrups that are difficult for small children to swallow or keep down. Indian generic-drug manufacturer Cipla created a new drug, called Quadrimune, which comes in strawberry-flavored granules that



			can be mixed with water or milk or sprinkled on baby cereal.
4	Udaan	For building a B2B marketplace for 2 million retailers in 900 cities to buy direct from manufacturers	<p>Udaan's mobile app connects 150,000 traders, wholesalers, and retailers in India, enabling small- and medium-sized businesses to do business directly with manufacturers.</p> <p>Right now, electronics and consumer goods are for sale on the app, and the company, founded by three former Flipkart executives, plans to make industrial goods, fresh fruits and vegetables, office supplies, and more available soon.</p>
5	Ambee	For sensing air-quality data to make customized recommendations	<p>Ambee is an air-quality data network. The company's sensors measure air quality in terms of dust, particulate matter, volatile organic compounds, temperature, humidity, UV light, and sound.</p> <p>This data, which is hyperlocal and</p>



			crowdsourced, is fed into a proprietary algorithm that learns from the user's routines and lifestyle and is able to suggest changes.
6	Locus	For enhancing its logistics software by translating ad hoc addresses into precise locations	Locus lets businesses manage their logistics and e-commerce using AI. The company automates tasks that previously required significant human labour, including tracking inventory, transporting goods, and optimizing delivery routes.
7	NIKI.AI	For converting voice commands into online orders, overcoming dialect barriers	NIKI.AI is India's first voice- & vernacular-enabled e-commerce platform. Currently, 60% of India's 390 million internet users decline to make digital transactions online due to language barriers. With this platform, they can speak into their phone in their own language to order online.



8	Curefit	For bulking up the gym chain's wellness offerings with mental health programs and meal plans	Curefit, one of India's first gym chains, has lowered the barrier for many Indians to start working out. The company recently expanded to focus on wellness, with services including mental health tools and meal plans.
9	Urban Company	For doubling down on beauty and home services and offering its providers with free insurance	A marketplace for freelance labour and home services. Urban Company matches cleaners, repair staff, beauticians, and more with customers across 10 cities in India as well as Dubai and Abu Dhabi. The platform helps offline service workers who have traditionally relied on finding employment through middlemen or word of mouth—find more work. In addition, they typically keep 80% of the cost of their jobs and can manage their working hours.



10	B9 Beverages	For moving from craft to mass-market beer	The New Delhi-based company released India's first major craft beer brand, Bira 91. Over the past few years, it followed up with Bira 91 Light and Bira 91 Strong, and in February 2019 it entered the mainstream market with Boom.
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Unit III

New Venture Creation - Stages

New venture creation is the creation of new organizations through planning, organizing, and establishing them. - Gartner 1985.

Three different stages: 1. DREAM 2. BUSINESS IDEA 3. NEW VENTURE CREATION

WHAT IS NEW VENTURE CREATION

- The process of turning a new idea or technology into a business that can succeed and will attract investors.
- It is defined as a process that involves an establishment of a new business venture from scratch, growing the venture and then effectively harvesting the business venture.

How to Validate/Evaluate an idea?



STEP 1: 5 CORE QUESTIONS IN EVALUATING AN IDEA

1. Is there a Market need?
2. Do you have a viable solution?
3. Do you have a unique and compelling product?
4. Can the right resources & skills be assembled to execute successfully on this business idea?
5. Is the venture worth the investment?

STEP 2: PLANNING - Managing uncertainty in a resource-constrained environment.

1. who is the target customer?
2. What is the business Model?
3. How are you going to create sustainable competitive advantage – VRIO Framework?
4. What is the roadmap that will guide the development of the venture?


VRIO Analysis



Resources are ...				Impact on ...	
Valuable?	Rare?	Difficult to imitate?	Supported by organization?	Competitive Implications	Performance
No	-	-	-	Competitive Disadvantage	Below Normal
Yes	No	-	-	Competitive Parity	Normal
Yes	Yes	No	-	Temporary Competitive Advantage	Temporary Above Normal
Yes	Yes	Yes	No	Unused Competitive Advantage	Above Normal
Yes	Yes	Yes	Yes	Sustained Competitive Advantage	Sustainable Above Normal




VRIO ANALYSIS STARBUCKS



RESOURCE OR CAPABILITY	VALUABLE	RARE	INIMITABLE	ORGANIZATION	IMPACT ON COMPETITIVE ADVANTAGE
<i>Strong global presence</i>	YES	YES	YES	YES	<i>Realized sustainable competitive advantage</i>
<i>Specialty coffees</i>	YES	NO	NO	YES	<i>Realized competitive parity</i>
<i>Upscale and cozy atmosphere</i>	YES	YES	NO	YES	<i>Realized temporary competitive advantage</i>

Source: U.S. Coffee and Snack Shop Industry:
A Comparative Analysis of Starbucks and Dunkin' Donuts



STEP 3: DOING – EXECUTING

The two sides of execution

Exploration	Production
<ul style="list-style-type: none"> • Observe • Question • Experiment 	<ul style="list-style-type: none"> • Build • Sell

New Venture Creation



- How to recognise, assess and articulate new venture opportunities?
 - How to access and apply the resources required to underpin venture development and growth?
 - How to develop a business plan for selling your idea to potential investors?
1. Opportunity recognition & Evaluation is done through idea generation, feasibility and market analysis
 2. Industry and competitor analysis
 3. Operational issues and resourcing the business.
 4. Finalizing the plan and pitching it to the investors

Two Entrepreneurship laws

1. Always start with the need
2. Make no investment before its time –
 - i. Analyze assumptions: comprehensive and distinct
 - ii. Sequence: according to impact, probability, and cost

New Venture Creation

- DISCOVER an opportunity by engaging with a potential “customer” and finding a need or problem that can be solved.
- It begins with the process of validating an “idea,”
- DEVELOP the idea through planning, finding worthiness, viable to transform into product/services etc
- Hypothesis about market and product. It covers the process to the initial phase of delivering the solution, but does not go into issues of scaling.



- DELIVER: Get into the business

Element of the model	Basic idea
Discovering / Evaluating	Is the idea worth pursuing — validation of the opportunity
Planning/ Developing	Deciding what to do and when — strategy
Execution / Deliver	Efficient and effective use of resources

Environmental Scanning

- Environmental scanning is a process of gathering information about the events and their relationship with the internal and external environment of the organization.
- The primary aim of environmental scanning is to find out the future prospects of business organization.

ENVIRONMENTAL SCANNING DEFINITION

The process of collecting, evaluating, and delivering information for a strategic purpose is defined as environmental scanning.

The process of environmental scanning requires both accurate and personalized data on the business environment in which the organization is operating or considering entering.

Characteristics of Environmental Scanning



1. Continuous Process- The analysis of the environment is a continuous process rather than being sporadic. The rapidly changing environment has to be captured continuously to be on track.

2. Exploratory Process- Scanning is an exploratory process that keeps monitoring the environment to bring out the possibilities and unknown dimensions of the future. It stresses the fact that “What could happen” and not “What will happen”.

3. Dynamic Process- Environmental scanning is not static. It is a dynamic process and depends on changing situations.

4. Holistic View- Environmental Scanning focuses on the complete view of the environment rather than viewing it partially.

Techniques of Environmental Scanning

1. SWOT Analysis- SWOT analysis is an acronym for Strengths, Weaknesses, opportunities and threats analysis of the environment. Strengths and weaknesses are considered as internal factors whereas opportunities and threats are external factors. These factors determine the course of action to ensure the growth of the business.

2. PESTEL Analysis- PEST stands for Political, economic, social, technological, legal & environment analysis of the environment. It deals with the external macro-environment.

3. ETOP- ETOP stands for the Environmental Threat Opportunity Profile. It helps an organization to analyze the impact of the environment based on threats and opportunities.



4. QUEST- QUEST stands for the Quick Environmental Scanning Technique. This technique is designed to analyze the environment quickly and inexpensively so that businesses can focus on critical issues that have to be addressed in a short span.

Process of Environmental Scanning

1. Scanning- The process of analyzing the environment to spot the factors that may impact the business is known as Environmental Scanning. It alerts the enterprise to take suitable strategic decisions before it reaches a critical situation.

2. Monitoring- The data is gathered from various sources and is utilized to monitor and find out the trends and patterns in the environment. The main sources of collecting data are spying, publication talks with customers, suppliers, dealers and employees.

3. Forecasting- The process of estimating future events based on previously analyzed data is known as environmental forecasting.

4. Assessment- In this stage, the environmental factors are assessed to identify whether they provide an opportunity for the business or pose a threat.

Importance

Goal Accomplishment: The objectives of an organization cannot be fulfilled unless it adapts itself to environmental changes. One has to adjust the strategies to fit in the changing demands of the environment.

Threats and Weakness Identification: For an organization to grow, it must minimize its threats and identify its weaknesses. This is made possible with



the help of environmental scanning with which better strategies can be developed.

Future Forecast: Environmental changes are often unpredictable. An organization cannot anticipate all the future events but based on the analysis, it can make better strategic decisions in the future. Hence, environmental analysis helps to forecast the prospects of the business.

Market Knowledge: Every organization must be aware of the ongoing changes in the market. If it fails to incorporate strategic changes due to changing demands, it will not be able to achieve its objectives.

Focus on the Customer: Environmental scanning and analysis make an organization sensitive to the changing needs and expectations of the customer.

Opportunities Identification: With the analysis of the current environment, an organization will be able to identify the possible opportunities and take necessary steps.

Limitations

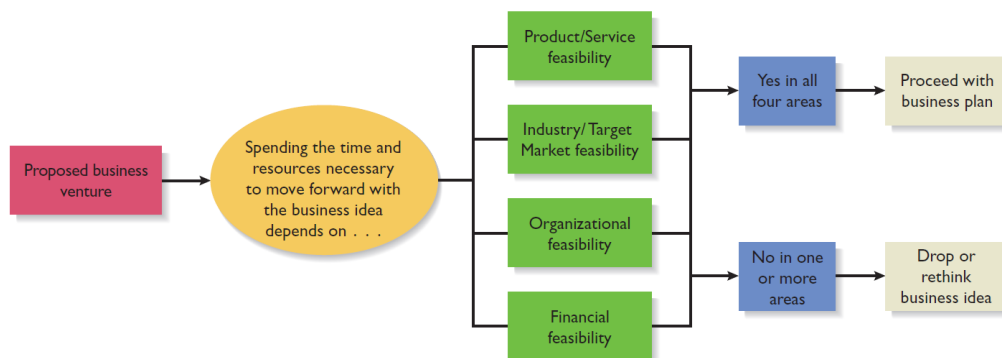
- Overloading of information may sometimes result in indecision. Hence it is not completely reliable.
- It does not forecast the future or eliminate uncertainties. Organizations may face unexpected events. However environmental scanning should aim at minimizing such threats to the business.



- It often makes an organization cautious and thereby delays decision making. It is better to have a strategic approach to analyze the environment and take decisions or actions on time.
- When the organizations rely completely on the analyzed information without data verification and accuracy, it may lead to deviation in the desired outcomes.

Feasibility Analysis

Feasibility analysis is the process of determining if a business idea is viable. If a business idea falls short on one or more of the four components of feasibility analysis, it should be dropped or rethought, as shown in the figure.



Feasibility Analysis



Part 1: Product/Service Feasibility

- A. Product/service desirability
- B. Product/service demand

Part 2: Industry/Target Market Feasibility

- A. Industry attractiveness
- B. Target market attractiveness

Part 3: Organizational Feasibility

- A. Management prowess
- B. Resource sufficiency

Part 4: Financial Feasibility

- A. Total start-up cash needed
- B. Financial performance of similar businesses
- C. Overall financial attractiveness of the proposed venture

Overall Assessment

Technical Feasibility

Technical feasibility is an assessment of whether a proposed project, product, or service can be successfully implemented using current or available technology. It involves evaluating in detail the technical requirements, constraints, and capabilities of the proposed solution/process to determine whether it is feasible to develop, implement, and maintain it within the given constraints and available resources.

Here are a few reasons why a feasibility report is essential for any project:

Identifying potential problems: This report can help identify potential problems and challenges that may arise during the implementation project.



This can help project managers in planning for contingencies and mitigate risks before they become major issues.

Assessing resource requirements: A technical feasibility study helps assess the resources required for a project, such as equipment, software, raw materials and personnel. This can help project managers estimate costs, plan budgets, and allocate resources more effectively.

Evaluating technical requirements: This helps evaluate the technical requirements of a project, such as hardware and software compatibility, data management, production process and security. This can help ensure that the project is technically sound and can be successfully implemented.

Ensuring project viability: It helps determine whether a project is viable in terms of its technical feasibility. This can help project managers decide whether to proceed with the project or consider other alternatives.

Essentials for Feasibility Study

Technical Requirements: Define the technical requirements that are necessary for the project. This includes hardware, software, production process and other technical infrastructure.

Resource Availability: Evaluate the availability of technical resources such as hardware, software, raw materials and technical personnel.

Scalability: Determine if the project can be scaled up or down as needed to meet changing requirements.

Compatibility: Determine the compatibility of the proposed technical solution with existing systems and infrastructure.



Security: Evaluate the security of the proposed technical solution and identify potential vulnerabilities.

Cost: Evaluate the cost of the proposed technical solution, including hardware, software, and personnel costs.

Maintenance: Determine the maintenance requirements for the proposed technical solution and evaluate the availability of technical personnel to perform maintenance tasks.

Technical Risk: Identify and assess the technical risks associated with the proposed technical solution.

Technical Expertise: Evaluate the technical expertise required to implement the proposed technical solution and determine if the organization has the necessary skills in-house or if outside expertise is needed.

Timeframe: Define the timeframe for the technical feasibility study and ensure that it aligns with the project timeline.

Guidelines for Writing a Feasibility Study

Define the purpose and scope: Clearly define the purpose and scope of the study. This will help ensure that the study is focused and provides relevant information for the proposed project.

Identify key stakeholders: Identify the key stakeholders who will be impacted by the project and ensure that their requirements and concerns are duly addressed in the study.



Use clear language: Use clear and concise language throughout the study, avoiding technical jargon or terms that may be confusing to non - technical stakeholders.

Include technical details: While the study should be accessible to non-technical stakeholders, it should also provide enough technical details and specifications to accurately assess the feasibility of the project.

Identify and evaluate alternatives: Identify and evaluate alternative solutions or technologies that could be used instead of the proposed solution. This will help provide context for the feasibility of the proposed project.

Assess risks and opportunities: Conduct a thorough risk assessment, including identifying potential technical risks and opportunities. This will help stakeholders understand the potential impact of the project on their organization.

Provide recommendations: Based on the findings of the study, provide clear recommendations for whether or not we should with the project, and if so, any necessary modifications required, or contingencies envisaged.

Use a structured format: Use a structured format for the study, including an executive summary, introduction, methodology, results, and conclusion. This will help ensure that the study is organized and easy to navigate.

Review and revise: Review and revise the study multiple times to ensure accuracy, clarity, and completeness. Consider having a peer review by someone with technical and professional expertise to ensure that the study is accurate and complete.



Marketing Methods / Techniques

- Small businesses don't have the advertising budget of larger rivals, but there are inexpensive ways to build a customer base.
- Hitting the pavement with flyers distributed door to door (where allowed) and placing posters strategically can help get the word out.
- Follow up with customers after the first round of ads to reinforce the initial message, and don't fear cold calls—they can be effective.
- Value additions, such as discounts or freebies for repeat customers, are a big boon once the business is up and running.
- Referrals—both from customer to customer and business to business—are also important.
- Prioritize digital marketing, including traditional websites and social media.
- **MARKETING TECHNIQUES:** Flyers, Posters, Value Additions, Referral Networks, Cold Calls & Warm Calls, Follow-Ups & Online Marketing

Price and Pricing Policy



TABLE 3.2 Online Tools Available for Completing a Feasibility Analysis

Tool	Description	URL
3D Printing Services		
i.materialise	Allows you to convert your ideas into physical objects via a 3D printing service. Also provides a platform for sharing and selling your designs.	http://i.materialise.com
Shapeways	Provides a platform for converting ideas into physical objects to use as product prototypes or to sell through the Shapeways community.	www.shapeways.com
A/B Split Testing		
3 Minute Optimizer	Easy and effective A/B testing for both tech and non-tech start-ups. Provides both A/B testing and conversion tracking.	www.3minuteoptimizer.com
Optimizely	Robust A/B testing platform that allows you to fine tune your Web pages to optimize conversion and reach your goals.	www.optimizely.com
Feedback on Business Ideas		
Growth Hackers	Forum suitable for getting feedback on business ideas regarding how to go about acquiring your first customers.	www.growthhackers.com
Meetup	Online portal that provides information about offline group meetings. Meetup allows members to find and join groups that meet their interests. Becoming part of a "meetup group" is an excellent way to receive feedback on business ideas.	www.meetup.com
Reddit	Great place to hold an online discussion about virtually any topic. It's easy to start a thread on Reddit, and you can get feedback on business ideas.	www.reddit.com
Unassumer	Helps you learn quickly what your customers really want, so you can focus on delivering the best product.	www.unassumer.com
Landing Pages		
LaunchRock	Allows you to create a "coming soon" landing page in minutes and collect e-mail addresses and other useful analytics on potential early users of your product.	www.launchrock.com

(continued)



Tool	Description	URL
Ubounce	Allows you to create simple landing pages and do A/B Split Testing without involving developers or needing coding skills.	www.ubounce.com
WuFoo	Lets you easily create forms that can be embedded onto your site or landing page. Often used for e-mail signup forms on landing pages.	www.wufoo.com
Market Research		
AskYourTargetMarket	Allows you to setup surveys that reach a specific target market.	www.aytm.com
CrowdPicker	Allows you to ask a "crowd" of potential customers which logo, tagline, company name, packaging design, etc. is the best choice for your start-up.	www.crowdpicker.com
Google Trends	Allows you to enter a search term (such as running or swimming) and see if it's trending upwards or downwards in Google search queries.	www.google.com/trends
Facebook Ads	Allows you to put together a Facebook ad campaign to assess how a specific target market responds to a new product idea. Can be something as simple as "fill out this form to be one of our first beta testers."	www.facebook.com/ads
Google AdWords	Allows you to put together an AdWords campaign, which usually directs prospective customers to landing pages that assess the demand for a new product or service idea.	www.google.com/adwords
Online Whiteboard		
RealTimeBoard	Allows you to create a whiteboard on your computer (with the capability to draw and erase) and collaborate with team members in real time.	http://realtimewhiteboard.com
Ziteboard	Zoomable online whiteboard that is ideal for team collaboration.	www.ziteboard.com
Prototyping Services		
Proto Labs	Get prototypes built from CAD drawings.	www.protolabs.com
ThomasNet	ThomasNet is not a prototyping service itself, but is a platform that allows you to find prototyping services in your local area.	www.thomasnet.com
Q&A Sites		
Bright Journey	Q&A site for any start-up question.	www.brightjourney.com
Stack Overflow	Q&A site for programmers.	www.stackoverflow.com
Quora	Platform allows you to ask any business-related question and get answers from the Quora community.	www.quora.com
Surveys		
Google Consumer Surveys	An easy, quick, and inexpensive way to create online surveys.	www.google.com/consumersurveys
Survey.io	A customer development platform that helps start-ups quickly learn what customers like and don't like about their product offerings.	www.survey.io
Survey Monkey	A popular and inexpensive way to create and distribute online surveys.	www.surveymonkey.com
Website Usability Testing		
Useresting	The company's network of testers will review your website and provide audio commentary while they are using it.	www.useresting.com
Verify	Fast way to collect and analyze user feedback on screens or mockups. See what people click, what they remember, and how they feel.	www.verifyapp.com

Price and Pricing Policy

PRICE

- The price of products have to attract consumers' attention .
- Price is the quantity of payment or compensation given by one party to another in return for goods or services.

PRICING & PRICING POLICY



- Pricing is the process whereby a business sets the price at which it will sell its products and services and may be part of the business's marketing plan.
- Pricing policy refers to how a company sets the prices of its products and services based on costs, value, demand, and competition.
- Pricing policy, on the other hand, refers to how a company uses pricing to achieve its strategic goals, such as offering lower prices to increase sales volume.

Objectives of Pricing Policy

- A business can use a variety of pricing strategies when selling a product or service.
- The price can be set to maximize profitability for each unit sold or from the market overall.
- It can be used to defend an existing market from new entrants, to increase market share within a market or to enter a new market.

▪ SURVIVAL

▪ PROFIT

▪ ROI

▪ MARKET SHARE

▪ PRODUCT QUALITY

▪ BRAND IMAGE



Pricing Strategy

- Sales is the only source for the business.
- Sound pricing policy is important for max sales revenue
- Price is an exchange value of a product and service expressed in terms of money.
- Price = amt of benefits of the product.

or

Price = physical product + bundle of expectations

Importance of pricing

- without pricing no marketing
- price denotes value of the product
- regulates business profits
 - Price moves with changing demand n supply
 - Price influence customer purchase decision
 - Powerful marketing instrument.
 - Controls sales volume and firm's market share

Eg. Luxury brands vs market brands

Kinds of pricing

1. Odd pricing

- Give the feel like mark down price



- eg. Bata shoes

2. Psychological pricing

- Appealing price
- Certain price for certain product

Eg. Cost of amul ice cream is Rs.50 not Rs.100

3. Prestige pricing

- Fixing higher price than producer's near perfect substitute.
- Creates the feel as high = high quality
- Remarkable as high status
- If prices fall, customer fears that quality is dropped & may stop buying the product
- Eg. Reebok

4. Customary pricing

- Fixed by customers
- Expected price of the customer since they are aware of the market condition and rates.
- E.g. shampoo sachet

5. Geographic pricing

- Distance between the seller and buyer matters



- Distance between production centre to consumption centre
- Prices vary in different locality
- E.g. petrol/gasoline

6. F.O.B (Free on Board) pricing

1. f.o.b at origin
 2. f.o.b at destination
- Where buyer bears the transit cost in addition
 - Latter where the quoted prices is inclusive of transit cost

7. Zone pricing

Pricing is equal in same zone (uniform pricing)

e.g- south, north etc – shipping costs

8. Base point pricing

- One or more cities are selected as base point and transport cost is collected from base point to buyer's location.
- E.g. automobiles

9. Price lining

- Selling at limited price range.
- E.g if an average earning men will pay between Rs. 20, 30 for a necktie.

There can be a price range between Rs. 20, 25, 27 and 30 not Rs. 20, 21.50, 22.50, etc.

10. Dual pricing



- When manufacturer sells the same product at two different price.
- Sell a part of his production to govt/ authorised agency at low price and balance produce in the open market
- E.g. sugar, rice, wheat etc...

11. Administered pricing

- Price is not fixed.
- On the basis of cost / competitive pressure or law of DD/SS
- E.g. price of tomato, onion, gold, currency

12. Monopoly pricing

- Where product is exclusively sold by one seller
- There is no competition and no substitutes

13. Penetration pricing

- This technique is to grab market attention
- Hold on in the market
- Initial entry is through low price till the product is accepted by the customers.
- This is adopted when there is substitute product in the market.
- E.g. Subscription Fee of Applications
- Penetrating pricing is adopted

14. Negotiated pricing



- Variable pricing technique
- This price is fixed on the basis of specification and design fixed by the customer
- The price is negotiated and then fixed

15. Mark up pricing

- Adopted by wholeseller and retailers
- When wholeseller/retailer fixes a S.P (certain %of profit is added to cost price)
- E.g cost price Rs.20 S.P Rs.25 diff of Rs.5 is called the mark up pricing

16. Sealed bid pricing

- Followed in case of specific job works.
- Big firms / government normally get the work done through contractors
- Lowest bidder get the work

17. Skim the cream pricing

- This method is followed while launching a totally new product into the market.
- Initially high price is fixed and gradually price is slashed.
- e.g books, clothing, mobiles etc.

18. Cost based pricing / cost plus pricing

- No product is sold at loss but fixed percentage of profit is added to the unit cost.



- $S.p = \text{cost of production} + \text{anticipated profit}$
- Recovery of cost is guaranteed

19. Demand based pricing

- The firm does not fix the price but charge by adjusting to the market conditions.
- High price when DD is high and vice versa
- Another method, when entering into test marketing, passes through different prices and select the price which ensures maximum revenue.

20. Competition based pricing

- Here neither cost of production or demand for the product is considered. Only the competitors prices are taken into account.

21. Cost demand-oriented pricing

- Otherwise called break even pricing
- Sales revenue = total cost
- B.e.p gives relationship between sales and cost.

22. New product pricing

- Pricing a new product is an art
- Affects the quantity of the product to be sold
- Determines the amount of revenue of the firm
- Making the product accepted
- Maintaining market



- Retaining the profits
- Develops demand for the product
- High sales revenue on account of higher price

Distribution Channels

- Distribution channels are also known as marketing channels or marketing distribution channels or trade channels.
- A channel of distribution is the route or path along which products flow from the point of production to the point of ultimate consumption or use.
- It starts with producer and ends with the consumer.
- In between there may be several intermediaries or middlemen who operate to facilitate the flow of the physical product to the consumer.

Role of Channel of Distribution

- **IMPORTANT ELEMENT OF MARKETING MIX.**
- **INFLUENCES SALES VOLUME AND PROFITS.**
- **DETERMINES WHERE AND WHEN THE PRODUCT WILL BE AVAILABLE TO USERS.**
- **HELPS IN REDUCING THE EFFECTS OF FLUCTUATIONS IN PRODUCTION.**

Channel of Distribution – 3 Types

A channel of distribution shows three types of flow:

- a) PRODUCTS FLOW downwards from the producer to the consumers.



b) CASH FLOWS upwards from customers to the producer as payment for products.

c) MARKETING INFORMATION FLOWS in both directions.

Manufacturer-Consumer (Direct Selling)

- Shortest and simplest channel
- No middleman between the producer and consumer
- Very fast and economical
- Expert services of middlemen are not available
- Large investment is required
- Producers sell directly to customers through door-to-door salesmen, direct mail, own retail storage, e.g.. BATA India Ltd, Metro shoes, Eureka forbes - Vaccum cleaner etc

Manufacturer-Retailer-Consumer

- Manufacturer sells to one or more retailers who sell to consumers.
- This channel is popular when retailers are big and buy in large quantities
- e.g. departmental stores, super markets.
- Generally used for distribution of consumer durables and products of high value like automobiles, home appliances, etc.
- Relieves manufacturer of the burden of selling and provides control over distribution.

Manufacturer-Wholesaler-Retailer-Consumer

- Traditional or normal channel.



- Suitable where producers have limited finance and narrow product line.
- Channel used in case of consumer durables which are not subject to frequent changes in fashion.

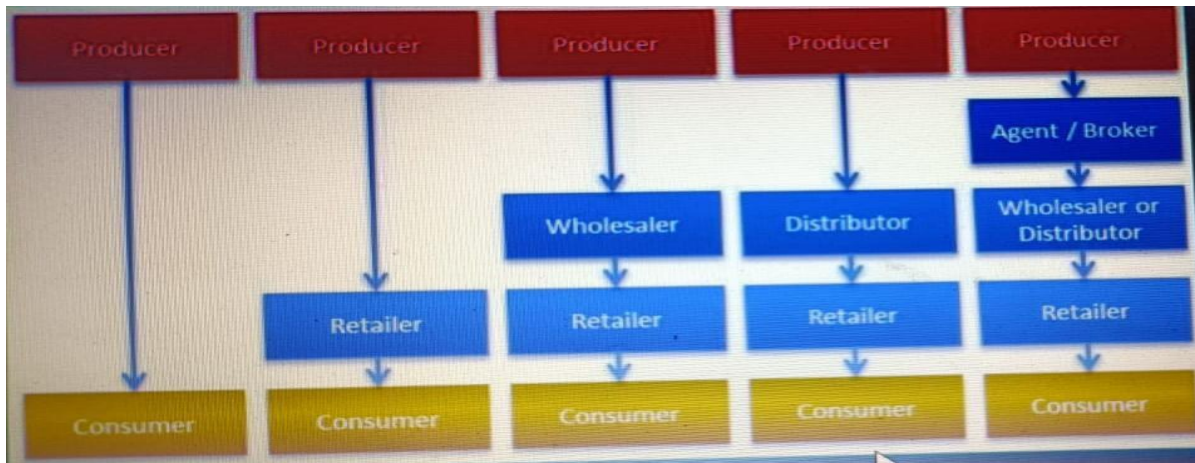
Manufacturer-Agent-Retailer-Consumer

- Used when manufacturers are few or geographically concentrated.
- Commonly used to sell agricultural products, machinery and equipment, etc.

Manufacturer-Agent-Wholesaler-Retailer-Consumer

- Longest channel.
- Producer hands over entire output to the agent who sells them to wholesalers.
- In case of clothes this channel is widely used.
- Results in wider distribution of products.

Channel of Distribution – All Types



UNIT IV

Purpose/Benefits of Business Plan



- Provides clarity of thought and purpose
- Allows you to think through your business A-Z
- Introduces Business Model
- Introduces the company and the team
- Attempts to persuade investors
- Highlights risks and challenges
- Serves as an entry point for further discussions

Developing a Business Plan

- Who is the Plan for?
- Usually smart and knowledgeable content
- Referrals – very critical - VC's objective to assess quantum, type, and manageability of risks
- Hence, business plan is an important document though not the “be-all, end-all”
- A must for launching a new business or changing (growing) an existing one

Qualities of a good business plan

- Well structured
- Simple but informative
- Concise
- Attractive
- Understandable
- Use Diagrams and Charts to make your BP attractive



Elements/Format/Guidelines of a Business Plan

- **EXECUTIVE SUMMARY**
- **COMPANY DESCRIPTION**
- **PRODUCTS AND SERVICES**
- **MARKET/ ENVIRONMENTAL ANALYSIS**
- **MARKETING STRATEGY**
- **FINANCIAL PLANNING**
- **APPENDIX**

Business Plan Format

THE COVER SHEET (Business name, Proprietor's name and contact information.)

- **TABLE OF CONTENTS**

I: EXECUTIVE SUMMARY

- a. Business Overview
- b. Success Factors
- c. Financial Highlights

II: COMPANY OVERVIEW

- a. Who is [Company Name]?
- b. [Company Name]'s History
- c. [Company Name]'s Products & Services



III: INDUSTRY ANALYSIS

- a. Industry Trends

IV: Customer / Market Analysis

- a. Customer Segmentation

V: Competitive Analysis

- a. Direct & Indirect Competitors
- b. Competitive Advantage

VI: Marketing Plan

- a. The [Company Name] Brand
- b. Promotions Strategy
- c. Pricing Strategy

VII: OPERATIONS PLAN

- a. Functional Roles
- b. Goals and Milestones

VIII: MANAGEMENT TEAM

- a. Management Team Members
- b. Hiring Plan

IX: FINANCIAL PLAN

- a. Revenue and Cost Drivers
- b. Key Assumptions & Forecasts

X: APPENDIX



- The table of contents allows them to easily refer to sections within the plan.
- After reading the executive summary, some investors with an eye for numbers may turn directly to the financial plan and statements.
- Proper business plan format allows readers to quickly get the information they want.

Conclusion

- A WEAK PLAN IS BETTER THAN NO PLAN
- BUSINESS PLAN WILL DETERMINE HOW FAR YOUR BUSINESS WILL GO
- A BUSINESS WITHOUT A PLAN IS A BUSINESS GOING NO WHERE
- A BUSINESS WITHOUT A PLAN IS A BUSINESS WITHOUT A VISION

Entrepreneurship & Startup

ENTREPRENEURSHIP: Entrepreneurship refers to all business ventures, new or old.

It includes sole-proprietorship, small businesses, partnerships, firms, and corporations. It can be based on an existing idea or on a new idea. Ex: Beauty parlours.

STARTUP: Is a newly emerged business venture. It is started to meet a market gap. Founders are new or serial entrepreneurs. Nowadays, startups mostly mean new businesses that are solving market's problems with unique ideas. Ex: swiggy, ola, oyo.



A startup seeks to create a viable and scalable business model.

DIFFERENCE

Startups intend to solve problems uniquely and to grow large. Start-ups face high uncertainty and have high rates of failure. A minority go on to be highly successful and influential.

Indian Startups

Company Name	Company Management	Company Description
BasicBrowns	Madhuri Chaduvula, Founder & CEO	A pioneer online platform covering every range of the product in organic and natural chemical-free categories at multiple price points
Createcomm Tech Private	Promita Sengupta, Director	Helping in Perishable Food Logistics, Intercity Food Delivery, Nostalgia Food logistics
Feezital	Hardas Odedra, Founder & CEO	A fervent provider of sales, saas, management,



		marketing, startup, b2b, b2c, online & offline Sync, ecco, and Digitalize Local Market Ecosystem
IndiGalleria	Shambhavi Maurya, Founder and CEO	Offers an unparalleled selection uniquely handpicked 100% authentic artworks such as paintings, drawings, and collectables at a wide range of prices
Little Tags	Chandni Agarwal, Founder	A provider of clothing of excellent quality and designer wearables from world class designers
Neyena Opstore	Ankit Gupta, Founder	Providing excellent quality beauty solutions and products which are of renowned companies



Nutri Couture	Dt. Bhargava, Founder	Shruti	An offerer of top notch quality food items of healthy snacks and dietary services
Stone Tech Inc	Junaid Proprietor	Sabri,	Provider of Accessories, Angle Grinders Blades, Bridge Saw Machines, Bush cutter machine for grass and Bush Hammer Tools
Vijay Sweets	Aravindan Proprietor	V,	Recognized for excellent quality food items including sweets, namkeen, festive specials, refined sugar free and gluten free sweets

Business model canvas

- The business model canvas is a strategic planning tool used by managers to illustrate and develop their business model.
- The business model canvas template clearly identifies the key elements that make up a business. Additionally, it simplifies a business plan into a condensed form.



- In this way, the business model canvas template acts like an executive summary for the business plan.

Business model canvas

- The Business Model Canvas is a business tool used to visualise all the building blocks while starting a business, including customers, route to market, value proposition and finance.








THE BLOCKS ON THE BMC ARE:

- **CUSTOMER SEGMENTS:** Who are the customers? What do they think? See? Feel? Do?
- **VALUE PROPOSITIONS:** What's compelling about the proposition? Why do customers buy, use?
- **CHANNELS:** How are these propositions promoted, sold and delivered? Why? Is it working?
- **CUSTOMER RELATIONSHIPS:** How do you interact with the customer through their 'journey'?
- **REVENUE STREAMS:** How does the business earn revenue from the value propositions?
- **Key Activities:** What uniquely strategic things does the business do to deliver its proposition?
- **Key Resources:** What unique strategic assets must the business have to compete?



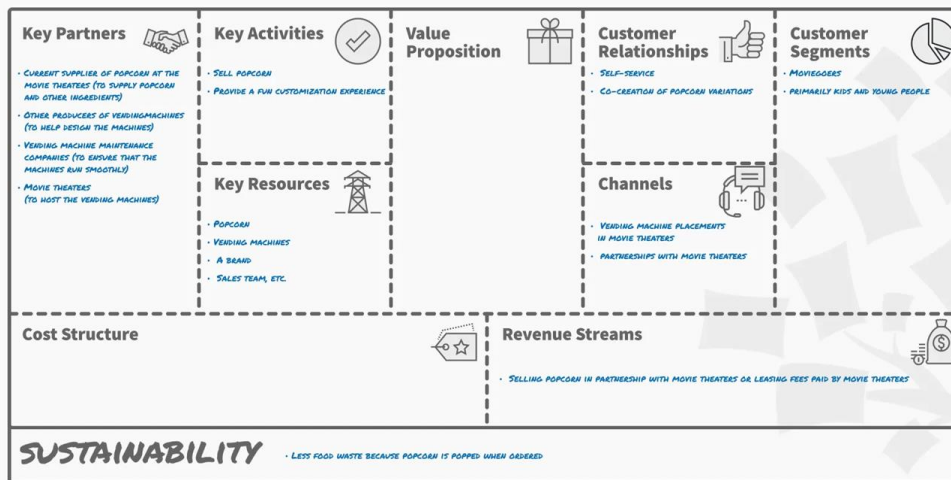
- **Key Partnerships:** What can the company not do so it can focus on its Key Activities?
- **Cost Structure:** What are the business' major cost drivers? How are they linked to revenue?



<p>Key Partners</p> <p>Identify your company's key partners. This can consist of important suppliers in your supply chain. What key resources does the company receive from these partners? What key activities are performed by these partners? Think about why your company works with these key partners and the motivations behind them.</p> 	<p>Key Activities</p> <p>What specific key activities are necessary to deliver your value proposition? What activities set your company apart from others? Consider how your company's unique differences in its revenue streams, distribution channels, or customer relationships. Do you need to procure specific niche resources? Do you need to streamline to keep costs and prices low?</p> 	<p>Value Propositions</p> <p>Identify the core value the company provides to customers. What exactly is the company trying to give to customers? What problem is your company trying to solve and what needs are your company satisfying? How do you offer something different that satisfies the demands of your customer segments (e.g. price, quality, design, status)?</p> 	<p>Customer Relationships</p> <p>What type of relationship do you have with your customers? How do you interact with customers and how does this differ amongst customer segments? Do you communicate frequently with your customers? How much support does your company provide?</p> 	<p>Customer Segments</p> <p>Identify who is your value proposition targets. Who are your most important customers? What are they like? What do they need? What do they enjoy? What is the customer market like? Are you targeting a small niche community or a mass market?</p> 
<p>Cost Structure</p> <p>Identify the key costs in your company's business model. What are the major drivers of costs? How do your key activities and key resources contribute to the cost structure? How do your costs relate to your revenue streams? Are you properly utilizing economies of scale? What proportion of costs are fixed and variable? Is your company focused on cost optimization or value?</p> 		<p>Revenue Streams</p> <p>Identify the ways your value proposition generates money for your business. Does your company have multiple methods of generating revenue? What is the pricing strategy for the products offered by your company? Through what channels do your customers pay? Does your company offer multiple forms of payment?</p> 		



THE BUSINESS MODEL CANVAS



UNIT V

Capital Structure

Capital structure is the particular combination of debt and equity used by a company to finance its overall operations and growth.

Equity capital arises from ownership shares in a company and claims to its future cash flows and profits.

Debt comes in the form of bond issues or loans, while equity may come in the form of common stock, preferred stock, or retained earnings.

Short-term debt is also considered to be part of the capital structure.

Capital structure is how a company funds its overall operations and growth.



Debt consists of borrowed money that is due back to the lender, commonly with interest expense.

Equity consists of ownership rights in the company, without the need to pay back any investment.

The debt-to-equity (D/E) ratio is useful in determining the riskiness of a company's borrowing practices.

Working Capital Management

Working capital management is a business strategy designed to ensure that a company operates efficiently by monitoring and using its current assets and liabilities to their most effective use.

- Working capital management requires monitoring a company's assets and liabilities to maintain sufficient cash flow to meet its short-term operating costs and short-term debt obligations.
- Managing working capital primarily revolves around managing accounts receivable, accounts payable, inventory, and cash.
- Working capital management involves tracking various ratios, including the working capital ratio, the collection ratio, and the inventory ratio.
- Working capital management can improve a company's cash flow management and earnings quality by using its resources efficiently.
- Working capital management strategies may not materialize due to market fluctuations or may sacrifice long-term successes for short-term benefits.

The primary purpose of working capital management is to enable the company to maintain sufficient cash flow to meet its short-term operating



costs and short-term debt obligations. A company's working capital is made up of its current assets minus its current liabilities.

Current assets include anything that can be easily converted into cash within 12 months. These are the company's highly liquid assets. Some current assets include cash, accounts receivable, inventory, and short-term investments.

Current liabilities are any obligations due within the following 12 months. These include accruals for operating expenses and current portions of long-term debt payments.

Components of WCM

CASH

The core of working capital management is tracking cash and cash needs. This involves managing the company's cash flow by forecasting needs, monitoring cash balances, and optimizing cash inflows and outflows to ensure that the company has enough cash to meet its obligations. Because cash is always considered a current asset, all accounts should be considered. However, companies should be mindful of restricted or time-bound deposits.

RECEIVABLES

To manage capital, companies must be mindful of their receives. This is especially important in the short-term as they wait for credit sales to be completed. This involves managing the company's credit policies, monitoring customer payments, and improving collection practices. At the end of the day,



having completed a sale does not matter if the company is unable to collect payment on the sale.

PAYABLES

Payables in one aspect of working capital management that companies can take advantage of that they often have greater control over. While other aspects of working capital management may be out of the company's hands (i.e. selling goods or collecting receivables), companies often have a say in how they pay suppliers, what the credit terms are, and when cash outlays are made.

INVENTORY

Companies primarily consider inventory during working capital management as it may be most risky aspect of managing capital. When inventory is sold, a company must go to the market and rely on consumer preferences to convert inventory to cash. If this cannot be completed in a timely manner, the company may be forced to have short-term resource stuck in an illiquid position.

Alternatively, the company may be able to quickly sell the inventory but only with a steep price discount.

Types of Working Capital

PERMANENT WORKING CAPITAL: Permanent working capital is the amount of resources the company will always need to operate its business without interruption. This is the minimum amount of short-term resources vital to operations.



REGULAR WORKING CAPITAL: Regular working capital is a component of permanent working capital. It is the part of the permanent working capital that is actually required for day-to-day operations and makes up the "most important" part of permanent working capital.

Reserve Working Capital: Reserve working capital is the other component of permanent working capital. Companies may require an additional amount of working capital on hand for emergencies, seasonality, or unpredictable events.

FLUCTUATING WORKING CAPITAL: Companies may be interested in only knowing what their variable working capital is. For example, companies may opt into paying for inventory as it is a variable cost. However, the company may have a monthly liability relating to insurance it does not have the option to decline. Fluctuating working capital only considers the variable liabilities the company has complete control over.

GROSS WORKING CAPITAL: Gross working capital is simply the total amount of current assets of a business before considering any short-term liabilities.

NET WORKING CAPITAL: Net working capital is the difference between current assets and current liabilities.

Financial appraisal of New Project

1. Payback Period

Definition

The payback period represents the length of time required for an investment to generate cash flows sufficient to recover the initial capital outlay. It answers the fundamental question: "How quickly will I get my money back?"



Formula

Payback Period = Initial Investment ÷ Annual Cash Inflow (for projects with uniform cash flows)

For uneven cash flows, calculate cumulatively until the initial investment is recovered.

Advantages

- Simple to calculate and understand
- Provides quick assessment of liquidity and risk
- Particularly useful for businesses with cash flow constraints
- Favours projects with shorter payback periods, reducing uncertainty
- Useful screening tool for preliminary project evaluation

Disadvantages

- Ignores cash flows occurring after the payback period
- Does not consider the time value of money
- Fails to measure profitability accurately
- May reject profitable long-term projects
- Does not account for the pattern of cash flows within the payback period

Entrepreneurial Application

Start-ups and small enterprises often prioritise shorter payback periods due to limited capital reserves and higher risk exposure. A technology start-up, for



instance, might prefer a project with a two-year payback over one with five years, even if the latter offers higher long-term returns, simply to ensure survival and maintain cash flow flexibility.

2. Average Rate of Return (ARR)

Definition

The Average Rate of Return, also known as the Accounting Rate of Return, measures the average annual profit generated by an investment as a percentage of the initial or average investment. It expresses profitability in familiar accounting terms.

Formula

$$\text{ARR} = (\text{Average Annual Profit} \div \text{Initial Investment}) \times 100$$

or

$$\text{ARR} = (\text{Average Annual Profit} \div \text{Average Investment}) \times 100$$

Where:

- Average Annual Profit = Total Profit over Project Life \div Number of Years
- Average Investment = (Initial Investment + Salvage Value) \div 2

Advantages

- Uses familiar accounting concepts (profit rather than cash flow)
- Easy to calculate and communicate to non-financial stakeholders
- Considers profits over the entire project life
- Useful for comparing projects of different sizes



- Links directly to financial statements

Disadvantages

- Ignores the time value of money
- Based on accounting profits rather than cash flows
- Different accounting policies can produce varying results
- Does not consider the timing of profits
- Ignores the scale of investment

Entrepreneurial Application

ARR is particularly useful when presenting proposals to investors or boards who think in terms of accounting returns. An entrepreneur seeking funding might use ARR to demonstrate that a proposed venture will generate returns exceeding the industry average or the company's target rate.

3. Internal Rate of Return (IRR)

Definition

The Internal Rate of Return is the discount rate at which the Net Present Value (NPV) of all cash flows from a project equals zero. It represents the project's actual return and can be compared against the company's required rate of return or cost of capital.

Concept

IRR is essentially the break-even discount rate. If the IRR exceeds the cost of capital (hurdle rate), the project adds value; if it falls below, the project destroys value.



Decision Rule

- **Accept** if $IRR > \text{Cost of Capital}$ (or required rate of return)
- **Reject** if $IRR < \text{Cost of Capital}$
- **Indifferent** if $IRR = \text{Cost of Capital}$

Calculation Method

IRR requires iterative calculation or financial calculator/spreadsheet functions, as it involves solving for the rate (r) in:

$$NPV = 0 = \sum [\text{Cash Flow}_t \div (1 + IRR)^t] - \text{Initial Investment}$$

Advantages

- Considers the time value of money
- Evaluates projects over their entire life
- Provides a percentage return, easy to understand and compare
- Does not require predetermined discount rate
- Accounts for all cash flows
- Particularly useful for comparing mutually exclusive projects

Disadvantages

- Assumes reinvestment of interim cash flows at the IRR itself (often unrealistic)
- Can produce multiple IRRs for projects with unconventional cash flows
- May conflict with NPV in ranking mutually exclusive projects



- Complex to calculate manually
- Doesn't indicate absolute value creation

Entrepreneurial Application

Venture capitalists and private equity investors frequently use IRR to evaluate potential investments. An entrepreneur pitching to investors should be prepared to demonstrate that the project's IRR significantly exceeds the investors' required return (typically 20-30% for early-stage ventures) to compensate for risk.

4. Profitability Index (PI)

Definition

The Profitability Index, also called the Benefit-Cost Ratio, measures the relationship between the present value of future cash inflows and the initial investment. It indicates the value created per pound invested.

Formula

PI = Present Value of Future Cash Flows ÷ Initial Investment

or

PI = (NPV + Initial Investment) ÷ Initial Investment

or simply

PI = 1 + (NPV ÷ Initial Investment)

Decision Rule

- **Accept** if $PI > 1$ (project creates value)



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- **Reject** if $PI < 1$ (project destroys value)
- **Indifferent** if $PI = 1$ (break-even)

Advantages

- Considers the time value of money
- Useful for capital rationing situations
- Helps rank projects when resources are limited
- Shows relative profitability clearly
- Considers all cash flows throughout project life
- Particularly effective for comparing projects of different scales

Disadvantages

- Requires predetermined discount rate
- May not provide optimal decision in case of mutually exclusive projects
- Absolute value creation not immediately apparent
- Can be misleading when comparing projects of vastly different sizes

Entrepreneurial Application

When an entrepreneur faces capital constraints and must choose among several viable projects, the PI helps prioritise investments that generate maximum value per rupee invested. For instance, with ₹50,00,000 available, an entrepreneur might prefer two projects with PIs of 1.8 and 1.6 (requiring ₹20,00,000 and ₹30,00,000 respectively) over a single project with a PI of 1.7 requiring the full ₹50,00,000.



Example:

Consider a small manufacturing entrepreneur in Gujarat with ₹1 crore of available capital evaluating three expansion opportunities:

- **Project A (New Product Line):** Initial investment ₹1,00,00,000, PI = 1.65
- **Project B (Regional Distribution Centre):** Initial investment ₹60,00,000, PI = 1.75
- **Project C (Automation Upgrade):** Initial investment ₹40,00,000, PI = 1.55

Using PI for capital rationing, the entrepreneur would select Projects B and C together (total investment ₹1,00,00,000) rather than Project A alone, as the combined value creation from B and C (with higher and moderate PIs respectively) would typically generate superior returns despite C's lower individual PI. This approach maximises the total NPV achievable within the capital constraint, a crucial consideration for Indian MSMEs where access to additional capital may be limited or expensive.

5. Net Present Value (NPV)

Definition

Net Present Value represents the difference between the present value of cash inflows and the present value of cash outflows over a project's lifetime. It measures the absolute amount of value created by an investment in today's currency terms.

Formula



$$\text{NPV} = \sum [\text{Cash Flow}_t \div (1 + r)^t] - \text{Initial Investment}$$

Where:

- Cash Flow_t = net cash flow in period t
- r = discount rate (cost of capital)
- t = time period

Decision Rule

- **Accept** if NPV > 0 (project adds value)
- **Reject** if NPV < 0 (project destroys value)
- **Indifferent** if NPV = 0 (break-even)

Advantages

- Recognises the time value of money explicitly
- Considers all cash flows over project life
- Provides absolute measure of value creation
- Theoretically superior method aligned with wealth maximisation
- Allows for different discount rates across periods
- Additive property: NPVs of independent projects can be summed

Disadvantages

- Requires estimation of appropriate discount rate
- Absolute value makes comparing projects of different sizes difficult
- Assumes reinvestment at the cost of capital



- Sensitive to discount rate changes
- May be complex for non-financial stakeholders to understand

Discount Rate Selection

For entrepreneurs, determining the appropriate discount rate is crucial:

- **Cost of equity:** Expected return required by equity investors
- **Weighted Average Cost of Capital (WACC):** For firms with both debt and equity
- **Required rate of return:** Based on risk profile and opportunity cost
- **Venture-specific rate:** Adjusted for project-specific risks

Entrepreneurial Application

NPV is the gold standard for investment appraisal in entrepreneurship. A social enterprise, for example, might evaluate a community project with an NPV of £50,000 against a commercial venture with an NPV of £75,000, potentially choosing the former if social impact is a key objective alongside financial returns. NPV's absolute value measurement makes such trade-offs transparent.

Role of Banks

Commercial banks can be helpful partners in a variety of ways as you grow your business.

CHECKING AND OPERATING ACCOUNTS

DEBIT AND CREDIT CARDS



❑ **COMMERCIAL SMALL BUSINESS LOANS**

❑ **BANKS OFFER ADVICE:** Tax planning, Retirement plan, Insurance, payroll Management, Paying your bills, consultancy etc

Credit Appraisal & Eligibility

Credit appraisal is the evaluation process conducted by financial institutions, such as banks or lenders to assess the creditworthiness and risk associated with extending credit to a borrower. It involves analyzing various aspects of the borrower's financial health, including their income, assets, liabilities, credit history, and repayment capacity. The aim of credit appraisal is to determine whether the borrower is likely to repay the loan or credit facility as agreed.

- **A good credit history:** A good credit history and a good repayment track record increase the borrower's eligibility.
- **Income and Stability:** Lenders assess the borrower's income level, employment stability, and capacity to repay the loan.
- **Debt-to-Income Ratio:** Lenders evaluate the borrowers based on their debt to income ratio. This is the ratio of their monthly debt payments to their monthly income. The lower the ratio, the higher the repayment capacity.
- **Collateral (If applicable):** The value and quality of the collateral provided by the borrower are considered for secured loans.

Process of Credit Appraisal

The process of credit appraisal consists of the following steps

Step 1: Credit Processing: All applications and necessary information are gathered by the bank and processed. The application provided by the



customer must provide the explanation clearly for why the credit is required. Further, all the information provided must be authenticated.

Step 2: Documentation: The borrower has to provide supporting documents, such as income statements, bank statements, property documents, tax returns, and identity proofs according to the lender's requirements.

Step 3: Credit investigation: The lender runs a thorough investigation to verify the borrower's credit history, employment details, income stability, and any outstanding debts. This may involve contacting employers, references provided by the borrowers, and the credit bureaus.

Step 4: Financial assessment: The lender analyzes the borrower's financial statement including income, expenses, assets, and liabilities. This helps the lender to evaluate the borrower's repayment capacity and financial stability.

Step 5: Risk Assessment: The lender evaluates the risk associated with lending to the borrower based on factors like credit history, collateral (if applicable), market trends and conditions, and the purpose of the loan.

Step 6: Loan Structuring: After doing the investigations on credit, finance, and risk, if the results are satisfactory, the borrower will give a structure to the loan based on loan amount, repayment tenure, interest rate, and additional charges.

Step 7: Decision to Grant Credit: The lender makes the decision to approve the loan application based on the credit appraisal. The application will get approved if the results are satisfactory. He/she may also ask for additional details and collateral if required.



Step 8: Administration: The final step of the credit process is to ensure that financial institutions are administering their credit portfolios meticulously. These include writing out proper loan agreements, renewal letters sent out in a timely manner, and ensuring that records are up to date. Most large organizations have a committed administration department that overlooks the administration.

Financial institutions supporting small scale industries in India

1. State Finance Corporations (SFCs)
2. Commercial Banks
3. Small Industries Development Bank of India (SIDBI)
4. Industrial Finance Corporation of India (IFCI)
5. Industrial Credit and Investment Corporation of India (ICICI Bank)
6. Industrial Development Bank of India (IDBI)
7. Small Industries Development Fund (SIDF)
8. National Small Industries Corporation
9. National Bank for Agriculture and Rural Development (NABARD)
10. Central Government Stores Purchase Programme
11. Small Industries Development Organization (SIDO) and Marketing Assistance to Small Scale Industries
12. Technical Consultancy Organisations (TCOs)
13. Small Industry Development Corporations



14. Industrial Estates

15. Trade Development Authority

16. State Trading Corporation of India

17. Export Consortia

The Small Industries Development Bank of India (SIDBI) provides refinance to the industrial loans advanced by these institutions to the small scale sector.

State Finance Corporations (SFCs)

To cater to the needs of small scale industries, the State Finance Corporations Act, 1951 was passed. Under this Act, a financial Corporation has been set up in every State and Union Territory.

These institutions extend term loans for the

- purchase of land,
- construction of factory premises
- purchase of machinery & equipment for the setting up of new industries
- Expansion and modernization of the existing ones.

SFCs generally prescribe a margin of 25 per cent and allow an initial holiday of two years for the loan repayment (this period can be increased to five years in backward districts).

NATIONAL SMALL INDUSTRIES CORPORATION (NSIC) AND STATE SMALL INDUSTRIES CORPORATIONS (SSICs)



- Provide machinery on hire-purchase basis to small scale and ancillary industries,
- The value of which would not exceed Rs. 60 lakhs and Rs. 75 lakhs, respectively inclusive of the value of machinery and equipment already installed.

Commercial Banks

- Short term credit facilities are granted for working capital requirements like those for raw materials, goods-in-process, finished products, bills receivables, and book debts.
- Medium term loans are granted for the acquisition of land, construction of factory premises, purchase of machinery and equipment, and operative expenses.
- These loans are generally granted for periods ranging from five to seven years.
- Commercial banks also issue guarantee such as letter of credit.

Small Industries Development Bank of India (SIDBI)

- The apex bank for small scale industries— Activities of SIDBI are as follows:
- Refinancing of loans and advance extended by the primary lending institutions to industrial concerns in the small scale sector and also providing resource support to them;
- Discounting and rediscounting of bills arising from sale of machinery to, or manufactured by, industrial concerns in the small scale sector;



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- Extension of seed capital/soft loan assistance under National Equity Fund, Mahila Udyam Nidhi, and Seed Capital Schemes through specified lending agencies;
- Granting direct assistance as well as refinancing of loans extended by primary lending institutions for financing export of products manufactured by industrial concerns in the small scale sector;
- Providing services like factoring, leasing, etc., to industrial concerns in the small scale sector;
- Extending financial support to State Small Industries Development Corporations for providing scarce raw materials to small scale units and marketing their end-products ;
- Extending financial support to National Small Industries Corporation for providing leasing, hire-purchase, and marketing support to SSI units.

National Small Industries Corporation

- The National Small Industries Corporation Ltd. (NSIC) was established by the Union Ministry of Industry in 1955 to promote, aid, and foster the growth of small scale industries in the country.
- NSIC continues to remain in the forefront of industrial development throughout the country with its multifaceted programmes and projects to assist the SSI sector.
- Focus area:
 - software technology park, Techmart India, Udyog expo, technology transfer centre, strategic alliance of NSIC, CSIR, and APCTT for



technology acquisition and modernization, technology up gradation and new technologies developed, international cooperation and project exports, product exports, industrial design centre, financial services scheme, enterprise building programme, hire purchase, equipment leasing and modernization, raw material assistance, marketing support programme, government stores purchase programme, review of operations and recognition gained by the corporation from various quarters.

Industrial Development Bank of India

The Industrial Development Bank of India (IDBI) was established on 1 July, 1964 as an Apex National Development Bank in the field of industrial finance in India.

For the first 12 years it functioned as a wholly owned subsidiary of the Reserve Bank of India.

Subsequently, as a result of an increase in its activities and its diverse responsibilities, a legislation was enacted in 1975 for reconstituting IDBI as a wholly owned undertaking of the Union Government.

TECHNICAL CONSULTANCY ORGANISATIONS (TCOS):

- National financial institutions IDBI, IFCI and ICICI have promoted state Technical Consultancy Organisation (TCOs) to facilitate availability of consultancy services and counselling to small scale entrepreneurs in particular for preparation of techno-economic feasibility reports, market survey, modernization, and diversification programmes, revival



of sick units and preparing applications for financial institutions and banks. TCOs provide these services at reasonable rates.

Small Industry Development Corporations

- They perform the following functions:
- Distribution of raw materials
- Provide marketing assistance
- Operate industrial estates and develop industrial plots
- Supply machinery on hire-purchase basis
- Manage units taken over by the government
- Grant financial assistance.
- Almost all the corporations now in operation undertake all these functions.
- Basically they procure and distribute raw materials, provide marketing support and supply machinery under hire-purchase arrangements.

Industrial Estates

Industrial estates provide built- in factory sheds, power and water facilities, roads, godowns, common facility services and workshops.

Other facilities are subsidy on rent for factory accommodation, allotment of sheds on hire-purchase basis or outright sale, concessional tariff for water and power supply, transport subsidy, etc.

These facilities are exclusive of general facilities available to small scale industries.



Precisely, an industrial estate is a group of factories, constructed on an economic scale in suitable sites with facilities of water, transport, electricity, steam, bank, post office, canteen, watch and ward, and first-aid; and provided with special arrangements for technical guidance and common service facilities.

Trade Development Authority

- The Trade Development Authority (TDA) was established in 1970 as an autonomous non-profit society to assist export promotion.
- It is a non-profit organization;
- It does not participate in direct commercial transactions but plays the role of a catalyst.
- The emphasis of TDA is on specific products, specific exporters, specific markets, and specific buyers, following the concept of selectivity.
- TDA's assistance to small scale sector is in the form of technical guidance through product adaptation and product development, import of samples, trade fairs, buyers-sellers meets, etc.
- In addition, TDA undertakes market studies on its range of products in selected markets.
- TDA also compiles and brings out country bulletins conveying information generally required by exporters.

State Trading Corporation of India



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- State Trading Corporation (STC), a fully Government-owned organization, is India's premier international trading house.
- The STC assists the small scale industries in organizing themselves into viable groups to develop a reliable supply base for increasing their exports.
- In addition, STC assists in upgrading the quality of their products, technical expertise, supply of equipment, and machinery at low interest rates.
- STC also introduced a few innovations aimed at specific product group export expansions through promotion of small manufacturers' consortia and even common brand names.

Industrial Credit and Investment Corporation of India (ICICI Bank)

ICICI was set up as a public limited company on January 5, 1955.

Objectives are to:

(i) assist in the promotion, expansion and modernisation of industrial enterprises in the private sector;

(ii) encourage and promote the participation of private capital, both Indian and foreign, in such enterprises;

and

(iii) encourage and promote private ownership of industrial investment and expansion of investment markets.

iv. Foreign currency loans for importing capital equipment and technology



- v. Guaranteeing payments for credits given by Indian and foreign sources
- vi. Credit facilities to indigenous manufacturers for promoting sale of industrial equipment on deferred payment
- vii. Equipment leasing facility
- viii. Merchant banking services
- ix. Project counselling for non-resident Indians.

Export Credit Guarantee Corporation (ECGC)

With a view to enabling the small scale sector to participate to a greater extent in the export activities of the country, the Export Credit Guarantee Corporation provides special facilities to small scale exporters by offering a higher percentage of cover and procedural relaxations under its policies and programmes.

The ECGC offers guarantees to financial institutions against commercial risk and political risks involved in exporting the products to enable the exporters to obtain finance at pre-shipment and post-shipment stages.

Marketing Development Assistance (MDA)

- i. Product promotion/commodity development to cover expenditure on Cash Compensatory Support (CCS) for various export products as well as transport subsidy on goods for export purposes;



- ii. Cash Compensatory Support for deemed exports, supplementary CCS in lieu for duty drawbacks for deemed exports;
- iii. Export credit facilities to pay subsidy of 1.5 per cent towards interest charges on export finance provided by the banks to exporters (this scheme is administered by RBI, Mumbai);
- iv. To protect exporters against exchange fluctuations on deferred payments up to 15 years;
- v. To pay grant-in-aid to export promotion councils;
- vi. To pay grant-in-aid to approved organizations, export houses, consultancy organizations and individual exporters, and undertake the following –
 - a. Market research, commodity research, area survey, etc.
 - b. Export publicity and dissemination of information;

Entrepreneurship Development Institute of India

The Entrepreneurship Development Institute of India (EDII) is a national organization promoted by All India Financial Institutions such as – IDBI, ICICI, IFCI, and SBI.

EDII has been actively accelerating entrepreneurship development activities in the country. Its main task now is to ensure the effectiveness of entrepreneurship development programmes designed by it.



Acting as a national resource centre of expertise and know-how, EDII has taken EDPs to less developed states and remote backward areas where the need to identify indigenous expertise, to locate and develop entrepreneurs is not available.

EDII has stepped into fill the gap.

The catalytic and supportive roles of EDII for the nation-wide coverage of EDP awareness as also the design of its programmes with innovations have met with considerable appreciation.

Integrated Rural Development Programme (IRDP)

In spite of planned intervention and poverty alleviation measures taken by the Government, the problem of rural poverty and unemployment is increasing day by day.

Keeping with this in view, the Government introduced a new programme called the Integrated Rural Development Programme (IRDP) aimed at solving the twin problems of poverty and unemployment to a large extent.

The principal objectives of IRDP are elimination of unemployment and underemployment and eradication of poverty.

While substantial additional employment opportunities can be created through agriculture and allied programmes, it may be realized that the primary sector alone may not be able to cope with the burning problem of unemployment.