

VEER NARMAD SOUTH GUJARAT UNIVERSITY

ENTREPRENEURSHIP DEVELOPEMENT**S.Y.BBA - SEM -IV****Unit-1 Entrepreneurial Management (35%)****Content**

- Definition, Functions & qualities of entrepreneur
- Difference between entrepreneur and manager
- Definition of entrepreneurship & barriers
- Types of entrepreneurs
- Development of entrepreneurship (Entrepreneurship development program), CED, EDII
- The evolution of the concept of entrepreneurship
- John Kao's Model on Entrepreneurship, Idea Generation, identifying opportunities and valuation
- Building the Team / Leadership
- Strategic planning for business
- Steps in strategic planning, managing growth; Harvesting and Exit Strategies
- Corporate Entrepreneurship
- Motivation of Entrepreneurship, McClelland Theory

CONCEPT OF ENTREPRENEURSHIP

Definition: Entrepreneur

- **Richard Cantillon** has defined an entrepreneur as "the agent who buys the means of production (land, labour & capital) at certain prices to combine them into a product which he is going to sell at uncertain prices *of buying the factors of production*".
- According to **Webster**, *"an entrepreneur is one who undertakes the risk of managing the business."*
- **Oxford dictionary** defines *"entrepreneur as one who undertakes an enterprise, especially a contractor acting as an intermediary between capital and labour."*
- **Kuratko & Hodgetts** define the Entrepreneur as *"a person who is trying to organize, manage and take risks in business."*
- Hence, any person who combines capital and labour for production is known as Entrepreneur.
- From the above definitions, an entrepreneur may be called an innovator, risk taker, resource assembler, organization builder, co-ordinator of the factor of production, etc.

Definition: Entrepreneurship

- The word 'entrepreneur' comes from the French word "*entrepredre*", which means "*to undertake*". The Malay language can be defined as "to take over".
- According to Hisrich and Peter, *"entrepreneurship is a dynamic process of wealth creation. Wealth is created by the individual who bears the risk of the 'equity', time and career commitment or provides value to a product or service."*
- It is the process of creating something new by taking into account the time and effort to take the risk of financial, psychological and social handles
- Besides, Kuratko and Hodgetts define entrepreneurship as *"a process of innovation and creation through the four dimensions of the individual, organization, environment and the process of collaboration with networks in government, education and institutional."*

FUNCTIONS/ QUALITY OF ENTREPRENEUR:

Peter Kilby, Albert Shapiro, John Burch, and others have prescribed different functions of entrepreneurship or Entrepreneur from which we can derive distinct but standard functions of entrepreneurship.

1 Taking Initiative

Entrepreneurship is a proactive activity that takes actions that others can't even perceive. This unique function of entrepreneurship provides our civilization with various products, ways of action, production techniques, etc. Therefore, taking the initiative with such end and qualification is the prime function of entrepreneurship in every economy.

2. Organizing Resources

Organizing entails identifying resources required to transform a particular idea into reality. The resources include human and nonhuman resources. Organizing in entrepreneurship will increase productivity, promote new ventures, distribute and supervise work and responsibility, and remove work barriers. Entrepreneurship, thus, is the taping tool for assuming indigenous skills and resources for the productive purpose.

3. Identifying Opportunities and Prospects

Entrepreneurship searches for those activities of value that have an economic and social contribution. It identifies new opportunities in the socio-economic arena which have profitable prospects; therefore, entrepreneurs are called searchers of hopes into blind spots, which enormously indebted our society to entrepreneurship.

4. Risk-Taking

Entrepreneurship takes the risk for the new venture. For innovative actions in production technology for new products in a volatile market and new raw materials used in production. Moreover, it also risks theft, robbery, snatching market fall and hooliganism that may be involved with new entrepreneurship. This is a significant function of entrepreneurship in developing countries.

5. Decision Making

Entrepreneurship is a new initiative. Therefore, it has to decide on multivariate issues that affect new ventures. Entrepreneurship has to decide upon equipment to be used, quality, price and its variation,

deficiency, capital structure, the feasibility of the project, organizational structure, philosophy of management, etc., that will guide, run and prosper the new venture or distinct attempt for entrepreneurship.

6. Technology Transfer and Adaptation

Entrepreneurship throughout the world brings invented technology from different comers of the world and makes it appropriate by making required adjustments for local conditions. This function of entrepreneurship involves identifying appropriate technology with market potential and adapting it to the local environment. Sometimes, the technology uses indigenous materials that reduce the cost and wastage of resources. This entrepreneurial function virtually makes the world united in terms of homogeneous technology.

7. Innovation

Entrepreneurship innovates a new production process or technology, market, sources of new materials, management, strategy or technique, investment opportunity, etc.; Schumpeter (1934) calls the fundamental characteristics of entrepreneurship.

Under the changing environment, the Entrepreneur locates the most feasible opportunity for the venture and improved or distinct technology that gives competitive advantages or a new opportunity for prosperity.

Innovation is a creative means to add new utilities to existing situations or products. Entrepreneurship through innovation creates innovative products or operations for human society.

8. Fostering Autonomy

Entrepreneurship is an exposure to creative faculty that provides personal satisfaction and independence. The unique freedom to think differently is the impetus for entrepreneurship. Thus, entrepreneurship fosters autonomy to advent something new of value by applying devoted efforts and time.

9. Social Responsibility

Entrepreneurship, with its innovative technology, somehow promotes human efforts. It restarts closed industries with innovative managerial strategies and techniques. It also motivates new entrepreneurs and attracts them to engage in an entrepreneurial venture. Entrepreneurship provides new products or ideas that give momentum and diversity to society. Therefore, entrepreneurship performs social responsibility that protects society's welfare, benefit and economic gain. It also promotes the community standard by providing jobs and amenities.

10. Public Relations

Entrepreneurship is a new venture that requires social acceptance by the regulatory bodies and the public at large. Therefore, the government, as well as the persons' who will be subject to entrepreneurship, would be convinced through public relations to accept and allow the Entrepreneur to execute an entrepreneurial venture.

History tells that many entrepreneurs were disregarded, coerced and even eliminated for their entrepreneurial activities. Failure is costly; therefore, public relation is a significant function of entrepreneurship.

11. Experience Sharing

Entrepreneurship may spread in society through publishing and sharing its success stories. Thus, entrepreneurship holds workshops and industrial visits through which the entrepreneurial experience in different counties may be shared with a widespread adaptation of success.

12. Managerial Roles

Entrepreneurs perform several managerial roles to keep their venture functioning with success.

The roles are interpersonal roles that consist of a figurehead role, leadership role, and liaison role; informational roles that include recipient role, disseminator role, and spokesperson role; decisional roles that consist of an entrepreneurial role, disturbance-handler role, resource allocator role, and the negotiator role.

13. Balanced Economic Development

Sustainable economic development requires balanced development among various regions and sectors of a country. Therefore, every country tries to ensure such a situation that makes industrialization throughout the country "possible.

Entrepreneurs make it possible by establishing business ventures in various parts of the country in various industry sectors.

DIFFERENCE BETWEEN ENTREPRENEUR AND MANAGER

An entrepreneur is a person who sets up their own business. They are responsible for every single factor in that business, whether small or big. They also take financial responsibility for the business, which means that if the business fails, they lose money and credibility. In the initial stages, an entrepreneur and their business are interchangeable, i.e. one means the other.

The definition of a manager is simple enough. A manager is a person who manages things. The thing that they manage can be anything, no matter how small or big. However, the primary difference between an entrepreneur and a manager is that while an entrepreneur works for themselves, a manager works for someone else. A manager is usually hired by something to handle or manage tasks.

Comparison between Entrepreneur and Manager:

Points of Difference	Entrepreneur	Manager
Responsibility	An entrepreneur set up a new enterprise or undertakes adventure for his personalsatisfaction	A manager does not set up a venture but provide his service in an existing enterprise.
Risk Bearing	An entrepreneur takes the risk of uncertainty about future.	A manger does not assume any risk involved with the enterprise where he is serving. The only risk he carries is regarding his job.
Reward	The reward of an entrepreneur for his risk bearing role is not only uncertain andirregular buts can also be negative.	The reward of manager for rendering his service is salary. Salary is fixed, regular but can never be negative.

Continuity of activities	The activities of an entrepreneur are discontinuous, appearing to initiate change in the production process and then' disappearing until another changeinitiated.	Managerial activities are mainly continuous which involves regular coordination of business operations.
Innovation	In order to maximize the profits, the entrepreneur applies innovation from time to time in the enterprise. Therefore, an entrepreneur is also called as change agent.	A manager simply keeps running the enterprise on established lines on a routine basis. Hence, a manager is called the product of change brought by entrepreneur.
Role/ Status	An entrepreneur is his own boss and enjoys an independent status as the ownerof the enterprise.	By contrast, a manager is a servant i.e. a salaried person serving in the enterprise of someone else. Thus, he does not carry an independent status.
Requirement	The skills or abilities required are innovation, creativity, organizing & vision.	The skills required to become a manager and managerial, coordinator and knowledge regarding human.

TYPES OF ENTREPRENEURSHIPS:

a) According to the type of business

Entrepreneurs are found in various type of businesses according to the occupation of varying size.

1. Business Entrepreneur

They are individuals who conceive an idea for a new product or service and then create a business to materialize their idea into reality. They tap both production and marketing resources in their search to develop a new business opportunity. They may set up a big establishment or a small business unit.

2. Trading entrepreneur

He undertakes trading activities and is not concerned with the manufacturing work. He identifies potential markets, stimulates demand for his product line and creates a desire and interest among buyers to go in for his product.

3. Industrial Entrepreneur

Industrial entrepreneur is essentially a manufacture who identifies the potential needs of customers and tailors products or services to meet the marketing needs. The entrepreneur has the ability to convert economic resources and technology into a considerably profitable venture. He is found in any industrial units such as the electronic industry, textile unit, machine tools or video cassette making and the like.

4. Corporate Entrepreneur

This entrepreneur is a person who demonstrates his innovative skill in organising and managing a corporate undertaking. A trust registered under the Trust Act, or a company registered under the Companies Act are examples of corporate undertakings. He is thus an individual who plans, develops and manages a corporate body.

5. Agricultural Entrepreneur

Agricultural entrepreneurs are those who undertake such agricultural activities as raising and marketing of crops, fertilisers and other inputs of agriculture.

b) According to the Use of Technology

The application of new technology in various sectors of the national economy is essential for the future grow of business. We may broadly classify these entrepreneurs on the basis of the use of technology as follows

1. Technical entrepreneur

A technical entrepreneur is essentially an entrepreneur of 'craftsman type. He develops new and improved quality of goods because of his craftsmanship. He concentrates more on production rather than marketing. He demonstrates his innovative capabilities in matters of production of goods and rendering services.

2. Non-technical entrepreneur:

Non-technical entrepreneurs are those who are not concerned with the technical aspects of the product in which they deal. They are concerned only with developing alternative marketing distribution strategies to promote their business.

3. Professional entrepreneur

Professional entrepreneur is a person who is interested in establishing a business but does not have interest in managing or operating it once it is established. A professional entrepreneur sells out the running business and starts another venture with the sales proceeds. Such an entrepreneur is dynamic and he conceive new ideas to develop alternative projects

c) According to Motivation

Motivation is the force that influences the efforts of the entrepreneur to achieve his objectives. An entrepreneur is motivated to achieve or prove his excellence in job performance. He is also motivated to influence others by demonstrating his power, thus satisfying his ego.

4. Pure entrepreneur

A pure entrepreneur is an individual who is motivated by psychological and economical rewards. He undertakes an entrepreneurial activity for his personal satisfaction in work, ego or status.

1. Induced entrepreneur

This entrepreneur is one who is induced to take up an entrepreneurial task due to the policy measures of the government that provides assistance, incentives, concessions and necessary overhead facilities to start a venture. Most of the entrepreneurs belong to this category and enter business due to financial, technical and several other facilities provided to them by the state agencies to promote entrepreneurship. Today, import restrictions and allocation of production quotas to small units have induced many people to start a small-scale industry.

2. Motivated entrepreneur

New entrepreneurs are motivated by the desire for self-fulfilment. They come into being because of the possibility of making and marketing some new products for the use of consumers. If the product is developed to a saleable stage, the entrepreneur is further motivated by reward in terms of profit.

3. Spontaneous entrepreneur

These entrepreneurs start their business out of their natural talents. They are persons with initiative, boldness and confidence in their ability which motivate them to undertake entrepreneurial activity. Such entrepreneurs have a strong conviction and confidence in their ability.

d) According to Growth

1. Growth Entrepreneur

He necessarily takes up a high growth industry and chooses an industry which has sustained growth prospects.

2. Super-Growth Entrepreneur

This category of entrepreneurs is those who have shown enormous growth of performance in their venture. The growth performance is identified by the liquidity of funds, profitability and gearing.

e) According to Stages of Development

Entrepreneurs may also be classified as the first-generation entrepreneur, modern entrepreneur and classical entrepreneur, depending upon the stage of development.

1. First-generation Entrepreneur

A first-generation entrepreneur is one who starts an industrial unit by means of an innovative skill. He is essentially an innovator, combining different technologies to produce a marketable product or service.

2. Modern Entrepreneur

A modern entrepreneur is one who undertakes those ventures which go well along with the changing demand in the market. They undertake those ventures which suit the current marketing needs

3. Classical Entrepreneur

A classical entrepreneur is one who is concerned with the customers and marketing needs through the development of self-supporting ventures. He is a stereotype entrepreneur who aims to maximise his economic returns at a level consistent with the survival of the firm with or without an element of growth

f) Others/ Unclassified Entrepreneurs

1. Innovating Entrepreneurs

Innovating entrepreneurship is characterized by aggressive assemblage of information and analysis of results, deriving from a novel combination of factors. Men/women in this group are generally aggressive in experimentation who exhibit cleverness in putting attractive possibilities into practice.

2. Adoptive or Imitating Entrepreneurs

Imitative entrepreneurship is characterized by readiness to adopt successful innovation inaugurated by innovating entrepreneurs. In other words, imitators follow the innovators later after observing how the latter fare. These groups are also revolutionary entrepreneurs with the difference that they do not innovate the changes themselves. They just imitate techniques and technology innovated by others.

3. Fabian Entrepreneurs

Fabian entrepreneurship is characterized by great caution and scepticism in practicing any change. Such entrepreneurs have neither will to introduce new changes nor desire to adopt new methods innovated by the most enterprising entrepreneurs. Such entrepreneurs are shy and lazy. Their dealings are determined

by customs, religion, tradition and past practices. They are not much interested in taking risk and they try to follow the footsteps of their predecessors

4. Drone Entrepreneurship

Drone entrepreneurship is characterized by a refusal to adopt and use opportunities to make changes in production. Such entrepreneurs may even suffer losses but they do not make change: in production methods. They are laggards because they continue in their traditional way and in fields their product loses its marketability or their operation becomes uneconomical, they are pushed out of the market

5. Aspiring Entrepreneurs

Aspiring entrepreneurs dream of starting a business; they hope for the chance to be their own bosses, but they have not yet made the leap from their current employment into the uncertainty of a start up.

6. Lifestyle Entrepreneurs

Lifestyle entrepreneurs have developed an enterprise that fits their individual circumstances and style of life. Their basic intention is to earn an income for themselves and their families

7. E-Entrepreneurs

The new electronic or e-entrepreneur is mostly concerned with —click-through schemes and capturing eye-balls. The e-entrepreneur comes in many modes- young and ambitious, older and corporate based, international and risk taking.

BARRIERS OF ENTREPRENEURSHIP:

1. Managing Finances

A great barrier that arises while starting a new business is managing the finances that can make things difficult for the entrepreneurs. There are lots of ideas that come to the entrepreneurs' minds but converting those ideas into the business needs enough amount of finance. There should be a stable and regular source of finance to keep the production process smooth. If this first and the most critical barrier can be solved easily then the future barriers can also be tackled.

2. Inadequate Market Experience

One of the most common barriers that are faced by many entrepreneurs is not having adequate knowledge about the respective field of their business. An entrepreneur must have enough experience related to the

industry by working in the required sector. So, before starting a new venture, it is required to collect enough knowledge about the market conditions, nature of the business firm, demand and supply of that particular good or service, etc., instead of rushing into the business by seeing the success of others.

3. Human Resource Problem

A person can't perform all the tasks by himself/herself even if he/she has enough knowledge. In the same manner, an entrepreneur can't do all the jobs alone to run the organization. A business needs to have a strong base of skilled and knowledgeable human resources or employees. Employees are the most important assets for an organization. They help in the growth of the business. The organizations may have similar fixed and current assets but these are the human assets that make the organization different from its competitors. But for this purpose, the employees must be enough experienced and dedicated to the organization so that top-level productivity and efficiency can be achieved.

4. Non-strategic Planning

Having inadequate planning regarding strategies can also create a great barrier in the path of success of entrepreneurship. There are lots of entrepreneurs who started a business just as a hobby without having a long-term vision and plan. Bad strategies and planning may lead to the failure of the business or can cause a huge loss to the business. It is the prime reason why most entrepreneurs give up in the first year of business operation.

5. Lack of Capacity

Many entrepreneurs can't use the opportunities perfectly because of their limited capacity. It can be a major hurdle in the success of entrepreneurship. This hurdle can be arising due to the lack of education, knowledge, willingness, and other important aspects. In simple terms, the absence of zeal and motivation may lead to the failure of most of the new ventures.

6. Political Barriers

The politics of a country or region can also become a barrier to the success of entrepreneurship. So an entrepreneur should check out the policies of the government and the incentives offered by the government to the entrepreneurs. This is because every government does not provide socio-economic facilities to entrepreneurs. Other than this, it is also required to take the interest in economic development seriously.

7. Lack of Practical knowledge

Many youngsters believe that an entrepreneur must have an adequate educational background to make the business successful, but the reality is completely different. Most of the schools and colleges focus on

bookish knowledge instead of providing practical knowledge to the students. Every entrepreneur may have the same bookish knowledge but it is their practical knowledge that makes them unique in this highly competitive market. Lack of this practical knowledge can also become a barrier in the path to the success of a business.

8. Not Having the Right Team

Business is not the work of an individual. It is teamwork in which every person has different skills and jobs which are based on those skills. So, it can be said that a business is run by the contribution of all the individuals. The right team or teammates or can say employees are the most important aspect for the success of a business. It is one of the biggest barriers for a start-up to find good employees. It is often seen that most of the new ventures work on a small scale which makes it more difficult for them to get experienced, skilled, and good employees.

9. Corrupt Business Problems

One of the most common problems with a business especially with new ventures is the corrupt environment. If the environment of the country is corrupt then it does not inspire the young employees and entrepreneurs. In many countries or regions, the unhealthy and non-supportive government creates lots of issues. That's why it is suggested to check out the regulations and stringent compliance before starting a new venture. This corruption of the government can become a major hurdle in the success of a business on a pretty higher level. So, an entrepreneur needs to take things seriously.

10. Difficulty in Reaching to More People

One more barrier that an entrepreneur can face is the difficulty in reaching more people or attracting more customers to inform them about the products or services in which the firm is dealing. A business can lose its path of success if it will not be able to advertise its products and reach the required community in the target market. A successful foundation can only be set up if there will be no barrier between the audience and experts. So, there is the need of having a strong foundation to achieve the planned goals.

11. Fear of Failure

To get the profit, an entrepreneur has to bear some sort of risk also and it is the entrepreneurs' capacity of bearing the risk which decides the amount of profit that the business can earn. So, it can be said that it is the state of mind which helps an entrepreneur in getting a clear vision so that the risk can be faced without fear. But when a new venture is set up then there is always a fear about the arrangement of initial funds, investors, and many other things. This fear creates pressure on the minds of the entrepreneurs and increases

their tension of being failed. The fear of failure can become a huge barrier in starting a new business or running it smoothly.

12. Few Opportunities

When a new business is started, there are very fewer opportunities available for the entrepreneur. It is also not easy for an entrepreneur to figure out these limited opportunities in the beginning. To get more opportunities, a business must start growing. Limited opportunities can be a hurdle to entrepreneurship. There is almost zero possibility of being successful without having opportunities. Opportunity is also one of the major factors of SWOT analysis.

13. No Training

There is always a great demand in the market for a trained employee. A company always searches for such employees who are trained in their particular job. But for an entrepreneur, it is not enough to have the knowledge or training of a particular field. He/she must be the package of knowledge in all the fields. However, it does not mean that the entrepreneur should be a jack of all trades, master of none because it can also create a barrier in starting entrepreneurship.

14. No Backup Plan

Before starting a new thing, we must have a backup plan in the case of the failure of our main plan otherwise it can create huge trouble for us. In the same manner, when an entrepreneur starts a new venture then he/she must be ready to face the failure, and to deal with them the entrepreneur must have a backup plan or can say plan B. But most entrepreneurs start their business without having a backup plan which can create a barrier for them as they are always at a high risk of failure. Plan B is not only required for the failure of a project but also for the failure of the whole business plan.

15. Limited Technical Skills

Nowadays, most business ideas are based on technology. In such an era, it is easy to start a business for a technical guy but if you have a lack of technical knowledge or skills then it can be a great barrier to you. Limited technical skills can cause a loss to the business. The entrepreneur may hire a particular person to get advice on the issues related to the technical field but it is not always beneficial for the business. Also, it demands additional costs to the organization.

16. Lack of Motivation

The biggest motivation for any business is Money. When an entrepreneur starts a business then it takes some time to make the market value of the business. During this period the profit earned by the business

is not so high which may reduce the motivation of the entrepreneur as well as of the employees of the organization.

17. Psychological Pressure

In countries like India, another barrier is psychological pressure in the mind of entrepreneurs. This pressure can be because of any reason such as parental pressure, societal pressure, financial pressure, carrier pressure, etc. One of the biggest examples of these pressures is the pressure created by the family and society to be successful in the carrier. This creates the fear of being failed which gives birth to mistakes and then these mistakes can cause huge losses to the firm.

ENTREPRENEURSHIP Development Programme: **CED, EDII**

a) Entrepreneurship Development Programme (EDP)

❖ Meaning

- Entrepreneurship Development Programme is designed to help an individual in strengthening his entrepreneurial motive and in acquiring skills and capabilities necessary for playing his entrepreneurial role effectively.
- EDP can also be defined as a pre-defined process that recognizes, inculcates designs and refines the skills and proficiencies of an individual to establish his own enterprise. In recent times, EDP has become a professional task which extensively encourages the development of funded and private businesses. The programme is meant to grow entrepreneurial aptitudes among people.

□ Objectives of EDP

- 1) Develop and strengthen their entrepreneurial quality/ motivation,
- 2) Analyse environment related to both small industry and small business.
- 3) Select project/product.

- 4) Formulate projects;
- 5) Understand the process and procedure of setting up of small enterprise: (D. Know and influence the source of help-support needed for launching the enterprise,
- 6) Acquire the basic management skills.
- 7) Know the pros and cons of being an entrepreneur.
- 8) Acquaint and appreciate the needed social responsibility/entrepreneurial disciplines:
- 9) Develop entrepreneurial culture.
- 10) Accelerate the process of industrial and economic development; and
- 11) Transform the Indian economy
- Besides, some of the other important objectives of the EDPs are to:
- 12) Let the entrepreneur himself / herself set or reset objectives for his / her enterprise and strive for their realization.
- 13) Prepare him / her to accept the uncertainty in running a business.
- 14) Enable him / her to take decisions.
- 15) Enable to communicate clearly and effectively.
- 16) Develop a broad vision about the business

□ **Phases of Entrepreneurial Development Programme (EDP)**

The entrepreneurship development programme (EDP) normally runs through three important phases followed by EDP evaluation:

An entrepreneurial development programme consists of three broad phases:

1. Pre-training Phase
2. Training Phase
3. Post-training Phase

1. Initial Phase:

- This phase includes the activities and the preparations required to launch the training programme. The main activities of this phase are:
 - (a) Arrangement of Infrastructure for training
 - (b) Preparation of training syllabus and application form
 - (c) Tie up of guest faculty

- (d) Designing tools and techniques for selecting the trainees
- (e) Formation of selection committee
- (f) Publicity campaign for the programme
- Thus, initial stage involves the identification and selection of potential entrepreneurs and providing initial motivation to them.

2. Training Phase:

- In this phase the training programme is implemented to develop motivation and skills among the participants.
- The objective of this phase is to bring desirable changes in the behaviour of the trainees. The trainers have to judge how much, and how far the trainees have moved in their entrepreneurial pursuits.
- A trainer should see the following changes in the behaviour of participants.
 - (a) Is there any change in his entrepreneurial outlook, role and skill?
 - (b) Is he motivated to plunge for entrepreneurial venture and risk that is expected of an entrepreneur?
 - (c) What kind of entrepreneurial behaviour does the trainee lack?
 - (d) Does he possess the knowledge of technology, resources and other related entrepreneurial knowledge?
 - (e) Is he skillful in choosing the right project, mobilising the right resources at the right time?

3. Post-Training or Follow-up Phase:

- Under this phase it is assessed that how far the objectives of the programme have been achieved.
- Monitoring and follow up reveals drawbacks in the earlier phases and suggest guidelines, for framing the future policy.
- In this phase infrastructural support, counselling and assistance in establishing new enterprise and in developing the existing units can also be reviewed. Selection of Potential Entrepreneurs

b) Centre for Entrepreneurship Development (CED)

- The Centre for Entrepreneurship Development (CED) is a premier Organization of Government of Gujarat engaged in Entrepreneurship Development Training since 1979 and Skill

Development since 2009.

- Concept behind CED is to develop entrepreneurs in the urban as well as rural areas of the state, who can establish their own Enterprise (Trading/Service/Manufacturing) which in turn aids in economic growth of the state and also creates employment opportunities for others.
- The **mission** of CED is to empower the people of Gujarat through Entrepreneurship Development and Skill Development.
- While the **vision** of the organization is to conduct Entrepreneurship Development Programs across the state.
- Some of the **training programs** conducted by CED include

1. Entrepreneurship Awareness Program / Workshop (EAP/EAW)

With the objective to spread the concept/thought of entrepreneurship to mass of the society CED conducts Entrepreneurship Awareness Programs for the final year students of ITI, Polytechnic, Engineering, Pharmacy, Ayurvedic, Science, Arts & Commerce colleges, Management institutes to inculcate the entrepreneurial culture and environment in such a way that students get encouraged to opt for entrepreneurial career rather than searching for a job.

2. Entrepreneurship Development Program (EDP)

The prime object of EDP is to conduct entrepreneurship training program of 2-4 weeks duration. CED organizes this kind of training program in various districts and taluka level.

3. Human Resources Development & Achievement Motivation Program (HRD)

It is for the academic institutes, industrial and business group to excel in their work performance and aptitude. This leads to strengthen the employee and employer relationship. Major soft skills and important behavior aspects like motivation, communication, team building, leadership quality, positive attitude, problem solving aptitude, creativity and stress management are being covered in this training program.

4. Second Generation Program (SGP)

The centre for entrepreneurship development conducts training program for existing entrepreneurs to solve their management problems in the area of technology up-gradation, product diversification, quality marks, national and international strategies, international market, export procedures, financial management and how to survive in the competitive market, family business etc.

5. Entrepreneurship Development Cell (ED Cell)

CED conducts Entrepreneurship awareness drive to generate widespread awareness about entrepreneurship among masses like for the students of various engineering colleges, polytechnic, Universities & Institutions and also for general public, from time to time so that they get an insight into various business opportunities in manufacturing, trading, service sectors.

Faculty Development Program

CED organizes Faculty development training program for the overall as well as professional development of the Professors, Faculty members and senior staff members of the Engineering Colleges, Polytechnic, Universities and Institutions. This is one kind of Trainers training program for the professors and faculties of the colleges so that in-turn they can also motivate their students about entrepreneurship and other self-employment related aspects.

c) Entrepreneurship Development Institute of India (EDII)

Entrepreneurship Development Institute of India (EDII). Ahmedabad, is an autonomous non- profit institution. set up in 1983, sponsored by financial institutions such as Industrial Development Bank of India (IDBI), Industrial Finance Corporation of India (IFCI), Industrial Credit and Investment Corporation of India (ICICI) and the State Bank of India (SBI). The Government of Gujarat has also provided assistance for the setting up of EDII.

EDII has been spearheading an entrepreneurship movement throughout the nation with a belief that entrepreneurs need not necessarily be born: they can be developed through well-conceived and well-directed activities

The **vision** of EDII is to retain global leadership in fostering and developing entrepreneurship.

The **mission** of EDII is to

- Become a leading resource centre of knowledge management pertaining to various aspects of entrepreneurship.
- Promote entrepreneurship through education, training, applied research and institution- building.
- Augment the pool of entrepreneurs in different sectors and constituencies in accordance with national priorities and programmes.
- Help existing SMEs and family managed businesses improve their entrepreneurial competencies and develop cadres of trainers in entrepreneurship
- Facilitate interface with policymakers and foster networks with Central and State Governments,

Entrepreneurship Development Institutions, Industry and other stakeholders.

- Assist in capacity building, training and institution in the field of entrepreneurship with focus on innovation, incubation and digitalization at national and international levels.
- **Programs/ projects** initiated by EDII

1. Entrepreneurship Development model and New Enterprise Creation

- Developed the first ever result-oriented training model for promoting enterprises; popularly known as EDII-Entrepreneurship Development Programme (EDII-EDP) Model.
- Designed a training model for rural poor to resolve the twin problems of poverty and unemployment which emerged from a 3-state action-research project. This training model popularly came to be known as Rural Entrepreneurship Development Programme (REDP).

2. Education, Research & Policy Advocacy

- Developed a pioneering AICTE-approved research programme to promote systematic research and analysis in entrepreneurship theories and practice – the Fellow Programme in Management
- University Grants Commission (UGC) assigned EDII to develop _Entrepreneurship Course Curriculum for under graduate level students.

3. Existing Entrepreneurs & in-company Executive Development Programmes

- The Institute through its **Performance Improvement Programmes (PIPs)** helped existing entrepreneurs redefine their business processes by analysing current performance and developing core competencies.
- Developed **Growth-cum-Business Counselling Programme**, in collaboration with **Durham University Business School (DUBS)**, to facilitate planned growth among established entrepreneurs through focus on project management techniques and business counselling.

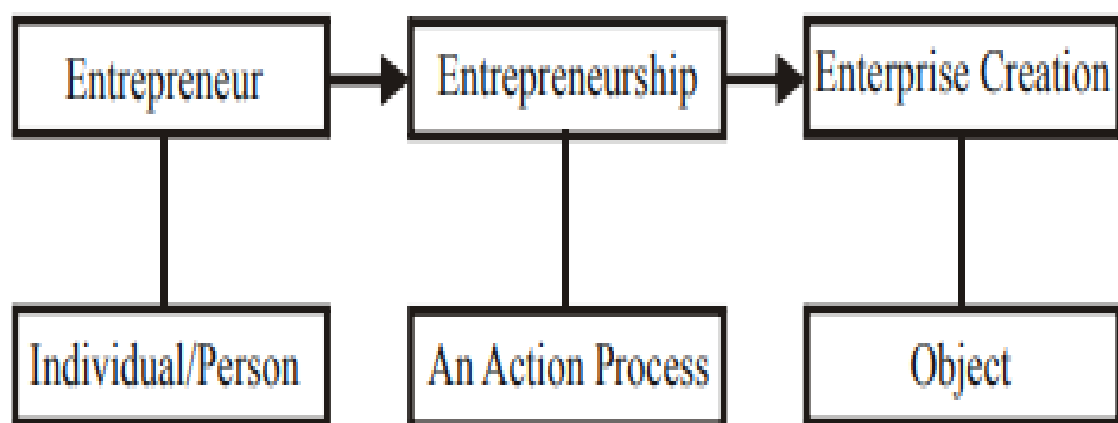
4. MSME Development

- Cluster Development Module was evolved to revitalize dormant industrial and artisanal clusters by addressing them on various aspects of business such as; marketing, technology, networking, human resource development, capacity building, etc.
- Designed and implemented Cluster Development Agents (CDAs) Programmes to create cadres of Cluster Development Executives.

5. At the International Level

- The Inter Regional Centre (IRC) for Entrepreneurship and Investment Training was set up at the Institute with the support of UNIDO and Govt. of India, with an aim to develop and strengthen indigenous capacities of selected countries in Asia, Africa and Arab regions for investment promotion and ED leading to accelerated industrial development and globalization of economies.

Evolution of Entrepreneurship

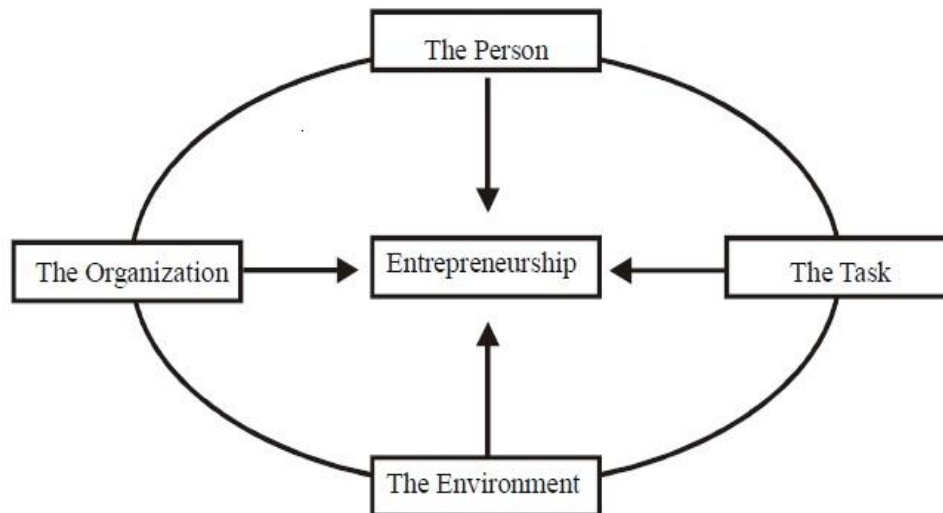


- **In the Earliest period**, the earliest definition of the Entrepreneur as a go-between is Marco Polo. He tried to establish a trade route to the far East. He used to sign a contract with a venture capitalist to sell his goods. The capitalist was the risk bearer. The merchant adventurer took the role of trading. After successfully selling goods and completing his trips, the capitalist and the merchant shared the profits.
- In the 16th century, the Frenchmen who undertook military expeditions were referred to as 'entrepreneurs'.
- **In the 17th century**, entrepreneurship's evolution can be related to the relationship between risk and entrepreneurs. Entrepreneurship is the person who signed the contract agreement with the government to provide a service or supply products that have been determined. Then, the contract price is fixed. Then, the entrepreneurs are fully responsible for the gains and losses of the business.

- **In the 18th century**, Richard Cantillon, French Economist, applied the term entrepreneur to business for the first time. Some regard him as the founder of the term. He defined an entrepreneur as **someone who buys factor services at specific prices**, intending to sell them at uncertain prices in the future.
- **In the 19th** entrepreneurs were not distinguished from managers. They were primarily viewed from the economic perspective. He takes a risk and contributes his initiative and skills. He plans, organizes and leads his enterprise.
- **In the 20th Century**, During the early 20th century, Dewing equated the Entrepreneur with a business promoter and viewed the promoter as one who transformed ideas into a profitable business. However, it was Joseph Schumpeter who described an entrepreneur as an innovator. According to him, an entrepreneur is an innovator who develops untried technology.
- **In the 21st century**, Research Scientists live De Bone pointed out that it is not always necessary that an individual comes up with an entirely new idea to be called an entrepreneur. Still, if he adds incremental value to the current product or service, he can rightly be called an entrepreneur.
- **The future of entrepreneurship** will be growth with the development of technologies. Modern technologies and the internet have improved the ways of conducting business. Entrepreneurs now have the luxury of putting their business idea into action by clicking a button.
-

John Kao's Model on Entrepreneurship

John Kao developed a conceptual model of entrepreneurship in his article: Entrepreneurship, creativity and organization in 1989.



- As shown in the figure, four factors are involved in entrepreneurship development.
1. **The Person:** The overall success of a new venture largely depends upon the skill, qualities, traits and determination of the Entrepreneur. The individual is the critical factor in entrepreneurial activity. He is a creative personality and makes things happen. Entrepreneurs have distinct personalities, specific skills and experience and motivation. The success of an entrepreneurial venture depends mainly on the personality of the Entrepreneur. Entrepreneurs require a variety of skills ranging from intuition to analytical ability.
(Personality, Skills, Experience, Motives, and psychological preferences)

The Task: It is a role played by Entrepreneur in an enterprise. The primary task of the Entrepreneur is to recognize and exploit opportunities. The opportunities may come from many sources, but Entrepreneurs must be able to perceive the opportunities where others don't. The Entrepreneur also has to perform an inter-personal task to handle the necessary resources. For example, they are working with people & persuading others to join the enterprise. Thus, the Entrepreneur has to perform a diverse task to see an opportunity, marshal human & other resources, and transfer the opportunity into tangible research.

Environment: It involves the availability of resources, infrastructure, competitive pressures, social values, rules and regulations, stage of technology etc. Entrepreneurs and their organizations are part of the environment. The environment influences facilitate or hinder the growth of entrepreneurship and the viability of the enterprise. He draws resources from the environment, and his output goes to the environment. The environment consists of several elements

such as economic, socio-cultural, political, legal and others. The entrepreneurs will keep on acting and reacting to various environmental changes. Therefore, he tries to understand the environment well.

The Organization: It is the immediate setting in which creative and entrepreneurial work takes place. It involves the structure, rules, policies, culture, human resource system, and communication system. This means that entrepreneurs will be implemented under the organizational system consisting of rules, policies, structure and culture.

(Structure, rules, policies, cultures, human recourse system, communication systems)

- **Conclusion:** According to Kao, the most successful Entrepreneur is one who adapts himself to the changing needs of the environment and makes it hospitable for the growth of his business enterprise.

IDEA GENERATION

Idea generation is the process of creating, developing, and communicating abstract, concrete, or visual ideas.

❖ Sources of ideas

Some of the more fruitful sources of ideas for entrepreneurs include consumers, existing products and services, distribution channels, the federal government, and research and development.

a) Consumers

- Potential and nascent entrepreneurs should always pay close attention to potential customers.
- This can take the form of informally monitoring potential ideas and needs or formally arranging for consumers to have an opportunity to express their opinions.
- The idea or need has to have a large enough market to support a new venture.

b) Existing Products and Services

- Potential entrepreneurs should also establish a method for monitoring and evaluating competitive products/services on the market.
- Frequently, this analysis uncovers ways to improve on these offerings that may result in a new product/service that has more market appeal and sales and profit potential.

- *Sam Walton*, founder of Walmart, would frequently visit competitive stores focusing not on what the competitive store did badly, but rather on what they did very well, so he could implement a version of these ideas at Walmart.
- *Jameson Inns* established a policy whereby the manager of each of its inns (hotels) reported weekly on competitive hotels and their prices in their market areas.

c) Distribution Channels

- Members of the distribution channels are also excellent sources for new ideas reflecting their familiarity with the needs of the market.
- Not only do channel members frequently have suggestions for completely new products, but they can also help in marketing the Entrepreneur's newly developed products.
- One Entrepreneur found out from a salesclerk in a large departmental store that the reason his hosiery was not selling well was its color. By heeding the suggestion and making the appropriate color changes, his company became one of the leading suppliers of nonbrand hosiery in that region of the United States.

d) Government

- Government of India and all State Governments have sponsored different organizations to help entrepreneurs in search, coordination and evaluation of business ideas.
- Example: **In this COVID-19 Pandemic DRDO developed PPE suit (Personal Protection Equipment Suit) and transfer technology to Textile industry.**

e) Research and Development

- The largest source of new ideas is the Entrepreneur's own "research and development" efforts, which may be a formal endeavor connected with one's current employment or an informal one in a basement or garage.
- One research scientist in a Fortune 500 company developed a new plastic resin that became the basis of a new product, a plastic molded modular cup pallet, as well as a new venture—the Arnolite Pallet Company, Inc.—when the Fortune 500 company was not interested in developing the idea and released it to the Entrepreneur.

Identifying opportunities and Evaluation

An **opportunity assessment plan** is *not* a business plan. It is done instead of a lengthier more time-consuming business plan to see if the ideal/opportunity is worth pursuing. Compared to a business plan, it:

- Is shorter.
 - Focuses on the opportunity, not the venture.
 - Has no computer-based spreadsheet.
 - Is the basis for making the decision to either act on an opportunity or wait until another, better opportunity comes along.
- An opportunity assessment plan has four sections—two major sections and two minor sections. The **first major section** discusses and develops the product/service idea, analyzes the competitive products and companies, and identifies the uniqueness of the idea in terms of its unique selling propositions.
 - The second major section of the opportunity assessment plan focuses on the market— its size, trends, characteristics, and growth rate
 - The **third section** (a minor one) focuses on the Entrepreneur and the management team in terms of their background, education, skills, and experience
 - The **final section** of the opportunity assessment plan develops a time line indicating what steps need to be taken to successfully launch the venture by translating the idea into a viable business entity.

Building the Team / Leadership

- Team building is a process that helps a work group evolves into a cohesive unit. The team members not only share expectations for accomplishing group tasks, but trust and support one another and respect one another's individual differences.
- The role of an entrepreneur as a team builder is to lead the team toward cohesiveness and productivity. A team takes on a life of its own and you have to regularly nurture and maintain it, just as you do for individual employees.
- With good team-building skills, the Entrepreneur can unite employees around a common goal and generate greater productivity. Without them, he/ she shall limit himself/ herself and the staff to the effort each individual can make alone.

❖ Team building can lead to

- Good communications with participants as team members and individuals
- Increased department productivity and creativity
- Team members motivated to achieve goals
- A climate of cooperation and collaborative problem-solving
- Higher levels of job satisfaction and commitment
- Higher levels of trust and support
- Diverse co-workers working well together
- Clear work objectives
- Better operating policies and procedures

Strategic planning for business

- **Definition:** *Strategic planning is the process of documenting and establishing a direction of your small business—by assessing both where we are and where we're going.*
- The strategic plan gives us a place to record our mission, vision, and values, as well as our long-term goals and the action plans, we'll use to reach them.
- A well-written strategic plan can play a pivotal role in a small business's growth and success because it tells us and our employees how best to respond to opportunities and challenges.
- Despite the benefits of having a strategic plan in place, a growing number of small business owners aren't focusing on the long-term strategies of their businesses. In a 2018 Constant Contact survey of 1,005 small business owners, 63% said they plan only a year (or less) in advance.



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The future success depends on effective strategic planning. Strategic planning consists of analysing the business and setting realistic goals and objectives.

Steps in strategic planning

The application of strategic planning in business is a result of difficult managerial decisions that comprise good and less desirable courses of action. The development and execution of strategic plans is a well-thought-out plan performed in three critical steps:

1. Strategy Formulation

- In the formulation of strategies, the business assesses its current situation by performing an internal and external audit.
- Strategy formulation also involves identifying the organization's strengths and weaknesses, as well as opportunities and threats (SWOT Analysis). As a result, managers get to decide which new markets they can venture or abandon, how to allocate the required resources, and whether to expand its operations through a joint venture or mergers.
- Business strategies result in long-term effects on organizational success; only top business executives understand their impact and are authorized to assign the resources necessary for their implementation.

2. Strategy Implementation

- After the strategy formulation, the company needs to establish short-term goals (usually one-year goals), devise policies, and allocate resources for their execution.
- It is also *referred to as the action stage* and is the most important phase of strategic planning.
- The success of the implementation stage is determined by the firm's ability to nurture an environment and a culture that motivates employees to work. A manager's interpersonal skills are critical during this stage.
- Effective strategy implementation also involves developing a functional organizational structure, maximum utilization of information systems, and redirecting marketing efforts.

3. Strategy Evaluation

- Any savvy business person knows that success today does not guarantee success tomorrow. As such, it is important for managers to evaluate the performance of various strategies after the implementation phase.
- Strategy evaluation involves three crucial activities: reviewing the internal and external factors affecting the implementation of the strategies, measuring performance, and taking corrective steps.

- All the three steps in strategic planning occur in three hierarchical levels: the corporate, middle, and operational levels. Thus, it is imperative to foster communication and interaction among the employees and managers in all the levels so as to help the firm to operate as a functional team.

Managing growth:

Introduction:

Growth is always essential for the existence of a business enterprise whether big or small. A business organization is bound to die in the absence of expansion of its activities. Business growth is a natural and ongoing process. Many business enterprises started initially small and have become big through continuous growth. This is called Enterprise Life Cycle. The enterprise life cycle is broadly classified into five stages

1: Start Up, Growth, Expansion, maturity and decline. Each stage has distinct characteristics. The strategies required to effectively cope with each stage also vary. This calls for a proper understanding of each stage to enable entrepreneurs to adopt the right strategies for growth. A brief description of each of the five stages is given here.

Stages of Growth:

1. **Start Up Stage:** This refers to the birth or emergence of a business enterprise in the economy. The production takes place in limited scale. Scale is also limited to a small area. The enterprise is not faced with any type of competition during this stage. Profits may not be earned during the start up stage.
2. **Growth Stage:** Start up stage is followed by the growth stage. During this stage, the enterprise is known to and accepted by the market. Production and sales increase yet supply falls short of demand for the product produced by the enterprise. Profits increase. The competitors begin to enter the particular product market. The enterprise at this stage tries to change its strategy from 'buy my product to try my product'.
3. **Expansion Stage:** This is the stage in which business enterprise expands by way of opening its branches and introducing new product lines. Business activities at this stage are diversified to reap the best benefits from the available business opportunities.
4. **Maturity Stage:** During this stage, due to keen competition, sales increases but at a decreasing rate. As a result, profits tend to decline. In such situation, marginal enterprises start leaving the

scene/market, some enterprises adopt methods such as 'trading in' to survive for some more time in the market.

5. **Decline Stage:** This is the final/last stage of business enterprises. At this stage, the enterprises find it difficult to survive either due to the gradual replacement of enterprise product or due to some new innovations or on account of change in customer behaviour Sales drops abruptly. Enterprises start incurring losses at an increasing rate. In such situations, enterprises prefer to close their shutters.

Types of Growth Strategies:

1. Expansion
2. Diversification
3. Joint Venture
4. Merger, and
5. Sub-Contracting
6. Franchising

1. Expansion:

Expansion is one of the forms of internal growth of business. It means enlargement or increase in the same line of activity. Expansion is a natural growth of business enterprise taking place in course of time. In case of expansion, the enterprise grows its own without joining hands with any other enterprise. There are three common forms of business expansion.

These are:

a. Expansion through Market Penetration:

b. Expansion through Market Development:

c. Expansion through Product Development and/or Modification:

Advantages:

- (i) Growth through expansion is natural and gradual.
- (ii) Enterprise grows without making major changes in its organizational structure.
- (iii) Expansion makes possible the effective utilization of existing resources of an enterprise.
- (iv) Gradual growth of enterprise becomes easily manageable by the enterprise.
- (v) Expansion results in economies of large-scale operations.

Disadvantages:

- (i) Growth being gradual is time consuming.

(ii) Expansion in the same line of product delimits enterprise growth making enterprise unable to take advantage of new business opportunities.

(iii) The use of modern technology is limited due to the limited resources at the disposal of the enterprise. It weakens the competitive strength of the enterprise.

2. Diversification:

Diversification is the most common form of internal growth of business. As mentioned above, expansion has its own limitations of business growth. Diversification is evolved to overcome the limitations of business growth through expansion. A business cannot grow beyond a certain point by concentrating on the existing product/market only.

In other words, it is not always possible for a business to grow beyond a certain point through market penetration. This underlines the need for adding new products / markets to the existing ones. Such an approach to growth by adding new products to the existing product line is called 'diversification'.

"In simple terms, diversification may be defined as a process of adding more products/markets/services to the existing one."

Usually, diversification is of four types:

- a. Horizontal Diversification
- b. Vertical Diversification
- c. Concentric Diversification, and
- d. Conglomerate Diversification

A brief description of these follows:

a. Horizontal Diversification:

In this type of diversification, the same type of product or market added to the existing ones. Adding refrigerators to its original products of steel safes and locks by Godrej is an example of Horizontal Diversification.

b. Vertical Diversification:

In this type of diversification, complementary products or services are added to the existing product or service line of the enterprise. The new products or services serve either as inputs or a customer for the firm's own product. A T.V. manufacturer may start producing picture tubes needed by it.

Similarly, a sugar mill may develop a sugarcane farm to supply raw material or inputs for it. Setting up of retail shops by companies like Delhi Cloth Mills to sell its fabrics is also vertical type of diversification.

c. Concentric Diversification:

In case of concentric type of diversification, an enterprise enters into the business related to its present one in terms of technology, marketing or both. Nestle, originally, a baby food producers entered into related products like 'Tomato Ketchup' and 'Maggi Noodles'. Similarly, a tea company like Lipton may diversify into coffee.

d. Conglomerate Diversification:

This type of diversification is just contrary to concentric diversification. In this type of growth strategy, an enterprise diversifies into the business that is not related to its existing business neither in terms of technology nor marketing. JVG carrying on business in newspaper and detergent cake and powder, Godrej manufacturing steel safes and shaving cream are examples of conglomerate diversification.

Advantage:

- (i) Diversification helps an enterprise make more effective use of its resources.
- (ii) Diversification also helps minimize risk involved in the business.
- (iii) Diversification adds to the competitive strength of the business.
- (iv) Diversification also enables an enterprise to tide over business fluctuations and, thus, ensures smooth running of the business.

Disadvantages:

- (i) Diversification involves business reorganization which requires additional resources. Thus, diversification becomes a costly proposition.
- (ii) It becomes difficult, is not impossible, to effectively manage and coordinate the diverse business.

3. Joint Venture:

Joint venture is a type of external growth strategy adopted by business firms. In simple terms, joint venture is a restricted or a temporary partnership between two or more firms to Undertake jointly to complete a specific venture. The parties who enter into agreement are called co-ventures and this joint venture agreement will come to an end on the Completion Of the work for which it was formed

Advantages:**The main Advantages the joint venture offers are as follows:**

- (i) Joint venture reduces risk involved in business.
- (ii) It helps increase competitive strength of the business.
- (iii) It makes possible the use of advanced technology and knowhow not available within a firm.
- (iv) Joint venture provides the benefits of economy of scale by reducing production and marketing costs, on the one hand, and by increasing sales volumes, on the other.

Disadvantages:**Joint ventures suffer from the following disadvantages also:**

- (i) In case of lack of proper understanding between the co-ventures, the functioning of the business is adversely affected.
- (ii) Excessive legal restrictions on foreign investments limit joining hands with foreign firms.
- (iii) Sometimes, more equity participation by one or more co-ventures creates conflicts between them.

4. Mergers and Acquisitions (M&A)

Merger and acquisition are yet other forms of external growth strategy. Merger means a combination of two or more existing enterprises into one. For the enterprise which acquires another, it is called 'acquisition.' For the enterprise which is acquired, it is called 'merger.' Thus, merger and acquisition are the two sides of the same coin.

But the post-liberalization, since 1991, has witnessed an increasing use of takeover strategies as the means or rapid growth. Mahindra & Mahindra's takeover of a German company Schoneweiss, Tata's takeover of Corus, and PricewaterhouseCoopers's takeover of Mumbai-based taxation company RSM Ambit are illustrative examples of mergers & acquisitions.

Advantage:

- (i) Provide benefits of economies of scale in terms of production and sales.
- (ii) Facilitate better use of resources.
- (iii) Enable sick enterprises to merge into the healthy ones.
- (iv) Promote diversification in product line to take advantages of opportunities available in the particular business.

Disadvantages:

Mergers and acquisitions are not unmixed blessings.

- (i) Larger scale operations often make co-ordination and control ineffective. This adversely affects business performance as a whole.
- (ii) Sometimes mergers and acquisitions lead to monopoly in the particular business. Monopoly is not welcome in the interest of the society.

5.Sub-Contracting:

What is Sub-Contracting System?

Sub-contracting system is a mutually beneficial commercial relationship between the two companies. This is known as Ancilliarization in India and more generally as 'sub-contracting.'

Sub-contracting can be defined as follows:

A sub-contracting relationship exists when a company (called a contractor) places an order with another company (called the sub-contractee) for the production of parts, components, sub-assemblies or assemblies to be incorporated into a product sold by the contractor. Such orders may include the processing transformation, or finishing of material or part by the sub-contractor at the request of the contractor.

Advantages:

- (i) It increases production in the fastest way without making many efforts,
- (ii) The contractor can produce products without investing in plant and machinery.
- (iii) Sub-contracting is particularly suitable to manufacture goods temporarily.
- (iv) It enables the contractor to make use of technical and managerial abilities of sub-contractors.
- (v) Despite leading to dependence, sub-contracting ensures existence of Subcontractors by providing them business.
- (vi) Last but no means the least; sub-contracting makes the core firms more flexible in their production.

Disadvantages:

- (i) It does not ensure the regular and uninterrupted supply of goods to the core firms, i.e. contractors which adversely affect the functioning of the core firms.
- (ii) Goods produced under Sub-contracting system are often qualitatively inferior.
- (iii) Sub-contracting also delimits the expansion and diversification of the core firms.
- (iv) A delay in payments, a common feature, by the contractor to the subcontractors endangers the very survival of the latter.

6. Franchising:

In a sense, franchising is very much akin to branching. Franchising is a system for selectively distributing goods or services through outlets owned by the retailer or dealer. Basically, a franchise is a patent or trademark license, entitling the holder to market particular products or services under a brand name or trademark according to pre-determined terms and conditions

HARVESTING & EXIT

Introduction: A business exit strategy is a plan for what will happen when you want to leave your business. This strategy describes and outlines the form that the transition will take.

Your business exit strategy doesn't have to mean disaster or failure, or even imminent action—in fact, many business owners start their business with the express purpose of exiting after a certain number of years. It doesn't mean they are less committed entrepreneurs. It just means they have a plan in place.

What is an Exit strategy:

Exiting/harvesting is the process used by entrepreneurs and investors to gain the value of a business when they get out of it.

From a small business point of view, a viable exit strategy is a plan that allows the owners or investors in a small business to walk away with what they want.

❖ **What is the exit option?**

There are at least eight main ways in which you can dispose of your business.

1. Transferring in to a family member (known as family succession)
2. Sale to internal management or employees (known as management buyout or MBO)
3. Merger & Acquisition
4. Sell your stake to a partner /investor
5. Initial Public Offering (IPO)
6. Liquidation the business
7. File for bankruptcy

1. Transferring in to a family member (known as family succession)

Many entrepreneurs want to keep their business in the family long term, and that means making plans for transitioning the company to a child or another relative at a certain point.

If you are considering passing your business on to your children or other family members, there are a number of things worth thinking about and planning for, including ensuring that whoever is set to take over the business has the relevant skill set, is competent, and is committed to the future and success of the business. This will make it a lot easier to retire.

Pros:

- You can choose and prepare the person you want to continue your business when you leave.
- You don't have to completely separate from you. Stay as advisor.

Cons:

- You may not find a family member who wants to (or is capable) of taking on the business.
- This process may bring a lot of emotional, financial, and general stress to your family.
- Employees, business partners, or investors may not support the individual in your family you choose.

2. Sale to internal management or employees (known as management buyout or MBO)

It's possible that when you're ready to exit your business, people who already work for you may want to buy your company from you. As these individuals know you and know how to manage the organization, this business exit strategy could result in a smoother transition and increase loyalty to your business's legacy.

Moreover, because these individuals are already part of your business and they likely know you so well, they may allow for flexibility in terms of your involvement—perhaps they'll want to keep you on as a mentor or advisor.

Pros:

- You can hand off your business to someone who has experience in the organization.
- Your business's legacy will remain somewhat intact.

Cons:

- You may not be able to find an employee or manager who wants to buy the business from you.
- It may have a negative effect on existing clients.

3. Merger & Acquisition

With a merger or acquisition business exit strategy, your company is either purchased by or merges with, a company with similar or aligned goals to your business.

Pros:

- You'll be able to have a clean break from your business.
- You can negotiate the terms, price, and other details of your merger or acquisition.

Cons:

- This can be a time-consuming.
- This can be costly method.
- Sometime unsuccessful method.

4. Sell your stake to a partner /investor

If you aren't the sole proprietor of your business, it's possible to sell off just your stake to a business partner or other investor. This can be a relatively "business-as-usual" exit strategy, depending on the buyer.

Pros:

- your business should continue to function as usual.
- You can exit your business fully and hopefully earn a profit on the sale of your share.
- You're dealing with a buyer you already know and work with, meaning the process should be much easier to approach.

Cons:

- You may not find a buyer or investor who is willing to purchase your share.
- It may be more difficult to stay involved in your business in any capacity.

5. Initial Public Offering (IPO)

Many entrepreneurs dream of one day selling their business to the public for a large profit. However, in the realm of small business exit strategy planning, this method certainly isn't for everyone—business conditions need to be just right for this option to be possible.

Pros:

- Out of all of the business exit strategies out there, this is probably the one that's most likely to earn you a substantial profit.

Cons:

- This is probably one of the most difficult exit strategies.
- IPO success is very difficult and rare—especially for many small to medium-sized businesses.

6. Liquidation the business

As an exit strategy business plan goes, this one is the most final. If you liquidate, you'll be closing your business and selling your assets. You'll also want to remember how this option may affect employees, as well as clients or customers who rely on your service.

Pros:

- You'll never have to worry about the business again.
- It is simplest and quickest methods as compare to other exit method

Cons:

- You will not get more return on investment with this option.
- This strategy means possibly spoiling relationships with stockholders.

7. File for bankruptcy

As far as small business exit strategy planning goes, this last method is the option that you can't really plan for. Ultimately, no one wants to file for bankruptcy, however, this could be your last resort if something goes wrong (or you never managed to plan ahead with any of the other exit strategies listed above). Bankruptcy is undesirable things happens in to organization.

Pros:

- This official step will relieve you of the responsibilities and debts of your business.
- You'll be able to move on from your business and start to rebuild your credit.

Cons:

- You may not be able to relieve all of your debts when filing bankruptcy.
- A bankruptcy filing will likely affect your ability to borrow credit in the future.
- This process will likely mean the untimely end of relationships with anyone involved with running your business, as well as clients and customers.

Corporate Entrepreneurship

Introduction

Corporate entrepreneurship, or intrapreneurship as it is often referred to, is the concept of supporting employees to think and behave like entrepreneurs within the confines of an existing organizational structure. Employees with the right vision and skills are encouraged to identify opportunities and develop ideas which lead to innovative new products, services or even new lines of business.

Most established companies find it hard to maintain the initial entrepreneurial spirit that helped them to make it through during the start- up stage.

They need further entrepreneurial activities;

- to grow
- to attain competitive advantage
- to keep up talent employees etc.

Definition

The process of creating new business within established firms to improve organizational profitability and enhance a firm's competitive position or the strategic renewal of existing business.

Thus corporate entrepreneurship is conceived of as the effort to extend an organization's competitive advantage through internally generated innovations that significantly alter the balance of competition within an industry or create entirely new industries.

The Need for Corporate Entrepreneur

- Rapid growth in the number of new and sophisticated competitors
- Sense of distrust in the traditional methods of corporate management
- An exodus of some of the best and brightest people from corporations to become small business entrepreneurs
- International competition
- Downsizing of major corporations
- An overall desire to improve efficiency and productivity

Objectives of Corporate Entrepreneurship

- Cultivate innovation and creativity within enterprise
- Creating an entrepreneurial organization

- Organizing around teams
- Assessing enterprises as "intelligent organizations"

Characteristics of Corporate Entrepreneurship

- New business
- Venturing
- Innovativeness
- Self-renewal
- Proactiveness

INTERNAL FACTORS INFLUENCING CORPORATE ENTREPRENEURSHIP

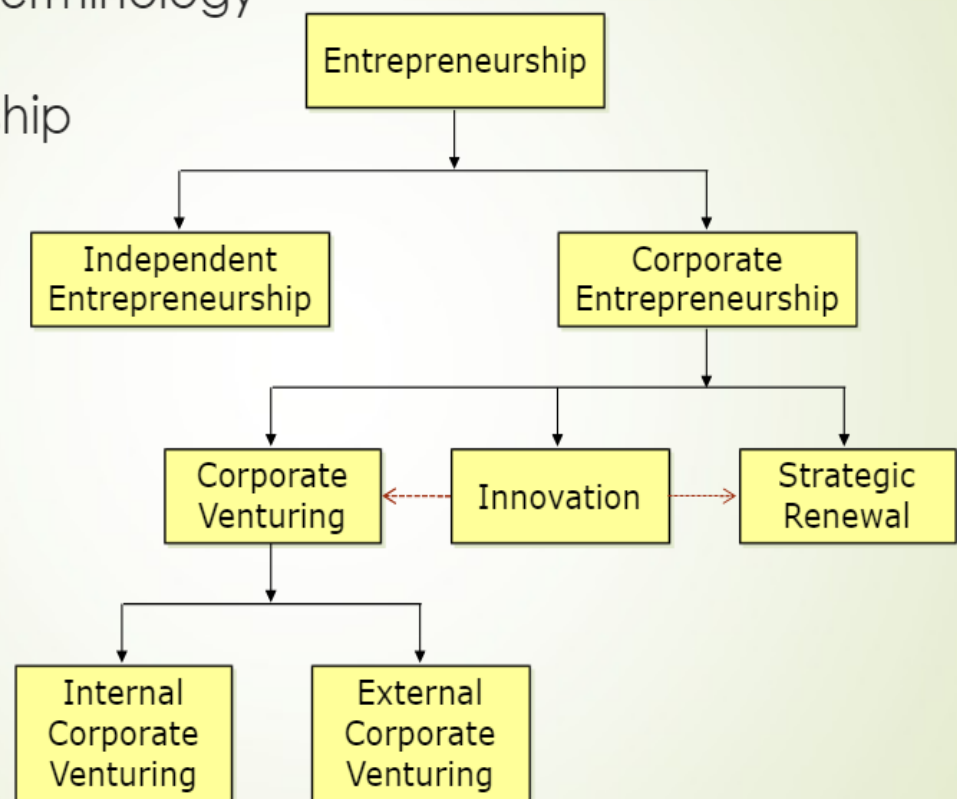
- Compensation and Incentive System
- Organization Culture
- Top Management Support
- Organizational Structure
- Resource Availability
- Organization Policies
- Risk Taking and Failure Tolerance

BARRIERS TO CORPORATE ENTREPRENEURSHIP

- Resistance to change
- The Inherent nature of large organizations
- Lack of Entrepreneurial talent
- Inappropriate compensation methods

Hierarchy of Terminology in Corporate Entrepreneurship

Hierarchy of Terminology in Corporate Entrepreneurship



Independent Entrepreneurship

Independent entrepreneurship is the process whereby an individual or group of individuals acting independently, create a new organization.

Corporate Entrepreneurship

Corporate entrepreneurship is the process whereby an individual or a group of individuals, in association with an existing organization, create a new organization or instigate renewal or innovation within that organization.

- (i) **Corporate Venturing** Refers to corporate entrepreneurial efforts that lead to the creation of new business organizations or divisions within the corporate organization. They may follow from or lead to innovations that exploit new markets, or new product offerings, or both. These venturing efforts may or may not lead to the formation of new organizational units that are distinct from existing organizational units in a structural sense (e. g., a new division).

(a) **External corporate venturing:** External corporate venturing refers to corporate venturing activities that result in the creation of semi-autonomous or autonomous organizational entities that reside outside the existing organizational domain.

➔ Potential outcomes:

- Joint ventures
- Spin off (a type of corporate transaction forming a new company or entity)
- Venture capital initiatives

(b) **Internal corporate venturing:** Internal corporate venturing refers to the corporate venturing activities that result in the creation of organizational entities that reside within an existing organizational domain.

➔ Potential outcomes:

- integration
- new divisions

(ii) **Innovation:** Innovation is the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organizational method in business practices, workplace organization or external relations. Innovation is the development and use of new ideas or behaviour in organizations.

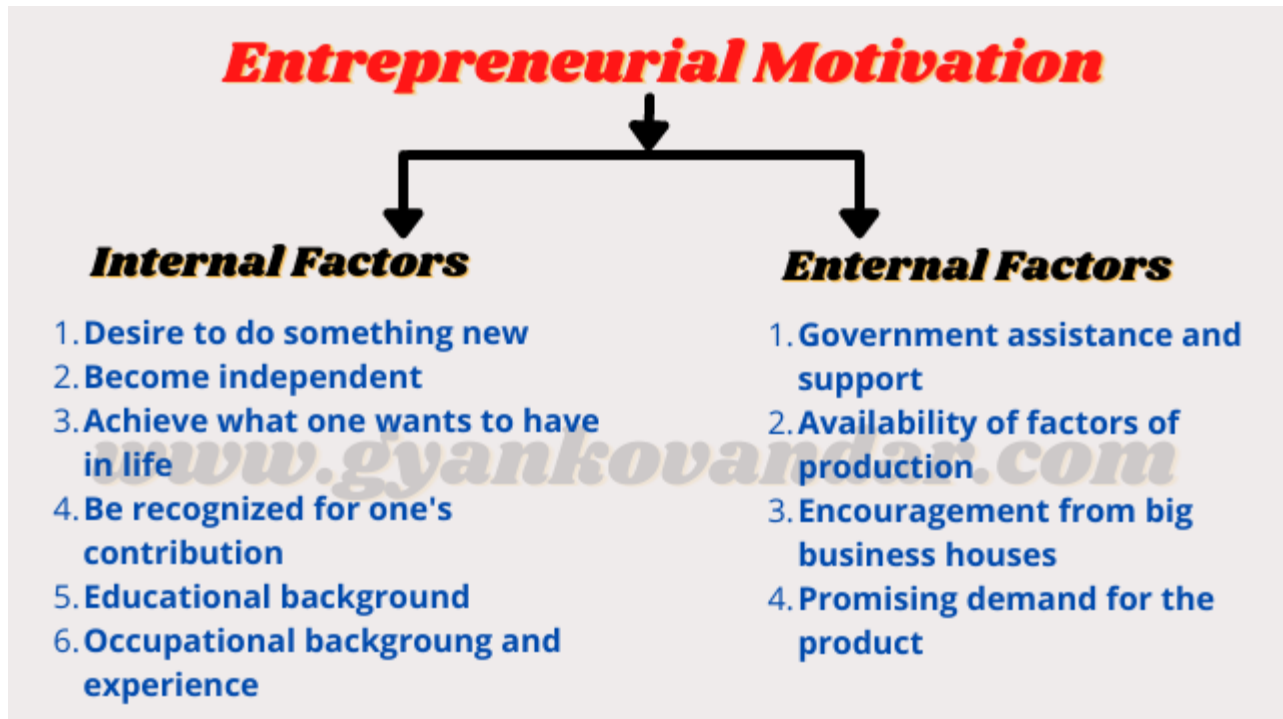
Difference between Creativity and Innovation

Creativity is defined as the production of novel and useful ideas in any domain

Innovation is defined as successful implementation of creative ideas in any organization.

(iii) **Strategic Renewal** Refers to the corporate entrepreneurial efforts that result in significant changes to an organization's business or corporate level strategy or structure. These changes alter pre-existing relationships within the organization and its external environment and in most cases will involve some sort of innovation. Renewal activities reside within an existing organization and are not treated as new businesses by the organization.

Motivation of Entrepreneurship:



McClelland's need theory is closely associated with learning theory, because he believed that needs are learned or acquired by the kinds of events people experience in their environment and culture. He found that people who acquire a particular need behave differently from those who do not have.

His theory focused on Murray's three needs: achievement, power, and affiliations. In the literature, these three needs are abbreviated as "n Ach", "n Pow", and "n Aff" respectively.

A brief description of these three follows:

Need for Achievement ("n Ach"):

This is the drive to excel, to achieve in relation to a set "standard, and to strive to succeed. In other words, need for achievement is a Behaviour directed towards competition with a standard of excellence. McClelland found that people with a high need for achievement perform better than those with a moderate or low need for achievement, and noted regional, national differences in achievement motivation.

Through his research, McClelland identified the following six characteristics of high need achievers:

1. High-need achievers have a strong desire to assume personal responsibilities for performing a task or finding a solution to a problem.

2. High need achievers tend to set moderately difficult goals and take calculated risks?
3. High need achievers have a strong desire for performance feedback?
4. They have need for achievement for attaining personal accomplishment.
5. They look for challenging tasks.
6. The high need-achievement individuals are not buck-passers.

Need for Power (“n Pow”):

The need for power is concerned with making an impact on others, the desire to influence others, the urge to change people, and the desire to make a difference in life. People with a high need for power are people who like to be in control of people and events. These result in ultimate satisfaction to man.

People who have a high need for power are characterized by:

1. A desire to influence and direct somebody else.
2. A desire to exercise control over others.
3. A concern for maintaining leaders-follower relations.

Need for Affiliation (“n Aff”):

The need for affiliation is defined as a desire to establish and maintain friendly and warm relations with other people. The need for affiliation, in many ways, is similar to Maslow’s social needs.

1. The people with high need for affiliation have the following characteristics:
2. They have a strong desire for acceptance and approval from others.
3. They tend to conform to the wishes of those people whose friendship and companionship they value.
4. They value the feelings of others.

As regards the above three needs, McClelland holds the view that all three needs may simultaneously be acting on an individual. But, in case of an entrepreneur, the high need for achievement is found dominating one.

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VEER NARMAD SOUTH GUJARAT UNIVERSITY

ENTREPRENEURSHIP DEVELOPMENT

S.Y. BBA - SEM -IV

UNIT-2 SOCIAL ENTREPRENEURSHIP (30%)

Topics

1. INTRODUCTION TO SOCIAL ENTREPRENEURSHIP	1
2. CHARACTERISTICS OF SOCIAL ENTREPRENEUR.....	2
3. ROLE OF A SOCIAL ENTREPRENEUR	4
4. DIFFERENCE BETWEEN ENTREPRENEUR AND SOCIAL ENTREPRENEUR.....	6
5. INNOVATION & ENTREPRENEURSHIP IN SOCIAL CONTEXT.....	7
6. START-UP AND EARLY-STAGE VENTURES ISSUES IN CREATING	10
7. SUSTAINING NON-PROFIT ORGANIZATIONS.....	14
8. FINANCING AND RISKS IN SOCIAL ENTERPRISES	18
9. BUSINESS STRATEGIES AND SCALING UP	22

1. INTRODUCTION TO SOCIAL ENTREPRENEURSHIP

What is Social Entrepreneurship?

Social entrepreneurship is all about recognizing social problems and achieving social change by employing entrepreneurial principles, processes and operations.

It is all about making research to completely define a particular social problem and then organizing, creating and managing a social venture to attain the desired change. The change may or may not include a thorough elimination of a social problem. It may be a lifetime process focusing on the improvement of the existing circumstances.

We can say **social entrepreneurship** is an approach by individuals, groups, start-up companies or entrepreneurs, in which they develop, fund and implement solutions to social, cultural, or environmental issues. This concept may be applied to a wide range of organizations, which vary in size, aims, and beliefs. For-profit entrepreneurs typically measure performance using business metrics like profit, revenues and increases in stock prices. Social entrepreneurs, however, are either non-profits, or they blend for-profit goals with generating a positive "return to society"

Social Entrepreneurship does not focus on social issues only but also focuses on environmental issues. We do have different examples of women empowerment, child development treatment of waste products through social entrepreneurship. Generally, it is associated with Non-Profit or Non-Government Organizations.

Who is Social Entrepreneur?

A social entrepreneur is somebody who takes up a pressing social problem and meets it with an innovative or path-breaking solution. Since profit-making is a secondary objective, therefore they are people who are passionate and determined about what they do. They possess a very high level of motivation and are visionaries who aim to change the way things are.

By definition, social entrepreneurs are great people recruiters who present their ideas or solutions in a way that many people, who are either part of the problem or surrounding it, recognize a need for change and get on board the change bandwagon. Thus, mobilizing the masses for change is a social entrepreneur's hallmark.

Examples of social entrepreneurship include microfinance institutions, educational programs, providing banking services in underserved areas and helping children orphaned by epidemic disease. Their efforts are connected to a notion of addressing unmet needs within communities that have been overlooked or not granted access to services, products, or base essentials available in more developed communities.

Some of the very famous people who inspire others to take up social entrepreneurship are:

- **Susan B Anthony:** was the Co-Founder of the first women's temperance movement and a prominent American civil rights leader for women's rights in the 19th century.
- **Vinobha Bhave:** is a prominent figure in Indian modern history and was the founder and leader of the Land gift movement that helped reallocate land to untouchables.
- **Maria Montessori:** a pioneer in education. Developed the Montessori approach to early education in children.
- **Florence Nightingale:** she laid the foundation for the first school of nurses and worked to improve hospital conditions.
- **Margaret Sanger:** She was the founder and Leader of the Planned Parenthood Federation of America, and championed the family planning system around the world.

2. CHARACTERISTICS OF SOCIAL ENTREPRENEUR

1. Creativity

The ability to think differently, and to find innovative solutions where others do not see any change possible is a gigantic quality to lead a social enterprise. To be a social entrepreneur is to innovate outside the box!

2. Self-confidence

Being confident allows people to follow their intuition, and create solutions so many others didn't dare to try. It is a key success factor for social entrepreneurs. To be a social entrepreneur is to impulse change. Being self-confident is a must in difficult situations, or when other stakeholders have doubts about the feasibility of a project.

3. Perseverance

Perseverance is a huge quality of social entrepreneurs. Never giving up is a key success factor for any entrepreneur, and even more when (s) he wants (thus can!) to change the world. To be a social entrepreneur is to try harder than others.

4. Leadership

The ability to convince others to join the movement is key to being inspiring and thus having a broad impact. To be a social entrepreneur is to lead the implementation of innovative solutions, and engage with a large community to change society in a sustainable way.

5. **Team spirit/solidarity**

Collaborating with every stakeholder is a must-have quality to lead successfully a social project, and having a team spirit is thus essential! To be a social entrepreneur is to collaborate and integrate different ideas in order to create solutions suiting the needs of a maximum of stakeholders.

6. **Adaptability**

The ability to adapt to a world that changes rapidly, and find solutions where others only sees problems is one of the keystones of any social enterprise. To be a social entrepreneur is to lead innovative solutions adapted to the world's most pressing issues.

7. **Openness to Collaboration**

While embarking on a quest to change the world may feel lonely, it is important to remember that social entrepreneurship is a team sport, and other people are willing to help. Social entrepreneurs need to stay open and attentive to potential partnership and collaboration opportunities. In many cases, collaborative initiatives and joint ventures can achieve social/business goals much more effectively than solo endeavours. **Example:** Refugee Investment Network partnered with Village Capital to offer an investment-readiness tool designed for refugee entrepreneurs.

8. **Commitment to Improve Social Welfare**

Social entrepreneurs are socially committed first and foremost – that is a no-brainer. But what differentiates them from, say, a company engaging in CSR, is their ability to fully devote their time, energy and meager resources to make sure things actually change for the better. A business can use (CSR) – which entails everything from charitable donations to community work – to improve social welfare, but critics also point out that some for-profit entities use CSR as a public-relations tool.

9. **Risk Taking**

Risk-taking is essential in social entrepreneurship – and in any kind of entrepreneurship, for that matter. It takes a special mindset to wake up one day and say you want to change things in this world. The risk becomes even greater if you have no money, don't have a posh social background, leave your dayjob, or embark on a project that could cost you your livelihood...or even your life.

10. **Faith in Team Work**

Teamwork is essential for social entrepreneurs. In a sector in which there often is not enough money, resources or expertise, the only resources available are people – and time, if you can call it a resource. Therefore, social entrepreneurship revolves around the concept of crowd-sourcing, tapping into a team of faithful workers along with volunteers scattered around the world to identify worthy projects, fund them and undertake them.

3. ROLE OF A SOCIAL ENTREPRENEUR

A social entrepreneur is somebody who takes up a pressing social problem and meets it with an innovative or path-breaking solution. Since profit-making is a secondary objective, therefore there are people who are passionate and determined about what they do. They possess a very high level of motivation and are visionaries who aim to change the way things are.

1. Determine Objectives

The primary objective of social entrepreneurs is to put people first. They have a heart for people and their needs. They have a social mission - they are interested in uplifting communities and bringing about social transformation and change. The social entrepreneur wants to empower people and make a positive impact on their lives. The social entrepreneur wants social impact to be competitive and visible, with a strong focus on sustainability. The social entrepreneur wants to respond to socioeconomic circumstances and provide solutions.



2. Development of the organization

Social entrepreneurs are the change agents to help a social-purpose organization address and create opportunities for organizations to achieve their social purpose.

both organization development and social entrepreneurship, one of the goals has to be sustainability so that the organization or business can continue to focus on creating healthy, effective workplaces and vibrant communities. As Mair and Marti (2006) say, “In social entrepreneurship, social wealth creation is the primary objective, while economic value creation, in the form of earned income, is necessary to ensure the sustainability of the initiative and financial self-sufficiency.”

3. Securing resources

Economic security as well as other securities of different resources of each country is determined by an array of different factors. Some factors seem obvious and are measurable, while other factors, such as entrepreneurship and, especially social entrepreneurship, are tacit and hard to measure. Anyway, social entrepreneurship is accepted globally as a bridge between business and benevolence. It attempts to find solutions to local sustainability issues that are normally not addressed by traditional organizations.

4. Arranging technology and Equipment

Technology can empower social entrepreneurship initiatives by democratizing access to information, creating business value, and enabling new capabilities—although not every technology initiative succeeds.

So how can social entrepreneurs increase the success of their endeavours? A recent *Social Innovation Mapping Report* by the Intel Foundation and Ashoka examines the best practices of entrepreneurs who successfully use Information and Communications Technology (ICT) to create social impact.

5. Development of new market

Social entrepreneurship aims to solve social problems using methods of market and models of business, with an intention to generate social value to society or targeted groups over rewarding entrepreneurs with profits.

The emergence of SE in the world is set in the context of the growth of neoliberalism from the 1980s and the rise of large welfare states.^[2] Together, the welfare state and the neoliberal economic order were meant to provide a fair and equal opportunity to citizens. To achieve this, the state relied on the market to fuel economic progress with the hope that it would trickle down in bringing about social progress. But, what emerged was a realization that a “perfect” market is an ideal, which does not exist in reality due to many distortions in the society. It is in this context as the state failed to address the shortcomings of the market, SE has begun to emerge as an alternative and/or supplementary force to correct the markets.

6. Human Rights

When it comes to human rights, social enterprises strive to safeguard matters such as liberty, pursuit of happiness, living free from discrimination, freely exercising religion, freedom of speech, fair trial and more. Educating people, negotiating with governments, providing safe havens, raising public awareness; these are all strategies employed by social enterprises and in doing so, they often help out those who live under the most worrisome circumstances.

7. Financial Management

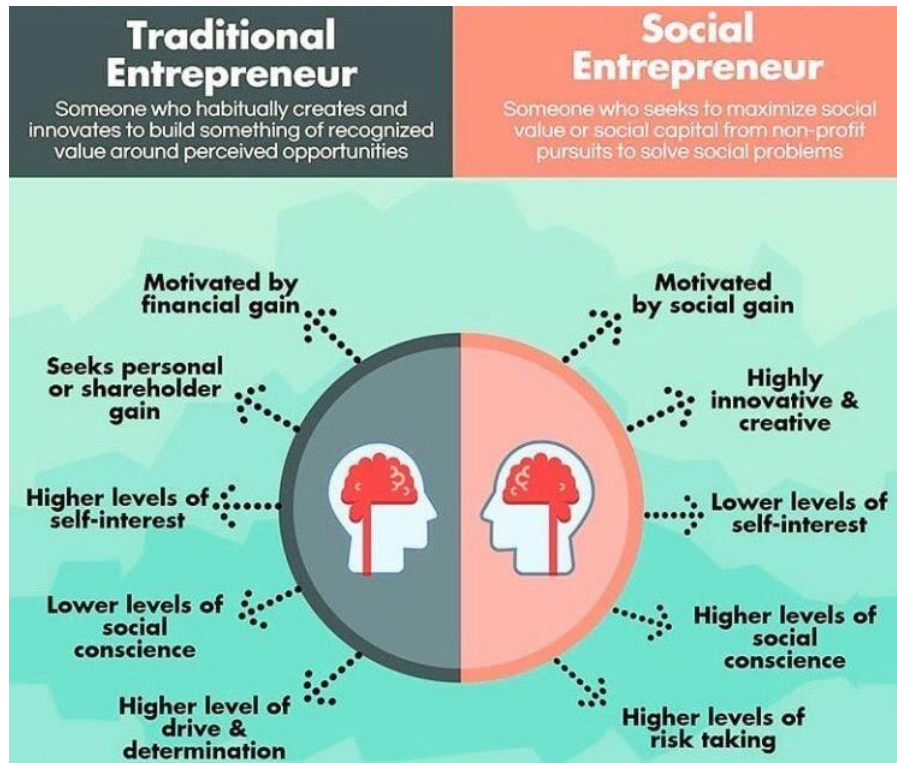
Financial management goes beyond bookkeeping. It goes beyond compliance with statutory requirements – although this can be a major challenge in itself. Financial management is about whether the company leadership (a) fully understands both the financial and the management accounts (b) knows which services or products are running at a profit (or loss) and the implications of this (c) manage the organization like a business rather than a series of projects, (d) thinks beyond the next year and puts some pound signs against future business scenarios and perhaps above all else (e) has a good handle on cash- flow. The social entrepreneur has to think about all such stuff with having a priority to serve society.

8. Environment

Social entrepreneurs have plenty of possibilities to focus their attention on with regard to the environment: developing businesses that supply sustainable products or services, distributing resources responsibly, waste disposal management, emissions reduction, preserving land and wildlife or even negotiating with municipalities, companies and governments to decrease their ecological footprint.

4. DIFFERENCE BETWEEN ENTREPRENEUR AND SOCIAL ENTREPRENEUR

One way to explain social enterprise is that it is like any other business but with a social mission at its core. In a regular enterprise, the commercial models focus on delivering profits to shareholders. Some part of the profit may be contributed to social good. But social enterprises focus on developing operating models to achieve their social goals. If there are any profits, they are usually committed to sustaining positive social impact



5. INNOVATION & ENTREPRENEURSHIP IN SOCIAL CONTEXT

Societies all over the world are facing major societal challenges, such as climate change, socio-economic inequalities and ageing populations. Social entrepreneurs take it on themselves to develop innovative solutions for such societal challenges, in particular those that governments, for-profit and non-profit organizations fail to address. This problem-solving role in society is recognized by governments, who therefore stimulate social entrepreneurship and innovation, especially in times of general retrenchment. Supporting organizations such as Ashoka and the Skoll Foundation have also created platforms for social entrepreneurship to stimulate their problem-solving role in society. Moreover, the academic community has studied this phenomenon with increasing interest, with the result that the current state of social entrepreneurship research has progressed beyond infancy into a mature stage.

Social innovation is about creating new social structures that allow issues of justice, education, environmental protection, sustainability and/or community development to be reframed so that new solutions can come forward. Social innovators question the premises on which existing social structures are built and then reimagine systems and institutional relationships to bring about change. The distinction between social entrepreneurship and social innovation is fluid, and there is often overlap between the two change-making approaches.

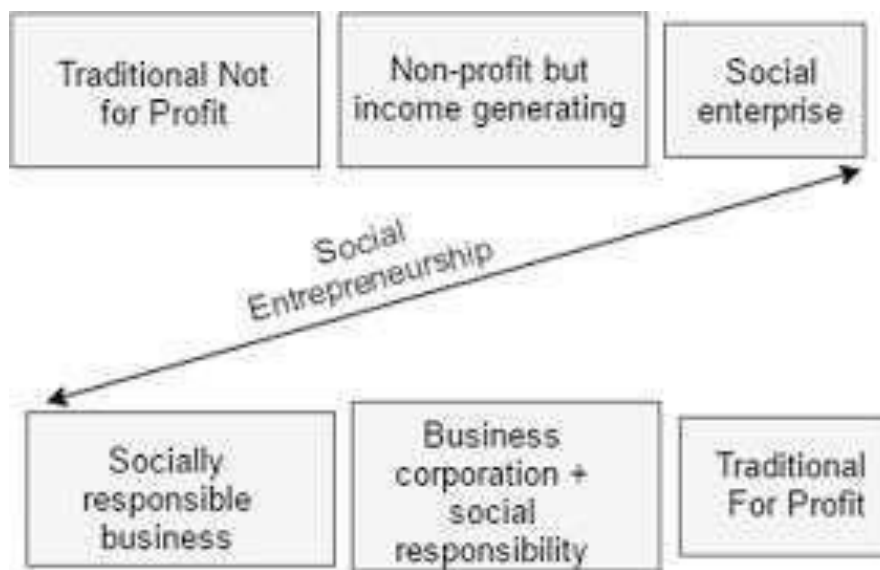
“Social Innovation focuses attention on the ideas and solutions that create social value—as well as the processes through which they are generated”.

Social innovation and social entrepreneurship may work through a variety of organizational architectures to enable change. We can think about organizations as being on a spectrum: At one end of the spectrum are not-for-profit entities that fill vital social and environmental needs through traditional charitable approaches, relying on donations as their primary source of funding. At the other end of the spectrum are for-profit businesses that fill customer needs through market-based mechanisms: selling the product or service for what the market will bear. Many for-profit companies incorporate sustainability and socially responsible practices into their operations and culture, but they are still primarily focused on the financial bottom line. In between these two ends of the spectrum are a range of organizational architectures that innovatively address social and environmental needs by developing new products and services and/or through creative structures for the delivery of these products and services. This space between traditional not-for-profit and traditional for-profit organizations encompasses social innovators and social entrepreneurs.

Social entrepreneurship is exercised where some person or group: (1) aims at creating social value, either exclusively or at least in some prominent way; (2) shows a capacity to recognize and take advantage of opportunities to create that value; (3) employ(s) innovation, ranging from outright invention to adapting someone else's novelty, in creating and/or distributing social value; (4) is willing to accept an above-average degree of risk in creating and disseminating social value; and (5) are unusually resourceful in being relatively undaunted by scarce assets in pursuing their social venture.

The reasons behind the popularity of social entrepreneurship are many. On the most basic level, there's something inherently interesting and appealing about entrepreneurs and the stories of why and how they do what they do. People are attracted to social entrepreneurs like last year's Nobel Peace Prize laureate Muhammad Yunus for many of the same reasons that they find business entrepreneurs like Steve Jobs so compelling – these extraordinary people come up with brilliant ideas and against all the odds succeed at creating new products and services that dramatically improve people's lives.

But interest in social entrepreneurship transcends the phenomenon of popularity and fascination with people. Social entrepreneurship signals the imperative to drive social change, and it is that potential payoff, with its lasting, transformational benefit to society, that sets the field and its practitioners apart.



Social entrepreneurship is an appealing construct precisely because it holds such high promise. If that promise is not fulfilled because too many “nonentrepreneurial” efforts are included in the definition, then social entrepreneurship will fall into disrepute, and the kernel of true social entrepreneurship will be lost. Because of this danger, we believe that we need a much sharper definition of social entrepreneurship, one that enables us to determine the extent to which an activity is and is not “in the tent.” Our goal is not to make an invidious comparison between the contributions made by traditional social service organizations and the results of social entrepreneurship, but simply to highlight what differentiates them.

The critical distinction between entrepreneurship and social entrepreneurship lies in the value proposition itself. For the entrepreneur, the value proposition anticipates and is organized to serve markets that can comfortably afford the new product or service, and is thus designed to create financial profit.

The social entrepreneur, however, neither anticipates nor organizes to create substantial financial profit for his or her investors – philanthropic and government organizations for the most part – or for himself or herself. Instead, the social entrepreneur aims for value in the form of large-scale, transformational benefits that accrues either to a significant segment of society or to society at large.

Unlike the entrepreneurial value proposition that assumes a market that can pay for the innovation, and may even provide substantial upside for investors, the social entrepreneur’s value proposition targets an underserved, neglected, or highly disadvantaged population that lacks the financial means or political clout to achieve the transformative benefit on its own. This does not mean that social entrepreneurs as a hard-and-fast rule shun profit-making value propositions. Ventures created by social entrepreneurs can certainly generate income, and they can be organized as either not-for-profits or for-profits.

6. START-UP AND EARLY-STAGE VENTURES ISSUES IN CREATING

Friends till now we have discussed many aspects and parameters of startups in our country. But remember becoming an entrepreneur is not an easy job. It has its own set of challenges, which one may encounter before becoming a successful entrepreneur. It is difficult to become an entrepreneur without learning, classrooms always delay entrepreneurs' failures, thereby increasing the success rate. Running a business is not easy- there is competition, a tough competition known as "cutthroat competition". "Survival of the fittest" is an adage not just relevant for humans alone; it is, in fact, quite true for startups as well.

Let us now discuss the early venture issues faced by startups/entrepreneurs in our country. I am bringing ten general and common issues for today's discussion.

1. Financial Resources

Cash flow is essential for startups to survive. But the availability of finance is critical for startups and is always a problem to get sufficient amounts at the needy stage of starting. So this is one of the key challenges that small businesses face today. As businesses started, the expenditures also increase and to top it all, startups rely heavily on investors who provide them with strong financial support. Entrepreneurs have to make sure that they have enough funds to manage their startup ventures; in the meantime, they also have to pay their employees, contractors, mortgage, and other bills. Again scaling of business requires a timely infusion of capital. Therefore, proper cash management is critical for the success of startups.

2. Poor Revenue Generation

Unfortunately, the majority of new startups face an inability to generate sufficient revenue at the early stage this issue brings startups failure. There are many reasons like- they started with a product instead of an audience. After spending most of their time and energy building a product, they now have to find an audience to fit their product. Many a time businesses fail because they started out trying to sell something and never got enough people interested in buying it. So proper marketing strategies and enough planning is required for revenue generation.

3. Employees

One of the most challenging tasks is hiring the right person for the right job because they are crucial not only for our business to survive, but also to grow. For this purpose, Job analysis, job description and job specification are essential. Attractive the right candidates for performing the jobs are also

challenging. Good employees are hard to find, so proper recruitment and selection processes are needed. Training and development of employees take its own course of time again. Then, salary administration and a better performance appraisal system are required for motivating and retaining them. In short, the quality of work-life needs to be maintained in the organization.

Delays in finding the right personnel will not only waste valuable time but also lead to severe bottlenecks, perhaps delaying the rollout of new products or services at the right time. These are the delays which no startup can afford.

Another case is where you have hired the wrong employees, and their deficiencies may be more apparent as a startup grows, especially if they are in the wrong roles. This happens when a startup expands and the cracks suddenly appear. So we need to tackle this employee issue both effectively as well as efficiently.

4 Supporting Infrastructure

There are a number of support mechanisms that play a significant role in the lifecycle of startups which include incubators, science and technology parks, business development centres etc. In our country, business incubators are promoted in a varied fashion such as Technology Business Incubators (TBI) and Startup Incubators -- the first deals with technology business (mostly, consultancy and promoting technology-related businesses) and the latter deals with promoting startups (with more emphasis on establishing new companies, scaling the businesses, prototyping, patenting, and so forth). Lack of access to such support mechanisms increases the risk of failure.

5 Competitive Market

Friends, the real challenge for our startups comes when their product/products go into the market. When they start getting some revenue there rises the toughest competition from all the leading companies. Now two cases arise: First to overcome the competition by ways of advertising and making people aware of the product. The second one cannot hold the competition and their failed market penetration. We need to keep in mind the role of technology because its causes and effects are tremendous.

You all have witnessed that; Nokia mobile phone was ruling the market for decades but now we start forgetting Nokia. Friends this is the impact of technology. By introducing newer technologies to the product, the market can be captured. Therefore, technology also decides the future of the product in today's business world. So, often startups fail due to a lack of attention to limitations in the

markets. The environment for a startup is usually more difficult than for an established firm due to the uniqueness of the product. The situation is more difficult for a new product as the startup has to build everything from scratch.

6 Unrealistic Expectations

Well as we all know; success does not come alone. It brings expectations with it too. Most of the time, these expectations seem realistic, but in the real sense of the word they are merely unrealistic. This same concept holds true for young startups. Startups face difficulties when they set ‘unrealistic expectations’ following a booming success. Remember friends, success is short-lived and expectations never end. This is where startups need to translate what the real expectations are! Remember sustainability plays a pivotal role in business and it requires consistent efforts.

7. Government Rules and Regulation

Another concerning issue for Indian startups is the unpredictable nature of government regulations. Also starting a business requires a number of permissions from government agencies. Although there is a perceptible change, it is still a challenge to register a company. Regulations pertaining to labour laws, intellectual property rights, dispute resolution etc. are rigorous in India which takes about 30 days to comply compared to just 9 days in OECD countries. For example, sudden pronouncements such as the Reserve Bank of India’s snap announcement on cryptocurrencies in early July this year, with little consultation, have made startups unnerved.

8 Lack of Mentorship

Friends, an entrepreneur’s life is tough and unpredictable. Often, they are faced with many doubts and challenges. At times, they even find themselves lurching from problem to problem. Against this backdrop, having a mentor or two on board their venture can benefit them tremendously. A mentor is a priceless resource for any company, especially for companies that are in the startup stage. However, in India finding a good mentor is difficult. In fact, I’d even say that entrepreneurs in India can probably access funding more easily than they can find good mentors.

Milan Hogan, Vice President -Sales and Marketing at Erfolg Life Sciences opines that lack of proper guidance and mentorship is one of the biggest problems that exist in the Indian startup ecosystem. Lack of adequate mentoring/guidance is the biggest challenge which could bring a potentially good idea to an end.

9. Lack of innovation

Well friends there is a saying that innovation is the soul of entrepreneurship. Although India becomes the third-largest startup ecosystem in the whole world, it lacks successful innovation. A recent study on” entrepreneurial study” by the IBM Institute for Business Value and Oxford Economics found that 90% of Indian startups fail within the first five years and the basic reason is a lack of innovation. “Since 2015, as many as 1,503 startups have closed down in India. And the major reason is due to the replication of Western business models, and not lack of subsequent funding from the investors,” says Rishabh Lawania, founder of Xeler8.

It is a well-known fact that most Indian startups are prone to emulate successful global ideas, by and large fine-tuning an existing model to serve local needs. There’s Ola for Uber, Gaana for Spotify, OYO Rooms for Airbnb and Flipkart for Amazon. In 2016, a survey conducted by the Information Technology and Innovation Foundation (ITIF), a U.S.-based think tank, ranked India near the bottom of a list of 56 countries on global innovation. So friends our startups need more innovative ideas to feel the market gap and save from failures.

10. Poor Management

An incredibly common problem that causes startups to fail is a weak management team. A good management team will be smart enough to avoid many of the above-mentioned challenges like financial, marketing, human resource issues etc. Friends let us look at how much poor management makes mistakes in multiple areas.

They are often weak on strategy; building a product that no one wants to buy as they failed to do enough work to validate the ideas before and during development. This can carry through to poorly thought-through go-to-market strategies.

They are usually poor at execution, which leads to issues with the product not getting built correctly or on time, and the go-to-market execution will be poorly implemented.

They will build weak teams below them. There is the well-proven saying: A players hire A players, and B players only get to hire C players (because B players don’t want to work for other B players). So, the rest of the company will end up as weak, and poor execution will be rampant.

7. SUSTAINING NON-PROFIT ORGANIZATIONS

Non-profit organisations (NPOs) and non-governmental organisations (NGOs) have been essential to improving people's quality of life throughout the world. non-profit organisations, non-governmental organisations, voluntary associations, civil society organisations and so on. All these are playing great roles towards the development of a society and nation. The mission of Non-profit organizations ranges from educational, civic, social, fraternal, health, legal, religious, arts and culture, and many more. These organisations target specific, needy populations to provide direct services or jobs with competitive wages. **today all the non-profit organizations are having issues of sustainability.**

According to Brinkerhoff (1991), sustainability is defined “as the ability of a program to produce outputs that are valued sufficiently by beneficiaries and other stakeholders that the program receives enough resources and inputs to continue production”

A **nonprofit organization (NPO)**, also known as a **non-business entity**, **not-for-profit organization**, or **nonprofit institution** is an organization traditionally dedicated to furthering a particular social cause or advocating for a shared point of view. In economic terms, it is an organization using its surplus of revenues to further achieve its ultimate objective, rather than distributing its income to the organization's shareholders, leaders, or members. Being public extensions of a nation's revenue department, nonprofits are tax-exempt or charitable, meaning they do not pay income tax on the money that they receive for their organization. They can operate in religious, scientific, research, or educational settings.

The key aspects of nonprofits are accountability, trustworthiness, honesty, and openness to every person who has invested time, money, and faith in the organization. Nonprofit organizations are accountable to the donors, founders, volunteers, program recipients, and the public community. Nonprofit organizations are usually founded on a great platform, research, education, health care, homelessness, hunger, and/or poverty alleviation, just to name a few, and through the creation of resources and services, each are purposed to impact individuals and/or communities.

Nonprofits are created to fill a societal void or need within a community, provide funds for research, and/or assist individuals and groups with financial, educational, medical, and social services, as such the vision, mission and objectives are formed around that void.

❖ Six Keys to Creating Nonprofit Sustainability

1. Leadership Values Equate to Culture

The first and most significant step in creating a nonprofit organization is to know the values that the organization will hold and become your standards of importance. Organizational values serve as criteria for making decisions and setting priorities and lie behind the explanations and justifications [leaders] give for [their] actions these values become organizational culture. Values are the first key in creating nonprofit sustainability because they are the foundation and when in place, they provide viability and authenticity.

Building an organizational culture that is based on terminal and instrumental values is vital in nonprofit sustainability for it is the values that act as the fuel for the rocket!

2. Community Mapping

Equally important, when creating a nonprofit organization, strategic planning is an essential step with sustainable benefits. As such, the second of the six keys of nonprofit sustainability is community resource mapping. Community resource mapping is a process by which data is collected in order to create a map of community assets and resources, such as people, physical structures, organizations and institutions, within a defined area, and it can be utilized to create a meaningful service project. As a nonprofit leader, knowing what businesses and/or organizations within a particular ‘service area’ offer similar or the same products, programs, and services is detrimental to the sustainability of nonprofit organizations.

Additionally, knowing what resources are available, what resources are needed, and what organizations are contributing to and/or providing those resources alleviates the pitfall of saturation of services, products, and/or programs in a given community which can easily translate into a loss of potential volunteers, donors, funding and ultimately the demise of an organization.

3. VMOSA

The third of the six keys of nonprofit sustainability is the creation of the **VMOSA (Vision, Mission, Objectives, Strategies, and Action Plans)**. VMOSA is a practical planning process utilized to help community groups define a vision and develop practical ways to enact change within the community; in essence, creating an organizational culture. VMOSA planning is vital because it becomes instrumental in helping nonprofit organizations set and achieve short-term goals while keeping sight of their long-term vision. Vision is a specific destination, a picture in your head of a desired future. The mission statement is the ‘how’ of an organization, it defines the company’s goals, ethics, culture, and norms for decision-making. The Objectives are the measurable outcomes that the nonprofit wants to achieve; these are put into place primarily for

management to gauge the effectiveness of the organization. Strategies and action plans, are self-explanatory and will vary based upon the outcomes that are put in place through the vision, mission and objectives.

4. Organizational Alignment

The fourth of the six keys of nonprofit sustainability is organizational alignment, hiring employees, and selecting volunteers and board members who share the same mission, vision, and goals of the nonprofit organization. In addition to the founder, an important key in organizational alignment is individuals (employees, volunteers, and board members) who are self-actualizing (self-transcendent, self-aware) because these individuals know who they are and have accepted themselves as persons, resulting in freedom from the crippling need for approval and from the fear of expressing their true selves.

5. Donors and Donation Allocation

The fifth of the six keys to nonprofit sustainability is to know and retain donors. According to Data and Analytics (2016), 95.4% of Americans give to charity. According to research donations are mostly done in the fields of **Religion, Education, Human Services, To Foundations, Health, Public-Society Benefits, Arts/Culture/Humanities, International Affairs, and Environment/Animals**. Knowing the donor(s) and how donations are allocated assists greatly in creating and implementing a fundraising plan, both are vital to the sustainability of nonprofit organizations.

6. Web Presence

By the same token, creating a web presence (organizational website) can make all the difference when it comes to donors, which is why this is the sixth of the six keys to nonprofit organization sustainability. Many of the donors may never physically connect with the nonprofit organization, many volunteers conduct internet searches to find volunteer opportunities, and many businesses and organizations want to see the ‘fruits of labor’ before becoming involved with a nonprofit organization. A professional organizational website can create the medium for these interactions and promote retention. From this information, it can be ascertained that a web presence can create additional avenues to reach the public.

DIMENSION OF SUSTAINABILITY:

1. Strategic Dimension

- A. To ensure the realistic vision and strategic goals for the organization
- B. To ensure realistic strategies to achieve the vision and goals
- C. To modify the vision, goals and strategies to remain realistic when implementing plans

2. Programme Dimension

- A. To verify what clients truly need, versus what they only want
- B. Evaluate the effectiveness and outcomes of programs to verify they are meeting needs
- C. Change program methods, if needed, to improve quality in order to meet client needs

3. Personnel Dimension

- A. To ensure staff has sufficient expertise, training and resources
- B. To ensure staff members are using all of their resources
- C. To ensure redundancy and succession planning for staff in case people leave

4. Financial Dimension

- A. To identify how much funding (fees and/or fundraising) is needed to offset expenses
- B. To do adequate prospect research to identify all likely sources in fundraising
- C. To allocate sufficient funding to administration and programs
- D. To track expenditures and revenues to promptly address financial priorities and issues
- E. To follow policies to establish adequate reserves and to do contingency planning

8. FINANCING AND RISKS IN SOCIAL ENTERPRISES

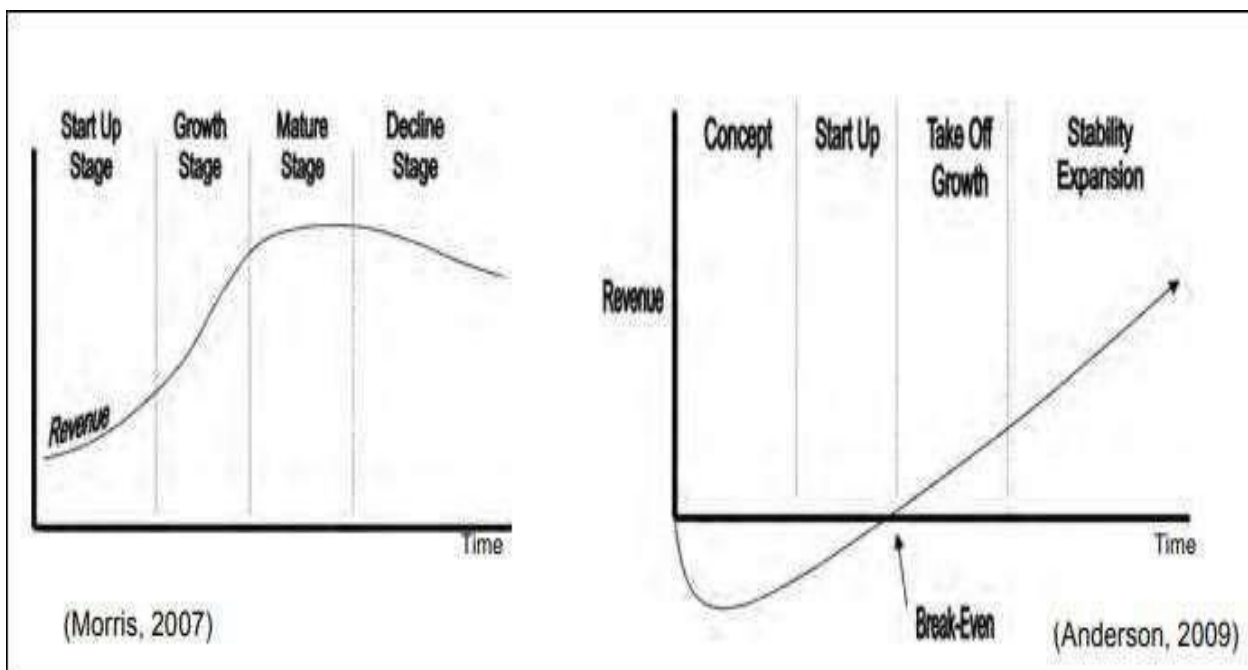
Introduction

Social Enterprises are enterprises working with the motive of providing services to society. A social enterprise doing social business is defined as a business that has specific social objectives that serve its primary purpose. Social enterprises seek to maximize profits while maximizing benefits to society and the environment. Their profits are principally used to fund social programs. Funding is obtained primarily by selling goods and services to consumers, although some funding is obtained through grants. Because profit maximisation is not the primary goal, a social enterprise operates differently than a standard company. In this Module, we are going to discuss the features of social enterprise, the objectives of social enterprises and financing as well as risks in social enterprise.

The company needs initial financial assistance or support and social enterprise is no exception. In most cases, it is necessary to fund throughout operations, since the main goal is to create social value.

Examining the Financial Realities and Needs of Social Enterprise

The Life cycle of a normal business is Introduction, Growth, Maturity, and Decline. The enterprises' revenue grows steadily and the progress through developmental stages is sequential. Two such images are presented below.



When we look at this table, the life cycle of social enterprises starts with concept, start-up, growth and expansion.

Every enterprise clearly had the goal of an overall increase in revenue and the development of some sort of revenue stability over time. However, the progression of the enterprises was often non-sequential rather than sequential, at times involving devolution, not just evolution. Increasing revenue was not the only factor that enterprises identified as an indicator of development.

❖ FUNDRAISING

Fundraising is the most difficult but the most important task for social enterprises. When investors think of startups, they think of profitability and big returns. But as a social enterprise, the playing field is different. You are trying to gain profits and returns, no doubt, but while creating large-scale social change and social benefit.

Options for social enterprises for funding.

1. Incubators - Incubators and accelerators exist for the sole purpose of helping your business grow. Today, incubators are in high demand, and the application process for an incubator can be a highly competitive one. As a social entrepreneur, it is useful to apply to social enterprise incubators as they will keep the return expectations in line with the impact focus. For example, Villgro Innovations Foundation incubates, funds and mentors early-stage social enterprises in the health, education and agriculture sectors. CIIE (energy, healthcare, agriculture), IIM Ahmedabad's incubator, Incubators of Gujarat University and Deshpande Foundation (health, education, agriculture) are some other social impact incubators.

2. Corporates - Corporate funding is a fantastic way to build credibility. The backing of a large corporate can really build your enterprise's brand name and also connect you with the right kind of network. But because social enterprises are such a newer phenomenon, corporate takers to fund them are low. Take Solutions funded Bodhi Health Education Systems, a CIIE incubate, back in 2015. Funding from Bajaj Electrics enabled CIIE's incubator On Energy, an energy enterprise to scale up. A similar case is Mahindra Finance's funding to FlyBird Innovations, an agri-tech enterprise, which was routed through Villgro.

3. Impact Investors: This funding source is ideal for enterprises in the later stages of business, with a high growth trajectory and high impact achieved. The risks of equity investments are well known, but they are more pronounced for social enterprises. Given that investors generally focus more on profits

rather than impact, it is critical that you and your investor are mission-aligned and have the same expectations for the direction of the venture. With equity investments, it is more critical to pick an investor you are comfortable with as they directly control a part of your business and are most likely to hold a board position. Some other examples are Lok Capital (financial inclusion, healthcare, agriculture) Aavishkaar Capital (multiple sectors), Leapfrog Investments (healthcare, financial inclusion) and Omnivore Partners (agriculture).

4 Crowdfunding. It's an interesting method that could go either way – either you win big or crash. The possibilities are endless. Crowdfunding is ideal for early-stage companies that need a smaller pool of funding. It's also good for your enterprise to test the messaging, product offerings and brand. But it's important to remember that if you win big, you must be prepared to follow through on early success. For example, if thousands of people buy your product right away, but then you are unable to fulfil promised orders, the damage to your venture's reputation significantly outweighs the benefits of a good start. It's tough to build a strong crowdfunding pitch as often you don't know your audience.

❖ RISKS IN SOCIAL ENTERPRISES

Social enterprises need to manage risk like any other business. And while the risks that social enterprises face may be similar to those of a traditional business, there might be differences due to the activities in hand or the service users. Risk management is a key tool for protecting your social enterprise. Insurance is only one stage in the risk management process and irrespective of insurance, risks still require careful and considered management.

	Risks
Financial	▪ Lose Money ▪ Start-up costs higher than willing to commit ▪ Traditional nonprofit funders may decrease support ▪ Opportunity cost (earned income vs. fundraising)
Mission	▪ Mission and reputation could be compromised if the venture is seen as a sell-out by stakeholders ▪ Organization has difficulty balancing mission and money, causing the mission to drift from core social activities to business. ▪ Enterprise could have a negative impact on clients

Operations	▪ Venture may divert management and staff attention ▪ Increased organizational complexity ▪ New systems required to support enterprise add costs ▪ Business skills needed for an enterprise may necessitate hiring new staff
Culture	▪ Cultural differences between social programs and enterprises may cause tension ▪ Staff may leave due to "business culture" ▪ Board and staff may feel sold out ▪ Resistance to change

Conclusion

Social entrepreneurs drive social innovation and transformation in various fields including education, health, environment and enterprise development. They pursue poverty alleviation goals with entrepreneurial zeal, business methods and the courage to innovate and overcome traditional practices. A social entrepreneur, similar to a business entrepreneur, builds strong and sustainable organizations, which are either set up as not-for-profits or companies. Though very difficult to maintain financing and risks of social enterprises, they occupy a significant position in business enterprises.

9. BUSINESS STRATEGIES AND SCALING UP

Definition of Scaling:

Scaling is defined as the most effective and efficient way to increase a social enterprise's social impact, based on its operational model, to satisfy the demand for relevant products and/or services.

This definition focuses on increasing social impact, rather than the relative growth of the social enterprise itself. In other words, it is entirely possible to scale a social enterprise's innovative concept by using mechanisms and strategies that adhere to principles other than those used by a conventional enterprise.

1. Scaling impact through expansion

Social enterprises select a variety of means – organisational growth, mergers and/or acquisitions and diversification – based on whether they want to scale their impact to new markets and locations, through new products and services, or through a combination of both. Social enterprises that want to grow competitively and have revenue-generating activities may also select these strategies.

Organisational growth is preferred by social enterprises that have a consolidated operational model with proven social impact, and therefore decide to do “more of the same” by reaching out to a larger number of beneficiaries and/or improving the quality of their services or products). Like small and medium-sized conventional enterprises (SMEs) or start-ups, social enterprises capitalize on economies of scale and try to reduce costs while increasing the efficiency and productivity of their operations and processes.

Mergers and acquisitions (M&A) are useful when deciding to grow in an already known or new location or sector by engaging in strategic buying and selling or combining different organisations. This strategy helped several social enterprises to survive – and even to scale their impact – when faced with unfavourable economic conditions during the financial crisis, thanks to the business support and know-how provided by the parent social enterprise.

Diversification allows social enterprises to scale their impact by diversifying the activities related to their mission, either by adding an upstream or downstream activity to their value chain (vertical), or adding a new activity to their portfolio in the sector where they already operate – thereby building on their expertise.

2. Scaling impact through replication

Social enterprises might decide to scale by replicating models or methods that have proven successful in creating social impact, in other geographical contexts. Some of the advantages of replication are that it scales impact without growing the organisation, allows for local ownership, and can be rapidly adopted and adapted by others. Replication may occur spontaneously when social enterprises replicate an inspiring model or case without going through a formal process. It may also occur more formally, for instance, through branches or social franchising. A social enterprise builds its local presence and tailors its services to the local social needs by establishing branches, allowing it to retain some control over and coordinate the methods used to achieve social impact. Social franchising facilitates the rapid and exact replication of a social enterprise's proven business model by other social enterprises, in accordance with a set of parameters agreed with the parent organisation in a compliance agreement.

3. Scaling impact through partnerships

Establishing strategic partnerships with other organisations (e.g., public authorities, private businesses and other social enterprises) is another way of scaling social impact by providing access to new markets, capacities and competencies faster than other scaling strategies. For example, developing and adapting a structure (e.g., branch or social franchise) in a new context or growing an existing one may take longer and require significant resources. Mutual benefits can arise from partnerships.

4. Scaling impact through knowledge sharing

Social enterprises may stimulate or complement their scaling process through knowledge sharing, allowing them to draw salient lessons from their interaction with conventional enterprises. For instance, they can hone business skills – such as management practices, performance measurement and revenue-generation approaches – which they can then apply to scale. They may also benefit from interacting with other social enterprises, which can instil valuable new practices – for example, on social services delivery.

Types of Social Enterprises:

1. The leverage of non-profit

- The entrepreneur sets up a non-profit organization to drive the adoption of an innovation that addresses a market or government failure.
- The entrepreneur engages a cross-section of society, including private and public organizations, to drive forward the innovation through a multiplier effect.
- Leveraged non-profit ventures continuously depend on outside philanthropic funding.

2. The Hybrid Non-Profit

- It is willing to use a profit to sustain its operations.
- Hybrid non-profits are created to deal with market or govt. failures, as they generate revenue to sustain the operation outside of loans, grants and other forms of funding.
- To be able to sustain the activities, the entrepreneur must mobilize other sources of funding from public and/or philanthropic sectors.

3. The Social Business Venture

- These models are set up as businesses designed to create change through social means.
- The entrepreneur sets up a for-profit entity or business to provide a social or ecological product or service.
- The aim is to grow the social venture and reach more people in need.

Case Study 1:

Muhammad Yunus, founder of the Grameen Bank and father of microcredit, provides a classic example of social entrepreneurship. The stable but unfortunate equilibrium he identified consisted of poor Bangladeshis' limited options for securing even the tiniest amounts of credit. Unable to qualify for loans through the formal banking system, they could borrow only by accepting exorbitant interest rates from local moneylenders. More commonly, they simply succumbed to begging on the streets. There was a stable equilibrium of the most unfortunate sort, one that perpetuated and even exacerbated Bangladesh's endemic poverty and the misery arising from it.

Yunus confronted the system, proving that the poor were extremely good credit risks by lending the now famous sum of \$27 from his own pocket to 42 women from the village of Jobra. The women repaid the entire loan. Yunus found that with even tiny amounts of capital, women invested in their own capacity for generating income. With a sewing machine, for example, women could tailor garments, earning enough to pay back the loan, buy food, educate their children, and lift themselves up from poverty. Grameen Bank sustained itself by charging interest on its loans and then recycling the capital to help other women. Yunus brought inspiration, creativity, direct action, courage, and fortitude to his venture, proved its viability, and over two decades spawned a global network of other organizations that replicated or adapted his model to other countries and cultures, firmly establishing microcredit as a worldwide industry.

Case Study 2:

The well-known actor, director, and producer Robert Redford offers a less familiar but also illustrative case of social entrepreneurship. In the early 1980s, Redford stepped back from his successful career to reclaim space in the film industry for artists. Redford was struck by a set of opposing forces in play. He identified an inherently oppressive but stable equilibrium in the way Hollywood worked, with its business model increasingly driven by financial interests, its productions gravitating to flashy, frequently violent blockbusters, and its studio-dominated system becoming more and more centralized in controlling the way films were financed, produced, and distributed. At the same time, he noted that new technology was emerging – less cumbersome and less expensive video and digital editing equipment – that gave filmmakers the tools they needed to exert more control over their work.

Seeing an opportunity, Redford seized the chance to nurture this new breed of artist. First, he created the Sundance Institute to take “money out of the picture” and provide young filmmakers with space and support for developing their ideas. Next, he created the Sundance Film Festival to showcase independent filmmakers' work. From the beginning, Redford's value proposition focused on the emerging independent filmmaker whose talents were neither recognized nor served by the market stranglehold of the Hollywood studio system.

Redford structured Sundance Institute as a nonprofit corporation, tapping his network of directors, actors, writers, and others to contribute their experience as volunteer mentors to fledgling filmmakers. He priced the Sundance Film Festival so that it appealed and was accessible to a broad audience. Twenty-five years later, Sundance is credited with ushering in the independent film movement, which today ensures that “indie” filmmakers can get their work produced and distributed, and that filmgoers have access to a whole host of options – from thought-provoking documentaries to edgy international work and playful animations. A new equilibrium, which even a decade ago felt tenuous, is now firmly established.

Case Study 3:

Victoria Hale is an example of a social entrepreneur whose venture is still in its early stages and for whom our criteria apply *ex ante*. Hale is a pharmaceutical scientist who became increasingly frustrated by the market forces dominating her industry. Although big pharmaceutical companies held patents for drugs capable of curing any number of infectious diseases, the drugs went undeveloped for a simple reason: The populations most in need of the drugs were unable to afford them. Driven by the exigency of generating financial profits for its shareholders, the pharmaceutical industry was focusing on creating and marketing drugs for diseases afflicting the well-off, living mostly in developed world markets, who could pay for them.

Hale became determined to challenge this stable equilibrium, which she saw as unjust and intolerable. She created the Institute for One World, the first nonprofit pharmaceutical company whose mission is to ensure that drugs targeting infectious diseases in the developing world get to the people who need them, regardless of their ability to pay for the drugs. Hale’s venture has now moved beyond the proof-of-concept stage. It successfully developed, tested, and secured Indian government regulatory approval for its first drug, paromomycin, which provides a cost-effective cure for visceral leishmaniasis, a disease that kills more than 200,000 people each year.

Although it is too early to tell whether Hale will succeed in creating a new equilibrium that assures more equitable treatment of diseases afflicting the poor, she clearly meets the criteria of a social entrepreneur. First, Hale has identified a stable but unjust equilibrium in the pharmaceutical industry; second, she has seen and seized the opportunity to intervene, applying inspiration, creativity, direct action, and courage in launching a new venture to provide options for a disadvantaged population; and third, she is demonstrating fortitude in proving the potential of her model with early success.

Time will tell whether Hale’s innovation inspires others to replicate her efforts, or whether the Institute for One World Health itself achieves the scale necessary to bring about that permanent equilibrium shift. But the signs are promising. Looking ahead a decade or more, her investors – the Skoll Foundation is one – can imagine the day when Hale’s Institute for OneWorld Health will have created a new pharmaceutical paradigm, one with the same enduring social benefits apparent in the now firmly established microcredit and independent film industries.

VEER NARMAD SOUTH GUJARAT UNIVERSITY

COURSE: B.B.A

YEAR: S.Y. BBA-SEM -IV

ENTREPRENEURSHIP DEVELOPMENT

**Unit-3 Family Business and Entrepreneurship
(35%)**

1. Family Business: Concept, structure and kinds of family firms
2. Culture and evolution of family firm
3. Managing Business, family and shareholder relationships
4. Conflict and conflict resolution in family firms
5. Managing Leadership, succession and continuity
6. Encouraging change in the family business system
7. Women Entrepreneurship: Definition, Introduction to some of the support schemes,
8. Problems faced by women entrepreneurs

TOPIC 1: FAMILY BUSINESS: CONCEPT, STRUCTURE AND KINDS OF FAMILY FIRMS

FAMILY BUSINESS DEFINITIONS:

According to R. G. Donnelley, –Family business is a firm which has been closely identified with at least two generations of a family and when this link has had a mutual influence on company policy and on the interests and objectives of the family.

P. Davis defined —Family businesses as —Businesses where policy and decision are subject to significant influence by one or more family units. This influence is exercised through ownership and sometime through the participation of family members in management. It is the interaction between two sets of organizations, family and business, that establishes the basic character of the family business and defines its uniqueness.

So, in totality, a family business can simply be defined as a business that includes two or more members of a family with financial control of the company.

CHARACTERISTICS OF FAMILY BUSINESS

According to the definitions of family business we have just discussed, the characteristics of family business can be identified as:

1. A group of people belonging to one or more families run one business enterprise.
2. Position in family business is influenced by the relationship the family members enjoy among themselves.
3. Family exercises control over business in the form of ownership or in the form of management of the firm where family members are employed on key positions.
4. Family exercises the influence on the firm's policy direction in the mutual interest of family and business.
5. Family business are ideal in nature as they are loyal to the principles of the founder and thus ensure uniformity in their operations.
6. Family business comprises of family members in business operations ensuring effective utilization of in-house talent in family.
7. Single minded dedication of family members ensures survival of family business through toughest times.
8. Effectiveness and existence of family business is determined depending on understanding persisting within the family.
9. Family members who are not contributing or not involved in business, are part of the business.
10. Family business values are reflection of values possessed and followed by family members.
11. Members of family have legal control over the business

ENTREPRENEURSHIP DEVELOPMENT

STRUCTURE OF FAMILY BUSINESS

1) Family–Owned Business:

A family –owned business is a for- profit enterprise in which a controlling number of voting shares (or other form of ownership), typically but not necessarily, a majority of the shares are owned by members of a single extended family, or are owned by one family member but significantly influenced by other members of the family.

2) Family-Owned and Managed Business:

A family- owned and managed business is a for-profit enterprise in which a controlling number of voting shares (or other form of ownership), typically but not necessarily a majority of the shares, are owned by members of a single extended family, or are owned by one family member but significantly influenced by other members of the family. The authority conferred by this controlling interest permits the family to determine objectives, methods, methods for achieving them and policies for implementing such methods. And this business has the active participation by at least one family member in the top management of the company so that one or more family members have ultimate management control.

3) Family- Owned and Led Company:

A family-owned and led company is a for- profit enterprise in which a controlling number of voting shares (or other form of ownership), typically but not necessarily a majority of the shares are owned by members of a single extended family, or are owned by one family member but significantly influenced by other members of the family. The authority conferred by this controlling interest permits the family to determine objectives, methods for achieving them and policies for implementing such methods. And this business has the active participation by at least one family member in the Board of Directors of the company so that one or more family members have at least a high level of influence over the company's direction, culture and strategies.

KIND OF FAMILY FIRMS

- 1. Average family firms-** they emphasize family objectives and have closely-held family ownership and family management.
- 2. Professional family firms-** Such firms report a mix of family and non-family objectives, but emphasize family objectives. They have closely-held family ownership and management dominated by non-family members.
- 3. Cousin Consortium family firms-** such firms report a mix of family and non-family objectives. They have diluted ownership within the family and management dominated by family members.
- 4. Professional cousin consortium family firms-** they have diluted ownership within the family and management dominated by non-family members.

ENTREPRENEURSHIP DEVELOPMENT

5. Transitional family firms -they report both family and non-family objectives, but they place greater emphasis on non-financial objectives. They have diluted ownership outside the family but family members dominate management. These firms are transitional because the management is expected to move towards less family dominance.

6. The last one is the **open family firms**. In this case, unlike the fifth one, management is diluted more by outside family and so is the focus higher in financial objectives. Ownership is also diluted more by non-family members.

TOPIC 3: CULTURE AND EVOLUTION OF FAMILY FIRMS

Family business has a culture all its own, whether small or large, in its infancy or in its 100th year of business.

A family business culture is made up of many things, all of which have their foundation on the assumptions held by the family business leaders.

These assumptions are the leaders' views on things like whether people are fundamentally trustworthy, how much importance is placed on the past versus the present and future, how relationships are formed in the workplace.

Culture is also made up of the perspectives shared among the business leaders, those perspectives that govern how hiring decisions are made, how problems are solved, how employees are promoted and the like. Essentially, these perspectives offer rules that apply to certain situations.

On the other hand, culture is also made up of values which are not situation-specific. These can include ideas on what's most important, in an overriding fashion, about how the business is run. the culture as created by assumptions, values and perspectives are manifested in actual artifacts that employees and outsiders can see as representative of that culture... things like dress code, branding, the degree to which employees are required to behave in a formal manner at the place of business and even the kinds of language patterns shared by the employees. When combined, artifacts are more than a collection of tangibles – they represent a belief system held by the family owners.

The reason all these are so important is because your family business culture comes through in things like its attitude toward technology, how non-family employees are treated versus family employees, how quickly firm can evolve and adjust to changes in the marketplace or make decisions, hiring practices, how employees treat your customers and how employees represent your business brand to the outside world.

TOPIC 4: MANAGING BUSINESS, FAMILY AND SHAREHOLDER RELATIONSHIPS

4.1 Managing Business

A) Challenges Faced By A Family Owned Business

1. Emotions: Family problems will affect the business. Divorce, separations, health or financial problems also create difficult political situations for the family members.
2. Informality: Absence of clear policies and business norms for family members
3. Tunnel vision. Lack of outside opinions and diversity on how to operate the business.
4. Lack of written strategy. No documented plan or long term planning.
5. Compensation problems for family members. Dividends, salaries, benefits and compensation for non-participating family members are not clearly defined and justified.
6. Role confusion. Roles and responsibilities must be clearly defined.
7. Lack of talent. Hiring family members who are not qualified or lack the skills and abilities for the organization. Inability to fire them when it is clear they are not working out.
8. High turnover of non-family members. When employees feel that the family -mafiall will always advance over outsiders and when employees realize that management is incompetent.
9. Succession Planning. Most family organizations do not have a plan for handing the power to the next generation, leading to great political conflicts and divisions.
10. Retirement and estate planning. Long term planning to cover the necessities and realities of older members when they leave the company.
11. There should be a specific training program when you integrate family members into the company. This should provide specific information that related to the goals, expectations and obligations of the position.
12. Control is centralized and influenced by tradition instead of good management practices.
13. Overly Conservative. Older family members try to preserve the status quo and resist change. Especially resistance to ideas and change proposed by the younger generation.
14. Communication problems. Provoked by role confusion, emotions (envy, fear, anger), political divisions or other relationship problems.
15. Systematic thinking. Decisions are made day-to-day in response to problems. No long-term planning or strategic planning.
16. Exit strategy. No clear plan on how to sell, close or walk away from the business.
17. Business valuation. No knowledge of the worth of the business, and the factors that make it valuable or decrease its value.
18. Problems due to lack of capital and new investment or resistance to re-investment in the business.
19. Each family member has a different vision of the business and different goals.
20. Control of operations. Difficult to control other members of the family. Lack of participation in the day-to-day work and supervision required.

ENTREPRENEURSHIP DEVELOPMENT

B) Keys to Family Business Success

Set some boundaries. It's easy for family members involved in a business to talk shop 24/7. But mixing business, personal and home life will eventually produce a volatile brew. Limit business discussions outside of the office. That's not always possible, but at least save them for an appropriate time — not at a family wedding or funeral, for example

1. Establish clear and regular methods of communication. Problems and differences of opinion are inevitable. Maybe you see them already. Consider weekly meetings to assess progress, air any differences and resolve disputes.
2. Divide roles and responsibilities. While various family members may be qualified for similar tasks, duties should be divvied up to avoid conflicts. Big decisions can be made together, but a debate over each little move will bog the family business down.
3. Treat it like a business. A common pitfall in a family business is placing too much emphasis on -family and not enough on -business. The characteristics of a healthy business may not always be compatible with family harmony, so be ready to face those situations when they arise.
4. Recognize the advantages of family ownership. Family-owned businesses offer unique benefits. One is access to human capital in the form of other family members. This can be a key to survival, as family members can provide low-cost or no-cost labor, or emergency loans. Firms run by trusted family members can also avoid special accounting systems, policy manuals and legal documents.
5. Treat family members fairly. While some experts advise against hiring family members at all, that sacrifices one of the great benefits of a family business. Countless small companies would never have survived without the hard work and energy of dedicated family members. Qualified family members can be a great asset to your business. But avoid favoritism. Pay scales, promotions, work schedules, criticism and praise should be evenhanded between family and non-family employees. Don't set standards higher or lower for family members than for others.
6. Put business relationships in writing. It's easy for family members to be drawn into a business startup without a plan for what they will get out of the business relationship. To avoid hard feelings or miscommunication, put something in writing that defines compensation, ownership shares, duties and other matters.
7. Don't provide -sympathy jobs for family members. Avoid becoming the employer of last resort for your kids, cousins or other family members. Employment should be based on what skills or knowledge they can bring to the business.
8. Draw clear management lines. Family members who often have a present or presumed future ownership stake in the business have a tendency to reprimand employees who don't report to them. This leads to resentment by employees.
9. Seek outside advice. The decision-making process for growing a family business can sometimes be too closed. Fresh ideas and creative thinking can get lost in the tangled web of family relationships. Seeking guidance from outside advisors who are not affiliated with any family members can be a good way to give the business a reality check.

ENTREPRENEURSHIP DEVELOPMENT

C) The Advantages and Limitations of A Family Business

Before you get the idea that family businesses benefit only the family members involved, think again. Successful family businesses are a win/win. They benefit both the local and global economies, and in a big way. However, how can it also be true that fewer than 10% survive to the third generation and less than 10% of owners are financially independent from their businesses when they retire?

Family firms come with their own set of unique advantages and challenges. In order to be successful, the advantages must be capitalized upon and the challenges overcome.

Advantages of Family Firms include:

1. **Stability:** Family position typically determines who leads the business and as a result there is usually longevity in leadership, which results in overall stability within the organization. Leaders usually stay in the position for many years, until a life event such as illness, retirement, or death results in change.
2. **Commitment:** Since the needs of the family are at stake, there is a greater sense of commitment and accountability. This level of commitment is almost impossible to generate in non-family firms. This long term commitment leads to additional benefits, such as a better understanding of the industry, organization and job, stronger customer relationships and more effective sales and marketing.
3. **Flexibility:** You won't hear, -Sorry, but that's not in my job description in a family business. Family members are willing to wear several different hats and to take on tasks outside of their formal jobs in order to ensure the success of the company.
4. **Long-term Outlook:** Non-family firms think about hitting goals this quarter, while family firms think years, and sometimes decades, ahead. This -patience and long-term perspective allows for good strategy and decision-making.
5. **Decreased Cost:** Unlike typical workers, family members working at family firms are willing to contribute their own finances to ensure the long-term success of the organization. This could mean contributing capital, or taking a pay cut. This advantage comes in particularly handy during challenging times, such as during economic downturns, where it's necessary to tighten the belt or personally suffer in order for the business to survive.

ENTREPRENEURSHIP DEVELOPMENT

Disadvantages of a family firm include

1. Lack of interest among family members: Sometimes, family members aren't truly interested in joining the family business, but do so anyway because it's expected of them. The result is apathetic, unengaged employees. In the public sector, employees that fit into this category would simply be fired. It's not so simple at the family firm.
2. Family Conflict: Conflict is bound to happen at any firm, but add in long histories, family relationships, and the kind of contempt that comes with familiarity, and the ante has just been upped. Deep-seated, long-lasting bitter fights and quarrels can affect every single person within the firm and can draw divisive lines. Because family members are involved, conflict can be more difficult to solve and can result in difficult endings. In 2005, a famous dispute between the sons of Reliance Industries founder Dhirubhai Ambani, Mukesh and Anil, divided India's largest petrochemical manufacturer. When all was said and done Mukesh retained control of the petrochemical business, while Anil became chairman of Reliance Capital, Reliance Communications, and Reliance Energy.
3. Unstructured Governance: Governance issues such as internal hierarchies and rules, as well as the ability to follow and adhere to external corporate laws, tend to be taken less seriously at family businesses, because of the level of trust inherent at family firms. Unfortunately, this can be gravely detrimental.
4. Nepotism: Some family businesses are reluctant to let outsiders into the top tier, and the result is that people are given jobs for which they lack the skills, education, or experience. This, obviously, has a far-reaching effect on the success of the company. In particular, it's very difficult to retain good talent at lower levels if their performance, and their ability to succeed in the long run, is consistently being affected by incompetence at higher levels. More family firms are recognizing this issue and are taking care to strategically place outsiders in certain positions when necessary.
5. Succession Planning: Many family firms lack succession plans, either because the leader doesn't have the desire to admit that he or she will, one day, need to step down, or because there is too much trust in the family to work this out when it becomes necessary. In fact, because of close relationships and long histories, it is of utmost importance in family firms that a strong succession plan is in place.

4.2 Family And Shareholder Relationships

A) Shareholder agreements in family companies

A shareholders' agreement is an important document for both the shareholders in a business and the underlying business itself, particularly in family owned businesses where the number of shareholders increases as the next generation becomes involved in the business. Many disputes which arise between shareholders can be avoided if an effective shareholders' agreement is in place which deals with issues which can otherwise cause conflict.

ENTREPRENEURSHIP DEVELOPMENT

A shareholders' agreement is effectively a contract between the shareholders of a company and provides additional protection around ownership and the procedures to be taken in relation to certain decisions.

The main provisions of a shareholders' agreement:

1. Board of directors

For many companies the day to day running of the business rests with the management team, with the board of directors having a strategic oversight role. In large companies the distinction between the board of directors and the management team is evident; however, in smaller businesses they are usually one and the same. In these latter companies a shareholders' agreement would usually have specific provisions relating to the composition of the board of directors, the number of individuals permissible on the board of directors, provisions for non-executive directors and a directors' election mechanism, including an entitlement for certain family members or shareholders with a specific shareholding interest, to make certain appointments to the board of directors.

2. Voting rights

There are certain requirements in the Companies Acts which provide those certain decisions require a majority vote (51%) e.g., a decision to increase the authorized share capital of the company, whereas other decisions require a 75% majority vote e.g., alterations to a company's memorandum and Articles of Association or a change to a company's name.

Surprisingly other decisions that could potentially significantly impact a company such as the means of financing or its strategic goals fall outside the remit of the Companies Act and are therefore left to the Board of Directors, unless there are provisions to the contrary.

A shareholders' agreement can provide additional protection in relation to key decisions for the company, such as strategic acquisitions or borrowing facilities, decisions to repay any directors' loans or any shareholders' loans, decisions to incur or permit borrowings in excess of a specified amount, decisions to transfer, sell or otherwise dispose of any part of the business, decisions to pay any dividend or make any distribution to the members of the company. This can be achieved by including a clause in the shareholders' agreement which provides that these and other decisions will not take effect unless they are agreed on by a certain percentage such as 75% or even 90%.

In addition, a shareholders' agreement can only be amended by unanimous agreement of all shareholders, whereas a change to the Articles of Association requires only a 75% majority and therefore a shareholders' agreement affords additional protection to minority shareholders.

3. Transfer of shares

A shareholders' agreement can include provisions governing the transferability of shares to either impose restrictions or to allow for the type of transfers that would be permitted. The rationale for these provisions involves the following:

ENTREPRENEURSHIP DEVELOPMENT

- Control: provisions can rule that certain transactions may not be undertaken without the consent of a specified shareholder. This allows the shareholder to maintain control and protect his/her investment.
- Preventing outsiders from becoming shareholders: provisions can oblige shareholders not to sell their shares to third parties without first offering them for sale to the existing shareholders or to the company at a specified price.
- Providing for situations on death/divorce: provisions can ensure that the shares are transferred to the shareholder's spouse, to a family member other than the spouse or provide that the company buy back the shares.

The above restrictions on the transfer of shares are important in order to ensure shareholders do not find themselves in a situation whereby shares are transferred to an individual who may be incompatible with existing shareholders. In the case of family companies, there may be several of these restrictions to ensure that the business remains within the family.

Other issues for consideration around share transfers involve:

1. Valuation of shares: Provisions can be made for share valuations in the event that a shareholder wishes to exit the business. This reduces the potential for conflict.
2. Discounts: should a shareholder wish to exit the business; provisions can oblige the shareholder to sell their shares to the existing shareholders at a discount.
3. Cash flow considerations: While it is important that the shareholders' agreement protects the shareholder who wishes to exit by ensuring they receive a fair value for their shares, it is also important that it protects the remaining shareholders by ensuring that any payment to the exiting shareholder does not negatively impact on the cash flow of the business in a case where the company buys back the shares. Therefore it is recommended that a clause would be included to allow for the buyback of the shares by the company to be funded over a period of time.

4. Tag along rights

The shareholders' agreement will often provide additional protection for minority shareholders by including a clause in relation to tag along rights. If a majority shareholder is selling his shares in the company, the minority shareholder is entitled to tag along and sell his/her shares to the same purchaser on the same terms.

5. Drag along rights

A shareholders' agreement can also include a clause in relation to drag along rights. If a shareholder wishes to sell his/her shareholding, a drag along clause will allow them to compel the other shareholders to sell their shares, on the same terms.

ENTREPRENEURSHIP DEVELOPMENT

6. Dividends

The ability to derive value from shares can be of key concern to shareholders, particularly in the case of shareholders who are not employed in the business as they are not receiving a salary from the company. The shareholders' agreement can be used to agree on a dividend policy for shareholders which can be of great benefit in terms of ensuring continued harmony among shareholders.

It is important that any dividend policy does not have a negative impact on the cash reserves of the business. The shareholders' agreement can protect the liquidity of the company by including provisions that dividends are only payable if profits or cash reserves are at a certain level. Striking the right balance between the needs of the business and the needs of the shareholders is paramount.

7. Dispute resolution

A key benefit of a shareholders' agreement is that it can provide an effective mechanism for resolving any disputes that arise among the shareholders and ensure that any resolution is kept confidential. The shareholders' agreement would normally include an arbitration clause where all parties agree to be bound by the decision of the arbitrator.

Having an effective shareholders' agreement in place is vital for companies. It sets out a pre-determined framework which addresses certain situations where conflict may otherwise arise. If no shareholders' agreement is in place and conflict occurs this can give rise to significant cost and damage to the business. There is no one size fits all solution and each shareholders' agreement will be tailored to suit the specific circumstances of the company and its shareholders.

TOPIC 5: CONFLICT AND CONFLICT RESOLUTION IN FAMILY FIRMS

It is generally referred to a psychological state of mind where a person cannot decide the behaviour this way or that way. Sometimes, the term is used as a difference of opinion between two persons or groups irrespective of their status in the organization.

FORMS OF CONFLICT

1. Intrapersonal Conflict- Intrapersonal conflict is internal to the individual and is perhaps the most difficult form of conflict to analyze and manage. Intrapersonal conflict is basically a conflict between two incompatible tendencies. In such a situation it is common for individuals to experience frustrations and to allow their conflict situation to be expressed in a range of behavioural strategies ranging from apathy and boredom to absenteeism, excessive drinking or destructive behaviour.

2. Interpersonal Conflict- Conflict between people can arise from many individual differences which includes their personalities, attitude, values, perceptions and other

ENTREPRENEURSHIP DEVELOPMENT

differences. It may be substantive or emotional or both. Two persons debating each other aggressively on the merits of hiring a job applicant is an example of a substantive interpersonal conflict. Two persons continually in disagreement over each other's choice of work attire is an example of an emotional interpersonal conflict.

3. Intra-group Conflict- When the Conflict occurs within groups or teams is called intragroup conflict. Task conflict is a perception of disagreement group members or an individual have about the content of their decisions and involves differences in viewpoints, ideas and opinions. For example task conflict about the distribution of resources, about procedures or guidelines and about the interpretation of facts. Relationship conflict is a perception of interpersonal incompatibility and includes annoyance and animosity among individuals.

4. Inter-group Conflict- Intergroup conflict occurs among members of different teams or groups can also have substantive and/or emotional underpinnings. Intergroup conflict is most common in organizations, and it can make the coordination and integration of task activities very difficult. The classic example is conflict among functional groups or departments, such as marketing and manufacturing, in organizations.

5. Inter-organisational Conflict- Conflict that occurs between two or more organisation is called inter-organisational conflict. Competition can heighten inter-organisational conflict. Corporate take over's, mergers and acquisition can also produce inter-organisational conflict. This includes vertical and horizontal.

REASONS OF CONFLICT IN FAMILY BUSINESS

1. All members involved in the firm may not be on the same vision path.
2. Decisions made by one member might not be considered as correct by other members.
3. Dissatisfaction among other members due to position, voice and other benefits.
4. Succession decision can be a major cause of conflict.
5. Differences in personalities are common among people involved in business.

WAYS TO RESOLVE THE FAMILY DISPUTE

1. Enquiry about any difference is opinions or dissatisfaction in regular family meetings.
2. Establishment of clear communication guidelines and rules to be followed by all family members.
3. Decisions should be taken on consensus opinion as much as possible.
4. Explain clearly the roles and responsibilities of all members.
5. Call both sides involved in conflict for compromise.

ENTREPRENEURSHIP DEVELOPMENT

STRATEGIES TO MANAGE CONFLICT

1. **Dominance-** When the cooperation is extremely low, and the need to satisfy of personal interests is high then dominance occurs. To satisfy the needs of self, one party may damage the other party involved in the conflict.
2. **Integration-** Cooperation is high, as well as the persistence in satisfying of one's own needs, so there is to be sought for the appropriate solution for all parties involved in the conflict.
3. **Compromise-** There is an equal wish for medium level of cooperation and persistence in satisfying of one's personal needs, so the conflict is resolved so that each party involved in conflict gives up the part of the value.
4. **Avoiding-** When the cooperation as well as persistence in satisfying of one's personal needs is very low. In that case the conflict resolution will be solved by withdrawal or repression of conflict.
5. **Cooperativeness-** The readiness for cooperation is extremely high, and the conflict is resolved by putting the other party's interests before its own.

TOPIC 6: MANAGING LEADERSHIP, SUCCESSION AND CONTINUITY

MANAGING LEADERSHIP

Success of a business is essentially the result of good leadership. Contrary to the popular myth, leaders are not just born. Leadership skills can be learnt and developed. A business is a distinct reflection of the leader, who may be the owner or manager. This principle applies in all forms and kinds of business organizations. It is important that family businesses develop their next generation leaders in a systematic manner that prudently builds their capabilities and prepares them to face future challenges.

There are some key attributes that a leader must develop for managing the family business successfully. Let's see these attributes little more.

1. **Vision** is the attribute that drives the leader, the reason for existence and motivation behind being in the business. Due to this vision the leader has allowed him or her to clearly visualize what the business will be like when it is fully developed. Without the ability to set a vision, leader will never be a successful one.
2. **Entrepreneurship.** In fact, an entrepreneur is someone who creates a business and takes risk of investing huge sum of money and effort. For the leader with intense vision, the business is a means to an end, the vehicle which allows the vision to be fulfilled. The function of the leader is to develop the business towards its vision. If the leader owns the

ENTREPRENEURSHIP DEVELOPMENT

risk and takes the responsibilities to fulfill the vision, objectives, and strategies to achieve it. He is really entrepreneurial in his own way.

3. **Inspiring others.** A strong leader affects others and inspires them to join the quest to fulfill the vision. For the leader, it is much more important that the people recruited to the cause are committed to the same vision, rather than having all the appropriate skills to do the work. Skills can be learnt, but commitment is inherent and to be imbibed from within.
4. **Set standards.** Performance should be in conformity with the set vision and objectives. This can be done only with setting standards of performance. If this is not done deliberately it will happen by default. The employees will automatically follow the example of the leader. It is best that the standards are clearly spelled out so that there is no misunderstanding of what the leader expects.
5. **Leader is an orchestrator.** To the leader, the ways things are done are important. The quality of service the business provides must not be left to chance. The leader takes the trouble to determine the best way for things to be done and orchestrates the methods used in the business to perform the work. This allows the business to be well organized. Quality Assurance systems are based on the quality of orchestration.
6. **Leader must understand people.** The leader understands that the business must meet the needs of people, it must motivate them. The leader motivates customers to buy, and employees to work. In the orchestration process, the leader establishes systems that are designed to motivate both customers and employees to produce the required results.
7. **Again, leaders measure performance results.** Result is what it is all about. The leader must be result oriented and measures progress towards achieving the results, which leads to fulfilling the vision and objectives. Knowing the results allows the leader to redirect employees if results are not on track and to reward employees for good performance.

Points for developing and nurturing future family business leaders.

- **Start Early** here means providing exposure to business at early stage of life; this will help the future generation members gain a closer understanding of business processes and the family's purpose and involvement in business. These early experiences develop their thought process and they begin to identify the business aspects that may evoke interest in them. This exposure helps them in aligning their aspirations with the family's vision. It provides clarity and shapes their career choices accordingly. Thus, early exposure triggers a process of self selection of future business leaders.

ENTREPRENEURSHIP DEVELOPMENT

- **Education is needed** as it equips their knowledge and skills, thus building their capability. It helps them prepare to deal with future challenges in the family's business. When the leader is armed with the requisite knowledge and skills, the business remains in capable hands and is likely to survive longer. Strong educational background helps them earn respect and acceptance from others within and outside the family and business. It prepares the ground for taking on the leadership challenges in future.
- **Work experience** is another crucial aspect for developing leadership qualities. It provides youngsters the opportunity to gain work experience in reputed firms outside the family business. This helps them learn best practices in business management and further adds to their exposure. The learning experience of next generation members is enhanced if these firms follow progressive organisational culture and professional practices. Work experience gained outside the family business builds their capabilities to work in teams and helps them master analytical problem solving. When family members are equipped with these capabilities, they can confidently take up leadership roles and effectively deal with complex challenges of the family business.
- **Entry of the members** of the family in family business should not be easily served on a platter but must be earned by excelling on predefined objective criteria. The entry criteria must be communicated prior to all the members and others in the family. This provides clarity and help set realistic expectations with respect to their involvement in business.
- **Leader Hierarchy** means that the family members must not be directly appointed to the top-level leadership positions just based on familial considerations. Instead, they must be asked to join at a level that is appropriate for their qualifications and experience.

To develop future leaders, the existing leaders need to coach and mentor potential candidates, pair them with the right opportunities, and most importantly – give them the support they need to thrive. Keep them at the right positions before they lead their family business.

SUCCESSION AND CONTINUITY

SUCCESSION IN FAMILY BUSINESS

Family business succession are the process of transitioning the management and the ownership of the business to the next generation of family members. The transition may also include family assets as part of the process.

Succession planning is a process for identifying and developing new leaders, who can replace old leaders when they leave, retire or die. Succession planning increases the availability of experienced and capable employees that are prepared to assume these roles as when it is required.

ENTREPRENEURSHIP DEVELOPMENT

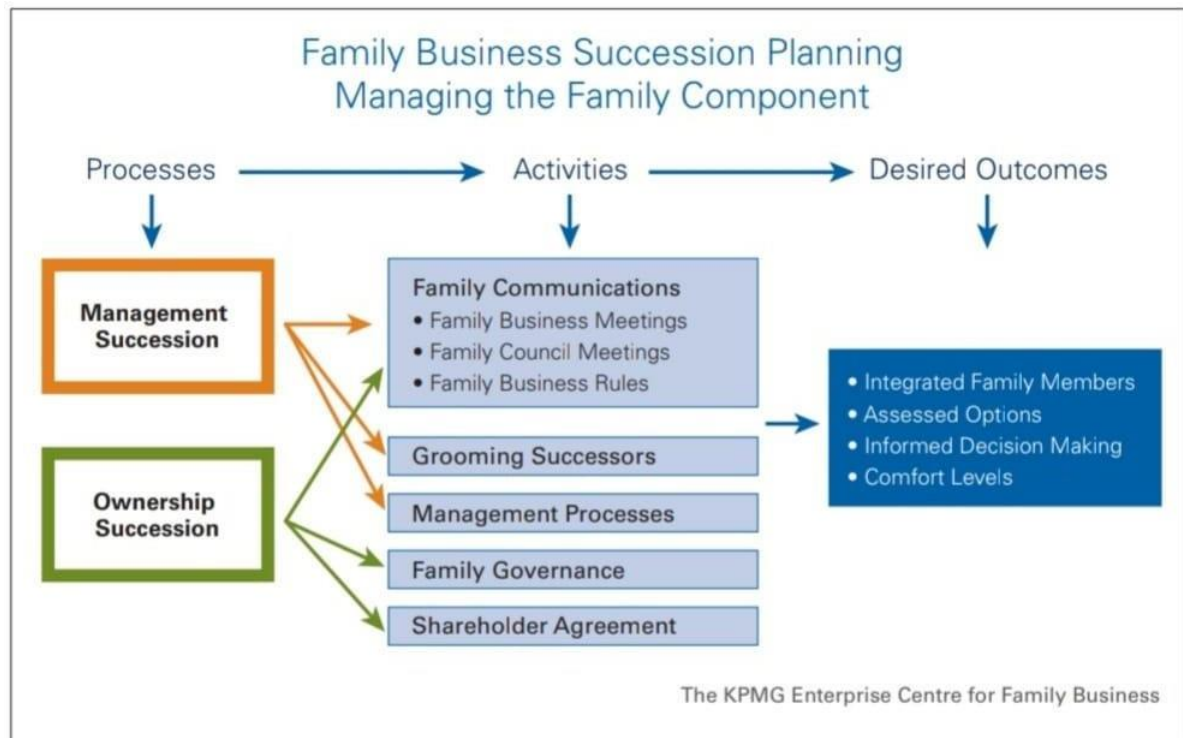
Benefits of good succession planning:

- It ensures supply of qualified, motivated people who are prepared to take over the key responsibilities when current senior staff and other key employees leave the organization.
- It helps in aligning organization's vision and human resources in an effective manner.
- Succession planning ensures developing career paths for employees which will facilitate your organization's ability to recruit and retain top-performing employees and volunteers.
- It earns external reputation as an employer that invests in its people and provides opportunities and support for advancement.
- It also gives a message to your employees that they are valuable for the organization.

CHARACTERISTICS OF SUCCESSION IN FAMILY BUSINESSES

1. **Firstly, the unplanned business succession:** Mentoring a successor is an important aspect of succession planning. An unprepared business succession would lead to a unfair transition and the successor would be forced to make uninformed decisions. This situation would greatly harm the future of the business organizations.
2. **Secondly, no definite time for retirement:** There is no definite time line for the retirement age and date of family business owners in majority of the family businesses.
3. **Thirdly, continuous control:** It is always difficult for the predecessor to really give up control in family businesses. Continuous controlling by predecessors devalues the position of the new successor on board in the eyes of the company employees and clients.
4. **Fourth, lack of communication amongst the family members:** The system of extended family is quite common amongst owners of the family businesses. Every family member contributes to the well-being of the family and the family business. But lack of communication and transparency could bring family feuds which would further lead to disintegration of the family businesses.
5. **Fifth, sibling rivalry:** Conflicts amongst siblings are witnessed in family businesses quite often. It happens particularly due to partial affection of parents towards one child over the other or sometimes due to their gender. If there is such a situation budding amongst the siblings, these conflicts should be resolved as soon as possible.
6. **Sixth, leadership dilemma:** The business owner must identify its successor during succession planning. Selection of the right leader who is well educated, committed and motivated to take over the business is essential for growth and development of the business.

ENTREPRENEURSHIP DEVELOPMENT



Process of Succession Management: Succession management is the process of identifying those jobs considered to be at the core of the organization-- too critical to be left vacant or filled by any but the best qualified persons—and then creating a strategic plan to fill them with experienced and capable individuals.

Step 1: Planning for succession

It means, in order to commence the planning process, it is imperative for the owner to get the business evaluated by an external agency. With the help of this evaluation the owner will recognize the current standing of the company in the market as well as foresee the future according to the upcoming trends.

Step 2: Preparing for succession

In this case, once the company is evaluated and the future of the company looks good, then, the owners should start preparing for the succession process. They should start working on their retirement plan for the unforeseen circumstances of the future. Also, they should get a legal will and testament prepared to avoid any feuds amongst the family members.

Step 3: Preparing the family for succession:

Here, the idea of succession planning should be clearly communicated to all the family members because emotions run strongly within the family especially when there is money and power involved.

ENTREPRENEURSHIP DEVELOPMENT

Step 4: Preparing the business for succession is one the most important responsibility of the owner/leader to prepare the business for transition as there would be a change in the leadership, altogether a big change for the company.

Step 5: Identification of future leader

Common practice is that the eldest son will be announced as the successor. But what if he is not willing or unfit to take up the business; the owner must identify another professional person to take over the family business in the interest successful succession.

Step 6: Mentoring for succession

In this case, once the successor is identified the owner should start the professional grooming of the successor by including him/ her into important meetings, decision making and a formal introduction to all the clients of the business/company.

Step 7: Retirement: During the later stages, the owner must retire from the office allowing the successor to take over the business activities in full swing. This would motivate the successor to take responsibility and committed towards to the business/company.

Step 8: Complete succession: It is time for the successor taking all the changes and start functioning as the new owner. The previous owner may be occasionally present in the company when called for to give opinions while making important decisions for the company.

TOPIC 8: ENCOURAGING CHANGE IN THE FAMILY BUSINESS SYSTEM

Whether transitioning to new business, changing governance leadership, managing the aftermath of a long-anticipated liquidity event, or moving from centralized family leadership to governance that includes more voices, business families must learn to anticipate and confidently handle change. Change management principles are not new, yet there are special considerations when applying them to a business family.

Tactics and mechanisms for addressing change:

1. Involvement: Get more of the family involved, listen to what they have to say and engage them in understanding and managing the change.
2. Education: Provide education for all family members about the change in question and its purpose and broader context.
3. Compelling purpose: Communicate the change in the context of the overall compelling purpose of the family and make it relevant for all individuals and groups affected before the change happens.
4. Task force or pilot group: Create a small group of family members and others to lead the change, or pilot it within a smaller part of the organization before implementing it more widely.

ENTREPRENEURSHIP DEVELOPMENT

5. Champion model: Harness the abilities of an individual or group of family members who are passionate about a change.
6. Parallel planning: Plan for both the business and family simultaneously with attention to understanding how change on one dimension affects the other.
7. Skill development: Use the change as a motivation to gain new capabilities, whether related to management, governance, or other areas.
8. Consultant: Retain an outside consultant to help formulate, communicate and implement challenging change.
9. Trimming the tree: Create opportunities for family members to gracefully exit as owners if they do not want to be included in changes desired by the majority.
10. Generation skipping: Shift the family unity and continuity focus of attention from the generation of the family members who have experienced long periods of unresolved conflict to their children and in so doing bypass a deadlock.

How to embrace Change?

- First create understanding: People can't — or don't want to — change when they don't understand the change.
- Expect resistance: Resistance is part of the change process. Work with it, not against it.
- Think internal and external: Understand and address the situational and psychological aspects of the change process to be successful.
- Patience is a virtue: Sustainable change requires purpose, planning, and patience. It won't happen overnight.
- Be proactive: Manage change through effective planning and effective change tactics.

Women Entrepreneurship

Women entrepreneurs may be defined as a woman or a group of women who initiate, organize and run a business concern.

Women entrepreneurs are those women who think of a business enterprise, initiate it, organize and combine factors of production, operate the enterprise and undertake risks and handle economic uncertainty involved in running it.

Women entrepreneurs may be defined as a woman or a group of women who initiate, organise and run a business concern.

Schumpeter – “Women entrepreneurs are those women who innovate, initiate or adopt a business activity”.

Government of India – “A woman entrepreneur is defined as an enterprise owned and controlled by a woman having a minimum financial interest of 51 percent of the capital and giving at least 51 percent of the employment generated in the enterprise to women.”

Frederick Harbison – “Any women or group of women which innovates, initiates or adopts an economic activity may be called women entrepreneurship”.

In short, women entrepreneurs are those women who think of a business enterprise, initiate it, organise and combine factors of production, operate the enterprise and undertake risks and handle economic uncertainty involved in running it.

Introduction to some of the support schemes.

According to the Third All India Census of Small-Scale Industries conducted in 2001-02 and subsequent estimates made, only 10.11% of the Micro and Small Enterprises in India are owned by women while 9.46% of the MSE enterprises are managed by women. Currently (2006-07) their estimated number is 12.99 lakh women managed enterprise and 12.15 lakh women managed enterprise.

In order to encourage more and more women enterprises in the MSE sector, several schemes have been formulated by this Ministry and some more are in the process of being finalized, targeted only at the development of women enterprises in India.

1. Trade Related Entrepreneurship Assistance and Development Scheme for Women (TREAD):

With a view to encourage women in setting up their own ventures, government implements a Scheme, namely, Trade Related Entrepreneurship Assistance and Development (TREAD) during the 11th Plan. The scheme envisages economic empowerment of women through the development of their entrepreneurial skills in

non-farm activities.

2. Women Empowered under Integrated Infrastructural Development Scheme:

Association of Lady Entrepreneurs of Andhra Pradesh (ALEAP), an NGO comprising women members only, has successfully completed the implementation of an IID project at village Gajularamaram, Distt. Rangareddy, A. P. In this, 75 units have been established and employment generated by these units is 1500 women. Out of the total project cost of Rs.347 lakh, Govt. of India provided grant to the tune of Rs.1.39 lakh.

Operationalization of the Scheme:

2. Micro & Small Enterprises Cluster Development Programme (MSE- CDP):

Existing Clusters:

A cluster is defined as a group of enterprises, ideally having 100 members, producing same/similar products/services. While 100 members could be the minimum per cluster, depending on the density of population and other factors, even 200-300 could be a good target group for undertaking Diagnostic Study and the subsequent Soft Interventions in a cluster.

3. Credit Guarantee Fund Scheme for Micro and Small Enterprises:

The Scheme was launched in August 2000 to ensure better flow of credit to micro and small enterprises by minimizing the risk perception of financial institutions and banks in lending without collateral security. Under the scheme, guarantee cover is provided to collateral free credit facility extended by member lending institutions (MLIs) to the new as well as existing micro and small enterprises on loans up to Rs.50 lakh. The guarantee cover available is up to 75% of the loans extended.

4. Support for Entrepreneurial and Managerial Development:

MSME-DIs regularly organize a number of Entrepreneurship Skill Development Programme (ESDPs)/Entrepreneurship Development Programme (EDPs)/Management Development Programmes (MDPs) to train the potential entrepreneurs in improving their techno/managerial knowledge and skill with a view to facilitating them to start MSEs in various field.

5. Exhibitions for Women under Promotional Package for Micro & Small Enterprises Approved by CCEA under Marketing Support:

DC (MSME) has formulated a scheme for women entrepreneurs to encourage Small & Micro manufacturing units owned by women and register in DI/DIC in their efforts at tapping and developing overseas markets, to increase participation of representatives of small/micro manufacturing enterprises under MSME stall at International Trade Fairs/Exhibitions, to enhance export from such units. Under this scheme, participation of women entrepreneurs in 25 international exhibitions is envisaged during the 11th Plan (2007-2012).

Challenges faced by Women Entrepreneurs

The greatest problem faced by women entrepreneurs is that they are women. We are living in a male dominated society where women are treated as 'abalas'. They have to face several economic and social problems. Usually, they will not get any support or co-operation from various financial institutions, male entrepreneurs or even from their families.

They have to face resistance not only from men but also from elderly women who are ingrained with this attitude of inequality.

Women entrepreneurs have to face two types of problems viz., general problems of entrepreneurs and problems specific to women entrepreneurs.

The following are the important problems faced by women entrepreneurs:

1. Financial Constraints:

Finance is the life blood of every business. Both long term and short term funds are required for business. For obtaining loans and advances from financial institutions, they have to provide collateral securities. But, usually women do not have property in their names and this hinders them from obtaining external sources of funds.

The banks also consider women as less credit worthy and discourage women borrowers on the belief that they can at any time leave their business and become housewives again. Under these circumstances, women entrepreneurs are bound to rely on their savings and loans from friends and relatives. The quantity of such funds are often negligible leading to the failure of women enterprises.

2. Over Dependence on Intermediaries:

Women entrepreneurs have to depend largely on intermediaries for the distribution of their products. These intermediaries take a major portion of their profits. It may be

ENTREPRENEURSHIP DEVELOPMENT

possible for the women entrepreneurs to eliminate the middlemen, but it requires additional investment of capital and a lot of travel. Women entrepreneurs find it difficult to capture market and popularize their products.

3. Stiff Competition:

Women entrepreneurs have to face stiff competition for the products from the organised industries and male entrepreneurs. They do not have organisational set up to spend a lot of money for canvassing and advertisement. The society has a feeling that the products manufactured by women are inferior in quality on account of the fact that they are manufactured by women themselves. These factors will lead to the liquidation of women enterprises.

4. Scarcity of Raw Materials:

Scarcity of raw materials is yet another important problem faced by the women entrepreneurs. The price of raw materials is very high and women entrepreneurs usually get the raw materials at minimum discount. The failure of many women co-operatives engaged in basket making in 1971 is an example of how the scarcity of raw materials affects entrepreneurship.

5. High Cost of Production:

Another problem faced by women entrepreneurs is the high cost of production. The government grants and subsidies help them tide over this difficulty, but these grants and subsidies are available only at the initial stages of its setting up. For expansion and diversification activities these assistances will be negligible.

6. Limited Mobility:

Unlike men, women mobility in India is highly limited due to various reasons. Physically they are not fit enough to travel a lot. A woman running an enterprise independently and alone is often looked upon with suspicion. The humiliating attitude of officials towards women compels them to give up the idea of starting an enterprise.

7. Family Ties:

The family responsibilities also hinder the development of women entrepreneurship. In India, it is mainly a woman's duty to look after the children and other members of the family. Man plays a secondary role in these matters. In the case of married women, they have to make a fine balance between their business and family.

Their success greatly depends on the support given by the family. Occupational backgrounds of families and educational level of husbands have a direct bearing on the development of women entrepreneurship.

8. Lack of Education:

In India around 60% of women are still illiterate. Illiteracy is the root cause of socio-economic problems. Due to lack of education, women are ignorant of business technology and market. It also reduces the achievement motivation among women. Thus, lack of education creates problems for women in the setting up and running of business enterprises.

9. Social Attitudes:

This is one of the most important stumbling block in the path of women entrepreneurship. The constitution provides equality for both men and women, but there is widespread discrimination against women. In a male dominated society, women are not treated as equals to men. Women have the potential but they lack adequate training.

There is a common belief that skill imparted to a girl is lost when she gets married. Therefore, girls continue to be helpers in agriculture and handicrafts and the rigid social attitudes prevent them from becoming successful and independent entrepreneurs.

10. Male Dominated Society:

Male chauvinism is still the order of the day in India. The constitution of India speaks of equality between sexes. But, in practice women are treated as 'abalas'. Women suffer from male reservations about their roles, abilities and capacities. In short, women are not treated as equal to men. This is the main barrier to women's entry into business.

11. Low Need for Achievement:

The pre-requisites for success in entrepreneurship are the need for achievement, independence and autonomy. But in India the common Indian woman is happy to bask in the glory of their parents, husband, children etc. They have preconceived notions about their role in life. This inhibits them from achievements and independence.

In addition to the above difficulties, lack of infrastructural facilities, shortage of power, difficulty in obtaining licenses from various control boards and a number of other socio-economic problems stand as hurdles to the women entrepreneurs.