





ENTREPRENEUR & ENTREPRENEURSHIP



Definitions

- Derived from French word *Entreprendre* means “to undertake”.
- **Richard Carleton:** “a person who buys factors of production at certain prices in order to combine them into a product with a view to sell them at uncertain prices.”
- Considered as a risk bearer. Ex. Farmer pays definite price for seeds, fertilizers, pesticides, labours etc but not certain at which price he could sell his produce.


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- **F.H. Knight:** “a person who bears uncertainty (risk which cannot be insured & is incalculable) can be reduced by taking insurance.”
 - **J.B. Say:** “one who combines the land of one, labour of another & capital of yet another & thus produces a product. By selling product pays rent, wages and interest.”


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- **Peter F Drucker:** “One who considers the changes that take place in market as an opportunity to do business. Innovation is his tool.”
 - **Joseph Schumpeter:** “Individuals who introduce something new in the market or economy.”
 - **New encyclopaedia:** An individual who bears the risk of operating business in the face of uncertainty about the future conditions.



QUALITIES OF ENTREPRENEURS

- **Mental ability**: intelligent person.
- **Organising ability**: good organisation.
- **Hard work**: ready to work for long hours.
- **Discipline**: highly disciplined- everything to be in order for them.
- **Clear objectives**: regarding nature of business & products to be produced.


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- **Need for high achievement**- they have a strong desire for achieving something great.
 - **Optimistic**: highly optimistic- not disturbed by present problems-hope favourable future.
 - **Risk taking**: they like challenges.
 - **H.R. ability**: maintain good relations with other people (employee, vendors, customers, bankers).
 - **Emotional stability**: have considerable amount of self-control- business pressure can be handled.


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- **Communication ability**: good communication.
 - **Self-confidence**: tackle problems immediately with self-confidence.
 - **Adaptability**: highly flexible- adapt themselves for any conditions.
 - **Positive attitude**: always think positively, they do not leave hopes even under difficult conditions.
 - They are also good managers, proactive, realistic, have comprehensive awareness & conceptual ability.



FUNCTIONS OF ENTREPRENEURS:

- **Market research**
- **Idea generation**
- **Product/ service analysis**
- **Form of business:** individual, partnership.
- **Determination of business objectives:** main objectives, subsidiaries objectives, short term, long term.


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- **Promotional formality**: getting license, clearance of govt. Formalities.
 - **Raising Capital**: Own capital/Issue of share/Borrowing loan.
 - **Providing Infrastructure**: Buying plant, Machinery, Land.
 - **Selection of human resources**: right people at right place.
 - **Carrying out the Operations**: where to purchase, scale of production, fixing price, and advertisement mean etc.


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- **Risk Bearing**
 - **Organisation of the Resources:**
combining various factors of
production.
 - **Innovation**
 - **Exploration of new opportunities**
 - **Providing Leadership & Motivating
the people**



WHAT IS ENTREPRENURESHIP?

- **B. HIGGINS**: “ The function of seeing investment & production opportunities; organising an enterprise to undertake a new production process; raising capital; hiring labour, arranging for raw material, finding a site & combining these factors of production into a going concern; introducing new techniques, new commodities, discovering new sources of natural resources & selecting top-managers for day-to-day operations.”


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- **SCHUMPETER**: “Entrepreneurship is based on purposeful & systematic innovation. It includes not only the independent businessman but also company directions & managers who actually carryout innovative functions.”
 - **AMERICAN CONFERENCE ON ENTREPRENUERSHIP**: “Entrepreneurship is attempt to create value through recognition of business opportunity, the management of risk taking appropriate to the opportunity & through the communicative & management skills to mobilise human, financial & material resources, necessary to bring a project to fruition.”

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- Thus Entrepreneurship is a combination of various qualities like organisation skills, innovativeness, risk-bearing, managing uncertainty, ability to bring together & use factor of production, analysing market opportunities, observing the change taking place in the market, methods & technologies & studying the tastes & preferences of consumers.




ENTREPRENEURS & ECONOMIC DEVELOPMENT:

- **OPTIMUM UTILISATION OF RESOURCES-** Resources are put to proper use by Entrepreneurs. They combine various resources Land, Labour, Capital, and Organisation to produce goods.
- **GENERATION OF EMPLOYMENT-** provides employment, reducing unemployment problem.
- **IMPROVEMENT IN STANDARD OF LIVING OF PEOPLE-** by providing quality goods & services.

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- **BALANCED REGIONAL DEVELOPMENT-** Government incentives encourage entrepreneurs to establish industry units in rural & backward areas- create employment opportunities in industrially backward areas.
 - **NEW/ IMPROVED GOODS & SERVICES:** for the benefit of customers- by regulating taking market research.

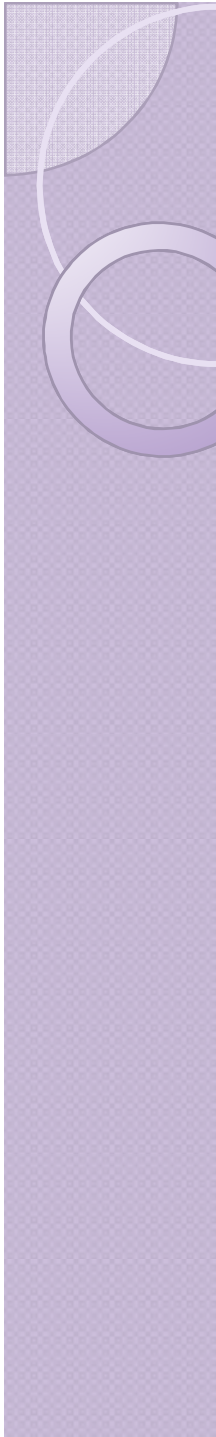
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- **HELP AGRI SECTOR-** providing high yielding variety of seeds, fertiliser, pesticides, agricultural implements etc many entrepreneurs buy agricultural produce for further processing.
 - **PROMOTE INTERNATIONAL TRADE-** exporting goods mfg by them help govt to earn FIE.

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- **HELP COMMUNITY AT LARGE-** by providing welfare activities- adopting villages, schools, starting educational institutes, healthcare services, sports.
 - **CAPITAL FORMATION-** pooling the savings of people by issuing shares/ debentures- offering more returns comparatively.
 - **DISTRIBUTION OF INCOME & WEALTH-** by establishing in rural / backward areas, not only balance regional development but also redistribution of income & wealth.



Intrapreneurship

- There are people working in big org holding key positions. They are quite innovative & bring many changes in products & methods of production. They possess all qualities of an entrepreneur. Top managements in big organisations encourage people holding key positions to come out with new ideas so that they can bring some changes in products & services. They are also known as enter corporate entrepreneurs or intraprenuers. They serve as champions to others in the organisation.




	Entrepreneur		Intrapreneuer
1.	Entrepreneur is employer	1.	Intraprener is employee
2.	Independent in operation	2.	Depends on the organization to implement his ideas.
3.	Bears all the risk involved in enterprise.	3.	Does not bear all the risk.
4.	Exhibits higher need for achievement.	4.	May not have high need achievement
5.	Profit is the reward.	5.	Attractive salary, promotion & incentives are the reward.
6.	May not have formal qualification.	6.	Should have some professional or technical qualification.
7.	Do not have any boundary for operations.	7.	He has to operate within the organisational policies.



CLASSIFICATION OF ENTREPRENEURS

- **INNOVATIVE ENTREPRENEUR:** he is the one who introduces a new product or a new method of production or opens a new market or explore new source of supply of raw material or carry out a new type of organization. as per the Schumpeter innovative entrepreneur are real entrepreneur.
- **IMITATIVE/ ADOPTIVE ENTREPRENEUR:** are those who imitate the successful entrepreneurs in techniques innovated by others.

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- **DRONE ENTREPRENEUR:** Drone entrepreneur are those who never allow any change in their production & style of functioning. They never explore anything. They are also called Laggards. They are pushed out of market when product loses its marketability.
 - **FABIAN ENTREPRENEUR:** are always cautious. They neither introduce new changes nor adopt new methods invented by others. They are lazy. They follow old customs, old method of production, techniques.



WOMEN ENTREPRENEURS

- They are a woman or group of women who initiate, organize & operate a business enterprise.
- **According to Marshal**, any woman or group of woman who innovates, initiates, or adopts an economic activity may be called a woman entrepreneur.
- **According to Government of India**, it is an enterprise owned & controlled by woman or a woman having a minimum financial interest of 51% of the capital in the enterprise.



Problems faced by woman entrepreneur

- Economic independence & autonomy are absent.
- Less risk bearing capacity (because of more dependency).
- Family involvement.



CLASSIFICATION OF WOMEN ENTREPRENEURS

- Natural entrepreneur
- Motivated entrepreneur
- Created entrepreneur
- Forced entrepreneur.



ENTREPRENEURIAL MOTIVATION

INTERNAL FACTORS

- Strong desire to do something new.
- To be independent in Life.
- Making the maximum use of technical/professional knowledge.
- Occupational experience/background.
- Passionate about particular activity.
- Dissatisfaction with present job.
- To attain self-satisfaction.



EXTERNAL FACTORS

- Utilizing Government grants & subsidiaries.
- To continue ancestor business.
- Financial assistance from Institutions.
- Availability of resources.
- Encouragement from big business houses.
- Availability of sick units/ easy financial terms.
- Encouragement from family members




ESTABLISHMENT OF AN ENTERPRISE

1. IDENTIFICATION OF OPPORTUNITIES:


The product to be produced or service to be provided should be carefully selected. Thus the idea to select such a product may originate from different sources. The important sources of business idea are as follows:

- a) **Market observation:** analysis of demand & supply for goods, availability of raw materials, profit range, likely change in future demand.
- b) **Consumer survey:** taste & preferences of consumers, considerable no of consumers



C) Competing alternative product: No of manufacturers, Degree of competition, to manufacture either better quality goods at same price or even to provide same quality goods at a cheaper rate.

d) **Development in other countries:** borrowing business ideas attending trade fairs in foreign countries through trade delegation sponsored by Chambers of commerce/ government or collaboration/ joint venture with foreign producer.



e) **Product profiles:** Various government & non-government agencies prepare & publish product profiles which can be a basis for business idea generation.

f) **Trade fairs and Exhibitions:**

g) **Government policies:**


Announcement of concession, grants to manufacture certain products.

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- h) **Research institutes:** Many research Institutes like private government help in borrowing patents from them (private government) and produce the product.
 - i) **Research & development:** In case of big companies , to develop new products, or to modify existing products.
 - j) **Brain storming sessions:** In case of large and multinational companies to come out with new ideas- by forming groups of employees of different levels and allowing them to deliberate & suggest some new ideas.



2. PROCESSING & SELECTION OF IDEA

- a) **Technical feasibility:** the product chosen should be technically feasible I e should be capable of being manufactured using some technology.
- b) **Commercial viability:** refers to cost benefit analysis to know whether the product would yield expected rate of return.
- c) **Financial & managerial considerations:** amount of finance required, sources of finance to be worked out & managerial sources, its availability & its cost.



d) **Final selection:** products which pass through all the tests (be technically feasible, commercially viable) are considered for final selection.


some points may be allotted for each test and that product which gains highest points may be selected for production.



3. DECIDING THE LOCATION

many factors influence the location of the unit.

- 1) Availability of raw materials.
- 2) Market accessibility
- 3) Human resource
- 4) Supply of power
- 5) Fuel & water

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- 6) Transportation
 - 7) Government policies- subsidies & incentives.
 - 8) Climate.
 - 9) Scope for further expansion.





4. DECIDING THE FORM OF OWNERSHIP


whether under sole proprietorship or partnership or joint venture. (partnership act-1932).

Factors affecting ownership forms are:

- 1) **Ease of formation**- sole proprietorship is easy to form.
- 2) **Capital required**- small business less capital required then sole proprietorship is applied. If the business requires high capital joint venture is applied.

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- 3) **Extent of liability**- unlimited liability in case of sole proprietorship & partnership, limited liability in case of joint stock company and cooperatives.
- 4) **Control**- The complete control lies with the proprietor in case of sole proprietor. In case of partnership control is as per partnership deal. In case of joint companies & cooperatives, control is different from ownership.

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- 5) **Continuity of business:** joint stock companies enjoy continuity of business because ownership is different from management.
 - 6) **Flexibility:** sole proprietorship is more flexible
 - 7) **Maintenance of secrecy:** secrecy can be maintained by sole proprietorship.

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- 8) **Government regulations:** sole proprietorship is subject to minimum regulations & interference. Partnership comes under partnership act, societies under cooperative societies act & companies under company act.
- 9) **Tax liability:** the tax structure of the government is to be considered to decide the type of organization.




5] REGISTRATION & LICENSING

it is necessary in case of starting industrial units. Certificate of registration will be issued in two stages.

1) Provisional Registration

Certificate:

It is the initial registration to starting a small scale industry. It is issued for 1 year which can be extended for another six months. This certificate

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- To get an industrial plot or industrial shade.
 - To avail bank loan.
 - To get license from local administration.
 - To get water & power supply.
 - For procuring plant machinery & raw materials.
 - To get NOC from PC board.



2) Permanent Registration Certificate:


It is issued when all the formality of establishing the unit is over. This certificate will be useful for:


- a) To apply for subsidies & incentives
- b) To avail bank loan
- c) To get income tax & sales tax concession
- d) To avoid central excise duty concession




6] **SPECIFIC CLEARANCES**

- 1) **Conversion of agricultural land:**
through an application to concerned local authority.
- 2) **Urban land ceiling clearance:**
taking permission to hold vacant land beyond the limit through special permission.
- 3) **Building plan approval:** to be approved by local authority.

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- 4) **Factories Act:** obtain permission from authorities ex- permission from inspectorate of factories to start factory.
 - 5) **Trade license:** from local authority ex- certificate from local municipality for a hotel industry.
 - 6) **Pollution control board clearance:** getting NOC from PC board.
 - 7) **Sales tax registration:** from the state & centre authorities to sell & purchase goods.

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- 8) **Central Excise Registration:** to get registration from central excise authorities if the goods are excisable.
 - 9) **Bureau of Indian Standard (BIS) certificate:**
 - 10) **Fruit product order 1955:** license through ministry of food processing
 - 11) **Food Adulteration Act:** that can get from local authorities in case of sale of food & food articles.

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- 12) **Power Loom Registration:**
 - 13) **Drugs & cosmetics license:** in case of manufacturing drugs & cosmetics.
 - 14) **Approval for Hotels:** from department of tourism in case of big hotels.
 - 15) **100% Export oriented units:** to get permission from the concerned expert council.



7] ASSEMBLING NECESSARY RESOURCES

- 1) **Finance**- getting finance from Banks/ financial institutions
- 2) **Building**- to be constructed in case no industrial shade is allotted.
- 3) **Plant & machinery**- placing purchasing order for plant & machinery.
- 4) **Raw materials**- get the raw materials through private party or through government.
- 5) **Human resources**- appointment of workers & management personnel.



Family Business

- Major portion of capital is contributed by family.
- Family members take major decisions & they occupy decision making post.
- Number of generations involved in management & ownership.
- Management is controlled by direct descendant of founders.
- Intention to maintain family involvement.




Advantages

- It imparts training to younger ones.
- Family & non-family members are treated alike.
- Orientation given by old generation to new generation.
- Can overcome finance difficulties & had times by flowing back profits.
- It functions less in a bureaucratic manner.
- Personal in dealing in dealing with employees & customers.



Disadvantage

- Role of family members are not clearly defined and therefore there may be confusing structure.
- There may be battle among members for succession.
- Younger generation may not be worthy of position.
- Finance may be drained by some selfish members.

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- Personal life of some members may affect the business.

India has rich & glorious history of family owned enterprises. E.g.- Jain & Marwari's. Most family business is in trade and not manufacturing.

Founder: plays an important role in family business. He/she is the head of the family & also the business therefore there is a dual role.



The important roles are:

- 1] starting the business (Foundation)
- 2] Building the organization/business.
- 3] Providing guidance to family members & employees.
- 4] Involving family in business.
- 5] Planning for succession.




NEXT GENERATION IN BUSINESS

- The older generation have established some traditions, it becomes difficult for successor to change these established traditions & systems. Therefore it is the task of next generation is more demanding and challenging than that of the founder. Fear of failure may panic them. If not managed properly, not calculated risk properly, they may land themselves in trouble.



Characteristics of Next Generation

- They know the business well & they like it.
- They know themselves: their strength & weakness.
- They have had necessary education & experience.
- They are guided by previous generations & advisors.
- They have good interpersonal relationship with other family members in business.

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- They earn respect of employees, suppliers, customers & other family members.
 - Their skills & abilities fit the most of the business.
 - They want to lead & serve.



BEST PRACTICES BY FAMILY BUSINESS

- Communication between family members should be frank.
- Distinct role to be given to senior members.(senior member should be independent).
- Share vision from all the members of the family.
- Documentation of all agreements. It leads to a clear idea of rights & responsibility.
- Conflict resolution by senior members who have no share over the business & who are considered as fair & impartial.



INTELLECTUAL PROPERTY & INTELLECTUAL PROPERTY RIGHTS (IPR)

- The laws relating to IP in India are guided by its commitments following WTO's agreement on TRIPS (Trade Related Aspects of intellectual property rights).


IP laws in India covers the following:

trademarks, copyright, patents, designs, geographical indication goods, others including semiconductor layout designs, plants & farmer rights and biological diversity.



TRADE MARKS

- It is a word, figure, numeral, design or combination of any of these. It is used to identify & distinguish goods or services of a business from those marketed by others.
- It establishes the relation between goods & the manufacturers.
- A TM can relate to both products & services.

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- TM in India are protected both under statutory law & common law. At present governed by TM act, 1999.
 - Head office of TM Registry is in Mumbai under the charge of Register of TM's branches at Delhi, Kolkata, Chennai & Ahmadabad.



REGISTRATION OF TM

1. Trade Mark search: at register office on payment of a fees- to find out the existence of any previously registered TM's that are similar or identical.
2. Application for Registration: in prescribed form- in 3 copies- with a clear reproduction of sign to be registered. Following information should be mentioned:
 - Class of goods/textile, food and confectionary etc
 - Definition of goods
 - Details of applicants
 - Whether the TM is in use or is proposed to be used.



3. Receipt and examination of application: after going through application form registration.

- a) Absolute acceptance
- b) Acceptance subject to modification in the mark
- c) Refusal

4. Acceptance, advertisement & opposition:

- ❖ After acceptance by registry, it will be published in TM journal.
- ❖ Opposition, if any has to be done within 3 months of the date of advertisement.
- ❖ Entire process takes more than a year after application. Can get registration within 3 months under tatkal scheme, by paying 5 times the application fee.



5. Cancellation of registration / Rectification of registration:

Application can be filled only by
aggrieved parties (for ex: those
claiming prior to the uses of the mark).




RIGHTS CONFIRMED BY REGISTRATION OF TM


- Exclusive right to use the TM in relation to the goods/ services registered.
- Relief with respect to infringement of TM
- Registration acts as a public notice to others, not to use the TM.



COPY RIGHT

- Governed by copy right act 1957 to protect CR in India.
- For certain kinds of IP like works of authorship CR protects a variety of IP ranging from songs & jingles to computer software & proprietary database.
- Kinds:
 - a) Literary works:** published works (books, articles, journals, periodicals & manuscripts, computer programs & computer databases.

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- b) Dramatic works:** work capable of being performed e.g. choreographic, dance, costumes, scenery of drama.
 - c) Musical works:** consisting of music
 - d) Artistic works:** paintings, drawings, photographs, engravings, architectural works.
 - e) Cinematographic films & sound recordings:** registration is not compulsory but registration gives some rights.

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- A copy right grants protection to the creator of original work.
 - It prevents others from copying or reproducing without permission of the creator.
 - The creator can prohibit anyone from:
 - Reproducing the work in any form
 - Recording in CD or cassettes etc
 - Broadcasting it in any form
 - Translating it to any other language
 - Using the work for public performance, drama, musical performance etc.




PATENTS

- A patent right gives monopoly rights to the inventor for a limited period of time.
- Governed by patents act 1970 in conformity with the provision of TRIPS.
- a patent does not protect an idea but protects the invention.
- Invention means a new product or process involving an inventing step & capable of an industrial application



Applying for a Patent Right

- In India patent right are granted on a first to apply basis.
- Foreign applicants are treated on par with Indian applicants.
- The process of obtaining PR's are:
 - Filling application with patent office.
 - Publication of the application in the official gazette after 18 months of filing the application.


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- FIR: issued by examiner from patents office-may raise variety of objection & applicants can reply within 6 months
 - Grant: the right is all the objections raised are compiled with.
 - Post grant opposition: anyone can file an opposition on finance grounds, within one year from the date of publication of grant of a patent.



Buying a Business

Advantages


- Problems of starting a new business can be avoided.
- Licenses & government approvals are already there.
- Land which is scarce is in an appropriate location.
- Plant & machinery are already installed & tested.
- Experienced employees.
- Supplier base has already been established.

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- Already existing market for the products.
 - 8. Existing distribution network with retailers & wholesalers.
 - Already built up good will & reputation.
 - Cash flow is going to start immediately.
 - Bank transactions become easier.
 - Former owner may be persuaded to guide the new owners.



Disadvantage

- The whole industry may not be doing well & it may not improve in the future.
- Technology used by the earlier owner may be outdated(equipment & machinery also).
- Earlier owner may be dishonest about the business.
- False statement by the owner, employees etc may mislead the present owner.
- Location may be bad or likely to become bad.

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- Employees may be inefficient/unproductive.
 - There may be bad reputation from the view of suppliers, distributors or other people from industry.
 - Inventory lying in the store may be obsolete



Search for a new Business

- It is not very easy to find a new owner who is willing to sell his business. The sources of getting information regarding the availability of new businesses may be:
 - Through accountants
 - Lawyers
 - Bankers
 - Classified advertisements
 - Specified agents
 - Employees
 - Others- starting from local tea shop owner



Process of Buying

- Collecting preliminary information from seller.
- Visiting the site of the business.
- Assessment & valuation through documents of past years, sales & purchase data- book value/ historical value, replacement value, recovery bar sales value, ROI, payback period, discounted cash flow- calculating present value of future cash flows by discounting it with an appropriate cost of capital.




ACTS & REGULATIONS

1. Factories Act
2. Industrial Dispute Act
3. Workmen's Compensation Act
4. Trade Union Act
5. Payment of Wages Act
6. ESI Act



1. Factories Act


- This act passed during 1948 aims at consolidating & amending the law relating to regulation of Labor in factories.
- The act protects the interest of workmen.
- It ensures for them better conditions of work.
- It prevents the employers from taking advantage of weaker bargaining power.
- The act provides for licensing, registration & inspection of factories.

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- It regulates the conditions of employment of young persons & females.
 - It also provides for safe & healthy working conditions inside the factories.
 - It requires the employer to take certain minimum steps for the welfare of workers.
 - It brings out uniformity regarding certain matters such as leave with wages, no of working hours etc.



2. Industrial Dispute Act


- This act has been enacted to give security to workers regarding better conditions of work.
- It ensures the workers in decent standard of living.
- It defines employer, pay & wages, industry, industrial disputes & workmen.
- It also defines a strike / lockout shall be illegal.
- It lays down / specifies conditions necessary for the validity of lockouts/layoffs(a temporary stoppage of particular worker/ their group), retrenchment of workers.

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- It also lays down the method of calculation of compensation & extent of compensation period.
 - Extent of compensation payable to workers being led of retrenchure.
 - It lays down procedures of conciliation & awards of judgment.



3. Workmen's Compensation Act


- This Act protects the workers from hardships arising out of accidents during working hours or while on work.
- It provides for payment of compensation by certain classes of employers to their workmen for injuries caused by accidents.
- It indirectly helps to reduce the no of accidents.
- It also provides for cheaper & quicker disposal of disputes relating to compensation through special tribunals.

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- Worker can also file a civil suite for damages against the employer. However the worker has to choose between two rights;
 - 1. civil suite
 - 2. claim under workmen's compensation



4. Trade Union Act

- This act provides for the registration of trade union.
- It defines the law relating to registered trade union.
- It lays down the procedure for registration of trade unions.
- It defines rights & liabilities of trade union.
- It mentions the objects on which a trade union may spend its general fund.
- It provides for constitution of separate fund for political purposes.

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- It defines workmen, trade dispute, trade union, employer etc.
 - The aim of act is to regulate trade union.




5. Payment of Wages Act

- To ensure that industrial worker receive payment of their wages at regular intervals & date.
- No unauthorized deductions are made from the wages.
- It defines factory, industrial establishment & wages.



6. ESI Act

- Employees State Insurance Act
- The insured worker has given some benefit out of fund created by contributions from insured person, his employer & state government whenever contingencies like sickness, maternity & employment injury happens.
- The Act contains provisions regarding the grant of benefits in the event of said contingencies.

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- It also provides for the establishment of a corporation called ESI corporation for the administration of scheme.
 - It defines dependent, employees, sickness, employment injuries, factory etc.

