

M.Com.

Semester-III

**Open Elective
Paper - COMOEO1
Entrepreneurship and New Venture Planning
SM-1**



**SCHOOL OF OPEN LEARNING
University of Delhi**

Department of Commerce

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Post Graduate Course

Paper - 202 : Entrepreneurship

Units : (1-3)

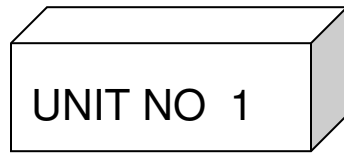
Lesson	1	Introduction to Entrepreneurship
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CHAPTER 1 :INTRODUCTION TO ENTREPRENEURSHIP

Concept and meaning of entrepreneurship

Definition of entrepreneurship, Features

Characteristics of an entrepreneur

Need for entrepreneurship

Functions of entrepreneur

Qualities of an entrepreneur

CONCEPT AND MEANING OF ENTREPRENEUR

The word "entrepreneur" is derived from the French Verb "entrepredre". In the 16th century, a first reference to the word "entrepreneur" was made in military expeditions. The French who organised the military expeditions were known as entrepreneurs. Therefore, "to organise" or "to undertake" is the then established meaning of entrepreneurship. Then the construction people, architects and builders were referred as entrepreneurs. Economists and business management consultants used the term "entrepreneur" as a factor of production which was distinctly differentiated from all other labour categories. Thus, "entrepreneur" represented an "owner and organiser" of the business. In recent literature on economics and management, the term "entrepreneur" represents an owner of the small-scale business.



Various studies and researches described the entrepreneur as a person with organisational capacity, distinct values, attitude, aptitude, skills, belief and qualities. He is a creative, imaginative and innovative person. He bears calculated risk. He is a decision-maker and a goal-setter. He is committed and a hard-working person. He is a best time manager with excellent team building and problem solving abilities. He is an achiever with a clear perception who can identify opportunities. Thus, many descriptions and expressions are associated with entrepreneurial personality. Another important attribute is the profit orientation of the entrepreneurial activity.

On the basis of all the definitions given by various economists and management experts as well as with the help of the descriptions of the term "entrepreneur", let us prepare the

working definition of an entrepreneur. It will facilitate us to know the functions of an entrepreneur. It will give us guidelines for entrepreneurial development.

DEFINITIONS OF ENTREPRENEUR

“An entrepreneur is one who creates a new business in the face of risk and uncertainty for achieving profit and growth opportunities and assembles the necessary resources to capitalize on those opportunities”.

"An entrepreneur is a person who combines various factors of production, processes the raw material, converts the raw material into a finished product and creates utility in the product and sells the product in the market in order to earn profit".

Entrepreneur as a Risk – Bearer

Richard Cantillon, an Irish man living in France, was the first who introduced the term 'entrepreneur' and his unique risk-bearing function in economics in the early 18th century. He defined entrepreneur as an agent who buys factors of production at certain prices in order to combine them into a product with a view to selling it at uncertain prices in future. He illustrated a farmer who pays out contractual incomes which are certain to the landlords and labourers and sells at prices that are 'uncertain'. He further states that so do merchants also who make certain payments in expectation of uncertain receipts. Thus, they too are 'risk-bearing' agents of production. Entrepreneur is described to be a specialised group of persons who bear uncertainty. Uncertainty is defined as a risk which cannot be insured against and is incalculable. The entrepreneur, is the economic functionary who undertakes such responsibility of uncertainty which by its very nature cannot be insured, nor capitalised nor salaried too.

Entrepreneur as an Organiser

Jean-Baptiste Say, an aristocratic industrialist with his unpleasant practical experiences developed the concept of entrepreneur a little further which survived for almost two centuries. His definition associates entrepreneur with the functions of coordination, organisation and supervision. According to him, an entrepreneur is one who combines the land of one, the labour of another and the capital of yet another, and, thus, produces a product. By selling the product in the market, he pays interest on capital, rent on land and wages to labourers and what remains is his/her profit. Thus, Say has made a clear distinction between the role of the capitalist as a financier and the entrepreneur as an organizer. He further elaborates that in the course of undertaking a number of complex operations like obstacles to be surmounted, anxieties to be suppressed, misfortunes to be repaired and expedients to be devised, three more implicit factors are deemed to be essential. These are:

1. Moral qualities for work judgement, perseverance and a knowledge about the business world.
2. Command over sufficient capital, and
3. Uncertainty of profits.

Entrepreneur as an Innovator

Joseph A. Schumpeter, for the first time in 1934, assigned a crucial role of 'innovation' to the entrepreneur in his *magnum opus* 'Theory of Economic Development'. Schumpeter considered economic development as a discrete dynamic change brought by entrepreneur by instituting new combinations of production, *i.e.*, innovations. The introduction of new combination of factors of production, according to him, may occur in anyone of the following five forms:

1. The introduction of a new product in the market.
2. The instituting of a new production technology which is not yet tested by experience in the branch of manufacture concerned.
3. The opening of a new market into which the specific product has not previously entered.
4. The discovery of a new source of supply of raw material.
5. The carrying out of the new form of organisation of any industry by creating of

a monopoly position or the breaking up of it.

Schumpeter also made a distinction between an inventor and an innovator.

An inventor is one who discovers new methods and new materials. And, an innovator utilizes inventions and discoveries in order to make new combinations.

In sum, the concept of the entrepreneur is intimately associated with the three elements-risk-bearing, organising and innovating. Thus, an entrepreneur can be defined as a person who tries to create something new, organises production and undertakes risks and handles economic uncertainty involved in enterprise.

DEFINITIONS OF ENTREPRENEURSHIP

Entrepreneurship was defined in earlier days with respect to profit theories. Some important definitions are discussed below

1. F.A.Walker defines "Profit" as a "rent for ability of entrepreneurs. Like land factor of production, entrepreneurs differ in their abilities. Accordingly, there are marginal and supra-marginal entrepreneurs with respect to their efficiency. Marginal entrepreneurs earn only normal profits, which is a reward for their marginal ability. More efficient entrepreneurs are considered as supra-marginal. They earn super-normal profit as a reward for their organisational talent and business efficiency".
2. Prof. Taussing considers profit as a wage of the entrepreneur for his mental and *directing* abilities.
3. Stigler, Champion and Edgeworth advocated that profit is the reward determined by the marginal productivity of the entrepreneur.
4. J.S. Mill, Marshall and Hawley define 'profit' as a compensation payable to the entrepreneur

for his risk bearing function.

5. Knight defines 'profit' as a reward for the uncertainty bearing capacity of the Entrepreneur. Risk bearing function is acknowledged by Knight. According to this definition, risk and uncertainty are classified as insurable and non-insurable risks.

Every entrepreneur has to bear certain risks in the business. Some risks like fire, theft and accidents and natural calamities like flood, earthquake, etc. are predictable and can be anticipated. The entrepreneur can frame policy to meet the challenges of such types of risks. These are insurable risks. Profit does not arise out of insurable risks. But there are some non-insurable risks like changes in the demand, government policy, technological changes, trade cycle, competition, etc. These risks are unpredictable and cannot be anticipated. Entrepreneurial skill lies in bearing and handling these risks. Profit is a reward for bearing non-insurable risks.

6. Joseph Schumpeter defined "profit" as a reward for introducing innovations. An entrepreneur is an innovative and creative person who introduces innovations in the business. Innovation means commercial application of the inventions and scientific discoveries. Innovations are of two types:

- a. Innovations related to production
- b. Innovations related to marketing

The production function represents the relationship between the input and the output. If an entrepreneur introduces innovations related to inputs like new sources, types and substitutes for raw materials, new packaging styles, new machinery, technological changes, fuel, management techniques, enriched labour qualities, etc-. it is an innovation related to the production function. It may be a cost-effective change but ultimately all innovations result in developing a competitive edge.

The market function is represented by the interaction between the demand and the supply forces. Market function innovations are the result of the changes in assumptions of the demand and / or supply forces. Changes in the customer needs, preferences, fashions, demand pattern,

government policy, foreign trade, taxation policy, number of substitutes, prices of the substitutes, advertisement and marketing policy are some of the innovations related to the market function. An innovative entrepreneur becomes a market leader and in order to sustain his position as a market leader, he has to introduce innovations continuously. Profit is a reward for innovative entrepreneurs. When a given innovation is copied or adopted by other entrepreneurs, profit disappears. To regain his position, the entrepreneur has to introduce another innovation. This expands the scope for product improvement and research and development strategy.

7. Peter Drucker has supported the views expressed by Schumpeter. According to Drucker, innovation is an important tool of an entrepreneur. He can perceive new opportunities, can convert the opportunities in attractive projects and become the market leader.

All these definitions describe various qualities of an entrepreneur and profit as the aim of the entrepreneurial efforts.

FEATURES

1. Entrepreneur plays a distinct role in entrepreneurial activity. He invests his valuable, scarce financial resources and organizes the production function.

2. He takes the decisions about:

- a. What to produce: product selection.
- b. How to produce: technology.
- c. Where to produce: location.
- d. When to produce: Duration, time planning.
- e. For whom to produce: target consumers/market.
- f. At what price to sale: price determination.
- g. How much profit to earn: profit margin.
- h. What to do with the profit: profit sharing/reinvestment.
- i. No other factor of production participates in the decision-making process. It is the domain of the entrepreneur.

3. Entrepreneurship is a need-based function.
4. As a logical outcome, the product or service offered by an entrepreneur possesses utility. It is the want satisfying capacity of the product.
5. Production is not for self - consumption but is offered for sale in the market.
6. Entrepreneurship is a profit-oriented activity and is a commercial proposition. An entrepreneur aims at profit.
7. An entrepreneur possesses distinct qualities like risk-bearing, goal-setting, decision making, information seeking, problem solving, time planning and maintaining good interpersonal relations in addition to the other set of special characteristics like innovative ness, creativity, communication skills, high level of confidence, perception, team building, trustworthiness, hard work, consistency and analytical strengths. These qualities, skills, aptitude, vision and capabilities differentiate the entrepreneur from the owners of other factors of production as well as the managers.
8. The entrepreneur is the owner of the venture. He has employment generation capacity.
9. He is a creator of wealth.

CHARACTERISTICS OF AN ENTREPRENEUR

If we go through the business history of India, we come across the names of persons who have emerged as successful entrepreneurs. For example, Tata, Birla, Ambani, Modi, Dalmia, Kirlosker and others are well-known names of successful entrepreneurs in the country who started *their* business enterprises with small size and made good fortunes. Success or otherwise of a small enterprise is, to a great extent, attributed to the success or otherwise of the entrepreneur himself/herself. Then, the question is: What makes the entrepreneurs successful? Whether they

had anything common in their personal characteristics? The scanning of their personal characteristics shows that there are certain characteristics of entrepreneurs which are found usually prominent in them.

1. Hard Work:

Willingness to work hard distinguishes a successful entrepreneur from unsuccessful one. The entrepreneur with his tedious, sweat-filled hours and perseverance revive their business even from on verge of failure. In nutshell, most of the successful entrepreneurs work hard endlessly, especially in the beginning and the same becomes their whole life. .

2. Desire for High Achievement

The entrepreneurs have a strong desire to achieve high goals in business. This high achievement motive strengthened them to surmount the obstacles, suppress anxieties, repair misfortunes and devise expedients and only set up and run a successful business.

3. Highly Optimistic:

The successful entrepreneurs are not disturbed by the present problems faced- by them. They are optimistic for future that the situations will become favourable to business in future. Thus, they can run their enterprises successfully in future.

4. Independence:

One of the common characteristics of the successful entrepreneurs has been that they do not like to be guided by others and to follow their routine. They resist to be pigeonholded. They liked to be independent in the matters of their business.

5. Foresight:

The entrepreneurs have a good foresight to know about future business environment. In other words, they well visualise the likely changes to take place in market, consumer attitude, technological developments, etc. and take timely actions

6. Good Organiser:

Different resources required for production are divorced from each other. It is the ability of the entrepreneurs that brings together all resources required for starting up an enterprise and then to produce goods.

7. Innovative

Production is meant to meet the customers' requirement the changing taste of customers from time to time, the entrepreneurs initiate innovative activities to produce goods to satisfy the customers' changing the products. The research institutes/ centres established by Tata, Birla, Kirloskar are examples of the innovative activities taken by the successful entrepreneurs in our country.

NEED FOR ENTREPRENEURSHIP

To capitalize on new opportunities, to create wealth and new jobs. The economics of many developing countries are in state of transition as they strive to shift from a subsistence oriented and heavily regulated environment to an outward looking, market driven economy. This transition can be greatly assisted by the emergence of a large number of small - scale and rural enterprises in all spheres of economic activity, which, in turn, requires the development of entrepreneurial skills. Despite the importance of entrepreneurship for economic and social development there is as yet scant research into or systematic observation of the processes through which entrepreneurship emerges and sustains itself

FUNCTIONS OF AN ENTREPRENEUR

Some of the major functions of an entrepreneur are:

i) Identifying entrepreneurial opportunity – There are many opportunities in the world of business. These are based on human needs like food, fashion, education, etc., which are constantly changing. These opportunities are not realised by common man, but an entrepreneur

senses the opportunities faster than others do. An entrepreneur therefore, has to keep his eyes and ears open and require imagination, creativity and innovativeness.

ii) Turning ideas into action – An entrepreneur should be capable of turning his ideas into reality. He collects information regarding the ideas, products, practices to suit the demand in the market. Further steps are taken to achieve the goals in the light of the information collected.

iii) Feasibility study – The entrepreneur conducts studies to assess the market feasibility of the proposed product or services. He anticipates problems and assesses quantity, quality, cost and sources of inputs required to run the enterprise. Such a blue print of all the activities is termed as a ‘business plan’ or a ‘project report’.

iv) Resourcing – The entrepreneur needs various resources in terms of money, machine, material, and men to running the enterprise successfully. An essential function of an entrepreneur is to ensure the availability of all these resources.

v) Setting up of the Enterprise – For setting up an enterprise the entrepreneur may need to fulfil some legal formalities. He also tries to find out a suitable location, design the premises, install machinery and do many other things.

vi) Managing the enterprise – One of the important function of an entrepreneur is to run the enterprise. He has to manage men, material, finance and organise production of goods and services. He has to market each product and service, after ensuring appropriate returns (profits) of the investment. Only a properly managed organisation yields desired results.

vii) Growth and Development – Once the enterprise achieves its desired results, the entrepreneur has to explore another higher goal for its proper growth and development. The entrepreneur is not satisfied only with achieving a set goal but constantly strives for achieving excellence

QUALITIES OF AN ENTREPRENEUR

Entrepreneurial personality is distinct from the personality of a common man. An entrepreneur possesses special qualities, values, skills, attitudes, aptitudes, capacities, capabilities and motivation. By learning these skills and inculcating the qualities, it is possible to transform the common man's personality into an entrepreneurial personality. Systematic motivation and training accelerates the process of transformation. A trainer-motivator plays an important role in equipping people to learn these qualities and skills..-

1 Confidence

An entrepreneur is a confident person. Confidence develops an edge over the competitors. Confidence is always impressive and wins others. Entrepreneurial personality demands a high level of confidence.

Confident personality projects:

- Confident Appearance
- Confident Body Language
- Confident Communication
- Confident Work Style
- Confident Relationships

2 Clear Perception

Perception plays a very important role in our life. Perception has 'a make or a break' capacity. The making is associated with "Positive Perception". The breaking is associated with "Negative Perception." An entrepreneur cannot achieve a desired goal with a set perception. He has to develop his perceptions about people (consumers), events, objects, relationships, etc. There are a number of products and services which are the outcome of the strong developed perceptions of

the entrepreneurs. For example, mobile phones, transistor radios, audio-visual cassettes and CDs, computers, etc. are the perceptions of the changing technology. In such cases, the needs of the different customer groups are perceived by the entrepreneurs and products are designed with the new techniques and technologies. Perceptions have helped the entrepreneurs to offer convenience to the buyers. Perception helps the entrepreneur in decision - making, goal-setting, team-building and conflict management. Perception leads to creativity, imagination and innovativeness and gives a competitive edge to the entrepreneur.

3 Risk Bearing Ability

In a business, no other factor of production, except the entrepreneur, bears risk. When the behavioural pattern of a large number of people is studied, some people are identified as zero risk takers. They do not take any risk and are afraid of taking challenges. They select easily attainable goals. Some people are hundred per cent risk-takers. They are excited by the challenges and risks involved. They are neither bothered about the methods nor about the attainment of the goals. They are charged only by the risk. But an entrepreneur is not a zero risk-taker. He is not interested in an activity or work which anybody can do easily. He is not hundred per cent risk-taker also. He cannot afford the luxury of not reaching the goals because his investment is at stake.

An entrepreneur is careful and cautious while selecting his goals. He will examine his strengths and weaknesses. He will assess the available resources, and will decide the strategy. He will consider alternative courses of action and will identify people and institutions for support.

An entrepreneur takes not only a risk but shoulders the responsibility of the outcome of his decisions. He takes the credit for his success and also is prepared to face the failures. If successful, he strengthens himself to achieve a higher degree of success. If he fails, he examines the causes of his failure and tries hard to overcome the problem. He does not leave anything to chance, fate or any situation beyond his control. Therefore, he takes a moderate and calculated risk.

4 Team-building Capacity

Team -building capacity is a key for entrepreneurial success. An entrepreneur requires a variety of services and help from a large number of people and institutions including suppliers of raw materials, machinery, workers, utilities like electricity, fuel, water supply, transportation, financial organisations, government personnel, marketing people, advertisers and finally the consumers. All these people and institutions participating directly or indirectly in different capacities in the entrepreneurial venture facilitate the entrepreneur to achieve his ultimate goal, "Success in Business". Therefore, an entrepreneur has to exhibit an excellent team-building ability. Developing the team spirit and team-building ability is a difficult but not an impossible task. A systematic use of certain techniques will equip you with a team-building ability

5 Time Consciousness and Time Planning

Time planning is achievement planning; An entrepreneur is a time conscious person. Time is a valuable resource. How do you experience time and how do you use it depends upon what do you expect from it. It is important to remember that time cannot be created nor destroyed but time has to be managed effectively. Time is an important resource in a competitive environment. Time planning is achievement planning. For an entrepreneur goals or targets are always with reference to time. Time scheduling, time monitoring and time management is an important entrepreneurial skill. "On-time Performance" is a key word for success.

6 Interpersonal Relations

An entrepreneur has to make special efforts for developing harmonious and cordial relationships with others. The success of an entrepreneurial venture depends upon effective team -building which needs developing interpersonal relations competencies. While developing harmonious relationships with others, one must develop an approach to know his/her personality type, your expectations from him/her, his/her expectations from you and the ultimate goal you want to achieve with that relationship.

7 Communication Skills

Communication is a distinctive skill of an entrepreneur. Effective communication is necessary for achieving positive relationship. Verbal communication is the communication through words. Non-Verbal communication is the communication with gestures, expressions or body language.

The following are the important aspects of communication:

1. Speech-language, words, voice, tone, accent, speed
2. Facial expressions and gestures
3. Body language
4. Positive strokes
5. Confidence
6. Attentiveness
7. Praise for others

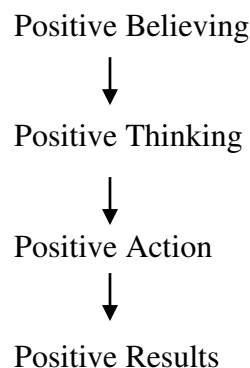
Communication is expressing ideas, giving instructions, sharing thoughts, imparting knowledge and exchanging information. The goal of communication is to create and enhance understanding. While communicating, the first step is to know which language is comfortably followed by the other person. In the Indian environment, usually you should be able to speak at least your regional language. Voice and tone are effective instruments of communication. It is observed that successful professionals and entrepreneurs make special efforts to groom their voice. Tone is the texture of the voice. Tone communicates your affiliation with the other person. It communicates your feelings. It is essential to cultivate a proper tone culture. Accent make one's speech attractive. Without accent your speech becomes monotonous. Accent is the ups and downs of the words or the stress on words. It indicates the importance of the words and the meanings you communicate. One should be able to understand the grasping power of the other person and accordingly adjust the speed of speech. Facial expressions, gestures and body language constitute the non-verbal communication. Often you communicate more in a non-verbal manner than a verbal one. Facial expressions, gestures and body language have occupied a

significant place in non-verbal communication. Movements, postures, use of hands, legs, fingers, eyebrows, sitting position, eye movements, hand shake, position of neck, way of standing and walking represent body language. It is always said that "Words may lie but body seldom does". Communicating with body language is an art.

8 Positive Attitude

Attitude is one's way of thinking and feeling, how you see people and events and how you interpret them. It is your mental make-up. An entrepreneur comes across turbulent situations. How he responds in such situations makes him a winner or a loser. Positive attitude makes him win.

Positive Attitude implies



Development of Positive Attitude:

1. Concentrate on your strengths
2. Sharpen your skills, talents, resources
3. Collect and rehearse happy experiences in your life
4. Identify the strengths of others
5. Know their happy experiences
6. Value and enjoy your work
7. Dream a little, plan a lot, work hard
8. Develop the habit of giving positive strokes to others with words, gestures and

actions;

9. Have positive interactions with others

10. Remember, any failure is not the end of the world. You can start again.

9 Leadership

An entrepreneur is the leader of his group of workers, managers, suppliers, financiers, advertisers, marketing personnel, vendors, government personnel, consultants and consumers. He is the true representative of his entrepreneurial venture. As a leader entrepreneur possesses the qualities like vision, dynamism, straight forwardness, transparency, inspiration, achievement motivation, discipline, trustworthiness, futuristic perspectives, convincing power, communicative abilities, sense of responsibility, perseverance, persistence and hard work. He is a role model in himself. The overall function of leadership is to lead effectively and efficiently in different ways with different kinds of groups under a variety of situations.

10 Innovativeness, Creativity, and Imagination

Innovativeness, creativity and imagination are considered as the basic ingredients of an entrepreneurial personality. Innovation is the introduction of a new concept, a new way of doing things or a new approach. With reference to enterprise, innovation can be in terms of new technology, new technique of production, new sources and types of raw material, novel machinery, new labour saving devices, new packaging techniques and packaging materials, new way of advertising, product development, new application of the existing product and even developing a new market. The history of entrepreneurial development itself is a reflection of the innovativeness of the entrepreneurs, As a management principle, it is always said that, "Do something with the help of which you can surpass and surprise the competitor but do not get surpassed and surprised by the competitor," Innovation and innovativeness surpasses and surprises the competitor. An innovative entrepreneur becomes a market leader. His market share and profitability increases till the competitors catch that innovation and imitate it by bringing out "me-too" products in the market. Until then, the entrepreneur enjoys a "surplus profit". Once the

innovation becomes common, surplus profit and market leadership disappears. The innovative entrepreneur has to hit the market with another innovation to retain his market leadership and high profit margin. Creativity is another significant attribute of an entrepreneurial personality. It is a quality which need not be acquired because everyone possesses it.

11 Goal-Setting

A goal is a base building block of entrepreneurial career. It is described in many ways. "Goal is a dream with a deadline" "Goal is how you see yourself." "Goal is what you want to be and how you want to get there". "Goal is an end towards which you direct some specific efforts". Often, the goal is confused with an objective or a mission. Objectives are the tactics planned and steps to be taken to achieve goals. Goals are specific, measurable, accomplishments to be achieved in a given time frame. Missions are the statements of general intent.

DEFINITION of 'Intrapreneurship'

Acting like an entrepreneur within a larger organization. The term is derived from a combination of "intra" or internal, and "entrepreneurship." Intrapreneuers are usually highly self-motivated, proactive and action-oriented people who are comfortable with taking the initiative, even within the boundaries of an organization, in pursuit of an innovative product or service.

Entrepreneurship and Intrapreneurship

The concept of entrepreneurship is seen as the process of uncovering and developing an opportunity to create value through innovation and seizing that opportunity without regard to either resources (human and capital) or the location of the entrepreneur – in a new or existing company (Churchill, 1992). Intrapreneurship represent the initiation and implementation of innovative systems and practices within an organization, by some of its staff under the

supervision of a manager who takes the role of an intrapreneur, in order to improve the economical performance of the organization, by using a part of its resources, namely those that previously have not been used in an appropriate manner. Intrapreneurship improves the economical and financial performance of the company, by applying a more efficient use of the resources and by using a suitable motivational system for its employees (Istocescu, 2003).

Similarities and differences between entrepreneurship and intrapreneurship

Unlike the entrepreneur, the intrapreneur acts within an existing organization. The intrapreneur is the revolutionary inside the organization, who fights for change and renewal from within the system. This may give rise to conflicts within the organization, so respect is the necessary key in order to channel these conflicts and transform them into positive aspects for the organization. Even though intrapreneurs benefit from using the resources of the organization for the implementation of the emerging opportunities, there are several motives why innovation is more difficult to implement in an existing organization, such as (Malek & Ilbach, 2004):

In order to give an answer to this question an analysis of the advantages and disadvantages of both concepts is required. The table below helps someone decide what type of business best suits him after confronting him with the advantages and disadvantages that await him.

Table : Entrepreneurship and intrapreneurship: advantages and disadvantages

ENTREPRENEURSHIP	
Advantages	Disadvantages
<ul style="list-style-type: none"> • You are your own boss - independency • The income increases • You have the chance to be original • You have part of excitement and adventure • There are a lot of possibilities • Salary potential – you decide upon your own salary 	<ul style="list-style-type: none"> • Money pressure – giving up on the security of a regular paycheck • Less benefits as the business is new • Long working hours • Mistakes are magnified • All decisions must be made alone
INTRAPRENEURSHIP	
Advantages	Disadvantages
<ul style="list-style-type: none"> • Ability to stay in a friendly, well known environment • Practicing your skills within an organiza- 	<ul style="list-style-type: none"> • Reward may not be up to expectation <ul style="list-style-type: none"> • Innovation may not be appreciated accordingly

- tion – lower risk
- Using companies resources, good name, knowledge
- Access to customers, infrastructure

- You can be innovative but to a certain limit – you are not your own boss

After seeing the pros and the cons of each concept we think that it is useful to see also the similarities and differences between these two concepts.

Table 2: Entrepreneurship and intrapreneurship: similarities and differences

S.NO	Similarities	Differences
1	Both involve opportunity recognition and definition.	In start-up entrepreneurship, the entrepreneur takes the risk whereas in intrapreneurship the company takes the risk other than Career related risk.
2	Both require a unique business concept that takes the form of a product, process or service.	In a start-up the entrepreneur is subject or more susceptible to outside influences; in intrapreneurship the organization is more insulated from outside forces or influence.
3	Both are driven by an individual champion who works with a team to bring the concept to fruition.	The business is owned by an individual in entrepreneurship whereas in intrapreneurship it is owned by company having control over intellectual property etc.
4	Both require that the entrepreneur be able to balance vision with managerial skill, passion with pragmatism, and proactiveness with patience.	The rewards are unlimited in case of entrepreneurship whereas it is limited under intrapreneurship.

5	Both involve concepts that are most vulnerable in the formative stage, and that require adaptation over time.	The entrepreneur may or may not success whereas under intrapreneur the organisation has more flexibility for management errors.
6	Both require harvesting Strategies.	

CHAPTER -2 ENTREPRENEURSHIP AND ECONOMIC DEVELOPMENT

ROLE OF ENTREPRENEURSHIP IN ECONOMIC DEVELOPMENT

Entrepreneurs play an important role in economic development in multiple ways. The important contributions towards economic development could be through providing employment, contributing towards GDP, contributing towards foreign exchange, infrastructure development, getting innovation, technology development and creating new avenues of business. Entrepreneurs create new businesses, generating jobs for themselves and those they employ. In many cases, entrepreneurial activity increases competition and, with technological or operational changes, it can increase productivity as well. The small businesses in India are often ones created by self-employed entrepreneurs. “Entrepreneurs give security to other people; they are the generators of social welfare,” Carl J. Schramm, president and chief executive officer of Ewing Marion Kauffman Foundation, said in February 2007. Entrepreneurs innovate and innovation is a central ingredient in economic growth. As Peter Drucker said, “The entrepreneur always searches for change, responds to it, and exploits it as an opportunity.” Entrepreneurs are responsible for the commercial introduction of many new products and services, and for opening new markets. Moreover, it is evident from research that entrepreneurs were essential to many of the most significant innovations, ones that revolutionized how people live and work. From the automobile to the airplane to personal computers – individuals with dreams and determination developed these commercial advances. The crucial role played by the entrepreneurs in the development of the emerging countries has made the people much conscious of the significance of entrepreneurship for economic development. Now, people have begun to realize that for achieving the goal of economic development, it is necessary to increase entrepreneurship both qualitatively and quantitatively in the country. It is only active and enthusiastic entrepreneurs who fully explore the potentialities of the country’s available resources labour, technology and capital.

An entrepreneur has to take into consideration the fact that any business direction is not standing still. It constantly develops and changes in order to survive under the conditions of business competition. It should be mentioned that small business life cycle can be rather short – several

years or even months. It all depends on the way an entrepreneur runs and brands his business. According to the key concepts of business theory, every business system has the following stages of its development: beginnings of business (when you start a business and it enters the market); business development (business growth and promotion); business maturity stage (the most successful period of your company's activity) and failure (either complete or partial bankruptcy). Most beginning entrepreneurs believe that they achieve success when they start a business. In fact, they are successful entrepreneurs if they manage to fight for place in the market and outstrip competitors. Every entrepreneur may not succeed in passing business development stage. But those who manage to reach the top of the market can make really big profits.

Entrepreneurs are among the prime movers of innovations. Entrepreneurship is a necessary dynamic force. It is also opined that development does not occur spontaneously as a natural consequence when economic conditions are in some sense 'right': a catalyst or agent is needed, and this requires an entrepreneurial ability. Essentially, the entrepreneur searches for change, sees need and then brings together the manpower, material and capital required to respond the opportunity what he sees. Role of entrepreneurship in economic development varies from economy to economy depending upon its material resources, industrial climate and the responsiveness of the political system to the entrepreneurial function. The entrepreneurs contribute more in favourable opportunity conditions than the economies with relatively less favourable opportunity conditions. Small scale industries provide immediate large scale employment, ensure a more equitable distribution of national income and also facilitate an effective resource mobilization of capital and skill which might otherwise remain unutilized. Lastly, the establishment of Entrepreneurship Development Institutes and alike by the Indian Government during the last decades is a good testimony to her strong realization about the premium mobile role of entrepreneurship played in economic development.

Key role of entrepreneurship towards economic development are as follows:

1. Entrepreneurship promotes capital formation by mobilizing the idle saving, of the public.
2. It provides immediate large scale employment. Thus, it helps reduce the unemployment problem in the country, i.e., the root of all socio economic problems.
3. It promotes balanced regional development.
4. It helps reduce the concentration of economic power.
5. It stimulates the equitable redistribution of wealth, income and even political power in the interest of the country.
6. It encourages effective resource mobilization of capital and skill which might otherwise remain unutilized and idle.
7. It also induces backward and forward linkages which stimulate the process of economic development in the country.
8. Last but no means the least, it also promotes country's export trade i.e., an important ingredient to economic development.

Role of entrepreneurs in economic development

The entrepreneur who is a business leader looks for ideas and puts them into effect in fostering economic growth and development. Entrepreneurship is one of the most important input in the economic development of a country. The entrepreneur acts as a trigger head to give spark to economic activities by his entrepreneurial decisions. He plays a pivotal role not only in the development of industrial sector of a country but also in the development of farm and service sector. The major roles played by an entrepreneur in the economic development of an economy is discussed in a systematic and orderly manner as follows.

(1) Promotes Capital Formation:

Entrepreneurs promote capital formation by mobilising the idle savings of public. They employ their own as well as borrowed resources for setting up their enterprises. Such type of

entrepreneurial activities lead to value addition and creation of wealth, which is very essential for the industrial and economic development of the country.

(2) Creates Large-Scale Employment Opportunities:

Entrepreneurs provide immediate large-scale employment to the unemployed which is a chronic problem of underdeveloped nations. With the setting up of more and more units by entrepreneurs, both on small and large-scale numerous job opportunities are created for others. As time passes, these enterprises grow, providing direct and indirect employment opportunities to many more. In this way, entrepreneurs play an effective role in reducing the problem of unemployment in the country which in turn clears the path towards economic development of the nation.

(3) Promotes Balanced Regional Development:

Entrepreneurs help to remove regional disparities through setting up of industries in less developed and backward areas. The growth of industries and business in these areas lead to a large number of public benefits like road transport, health, education, entertainment, etc. Setting up of more industries lead to more development of backward regions and thereby promotes balanced regional development.

(4) Reduces Concentration of Economic Power:

Economic power is the natural outcome of industrial and business activity. Industrial development normally lead to concentration of economic power in the hands of a few individuals which results in the growth of monopolies. In order to redress this problem a large number of entrepreneurs need to be developed, which will help reduce the concentration of economic power amongst the population.

(5) Wealth Creation and Distribution:

It stimulates equitable redistribution of wealth and income in the interest of the country to more people and geographic areas, thus giving benefit to larger sections of the society. Entrepreneurial activities also generate more activities and give a multiplier effect in the economy.

(6) Increasing Gross National Product and Per Capita Income:

Entrepreneurs are always exploring for new opportunities. They explore and exploit opportunities, encourage effective resource mobilisation of capital and skill, bring in new products and services and develop markets for growth of the economy. In this way, they help increasing gross national product as well as per capita income of the people in a country. Increase in gross national product and per capita income of the people in a country, is a sign of economic growth.

(6) Improvement in the Standard of Living:

Increase in the standard of living of the people is a characteristic feature of economic development of the country. Entrepreneurs play a key role in increasing the standard of living of the people by adopting latest innovations in the production of wide variety of goods and services in large scale that too at a lower cost. This enables the people to avail better quality goods at lower prices which results in the improvement of their standard of living.

(7) Promotes Country's Export Trade:

Entrepreneurs help in promoting a country's export-trade, which is an important ingredient of economic development. They produce goods and services in large scale for the purpose earning huge amount of foreign exchange from export in order to combat the import dues requirement. Hence import substitution and export promotion ensure economic independence and development.

(8) Induces Backward and Forward Linkages:

Entrepreneurs like to work in an environment of change and try to maximise profits by innovation. When an enterprise is established in accordance with the changing technology, it induces backward and forward linkages which stimulate the process of economic development in the country.

(9) Facilitates Overall Development:

Entrepreneurs act as catalytic agent for change which results in chain reaction. Once an enterprise is established, the process of industrialisation is set in motion. This unit will generate

demand for various types of units required by it and there will be so many other units which require the output of this unit. This leads to overall development of an area due to increase in demand and setting up of more and more units. In this way, the entrepreneurs multiply their entrepreneurial activities, thus creating an environment of enthusiasm and conveying an impetus for overall development of the area.

Historical Background

Entrepreneurship in Pre-British India

During the pre-British period, India was constituted mainly by villages. There were cities, which were the capitals of the princely states. Villages were self-sufficient. The village population used to satisfy their daily requirements and needs within the village. The village economy was constituted by farmers, artisans, craftsmen, balutedars and members of the gram panchayat. The artisans, craftsmen and balutedars used to produce various products and provide necessary services. They represented the entrepreneurial culture and possessed the characteristics of an entrepreneur. There was the barter economy, in which commodities were exchanged for commodities. Certain products like spices, needles, and salt were brought from outside by the village traders. Farmers produced the foodgrains. Members of the gram panchayat established law, peace and order. Thus, the village people were completely dependent upon each other. They represented well knit, harmonious relationships.

Indian handicrafts, marble carvings, wooden articles, woollens garments, Jewellery and textiles attracted the world market. Particularly, the Indian 'Mulmul', a type of Muslim cloth was world famous. Village craftsmen and artisans received special patronage from the Indian kings and princes. Indian spices, jute, jute goods, minerals, raw cotton and handicrafts were exported all over the world. There was prosperity. Indian culture was an entrepreneurial culture. There was "value for Labour." India was described as the "land of gold". But Indian economy received a tremendous setback during the British rule.

Decline of Entrepreneurship During the British Period

During the British rule, Indian village economy received a big jolt from the competition by the British industries. Mechanisation in the British industries initiated the industrialisation process in Britain. On one hand, British industries, particularly, the textile industry required raw material which was supplied by the Indian agriculture. On the other hand, British industries were in need of a ready market for their machine-made goods. Raw materials were exported from India and the imported machine made British goods flooded Indian markets. As these goods were cheap, compared to the handmade goods, they received a huge response from the common man. The Indian market was flooded with the British goods. This caused a complete destruction of Indian handicrafts and village industries. Princely states were merged in the British empire. This adversely affected the Indian artisans and craftsmen as they lost the valuable patronage of the Indian Kings and the Princes.

The British introduced a new system of education. The value of labour was completely lost. People took pride in serving in the administrative services of the British Offices. Blue-collar jobs were substituted by the white-collar jobs. Unfortunately, "entrepreneurial culture" was submerged. The British period witnessed the emergence of the employment-oriented mentality among the Indian artisans and craftsmen. They became 'servants'. Risk-bearing ability and confidence were substituted by complete obedience to the British administration. Creativity and innovativeness were substituted by submissiveness and a blind imitation of the British. Once a 'land of gold', Indian economy was completely paralysed. At the time of Independence, India was described as an underdeveloped country.

Entrepreneurship Development in Independent India

When India got Independence, Indian economy had all the characteristics of an underdeveloped country. Agriculture was the main economic activity. Ninety percent of the population was employed in agricultural activities. Agricultural production was undertaken mainly for self-consumption. But the techniques of cultivation were primitive. The share of the agricultural produce on the Gross National Product (GNP) was negligible. Industrial sectors were completely underdeveloped. There was an acute shortage of capital, skilled workers, infrastructure facilities

and industrious attitude was totally absent. Technique of production was labour-intensive and foreign trade suffered from a serious balance of payments. Exports were constituted of agriculture products, particularly raw cotton, spices, jute, indigo etc. Imports were composed of scarce raw materials, machinery and equipment, food grains etc. Foreign exchange earning was meagre as compared to the foreign exchange expenditure. Infrastructure facilities like electricity, irrigation, transportation, postal services, telecommunications, godown facilities, research institution and laboratories were not available. The educational system was faulty and was not designed as per the requirements of the economy. The rate of growth and volume of population was very high. The problem of unemployment was severe. Particularly, in the agricultural sector, there was disguised unemployment. The productivity in the agricultural and industrial sectors was at a very low level. Markets were underdeveloped and entrepreneurial culture was absent. Considering the dismal picture of the economy, the government of the newly Independent India had a gigantic task before it-the task of rehabilitation and reconstruction of the economy of the country.

In the Indian context, strict hierarchy within organizations must give way to an open and transparent work environment where new, radical ideas are welcome – and, most importantly, where failure is not punished. The fear of failure and retribution are major impediments to innovative thinking and risk-taking. Top management must show its commitment to entrepreneurial behaviour within the organization. A good way to exhibit this is by making a failed project not an end in itself but something that holds valuable lessons for the future; or by recognizing individuals for the calculated risks they took and not just for the successes they achieved.

When entrepreneurship education started in the 1980s, it was focused on self-employment. Today, it must live up to the national agenda of employment generation rather than individual wealth creation. The top business schools are preparing students for entrepreneurship, and a new breed of young entrepreneurs are setting up their own ventures. Some are offering students “deferred placements” so that they can come back to the institute after a couple of years if their venture fails. We now need to replicate these successful entrepreneurship education models across the rest of the country.

Equally crucially, perceptions about entrepreneurship need to change. Indian society must overcome its deep-rooted tendency to value the status quo over risk-taking behaviour and see entrepreneurship as merely the pursuit of materialism. Many of these perceptions have changed since the 1990s, when entrepreneurs in the field of information technology emerged as role models for the middle class. This set of entrepreneurs came from middle-income families who used their knowledge and skills (rather than family wealth and political connections) to turn a company around. Today, several young people in India are starting their own ventures after university or leaving their comfortable, well-paying jobs to follow their dreams.

Make in India – Roadmap to Entrepreneurship Development

Four Pillars of Make in India

New Processes: ‘Make in India’ recognizes ‘ease of doing business’ as the single most important factor to promote entrepreneurship. A number of initiatives have already been undertaken to ease business environment. The aim is to de-license and de-regulate the industry during the entire life cycle of a business.

New Infrastructure: Availability of modern and facilitating infrastructure is a very important requirement for the growth of industry. Government intends to develop industrial corridors and smart cities to provide infrastructure based on state-of-the-art technology with modern high-speed communication and integrated logistic arrangements. Existing infrastructure to be strengthened through upgradation of infrastructure in industrial clusters.

New Sectors: ‘Make in India’ has identified 25 sectors in manufacturing, infrastructure and service activities and detailed information is being shared through interactive web-portal and professionally developed brochures.

New Mindset: Industry is accustomed to see Government as a regulator. ‘Make in India’ intends to change this by bringing a paradigm shift in how Government interacts with industry. The Government will partner with industry in the economic development of the country. Our approach will be that of a facilitator and not that of a regulator.

Progressive plans and entrepreneurship

Besides the measures outlined above which will directly act as a boost to the entrepreneurship ecosystem, various other plans and policies which the government have worked on are sure to incentivize entrepreneurship too, albeit indirectly. Take for example the ‘Make in India’ campaign which has been garnering widespread publicity ever since its launch. Launched amidst much fanfare, this campaign which aims to change the notion that it’s difficult to business in India, will in two ways also act as a boon to entrepreneurs. Firstly, the success of the campaign lies on the premise that bureaucratic processes and red-tape will be cut down and it will be easier for international firms to do business in India. This means that dealing with authorities and regulations will become easier for home-grown entrepreneurs too, implying they’ll be more likely to join in to *make in India*. The second way in which this campaign holds bright prospects for entrepreneurship is that it will lead to a rise in the number of start-ups which have products/services built around the manufacturing industry (which the campaign primarily targets). For instance, a HR start-up which comes up with a service to handle labour for manufacturing firms, or a logistics start-up which helps in distribution of finished goods.

Another ambitious campaign started by the Modi government is ‘**Digital India**’. One of the core components of this campaign is to maximize digital literacy by 2019. This dedicated thrust provided to digital literacy means that startups in the digital space stand to benefit massively. May they be online-education start-ups or e-commerce firms or mobile apps, all of them will pick a chunk of the multi-billion dollar digital consumer market which will eventually evolve. Other core aims of the campaign include setting up a nation-wide digital infrastructure and delivering services digitally. These aims will give an opportunity to the tech talent that our country boasts of to unleash their latent entrepreneurial skill-set and provide solutions to connect rural areas under high-speed internet networks and provide support services to the government’s vision of delivering services electronically. ClearTax, which helps citizens file tax returns online, is one such start-up providing an ancillary service that has become the first India-focused startup to make it to YCombinator, arguably the world’s most prestigious accelerator.

The switchover to the goods and services tax (GST), scheduled for 1st April, 2016, seeks to streamline and modernise a thoroughly fragmented indirect tax system riddled with multiplicity of rates levied by states. This will be done by the government levying a unified tax that will subsume a large number of central and state taxes on the supply of goods and services. This is indeed a giant step in the direction of making it easier to run businesses in India. With less complexities of the tax structure to worry about, this move decreases the entry barrier for start-ups. Also, such a move means less legal/financial hassles as well as lesser risks of corruption/bribery – leading to a more entrepreneurship conducive environment for those starting-up their own companies. Scaling up a company to expand to multiple cities & states will also consequently become easier.

Under the Modi-government, well-defined progressive steps have been taken and the global sentiment of the Indian economy is at an all-time high. If this support continues, and the above plans & policies are implemented successfully, there will be no stopping for the country's economic growth. And with India poised as one of the world's leading consumer country, it is only natural that new-age enterprises will have to spring up to meet the rising demand.

Make in India initiatives for entrepreneurship development

- Foster innovation- It aims to support new ideas.
- Protect intellectual property- It aims to safeguard the creations of mind.
- Best in class manufacturing infrastructure- It also aims to create state of the art facilities for manufacturing goods.
- Process of applying for Industrial License & Industrial Entrepreneur Memorandum made online on 24×7 basis through eBiz portal.
- Validity of Industrial license extended to three years.
- Plan for integrating the Services of all Central Govt. Departments & Ministries with the eBiz – a single window IT platform.
- Process of obtaining environmental clearances made online.
- All returns should be filed on-line through a unified form.

- India's manufacturing infrastructure and capacity for innovation is poised for phenomenal growth: new smart cities and industrial clusters, being developed in identified industrial corridors having connectivity, new youth-focused programs and institutions dedicated to developing specialized skills.
- A new 'National Industrial Corridor Development Authority' is being created to coordinate, integrate, monitor and supervise development of all Industrial Corridors.
- Work on 5 smart cities in progress as a part of the Delhi-Mumbai Industrial Corridor: Dholera, Shendra-Bidkin, Greater Noida , Ujjain and Gurgaon.
- Approval accorded to 17 National Investment and Manufacturing zones.

India seems to be doing better than it was a couple of years ago. The Modi Govt has been launching one initiative after another, supporting the country's business and economy. While some initiatives struggle to make much of an impact, most are working wonders for India. The 'Make in India' program, for example, promotes India as a manufacturing hub for the world. The Modi Government is marketing this campaign globally and the impact is evident.



UNIT NO 1

Chapter 3: CONCEPTION OF BUSINESS IDEA

New Product Development

Reasons for New Product Failure

Major Stages in New Product Development

- Idea generation
- Idea screening
- Concept development and testing
- Marketing strategy development
- Business analysis
- Product development
- Test marketing
- Commercialization

Entrepreneur v/s Investors

New Product development:

Product development is the process of designing, creating and marketing new products or services to benefit customers. Improving and updating products is an ongoing task as consumer needs and wants continuously change. Product development involves either improving an existing product or its presentation, or developing a new product to target a

particular market segment or segments. Consistent product development is a necessity for companies striving to keep up with changes and trends in the marketplace to ensure their future profitability and success. A competitive product development strategy should include a company-wide commitment to creating items that fulfill particular consumer needs or characteristics. These characteristics might include consumers' desire for the following: products that are high-quality or low-cost; products that provide the consumer with speed or flexibility; or products that offer some other form of differentiation that posits them a desirable purchase. A number of organizations are dedicated to supporting product development professionals, such as the Product Development and Management Association (PDMA) and the Product Development Institute (PDI). A failure to develop products could result in a reduction in sales if consumers decide to buy competitor products.

REASONS FOR NEW PRODUCT FAILURES

- Overestimation of market size
- Design problems
- Incorrectly positioned, priced, or advertised
- Pushed despite poor marketing research findings
- Development costs
- Competition

Major Stages in New-Product Development

- 1. Idea generation**
- 2. Idea screening**
- 3. Concept development and testing**
- 4. Marketing strategy development**
- 5. Business analysis**
- 6. Product development**



7. Test marketing

8. Commercialization

1. IDEA GENERATION

New product development starts with Idea generation-The systematic search for new product ideas. A company typically has to generate many ideas in order to find a few good ones. For example, one brainstorming session for Prudential insurance company came up with 1500 ideas and only 12 were considered even usable. Establishing yourself as a successful entrepreneur depends, in part, upon choosing a good idea. The idea must not only be good for the market, but good for the project and good for the entrepreneurs. It should also be manageable without much dependence on others. As an entrepreneur, when one is searching for an idea worthy of commitment, don't pursue one idea at a time. Develop five or ten in parallel so that one emerges appropriately. If you are pursuing a single idea by feigning commitment before you feel it, you may put yourself in a tight corner. Choosing an idea is quite difficult and the entrepreneur has to weigh objectively his intrinsic capabilities in finalizing an idea. In the idea stage, suggestions for new products are obtained from all possible sources, customers, competitors, R & D, distributors and company employees. Ideas may be contributed by Scientists, professional designers, rivals, customers, sales force, top management, dealers etcMajor sources for new ideas include, internal sources and external sources such as customers, competitors, distributors, and suppliers, and others.

INTERNAL IDEA SOURCES

Internal sources include company employees at all levels. Companies can pick the brains of its executives, scientists, engineers, manufacturing staff, and sales people.

EXTERNAL IDEA SOURCES

- *Customers*

New product ideas also come from watching and listening to customers. Company engineers or sales people can meet with and work alongside to get suggestions and ideas.

- ***Competitors***

Companies watch competitor's ads to get clues about their new products. They buy competing new products, take them apart to see how they work, analyze their sales, and decide whether they should bring out a new product of their own.

- ***Distributors & Suppliers***

Distributors and suppliers can also contribute many good and new product ideas. Resellers are those close to the market and can pass along information about customer problems and new product possibilities. Suppliers can tell company about new concepts, techniques, and materials that can be used to develop new products.

- ***Outsourcing***

Many companies are now outsourcing some of their new product innovation to outside developers. Companies such as Dell, Motorola sometimes buy new designs from Asian developers and then market under their own brand names.

Other idea sources include Trade magazines, shows, seminars, government agencies, new product consultants, advertising agencies, marketing research firms, university and commercial laboratories, and inventors.

2. IDEA SCREENING:

Process used to spot good ideas and drop poor ones.

The purpose of idea generation is to create a large number of ideas. The purpose of the succeeding stages is to reduce that number. The first idea reducing stage is the Idea screening.

- ***Executives provide a description of the product along with estimates of market size, product price, development time and costs, manufacturing costs, and rate of return.***
- ***Evaluated against a set of company criteria for new products.***

Some of the observations of the new product committee can be to ask questions such as “Is the product truly useful to the consumers and society?”, “Do we have the people, skills, resources, to make it proceed?” etc.

3. CONCEPT DEVELOPMENT AND TESTING

An attractive idea must be developed into a product concept. It is important to distinguish between product idea, product concept, and a product image.

- **Product Idea:**
 - *Idea for a possible product that the company can see itself offering.*
- **Product Concept:**
 - *detailed version of the idea stated in meaningful consumer terms.*
- **Product Image:**
 - *the way consumers perceive an actual or potential product.*

For example, after more than 10 years of development, Daimler Chrysler has commercialized its experimental cell powered electric car into the market. This car’s non polluting fuel system runs directly on Hydrogen. Daimler Chrysler has tested more than 100 F cell cars under varying weather conditions, traffic situations, and driving styles in world wide. Daimler’s task is to develop this into alternative product concept, find out each how attractive each concept to its customers, and choose the best one.

Concept one: A moderately priced sub compact designed as a second family car to be used around town.

Concept two: A medium cost sporty compact appealing to the young people.

Concept three: An inexpensive subcompact green car appealing to environmentally conscious people.

CONCEPT TESTING:

The entire product marketing programme is tried out for the first time in a small number of well selected test markets. Test market is necessary to find out the viability of a full marketing programme for national distribution. Customer reactions can be tested under normal conditions. Testing the new product concepts with a group of target consumers to find out if the concepts have strong consumer appeal is called concept testing. Many firms routinely test new-product concepts with consumers before attempting to turn them into actual new products.

4. MARKETING STRATEGY DEVELOPMENT

The next step is marketing strategy development which is designing an initial marketing strategy for a new product based on the product concept.

The marketing strategy statement consists of :

- *Describe the target market, planned product positions, sales, market share, and profit goals.*
- *Outlines the product's planned price, distribution, and marketing budget.*
- *Describes the long-run sales and profit goals, marketing mix strategy.*

5. BUSINESS ANALYSIS

The best product that is picked up will be subjected to rigorous scrutiny to evaluate its market potential, capital investment, rate of return on capital etc. Business analysis is a combination of market research, cost benefit analysis and profitability analysis. To estimate sales, the company might look at the sales history of similar products and conduct surveys of market opinion. It can then estimate minimum and maximum sales to assess the range of risk. After preparing the sales forecast, management can estimate the expected costs and profits for the product, including marketing, R&D, operations, accounting, and finance costs. The company then uses the sales and costs figures to analyze the new product's financial attractiveness.

- Involves a review of the sales, costs, and profit projections to assess fit with company objectives.
- If results are positive, project moves to the product development phase.

6. PRODUCT DEVELOPMENT

Product development involves developing the product concept into physical product in order to ensure that the product idea can be turned into a workable product.

- Calls for large jump in investment.
- Prototypes are made.
- Prototype must have correct physical features and convey psychological characteristics

Eg: Gillette uses employee volunteers to test new shaving products. Every working day at Gillette, 200 volunteers from various departments come to work unshaven. The volunteers are given razors, shaving cream or after shave to use. The volunteers evaluate razors for sharpness of blade, smoothness of glide, ease of handling.

7. TEST MARKETING

If the product passes functional and a consumer test, the next step is Test marketing, the stages of product development in which the product and marketing program are tested in more realistic market settings.

- Product and program introduced in more realistic market setting.
- Not needed for all products.
- Can be expensive and time consuming, but better than making major marketing mistake.

8. COMMERCIALIZATION

Test marketing gives the management the information needed to make final decision about whether to launch a new product. Commercialization means introducing the new

product into the market. The company may have to build or rent a manufacturing facility. It may have to spend, in the case of a new consumer-packaged good, moderate to heavy amount for advertising, sales promotion, and other marketing efforts in the first year. Once the test market gives the green signal for the product with or without expected modifications, the company can proceed to finalize all features of the product. Now the marketing department can launch a fully fledged advertising and promotion campaign for mass distribution. In particular, small companies may enter attractive cities or regions one at a time. Larger companies, however, may quickly introduce new models into several regions or into the full national market.

- **Must decide on *timing* (i.e., when to introduce the product).**
- **Must decide on *where* to introduce the product (e.g., single location, state, region, nationally, internationally).**
- **Must develop a *market rollout plan*.**

SOURCES OF NEW IDEAS

Some of the more frequently used sources of ideas for new entrepreneurs include consumers, existing companies, distribution channels, the government, and research and development.

Consumers

Potential entrepreneurs should pay close attention *to* the final focal point of the idea for a new product or service—the potential consumer. This attention can take the form of informally monitoring potential ideas and needs or formally arranging for consumers to have an opportunity *to* express their opinions. Care needs to be taken to ensure that the idea or need represents a large enough market *to* support a new venture.

Existing Companies

Potential entrepreneurs and intrapreneurs should also establish a formal method for monitoring and evaluating Competitive products and services on the market. Frequently, this analysis uncovers ways to improve on these offerings that may result in a new

product that has more market appeal.

Distribution Channels

Members of the distribution channels are also excellent sources for new ideas because of 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.

Government

The government can be a source of new product ideas in two ways. First, the files of the Patent Office contain numerous new product possibilities. Although the patents themselves may not be feasible new product introductions, they can frequently suggest other more marketable product ideas. Several government agencies and publications are helpful in monitoring patent applications. The government's information summarizes each patent granted and lists all patents available for license or sale. Also, the Government Patents Board publishes lists of abstracts of thousands of government-owned patents; a good resource of such information is the *Government-Owned Inventories Available for license*. Other government agencies assist entrepreneurs in obtaining specific product information.

Research and Development

The largest source of new ideas is the entrepreneur's own "research and development," efforts that may be a formal endeavor connected with one's current employment or an informal lab. A more formal research and development department is often better equipped and enables the entrepreneur to conceptualize and develop successful new product ideas.

METHODS OF GENERATING IDEAS

Even with a wide variety of sources available, coming up with an idea to serve as the basis for a new venture can still be a difficult problem. The entrepreneur can use several methods to help generate and test new ideas, including focus groups, brainstorming, and problem inventory analysis.

Focus Groups

Focus groups have been used for multiple reasons wherein the moderator leads a group of people through an open, in-depth discussion rather than simply asking questions to get participant response. For a new product area, the moderator focuses the discussion of the group in either a directive or a nondirective manner. The group of 8 to 14 participants is stimulated by comments from other group members in creatively conceptualizing and developing a new product idea to fulfill a market need. In addition to generating new ideas, the focus group is an excellent method for initially screening ideas and concepts. Using one of several procedures available, the results can be analyzed more quantitatively, making the focus group a useful method for generating new product ideas.

Brainstorming

The *brainstorming* method for generating new product ideas is based on the fact that people can be stimulated to greater creativity by meeting with others and participating in organized group experiences. Although most of the ideas generated from the group have no basis for further development, often a good idea emerges. This has a greater frequency of occurrence when the brainstorming effort focuses on a specific product or market area. When using this method, the following four rules should be followed:

1. No criticism is allowed by anyone in the group -no negative comments.
2. Freewheeling is encouraged - the wilder the idea the better.
3. Quantity of ideas is desired - the greater the number of ideas, the greater the likelihood of the emergence of useful ideas.

4. Combinations and improvements of ideas are encouraged; ideas of others can be used to produce still another new idea.

The brainstorming session should be fun, with no one dominating or inhibiting the discussion.

Problem Inventory Analysis

Problem inventory analysis uses individuals in a manner that is analogous to focus groups to generate new product ideas. However, instead of generating new ideas themselves, consumers are provided with a list of problems in a general product category. They are then asked to identify and discuss products in this category that have the particular problem. This method is often effective since it is easier to relate known products to suggested problems and arrive at a new product idea than to generate an entirely new product idea by itself. Problem inventory analysis can also be used to test a new product idea. Results from product inventory' analysis must be carefully evaluated as they may not actually reflect a new business opportunity. To ensure the best results problem inventory analysis should be used primarily to identify product ideas for further evaluation.

Concept Stage

After a new product idea has been identified in the idea stage as viable, it should be further developed and refined through interaction, with consumers. In the *concept stage*, the refined product idea is tested to determine consumer acceptance without necessarily incurring the costs of manufacturing the physical product. Initial reactions to the concept are obtained from potential customers.

One method of measuring consumer acceptance is the conversational interview in which selected respondents are exposed to statements that reflect the physical characteristics and attributes of the product idea. Where competing products exist, these statements can also compare the primary features of existing products. Favorable as well as unfavorable

product features can be discovered by analyzing consumers' responses, with favorable features then being incorporated into the product.

Features, price, and promotion should be evaluated for both the concept being studied and any major competing products. By identifying any major problems in the product concept, research and development can be directed to develop a more marketable product, or the concept can be dropped and not receive further attention.

Idea Generation Techniques

Idea generation techniques are a method that encourages creative actions concentrating on techniques for divergent thinking, ways of re-framing problems and so on. Some methods require groups of two or more people. There are nearly two hundred types of idea generation techniques available to promote creativity.

The idea generation techniques identified are briefly introduced as follows:

1. **Role Playing:** Role playing involves designers acting out scenarios. These scenarios are often ones that the designers observed during the research phase of the design process when they participated in user research. This technique is a tool for both team-based ideation and communication to users and/or clients.
2. **Active Search:** Active search refers to designers hunting for a particular solution. This hunt could range from a web search for images of current vacuum cleaners to searching through books, magazines, newspapers, etc. to find the demographics of a particular population.
3. **Attribute List:** Attribute listing refers to taking an existing product or system, breaking it into parts and then recombining these to identify new forms of the product or system.
4. **Brainstorm:** Brainstorming involves generating a large number of solutions to a problem (idea) with a focus on the quantity of ideas. During this process, no ideas

are evaluated; in fact unusual ideas are welcomed. Ideas are often combined to form a single good idea as suggested by the slogan. Brainstorming can be used by groups as well as individuals. Since brainstorming was the first idea generation technique created it is often referred to as, “the mother of all idea generation techniques”.

5. Collaborate: Collaboration refers to two or more people working together towards a common goal. Designers often work in groups and co-create during the entire creative process.
6. Concrete Stimuli: Concrete stimuli are used when designers want to gain new perspectives on a problem by manipulating physical materials. This could be looking at paint chips, feeling different material textures or physically maneuvering objects.
7. Critique: Critique refers to receiving input on current design ideas. This could be collaborative such as receiving a design critique from a colleague or individuals critiquing their own ideas (either systematically or intrinsically). This technique often spurs new thought by finding solutions to design flaws within current concepts.
8. Documenting: Documenting refers to designers writing down ideas (physically or electronically). This includes journaling, writing stories, and taking notes.
9. Expert Opinion: Designers often elicit opinions from experts to identify potential problems with products or services before more comprehensive evaluations. This occurs when they are looking for an answer to a problem that is outside their domain knowledge or when they want to test a new idea.
10. Empathy/User Research: User research requires the designer to observe people in everyday situations in order to develop empathy for them. The methods used to conduct this type of research is founded in ethnographic research methods such as observations, field studies and rapid ethnography.
11. Encompass: Encompassing is an inspirational technique which involves designers immersing themselves in information relevant to the current project.
12. Forced Analogy: Forced analogy involves comparing the current problem with something else that has little or nothing in common in order to gain new insights

- and results. This technique often generates ideas for new areas of research.
13. Incubate: Incubation refers to stepping back from the problem to let the subconscious mind work.
 14. Passive Searching: Passive searching refers to designers looking through material (web, magazines, books) for inspiration without searching for a particular solution to a problem. They are simply looking for inspiration.
 15. Prototyping: Prototyping, in this study, refers to a lowfidelity model of an idea. These models can be created with any type of material (paper, clay, etc.) as they are only used to conceptualize a thought.
 16. Reflect: Reflection occurs when designers review their previous work (sketches, documents, prototypes, etc.)
 17. Sketching: Sketching refers to a rough drawing of an idea.
 18. Socializing: Socializing refers to talking with others about topics unrelated to the current project.
 19. Storyboards: Storyboards are a way for designers to represent information gained in the research phase of the design process. Quotes from the user, pictures, and other relative information are placed on cork board, or a similar surface, to represent a scenario and to help understand the relationships between design ideas. Designers often post information about users using as little detail as possible to allow for interpretation of information

SELECTION OF PRODUCT

The entrepreneur is concerned with identifying a particular product that he hopes to market successfully at a reasonable profit. Therefore, the selection of a right product is very essential for being successful in the business venture. The right product means that which can be marketed at a reasonable profit which will go towards business growth.

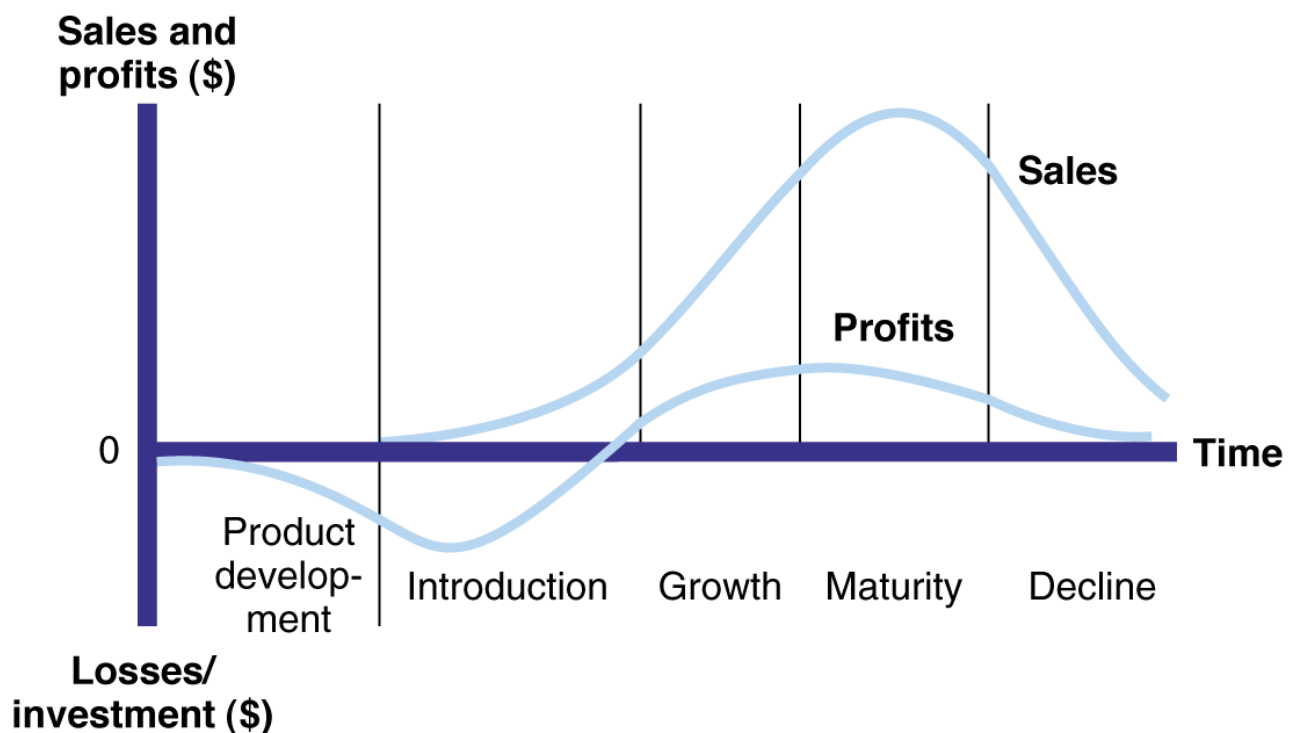
Various factors influence the entrepreneur in selecting the right product. These decisive factors are..

- i) Whether import restriction or the items selected are banned items would considerably weigh favorably or otherwise in the selection of the product.
- ii) If the entrepreneur himself or his partners have gathered, substantial amount of experience in the manufacture and marketing of certain products, then the selection of such a product would be to their advantage.
- iii) The selection of the product will also be based on the degree of profitability that generally rules in the market. Such information can be obtained from the banks or the financial institutions or the market itself.
- iv) Many concessions are available from the Government for producing a product which serves an import substitute or even essential item, hence it may enjoy substantial amount of incentives, subsidies, concessions etc
- v) Many products belong to the priority sector industries or small scale sector, hence certain products are listed by the government for purchase from the small scale sector only, hence this selection would be advantageous to the entrepreneur
- vi) The market for the product also plays a significant role in the selection of the product. If the product also has an export market, it widens the scope of marketing.
- vii) Certain products are permitted for production only if the licence is obtained from the appropriate authority while others belong to the de-licensed category.
- viii) Many products enjoy specific advantages in regard to the scale of manufacture or carry locational advantages i.e. if a product is produced in a free trade zone or in backward areas with special incentives and concessions which are made available for manufacturing such a product.
- ix) If a product belongs to an ancillary unit and serves a a major component for the parent industry, it provides a ready demand, hence selection of this type of product entails easy marketability

THE PRODUCT LIFE CYCLE (PLC)

After launching the new product, management wants the product to enjoy a long life and compete the existing products. Although the company doesn't expect its product to sell forever, the company wants to earn a normal profit to cover all the effort and risk that went into launching it. Product Life Cycle (PLC) is the course of a products sales and profits over its lifetime. It involves five distinct stages: product development, introduction, growth, maturity and decline.

Figure given below shows a typical product life cycle (PLC) although its exact length and shape is not known in advance



Practical Problems of PLC

- Difficult to identify which stage of the PLC the product is in.
- Difficult to pinpoint when the product moves to the next stage.
- Difficult to identify factors that affect product's movement through stages.

- It's not easy to forecast sales level, length of each stage, and shape of PLC.
- Strategy is both a cause and result of the PLC.

Introduction Stage of PLC

The introduction stage starts when the new product is first launched. Introduction takes time, and sales growth is slow in the initial phase. Products such as Instant coffee, frozen foods etc lingered for many years before they entered a stage of rapid growth. In this stage, as compared to the others, profits are negative or low because of the low sales and high distribution and promotion expenses. Much money is needed to attract distributors and build their own inventories. Promotion spending is relatively high to inform consumers of the new product and get them to try it.

Growth Stage of PLC

If the new product satisfies the market, it will enter a new growth stage in which sales will start climbing quickly. The early adopters will continue to buy and later buyers will start following their lead, especially if they hear favorable word of mouth. Attracted by the opportunities for profit, new competitors will enter the market. They will introduce new product features, and the market will expand. The increase in competitors will lead to increase in the number of distribution outlets, sales jump just to build reseller inventories. Prices remain same or fall only slightly. Companies keep their promotion spending at the same or a slightly higher level. Profits increase during the growth stage, as promotion expenses are spread over a large volume and as unit manufacturing costs fall. The firm uses several strategies to sustain rapid market growth rate as long as possible.

Maturity Stage of PLC

At this stage of PLC, product sales growth will slow down. The maturity stage normally lasts longer than the previous stages and poses strong challenges to marketing management. In any market, most products are in the maturity stages of the life cycle. Therefore, most of the marketing management deals with mature product. Competitors

begin marking down prices, increasing their advertising and sales promotion and allocate their R&D budgets to find better versions of the product. These steps lead to a drop in profit. Some of the weaker competitors start dropping out, and the industry eventually contains only well established competitors.

Decline Stage of PLC

The sales of most product forms and brands eventually dip. The decline may be slow or rapid depends on the products. Sales may plunge to zero or they may drop to a level where they continue for many years. This stage is the decline stage. As sales and profits decline, some firms withdraw from the market. Carrying a weak product can be very costly to the firm, and not just in profit terms. A weak product often requires frequent price and inventory adjustments. A products falling reputation can cause customers concern about the company and its products. For these reasons, companies need to pay more attention to their aging products. The firm's first task is to identify those products in the decline stage by regularly reviewing sales, market shares, costs and profit trends.

Entrepreneur V/S Investors

1. An entrepreneur focuses on a new business idea, while an investor may focus on existing business ideas.
2. The entrepreneur usually approaches an investor to finance the equity of his business, while an investor approaches an entrepreneur, whom is potentially profitable, to invest money and earn income from his or her investment.
3. An entrepreneur contributes idea and passion (but may also invest money), while an investor primarily invests money on the business.

4. An entrepreneur is passionate and dedicated to his idea and would stick to it despite suffering some losses or period of breakeven, while an investor is practical and reasonable to an idea and may leave it when losses occur.
5. An entrepreneur is usually optimistic to his business, while an investor is more pessimistic and more focused on the things that might go wrong in the business.
6. Entrepreneurs view more on the qualitative side of business, while investors view more on the quantitative or financial side of the business.
7. An entrepreneur, when starting a business, expect many things (both quantitative and qualitative), while an investor, when investing his or her money on a business, expects more on the ROI (return on investment).
8. Entrepreneurs don't necessarily focus on calculating the most approximate figure of return on a business, while investors usually calculate the return of business and arrive at an approximated or estimated figure.
9. Entrepreneurs could start entrepreneurship even without money, while money is a necessity for investors to start investing.
10. Although they can be both owners of a business, an entrepreneur manages the business and knows it more from its sales and operation to the feelings and behaviours of its employees and customers, while an investor may only know the business based on the financial and quantitative reports of the business.

Remember that although entrepreneurs and investors differ from each other, they need each other and they can be a great team to build a successful business. Furthermore, an entrepreneur can also be a financial investor of his or her own business, while an investor

can also be more involved in the business he or she has invested. Finally, every nation or community needs great entrepreneurs and investors to develop its economy.
