Unit – I Entrepreneurship Essentials.

Organizes manages and assumes the risk of a business or enterprise is entrepreneur.

Entrepreneurship entrepreneur start or adopt entrepreneurship. Entrepreneurship is about

Identifying an unmet pain the pain point, in a group of people or maybe in a group of

Businesses that is our target customer or that is our customer segment. Customer segment

Means a group of people or group of companies with similar characteristics similar liking

Similar aspiration in the context of a product that is under consideration.

So, that suppose you are trying to market a product. So, you have to if you can identify

People, who are who would be potentially interested in your product a group of them actually or The possible group of them is the customer segment . So, that you can communicate with

Them easily, you you understand their pain more deeply and you can structure your offering

To meet to best meet their requirement or aspiration. Innovators entrepreneurship is innovating a suitable solution to alleviate the pain In a competitive way meaning in a cost effective way. So, that it can be sustained, you can Make profit. Its about organizing a balanced team arranging required fund putting in place The required infrastructure for manufacturing or giving the service whatever is the business. Its about making product or service available to the customer which is the channel through Which you make customer aware that you exist or the product exists, and then you send the Product to the customer through the channel or the channel act also includes where they can buy whether its a retail store or online shopping ecommerce portal like that, Then maintaining loyal and satisfying employees. Employees are very critical because they have To make it many of the enterprise do not survive because they could not maintain loyal employees. Then building loyal customer base. I think Customer base should come first because customer is the center of success of any business. Entrepreneurship is also about sustaining operation and competitive manner, scaling of the business competitive manner and then scaling up the business. Its about constantly Endeavouring to offer increasing increasingly better value for the money to the customers.So, that they come back repeatedly to buy your products and spread a favourable word Of mouth. So, your turnover increases you achieve higher growth moving forward, entrepreneurship Is about assuming all the risk related to an enterprise. There are bookish definitions I will not dwell match into that you can read them Now, why people would become entrepreneurs is very obvious, but let us try to put it Them in in a tabular manner. So, that we do not miss anything of course, its very difficult Its a subject that that care its not a theory, that you can authoritatively say that these Are the only items. So, its all fluid open ended. What motivates people to become an entrepreneur? One of the most important motivation is that, You observe an agonising or grievous pain in the society in a group of people and these People are crying for a solution, and you would like to alleviate this pain whatever That is. So, you think that you can actually find a solution. So, you start developing the solution then build a team and once the solution is there in the horizon, then you Start a venture. So, its purely driven by opportunity. Alternately you may come up with a brilliant idea all of a sudden, something like an epiphany Moment or its kind of serendipity meaning suddenly there is some positive or or fortunate Stroke of luck or flash and you get an idea you record type. And then you think that this Idea actually can do wonders to the society to improve their life or to alleviate some Pain in any way you can make many people happy. So, you think that ok I should pursued it This idea, execute it and then develop product or solution and then make it available to The people. There are many who take up entrepreneurship, Because they they are they are passionate about doing something something new and ground Breaking. So, they start exploring and then many of them are successful in finding something Many may not be. So, whosoever can find an idea through which they can actually do something Ground breaking, they start a new venture. Many of us aspire to become independent, be Our own boss a kind of sense of control that we control our ourselves or maybe the far Extreme we control our destiny. There are others who would like to achieve whatever They want to achieve in life maybe personal growth, maybe money, maybe anything. These are part of internal factor meaning the factor internal to the entrepreneur indigenous To the entrepreneur. Moving forward people would like to be recognized For their contribution suppose you are working in a big company you think that, you are a Small fish in a big company rather than being that you can start a company become a small Fish in a bigbig fish in a small company. So, maybe your contribution will be visible And people will recognize. Then there may be motivation from the fact that one can leverage Their education or their experience, that is unique and that can give them opportunity Means they can use their education and experience to to manufacture or offer a product or service In a more competitive manner than the competitors. So, that may motivate people to start a business. Some can do this just for the passion of doing something significant and then make a change In the world for the better. Entrepreneurship in that sense can be perceived As a vehicle, for creating huge wealth for the nation, for self and family members maybe Extended family members. Entrepreneurship in that sense actually offers great opportunity For anybody to reach to any level there are umpteen stories about rags to riches like, Dhirubhai Ambani he started his life in a very humble environment, but he becamethe Top entrepreneurs. So, if someone who thinks he is kind of at The bottom of the pyramid entrepreneurships, entrepreneurship offers a route to risk to The top of course, yes one has to follow one has to understand what he what one needs to Do and what kind of risks lie ahead. If someone can elevate all of them and its an opportunity In a nutshell, its not a sure short definitely sure short way of making money, but its in It offers an opportunity. So, it gives equal opportunity to everybody to to rise. There Are others who are highly creative and that think that their existing employer does not Require their kind of talent or they are incapable of exploiting their talent in their product Or service whatever they do. So, they think that they should start a company and and use Exploit their talent and do something . There may be exogenous factors like external Environment; like government favourable government policies which means infrastructure will be Available,money will be some kind of financial assistance will be available, then there may Be a favourable ecosystem starting from incubation to finally, getting money for as seed money Thenwhen an angel money etcetera etcetera. So, if everything is in place like starting A company or exiting from a company all those issues may actually attract people to start new venture. There are other factors like availability of a raw material suppose you have license for iron ore mines. So, definitely you can start iron making plant something like that . Then the society may demand, the situation

may demand like every time the society the things are changing. So, changed environment

may actually demand something and and one may think that I should contribute I should

take the lead. So, become entrepreneur in short. Entrepreneurship is a vehicle to make many people happy, while achieving desired personal goals by the entrepreneurs themselves. But then this may not stimulate everybody into action and then it may not attract everybody to start a venture, we are all different our perception about risk is different. So, there may be some who are highly motivated to start

a business. There are some who will never start a business because they afraid of the risk even if somebody gives guarantee that he takes all the risk all the responsibility to alleviate the risk. So, this graph actually shows that there are people, who would run behind rumor some somebody says or maybe while making a journey in a train, in a bus or somewhere or having a cup of tea someone says you do this business and you are going to make money. There will be some who will run after that up to that idea, but moving forward gradually people are more realistic and then gradually people are more

kind of protective or less aggressive to start a business . But then there are umpteen number of motivational factors Types of business is purely academic,this thesetypes are this classification is based

on based on the perspective of entrepreneurship not really kinds of business forfor registering

companies or for taxation or for any other purpose . So, there are this list ofcompanies

like innovation driven entrepreneur like corporate entrepreneur, social entrepreneur or social

entrepreneurship there may be some for profit, not for profit, then there are small businesses.

Other than that there are large corporate entities and cooperatives this is a small classification. Now, the books and other literatures are about the distinction between a small business and entrepreneurial business. The distinction actually is not so, important, but thenone needs to understand that there are business the far back in meaning where there is no innovation necessary, no risk associated and

very limited group prospect whereas, on the other spectrum other side of the spectrum

there are businesses which are highly innovation driven and there are risk, but then there

are high growth potential. So, one can achieve huge growth provided we can alleviate the risk on the way . So, making a distinction perhaps make sense in that sense

, but I would tend to believe that even a small business can incorporate. Almost all

the attributes of an entrepreneurial venture into it and then translate their small business

into an entrepreneurial venture, any any small business for that matter.

So, after reading that comparative comparative after the comparative study one should or

will understand that [entreprenish/entrepreneur] -[entre]preneur venture are created around

the vision and its driven by innovation and unique value proposition. It is associated

with achieving growth and extricating risks, it always aim aims first scalability and high

growth . But then can a small business be entrepreneurial;

as I said earlier that any small business can become a an entrepreneurial venture by

incorporating the characteristic features of entrepreneurial venture. For example, you

just look at any grocery store in a big marketplace, you will find that in front of some grocery

stores there will be huge crowd in front of others there may not be anybody. And you go

close go go close, close to the shop and observe you will see that the shopwhere there are

huge crowd, the owners and the employees are more friendly and they are kind of they appear

as if they have the best interest of the customers in mind, they would say they would say if

some some particular item has expired, they are validity they will say do not take this

this is already expired. So, in the process they are trying to send

a message across that, we are customer friendly whereas, in the other shop people are not

friendly. Just that little small thing actually make so, much distinction that in one shop,

there will be several hundred customers in a day whereas, in the other there will be

some tens of them that makes a huge difference. Now, other than this friendly approach, one

can add further value or differentiation by delivering it at the door, they can take orders

through phone and deliver. It may eventually replicate the good model into another marketplace.

So, they start scaling up. The process may go on and on meaning they

can keep on adding more customer value. So, you know whatever way possible there are many

ways possible. All such actions are part of sjg and can be percept as innovations these

are innovations of the business model. If not technology at least business models are

being innovated in the process therefore, it may not be wrong to state that all businesses

may innovate to be more competitive more customer friendly and then grow faster; faster than

competitors and make superior value superior profit sustained for a long time. So, in the

process they become entrepreneurial. On the other side this business when the scale

lab they start opening shops, they also run the risk just like any other entrepreneurial

venture. Therefore, small business can definitely be

an entrepreneurial venture . So, coming back to the definition the distinction part between

a small business and entrepreneurial venture, actually the distinction kind of gets eliminated

gradually as small businesses try to emulate the properties of the characteristic features

of the attributes of entrepreneurial venture .

Now, another significant thing that motivate people to become an entrepreneur is the, contribution

significant contributions that are made by entrepreneurs to the society and society at

large, the country and the society. So, that actually motivate many entrepreneurs

many people to become an entrepreneur. Here is some data about economic contributions

of entrepreneurto the economic development or or happiness of the people .

Data suggests data current data 2018 data by gedi dot com suggests that entrepreneurial

activities and per capita GDP are highly correlated. So, there is no doubt data speaks volumes

or the contribution economic contributions of the entrepreneur .

Similarly the global entrepreneurship index is highly correlated with the quality of life

index So, entrepreneurs; obviously, are the reason

for economic development the contributions are very significant .

Now, elaborating slightly moving forward. When we talk of contribution one thing is

in the generate employment and if we look at the company as an individual entity, perhaps

the impression might be there is not not much, but then if you look at the larger picture,

it will be highly visible that they actually contribute greater than what meets the I I

will elaborate that with that is next slide example.

Suppose one starts a very small rice mill in a remote rural village, where there is

no industry or any only opportunity except agriculture . So, this unit will require transporter,

it will require some daily labour, some slightly educated people for accounting or managing

office, they need supplies and gradually these people will become consumer. So, they would

like to buy more. So, maybe some someone will start a grocery shop, maybe a health center

will come up and maybe some people will think of buying a rickshaw and plying between the

village and the nearest city. So, gradually gradually value is being created. So, a school

may come up and then these employees may think of sending their kids to the school because

they get aregular monthly salary. So, the entire economic ecosystem of the village improves

just by setting up one rice mill one small rice mill.

Now, you can extrapolate if someone sets up other people sets up more unit what are the

benefits that are going to accrue and what change entrepreneurs can bring. This slide

of course, is a repetition of whatever I said so, far so, I will skip for the timing.

Time is very short . Now, entrepreneurs bring new technology from

abroad and then the change the technological landscape of the of the country . So, eventually

technology gets diffused and the whole technological landscape improves. They bring foreign exchange

because the export, bring foreign exchange, the rupee the local currency appreciates and

that improves the purchasing power of the population it eventually improves the quality

of life of the citizens. Take the example of Reliance industry a single

company that is giving 5 percent of the direct taxes. Reliance Jio a recent study in 2018

by Harvard businesses school center of Harvard businesses school says that, reliance Jio

alone is going to increase the GDP by 5.65 percent. So, even if there are more number

of companies what impact they can do to our economy .

Moving forward we have corporate entrepreneurship or intrapreneurship, this is very important

in today's world its a new phenomena, but we need to discuss this quite thoroughly . So,

there are large number of slides actually employees I will I will define from the slide

itself employees within the organization are encouraged to behave as entrepreneur. To be

creative in a proactive manner, they can embrace calculated risk to achieve higher goals in

pursuing disruptive innovation within the large mission of the organization, using resources,

capabilities and security of the company to draw upon. This is a phenomenon that is known

as corporate entrepreneurship it is an entrepreneurship within an enterprise

So, some people who feel they are creative who feel they can think proactively meaning

they can see the future and then develop product to mix with the future needs and they embrace

calculated, their own they are not afraid of doing something new. They take resources

from the company or the company encourages them to use the resources of the company and

develop new products so, that company is ahead of competition, this is called corporate entrepreneurship.

There are many definition I will skip them for the time being because time is short.

So, you can read them pausing the slide importantly why corporate entrepreneurship .

Generally speaking people are creative only when the atmosphere or the environment is

open only when they are not under duress to do something.

So, in a corporate atmosphere in a research and developmentcontext, people are not innovative.

They will become innovative when we offer them a open kind of atmosphere a separate

space for them, and allowed them to think; think independently without any duress perhaps

people will be more innovative. So, that is reason number 1 as to why corporate entrepreneurship

both from the companys point of view and from the point of view of the employees.

Creative persons are restless they feel suffocated if they cannot put their creative action.

Creativity into action meaning if someone is creative he or she would like to execute;

that means, they comes up with a lot of ideas they they bubble with ideas and then they

want to put that ideas into action if they do not if they are not capable of bring that

they feel depressed or they do some something untoward . So, corporate entrepreneurship

actually offer them this opportunity, they offer them separate space they offer them

all the resources at their disposal and then they startexploiting their creative talent.

Another problem that is solved through corporate entrepreneurship is that, you recruit talented

people, but then you are not capable of giving them enough food for thought. So, there will

be high attrition rate because they will not remain with you its a double trouble whereas,

you give them everything they become creative you your company remains innovative and your

business become profitable on a sustainable basis. So, its a win win for everybody.

What to expect as an employee from corporate entrepreneurship? Its almost everything I

have already discussed we will skip we will not discuss elaborate on them . So, its full

empowerment to act like an entrepreneur, without major part of the risk because the risk is

taken by the company. If if the employee fails to deliver , but they can they can show reason

as to why the fail means there is no no laxity on their part, they will not be punished neither

they lose money. So, there is every every reason for them,

they they reap the benefit because if they come up with something new, the company is

going to handsomely revert them or they can even start their own company, if they find

that the it is not aligned with the companysmain mission. So, everything is possible we will

escape that slide for the timing . What to expect as a company this also has

been elaborated, I will not elaborate them again. Most importantly their product development

process gets accelerated. So, the new products can be introduced very quickly even before

your competitors are going to preempt you, you can preamp the competition. So, you remain

competitive in the marketplace and you amp achieve sustainable growth.

I will skip this slide also. What it takes to pursue entrepreneurship corporate

entrepreneurship? Suppose you are an employee what you need to possess to become a suitable

for corporate entrepreneurship, you need to be creative, you need to be self motivated

no one is going to motivate you to become creative, and you need to be action oriented

in a to take action to achieve and self driven whatever is necessary you have to do that.

And to be proactive you cannot wait and see what is happening in the world and then you

know react to that, you have to be proactive be futuristic. Think independently and be

flexible about your approach, about about future, about the method that you adopt then

you you have to be willing to accept failure that should be an option if you fail and become

depressed then then nobody can help. So, you have to fail, you have to accept failure and

fight back relentlessly so, that eventually you become successful.

There are many examples of corporate entrepreneurship, you should read them from here I will not

repeat them. Mahindra Mahindra has initiated something

in India also . There are some examples about big companies

adopting corporate entrepreneurship. So,you can read them from different other sources

other than the slide Now, briefly we will be discussing about innovation

and entrepreneurship, maybe moving forward I will have a separate slide on innovation

or how to innovate and how innovation drives success of entrepreneurship. Today we are

just going to talk about innovation and entrepreneurship .

Joseph Schumpeter was the first to connect innovation with entrepreneurship and he famously

said that entrepreneurship with innovation ok is is relevant developing new product,

new production methods, new market, new forms of organization use resources. You know in

a innovative manner to translate them into valuable products just to maximize value to

consumer, generating superior returns and resulting in creation of wealth for the nation,

nation as one . Entrepreneurs use innovation for all of these.

Schumpeter actually coined the term creative destruction. He is kind of a oxymoron, but

that is what it is and today we actually actually understand the meaning and people adopt that,

you have to disrupt the the existing market existing technology, existing desktop people

perhaps, to a next extreme extent and to make successful ventures. So, that is howyou disrupt

through innovation. So, that is what is creative destruction .

So, entrepreneurs as per Schumpeter entrepreneurs greatly value self reliance they strive for

distinction through excellence, they are highly optimistic, they always favours challenges

and take calculated risk this is how it has been defined there in business dictionary.

One single data actually explains, how innovation disrupting the marketplace. From 1955 to 2014,

then in the 60 years 88 percent of the fortune 500 companies became nonexistent meaning they

do not they no longer feature in the list of fortune 500 companies, which used to be

featuring earlier either they have become bankrupt or they have become insignificant

or maybe masked with some other company. So, a fortune 588 percent of the fortune 500 companies

which were so, large too large to die, but they are nonexistent because new innovation

from new entrepreneurial venture disrupted the marketplace and then they could not sustain

they could not cope up with the newparadigm. This is just an example and a wonderful explanation

about innovation, disruption and sustainability of company. Any employee joining Facebook

will be given a little red book called facebooks little red book that famously says if you

do not create the thing that can kill Facebook someone else will meaning unless Facebook

company or employees of the Facebook create something that can potentially moving forward

can kill Facebook someone else will create the same thing ahead of Facebook Facebook

employees and then they will kill Facebook. So, that perhaps in a nutshell conveys the

meaning of or the importance of innovation in disrupting marketplace disrupting companies

and creating sustainabilitys . These are some of the references.

In conclusion entrepreneurship creates value for the society at large, all businesses can

innovate can take calculated risk to remain ahead of competition and can be called entrepreneurial.

Whatever one does and wherever one works there is a scope to use entrepreneurial quality.

Unit II

Entrepreneurship: Starting a Business

**Learning Objectives**

1) Define entrepreneur and describe the three characteristics of entrepreneurial activity.

2) Identify five potential advantages to starting your own business

3) Define a small business and explain the importance of small businesses to the U.S. economy.

4) Explain why small businesses tend to foster innovation more effectively than large ones.

5) Describe the goods-producing and service-producing sectors of an economy.

6) Explain what it takes to start a business and evaluate the advantages and disadvantages starting a business from scratch, buying an existing business, or obtaining a franchise.

7) Explain why some businesses fail.

8) Identify sources of small business assistance from the Small Business Administration.

The Nature of Entrepreneurship

If we look a little more closely at the definition of **entrepreneurship**, we can identify three characteristics of entrepreneurial activity:3

1) **Innovation**. Entrepreneurship generally means offering a new product, applying a new technique or technology, opening a new market, or developing a new form of organization for the purpose of producing or enhancing a product.

2) **Running a business**. A business, as we saw in Chapter 1 "The Foundations of Business," combines resources to produce goods or services. Entrepreneurship means setting up a business to make a profit.

3) **Risk taking**. The term risk means that the outcome of the entrepreneurial venture can’t be known. Entrepreneurs, therefore, are always working under a certain degree of uncertainty, and they can’t know the outcomes of many of the decisions that they have to make. Consequently, many of the steps they take are motivated mainly by their confidence in the innovation and in their understanding of the business environment in which they’re operating.

It is easy to recognize these characteristics in the entrepreneurial experience of the Jurmains. They certainly had an innovative idea. But was it a good business idea? In a practical sense, a “good” business idea has to become something more than just an idea. If, like the Jurmains, you’re interested in generating income from your idea, you’ll probably need to turn it into a **product**—something that you can market because it satisfies a need. If you want to develop a product, you’ll need some kind of organization to coordinate the resources necessary to make it a reality (in other words, a business). Risk enters the equation when you make the decision to start up a business and when you commit yourself to managing it.

So what about you? Do you ever wonder what it would be like to start your own business? You might even turn into a “serial entrepreneur” like Marcia Kilgore.4 After high school, she moved from Canada to New York City to attend Columbia University. But when her financial aid was delayed, Marcia abandoned her plans to attend college and took a job as a personal trainer (a natural occupation for a former bodybuilder and middleweight title holder). But things got boring in the summer when her wealthy clients left the city for the Hamptons. To keep busy, she took a skin care course at a Manhattan cosmetology institute. As a teenager, she was self-conscious about her complexion and wanted to know how to treat it herself. She learned how to give facials and work with natural remedies. She started giving facials to her fitness clients who were thrilled with the results. As demand for her services exploded, she started her first business—Bliss Spa—and picked up celebrity clients, including Madonna, Oprah Winfrey, and Jennifer Lopez. The business went international, and she sold it for more than $30 million.5

But the story doesn’t end here; she launched two more companies: Soap and Glory, a supplier of affordable beauty products sold at Target, and FitFlops, which sells sandals that tone and tighten your leg muscles as you walk. Oprah loves Kilgore’s sandals and plugged them on her show.6 You can’t get a better endorsement than that. Kilgore never did finish college, but when asked if she would follow the same path again, she said, “If I had to decide what to do all over again, I would make the same choices…I found by accident what I'm good at, and I'm glad I did.”

So, a few questions to consider if you want to go into business for yourself:

 How do I come up with a business idea?

 Should I build a business from scratch, buy an existing business, or invest in a franchise?

 What steps are involved in developing a business plan?

 Where could I find help in getting my business started?

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 How can I increase the likelihood that I’ll succeed?

In this chapter, we’ll provide some answers to questions like these.

*Why Start Your Own Business?*

What sort of characteristics distinguishes those who start businesses from those who don’t? Or, more to the point, why do some people actually follow through on the desire to start up their own businesses? The most common reasons for starting a business are the following:

 To be your own boss

 To accommodate a desired lifestyle

 To achieve financial independence

 To enjoy creative freedom

 To use your skills and knowledge

The **Small Business Administration** (SBA) points out, though, that these are likely to be advantages only “for the right person.” How do you know if you’re one of the “right people”? The SBA suggests that you assess your strengths and weaknesses by asking yourself a few relevant questions:7

 Am I a self-starter? You’ll need to develop and follow through on your ideas.

 How well do I get along with different personalities? Strong working relationships with a variety of people are crucial.

 How good am I at making decisions? Especially under pressure…..

 Do I have the physical and emotional stamina? Expect six or seven work days of about twelve hours every week.

 How well do I plan and organize? Poor planning is the culprit in most business failures.

 How will my business affect my family? Family members need to know what to expect: long hours and, at least initially, a more modest standard of living.

Before we discuss why businesses fail we should consider why a huge number of business ideas never even make it to the grand opening. One business analyst cites four reservations (or fears) that prevent people from starting businesses:8 **138** Download this book for free at: Chapter 6 http://hdl.handle.net/10919/70961

 **Money**. Without cash, you can’t get very far. What to do: line up initial financing early or at least have done enough research to have a plan to raise money.

 **Security**. A lot of people don’t want to sacrifice the steady income that comes with the nine-to-five job. What to do: don’t give up your day job. Run the business part-time or connect with someone to help run your business – a “co-founder”.

 **Competition**. A lot of people don’t know how to distinguish their business ideas from similar ideas. What to do: figure out how to do something cheaper, faster, or better.

 **Lack of ideas**. Some people simply don’t know what sort of business they want to get into. What to do: find out what trends are successful. Turn a hobby into a business. Think about a franchise. Find a solution to something that annoys you – entrepreneurs call this a “pain point” - and try to turn it into a business.

If you’re still interested in going into business for yourself, try to regard such drawbacks as mere obstacles to be overcome by a combination of planning and creative thinking.

*Sources of Early-Stage Financing*

As noted above, many businesses fail, or never get started, due to a lack of funds. But where can an entrepreneur raise money to start a business? Many first-time entrepreneurs are financed by friends and family, at least in the very early stages. Others may borrow through their personal credit cards, though quite often, high interest rates make this approach unattractive or too expensive for the new business to afford.

An entrepreneur with a great idea may win funding through a pitch competition; localities and state agencies understand that economic growth depends on successful new businesses, and so they will often conduct such competitions in the hopes of attracting them.

**Crowd funding** has become more common as a means of raising capital. An entrepreneur using this approach would typically utilize a crowd-funding platform like Kickstarter to attract investors. The entrepreneur might offer tokens of appreciation in exchange for funds, or perhaps might offer an ownership stake for a substantial enough investment.

Some entrepreneurs receive funding from **angel investors**, affluent investors who provide capital to start-ups in exchange for an ownership position in the company. Angels are successful entrepreneurs themselves and invest not only to make money, but also to help other aspiring business owners to succeed.

**Venture capital** firms also invest in start-up companies, although usually at a somewhat later stage and in larger dollar amounts than would be typical of angel investors. Like angels, venture firms also take an ownership position in the company. They tend to have a higher expectation of making a return on their money than do angel investors.

*Distinguishing Entrepreneurs from Small Business Owners*

Though most entrepreneurial ventures begin as small businesses, not all small business owners are entrepreneurs. **Entrepreneurs** are innovators who start companies to create new or improved products. They strive to meet a need that’s not being met, and their goal is to grow the business and eventually expand into other markets.

In contrast, many people either start or buy small businesses for the sole purpose of providing an income for themselves and their families. They do not intend to be particularly innovative, nor do they plan to expand significantly. This desire to operate is what’s sometimes called a “lifestyle business.”9 The neighborhood pizza parlor or beauty shop, the self-employed consultant who works out of the home, and even a local printing company—many of these are typically lifestyle businesses. The Importance of Small Business to the U.S. Economy

*What Is a “Small Business”?*

To assess the value of small businesses to the U.S. economy, we first need to know what constitutes a small business. Let’s start by looking at the criteria used by the Small Business Administration. According to the SBA, a **small business** is one that is independently owned and operated, exerts little influence in its industry, and (with a few exceptions) has fewer than five hundred employees.10

*Why Are Small Businesses Important?*

Small business constitutes a major force in the U.S. economy. There are more than 28 million small businesses in this country, and they generate about 54 percent of sales and 55 percent of jobs in the U.S.11 The millions of individuals who have started businesses in the United States have shaped the business world as we know it today. Some small business founders like Henry Ford and Thomas Edison have even gained places in history. Others, including Bill Gates (Microsoft), Sam Walton (Wal-Mart), Steve Jobs (Apple Computer), and Larry Page and Sergey Brin (Google), have changed the way business is done today.

Aside from contributions to our general economic well-being, founders of small businesses also contribute to growth and vitality in specific areas of economic and socioeconomic development. In particular, small businesses do the following:

 **Create jobs**

 Spark **innovation**

 Provide **opportunities** for many people, including women and minorities, to achieve financial success and independence

In addition, they complement the economic activity of large organizations by providing them with components, services, and distribution of their products. Let’s take a closer look at each of these contributions. Chapter 6 Download this book for free at: 141 http://hdl.handle.net/10919/70961

*Job Creation*

The majority of U.S. workers first entered the business world working for small businesses. Although the split between those working in small companies and those working in big companies is about even, small firms hire more frequently and fire more frequently than do big companies.12 Why is this true? At any given point in time, lots of small companies are started and some expand. These small companies need workers and so hiring takes place. But the survival and expansion rates for small firms is poor, and so, again at any given point in time, many small businesses close or contract and workers lose their jobs. Fortunately, over time more jobs are added by small firms than are taken away, which results in a net increase in the number of workers, as seen in Figure 6.2.

|  |  |  |  |
| --- | --- | --- | --- |
| *Figure 6.2: Small Business Job Gains and Losses, 2000-2015 (in millions of jobs)* **New business openings (closings)** | **Business expansions (contractions)** | | **Total** |
| 34.3 | | 237.5 | |
| (33.1) | | (233.9) | |
| +1.2 | +3.6 | | +4.8 |

**Unit III Financing Entrepreneurship**

*Money is like gasoline during a road trip. You don’t want to run out of gas on your trip, but you’re not doing a tour of gas stations. – Tim O’Reilly, founder and CEO of O’Reilly Media*

*Chase the vision, not the money; the money will end up following you. – Tony Hsieh, CEO of Zappos*

**Learning Objectives**

After completing this chapter you will be able to

* Describe the financing considerations for entrepreneurs
* Describe the advantages and disadvantages of debt financing and of equity financing
* List and describe the forms of financing appropriate for the different phases of business development

**Overview**

Securing needed financing is one of the most important functions related to starting a business. It is important, then, to understand what sources of financing exist at various stages of venture development. It is also important to determine what kinds of financing provide the most value for the entrepreneur and the new venture. Debt and equity financing decisions must be considered in relation to the cost of the financing and the amount of control that the owner is willing to sacrifice to get the needed resources.

**Financing**

*Starting Capital*

Entrepreneurs almost always require starting capital to move their ideas forward to the point where they can start their ventures. Determining the amount of money that is actually needed is tricky because that requirement can change as plans evolve. Other challenges include actually securing the amount desired and getting it when it is needed. If an entrepreneur is unable to secure the required amount or cannot get the funding when needed, they must develop new plans.

Once a venture begins to make cash sales or it starts to receive the money earned through credit sales, it can use those resources to fund some of its activities. Until then, it must get the money it needs through other sources.

*Bootstrap financing* is when entrepreneurs use their ingenuity to make their existing resources, including money and time, stretch as far as possible—usually out of necessity until they can transform their venture into one that outside investors will find appealing enough to invest in.

Personal Money

Entrepreneurs will almost always have to invest their own personal money into their start-up before others will give them any financial help. Sometimes entrepreneurs form businesses as partnerships or as multi-owner corporations with other individual entrepreneurs who also contribute their own personal funds to the venture.

Love Money

*Love money* refers to money provided by friends and family who want to support an entrepreneur, often when they have no other ready source of funding after using as much of their own personal money as possible to support their start-up.

Grants and Start-up Prize Money

In some cases, grants that do not need to be repaid might be provided by government or other agencies to support new venture start-ups. Sometimes entrepreneurs can enter business planning or similar competitions in which they might win money and other benefits, like free office or retail space, or free legal or accounting services for a set period of time.

*Debt Financing*

From an entrepreneur’s perspective, the cost of debt financing is the interest that they pay for the use of the money that they borrow. From an investor’s perspective, their reward, or return on debt financing, is the interest that they gain in addition to the return of the money that they lent to an entrepreneur or other borrower.

To provide some protection for the investor (lender) to enable them to accept an interest rate that is also acceptable for the entrepreneur (borrower), the borrower must often pledge collateral so that if they do not pay back the loan along with interest as arranged, the lender has a way to get all or some of the money they are owed. If a borrower defaults on a loan, the lender can become the owner of the property pledged as collateral. A key objective for an entrepreneur seeking debt financing is to provide sufficient collateral to get the loan, but not pledge so much that they put essential property at risk.

When entrepreneurs borrow money, they must pay it back subject to the terms of the loan. The loan terms include the specific interest rate that will be charged and the time period within which the loan needs to be repaid. Several other terms or features of the loan that can be negotiated between lender and borrowers. One such feature is whether the loan can be converted to equity at a particular point in time and according to certain criteria and subject to specific terms.

Sometimes debt financing can be in the form of trade credit, where a supplier provides product to a business but does not require payment for a specific length of time, or perhaps even until the business has sold the product to a customer. Another form of debt financing is customer advances. This might involve a customer paying in advance for a product or service so that the businesses has those funds available to use to pay its suppliers.

Advantages of Debt Financing

One advantage of debt financing is that the entrepreneur is not sacrificing ownership and some control of their venture when they take out a loan.

Another advantage of debt financing is the certainty of the payments the borrower needs to make during the term of the loan. If the borrower takes out a loan for $20,000 over a five-year term at a fixed interest rate of 6.2% with a monthly payment schedule designed to pay off the entire loan by the end of its five-year term, they know that each month they must pay $389 and that over the five years they will have paid back the entire $20,000 loan amount plus a total of $3,340 in interest. With this certainty, the business can accurately budget its payback amount for this loan over the five years.

Yet another advantage of debt financing is that it allows companies to *trade on equity*. Trading on equity enhances the rate of return on common shareholders’ equity by using debt to financing asset purchases or to take other measures that are expected to cost less than the earnings generated by the action taken. For example, if a company borrows $20,000 at 6.2% interest and uses that money to purchase a machine it will use to increase its return on equity by 20%, then it is trading on equity. In this case, the company is financially better off than it would have been if it had not taken out the loan. Of course, the inherent risk involved with this strategy is lowered when income streams are relatively stable.

Disadvantages of Debt Financing

A disadvantage of borrowing money is the need to report to those from whom you borrowed the money. This might be particularly true when lenders, often bankers, have interests or incentives—mainly getting their money back plus at all of the interest owed to them during the loan term through regular monthly blended loan payments—that might not fully align with the interests and incentives of the borrower, which might include being able to pay the money back when they are best able to do so without also impacting other parts of their business, like the need to pay their employees or their facility lease payment at the end of a month when an expected customer payment did not arrive as planned.

Another disadvantage of borrowing is that the business’s ownership of the property it pledged as collateral for the loan is placed at risk. For many new ventures, a loan is only possible to acquire if the owner provides their *personal guarantee* that the money will be paid back as determined in the loan agreement, thus putting personal property at risk.

*Equity financing*

From an entrepreneur’s perspective, the cost of equity financing is the loss of some control over their venture as they must now share ownership of the business. From an investor’s perspective, their reward in exchange for purchasing an ownership interest in the business is the potential to share in the business’s anticipated future success by possibly receiving dividends (a portion of the profit that is distributed to owners) and by possibly being able to sell their ownership interest to another investor for more than the amount they purchased that ownership interest for originally.

The protection for the investor, who might be a shareholder if the ownership interest is represented in the form of shares in the business, is in the influence they can exert in the company’s decision-making processes. This influence is normally proportionate to their share of the ownership in the overall business. Equity investors normally seek to earn a competitive return on their investment that is in line with the level of risk they assume by investing in the business. The riskier the investment, the higher the return the investor expects.

Public Offering

Stock investors might invest in a *public offering* where the company’s shares are made available to the public—and by which the company becomes a *public company*. An *initial public offering* (IPO) is where a company’s stock (its shares) are sold to institutional investors who then resell them to the public, usually through a securities exchange like the Toronto Stock Exchange (TSX).

When an IPO occurs, a company goes through a legal process to sell shares in its company for the purpose of raising capital. This is called *going public*. An important part of going public is setting the initial price for the shares being offered for sale (the *offering price*). The amount that the company will raise is the price they sell the new stock at multiplied by the number of shares they sell less any fees and other expenses incurred to make the sale. If they set the initial selling price of the shares too high, they might not sell all of the shares and the company won’t raise as much capital as anticipated. If they happen to sell all of the overvalued shares, the share price will fall once it begins trading on the exchange. Setting the offering price too high indicates that the company and its agents helping it with its IPO, called *underwriters*, have valued the company higher than investors in the marketplace value it. If the company sets the offering price too low, it will raise the amount of money planned, but will find out too late that it could have raised much more capital by setting the offering price higher. In this case, the company and its underwriters have undervalued the company and the initial investors will make all of the gains that the company could have when they sell the shares on the exchange almost immediately after they purchased them for more money than they purchased them for.

Private Offering

Stock investors might also invest in a *private offering* (or *private placement*) where the shares are sold to a few investors rather than to the general public through an exchange. Institutional private placements involve selling the shares to institutional investors like insurance companies. Private offerings cost less and are subject to less stringent regulation than public offerings, mainly because it is expected that private investors will be more diligent on their own and require less regulatory protection than do public investors.

Venture Capital

*Venture capital* is raised when investors pool their money. The venture capital fund is then used to very carefully invest in existing but usually young companies that are expected to experience high growth. The venture capital company does not expect to invest for long and it expects to generate a large return. For example, it might expect to invest in an opportunity for a period of up to five years and then get out of the investment with five times the money it originally invested. Of course, only some investment opportunities will generate the returns hoped for and others will return far less than expected.

Venture capitalists might exert some ownership control by influencing some business decisions in cases where they believe that by doing so they can protect their investment or cause the investment to produce greater returns, but they generally prefer to invest in companies that are going to be well-run and will not require them to be involved in decisions. Venture capitalists might also provide some assistance, such as business advice, to the companies in which they invest.

A *venture round* refers to a phase of financing that institutional investors like venture capitalists provide to entrepreneurs. The first phase (sometimes following a *seed round* in which entrepreneurs themselves provide the start-up capital and then an *angel round* where angel investors invest in the company) is called *Series A*. Subsequent venture rounds are called *Series B*, *Series C*, and so on.

Angel Investors

*Angel investors* are wealthy individuals who on their own, or often along with other angel investors in a network—like the Saskatchewan Capital Network—invest in new ventures in exchange for an ownership interest in the business. Sometimes angels invest in companies in exchange for convertible debt, an investment that starts off as a loan, usually in the form of a bond, that they can exercise an option to convert to an equity interest in the company at a particular point in time for a pre-determined number of shares. Angel investors are generally less restricted in what kinds of investments they will consider as opposed to venture capitalists, who are using other people’s pooled money. Like venture capitalists, however, they normally undertake a rigorous *due diligence* process to determine whether to invest in the opportunities they are considering.

Equity Crowd Funding

Equity crowd funding is a relatively new way for entrepreneurs to raise capital. It involves using online methods to promote equity interests in ventures to potential investors.

Due Diligence

Investors follow due diligence processes to assess the risk and potential return associated with the investments they are considering. As such, entrepreneurs should maintain a due diligence file or binder that they can quickly draw upon when a desirable potential investor expresses an interest in their venture.

A due diligence file or binder will include copies of many of the legal papers and other important documents that a venture has accumulated that tell the story of the enterprise. These documents will include those related to incorporation, securities it has issued or is in the process of issuing, loans, important contracts, intellectual property documents, tax information, financial statements, and other important documentation.

Advantages of Equity Financing

One important benefit to equity financing is that it does not normally require a regular payback from cash flow. Unlike with debt financing, equity investments do not usually give rise to a regular encumbrance that can increase the difficulty a young company might have in meeting its regular monthly expenses.

Second, when a firm uses equity financing, it does not need to pledge collateral, which means that the company’s assets are not placed at risk.

A potential advantage with equity financing is that, depending upon the form of financing and who the investors are, a firm might gain valued advisers. In addition, investors who exercise their ownership rights to have a say in the operations of the company, or who otherwise provide advise and mentorship to entrepreneurs starting ventures, are usually highly motivated to help the company succeed. Investors expect to benefit only when the companies they invest in succeed, meaning that their financing incentives are aligned with those of the entrepreneur and other owners.

Disadvantages of Equity Financing

Equity financing is often more difficult to raise than debt financing. Second, when they share ownership in exchange for investment into their business, entrepreneurs give up a portion of the value that they create. If things do not go as planned, entrepreneurs can lose control of their companies to their investors.

**Sources of Financing for Different Phases of Development**

Different financing sources are used at different phases of business development. The appropriate and available financing sources depend upon the risks and opportunities available to both the entrepreneur and to the investors.

*Idea Development Phase*

* Personal sources (savings and other income)
* Extended personal sources (family, friends, employees, partners)
* Angel investors (possibly)
  + also called informal investors
  + wealthy individuals interested in investing their own money in early-stage companies as convertible debt holders or equity investors
  + convertible debt (convertible bond, convertible note, convertible debenture) allows the bondholder to convert their debt into an equity interest at an agreed-upon price
  + can be a win-win arrangement
    - If the company is successful, investor has opportunity to participate as equity investor, but if company is only marginally successful, they get their money back with interest.
    - If entrepreneurs have difficulty borrowing money, they can add the convertible feature as a sweetener.
* Strategic partners
  + might include potential customers or potential suppliers who want to have access to a business like the one proposed (and therefore might fund part of its development)—i.e. a building owner (supplier) might help a business develop which will be a tenant
  + might include complementary businesses who feel helping the new business get started might help their own businesses—i.e. a hotel investing in a spa next door to their facility

*Start-Up Phase*

* Angel investors
* Strategic partners
* Customers (possibly)
  + They might place orders for services or products and pay for them up-front, thereby providing financing for the new business.
  + They might want your business to succeed so it can support their business. For example, a general contractor (future customer) might help a new plumber get started if there is now a shortage of plumbers affecting the building industry.
* Venture Capitalists (possibly)
  + These organizations acquire pools of money to invest, so they *differ from angel investors* in that those making the decisions are not investing their own money; this means they usually consider investment options which have shown some success already (which isn’t usually the case in the start-up phase).
* Asset-Based lenders
  + lend money secured by the assets of the borrower – i.e. plant and equipment
  + sometimes this can be done quite creatively – i.e. secure a loan with assets that will turn into money … like through accounts receivable or inventories, etc.
* Equipment Leasing Companies
* Suppliers

*Early Operations*

* Venture Capitalists (possibly)
* Asset-Based Lenders
* Equipment Leasing Companies
* Suppliers
* Small Business Investment Companies
  + U.S. term – developed to bridge the gap between when small businesses need money and the time later on when venture capitalists might provide financing to small businesses
  + SBICs are privately owned companies in the United States that are licensed by the Small Business Administration (U.S. Government) to supply equity capital, long-term loans, and management assistance to qualifying small businesses
  + Canadian equivalent = Community Futures Corporations
* Trade Credit
  + The supplier provides product now *on terms* so the retailer does not need to pay the supplier for perhaps 30 or 60 or 90 days
  + The retailer can then sell the product and collecting the money from the customer before the retailer needs to pay supplier for it the product.
* Factoring
  + when a business sells its accounts receivable (its invoices) to a third party (called a factor) at a discount in exchange for immediate money
  + differs from bank loan in three ways
    - The factor is interested in the value of the receivables; a bank is interested in the firm’s creditworthiness.
    - Factoring is not a loan; it is the purchase of a financial asset (the receivables).
    - A bank loan involves two parties (lender and borrower); factoring involves three (the business, the factor, and those who owe the money).

*Growth Phase*

* Venture Capitalists
* Asset-Based Lenders
* Equipment Leasing Companies
* Suppliers
* Small Business Investment Companies
* Trade Credit
* Factoring
* Mezzanine Lenders
  + used to fill the financing gap between relatively expensive equity financing and less expensive forms of financing like secured loans
  + structured either as an unsecured or subordinated debt instrument or as preferred stock
  + represents a claim on assets which is senior only to that of the common shares
  + mezzanine debt holders require a higher return than is the case with holders of secured debt (maybe close to 20% or more – because the risk is higher)
  + usually issued as private placements (i.e. fewer legal requirements than with public placements)
  + can be used by smaller companies
  + mezzanine lenders might have right to convert the debt instrument to an equity instrument
  + mezzanine lenders work with companies to ensure the high return they require doesn’t cripple the company, so they might take an equity interest or might defer loan payments until the end of loan term or until the company is sold

*Exit or Harvest Phase*

* Mezzanine Lenders
* Public Debt
* Initial Public Offerings (IPOs)
  + issuing common stock or shares to the public
  + used by companies seeking capital to expand (or by privately-owned companies wanting to become publicly traded)
  + a major challenge is to figure out how to value the shares offered so underwriting firms are often used to help deal with this challenge
    - if the price is set too high maybe all the shares will not be sold (and the desired amount of money will not be raised)
    - if the price is set too low the company might lose out on money it could have had (if all the shares sold had of been sold at a higher price)
  + money from initial sale of shares goes to the company, but after that the shares are traded between shareholders (the company doesn’t get any of this money)
  + the money never has to be repaid, but the owners of the shares have a right to any distributed profits (dividends declared) and to residual dissolution proceeds (what is left over after the debt holders and everyone else is paid off if the company assets are sold)
* Acquisition, Leveraged Buy-Outs (LBO), Management Buy-Outs (MBO)
  + LBOs are when the controlling interest in the company is purchased using mainly borrowed money (the assets of the company being purchased are often used as the loan collateral).
  + MBOs are often a form of LBOs where the purchasers are the current managers of the company.

7 sources of start-up financing

Share

Putting all your eggs in one basket is never a good business strategy. This is especially true when it comes to financing your new business. Not only will diversifying your sources of financing allow your start-up to better weather potential downturns, but it will also improve your chances of getting the appropriate financing to meet your specific needs.

Keep in mind that bankers don't see themselves as your sole source of funds. And showing that you've sought or used various financing alternatives demonstrates to lenders that you're a proactive entrepreneur.

Whether you opt for a bank loan, an angel investor, a government grant or a business incubator, each of these sources of financing has specific advantages and disadvantages as well as criteria they will use to evaluate your business.

Here's an overview of seven typical sources of financing for start-ups:

1. Personal investment

When starting a business, your first investor should be yourself—either with your own cash or with collateral on your assets. This proves to investors and bankers that you have a long-term commitment to your project and that you are ready to take risks.

2. Love money

This is money loaned by a spouse, parents, family or friends. Investors and bankers considers this as "patient capital", which is money that will be repaid later as your business profits increase.

When borrowing love money, you should be aware that:

Family and friends rarely have much capital

They may want to have equity in your business

A business relationship with family or friends should never be taken lightly

3. Venture capital

The first thing to keep in mind is that venture capital is not necessarily for all entrepreneurs. Right from the start, you should be aware that venture capitalists are looking for technology-driven businesses and companies with high-growth potential in sectors such as information technology, communications and biotechnology.

Venture capitalists take an equity position in the company to help it carry out a promising but higher risk project. This involves giving up some ownership or equity in your business to an external party. Venture capitalists also expect a healthy return on their investment, often generated when the business starts selling shares to the public. Be sure to look for investors who bring relevant experience and knowledge to your business.

BDC has a venture capital team that supports leading-edge companies strategically positioned in a promising market. Like most other venture capital companies, it gets involved in start-ups with high-growth potential, preferring to focus on major interventions when a company needs a large amount of financing to get established in its market.

4. Angels

Angels are generally wealthy individuals or retired company executives who invest directly in small firms owned by others. They are often leaders in their own field who not only contribute their experience and network of contacts but also their technical and/or management knowledge. Angels tend to finance the early stages of the business with investments in the order of $25,000 to $100,000. Institutional venture capitalists prefer larger investments, in the order of $1,000,000.

In exchange for risking their money, they reserve the right to supervise the company's management practices. In concrete terms, this often involves a seat on the board of directors and an assurance of transparency.

Angels tend to keep a low profile. To meet them, you have to contact specialized associations or search websites on angels. The National Angel Capital Organization (NACO) is an umbrella organization that helps build capacity for Canadian angel investors. You can check out their member’s directory for ideas about who to contact in your region.

5. Business incubators

Business incubators (or "accelerators") generally focus on the high-tech sector by providing support for new businesses in various stages of development. However, there are also local economic development incubators, which are focused on areas such as job creation, revitalization and hosting and sharing services.

Commonly, incubators will invite future businesses and other fledgling companies to share their premises, as well as their administrative, logistical and technical resources. For example, an incubator might share the use of its laboratories so that a new business can develop and test its products more cheaply before beginning production.

Generally, the incubation phase can last up to two years. Once the product is ready, the business usually leaves the incubator's premises to enter its industrial production phase and is on its own.

Businesses that receive this kind of support often operate within state-of-the-art sectors such as biotechnology, information technology, multimedia, or industrial technology.

MaRS – an innovation hub in Toronto – has a selective list of business incubators in Canada, plus links to other resources on its website.

6. Government grants and subsidies

Government agencies provide financing such as grants and subsidies that may be available to your business. The Canada Business Network website provides a comprehensive listing of various government programs at the federal and provincial level.

Entrepreneurship Development Programmes

ILD has been conducting Entrepreneurship Development Programme (EDP), of 4 weeks duration for the Unemployed youth with the aim of making them self reliant by way of starting their own business. Similarly, Technology based Entrepreneurship Development Programme (TEDPs) are also conducted by ILD which are of 6 weeks duration All these programmes are sponsored by Dept. of Science and Technology, Govt. of India, New Delhi DST-NIMAT (National Implementing and Monitoring Agency for Training) Entrepreneurship Development Institute of India (EDII), Ahmedabad.

List of Entrepreneurship Development Programmes (EDPs)/ Faculty Development Programmes (FDPs)/ Technology based Entrepreneurship Development Programmes (TEDPs)

| **S. No.** | **Programme Name** |
| --- | --- |
| 1. | Women Entrepreneurship Development Programme( EDP) at Jaisalmer |
| 2. | Women Entrepreneurship Development Programme (EDP) at Kota |
| 3. | Technology Based Entrepreneurship Development Programme (EDP) at Jaipur |
| 4. | Faculty Development Programme(FDP) at Ajmer |
| 5. | Faculty Development Programme(FDP) at Alwar |
| 6. | Women Entrepreneurship Development Programme (EDP) at Jaisalmer |
| 7. | Women Entrepreneurship Development Programme (EDP) at Udaipur |
| 8. | General Entrepreneurship Development Programme (EDP) at Banswara |
| 9. | General Entrepreneurship Development Programme ( EDP)at Alwar |
| 10. | General Entrepreneurship Development Programme (EDP) at Ajmer |

Unit IV

Top 10 Famous Women Entrepreneurs in India

n the past couple of decades, the status of women in Indian society has changed drastically. Today, Women have been playing a vital role in the growth of the Indian economy and have made a big impact and got success in almost every sector. Here I have listed the top 10 famous Women Entrepreneurs, who have done something different to boost the Indian economy and inspired other women.

#1 Vandana Luthra – The founder of VLCC

Vandana Luthra is an Indian businesswoman, philanthropy and chairperson of the beauty & Wellness sector skill council (B&WSSC). In 1989, she stared the company called VLCC as a beauty and slimming service centre. Later, she added more services such as hair build, full-body laser, grooming and Dermat services. In April 2013, she awarded with Padma Shree award by Indian President Pranab Mukherjee. Vandana Luthra has been running NGO called Khushii, which offers a scholarship for free education to those who are underprivileged and physically challenged.

#2 Kiran Mazumdar Shaw – The founder of Biocon Limited

Kiran Mazumdar Shaw is known as India’s wealthiest self-made women entrepreneur who found a biopharmaceutical firm in 1978. This firm has entered in US biosimilars market and is getting the attention of investors. As per Forbes, it is the first company to get approval from the USFDA. She has put big fortune to build deep R&D- Based biotech firm. In 2019 she held the title called Indian’s 54th richest person and world’s 65th powerful woman. As far as her qualification is concerned, she did a bachelor’s and master’s degree from Bangalore University and Melbourne University respectively.

#3 Priya Paul– The chairperson of Park Hotel

Priya Paul is an Indian woman Entrepreneur who is chairperson of Apeejay Surrendra park hotels. After finishing her studies from Wellesley College (US), she started working under her father as a marketing manager. At age 51, she is considered one of the most influential women. According to Wikipedia, in 2012, Paul revised India’s most honorable award called Padma Shree Award by Pratibha Shing Patil (Former Indian president).

#4 Ritu Kumar – The Fashion designer

Ritu Kumar is an Indian fashion designer who began her Fashion career in Kolkata. Initially, she was making bridal wear and evening clothes. After decades, she entered an international market. She has been operating her business in several different forging cities France and New York. In 2013, She awarded Padma Shree by the government of India. About her education, she completed schooling at Loreto Convent and have done college from lady Irwin College. Later she got a scholarship at Briarcliff College in New York, where she pursued Art History.

#5 Suchi Mukherjee – Founder & CEO of Limeroad

In 2012, Suchi Mukherjee created online clothing and lifestyle accessories marketplace and named Limeroad. Today this company is known as Indian’s most stylish online shopping website for men and women. She graduated in economics and went to economic school in London, to pursue a master’s finance degree. If we talk about his achievement, she received many awards like Coolest Start-up of the year (from Business Today), Infocom woman of the year- Digital Business, and Unicorn Start-up Award (NDTV). Read the success story of Suchi Mukherjee Here:- https://theceostory.in/blog/success-story-of-suchi-mukherjee-founder-of-limeroad/

#6 Indra Nooyi – The board member of Amazon

Indra Nooyi is a former CEO of PepsiCo who has joined Amazon’s board of directors. After completing a master’s degree from Yale School of Management, she worked as a product manager at Johnson & Johnson. Later she joined the Boston Consulting Group as a strategy consultant. In 1994, she started working at PepsiCo, later she led the company as CEO from 2006 to 2018. In Feb 2019, she elected a member of Amazon’s board of directors. In 2017, She held title world’s 11th powerful woman as per Forbes. Read the success story of Indra Nooyi Here:- https://theceostory.in/success-story/indra-krishnamurthy-nooyi-life-story/

#7 Aditi Gupta – The Co-founder of Menstrupedia

Aditi Gupta is an author and co-founder of the Menstrupedia. Aditi and her husband created a comic book to illustrate and educate girls about menstruation. Later, they created a website called menstrupedia.com. In 2014, Menstrupedia became a partner with Whisper India for their school contact program and presented “Touch the Pickle”, this movement occurred in four different cities. In 2014, she launched a comic book and got pretty much success, the book has been translated into Spanish and Nepali. Menstrupedia comics are used by schools like Bright English School Ahmedabad, Ecole Mondiale World School, GlS Primary school, and many others.

#8 Falguni Nayar – The Founder of Nykaa

After working 20 years as an investment banker with Kotak Mahindra, she left the job to pursue her own dream. In 2012, she stared company Nykaa, which sells online cosmetic and wellness products. Today, the company has become so famous among Indian women. The company offers more than 850 brands and has introduced 35 physical stores. In 2017, she got the title of “Most powerful business “by Business Today. She also received the “woman Ahead” award at the Economic Times. Since 2014, The company has been a partner with Femina.

#9 Vani Kola – Founder, Kalaari Capital

Vani Kola is a venture capitalist and founder & managing director of Kalaari Capital. She has done her master of science degree from Arizona State University. During her 22 years in Silicon Valley, she founded two company Rightwrok and Certus software. In 2006, she returned to India. In India, she started her career as a Venture capitalist, she did a partnership with NEA (New Enterprise Associates). In Sep 2012, Kalaari Capital stared operation with a 150-million-dollar fund. In 2018, She won the TiE Delhi-NCR 5th Edition of women Entrepreneurship Summit Award. She also got NDTV Women of Worth award for entrepreneurship.

#10 Radhika Ghai Aggarwal – Co-Founder & CMO, Shopclues.com

Equipped with more than 15 years of marketing experience in several industries such as Fashion & lifestyle, advertising & public relations, and others. She became Co-founder of Shopclues.com. In 2011, the company was founded in Silicon Valley. Today, this e-commerce business has become India’s largest fully managed marketplace and has over 7 million visitors each month. The company serves more than 9 thousand cities. She has done MBA from Washington University. Her achievement makes her innovative tech women entrepreneurs in India.

Unit – V

Laws for startup entrepreneurship

Startup in India is like the face of a new innovative idea under practical application and expression of an idea that is implemented to be worked on. A startup is an entrepreneurial business which is eager to catch the market pace and walk with matching the footsteps for other business to exist in the market for a long time and secure a position.  
A startup can be in the form of partnership, sole proprietorship, etc. Though a startup venture does not fall into proper corporate culture in starting, it does have the legal responsibilities to be fulfilled while starting and engaging in the business for growth and proper legal advancements. An entrepreneur faces and tries to solve a lot of problems in business but he/she should not forget the eyes of laws on all decisions.  
There are basic legal responsibilities and acts which are divided into 8 legal points for every business efficient working.  
  
1) Business Structure Formalization

There is a need for understanding and applying proper business structure because of the different business structure have different business applications while carrying out the business. There are different forms of business structure such as a proprietorship, partnership, limited liability partnership, and private limited company.  
There are different basic legal details such as registration, legal status, taxation, member liability, number of members allowed, etc. Example:- legal status explains that the proprietorship and partnership do not have different legal entities and liability is on the promoter himself and in limited liability partnership, a private limited company separate legal entity is recognized and the promoters are not responsible personally for the liabilities.  
  
2) Licensing Business

Every business needs licenses according to the type of business carried out. Before launching a startup the appropriate licensing issuing process must start to stay away from the legal battles at the inception. All the licenses vary from business to business. For example:- if an e-commerce company has to be started than VAT tax, service tax, registration, and professional taxes would be applied. The common licensing applied for most of the business under the law is the shop and establishment act, 1953.  
  
3) Taxation And Accounting Laws

The government scheme of startup India launched provided many tax exemptions for startups. Different business needs different tax policy to be applied according to the tax and business structure applied. For tax exemptions in a startup, the first 7 years' lifespan has can be availed for tax benefits. The organization must be registered as the limited liability partnership, company. The total turnover for the starting years must not be more than 25 crores annually.  
Every firm or business needs to maintain proper accounts and tax audits to adhere to the taxation rules applied and adhered to in the country.  
4) Labour Laws

As every business firm has employees or labour which helps in proper and efficient functioning daily. Many laws related to labours like minimum wages act, gratuity, Provident funds payment, paid holidays to workers, maternity benefits, harassment at workplace, payment of bonus, etc.  
Even the government has provided an exemption from labour inspection for a startup if they apply all the major 9 labour laws of the country regularly for worker's benefit:

* The Industrial Disputes Act, 1947
* The Trade Unit Act, 1926
* The Inter-State Migrant Workmen (Regulation of Employment and Service) Act, 1979
* The Payment of Gratuity Act, 1972
* The Employeesâ€™ Provident Funds and Miscellaneous Provisions Act, 1952
* The Employeesâ€™ State Insurance Act, 1948.
* Building and Other Constructions Workersâ€™ (Regulation of Employment and Conditions of Service) Act, 1996
* The Industrial Employment (Standing Orders) Act, 1946
* The Contract Labour (Regulation and Abolition) Act, 1970

Proper employee's and worker's policies may help in increasing the morale and efficiency in the working of the workers.  
5) Intellectual Property Rights Protection

Startups many times come up with unique unusual ideas that can be protected in this world using certain laws. Our innovative product, improved process or procedure of making something in a better way can be counted as our innovative property rights.  
The startup scheme for intellectual property rights is related to the startup India program. This scheme would make sure the protection and commercialization of intellectual property and manage the trademark, copyright, and designs involved in the business startup. Under these regulations for new startups, the government has reduced the patent fees by 80% The panel would also have the duty to inform people in the market about the procedure of filing for patents or any other intellectualproperty.  
6) Foreign Investments

For encouraging foreign investment in the startup there are regulations for foreign venture capital investors (FVCI). Schedule 6 of the foreign exchange management act (FEMA), 2000, and the third amendment in this same act in 2016 has used for regulating investments.  
Any investor from abroad may contribute to the 100% of the capital of the Indian startup engaged in any activity or business under Schedule 6 of Notification No. FEMA. The equity or debt instruments can be issued instead of foreign remittance in a firm.  
7) Business Contract Management

The proper legal contract is judged under the Indian contract act, 1872. For making a valid contract the conditions in Section 10 of the Contract Act must be fulfilled. The first contract in business is the employment contract which should be effectively made. The salary, stock options, scope of work, etc should be discussed properly.  
The non-disclosure agreements would also prove beneficial for the startup as for setting up the startup host has to share ideas about the working to investors, suppliers, customers and from this, there is a huge possibility of misuse of ideas. So the nondisclosure contracts help in preventing the information from getting spread.  
8) Winding Up Of Business

When a business has started the laws must be known about the windup because no one knows when the worst would come. The winding-up process is a systematic process with 3 modes of winding-up which are fast track exit, court or tribunal route, and voluntary closure.  
In the fast track exit, the company should not have any assets liabilities left and no past business must be entertained in the process of winding up and the companyâ€™s name can be removed afterward from the registrar of companies (ROC).  
In the voluntary closure, all the accounts must be settled by the company that is the shareholders and the creditors must be on the same line.  
In the court or tribunal closure, the prolonged court proceedings are involved and are a hectic procedure with the stakeholders.  
The Insolvency and Bankruptcy Bill, 2015 is also used for easy and efficient business windup. The Ministry of Corporate Affairs has notified sections 55 to 58 of the Insolvency and Bankruptcy Code, 2016, to efficiently monitor the insolvency resolution process and the fast track process requires a startup as per government policy.  
Hence, these are the basic legal steps for a framework of the startup to be formed. The legal knowledge helps to be aware of the process for setting up and availing the benefits provided by the government under different schemes for efficient working and establishing a startup.

What Is Strategic Perspective?

A perspective is a way of viewing things, and every business should use multiple perspectives to form a holistic vision of the company. The strategic perspective is especially important as it develops the competitive mindset. With the strategic perspective, you can develop a range of approaches to common business obstacles, such as market penetration and brand recognition.

## Developing a Strategic Perspective

Creating the strategic perspective is not necessarily easy. In business, most employees and owners are flooded with daily tasks and responsibilities that are essential to operations. While working through daily processes, it becomes easy to miss the big picture.

Developing the strategic perspective requires stepping back and considering all the working parts in and surrounding your business. The process of developing a strategic perspective is not static. As the business evolves, so should the strategies.

## 4 Approaches to Strategy Formulation

Strategy formulation best happens through collaboration on every level of the business. All positions in a company have their own unique perspective of challenges and solutions that can contribute to strategy formulation.

Four ways to collect these perspectives are:

* Executive meetings
* Department meetings
* Employee surveys
* All-hands meetings

Using these four approaches to strategy formulation brings a diverse field of valuable input to the table. After identifying shortcomings, inefficiencies or opportunities that would otherwise be missed, strategies are developed to address them.

Holding quarterly or bi-annual checkups to review the success of strategies implemented while re-approaching the process of strategy development is a prudent practice.

## Short-Term Strategies

Short-term strategies are often easier to identify and address. Many of these strategies are developed in the departmental meetings by simply listening to employee feedback. For example, the accounting department might conclude that shifting from a weekly payroll to a bi-weekly payroll saves a specific amount of hours and reduces the need for additional hiring.

Other common short-term strategies occur by identifying simple inefficiencies in the way employees communicate. A manufacturing company may find they are ordering too much raw material because of a simple disconnect between the order managers and the floor managers. Based on this feedback, a strategy will be formed to close the loop and build a more efficient system.

Short-term strategies are especially prevalent in the world of sales. Every single sale offers the opportunity to form a short-term strategic perspective. In a scripted sales environment like cold-calling, this is less common. But working on sales that require unique proposals that address the specific needs of potential buyers requires strategy.

The sellers must consider and address the pain points commonly experienced by the buyer so that you can create a personalized approach to closing the sale.

## Long-Term Strategic Planning

The long-term game is often more complex and strategies are based on a combination of big-picture ideas and actionable plans. The long-term strategic approach may also incorporate a number of short-term strategies that work together for a single result.

The first step in long-term planning is to set specific goals. The goals are often set according to revenue, but building goals for **brand identity**, **brand recognition** and **market penetration** are also important.

For example, if you want to penetrate the market as a luxury brand with a higher price point than the competition, the strategies formed will reflect that goal. The business will focus heavily on brand identity, and will build a pricing strategy that tops the market and will work to drive sales in that specific market.

Forming a luxury brand and attempting to market high prices to the wrong audience is a strategy that will likely fail. Working through your marketing plan with strategic perspective to identify and approach the ideal customer will result in a greater number of sales and a highly effective business.

## Strategy vs. Tactics

Strategic planning, operational planning and tactical planning are all very different. Strategic planning focuses on the long term, big-picture plan. It involves the company brand, market penetration tactics and the structure built around the strategy.

The operational planning is very much focused on the day to day processes. It involves communication processes, manufacturing processes and the nuts and bolts operations that make the business run.

Tactical planning is much different from the latter two methods. In the tactical phase, the business is responding to immediate realities. For example, a business seeking a contract against other competitors must build a proposal using a tactical advantage. This requires differentiating the offering from the competition by offering a lower price point or a more customized, premium service.

In the tactical world, this example is common. It does not fall within the big picture planning associated with the business but rather acts as a response to the specific scenario. A tactical plan can work for a once off situation or a short term business plan that may last a few months or even a year.

## Implementing Tactical Planning

Time is of the essence for tactical planning and unlike big picture and operational strategies, decisions must be made rather quickly. In business, decision making processes are often well defined and operational procedures are followed. Implementing a tactical diversion plan will help to identify opportunities and pivot as necessary.

When an employee identifies a short term opportunity that requires a plan that is not necessarily coherent with normal operations, encouraging a report to management will help move that idea through the system. Managers can then meet to assess the value of that opportunity and determine if a short term, tactical plan is the best course of action.

At this point, the determination is made and the tactical plan can develop quickly. Implementing that plan is a matter of following the new direction until the desired result is achieved. The key is bringing the opportunity to managers before it passes. The managers and executives are most often responsible for approving any tactical strategies implemented by the business.

## Common Tactical Plans

Tactical planning is exceptionally common among departments that are performance driven. Static job roles with recurring tasks like bookkeeping and production rarely require a tactical plan because consistent is the highest value outcome in these job roles.

In sales and the executive world, tactical decisions are very common. An executive makes decisions like buying and selling assets that are tactical in nature. For example, an executive might sell a piece of company owned real estate and use the income to hire a short term workforce to double production for the holiday season. This is a short term, tactical move that can pay off if the returns exceed the value of the investment.

In sales, tactical planning includes strategies to fill a pipeline with leads, build a competitive proposal and to close deals. While long term strategic sales plans are important, real-time decision making is common and often necessary to close down important deals while driving revenue to the business. In this sense, a sales individual or team sets tactical goals on a weekly, monthly and quarterly basis to achieve results.