**_EEB_**

# MODULE 1

- Entrepreneurship is the dynamic process of creating incremental wealth.
- This wealth is created by individuals who assume major risks in terms of
  - equity,
  - time, and/or
  - career commitment of providing value for some product or service.

The product or service itself may not be new or unique but the value must be.

- Entrepreneurship means
  - the function of seeing investment and production process,
  - raising capital,
  - hiring labour,
  - arranging the supply of raw materials,
  - finding site,
  - introducing a new technique and commodities,
  - discovering new sources of raw materials, and

***Exhibit 1-1*** **Characteristics of Successful Entrepreneurs**

| | |
|---|---|
| Self-confident and optimistic | Energetic and diligent |
| Able to take calculated risk | Creative, need to achieve |
| Respond positively to challenges | Dynamic leader |
| Flexible and able to adapt | Responsive to suggestions |
| Knowledgeable of markets | Take initiatives |
| Able to get along well with others | Resourceful and persevering |
| Independent minded | Perceptive with foresight |
| Versatile knowledge | Responsive to criticism |

Flow diagram of the different phases of the

process


**1)Identification of opportunity:**

- At the very early stage, an entrepreneur has to detect a problem in society and sense out some opportunities and visualize the market or consumer ratio.

**2)Having a clear vision**

- He/she has to have a vision from the experience and a creative mindset to come up with new and innovative methodologies for solving different problems.

**3)Coax Others towards your vision**

has to form a team with different skill-sets who will work together to make the vision a reality.

**4)Resource gathering**

- Your business plan should also attract venture capitalists, investors, different financial institutions, partners, and promoters.

**5)Creating the venture**

- After all the resources are in the proper place and arranged, it is time to develop the venture and start running it successfully.

**6)Bring adaptability with time**

- The entrepreneurs only have to think out of the box and adapt to the changing market conditions.

# Classification and types of Entrepreneurs.

**Types of entrepreneur**

Entrepreneurs are of various types. There are a lot of subcategories and many unknown categories as well. Since innovation has no limit and henceforth, the types might increase. But, to the base, there are some fixed categories of entrepreneurs. These are:

- Entrepreneurs based on Ownership:
  - Public sector Entrepreneurs
  - Private sector Entrepreneurs
- Entrepreneurs based on the mindset:
  - Empirical Entrepreneurs
  - Cognitive Entrepreneurs
  - Rational Entrepreneurs
  - Aggressive Entrepreneurs
  - Adoptive Entrepreneurs

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- Entrepreneurs based on enterprise-scale:
  - Large-scale entrepreneurs
  - Small scale Entrepreneurs
- Entrepreneurs based on nature of entrepreneurship:
  - Gap Fillers
  - Risk bearers
  - Radical Innovators

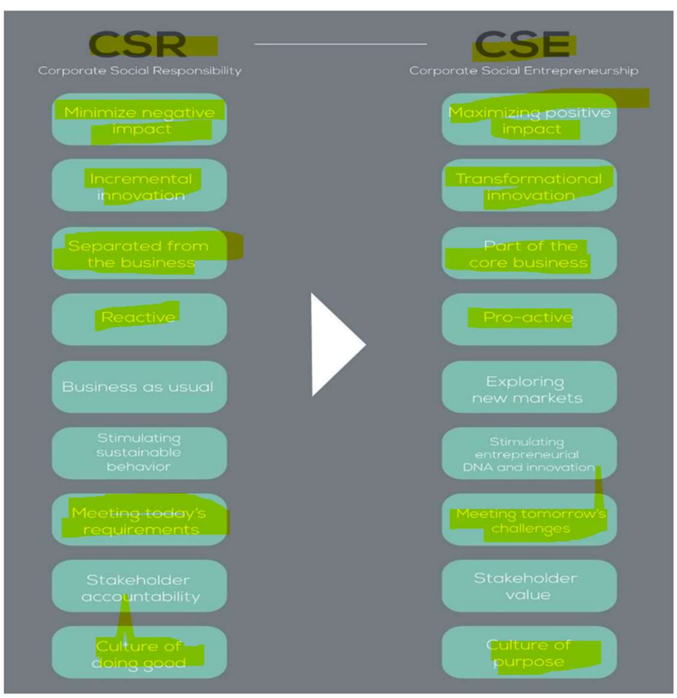
Based on Type of Business:

1)Trading Business

2)Manufacturing Business

3)Agricultural Business

4)Corporate Business



MODULE 2

## Startup Type

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- Startup Type 1: Scalable Startups
- Startup Type 2: Large Company Startups
- Startup Type 3: Small Business Startups
- Startup Type 4: Social Entrepreneurship Startups
- Startup Type 5: Lifestyle Startups
- Startup Type 6: Buyable Startups

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### Startup Type 1: Scalable Startups

- Scalable startups take an idea or concept — typically in the tech sphere — and work to rapidly grow the company's top-end revenue to **achieve the highest return on investment (ROI) possible.**
- This type of startup requires thorough market research to identify exploitat market opportunities.
- Two of the most relevant examples of scalable startups are Google and Facebook. Both of these companies started with the intent to dominate the

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### Startup Type 2: Large Company Startups

- With technology, customer interest, and markets changing every day, large companies need to adapt their business model to survive.
- This is where large company startups come in.
- Backed by the support and capital of the already successful company, these offshoot startups aim
    - to reach new audiences,
    - diversify product offerings, and
    - keep large companies tapped into the ever-changing market.

**Startup Type 3: Small Business Startups**

[https://www.thebalancesmb.com/best-small-businesses-opportunities-4111809](https://www.thebalancesmb.com/best-small-businesses-opportunities-4111809)

- The priority of small business startups is longevity instead of scalability.
- These small startup companies are built to provide enough capital for financial stability by catering to a small target market.
- Common types of small business startups are family-owned and operated barbershops, grocery stores, and retail shops.

**A Small Business Startup May Be Right for You If:**

- You plan to **hire locals and family to operate** your business.
- You want to **focus** on **adding to your community**.
- Creating a **sustainable, long-lasting business is your main focus**, rather than pure profit.

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**Startup Type 4: Social Entrepreneurship Startups**

[https://www.whizsky.com/2015/01/social-entrepreneurs-of-india/](https://www.whizsky.com/2015/01/social-entrepreneurs-of-india/)

- Unlike other types of startups, social startups **are not created to gain wealth for the founders**;
- they are created to make a **positive social or environmental change**.
- Social entrepreneurs **shouldn't expect a big payout from their startup**; however,
- it is possible to make money with this startup model if it is not a nonprofit organization.

**A Social Entrepreneurship Startup May Be Right for You If:**

- You want to build a company that **will make a positive social or environmental impact**.
- You a**ren't interested in starting a company for the profit**.
- You h**ave an idea that can solve a widespread problem, specifically for disadvantaged communities**

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**Startup Type 5: Lifestyle Startups**

- Lifestyle startups are born out of passion and desire for independence,
- with the founders **putting their time and energy toward making a business out of their favorite hobby or activity**.
- This can range from an **avid traveler starting a tour guide business to a web developer starting a freelance coding business**.

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**Startup Type 6: Buyable Startups**

[https://acquiredby.co/google-acquisitions/](https://acquiredby.co/google-acquisitions/)

- Unlike other startups, buyable startups are not built to become billion-dollar companies;
- alternatively, they are built to be sold to a larger company for millions of dollars.
- Buyable startups are commonly tech-focused, and many of them are specifically in the app development industry.

## 1. Sole Proprietorship

- default structure of a business that hasn't filed any paperwork to create a legal entity.
- It is the simplest form of business ownership, and
- the structure of choice for four out of five small business owners with no employees.

## 2. Partnerships

- Partnerships, often called general partnerships, are businesses with more than one owner.

### Public limited Co.

https://www.fundoodata.com/learning-center/top-10-public-limited-companies-india/

- A Public Limited Company under Company Act 2013 is **a company that has limited liability and offers shares to the general public**.

### Private limited companies

https://www.fundoodata.com/learning-center/top-10-private-limited-companies-india/

- A Private Limited Company is formed lawfully with **Limited Liability or Legal Protection for its shareholders** but that places restrictions on its ownership.
- A **private limited company** is a privately-held business entity.
- It is held by private stakeholders.
- The liability arrangement in these is that of a limited partnership, wherein the liability of a shareholder extends only up to the number of shares held by them.
- Private Limited Company is the simplest and a very popular form of Business Registration in India.
- It can be registered with a **minimum of two people.**

### 3. Limited Liability Partnership (LLP)

- An LLP is a legal entity available in some states to provide the simplicity and pass-through taxation of a partnership while limiting liability for the partners.
- In addition to a formal operating agreement among partners, LLPs generally require registration with the secretary of state.

- Where available, they are a popular type of business entity with professionals such as doctors, lawyers, accountants, architects, and engineers.

### 4. Limited Liability Company (LLC)

- An LLC is a legal entity formed by creating an LLC operating agreement and filing articles of organization with the secretary of state.

### 5. Series LLC

- Currently available in 18 states and counting, series LLCs are an up-and-coming type of business ownership structure.
- Basically, they allow one parent LLC to form multiple internal LLCs in subsidiary fashion.

### 6. C Corporation

- A corporation is owned by shareholders who may have varying levels of control and involvement in the everyday operations of the business.

**7. S Corporation**

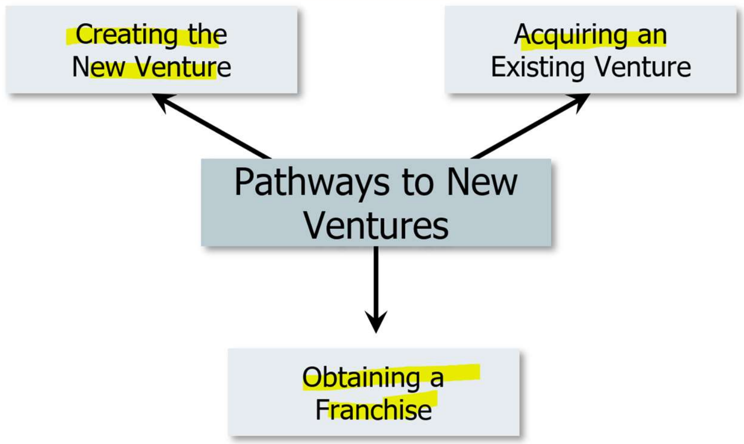
- Some corporations can enjoy the benefits of pass-through taxation by electing to be taxed as an S corporation.
- To qualify, the corporation may not have more than 100 shareholders and may issue only one class of stock.

**8. Nonprofit Corporation - https://en.wikipedia.org/wiki/Category:Non-profit_organisations_based_in_India**

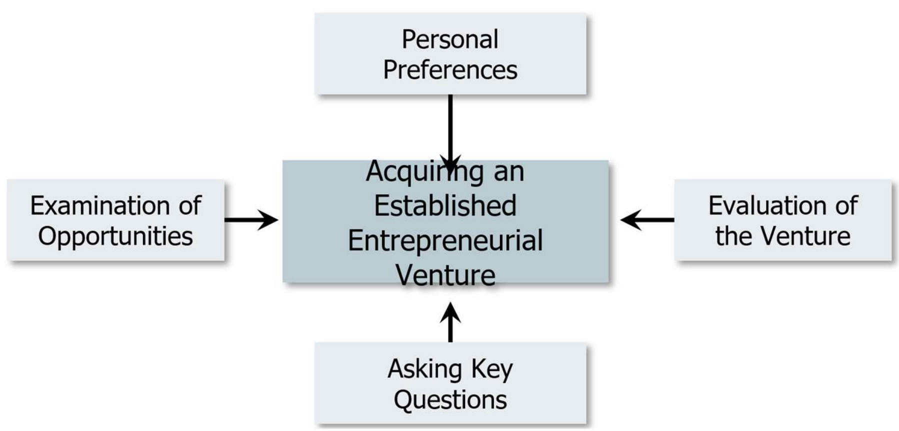
- Most nonprofits are formed as corporations that apply for tax-exempt status under Section 501(c) of the IRC.

MODULE 3

## The Pathways to New Ventures for Entrepreneurs




## Acquisition of an Established Business Venture



Pros and Cons of Buying Existing Business

- The Pros of Buying an Existing Business
  - 1. The Product or Service is Already Market Tested
  - 2. You'll Significantly Reduce Startup Time
  - 3. The Brand Is Established
  - 4. It's Easier to Secure Business Financing
  - 5. Access to the Business's Customer Base
- The Cons of Buying an Existing Small Business
  - 1. You'll Get What You Paid For
  - 2. Significant Operational Changes May Be Necessary
  - 3. You Could Get Scammed
  - 4. It Can Be Challenging to Make It "Your" Business
  - 5. The Business Might Have a Bad Reputation

## Considerations When Buying a Business

- **Request that the seller retain a minority interest in the business or make the final purchase price dependent on the performance of the business over a three-to-five-year span.**

## Franchising: The Hybrid

- Franchising
  - Any arrangement in which the owner of a trademark, trade name, or copyright has licensed others to use it in selling goods or services.
- Franchisee
  - A purchaser of a franchise
- Franchisor
  - The seller of the franchise

# Elements of a Business Plan

Unit of measure

Focus of this phase / Part of this phase

Importance

| | Business concept | Draft business plan | 'Final' business plan |
|---|---|---|---|
| 1. Executive summary | Focus of this phase | Focus of this phase | Focus of this phase |
| 2. Product or service | Focus of this phase | Part of this phase | Part of this phase |
| 3. Management team | Part of this phase | Part of this phase | Focus of this phase |
| 4. Market and competition | Part of this phase | Focus of this phase | Part of this phase |
| 5. Marketing and sales | Part of this phase | Focus of this phase | Focus of this phase |
| 6. Business system and organisation | Part of this phase | Part of this phase | Focus of this phase |
| 7. Implementation schedule | Part of this phase | Part of this phase | Part of this phase |
| 8. Opportunities and risks | Part of this phase | Part of this phase | Focus of this phase |
| 9. Financial planning and financing | Part of this phase | Part of this phase | Focus of this phase |

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# Reasons for business failures

1.Management reasons:

- A poor management team with insufficient experience and/or the wrong skills mix for the needs of the business.
- A narrow customer base and inadequate marketing skills.
- Inadequate marketing planning.
- Under or overpricing products and/or services offered by the business.
- Overtrading and running short of working capital.
- Poor product and service quality.
- Owner/managers who are autocratic, inflexible and make strategic decisions based on emotion.
- A weak business concept, in that the product/market mix is not clearly defined and developed.
- A failure to identify and manage risks.

# MODULE 4

## 3) Venture Capital (Series A, Series B, Series C, etc.)

Venture Capital or VC comes into the picture when you have already launched your business and have started with the distribution or sales.

While the seed and investor money helps you launch, they are are not bringing you anything in return as you are just spending at that stage and not earning anything in return.

At this stage, you should approach a venture capital or VC for funding so as to grow your company and to finally move towards making a profit.

## Features of Venture Capital investments

- High Risk
- Lack of Liquidity
- Long term horizon
- Equity participation and capital gains
- Venture capital investments are made in innovative projects
- Suppliers of venture capital participate in the management of the company

## A) Early Stage Financing:

Early stage financing has three sub divisions seed financing, start up financing and first stage financing.

- Seed financing is defined as a small amount that an entrepreneur receives for the purpose of being eligible for a start up loan.

## B) Expansion Financing:

Expansion financing may be categorized into second-stage financing, bridge financing and third stage financing or mezzanine financing.

Second-stage financing is provided to companies for the purpose of beginning their expansion. It is also known as mezzanine financing. It is provided for the purpose of assisting a particular company to expand in a major way. Bridge financing may be provided as a short term interest only finance option as well as a form of monetary assistance to companies that employ the Initial Public Offers as a major business strategy.

## C) Acquisition or Buyout Financing:

Acquisition or buyout financing is categorized into acquisition finance and management or leveraged buyout financing. Acquisition financing assists a company to acquire certain parts or an entire company. Management or leveraged buyout financing helps a particular management group to obtain a particular product of another company.

## Advantages of Venture Capital

- They bring wealth and expertise to the company
- Large sum of equity finance can be provided
- The business does not stand the obligation to repay the money
- In addition to capital, it provides valuable information, resources, technical assistance to make a business successful

## Debt Versus Equity

- **Debt Financing**
  - Secured financing of a new venture that involves a payback of the funds plus a fee (interest for the use of the money).
- **Equity Financing**
  - Involves the sale (exchange) of some of the ownership interest in the venture in return for an unsecured investment in the firm.

What VC do?

- Venture Capitalists
  - Are valuable and powerful source of equity funding for new ventures that provide:
    - Capital for start-ups and expansion
    - Market research and strategy
    - Management-consulting, audits and evaluation
    - Contacts—customers, suppliers, and businesspeople
    - Assistance in negotiating technical agreements
    - Help in establishing management and accounting controls
    - Help in employee recruitment and employee agreements
    - Help in risk management and with insurance programs
    - Counseling and guidance in complying with government regulations

**How to evaluate the proposals?**

- Major Categories of Venture Capitalist Screening Criteria:
  - Entrepreneur's personality
  - Entrepreneur's experience
  - Product or service characteristics
  - Market characteristics
  - Financial considerations
  - Nature of the venture team

## Venture Capitalist Evaluation Process

- **Stage 1: Initial Screening**
  - This is a quick review of the basic venture to see if it meets the venture capitalist's particular interests.
- **Stage 2: Evaluation of the Business Plan**
  - This is where a detailed reading of the plan is done in order to evaluate the factors mentioned earlier.
- **Stage 3: Oral Presentation**
  - The entrepreneur verbally presents the plan to the venture capitalist.
- **Stage 4: Final Evaluation**
  - After analyzing the plan and visiting with suppliers, customers, consultants, and others, the venture capitalist makes a final decision.