

Entrepreneurship & Management functions (MAN301T)

Session 2

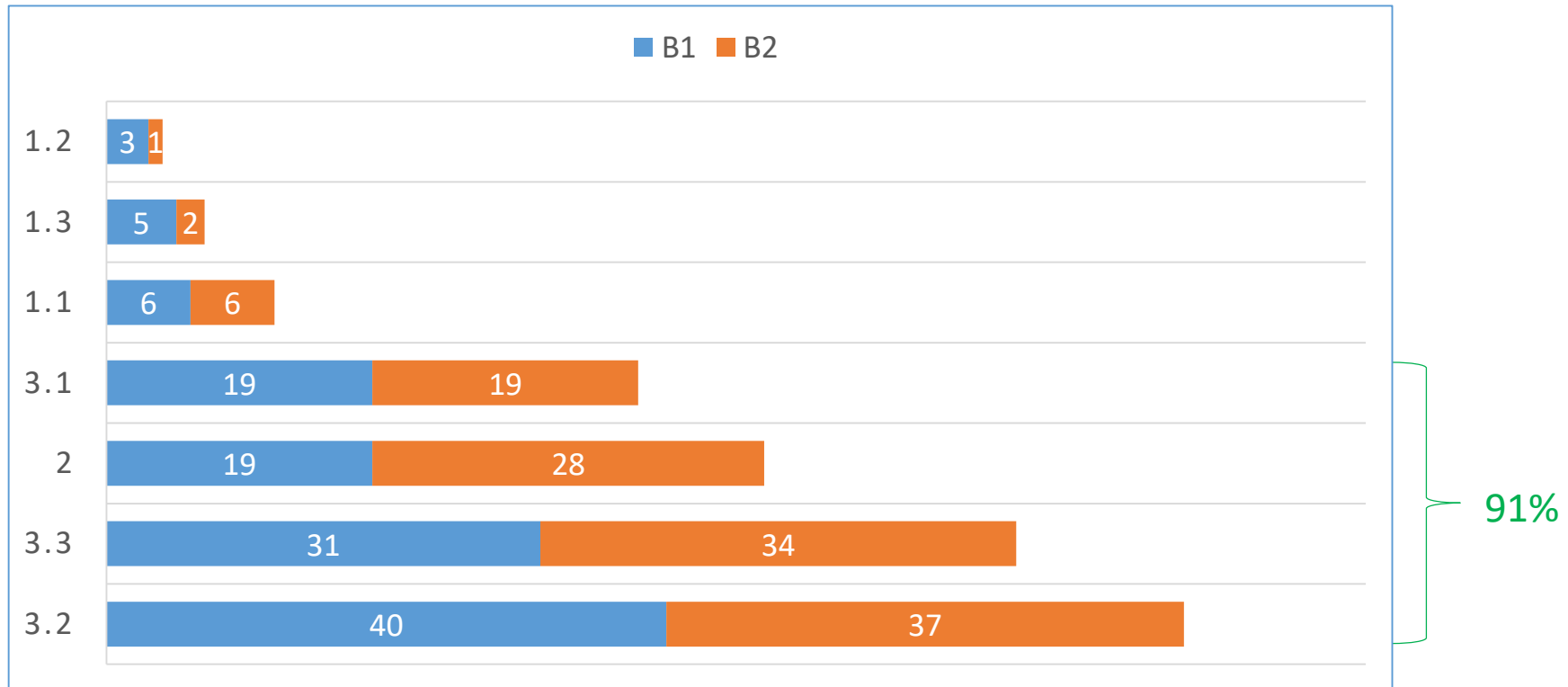
<https://sites.google.com/a/iiitdm.ac.in/sudhirvs/courses/entrepreneurship-management>



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Your views on MAN301T as on 29 Jul 2019



MAN-DES courses teach life skills

Contents

Who are Entrepreneurs and Managers?

What is an Organization & Business?

Let us discuss key differences between an entrepreneur and a manager

Entrepreneurs

- ...

Managers

-

Who is an entrepreneur or a manager?

- Firms are created and handled by entrepreneurs and managers

- Etymology: to undertake (start, begin)
- **Driven by a passion to change the status quo**
- Innovation is key. Novelty may be in technology / product / opportunity / market
- **Risk taking**

- Etymology: manage is to handle
- **Professional Approach to align resources to a goal**
- Innovation is not a must (although today the expectation is that managers act as intrapreneurs)
- **Risk may be distributed**

- *Businessmen may create/handle firms, take risks and make profit, without introducing any innovation*
- *A trader or broker does not manufacture but takes risks to bridge supply-demand*
- *A venture capitalist or investor takes risks to invest in companies but does not directly add value*

Ownership is at the heart of entrepreneurial behavior ... and

Ownership comes from a deep sense of empathy

...

Ethnography can cultivate empathy

Exercise 2.1: List prominent entrepreneurs & managers relating to your product / industry



Contents

Who are Entrepreneurs and Managers?

What is an Organization & Business?

Organizations can be for profit or non-profit

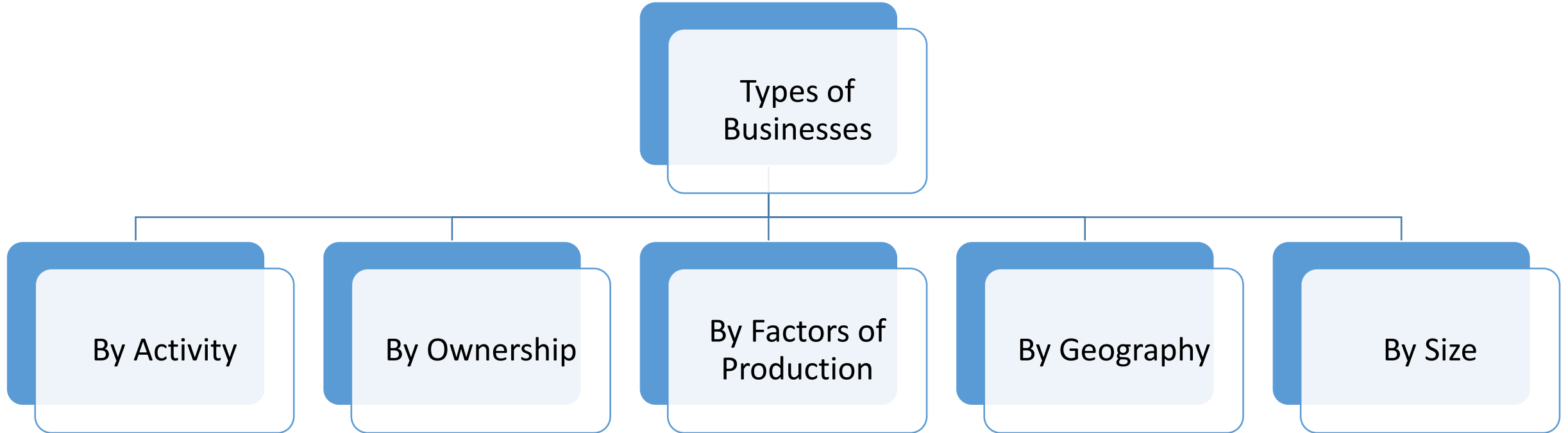
- Private goods vs Public goods (non-exclusion and non-rivalry)
- Profit could be an objective or a constraint
- Two extremes
 - For Profit & Private Goods = Business Enterprise
 - Non-Profit & Public Goods = Government / NGO
- Others in between
 - Public-Private Partnership Models (IIITs)
 - Social Enterprises
 - Corporate Social Responsibility Organizations

	Non-Rival	CLUB GOODS	PUBLIC GOODS
	Rival	PRIVATE GOODS	COMMON RESOURCES
		Excludable	Non-Excludable

What is a business?

- Business is any commercial / profit making activity that addresses some needs of customers (one type of human activity)
 - Etymology: The state of being “busy” ... “busyness”
 - Words such as firm, company, venture are also used to refer to business
- Why do firms/businesses exist? (economic, technical, social perspectives)
 - From sociology you would have learnt that individual-social are interconnected – actor networks
 - Humans carry out their activities in groups (social groups like family, non-profit associations, government). Business is one type of human organization
 - Transaction Cost Theory; Knowledge-based theory

Businesses may be classified in five ways



Activity based classification of businesses

- Products [Goods (Tangible) & Services (Intangible)]
 - Have you heard of GST? What does it stand for?
- Product groupings result in industry classifications
 - Ex: National Industrial Classification (NIC), NAICS, ISIC
- Similar industries are grouped into sectors of economy
 - Agriculture, Manufacturing, Services
- **Exercise 2.2:**
 - Is your product concept a good or a service? Why?
 - Find out which industry and sector does it belong to? Why?

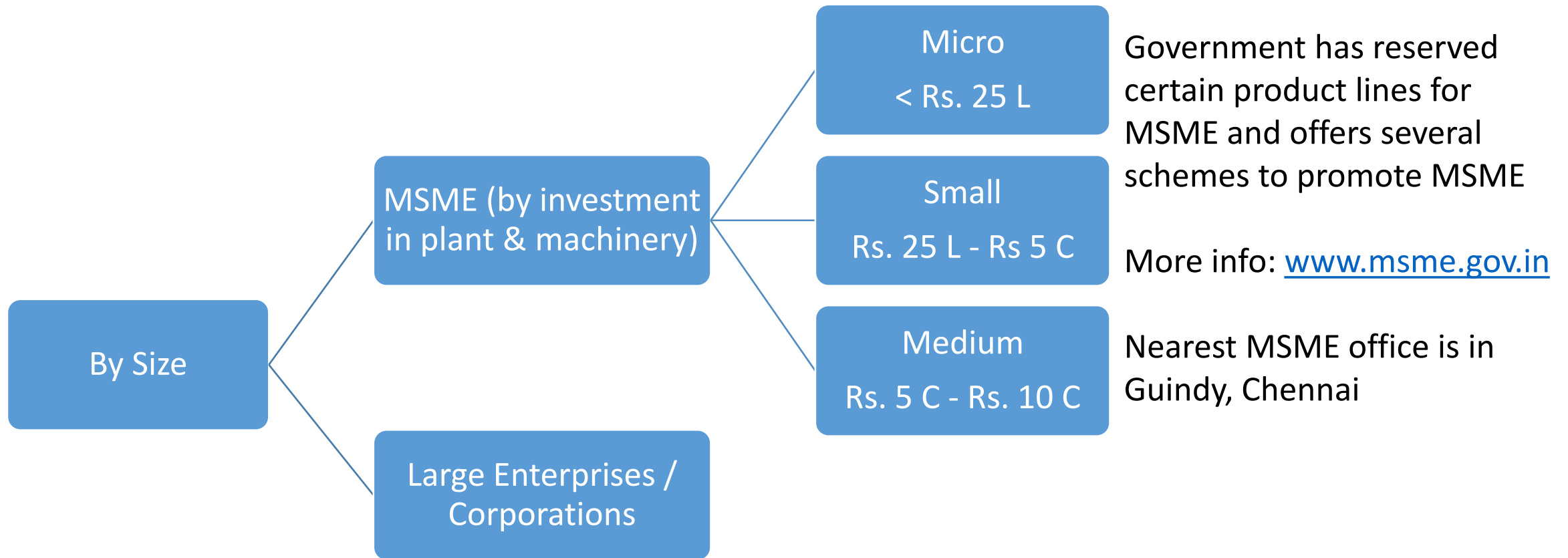
Ownership based classification of businesses

- Unlimited Liability ... very little compliance / except GST, Income Tax etc.
 - Sole proprietorship ... definition & advantages/limits
 - Partnership ... definition
- Limited Liability Partnership (LLP) ... higher compliance cost (financial transparency, transfer of ownership, legal entity)
 - Private Limited (for profit, limited by shares)
 - Public Limited (unlimited access to capital)... norms relaxed for startups
- **Exercise 2.3:**
 - List 10 firms in your product/industry (5 Indian, 5 global) and their ownership
 - Discuss the pros and cons of these ownership models

Classification by factors and geography

- Factors of production
 - Labor intensive ... example, silk reeling
 - Capital intensive ... heavy engineering
- Geography
 - Domestic
 - Super-regional
 - Global

Classification by size of the firm



New classification (based on revenue) introduced by Govt in 2018

What is a startup (as per Govt. of India)?

- An entity (Private Limited Company or Registered Partnership Firm or Limited Liability Partnership) shall be considered a “Startup” –
 - Up to 7 years from the date of its incorporation/ registration (10 in the case of biotech), and
 - If its turnover for any of the financial years has not exceeded INR 25 crore, and
 - **It is working towards innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property, or a scalable business model with high employment potential**
- Cases that do not qualify as “Startups”
 - The entity should not have been formed by splitting up or reconstruction of a business already in existence or created as subsidiary of an existing company or foreign entities
 - A proprietorship or a public limited company is not eligible as startup
- **Exercise 2.4:** List 10 promising startups (5 Indian, 5 global) in your area

Things to find out before next class

Download the forms required for registering a private limited company in India and find out what all information is required to be submitted for your venture

(www.mca.gov.in)

