UNIT - 2

New Venture Creation

INTRODUCTION:

A business opportunity may be defined as a set of favourable circumstances in which an entrepreneur can exploit a new business idea that has the potential to generate profits. Business opportunities have the following four fundamental features:

- They create or add significant value to the customer.
- They solve a significant problem by removing pain points or meeting a significant want or need for which someone is willing to pay a premium.
- They have a robust market, margin, and money making characteristics that will allow the entrepreneur to estimate and communicate sustainable value to potential stakeholders.
- They are a good fit with the founder(s) and management teams at the time and marketplace along with an attractive risk–reward balance.

What Defines a Good Business Opportunity?

An idea is a thought or a concept that comes into existence in the mind as a product of mental activity. A business idea is an idea that can be used for commercial purposes. There can be many sources of business ideas, including the following:

- A resolved problem faced by an actual or potential entrepreneur.
- An unmet customer need discovered by an actual or potential entrepreneur at a place of employment.
- Changes in the business environment.

Not all business ideas are found to be good business opportunities. This simple five-step framework helps screen ideas and find out whether a business idea truly represents a good business opportunity. An opportunity is characterized by the following:

- **Urgency of the market need**: The business idea should envision a product or service that satisfies a market need or a need of the customer. The market need has to be carefully assessed by consulting industry experts as well as potential customers. It is important to focus on the "need" of the customer rather than on the attributes of the offering and to evaluate the urgency of that need in order to gain the assurance that there are customers ready to purchase that product/ service once it hits the market. The greater the market need, the greater the opportunity for a profitable business.
- **Adequate market size**: A business usually targets a particular market segment after assessing their demographic, geographical, and lifestyle factors. In order to make the business viable, a large number of potential customers should exist. There is a need to find out the potential market size for the product or service.
- **Sound business model:** In simple terms, a business model is a broad range of descriptions of various core aspects of business, such as purpose, strategies, infrastructure, organizational structures, marketing programmes, and operational processes and policies. In other words, a business model clearly gives the outline or the rationale of how the potential entrepreneur intends to satisfy a customer need and create value. A business model that presents a plan to generate profits within three to five years is considered to be relatively good.

- **Potential brand value**: The product/service being offered must be differentiated from those being offered by competitors to maintain a competitive advantage in the market. It is necessary to assess the potential brand value of the product or service envisioned in order to ensure a fair chance of survival against competition by existing as well as future products.
- **An able management team**: The ability and passion of team members to use a business opportunity is important to success. The team should have contacts among suppliers, competitors, and customers. The number and quality of contacts up and down the value chain is an important determinant of eventual business success. On the whole, the business should be big enough to make it worthwhile and the team should be looking forward to being involved with it for a long time.

When is an Idea an Opportunity?

Usually business starts with the generation of the business idea. A business idea may not necessarily be a business opportunity; one needs to filter and sift through these ideas to realize whether they are real opportunities. An idea is like a seed, an impression of a concept or a notion that revolves around a seemingly successful product or service. A thought that needs some amount of commercial validation before it shapes into an opportunity. A business opportunity is a set of favorable circumstances that create a need for a new product or service.

A business opportunity is a proven concept that commercializes the business idea. In other words, a business opportunity is a business idea that has been researched upon, refined and packaged into a promising venture that is ready to launch. A business idea becomes a good business opportunity when it has the following five essential qualities:

- **Attractiveness**: The business idea needs to have market attractiveness. A promising business idea must offer a product or service that would be accepted by a large market.
- **Timeliness**: The business idea should be implemented within the time frame to get market acceptance. Timeliness is essential to gain first-mover advantage.
- **Durability**: The Business idea should last long and sustainable so that it is profitable in the long run.
- **Relevant**: The business idea must fulfil customer's need or solve the problem. The quality of being anchored in a product or service that creates or adds value for its buyer or end user.
- **Creative and Innovative**: The acceptability and profitability of a business idea hinge largely on how innovative the idea is. Every business idea should have a unique selling proposal. The next section provides detailed information on Creativity and Innovation which is an important component of business opportunity.

Types of Innovation

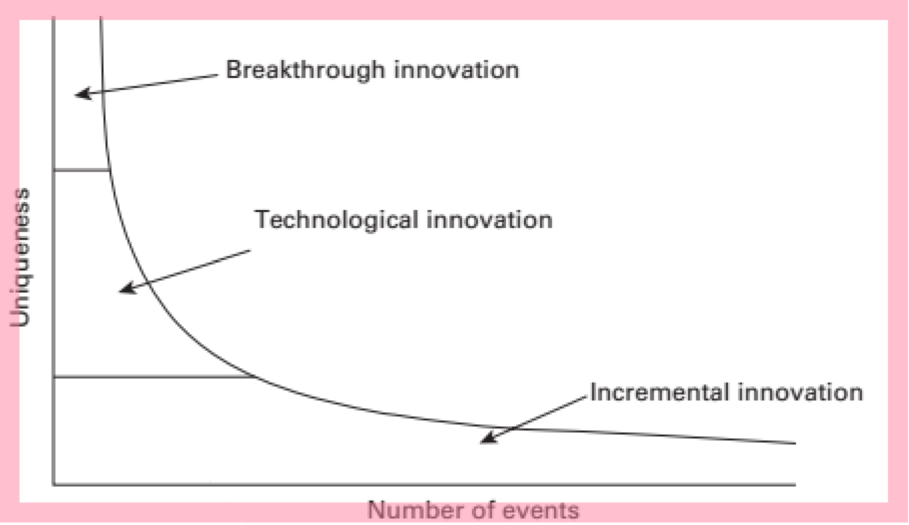
Innovation is the key to the economic development of any company and country. Joseph Schumpeter identified five major areas of entrepreneurial innovation the introduction of a new good, new method of production, new market, a new source of supply, and creating a new organization of any industry like the creation of a monopoly position or the breaking up of a monopoly position.

There are various levels of innovation based on the uniqueness of the idea. Figure shows three major types of innovation, in increasing order of uniqueness incremental innovation, technological innovation, and breakthrough innovation. Incremental innovation is the one that occurs most frequently.

- **Incremental innovation** is small improvements or upgrades made to a company's existing products, services, processes or methods. The changes implemented through incremental innovation are usually focused on improving an existing product's development efficiency, productivity, and competitive differentiation. These innovations usually come from market analysis. Gillette is a great example of a company that has used incremental innovation to stay ahead of the competition.

Gillette razors started with a single blade but their product has evolved, adding different features and more blades as the company has sought to better meet customer needs.

- **Technological innovation** occurs less frequently than incremental innovation and more frequently than breakthrough innovation. The technological innovation system is a concept developed within the scientific field of innovation studies which serves to explain the nature and rate of technological change. 3D Printing technology or additive manufacturing is a process of making three dimensional solid objects from a digital file. 3D printing technology is used in both rapid prototyping and additive manufacturing (AM).
- **Breakthrough Innovation** is the fewest and extremely unique innovations. They are often the basis for further innovation in an area. They are protected by patents, trademarks, and/or copyrights. Breakthrough Innovation takes a current process or product and typically provides greater efficiency or cost-effectiveness. A breakthrough innovation leads to a substantial improvement or opens up new possibilities. One of the best-cited examples of breakthrough innovation on the tech front is the first iPhone. By harnessing new technology, Apple was able to bring a fundamentally new product to market, creating new demand in the process.



A Systematic approach to innovation: The innovation may be product innovation, process innovation and business innovation. The systematic approach to innovation may be achieved by using Innovation toolkit. The tools used for systematic innovation are eliminate, combine, separate, copy, segment, vary, maximize, invert, adapt, magnify, and import. The tools are briefly explained below:

1. **Eliminate**: Elimination of functions can reduce costs and provide agility. The basic concept of this tool is:
   - Can a harmful function be eliminated?
   - Can an inefficient component be replaced?
   - Can a useful function or component be eliminated?

   Examples: Sugar-Free Cookies, No-frills airlines.

2. **Combine**: Combination of functions can cut costs, improve resource utilization and provide added flexibility. The basic concept of this tool is:
   - Can multiple functions be combined and performed by a single component?
   - Can a process involving a series of steps be simplified by combination?

   Examples: Band-aid, Single-window system, touch screen monitor, cellular manufacturing.

3. **Separate**: New technology often provides remarkable opportunities to separate your functions. The basic concept of this tool is:
    - Can multiple functions be done by a component be separated?
    - Can a component be physically or logically separated from the main body?

    Examples: Bluetooth headset, Prepaid mobile phone, Remote meetings, Tele-surgery.

4. **Copy**: Copying a function or component and altering it slightly can lead to highly differentiated products. The basic concept of this tool is:
    - Can a function or component be taken and copied in a different way?
    - Can the function of one component be copied into another?

    Examples: Bifocal Glasses, Dual Authentication.

5. **Segment**: Segmentation can often lead to savings in time, effort and other valuable resources. The basic concept of this tool is:
    - Can a component be segmented or made modular?
    - Can a function be segmented?

    Examples: Modular Furniture, Parbaking, Disposing waste by segmenting, The dual flush toilet.

6. **Vary**: Innovations in several areas have come from lead users. The basic concept of this tool is:
    - Can a function be varied based on input?
    - Can a function be modified by a user?

    Examples: Digital menu boards, Adjustable wrench.

7. **Maximize**: Improvements of the main function to provide an opportunity for cutting-edge research. Maximized secondary functions may serve specialized markets. The basic concept of this tool is:
    - Can a valued aspect of a function or quality be maximized?
    - Can variability in a function be reduced to a high degree and performed better than the competition?

    Examples: Specialized software, Six-Sigma (6σ), Airtight container

8. **Invert**: It is sometimes useful to list down the assumptions about functions of a product and invert it for new ideas. The basic concept of this tool is:
    - Can a function be inverted for the same result?
    - Can a top-down function be made bottom up?

    Examples: Home delivery, Escalator, Automatic car wash, Home shopping.

9. **Adapt**: Adapting ideas that have worked in one environment and using them in another is one of the most successful innovation tools. The basic concept of this tool is:
    - Can you adapt principles or solutions from other fields and apply it to your area?
    - Can scientific or mathematical principles be used to modify functions?

    Examples: Velcro, Ant colony optimization, roll-on deodorant.

10. **Magnify**: Magnifying scope may require significant changes in the way your product is designed manufactured, and marketed. The basic concept of this tool is:
    - Can the scope of your product be magnified to new applications; new segments; new customers?
    - Can a new interface be provided?

    Examples: Online surveys, DNA retail test kit.

11. **Import**: Adding new primary functions can help strengthen your position in your existing market and identify new markets. The basic concept of this tool is:
    - Can an external function be imported into the system?
    - Can a complementary function be imported?

    Examples: Seaplane, kindle from Amazon.com.

MOBILITY OF ENTREPRENEURS

Entrepreneurial mobility is the movement of entrepreneurs from one location to another (geographical mobility) or from one occupation to another (occupational mobility) based on business opportunities. Entrepreneurial mobility is usually caused by political, economic, cultural, and social factors. The various factors that influence entrepreneurial mobility are listed below:

- **Political conditions**: Entrepreneurial mobility is influenced by political factors. For example, Tata Motor's shifting of the Tata Nano project from Singur, West Bengal, to Gujarat clearly demonstrated that political conditions are more congenial to business in Gujarat than in West Bengal.
- **Education:** Education imparts knowledge and hones one's analytical thought process. In general, an educated entrepreneur will be able to scan and understand the business environment— whether domestic or global—better in order to exploit both domestic and international business opportunities. An educated entrepreneur will also usually be able to communicate, interact, and network more effectively. A number of institutes have set up successful entrepreneurship centres, which provide support to potential entrepreneurs by conducting formal training and mentorship. This may cause brain drain to more favourable environments, resulting in the mobility of entrepreneurs.
- **Experience:** Entrepreneurs with experience in business and industry are quick to exploit opportunities. Their past experiences enable entrepreneurs to take up various types of ventures in distant places, leading to entrepreneurial mobility.
- **Size of enterprise**: The larger the size of the business, the greater is the entrepreneur's mobility. Large business houses want to grow organically and inorganically through diversification, expansion, mergers, acquisitions, and joint ventures.
- **Availability of facilities**: Availability of labour, land, water and power, and proximity to market transport, suppliers, clusters, and communication increases the mobility of entrepreneurs. We can see more IT industries located in cities such as Bangalore and Chennai due to the availability of knowledgeable workers and other infrastructural facilities.

Geographical Mobility of Entrepreneurs

As mentioned earlier, geographical or locational mobility refers to the movement of entrepreneurs from one location to other locations in search of better business opportunities. The factors responsible for geographical mobility of entrepreneurs are the availability of raw material, new and emerging markets, skilled labour, government incentives, better infrastructural facilities, and access to resources. When the dot-com bubble began forming during 1995–2000, many entrepreneurs moved to Bangalore—the Silicon Valley of India—to start their ventures. There are three stages in the mobility of entrepreneurs. In the initial stages, an entrepreneur sets up a venture at one place and sticks to one place of working. In the next stage, as the business grows entrepreneurs start moving out within a limited area of business development. In the third stage, as the business expands and there is an increase in the entrepreneurs' resources and network size, there will be a greater degree of mobility as they cross boundaries and start working in the global arena.

Occupational Mobility

As mentioned earlier, occupational mobility denotes movement or change in occupation. The occupation chosen by an entrepreneur is not always the same as that of his/her family. Studies have revealed that though business communities still constitute the dominant source of entrepreneurship, people from technical backgrounds, and those working in corporate and government jobs, are also swelling the ranks of entrepreneurs. This emerging class of entrepreneurs is characterized by better education and technical knowledge. Liberalization, privatization, and globalization of the Indian economy have brought about drastic changes in the occupation of people. Earlier, most people followed one vocation throughout their lives. Today, the rapid changes happening in the economy demand that people learn, unlearn, and relearn, leading to a higher level of occupational mobility.

The major factors influencing occupational mobility are one's personal preference, motivation, opportunities, and skill set. Occupational mobility takes place from farming (primary occupation) to profession and then to industry in the case of intergenerational occupational mobility, and from profession to industry in the case of intergenerational occupational mobility. Occupational mobility may also occur when someone changes their occupation due to the spouse getting transferred elsewhere. This is called "intergenerational occupational movement." The other type may be a change in one's own occupation during one's own occupational career. This is called "intergenerational occupational movement." Occupational mobility is termed as "horizontal" when it happens between occupations of equal rank and "vertical" when it happens between occupations of unequal rank, perhaps due to promotion or demotion.

BUSINESS OPPORTUNITIES IN INDIA

Being the seventh-largest country in the world by area and the second-largest by population, India has a growing market and is a land of opportunities. The opportunities for importing, exporting trading, investing, and franchising are immense. A potential entrepreneur needs to take into account the economy, the consumer, and business trends. One should also understand that what may be a good business opportunity for one entrepreneur may not be a good opportunity for another. It is essential for entrepreneurs to pick opportunities that they are passionate about.

There are several factors that create favorable business opportunities in India:

- India is a well-established democratic country with a free and fair judicial system.
- The country also has a well-established banking system consisting of public and private banks and other financial institutions.
- The country has a huge middle-class with enhanced purchasing power. Coupled with a high growth economy, this creates the potential for a huge growth in manufacturing, services, and the retail sector.
- India has vibrant trade links with the South Asian Association for Regional Cooperation (SAARC) nations such as Sri Lanka, Pakistan, Nepal, Bhutan, Bangladesh, and the Maldives.
- India has a competitive advantage in the global market with the availability of a huge pool of cheaper labour and knowledgeable workers to enhance industrial productivity.
- Economic reforms and policy changes have created an investment-friendly environment.
- The capital markets in India are one of the fastest-growing markets in the world, attracting huge foreign investments. A lot of international companies have started outsourcing and setting up international operations in the country.
- The country is self-sufficient in agriculture and rich in natural resources.
- India is a part of the BRICS group of nations comprising Brazil, Russia, China, and South Africa. India has developed vibrant trade links with these nations.

MODELS FOR OPPORTUNITY EVALUATION

Business opportunity evaluation is the process of evaluating a business opportunity and developing it into an effective business model. The following section discusses two models to evaluate business opportunity. They are the RAMP Model and the Seven-domain Framework by John Mullins.

The RAMP Model

While analyzing your business idea, it can be passed through the RAMP test to see if it is truly a valid business opportunity. RAMP is an acronym for four factors—return, advantage, market, and potential. Let us look at each factor.

Return on Investment Ask the following questions:

- Will your revenues be higher than your expenses? Is the business profitable?
- How much time will the business take to break even?
- How much investment is needed to start the business?
- How are you going to raise this investment?
- What is the exit strategy?

Advantages Ask the following questions:

- What are the barriers to entry?
- What will be your distribution channel for selling your product?
- Do you have a proprietary advantage such as a patent or exclusive license on what you will be selling?
- What is the cost structure taking into account things like suppliers and sourcing?

Market Ask the following questions:

- Is there a value proposition?
- What is the need you will fill or problem you will solve?
- How do you define the targeted market? Are you selling to consumers? Businesses?
- What are the demographic features of your targeted market?
- What per cent of the market do you believe you could gain?
- How fast is the market for your product growing?
- How is the competition? What will be the price of your product?

Potential Ask the following questions:

- Does the team have the potential to successfully launch and sustain the business?
- What will be the nature of the business entity (e.g., sole proprietorship, partnership, cooperative, etc.)?
- Is the business concept compatible with the business mission of the team?
- What is the risk involved? What is the reward for the founders and investors if the company succeeds?
- How will you differentiate your company from what is already out there?

MULLINS'S SEVEN-DOMAIN FRAMEWORK

Successful entrepreneurship comprises three critical elements—market, industry, and the key people that make up the entrepreneurial team. John Mullins of the London Business School has developed a seven-domain model for evaluating entrepreneurial opportunity. The domains are:

- Market domain—macro level
- Market domain—micro level
- Industry domain—macro level
- Industry domain—micro level
- Team domain—aspirations
- Team domain—capability of execution
- Team domain—connections or networks

These seven domains address the following central elements in the assessment of any entrepreneurial opportunity:

- Are the market and the industry attractive?
- Does the opportunity offer compelling customer benefits as well as a sustainable advantage over other solutions to the customer's needs?
- Can the team deliver the results they seek and promise to others?

Market Domain—Macro Level

This domain requires an analysis of the attractiveness of the overall market based on certain factors. Some of these factors are:

- The number of customers in the market.
- The amount of money spent by customers on the relevant class of goods or services.
- The number of relevant products or usage occasions for services bought annually.

Market Domain—Micro Level

This domain requires an analysis of the benefits and attractiveness of the targeted market segment. Some of the factors on the basis of which the analysis is made are:

- Identifying the target market and the market segment where customers are ready to pay premium prices.
- Product/service differentiation.
- The size of the market segment and the phase of growth.
- Future growth potential and the future plan of the business.

Industry Domain—Macro Level

This domain requires an analysis of the attractiveness of the industry, based on certain factors. Some of these factors are:

- The threat of displacement by competitors.
- The bargaining power of suppliers and buyers.
- Competitive rivalry and the threat of substitutes.

Industry Domain—Micro Level

This domain requires an analysis of the sustainable advantages of the industry. Ask yourselves the following questions:

- Does the venture have proprietary elements—patents, trade secrets, and so on— that other firms are unable to duplicate or imitate?
- What will be the likely presence of superior organizational processes, capabilities, or resources that others would have difficulty duplicating or imitating?
- Is there an economically viable business model?

Team Domain—Aspiration

This domain requires an analysis of the team's mission, aspirations, and propensity for risk taking. A question that this analysis will answer is:

- Does the opportunity fit the team's business mission, personal aspirations, and risk propensity?

Team Domain—Capability of Execution

This domain requires the ability of the team to execute tasks on the basis of the identified critical success factors. One question that needs to be addressed is:

- Does the team have what it takes, in a human sense—in terms of experience and industry know-how—to deliver a superior performance for this particular opportunity, given its critical success factors?

Team Domain—Connections or Networks

This domain requires an analysis of the team members' connectedness—up, down, and across the value chain. A question you may ask yourself is:

- Is the team connected well enough to notice any opportunity or need to change its approach if conditions warrant?

Look for ideas that will change the way people live and work. High-potential opportunities invariably solve an important problem, want, or need that someone is willing to pay for now.

KEY TERMS:

- **Brainstorming**: This is a technique used to quickly generate a large number of ideas in which a group creativity exercise is designed to come up with a number of solutions to a problem.
- **Business Idea**: A business idea is a concept that can be used for commercial purposes.
- **Business Model Canvas**: Business Model Canvas is a strategic management and lean startup template for developing new or documenting existing business models.
- **Creativity**: Creativity is the act of turning new and imaginative ideas into reality.
- **Design Thinking**: Design thinking refers to creative strategies designers use during the process of designing.
- **Disruptive Innovation** creates a new market and value and eventually disrupts an existing market and value.
- **Entrepreneurial Opportunity**: An entrepreneurial opportunity is a situation in which a person can exploit a new business idea that has the potential to generate a profit.
- **Frugal innovation** is the process of reducing the complexity and cost of goods and its production. Global Innovation Index:
- **The Global Innovation Index** (GII) aims to capture the multi-dimensional facets of innovation and provide the tools that can assist in tailoring policies to promote long-term output growth, improved productivity, and job growth.
- **Idea**: A thought or concept existing in the mind as a result of mental activity.
- **Ideas Lab**: The Ideas Lab's mission is to capitalize on ideas and help to bring good ideas to life.
- **Innovation**: Innovation is an application of creative ideas that have a significant impact on an organization, industry, or society.
- **Juggad**: It is a word taken from Hindi which captures the meaning of finding a low-cost solution using locally available resources to any problem in a creative way.
- **Locational/Geographical Mobility**: This is the movement of entrepreneurs from one location to other locations in search of better business opportunities.
- **Occupational Mobility**: Occupation mobility denotes movement or change in the occupation of entrepreneurs in search of better opportunities.
- **Reverse Brainstorming**: This is an idea generation method that is similar to brainstorming, with the exception that criticism is allowed. The focus is on identifying the negative sides of every idea that has been generated through brainstorming.
- **Survey Method**: This is an idea generation technique used to collect information by direct observation of a phenomenon or systematic gathering of data from a set of people.
- **The Gordon method**: This is an idea generation technique using collective discussion to address every aspect of the planned product in an uninhibited solution-oriented manner for developing new ideas when the individuals are unaware of the problem.
- **Window of Opportunity**: The term "window of opportunity" is a metaphor describing the time period in which a firm can realistically enter a new market.

BUSINESS PLAN:

A business plan is a roadmap and blueprint of the project. A business plan is a written document that describes in detail how a business is going to achieve its goals. It is a document that explains a business opportunity, identifies the market to be served, and provides details about how the entrepreneurial organization plans to pursue it.1 Ideally, the business plan describes the unique qualifications that the management team brings to the effort, explains the resources required for success, and provides a forecast of results over a reasonable time horizon. A business plan is based on estimates. This chapter explains the importance and purpose of a business plan, provides the contents of a business plan, and gives the process of preparing and presenting a business plan. It includes two sample business plans and gives a step-by-step procedure for starting a business enterprise.

The reasons for preparing a business plan are given below:

- Entrepreneurs reap benefits from the planning activity itself.
- A business plan is used to get finance from banks or to get equity funding from angel investors or venture capitalists.
- It can also be used to attract business partners and key employees or to make business alliances.
- If the business plan is prepared within a large organization, then it enables the board of directors to make capital investment decisions.
- The act of writing the plan will force the entrepreneur and his team to think through all the key elements of the business.
- The plan provides a basis for measuring actual performance against expected performance.
- The plan's financial projections can be used as a budget. Actual results that fall short of planned results will prompt the entrepreneur to investigate and take corrective action.
- The plan acts as a vehicle for communicating to others what the business is trying to accomplish.

CONTENTS OF A BUSINESS PLAN

Business plans follow a broadly similar structure. The key sections in a business plan along with the average number of pages to be included in each section are given in Table. Most business plans contain the following components.

Cover Page and Table of Contents

Every business plan should have a cover page. The cover page presents the first impression of your business plan to readers. This is just like a newspaper headline that gives quick information to readers, which helps the reader to decide whether to read the complete article. The cover page should have a clean and professional appearance and should contain the following information:

Name of the business or project.

The company's name, logo, address, telephone and fax numbers,Web site address, e-mail address.

The name and designation of the contact person.

The table of contents is usually on the second page of the business plan and gives at a glance the topics covered in the business plan. The table of contents should be written for easy navigation to the rest of the plan by numbering each topic.

Executive Summary

The executive summary is a standalone document two or three pages long and is probably the most important section of the business plan. It is designed to be a complete yet concise business plan by itself. It is a snapshot of the entire business plan and usually written last. The executive summary is a concise presentation of the main points of the business plan and gives a brief overview of the business venture. The purpose of the executive summary is to give the reader a quick understanding of the business proposal and provide the whole picture.

The executive summary is a formal statement and should include the following information:

- A brief description of the industry and market environment in which the business opportunity will develop and flourish.
- The uniqueness of the business opportunity and the key strategies for success.
- Profiles of the company's management team.
- Financial requirements and budget allocation.
- The anticipated risk and reward of the business.

Business Concept

This is another summary and gives the history of the business, the basic nature, and the purpose of the business. It clearly states the business objectives. There is no point in starting or expanding a business unless the entrepreneur has identified a lucrative opportunity. This section describes the business opportunity. It analyses the economics underlying the opportunity and the key factors that will drive its success, such as market penetration and product innovation. This section is used to describe the company and to explain how it is organized. It gives the usage, description, and specifications of the products and services to be offered. If the product/service prototype is ready, high-quality photographs are included.

Business Strategy

This section provides the SWOT analysis of the firm and analysis of the business environment. It provides information on the nature of the industry, competition within the industry, anticipating barriers to entry, the market, and the customers within the market. The industry background provides information to understand the shape, size, trends, and key features of the industry and to understand how the company's product or service will fit into that industry. The goals of the company and the business strategy are explained in this section. Strategy is the game plan of the business. It is about differentiation and competitive advantage. This section should give the mission, vision, future plan, and exit strategy of the business.

Management Summary

The management team is very important in any business. The success of the business mainly depends on the quality of the management team. Investors are also keen to know about the people behind the business who they see as key assets. It is a well-known fact that without the right team, none of the other parts really matter. This section should be able to answer the following questions. In this section, information regarding the description of the form of organization and ownership is explained. This section will answer questions such as:

- What is the profile of the founders, the team's management philosophy, and their reputation in the business community?
- Who are the current owners, and what percentages do they control?
- How is ownership evidenced—for example, in terms of common and preferred stock?
- Have any options, warrants, or convertible bonds that could expand ownership been issued?
- Which owners are involved in the day-to-day working of the business?

Marketing Plan

The term "market" is often used to describe the various elements of the total business environment. The market is where the company's product or service will be sold. The marketing plan is written after conducting a market analysis. This section provides information on assessing the market's size and growth, defining the target market, and articulating the value proposition. The value proposition gives the unique set of benefits that the customers will get if they choose to purchase the company's offerings over its competitor's offerings.

Stakeholders know that marketing is the activity most associated with success or failure. A company that is not able to connect with its customers will fail even if it offers attractive products or services. A sound and realistic marketing plan is the best guarantee that a solid customer connection will be made. The marketing plan should be supported with a solid market intelligence report for the plan to be credible. The plan should be clear about all aspects of marketing, including price, position, promotion, place, and customer value proposition. The marketing plan provides strategies to sell the company's product or service. The marketing plan should be a dynamic plan used to monitor the progress of the business.

Operations Plan

Operations deals with the transformation of ideas or raw materials into products or services to be sold to the customer. It gives an overview of the flow of the daily activities of the business operation and the strategies to support them. The operations plan should focus on the critical operating factors that will make the proposed business a success.

The operations plan section of a business plan describes the physical necessities of the business's operation, such as the business's physical location, raw materials, technology, human resource, facilities, and equipment. Information about inventory requirements, suppliers, and employees may be included depending on the kind of business. An operations plan provides a description of the break-even analysis, quality control measures, and the manufacturing process.

Financial Plan

The financial plan is a critical section of the business plan as it translates all the other parts of the business into anticipated financial results. The financial plan section is the section that determines whether or not your business idea is viable, and is a key component in determining whether or not your business plan is going to be able to attract any investment in your business idea. Basically, the financial plan section of the business plan consists of an analysis of financial statements such as the income statement, the cash flow projection, projected balance sheet, break-even charts, cost of the project, sources, and uses of funds.

Appendix

This section contains document attachments and the milestones of the project. This comes at the end of the business plan. It contains the market survey report, financial projections, product and technological specifications, process flow charts, photographs of the existing or proposed firm, lists of plants and machinery, organizational charts, and résumés of each member of the management team. The milestones plan lists the major events in the business's development such as prototype development, installation of plant and equipment, market test and penetration, recruitment of key personnel, funding from investors, and the break-even point. It includes only major events and the schedule of the project that the entrepreneur can meet. This may impress investors and improve the reputation of the company.

Elevator Pitch

Every entrepreneur needs an elevator pitch. The name elevator pitch comes from the idea that when you get on an elevator and met someone there, whom you find useful to your venture, you are going to sell your business idea and make an impact by the time you reach the destination on that elevator. An elevator pitch is a way to share your expertise and credential quickly and effectively with the people who don't know you. Accordingly, an elevator pitch may require one minute to pitch your business proposal. An elevator pitch is a succinct summary of a business proposal. An elevator pitch is like the short summary version of a business plan.

The elevator pitch is an exercise that will make a business focus on the value proposition. A good elevator pitch should convey information about what the business will offer, why it is valuable and what is its uniqueness. The key components of a good elevator pitch are: Define the problem; Describe your solution; Know your target market; Describe the competition; Explain who's on your team; present your business model and provide milestones and schedule. The most important things to be considered, while you are pitching your business proposal are:

1. Introduce yourself and findout to whom you are pitching.
2. Pitch with passion. The first impression is the best impression.
3. Demonstrate that you understand customer need. Show how their needs are unmet by your competitors. Explain the concept and the salient features of your business plan.
4. Customize the pitch based on to whom you are pitching.
5. Summarize your business plan in few sentences.
6. Explain, how you are going to raise finance for your venture.
7. Be clear about, what you want to get out of the pitch.
8. Explain why a potential investor should invest in your business proposal.

9. Develop a script for your pitch, to describe the problem and how you can solve it and market it. Rehearse your elevator pitch and make it interesting.
10. Keep refining your pitch based on the feedback you receive and results you achieve.
11. Remember you are not giving your whole pitch in the elevator; you are just trying to make them listen.
12. It is just like a trailer or teaser and the movie comes later.
13. At the end take an appointment for the detailed discussion.
14. Offer your business card at the end and also do not forget to collect a business card of the person to whom you have pitched.
15. The best place to pitch business plan is business conferences, business plan competitions, professional forums, meetings, in front of investors, and so on.

WHY DO SOME BUSINESS PLANS FAIL

Like any other project, writing a business plan needs careful planning and systematic execution. Some business plans fail because of the following reasons.

Why do some business plans fail?

- Failure to address the customer's problems and needs
- Unrealistic goals set by the promoters
- Lack of commitment to the business by the promoters
- Lack of experience of the promoters
- Lack of professionalism

Failure to address the customer's problems and needs:

The business plan should address the customer's problems/needs/wants. It should clearly state how big the business opportunity is. The entrepreneur should document customer pain points before preparing the plan. Customer needs can be identified from direct experience, letters from customers, or from market research.

Unrealistic goals set by the promoters:

Setting goals requires the entrepreneur to be well informed about the type of business and the business environment. The goals set by the entrepreneur are based on data and the business plan is no good if it does not include a lot of data. The goals set by the entrepreneur should be Specific, Measurable, Achievable, Realistic, and Timebound (SMART). The financial and market projections should be realistic, logical, and reasonable.

Lack of commitment to the business by the promoters:

The promoters must make a total commitment to the business in order to be able to meet the demands of a new venture. Investors will not be interested in a venture that does not have committed promoters. Investors also expect the promoter to make a significant commitment to the business. It is also required to have complete focus on the business especially if it is a new venture and promoters should not be over enthusiastic in trying to do all things at once.

Lack of experience of the promoters:

A lack of experience will result in failure unless the entrepreneur can either attain the necessary knowledge or team up with others who already have experience in this area.

Lack of professionalism: The business plan should be brief, clear, and nicely organized. It should highlight those points that can attract investors. The assumptions made in preparing the business plan should be realistic.

PROCEDURE FOR SETTING UP AN ENTERPRISE

The formalities for setting up of a business enterprise are shown in Figure 7.1 and discussed below.

Selection of a Project

A strong entrepreneur is the most vital aspect of every successful project. In order to set up a business enterprise, a suitable project has to be decided upon. This involves selecting a product or service, and a location for the unit. Based on these selections, a project feasibility study has to be conducted and then a brief profile has to be prepared for the proposed project. Then an entrepreneur has to prepare a business plan. Depending on the type of project, location, investment involved, and so on, the entrepreneur has to proceed to take further steps in establishing the unit.

Project selection is the initial decision that an entrepreneur has to make. Project selection and preliminary activities involve the following:

- Product or service selection.
- Location selection.
- Project feasibility study.
- Business plan preparation.
- Preparation of a project profile.

Product or Service Selection

The product or service is selected by the entrepreneur depending on the existing business opportunity. The entrepreneur has to make a careful analysis in choosing the product/service. While choosing the product or service, the entrepreneur has to consider factors such as experience of the promoters, marketability of the product or service, availability of raw material, availability of technology, investment capacity, and availability of infrastructural facilities.

Location Selection

While selecting the location for the project, the entrepreneur has to consider factors such as proximity to the market; government policy; incentives and subsidies; the availability of suitable infrastructural facilities for the project; the availability of raw material and labour, and the availability of transportation and communication facilities.

Project Feasibility Study

A project feasibility study is an analysis that involves finding and documenting potential solutions to a particular business opportunity. The project feasibility study involves market analysis, technical analysis, financial analysis, economic analysis, and ecological analysis. Market analysis deals with understanding the potential market and market share. Technical analysis deals with finding the technical viability of the project and making sensible choices. Financial analysis involves calculating the risk and return of the project. Economic analysis involves finding benefits and costs in terms of shadow prices and other impacts. Ecological analysis involves assessing the environmental damage caused by the project and the restoration measures to be carried out.

Business Plan Preparation

Once the project is found feasible, the next step is the preparation of a business plan. A business plan is a blueprint of the project. A business plan is a document which provides a roadmap to the project. It usually keeps the business on track to reach its planned goals. It determines where the company needs to go; forewarns about the possible roadblocks along the way, and formulates responses to contingencies.

Preparation of Project Profile

A project profile is a summary of a detailed project report. It is a "snapshot of the project." It is the first step towards the development of a detailed project report. A project profile usually comprises five parts: introduction to the project; business

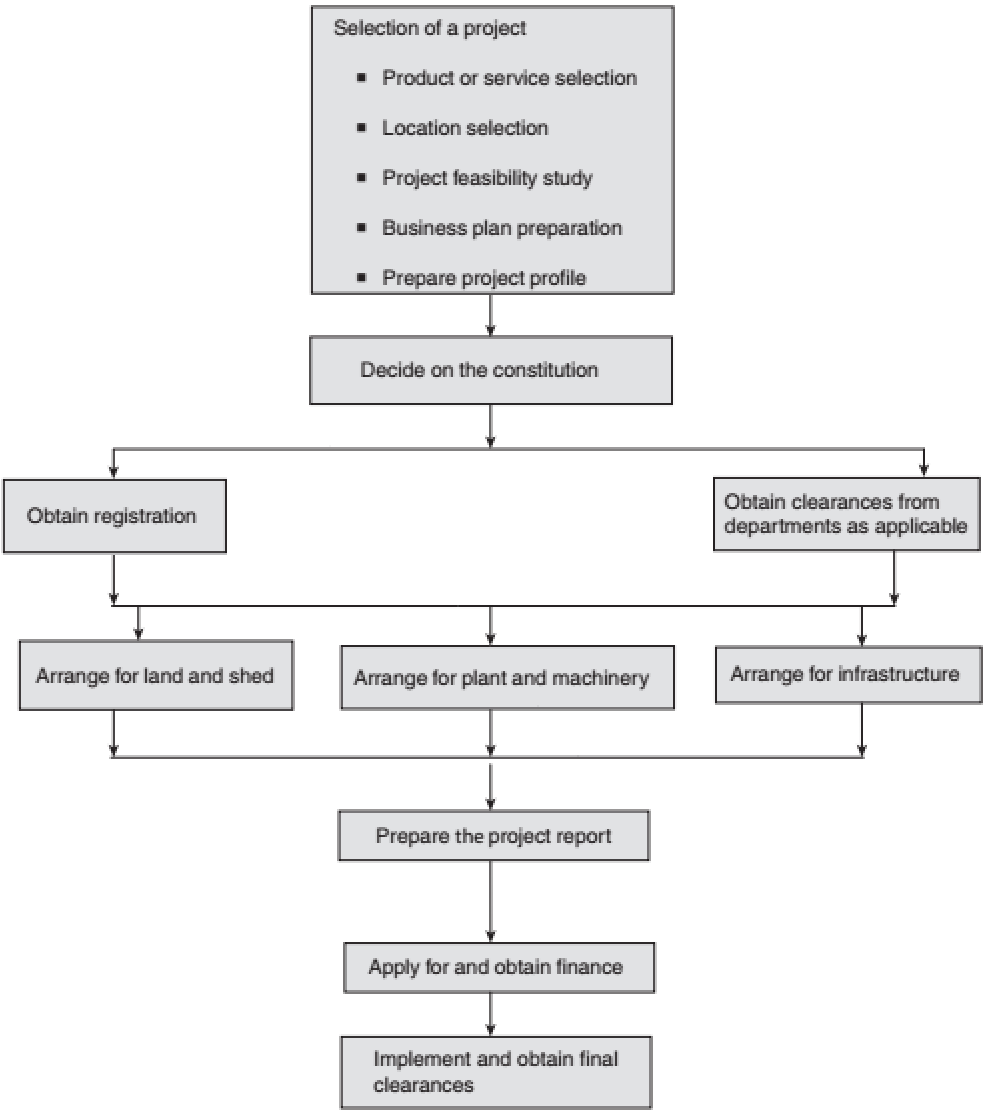


Figure 7.1 Formalities for Setting Up a Business Enterprise

Decide on the Constitution

In order to set up an enterprise, the entrepreneur has to decide on the constitution of the unit at the initial stages of the project. The various types of constitution of the enterprise are sole proprietorship, partnership, limited company (private/public), cooperative, and franchising.

Obtain Registration

The sole proprietor has no legal formalities. Usually MSME choose to register with the District Industries Centre for obtaining various facilities and incentives. Partnership firms are governed by the Indian Partnership Act, 1932. The terms and conditions of partnership are contained in the partnership deed. Companies register with the registrar of companies and cooperatives register with the registrar of cooperatives.

Obtain Clearances from Departments as Applicable

For setting up a new enterprise in India, a number of clearances and approvals are required from concerned authorities depending on the type of enterprise. The approvals and clearances that may be required from various departments are given in Table 7.2.

Arrange for Land/Shed

For any industrial project, a suitable industrial site or a ready industrial shed is required. The promoters of the unit could consider taking an industrial site and constructing a shed as per their requirements. Alternatively, they could consider taking a ready industrial shed on ownership basis.

Industrial Land

Once the location of the unit is decided, the land for the project could be conveniently taken from the State Industrial Areas Development Board. However, private land could also be purchased, but it has to be converted for industrial purpose and other necessary legal/formalities will have to be completed.

Industrial Shed

For setting up an enterprise, the promoters could consider using a ready industrial shed. This could be on rent or on ownership basis. Rental sheds have to be arranged from private owners. The purchase of industrial sheds has to be arranged from private owners. This is possible under an outright purchase or a hire purchase scheme.

Application Formalities

Application in the prescribed form is to be submitted along with the following documents:

- A copy of the Provisional Registration Certificate (PRC).
- A detailed project report.
- Certified copies in support of educational qualification, experience, and other categories as may be applicable.
- Applicable earnest money deposit.

Table 7.2 Approvals and Clearances Required from Various Departments[7]

Approvals/Clearances Required	Department to be Approached and Consulted
Incorporation of company	Registrar of Companies
Registration/IEM/ Industrial license	DIC for MSME/SIA for large and medium industries
Allotment of land	State DI/SIDC/Infrastructure Corporation /SSIDC
Permission for land use (in case industry is located outside an industrial area)	▪ State Directorate of Industries ▪ Dept. of Town and Country Planning Local Authority/District Collector
NoC and consent under Water and Air Pollution Control Acts	State Pollution Control Board
Approval of construction activity and building plan	▪ Town and country planning ▪ Municipal and local authorities ▪ Chief Inspector of Factories ▪ Pollution Control Board ▪ Electricity Board
Sanction of power	State Electricity Board
Use and storage of explosives	Chief Controller of Explosives
Boiler Inspection Certificate	Chief Inspector of Boilers
Finance	▪ SFC/SIDC for term loans ▪ For loans higher than INR. 150 lakh, financial institutions like IDBI, ICICI, IFCI, etc.
Registration under States Sales Tax Act and Central and State Excise Act	▪ Sales Tax Department ▪ Central and State Excise Departments
Extraction of minerals	State Director of Mines and Geology
ISI Certificate	Regional Office of the Bureau of Indian Standards (BIS)
Quality Marking Certificate	Quality Marking Centre of the State Government
Weights and measures	Inspector of Weights and Measures
Code number for export and import	Regional Office of the Director General of Foreign Trade

Arrange for Plant and Machinery

The plant and machinery required for the project could be purchased from recognized manufacturers/ dealers. The plant and machinery could be taken on a direct or hire purchase scheme.

Direct Purchase

The entrepreneur has to select and buy the required plant and machinery from recognized and approved manufacturers or dealers. Banks and the State Financial Corporations maintain a list of approved machinery suppliers. The entrepreneur is advised to refer to such a list before deciding on the supplier.

The entrepreneur should compare the quality, performance, and service terms, price, and other details of the alternate plant and machinery that may be available in the market. Then they should decide on an appropriate plant and machinery for their proposed project. Detailed quotations should be taken for preparing the project report and also for submission to State Financial Corporations along with the loan application. Some items of plant and machinery may have to be fabricated against orders. For such items, the entrepreneur should seek quotations from reputed and experienced fabricators and get their equipment fabricated as per the required specifications.

NSIC Hire Purchase Scheme

In the hire purchase scheme offered by NSIC, the required plant and machinery will be the asset of NSIC and they will lease it to the promoters of the industrial unit. As per the NSIC scheme agreement, once the required lease installment is paid, the assets (plant and machinery) will become the property of the industrial unit. The hire purchase scheme requires earnest money deposit to be brought in by the promoters of the unit.

Arrange for Infrastructure

The main infrastructure facilities required for an enterprise are land or shed for the project, power connection, water supply, and telephone facility. Single Window Agencies (SWA) are set up at the district level for the benefit of MSME. The SWA provide clearances for various infrastructure and other facilities for MSME. The assistance provided by the SWA is given below:

- Grant of land in industrial areas and allotment of sheds in the industrial estates for all MSME.
- Grant of power up to the limit prescribed by the state government.
- Review and recommendation of sanction of term loans and working capital loans by the State Financial Corporation and commercial banks within the district for the new and existing MSME.
- Grant and disbursement of all incentives and concessions for MSME.
- General review of the position regarding problems faced by entrepreneurs and existing MSME within the district and doing such other work as may help promotion of the enterprises.

Land and Construction of Building

After deciding the location and site, three important factors have to be kept in mind before purchasing/leasing the land.

- Availability of basic amenities like power and water.
- Connectivity to nearest rail, road, or port.
- Price of the land.

Prepare Project Report

The project report is an important document and should be prepared carefully. Banks and other financial institutions decide whether a loan should be granted, and if granted, the amount that should be sanctioned on the basis of this report. The project report is generally prepared to cover the following broad segments:

General information: The following information should be provided.

- Name of the unit and address.
- Name of product/service.
- Constitution of the unit.
- Name of the promoter.
- Educational qualification.
- Experience.

Details of the project: The following information should be provided.

- Product/service details.
- Details of machinery.
- Details of raw material and Utility
- Manpower requirement.
- SWOT analysis.

Market survey: The market survey report should be enclosed.

Cost of project: The following details should be provided.

- Fixed cost: Land/building, machinery, office equipment, miscellaneous items.
- Working capital: Stock in raw material, semi-finished goods, finished goods, bills receivable, working expenses.
- Total investment: Fixed capital, working capital, preliminary and preoperative expenses, interest during implementation, contingency.
- Means of finance: Term loan, working capital loan, own investment (with incentives).
- Profitability: Revenue, production cost, depreciation, administrative expenses, interest, maintenance, sales and advertisement, profit, annual income before tax, taxes, net profit.

Annexure:

Promoter's biodata, organizational chart, details of group units if any, statutory sanctions/approvals, project feasibility study report, project schedule, arrangement of land and building, statement of cost of plant, machinery and other equipment, details of orders and enquiries, process chart, financials for project and its analysis, financials of the company and its analysis, manpower planning, and financial statements.

Apply for and Obtain Finance

A formal application needs to be made for loans from financial institutions and commercial banks. The details of documentation that need to be provided with the loan application are given below:

- Balance sheet and profit and loss statement for the previous three consecutive years of firms held by promoters.
- Income tax assessment certificates of partners/directors, proof of possession of land/building.
- Architect's estimate for construction cost.
- Partnership deed/memorandum and articles of association of the company.
- Project report.
- Budgetary quotations of plant and machinery.

Implement the Project and Obtain Final Clearances

Entrepreneurs will have to take necessary steps to physically implement the project after obtaining the various licenses, clearances, infrastructure facilities and so on. The following are the major activities that entrepreneurs have to undertake for implementing the project:

- Construct shed.
- Order machinery.
- Recruit personnel.
- Arrange for raw materials.
- Generate a marketing plan.

Erection and Commissioning

Once the building is ready and the necessary plant and machinery have arrived, entrepreneurs have to take steps to erect the machinery. The various items of plant and machinery should be erected as per the prepared plan. Sometimes sophisticated machinery is supplied along with the service of erection.

In such cases, the erection and commissioning will be undertaken and completed by the machinery suppliers. Alternatively, the entrepreneurs have to take the necessary steps to erect the plant and machinery. After the plant and machinery is erected, the entrepreneurs should proceed to commission the plant. Initially, during the trial-run period, entrepreneurs will have to make necessary adjustments and changes in production and processes to obtain the desired quality of the products. Once the production/process of the unit is standardized, they can proceed with commercial production.

Obtain Final Clearances

Entrepreneurs are required to take several final clearances when the unit is ready for commissioning or as soon as it goes into production. Accordingly, entrepreneurs are advised to refer to the various preliminary clearances they have obtained from different departments /organizations and take necessary steps to obtain final clearances or approvals as required.

Institutions supporting business enterprises:

Many enterprises start small and many entrepreneurs in MSME need an institutional support system for guidance, support, and mentoring at different stages of business development. Most of the enterprises need support at the pre-start up, start-up, development, and growth phase. An entrepreneur should be aware of governmental and non-governmental support systems available for his enterprise.

A number of support institutions set up by the central and state governments and various other agencies help entrepreneurial development in various ways. The activities of support institutions cover a wide range of services such as financing, equipment support, technical assistance, training, marketing, and providing subsidy and grants. The various institutions supporting entrepreneurial activities in India (also shown in Figure 9.1) are given below:

Central-level institutions:

Central-level institutions for supporting entrepreneurial activities are set up by the Central Government. These are: National Board for Micro, Small, and Medium Enterprises (NBMSME); Khadi and Village Industries Commission (KVIC); Coir Board; Micro Small Medium Enterprises Development Organisation (MSME–DO); National Small Industries Corporation (NSIC); National Science and Technology Entrepreneurship Development Board (NSTEDB); National Productivity Council (NPC); Entrepreneurship Development Institutes (EDII); National Research Development Corporation of India (NRDCI); and National Entrepreneurship Development Institutes.

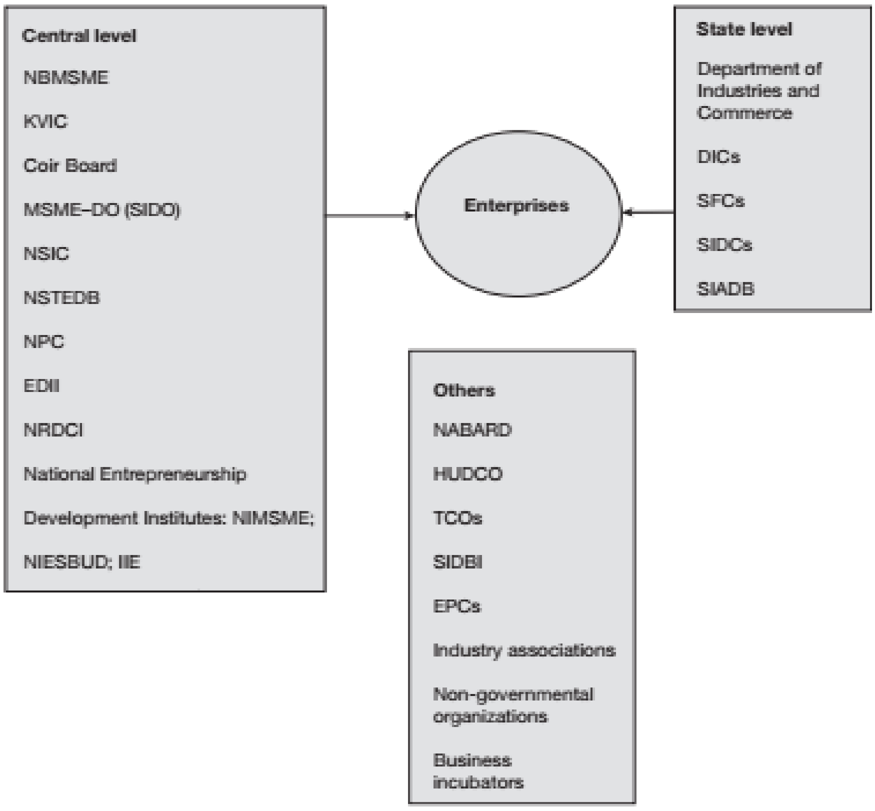
State-level institutions:

The state-level institutions for supporting entrepreneurial activities are set up by the various state governments in India. These are: State Directorate of Industries; District Industries Centres (DIC); State Financial Corporations (SFC); State Industrial Development Corporation (SIDC); and State Industrial Area Development Board (SIADB)

Other institutions:

Apart from central and state-level institutions, there are various other institutions supporting entrepreneurial activities in India. These are: National Bank for Agriculture and Rural Development (NABARD); Housing and Urban Development Corporation (HUDCO); Technical Consultancy Organizations (TCOs); Small Industries Development Bank of India (SIDBI), Export Promotion Council (EPC); Industry Associations; Non-Governmental Organizations (NGOs); and Business Incubators.

Figure 9.1 Institutional Support for Enterprises



CENTRAL-LEVEL INSTITUTIONS:

National Board for Micro, Small, and Medium Enterprises (NBMSME)

The National Board for Micro, Small, and Medium Enterprises (NBMSME)1 was constituted in 2007 in pursuance of the MSME Development Act, 2006, to facilitate the coordination and interinstitutional linkages for the development of MSME. The Board has a statutory backing and is an apex advisory body constituted to render advice to the government on all issues pertaining to the MSME sector.

The Office of the Development Commissioner (MSME) serves as the secretariat for the Board. The Union Minister of Commerce and Industry is the chairman of the Board. The NBMSME comprises 50 members including state industry ministers; select members of Parliament; secretaries of various departments of the Central Government; financial institutions; public-sector undertakings; industry associations; and eminent experts in the field as members.

The Khadi and Village Industries Commission (KVIC)

The Khadi and Village Industries Commission (KVIC)2 is a statutory body established by an Act of Parliament (No. 61 of 1956). KVIC functions under the administrative control of the Ministry of Micro, Small, and Medium Enterprises, Government of India. The primary objective of KVIC is to provide employment to rural artisans through production of saleable products and to create selfreliance in order to build a strong rural community spirit. Mahatma Gandhi started khadi and village industries to rejuvenate the rural economy as part of the freedom struggle. Khadi products are hand-spun and hand-woven.

The spinning and weaving process creates opportunities for employment for a large number of spinners and weavers in rural India. More than 80 per cent among them are women. KVIC has been promoting the use of ecofriendly organic cotton and natural dyes. It deals with traditional rural industries such as pottery, leather, hand-made paper, non-edible oil, soap, and the processing of cereals and soaps. Due to the rigorous efforts of KVIC, khadi, which was seen as a cloth worn by the common man, has become glamorous.

The KVIC is entrusted with the task of planning, organizing, implementing, and promoting various programmes for the development of khadi and other village industries in rural areas. The Commission provides financial assistance to institutions and individuals for the development of these industries and for guiding them through the supply of designs, prototypes, and other technical information. It also creates common service facilities for the processing of raw materials and facilitates the marketing of the products through cooperative efforts.

The Coir Board

The Coir Board is a statutory body established by the Government of India for the promotion and development of the coir industry under the Coir Industry Act3, 1953, enacted by the Parliament. This is one of the oldest traditional industries. It generates value out of waste by providing eco-friendly products that generate large-scale employment and contribute to around INR. 600 crore worth of exports annually. The Coir Board has constituted various committees for implementing various functions such as the executive committee; the research and development committee; the export promotion committee; the marketing and publicity committee; the brown fibre development committee; and the Hindustan advisory committee.

MSME–DO

The Office of the Development Commissioner, Ministry of Micro, Small, and Medium Enterprises, Government of India (DC–MSME) is a nodal agency for formulating, coordinating, and monitoring the policies and programmes for the promotion and development of MSME in the country. Micro, Small, and Medium Enterprises–Development Organization (MSME–DO) is the apex body for assisting the government in formulating, coordinating, implementing, and monitoring policies and programmes for the promotion and development of MSME in the country. MSMEDO provides a comprehensive range of common facilities, technology and support services, marketing assistance, and entrepreneurial development support to MSME. MSME–DO has over 60 offices and 21 autonomous bodies under its management. The autonomous bodies include tool rooms, training institutions, and project-cum-process development centres. The MSME–DO offers advice to the Central Government in policy formulation and provides liaison services between different institutions for the promotion and development of the MSME sector.

National Small Industries Corporation (NSIC)

This is a Government of India enterprise under the Ministry of Micro, Small, and Medium Enterprises (MSME). The NSIC5 work towards the growth of micro, small, and medium enterprises in the country. The NSIC has obtained ISO 9001–2008 certification and operates through a countrywide network of offices and technical centres. In order to manage its operations in African countries it has set up an office at Johannesburg in South Africa. The NSIC provides a package of services and various schemes to support MSME in the country. These schemes comprise facilitating market support, credit support, technology support, and other support services.

National Science and Technology Entrepreneurship Development Board (NSTEDB)

This is a Government of India enterprise under the Ministry of the Department of Science and Technology. The NSTEDB6 was established in the year 1982 with the primary objective of promoting self-employment among the science and technology (S&T) manpower in the country and to set up knowledge-based and innovation-driven enterprises.

The NSTEDB has representation from socioeconomic and scientific departments, ministries, premier entrepreneurship development institutions, and all-India financial institutions. The NSTEDB promotes and develops technology entrepreneurs, and facilitates and conducts various informational services relating to the promotion of entrepreneurship. The NSTEDB networks with various central and state government agencies for S&T-based entrepreneurship development. The Board acts as a policy advisory body with regard to entrepreneurship. The NSTEDB aims to convert “job-seekers” into “job-creators” and “job-providers” through S&T interventions.

National Productivity Council (NPC)

The National Productivity Council (NPC) is a national-level organization established as a registered society in 1958 by the Government of India. NPC7 is an autonomous, tri-partite, non-profit organization, which aims to promote a culture of productivity in India. The NPC has equal representation from the government, employers, workers’ organizations, and technical and professional institutions. The NPC provides training, consultancy services, and undertakes research in the area of productivity. The NPC also implements productivity promotion plans and programmes of the Asian Productivity Organization (APO) based in Tokyo, Japan.

Entrepreneurship Development Institute of India (EDII)

The Entrepreneurship Development Institute of India (EDII) is an autonomous and not-for-profit institute established in 1983. The Institute is registered under the Societies Registration Act, 1860 and the Public Trust Act, 1950. The Institute is sponsored by apex financial institutions such as the Industrial Development Bank of India (IDBI), the Industrial Finance Corporation of India (IFCI), the Industrial Credit and Investment Corporation of India (ICICI) Ltd, and the State Bank of India (SBI). The EDII8 has been spearheading the entrepreneurship movement throughout the nation and developing entrepreneurs through well-conceived and well-directed activities.

The EDII is committed to entrepreneurship education, training, and research. The Institute strives to provide innovative training techniques, competent faculty support, consultancy and quality teaching, and training material. The EDII aims to inculcate the spirit of entrepreneurship in the youth, create a multiplier effect on opportunities for self-employment, and sensitize the support system to facilitate potential and existing entrepreneurs to establish and manage their enterprises and develop and disseminate new knowledge and insights in entrepreneurial theory and practice through research.

National Research Development Corporation of India (NRDCI)

The National Research Development Corporation of India (NRDCI) was established in 1953 as a Government of India enterprise. It is presently working under the Department of Scientific and Industrial Research, Ministry of Science and Technology. The Corporation aims to develop, promote, and transfer technologies emanating from various national research and development institutions. The Institute has facilitated the supply of technologies and services to entrepreneurs both in the developing and developed countries. The Corporation has exported technologies to countries such as the United States, Germany, Malaysia, Brazil, Bangladesh, Burma, Nepal, Senegal, Madagascar, Indonesia, the Philippines, Vietnam, Sri Lanka, Kenya, and Egypt.

National Entrepreneurship Development Institutes

There are three national-level institutes for promoting entrepreneurship set up by the Ministry of Industry. These are:

- National Institute for Micro, Small, and Medium Enterprises (NI-MSME), Hyderabad
- National Institute of Entrepreneurship and Small Business Development (NIESBUD), New Delhi
- Indian Institute of Entrepreneurship (IIE), Guwahati

National Institute for Micro, Small, and Medium Enterprises (NI-MSME)

The Institute was formerly known as the National Institute for Small Industry Extension and Training (NISIET). The NI-MSME was registered under the Public Societies Registration Act effective from 1 July 1962 and is located at Hyderabad in Andhra Pradesh. It is a premier institute in India for the promotion, development, and modernization of the MSME sector. It is an autonomous institute, which functions under the Ministry of Micro, Small, and Medium Enterprises. The Institute is managed by a governing council constituted by the Government of India. The secretary to the Government of India, the Ministry of MSME, is the chairman of the governing council.

National Institute for Entrepreneurship and Small Business Development (NIESBUD)

The NIESBUD was founded in 1983 by the Ministry of MSME, Government of India. The Institute was registered as a society under the Government of India Societies Registration Act, 1860. The Institute is presently functioning from its integrated campus in Noida, Delhi. It is an apex body for coordinating and overseeing the activities of various institutions and agencies engaged in the development of entrepreneurship in the MSME sector. The NIESBUD11 serves as the secretariat for the National Entrepreneurship Development Board (NEDB), the apex body which determines policy for entrepreneurship development in the country.

Indian Institute of Entrepreneurship (IIE)

The Indian Institute of Entrepreneurship (IIE) was established in 1993 as an autonomous national institute by the Ministry of MSME with its headquarters at Guwahati. The aim of the Institute is to undertake training, research, and consultancy services for entrepreneurship development with a focus on the MSME sector. The Institute has a board of management whose chairman is the secretary to the Government of India, Ministry of MSME. The board provides the policy framework and guidance for its functioning. The Institute has a governing council headed by the chairman of the North East Council (NEC) and the executive committee is headed by the Secretary, Ministry of MSME, Government of India.

<u>BRIEF ABOUT CENTRAL LEVEL INSTITUTIONS:</u>

- The NBMSME is an apex advisory body constituted to advise the government on SNAPSHOT all issues pertaining to the MSME sector.
- The primary objective of KVIC is to provide employment to rural artisans through the production of saleable products and to create self-reliance in order to build a strong rural community spirit.
- The Coir Board is a statutory body established by the Government of India for the promotion and development of the coir industry in the country.
- MSME–DO is the apex body for assisting the government in formulating, coordinating, implementing, and monitoring policies and programmes for the promotion and development of MSME in the country.
- The NSIC provides a package of services and various schemes to support MSME in the country.
- The NSTEDB was established with the primary objective of promoting self-employment among the Science and Technology (S&T) manpower in the country and to set up knowledge-based and innovation-driven enterprises.

- NPC is an autonomous, tri-partite, non-profit organization, which aims to promote a culture of productivity in India.
- The EDII has been spearheading the entrepreneurship movement throughout the nation and developing entrepreneurs through well-conceived and well-directed activities. The EDII is committed to entrepreneurship education, training, and research.
- The NRDCI facilitates the supply of technologies and services to entrepreneurs in both developing and developed countries.
- There are three national entrepreneurship development institutes set up by the Ministry of Industries. These are NI-MSME at Hyderabad, NIESBUD at New Delhi, and IIE at Guwahati.

STATE-LEVEL INSTITUTIONS :

The state-level institutions for supporting entrepreneurial activities are set up by the various state governments in India. They are State Directorate of Industries and Commerce; District Industries Centres (DIC); State Financial Corporations (SFC); State Industrial Development Corporations (SIDC); and State Industrial Area Development Boards (SIADB). This section provides information on state-level institutions supporting entrepreneurial activities, which have been set up by the various state governments in India.

State Directorate of Industries and Commerce

At the state level, the State Directorate of Industries and Commerce acts as a catalyst for the overall development of the industrial sector through effective implementation of policies. The policies developed by the Central Government serve as guidelines but each state evolves its own policy and package schemes. The Directorate develops growth centres, industrial parks, export zones, special economic zones, industrial clusters, and infrastructure required for industrial development.

District Industries Centres (DIC)

The concept of DIC was announced by the Government of India during the new industrial policy formulated on 23 December 1977. DIC are the main focus agencies for promoting MSME at the district level. DIC were established with the aim of generating greater employment opportunities especially in the rural and backward areas of the country. The functions and activities of DIC are monitored by the Directorate of Industries and Commerce.

DIC are district-level institutions set up by the government, which provide all services and facilities to entrepreneurs in one place to set up MSME. These services and facilities include identification of a suitable scheme, preparation of a project feasibility report, arrangements for the supply of plant, machinery, and equipment, provision of raw materials, credit facilities and input for marketing and extension services, quality control, and research and entrepreneurial training.

State Financial Corporation (SFC)

The State Financial Corporation is established in each state under the State Financial Corporations Act, 1951. The SFC plays an important role in the development of MSME at the state level. They aim to finance and promote MSME in their respective states for achieving balanced industrial growth. They act as catalysts to generate employment and widen the industrial base. SFCs promote the development of MSME by providing various services. The important services provided by SFCs are infrastructure development, financial services, and term loans.

State Industrial Development Corporation (SIDC)

SIDCs are wholly-owned undertakings of the state governments set up under The Companies Act, 1956. SIDCs act as catalysts for industrial development in their respective states. They develop land for providing industrial infrastructural facilities in the form of industrial estates by developing industrial land and readymade industrial sheds. They also provide facilities such as roads, power, water supply, drainage, and other amenities required for industrial development.

State Industrial Area Development Board (SIADB)

The SIADB is a statutory board constituted under the Industrial Areas Development Act, of the respective state governments in India, for example, the Karnataka Industrial Areas Development Act, 1966, in Karnataka. The SIADB's primary objective is to promote and assist in the rapid growth and development of enterprises in industrial areas. The SIADB acquires and provides developed land suited for industries. It prepares industrial plots of various sizes to suit different industries along with the requisite infrastructural facilities.

BRIEF ABOUT STATE LEVEL INSTITUTIONS:

The state-level institutions for supporting entrepreneurial activities are set up by the various state governments in India. They are State Directorate of Industries and Commerce; District Industries Centres (DIC); State Financial Corporation (SFC); State Industrial Development Corporation (SIDC); and State Industrial Area Development Board (SIADB).

- DIC are district-level institutions set up by the government, which provide all services and facilities to entrepreneurs in one place to set up MSME.
- The important services provided by SFC to MSME are infrastructure development, financial services, and term loans.
- SIDC provide infrastructural facilities to MSME in the form of industrial land, industrial shed, roads, power, water supply, drainage, and other amenities required for industrial development.
- The SIADB acquires and provides developed land suited for industries.

OTHER INSTITUTIONS:

Apart from central and state-level institutions, there are various other institutions supporting entrepreneurial activities in India. These are the National Bank for Agriculture and Rural Development (NABARD); the Housing and Urban Development Corporation (HUDCO); Technical Consultancy Organizations (TCOs); the Small Industries Development Bank of India (SIDBI); the Export Promotion Council (EPC); Industry Associations; Non-Governmental Organizations (NGOs); and Business Incubators.

National Bank for Agriculture and Rural Development (NABARD)

NABARD was established by an Act of Parliament in July 1982 to provide focused attention to the development of rural India by facilitating credit flow for the promotion of agriculture and the rural non-farming sector. It provides refinance assistance to State Cooperative Banks, Regional Rural Banks, and other approved institutions for all kinds of production and investment credit to industries, artisans, cottage and village industries, handicrafts, and other allied activities.

NABARD also helps entrepreneurs to procure loans for setting up industries in any part of the country. NABARD's primary goal is to promote sustainable and equitable agriculture and rural prosperity through effective credit support, related services, institution development, and other innovative initiatives.

NABARD's functions can be classified into four major categories: credit planning; financial services; promotion and development; and supervision. NABARD has effectively brought in a number of innovations in the rural credit domain. Some of them are the formation and linkage of self-help groups; farmers' clubs; rural infrastructure development funds; watershed development; the Kisan Credit Card; the district rural industries project; women and development; the Rural Entrepreneurship Development Programme (REDP); rural marketing; NABARD Consultancy Services (NABCONS); co-financing; cluster development programmes; and the Rural Innovation Fund.

Housing and Urban Development Corporation (HUDCO)

HUDCO is a public-sector company wholly owned by the Government of India. It was incorporated in April 1970 as a private-limited company and, subsequently, converted into a public-limited company in 1986. HUDCO's primary focus is to provide assistance for urban, social-sector infrastructure, and the creation of housing facilities. Of late, the Corporation has also undertaken activities to create infrastructure for the industrial sector. HUDCO also extends assistance to the promotion of building material industries, besides imparting consultancy, training, and technical assistance in related matters.

HUDCO aims to promote sustainable habitat development to enhance the quality of life. It is governed by a board of directors and has established regional offices at the operations level. HUDCO was established with an equity base of INR. 2 crore. Over the years, the government has expanded the equity base. The net worth of HUDCO as on 31 March 2011 is INR. 5,520.97 crore. HUDCO's services and product portfolio can be classified into five main categories: housing, urban infrastructure, building technology promotion, research and training, and consultancy.

Technical Consultancy Organization (TCO)

A TCO is a premier professional, industrial, technical, and management consultancy organization. A network of Technical Consultancy Organizations (TCOs) was established by the all-India financial institutions in the seventies and the eighties in collaboration with state-level financial/development institutions and commercial banks to cater to the consultancy needs of MSME and new entrepreneurs. At present, there are 18 TCOs operating in various states, some of them covering more than one state. These 18 TCOs are listed in Table 9.1.

TCOs provide a total package of consultancy services to enterprises, government departments, commercial banks, and other institutions for activities relating to industrial development and financing. Initially, the functions of TCOs were focused on pre-investment studies for enterprises. Over the years, they have diversified their functions to include the following:

- To prepare project profiles and feasibility profiles.
- To undertake industrial potential surveys.
- To identify potential entrepreneurs and provide them with technical and management assistance.
- To undertake market research and surveys for specific products.
- To supervise the project and where necessary, render technical and administrative assistance.
- To undertake export consultancy for export-oriented projects based on modern technology.
- To conduct entrepreneurship development programmes.
- To offer merchant banking services.

Table 9.1. Technical Consultancy Organizations in India

1. Andhra Pradesh Industrial and Technical Consultancy Organization Ltd (APITCO).
2. Bihar Industrial and Technical Consultancy Organization Ltd (BITCO).
3. Gujarat Industrial and Technical Consultancy Organization Ltd (GITCO).
4. Haryana–Delhi Industrial Consultants Ltd (HARDICON).
5. Himachal Consultancy Organization Ltd (HIMCO).
6. Industrial and Technical Consultancy Organization of Tamil Nadu Ltd (ITCOT).
7. Jammu and Kashmir Industrial and Technical Consultancy Organization Ltd (J&KITCO).
8. Technical Consultancy Services Organization of Karnataka (TECSOK).
9. Maharashtra Industrial and Technical Consultancy Organization Ltd (MITCON).
10. Madhya Pradesh Consultancy Organization Ltd (MPCON).
11. North-Eastern Industrial Consultants Ltd (NECON).
12. North-Eastern Industrial and Technical Consultancy Organization Ltd (NEITCO).
13. North-India Technical Consultancy Organization Ltd (NITCON).
14. Orissa Industrial and Technical Consultancy Organization Ltd (ORITCON).
15. Rajasthan Consultancy Organization Ltd (RAJCON).
16. U.P. Industrial Consultants Ltd (UPICO).
17. Kerala Industrial and Technical Consultancy Organization Ltd (KITCO).
18. West Bengal Consultancy Organization Ltd (WEBCO).

Small Industries Development Bank of India (SIDBI)

SIDBI was founded in 1990 under an Act of Parliament. It is the principal financial institution for the promotion, financing, and development of the MSME sector and other institutions engaged in similar activities. SIDBI facilitates the timely flow of credit for term loans and working capital to MSME in collaboration with commercial banks. In addition to refinancing and discounting of bills, SIDBI participates in equity loans, term loans, working capital, venture capital support, and various forms of resource support to banks and other institutions.

Export Promotion Councils (EPCs)

In order to overcome problems in the marketing of MSME products in the overseas markets, it is considered desirable to adopt a consortium approach. The export promotion councils for different industries make efforts to promote the exports of their member units through direct marketing, developing vendor relations, opening respective sales outlets abroad, and so on, as a collective export marketing strategy. The activities of different councils are targeted to increase the exports from the sector.

INDUSTRY ASSOCIATIONS

In addition to the central and state government agencies, industry associations also impart institutional support to the MSME sector. Industry associations provide MSME with a common platform to raise industry-related issues and to initiate cooperative efforts for promoting the sector. The government's policies, in recent years, have stressed the increasing role of industry associations in setting up common facilities and other cooperative ventures in the areas of technology, marketing, and other support services. Some of the major associations and the services provided by them are given below:

Confederation of Indian Industry (CII)

In 1895, five British engineering firms formed the Engineering and Iron Trade Association (EITA). EITA was renamed the Indian Engineering Association (IEA) in 1912. With the swadeshi movement gaining momentum, the Engineering Association of India (EAI) was formed in 1942 by a group of indigenous entrepreneurs. IEA and EAI were merged in 1974 to form the Association of Indian Engineering Industry (AIEI).

The 1980s ushered in an era of competiveness and liberalization, and the AIEI was renamed the Confederation of Engineering Industry (CEI). In 1992, the name was again changed to the Confederation of Indian Industry (CII), which reflected the extension of the confederation's coverage. The main objectives of the CII are to provide information, advisory, consultative, and representative services to industry and the government. The CII is represented on major policymaking bodies concerned with the industry. It also organizes industry exhibitions, specialized sectoral trade fairs, and the India Engineering Trade Fair.

World Association for Small and Medium Enterprises (WASME)

The World Association for Small and Medium Enterprises (WASME), founded in 1980, has emerged as the largest professionally-managed global non-governmental organization with members and associates including national governments, chambers of commerce and industry, small business authorities and associations, banks and financial institutions, and training and consultancy agencies in 120 countries serving micro, small, and medium enterprises.

Federation of Associations of Small Industries of India (FASII)

The Federation of Associations of Small Industries of India, set up in 1959, represents associations of small industries and individual SSI units. The main objectives of FASII are:

(i) to promote the development of MSME and cottage industries
(ii) to cooperate with industrial, business, educational, and research institutions in collecting and exchanging information pertaining to MSME
(iii) to undertake professional, technical, and management consultation services
(iv) to undertake studies, surveys, and research assignments
(v) to further the cause of MSME by interacting with union and state governments and other bodies
(vi) to establish and operate trade centres, display centres, sub-contract exchanges, and other promotional institutions for the benefit of the MSME sector and
(vii) to establish test centres, laboratories, and common facility centres for the MSME sector.

Laghu Udyog Bharati (LUB)

Laghu Udyog Bharati was established in 1995. The main objective of the organization is to promote and safeguard the interests of the small-scale industry. Entrepreneurial training, support for technology upgradation, and marketing are within the extended scope of its activities. Laghu Udyog Bharati has its representation in the national and state-level government bodies connected with MSME.

Indian Council of Small Industries (ICSI)

The Indian Council of Small Industries, founded in 1979, represents around 1,500 associations of the decentralized sector. The major objectives of the council include extending help to MSME, cottage enterprises, and artisans. In the process, the ICSI aims at enhancing the contribution of the MSME sector in the overall growth of the Indian economy.

The major functions of the ICSI are consultancy, information dissemination, entrepreneurship development, training, research, and so on. The ICSI represents the cause of its member enterprises by giving suggestions for appropriate policy making. The council follows the consortium approach to provide market-related services and extends facilities relating to testing centres and quality control outlets.

Council of Scientific and Industrial Research (CSIR)

The CSIR has set up a large number of Regional Research Laboratories all over the country, which are developing new processes for the manufacture of industrial products on a commercial scale. These agencies act as pillars of support for the promotion and growth of MSME in India.

Non-Governmental Organizations (NGOs)

Besides the central and state governments and autonomous bodies, there has been an emergence of NGOs in different states to provide financial assistance, information, training, marketing support, legal advice, and so on to MSME. The 1991 SSI policy of the Government of India favoured assistance to MSME through NGOs. A few training programmes for unemployed youth to help set up industries under the PMRY have been assigned by state governments to some NGOs. In the present scenario, the role of NGOs is assuming increasing importance for assistance to entrepreneurs, particularly under microfinancing activities. Many NGOs have set up Sub-Contracting Exchanges (SCXs) to promote entrepreneurship by developing and strengthening linkages between buyers and sellers.

T-HUB:

The IIIT campus in Hyderabad was brimming with activity on Thursday evening as the ever-enterprising Ratan Tata, Chairman Emeritus of Tata Sons inaugurated the T-Hub which has been touted as India's largest technology incubator.

"This can be the starting point of that new wave," he said, referring to a new beginning in India’s engineering and scientific ventures.

Speaking at the event, Telangana IT Minister K T Rama Rao said, "This is not for Telangana techies alone but to attract talent from across the country."

So what exactly is it?

The T-hub is a first-of-its-kind public-private partnership between the Telangana government, three central academic institutes - IIIT-H, Indian School of Business (ISB), NALSAR Law University and private entities.

The main aim of the partnership is to aid technology-related start-ups and the 'hub' provides an innovation driven ecosystem for these companies at a nominal fee. The incubator is expected to be a vantage point for entrepreneurs and investors from India and the world, as it is hard for start-ups to acquire sophisticated infrastructure and professional services.

The T-hub will allow its members to share office space with other budding companies. Members will also have access to exclusive launches and to professional services at negotiated rates.

Member companies can also take part in events, seminars that will host experts from various fields. Moreover, it will allow entrepreneurs to interact and talk about tackling common problems.

"If you take Silicon Valley, the University Avenue, the joke is that you just learn by osmosis. If you walk down the street, knowledge is just hitting you from everywhere.

When you have such a large bunch of people, investors, mentors, start-ups from multiple areas, the neighborhood, you just learn by talking to other people," said K Srinivas, the Chief Operating Officer of T-Hub.

While the ISB helps with the business aspect of the start-up, IIIT helps with the technology and NALSAR will help with the patents.

Other than that, experts would be made available to guide companies that show potential to become industry leaders.

The Catalyst

The first phase of the T-hub, which is officially functional since yesterday, is called 'The Catalyst.'

The Catalyst, which in itself is a state-of-the-art building with 70,000 sq. feet, is expected to host entrepreneurs, investors, VCs, advisors and mentors, alongside providing office space and seed funding.

The building situated at Gachibowli alongside IIIT, will host start-ups for a minimum of six months before they move out, making way for others, since it can only accommodate start-ups with a maximum of 14 employees. According to the Telangana government officials, it is expected to host 1,000 startups by the end of 2020.

"We already have 130 startups that signed up while another 150 are in the queue. We can't accommodate more than 150," said T-Hub Chief Operating Officer Srinivas Kollipara.

Another 200 companies are in the pipeline, waiting for their turn.

The facility is aimed at exploiting the engineering and scientific talents, which are in abundance in the adjoining areas, where most of the multinational IT companies, including Google and Microsoft have their headquarters.

STARTUP:

A startup is a young company founded by one or more entrepreneurs in order to develop a unique product or service and bring it to market. By its nature, the typical startup tends to be a shoestring operation, with initial funding from the founders or their families.

- A startup is an entrepreneurial venture in search of enough financial backing to get off the ground.
- The first challenge for a startup is to prove the validity of the concept to potential lenders and investors.
- Startups are always risky propositions but potential investors have several approaches to determining their value.

One of the startup's first tasks is raising a substantial amount of money to further develop the product. In order to do that, they have to make a strong argument, if not a prototype, that supports their claim that their idea is truly new or better than anything else on the market.

Understanding the Startup

In the early stages, startup companies have little or no revenue coming in. They have an idea, and they have to develop it, test it, and market it. That takes considerable money, and startup owners have several potential sources to tap.

- Traditional funding sources include small business loans from banks or credit unions, government-sponsored Small Business Administration loans from local banks, and grants made by nonprofit organizations and state governments.
- So-called incubators, often associated with business schools and other nonprofits, provide mentoring, office space, and seed funding to startups.
- Venture capitalists and angel investors actively seek out promising startups to bankroll in return for a stake in the company once it gets off the ground.

Some Successful Startups

Some of history's most successful entrepreneurs created startups called Microsoft, founded by Bill Gates, Ford Motors, founded by Henry Ford, and McDonald's, founded by Ray Kroc.

Here are some startups that you may not have heard of yet, but LinkedIn bets that you will someday. They are among its picks for 2018's Top Startups.

- Rubrik, a cloud data management company founded in 2014
- Aurora, a developer of hardware and software for self-driving vehicles
- Glossier, a skincare and beauty product company
- Ripple, a network that uses blockchain technology to process currency exchange transactions