TMI 103
Basics of IP & Entrepreneurship

Entrepreneurship

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Topics covered

- Theories and Definitions of Entrepreneurs(hip)
- Characteristics of Entrepreneurs
- Types of Entrepreneurs
- Intrapreneurs
- Importance of Entrepreneurship
- Business Plans: Purpose & Element
- Evaluation of Business Plans
- Sources of Funding for Start ups
- Valuation of Start ups
- Incubators
- The Indian Scenario

The Earliest Example of Entrepreneur

Jean-Baptiste Say (1836)

The knife-grinder's craft requires no occupancy of land; he carries his stock in trade upon his shoulders, and his skill and industry at his fingers' ends; being at the same time an entrepreneur, capitalist and labourer.

Can we define entrepreneurs(hip)?

Labour Economists: Self-employed are entrepreneurs

Too broad

Only business owners who co-ordinate factors of production (in particular, those who employ workers) are really entrepreneurs

Psychological traits and attitudes supposedly peculiar to entrepreneurship

Too narrow

It excludes entrepreneurship in the corporate and social spheres.

Schumpeterian tradition: entrepreneurship is identified primarily with the introduction of new paradigm-shifting innovations.

Several other grey areas like commissioned salesperson, franchisees, unpaid workers in family business etc.

Some Theories & Definitions

- Richard Cantillon, 1755: Arbitrage and the bearing of uncertainty
  - entrepreneurs as those who did not have a fixed income
  - who could predict consumer demand
  - who engages in market exchanges for profit
  - who conducts all exchanges and bears risk as a result of buying at certain prices and selling at uncertain ones
  - entrepreneur was described by their behaviour and not their characteristics
- Kirzner, 1973, 1985: emphasizes on arbitrage & exceptional alertness
- Knight, 1921: opportunists in uncertain situations
  - who can turn their hand to entrepreneurship when the risk-adjusted returns are relatively favourable

Some Theories & Definitions

- Jean-Baptiste Say, 1928: Co-ordination of factors of production
  - Takes the residual as profits
  - Personal characteristics such as judgement, perseverance and experience required for successful entrepreneurship, simultaneously
  - Entrepreneurs need to be resourceful, knowing how to overcome unexpected problems and to exploit (although not develop) existing knowledge
- J. Schumpeter, 1934, 1939: Innovation & creative destruction
  - creation of a new product
  - a new method of production
  - the opening of a new market
  - the capture of a new source of supply; or
  - a new organisation of industry.
- Leibenstein, 1968: Leadership & Motivation
  - they bring about changes of a gradual nature to existing products and processes, through a combination of leadership, motivation, the ability to resolve crises and risk-taking

Characteristics of Entrepreneurs

Approaches to Entrepreneurial Personality

Psychodynamic Model

- Troubled background
- Issues with self-esteem
- Doesn't fit in with large organizations
- Pull & push factors
- Applicable to a small percentage

Social Development Model

- Primarily influenced by environment rather than having inherent entrepreneurial traits
- Difficult to assign behavior purely to social and environmental factors

Trait Model

- Most popular
- Differentiates between entrepreneurs & non-entrepreneurs
- Certain traits may develop after one becomes entrepreneur
- Also observed in senior managers

Characteristics of Entrepreneurs

- Creative and Innovative
- Drives economic change
- Determined and driven
- Desire to be independent
- Willing to take calculated risks
- Flexible and willing to work hard
- Good communication skills
- Proactive
- Wants to be in control
- Need for achievement
- Develop networks
- Independent
- Motivated to succeed
- Able to forecast demand
- Takes responsibility
- Makes decision under uncertainty

Types of Entrepreneurs

- Potential entrepreneurs – planning to start a business in the future.
- Nascent entrepreneurs – in the process of setting up the business but have not yet started trading.
- Hobby entrepreneurs – has a full-time job and a hobby that brings in additional income, e.g., bee-keeping.
- Lifestyle entrepreneurs – happy to stay small and have a business that they can manage themselves and that provides them with a comfortable living.
- Growth entrepreneurs – want to grow their business quickly and are willing to employ more people and raise finance, if necessary for expansion

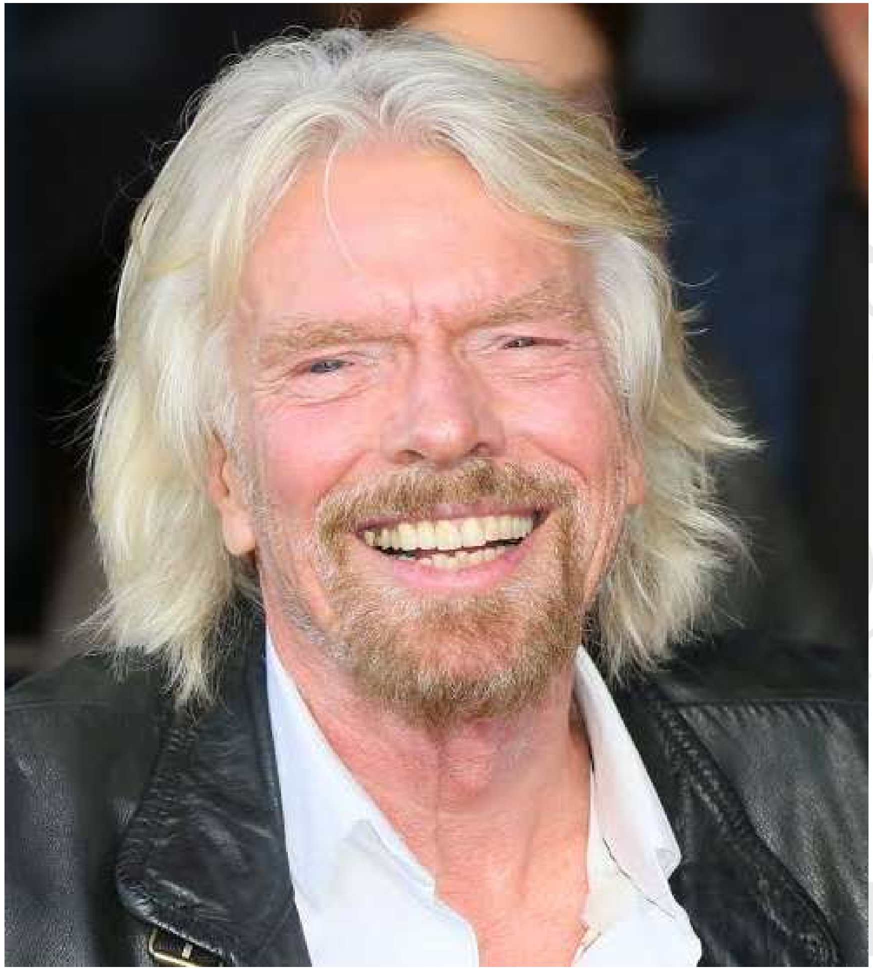
Types of Entrepreneurs

- Technology entrepreneurs – setting up technology driven enterprises
- Portfolio entrepreneurs – have several businesses running at the same time. These businesses may be a diversification of the existing business or a completely different business.
- Serial entrepreneurs – start one business and then move on to another.
- Solo entrepreneurs – run their business on their own with no employees.
- Gig entrepreneurs – get income from sharing part of their home or other assets.

Types of Entrepreneurs

- Franchisee entrepreneurs – The original entrepreneur develops an innovation in retail or services and then franchises the idea. Franchising is essentially the replication of the business in another location. Franchising works by charging a royalty for the use of a brand and other fees such as training and marketing. The franchise agreement will cover a specific area and will be for a period of time.
- Other categories include opportunity, necessity, transitional, barefoot, subsistence, underdog entrepreneurs

Discussions & Caselets



- **Serial & portfolio entrepreneur: Sir Richard Branson**
- Born on July 18, 1950
- Richard Branson is one of the UK's best known entrepreneurs. He left school with no formal educational qualifications because of his dyslexia and he started his first business with very few resources. His first business was a student magazine and he subsequently set up Virgin Records. The business was struggling until Mike Oldfield recorded Tubular Bells and became a best seller. Since then, Branson has used the Virgin brand to promote different types of businesses including Virgin Atlantic and Virgin trains.

Richard Branson

- By the early 1990s, the Virgin empire was facing cash-flow problems and Richard Branson had to sell Virgin Records to EMI in order to put the money into Virgin Atlantic.
- The Virgin Group owns 40 companies, each controlled by different shareholders. His diversified set of businesses spans multiple products and services. Other brands include Virgin Media and Virgin Money. One of his most recent ventures is Virgin Galactic, which will take tourists into space, although an accident in 2014 delayed this venture.
- Branson has always been willing to use his high profile, including by dressing up in a wedding dress, to promote his businesses and to take risks, both financial and physical. His exploits include attempts to circumnavigate the world by hot air balloon and crossing the Atlantic in a speedboat.
- For every successful company under the Virgin brand, like Virgin Atlantic and Virgin Music, there are many other unsuccessful Virgin companies, like Virgin Cola, Virgin Brides, Virgin Vodka, and Virgin Clothing.

Case discussion

- Which definition(s) of entrepreneurship suits Sir Branson the best?

- Another short example:
- Rakesh Mathur, an alumnus of IIT Bombay, has started a series of successful ventures such as Webaroo, Armedia, Purple Yogi, and Junglee. He sells off his ventures before moving on to the next one, his most high-profile sale being that of Junglee, which he sold to Amazon.

Case: Gig entrepreneur – Airbnb

Source: https://medium.com/future-sensor/case-study-airbnb-7f4e2a66184c

Airbnb is an online platform that allows people to rent short term accommodation. This ranges from regular people with a spare bedroom, to property management firms who lease multiple rentals. However, the platform has expanded by partnering with car rental services, restaurants, entertainment and tour sites, among others to become an all-in-one travel site. They brand themselves as an online 'travel community', allowing guests to have a local experience in exotic locations.

Case: Gig entrepreneur – Airbnb

- The original idea for the company began in 2007 with roommates Brian Chesky and Joe Gebbia.
- They had recently moved to San francisco and were looking for interesting opportunities. Chesky, a graduate of the Rhode Island School of Design, noticed that all of the hotel rooms in San francisco were booked due to a local design conference. The two friends saw this as an opportunity and decided to host guests in their apartment for the weekend.
- They bought three air mattresses and Airbnb was born. However, the idea did not really take off for another two or three years. The friends went through many different models before the company became successful. By 2011 they had reached 89 countries, and 1 million nights booked.

Criticism

- There is a decisive difference between the image that Airbnb presents, and the reality that users experience.
- Rising rent and evictions
- Communities must contend with the "hotelization" and gentrification of their neighbourhoods as Airbnbers move in and leave little space for anyone else.
- Accountability & bias - Airbnb holds the right to make hard and cold decisions about who uses the platform and who doesn't, and can enforce these decisions at any time. There is no appeal process regardless of the nature of complaint.
- Alternatives?

Intrapreneurs or Corporate Entrepreneurs

- In the mid-1980's, Frito-Lay was going through a difficult time, so CEO Roger Enrico announced a new initiative for all 300,000 employees to "act like an owner". Richard Montañez, a company Janitor earning $4/hour, had an idea that made him a VP of MultiCultural Sales and Community Promotions at PepsiCo, amassing a personal fortune of over $20M (setting aside the controversies)!

- Part of Amazon's core identity - 'Prime' - is actually the product of intrapreneurship within the ranks of Amazon's employees. Amazon had an offer of ‘Super-Saver Shipping’ for customers, but this just wasn’t having the desired effect and Amazon saw themselves falling behind their internet rivals eBay. A team of Amazon employees, led by former Amazon VP Greg Greeley, formulated the 'Prime' idea, believing that customers would pay more to be part of an ‘exclusive’ membership that gave them two-day delivery.

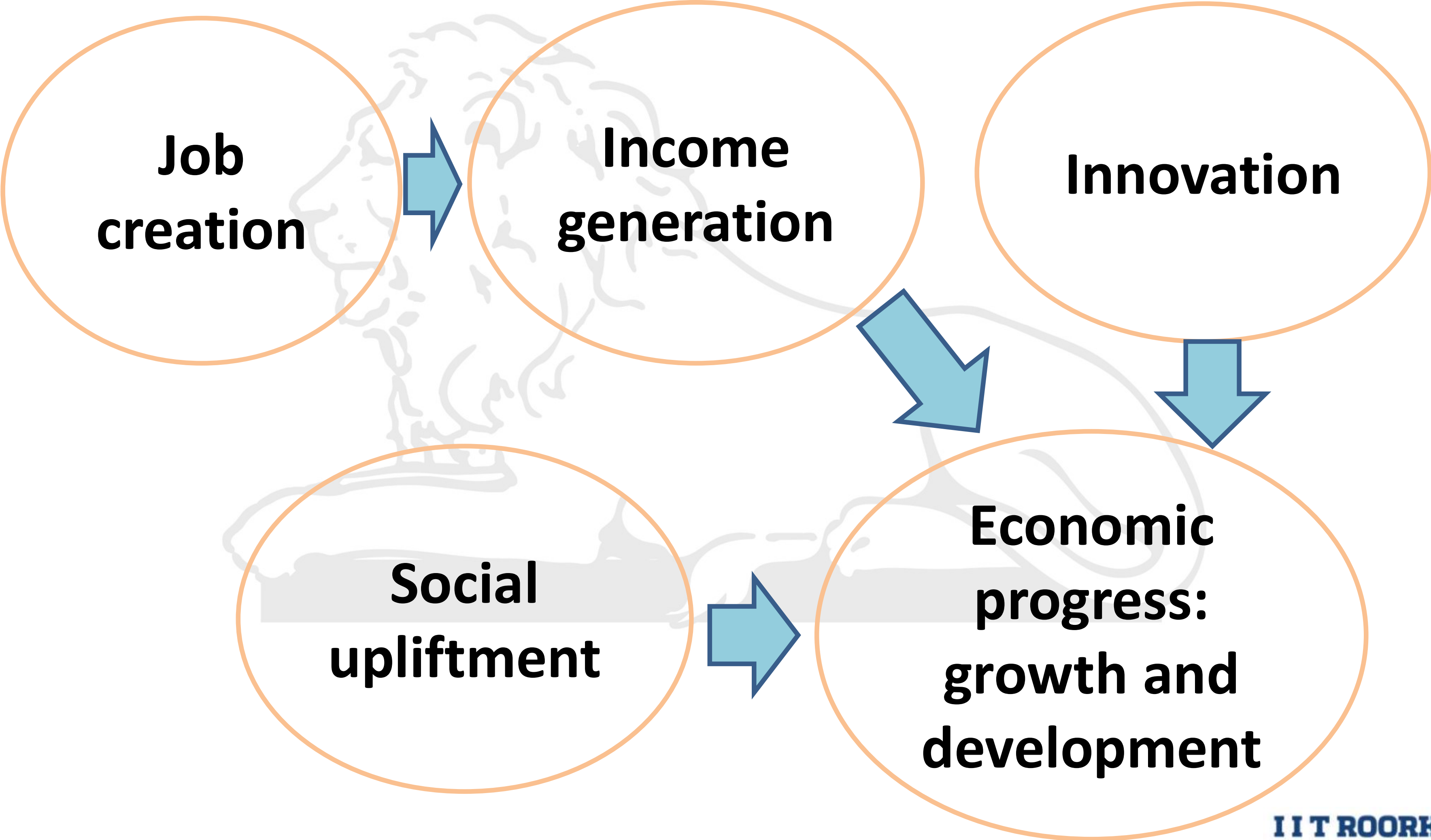
Intrapreneurs or Corporate Entrepreneurs

- A broad definition of corporate entrepreneurship was proposed by Ginsberg and Guth (1990) who stressed that corporate entrepreneurship encompasses two major phenomena: new venture creation within existing organizations and the transformation of organizations through strategic renewal.
- These entrepreneurial endeavors consist of the following four key elements: *new business venturing*, *innovativeness*, *self-renewal*, and *proactiveness*
- **New business venturing** (sometimes called corporate venturing) refers to the creation of a new business within an existing organization – e.g. OnMobile Global from Infosys
- Organizational **innovativeness** includes new product development, product improvements, and new production methods and procedures.

Intrapreneurs or Corporate Entrepreneurs

- **Self-renewal** is the transformation of an organization through the renewal of the key ideas on which it is built.
- It has strategic and organizational change connotations and includes a redefinition of the business concept, reorganization, and the introduction of system-wide changes to increase innovation – e.g. IBM
- **Proactiveness** includes initiative and risk taking, as well as competitive aggressiveness and boldness, which are particularly reflected in the orientations and activities of top management.
- A proactive organization tends to take risks by conducting experiments; it also takes initiative and is bold and aggressive in pursuing opportunities; it acts as a leader – e.g. Shein

Importance of Entrepreneurship



Business Plan: Purpose & Element

- The business plan is a written document prepared by the entrepreneur that describes all the relevant external and internal elements involved in starting a new venture.
- It is often an integration of functional plans such as marketing, finance, manufacturing or operations, and human resources.
- It addresses both short-term and long term decision making for the first three years of operation.
- Thus, the business plan answers the questions,
  - Where am I now?
  - Where am I going? and
  - How will I get there?
- What might go wrong – the case of Telegram
- Potential investors, suppliers, and even customers may request or require a business plan.

Business Plan: Purpose & Element

A road map will have

Uncontrolled or external factors

- New regulations
- The economy
- Competition
- Social changes
- Changes in consumer needs, or
- New technology.

Controlled factors

- Manufacturing
- Marketing, and
- Personnel in the new venture.

Who Reads the Plan and Why?

The business plan may be read by

- employees
- investors
- bankers
- venture capitalists
- suppliers
- customers
- advisors, and
- consultants.

Three most important perspectives are

The perspective of the entrepreneur himself – It provides guidance to the entrepreneur in organizing his or her planning activities.

The marketing perspective – It helps determine the viability of the venture in a designated market.

The investors’ perspective – It serves as an important tool in helping to obtain financing.

A start up on hydrogen fuel cell

The Case of Zune: Why did it fail?

- Microsoft's Zune was a portable media player that was first launched in November 2006. Zune HD was launched in 2009. However, by 2011, Zune players were discontinued.
- It failed because of
  - Bad timing
  - Lack of innovation
  - Insufficient marketing

Evaluation of Business Plan

- The planning process forces the entrepreneur to bring objectivity to the idea and to reflect on such questions as: "Does the idea make sense? Will it work? Who is my customer? Does it satisfy customer needs? What kind of protection can I get against imitation by competitors? Can I manage such a business? Whom will I compete with?
- Banks or lenders primarily focus on the four Cs of credit: character, cash flow, collateral, and equity contribution.
- Investors often place more emphasis on the entrepreneur's character than lenders do, and often spend much time conducting background checks as venture capitalists play an important role in the actual management of the business. These investors will also demand high rates of return and will thus focus on the market and financial projections during initial five- to seven-year period.

The Case of Grinds

We all watch baseball players that are often chewing tobacco and constantly spitting, much to the dismay of viewing audiences. Pat Pezet and Matt Canepa have a solution to the chewing tobacco problem as well as a great substitute for those who need a caffeine boost and do not have the ability to make a cup of coffee. Their innovation is chewable flavored coffee pouches that contain about as much caffeine as a quarter cup of coffee as well as a small amount of vitamins. They come in two flavors: mint chocolate and mocha. Canepa and Pezet were both amateur and minor league baseball players and were finishing their degrees at California Polytechnic State University when one night while working on an economic project, they decided to stuff wads of coffee grinds in their mouths instead of making a pot of coffee. The caffeine "kicked in" and they both decided that they might be on to something.

After this discovery, the two friends won a couple of business plan competitions that netted them funds and interest from investors who heard their presentation. In 2009, with their business plan and initial funding, they launched Grinds. As a rollout, they targeted minor and major league baseball players with Grinds as a substitute for chewing tobacco. Word of mouth quickly elevated their success such that a number of players have become testimonials for the product. Recently, the company has been featured on ESPN, NESN, and Fox Business.

Since its inception, the company has shown increased growth in sales and revenue. With limited funds, they have utilized social networks such as Twitter and Facebook to get the word out about their product. They are considering FDA approval since the product is considered a supplement. Other options are to increase the flavors offered and to consider other channels of distribution such as retail stores.

Vimeo

Source: Hisrich, Peters, & Shepherd, 2017

Nuvedo

- A start up on grow your own mushroom kit
- Got rejected by Shark Tank India – market feasibility was questioned
- The net worth of Nuvedo's founders is INR 5.65Cr as of Sep 27, 2022.

Sources of Funding for Start ups – Bootstrapping

Bootstrapping is relying on your own savings and revenue to start your business and with little or no outside investment.

Advantages

- Retain all operational and strategic independence
- Free from moral responsibility of managing investors' expectations of returns
- Helps to avoid the risk of debt in early days
- Saves time and effort

Disadvantages

- Higher financial risks
- Growth can be hampered due to lack of funds
- Absence of investors' non-financial support

Sources of Funding for Start ups – Seed funding

Seed funding – alternative ways of small funding that are neither debt, nor equity

1. FFF—family, friends, and fools
2. Grants from incubators
3. Government funding opportunities – MSME ministry, Department of Science and Technology, Department of Biotechnology are just some of the government departments which offer grants to start-ups. These grants are usually in the range of Rs 2 lakhs to Rs 50 lakhs. State governments like Kerala, Gujarat offer grants to startups too. In some states like Odisha and Jharkhand, there is a monthly stipend being given to the founders.
4. Corporate seed funds from Microsoft, Amazon, Intel, Cisco, Target, Indian Oil, Yes Bank and several others

Sources of Funding for Start ups – Debt

Debts of loans finance the vast majority of new businesses.

Types

- Long term – usually needed for setting up the business and making investment in long-term assets such as machinery and buildings
- Short term – aims at meeting expenses relating to buying raw material and taking care of operating expenses

Sources

- Banks
- Non-banking financial corporations (NBFCs)
- Venture funds
- Private moneylenders
- Crowdsourcing – used to raise small amounts of money from a large number of people, typically via the Internet.

Sources of Funding for Start ups – Equity

Equity funding is the process of raising money for the startup through sale of shares in the stock of the start-up.

Sources

- Angel investors – These are individuals who seek to invest in startups because they feel that it is a good investment opportunity or could be industry experts, successful entrepreneurs, or high net worth individuals
- Venture funds – They raise money from individuals, companies and other funds and then, invest it in startups. Most venture capital funds are close ended and have a fixed life of 7 to 10 years. The investing cycle for most venture funds is between three to five years, after that the focus shifts to managing and making follow-on investments in their existing portfolio.

Equity Funding Sources

- Angel funds – Angel funds are structured similar to venture funds but are focused on early stage investments. Angel funds are registered in SEBI as Category 1 Alternate Investment Funds (Angel Fund) and fulfil the following conditions:
  - A minimum fund size of ₹5 crores
  - The investment in a single enterprise can be from ₹25 lakhs to ₹10 crores
  - A minimum investment of ₹25 lakhs by each investor in the fund
  - This amount can be collected over a period of up to 5 years
- Angel networks – Angel networks are groups of angel investors who have come together to evaluate and invest in start-ups. Independent angel investors are increasingly joining these networks in order to get access to quality deals. In the Indian ecosystem, angel groups have probably become the most important source of early stage equity funding for startups with potential

Equity Funding Sources

- Strategic investors – Strategic investor usually refers to a corporate investor.
- They invest with an intention to having an option to buy the company at a later date.
- It allows them to have a close look at a company before actually ending up buying it.
- For example, Marico first came on board as a strategic investor in Beardo before deciding to completely buy it over and merge it with its men's grooming range of products

Equity Instruments

- Ordinary shares – also known as common shares, these are part of the issued capital of the startup. The investors have the same rights as the other shareholders and their vote counts for the same as that of other shareholders.
- Preferred shares – these have priority over ordinary shares when it comes to dividends or asset distribution.
- Convertible notes – A convertible note is a short-term loan that converts to equity when the startup raises the next round of funding. Provisions in a convertible note include a discount rate on the share pricing compared to the price for other investors in the subsequent round.
- Revenue-based agreements – a percentage of the gross revenue is given to the investors usually for a specified period of time. Sometimes, post the period, some equity is transferred to the investor.

Comparison between Debt & Equity Funding

Factor	Equity	Debt
Timelines	Potentially for the lifetime of the venture	For a fixed period
Pay outs	No fixed pay outs but there maybe dividends	Fixed interest payment
Repayment	No repayment usually	Capital borrowed has to be repaid
Dilution of shareholding	After taking on equity capital, the entrepreneur owns less of the firm and profits are also shared	There is no dilution of equity
External controls	The entrepreneur has to incorporate the views of other investors before taking decisions	The lender has to be only informed about progresses made, no interference with operations
Commitment to stated strategy	Changes in long term strategy maybe restricted by the agreement signed by the entrepreneur with the equity investors	Unlikely to be a part of a debt agreement

Valuation of a Start up – Discounted Cash Flow (DCF)

It is based on the estimated future cash flows. The formula for present value (PV) is

$$PV = \sum_{t=1}^{T} \frac{CF_t}{(1+r)^t}$$

Where, CF_t = Cash flow in year *t*, *r* = Discount rate, *t* = Number of years

- *r* should include the cost of capital and the expectations of the investors; essentially net returns
- The challenge lies in predicting cash flows

Consider the cash flows for the next five years (in ₹ lakh) and a discount rate of 30%. The present values would be

	CF_1	CF_2	CF_3	CF_4	CF_5	Total
Cash flows	10	25	50	120	200	405
PVs	7.69	14.79	22.76	35.01	53.87	134.12

EBITDA & Net Income

	Revenue	
Minus	Cost of Goods sold	= Gross Profit
Minus	Selling Expenses	
	G&A (general & administrative) Expenses	
	Depreciation & Amortization	= Operating Income, EBIT
Minus	Net interest expenses	
	Income taxes	= Net income
Plus	Depreciation & Amortization	
	Interest expenses	
	Income taxes	EBITDA, Earnings before interest, taxes, depreciation & amortization

Valuation of a Start up - Venture Capital (VC) Method

It is a six-step process.

1. Estimate the investment needed – the money a VC is going to put

    Suppose the VC decides to invest ₹ 10 million

2. Determine the timing of exit through sale of VC's stake – how many years the VC should hold stake

    Assume Exit year = 5

3. Forecast start up financials – expected cash flows

    Suppose the start up's projected revenue, EBITDA & net income are as follows in the coming 5 years (figures in millions)

	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	1	5	10	25	60
EBITDA	0	1	2	5	12
Net Income	0	0.5	1	3	6

Valuation of a Start up - Venture Capital (VC) Method

4. Calculate the **Multiple** – by using average of best case, worst case, and realistic scenarios or the company's 'comps' (companies comparable to it); *multiple of net income*

Suppose the comps are trading at 10 times their earnings.

and the **Terminal Value** at the Exit.

Exit value = Net Income x Multiple = 6 X 10 = ₹ 60 million

5. Discount to PV – The discounting rate used should reflect the return expectations of the investors & the cost of capital

Suppose the expected return is 30%

6. Determine valuation, pre & post, and desired ownership stake

Valuation post investment or V_{post} or Post-money value

$= 60/(1.3)^5 =$ ₹ 16.16 million

Pre-money value = 16.16 – 10 = ₹6.6 million

VC ownership = $Cost/V_{post}$ = 10/16.16 = 62%

Valuation of a Start up

Formally, the VC method is specifically developed to value high-risk, medium to long-term investments in new ventures.

The formula for VC method is

- $V_{post} = TV/(1 + r)^t$
- Ownership by investor = C/V_{post}

Where, TV = Terminal value; C = Capital infused by investor;

V_{post} = Valuation post investment

VC ownership can also be expressed as a percentage of the pre-money valuation.

Incubator

- Incubator comes from the Latin word *incubatio* which means a place of rituals where animals were sacrificed to obtain remedies for illnesses through divine intervention.
- Nowadays, medical incubators are used to provide premature infants with the resources they need to survive and develop correctly. Business incubators have the same nursery function, where these organizations effectively accumulate, manage and redistribute resources that encourage the survival and development of entrepreneurial projects and young companies.
- Bergek and Norman (2008) define incubators as 'an overall denomination for organizations that constitute or create a supportive environment that is conducive to the "hatching" and development of new firms'.

Incubator

- The resources provided are

1. Material - office spaces, laboratories, and so on
2. Financial - funding of either public or private origin
3. Human - coach who advises entrepreneurs in business management
4. A professional network - network composed of financiers, supported or experienced entrepreneurs, industrial partners, and so on and
5. Other services - secretary, printing, and so on.

Types of Incubators

- Depending on how they are organized, it is thus possible to identify five categories of incubator.

1. the **economic development incubator** with a mission to create business and jobs in its region thanks to public resources
2. the **academic incubator** with a mission to act as the intermediary between entrepreneurs and university resources
3. the **private incubator** developed by private investors to find investment opportunities
4. the **incubator developed within companies** with a mission to spin off projects developed by the employees
5. **Virtual incubator** with a mission to use digital resources to support entrepreneurs

A Few Other Things that Trending

- Three types of organizations have emerged in the last 2 decades that reduce the risk of early-stage startup failures by helping to find product/market fit and raise initial capital. They are

Incubators

Accelerators
E.g. Y-Combinator, Google for Startups Accelerator India

Venture Studios
E.g. Ellenox, NOW

Accelerators

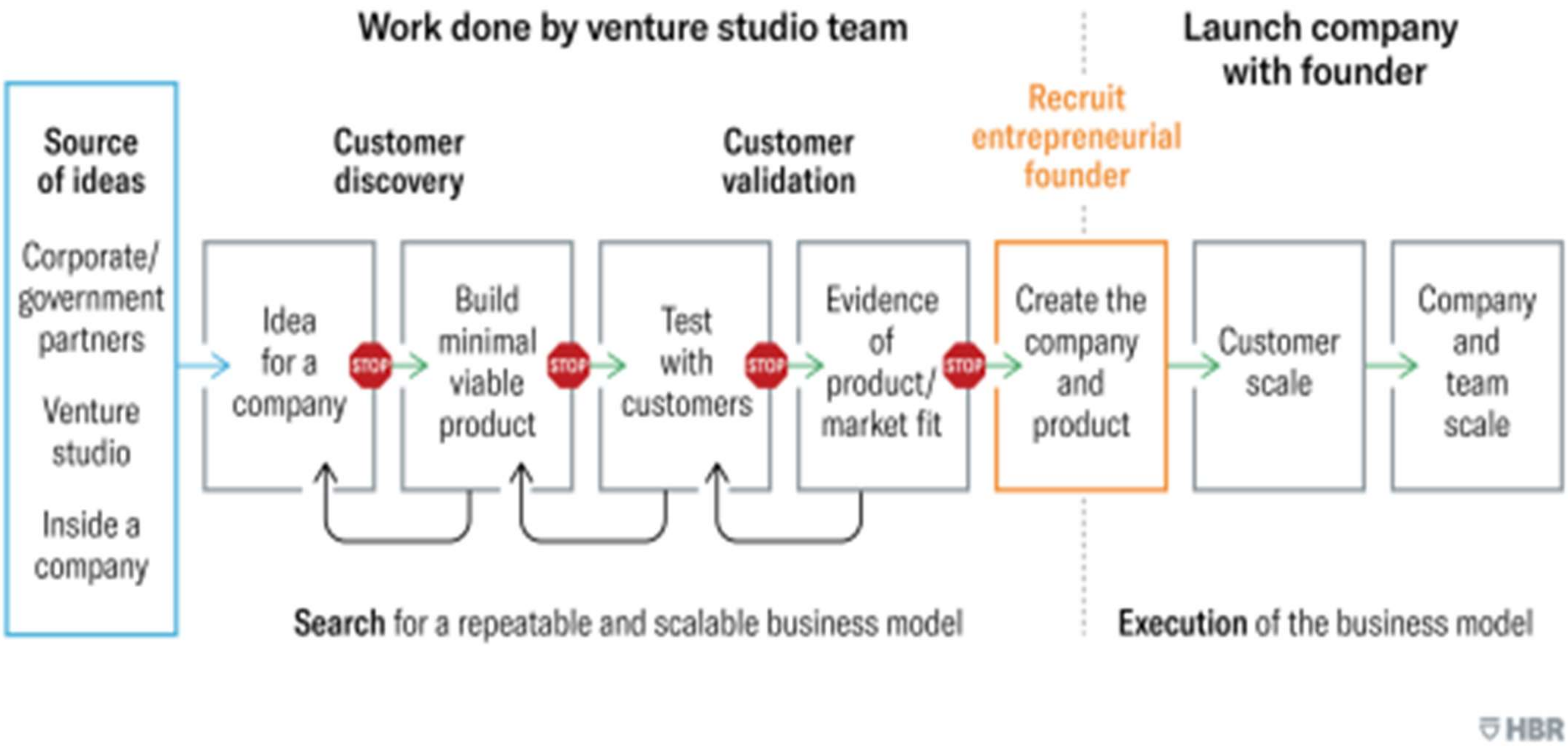
- Accelerators accelerate the journey of the startups.
- They provide infrastructure, mentorship, funding, and networking support for startups having proof of concept or prototype—usually a ready product—to accelerate the growth of the startups by fastening their search for business model ingredients and product-market fit.
- Usually operates in cohorts—a batch of several startups, for a period of 3 months to 6 months for a cohort.
- At the end, there is a **demo-day** when the startups pitch to investors for funding.
- Advantages – high-voltage competitive entrepreneurial environment; opportunity to learn from other startups; gives legitimacy and credibility to the startups.
- Accelerators take up 5% to 10% of company’s equity.

Venture Studios

- Venture studios create startups by incubating their own ideas or ideas from their partners.
- The studio's internal team builds the minimum viable product, then validates the idea by finding product/market fit and early customers.
- If the idea passes a series of "Go/No Go" decisions based on milestones for customer discovery and validation, the studio recruits entrepreneurial founders to run and scale those startups.
- They don't have a set time frame; instead, they search and pivot until product/market fit is found.
- Venture studios typically take anywhere from 30% to 80% of the startup equity.

How Venture Studios Work

Unlike an accelerator or incubator, a venture studio doesn't fund existing startups. It's a company that creates multiple startups in-house, then finds entrepreneurs who take them over to grow them.



Comparison of Startup Facilitators

	Venture Studio	Accelerator	Seed capital fund	VC fund
Number of startups per year	2 – 4	10+	10+	10+
Startup maturiry	Very high	Low	Low	High
Formal program for startups	No	Yes	No	Some
Percent equity taken	30 – 80	5 – 10	10 – 30	10 – 30

Source: HBR case – Entrepreneurship, Is a venture studio right for you? By Steve Blank

Indian Scenario

- Startup India Campaign is an action plan aimed at promoting startup ventures to boost entrepreneurship and encourage job creation.
- The campaign was first announced by Prime Minister Narendra Modi in his August 15, 2015 address from the Red Fort.
- It focuses on restricting the role of the state in policy domain and to get rid of 'licence raj' and hindrances in the process of establishing a start up.
- Department for Promotion of Industry and Internal Trade (DPIIT) under the Ministry of Commerce & Industry recognizes a company as a start up if it fulfills certain conditions.

Eligibility to be Recognized as A Start Up

Company age

Period of existence and operations should not be exceeding 10 years for the Date of Incorporation

Company type

Incorporated as a Private Limited Company, a Registered Partnership Firm or a Limited Liability Partnership

Annual turnover

Should have an annual turnover not exceeding ₹100 crore for any of the financial years since its inception

Original identity

Entity should not have been formed by splitting up or reconstructing an already existing business

Innovative and scalable

Should work towards development or improvement of a product, process or service and/or have scalable business model with high potential for creation of wealth and employment

Indian Start Up Scenario

- India has emerged as the 3rd largest ecosystem for startups globally with over 1,12,718 DPIIT-recognized startups across 763 districts of the country as of 03rd October 2023.
- India ranks 2nd in innovation quality with top positions in the quality of scientific publications and the quality of its universities among middle-income economies.
- The innovations in startups are solving problems in 56 diverse industrial sectors with 13% from IT services, 9% healthcare and life sciences, 7% education, 5% agriculture and 5% food & beverages.
- As of 03rd October 2023, India is home to 111 unicorns with a total valuation of $349.67 Bn.
- Unicorn is a term used in the venture capital industry to describe a privately held startup company with a value of over $1 billion.

Source: https://www.investindia.gov.in/indian-unicorn-landscape

What makes an entrepreneur successful?

Ewing Marion Kauffman was an entrepreneur, a Major League Baseball team owner, and a philanthropist who believed his success was a direct result of one fundamental philosophy: Treat others as you would like to be treated. "It is the happiest principle by which to live and the most intelligent principle by which to do business and make money," he said.

Ewing Marion Kauffman's philosophies of associates, rewarding those who produce, and allowing decision making throughout the organization are the fundamental concepts underlying what is now called *corporate entrepreneurship* in a company. He went even further and illustrated his belief in entrepreneurship and the spirit of giving back when he established the Kauffman Foundation, which supports programs in two areas: youth development and entrepreneurship. Truly a remarkable entrepreneur, Mr. K, as he was affectionately called by his employees, will now produce many more successful "associate entrepreneurs."

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