Entrepreurship And Start-UPS Sem-6th (All Branch)

UNIT-1 ***By:- Mr. Sonu Kumar***

Entrepreneurship Introduction:- ntrepreneurship is the art of starting a business, basically a startup company offering creative product, process or service. We can say that it is an activity full of creativity. An entrepreneur perceives everything as a chance and displays bias in taking decision to exploit the chance.

An entrepreneur is a creator or a designer who designs new ideas and business processes according to the market requirements and his/her own passion. To be a successful entrepreneur, it is very important to have managerial skill and strong team building abilities. Leadership attributes are a sign of successful entrepreneurs. Some political economists regard leadership, management ability, and team building skills to be the essential qualities of an entrepreneur.

An entrepreneur is an innovator or a creator who introduces something new to the firm or economy. It can be a new method of production, a new product, a new source of material, a new market or any other similar innovation. Thus, an entrepreneur is an innovator, creator, borrower, purchaser, etc. Some famous entrepreneurs are Azim Premji, Lakshmi Mittal, and Ekta Kapoor.

Motivation – An Important Factor

The performance of an entrepreneur is dependent on his/her ability and willingness to perform. Here, by ability we mean a function of education, experience and skill and by willingness we mean to perform depending upon the level of motivation. Motivation is one of the fundamental factor required for an entrepreneur to promote his/her ideas.

Why is Motivation Required?

The term motivation has been derived from the word ‘motive’ which is nothing but what prompts any person to act in a particular manner. Motives are the definition of a person’s goals, dreams and needs. They direct human behavior to towards achieving their goal.

When everything is properly organized, then what is the need of motivation?

The following points answer this question and gives an idea **why motivation is an important factor for an entrepreneur** −

- **Tough competition** − An entrepreneur needs to face tough competition, in order to sustain and make a mark in this global market. To cope with this competition, motivation is required at each stage of the firm.
- **Unfavorable environment** − Nobody knows what the future holds. One has to take care of the current economy and should be prepared for the worst situations of deteriorating economic conditions. For this, motivation and optimism is essential.
- **To create public demand** − Market runs by the people and for the people. To run a business profitably, it is required to create a public demand for your product or service in the market and attract as many customers as possible. To do this in the right way, motivation is required.

- **To enhance creativity** − Market always wants something new and different. If every firm offers the same product without any variation then there is no point of preferring one brand in particular. To sustain one has to be innovative. Add some new features in the existing products and services, make them more user friendly in a considerable budget. This requires motivation too.
- **To increase productivity** − It is very important to take care of the quality of the product as well as the profit. People will always prefer a product which is cost efficient and of good quality. So, motivation is required for increase the productivity.

Thus motivation plays a unique role in establishing a company by frequently boosting the entrepreneur to do effective things efficiently.

What Motivates an Entrepreneur?

Many research studies have been conducted by researchers to understand and answer this question so that the factors that motivate people to take all the risk and start a new enterprise can be identified.

The **6Cs that motivate entrepreneurs** to establish their own business are as follows −

- **Change** − Entrepreneurs frequently want change, not only change, they also want to be the bearers of change. They are solution givers and want to interrupt the status quo. They have a vision like "I want to assemble the world's information" or "I want to put an AC at every desk" and they take an attempt to make this change. In this attempt, some succeed and some fail.
- **Challenge** − Some people love challenges and they opt for starting a new business as it is very challenging to handle big problems. These people find typical job in a big corporate as boring and not challenging enough.
- **Creativity** − Running one's own business is all about being more creative and having the independence to make new discoveries. For example, testing a new website design, launching a new marketing scheme, creating inventive items that solve a known issue in a different way, creating new advertising campaigns, etc. One needs to have an infinite room to welcome and introduce creativity in a small business.
- **Control** − Some people tend to start a business because they don't want to be pushed around and work for a product/company in which they have no way to shape their destiny. They want to be their own boss having their own time, own pace, location of their choice, employees of their choice and have a progressive role in deciding the direction of the company.
- **Curiosity** − Successful entrepreneurs are always anxious and ask − "what if we do X this way?" They want to have more than one option to do a work and choose the best one from them. They want to understand the customer's perceptions, point of views, markets and competitors. They are frequently anxious to see how their particular theory like "people want to do A with B" works. In this aspect, they can't be differentiated from a scientist who is trying to prove his theorem.
- **Cash** − The last but not the least part is the cash. Money says it all. Many nonentrepreneurs have a misconception that cash comes first for entrepreneurs but this is never really true. If this would be the case, then there is no reason for an Ellison or Gates to keep expanding their business aggressively after they have made more than billion dollars. However, money is not the primary motivation.

From the above discussion, it can be said that the highest motivating factor is the urge to get something or the drive to do something differently.

Results of Motivation

Successful entrepreneurship needs determination, freedom, discipline, connectivity and an abundance of skills in planning. People with a complete package of physical strength combined with perseverance, mental strength, and self-discipline have the passion and urge to succeed. **With proper motivation, we get the following outcomes** −

- **Heavy industrialization** − Tremendous growth can be seen in industrialization. Example: Companies like TISCO, TELCO have been set up and are flourishing.
- **Self-employment** − A common man gets a chance to make a difference, set a new standard of industrial growth. Example: Entrepreneurs like Dhirubhai Ambani and Azim Premji are born.
- **Economic growth** − When there is growth in an individual's economy, there is a growth in the company's economy, which in turn results in the growth of that particular area and country. Example: Emergence of smart cities concept.
- **Creating new jobs** − More entrepreneurship leads to more job openings. More job openings leads to more employment opportunities.
- **Proper social benefit** − When a country's economy grows or increases we see that more advanced and proper social benefits are provided to the general public like construction of roads, school, hospital, colleges, etc.

What is a business structure?

A business structure is a legal representation of the organization of a company. It defines who owns a company and how the business distributes its profits. A business owner has their business structure in place before registering it with local, state or federal governments. Changing to a different business structure later can be restrictive and costly, so it's important to choose carefully when deciding on a structure. Consulting with a business counselor, accountant or attorney before making your decision can help you make the most beneficial one. The type of structure you choose can affect several factors, including:

5 common types of business structures

Here are five of the most common types of structures to consider when you're starting a business, along with why people use them:

1. Sole proprietorship

In a sole proprietorship structure, one person owns the business and runs its operations. It's one of the most common business structures because it's often the simplest to set up. If you plan to work alone, this may be the right structure for you. Keep in mind that in a sole proprietorship, you, as the owner, are liable for all the business's financial obligations, such as debt and losses.

This structure often works well for low-risk, home-based or retail businesses. A sole proprietorship also can allow an owner to test their business idea before creating a more formal company. Advantages of the sole proprietorship structure include:

- **Complete control:** As the sole owner, you have authority over all business decisions and don't need to consult with other partners, directors or shareholders like you do in other structures.
- **Easier startup:** Establishing a sole proprietorship business doesn't require you to fill out any forms or pay government fees. This can help simplify the process and make it cheaper to do.
- **Simple tax reporting:** Because the business legally isn't a separate entity, your personal income tax return includes the business' expenses and income. As an added benefit, you can use business losses to balance out the income you earned, which can lead to a higher tax return.
- **Privacy:** Sole proprietorships aren't required to file annual reports with state or federal governments. Therefore, the business won't be subject to the same public disclosure as it might be in other structures.

2. Partnership

In a partnership business structure, two or more people own and operate the business. A partnership is one of the simplest structures for multi-owner companies or professional groups, and it allows owners to test a business idea before establishing a more formal company. There are two types of partnerships, which are general and limited. In a general partnership, partners have equal roles in owning and operating the company, along with its debts, other partners' actions or financial obligations. Some people refer to this type of business structure as a limited liability partnership (LLP).

A limited partnership (LP) includes general and limited partners. The general partners have the same roles and liabilities as they would in a general partnership. The limited partners, who usually are investors, have limited control or input into the company and limited or no liability. Personal tax returns for the partners also reflect the business' profits. Advantages of a partnership structure include:

- **Simple startup:** Setting up a partnership doesn't require filing paperwork with the federal government, though there may be a few forms to fill with your state government.

- **Few tax forms:** In a partnership, the business doesn't pay tax on its income, which means you don't need to file business tax returns. Instead, the profits and losses pass through to the individual partners' personal income tax returns.

- **Shared finances:** Having a co-owner can reduce the financial burden of starting a company because the partners can split purchases and overhead costs. Also, banks may be more likely to offer loans to multi-owner businesses, which can help in the early stages of financing the business.

- **Combined knowledge:** Having a partner can help grow your business by providing skills or expertise in areas where you're less familiar. They also bring another perspective to important decisions, such as how to run the business.

3. Corporation

In a corporation, the company is an entity that's independent of its owners. This makes it more complex and expensive than most other business structures because it must comply with more regulations, record-keeping and tax requirements. You may want to choose a corporation structure, also known as a C corp, if you've already established a medium- or high-risk business, need to raise funds, plan to take the company public or want to sell it. There are several other corporation types, including benefit, closed, open and nonprofit corporations.

A benefit, or B, corporation often is a good choice for for-profit businesses trying to make a positive impact on the environment or society. Closed corporations, or privately held companies, have few shareholders, aren't traded publicly and have limited liability protection. Open corporations offer stock for trade on a public market, and the corporation owns the company. Nonprofit corporations are companies that don't focus on making a profit. These businesses are tax-exempt because they operate to help others. Advantages of corporations include:

- **Liability protection:** Owners aren't responsible for a corporation's debts, so personal assets, such as a car, house and savings account, have protections. As an independent entity, a corporation can file and receive lawsuits, but you aren't liable for such legal actions.

- **Business continuity:** Corporations base ownership on the percentage of stock held, so the business can run without disruption even if a shareholder leaves or sells their shares. This also allows for more flexibility in transferring ownership.

- **Quick capital:** Corporations can raise funds by selling company stock and offering shares as employee benefits. This can help grow the business and support it in times of need.

- **Tax exemptions:** Although owners pay a double tax on business earnings, corporations can deduct certain benefits they provide to employees, such as retirement plans, health insurance premiums, life insurance and other related expenses.

4. S corporation

The S corporation business structure has the liability protection of a corporation along with added tax benefits, making it more appealing to small businesses. However, it must meet specific IRS criteria to be listed as an S corporation. This structure, also known as an S corps, has two main limitations. It can't have more than 100 shareholders, and its shareholders must be United States citizens. S corporations can sell only common stock, which lets shareholders elect the board of directors and vote on company policies.

Becoming an S corporation requires meeting eligibility requirements, having a single class of stock and having 100 or fewer stockholders. Advantages of the S corporation structure include:

- **No double taxation:** Business profits and losses pass directly to the shareholders' personal incomes and appear on their tax returns. This means the S corporation has one level of federal tax to pay, and shareholders aren't subject to corporate tax rates.

- **Liability protection:** Shareholders in S corporations aren't personally responsible for the business's debts and liabilities. This lets them protect their personal assets, such as bank accounts or property, from creditors
- **Simple ownership transfers:** An S corporation is an independent entity, and shareholders can sell their shares without tax consequences. The business can also continue to run undisturbed when losing a shareholder, just as it does in a corporation

- **Cash method of accounting:** Although a corporation must use the accrual method, S corporations without inventory can use the more simple cash method. In cash accounting, you record income when you receive it and expenses when you pay the invoice.

5. Limited liability company

A limited liability company (LLC) is a hybrid business structure that takes advantage of aspects of partnerships and corporations. To set up an LLC, you file paperwork with the secretary of state of the state in which you plan to do business. This structure works well if you have a medium- or high-risk business, want to protect your personal assets or pay a lower tax rate than you would with a corporation.

Advantages of the LLC structure include:

- **Limited liability:** Because an LLC is an independent entity, you aren't personally responsible for debts or lawsuits against the company. If the business goes bankrupt, your personal assets have protections, though you may lose the money you invested in the business.

- **Pass-through taxation:** Rather than paying corporate taxes, the company's income and expenses pass directly to the owners' personal tax returns, and they pay income tax on the profits. Because the owners are considered self-employed, they may claim the self-employed tax credit, and it's their responsibility to contribute to Medicare and Social Security.

- **Added shareholder participation:** An LLC can have an unlimited number of shareholders, and those shareholders can fully participate in the company's operations. This structure provides more flexible management than a corporation, which uses a board of directors to oversee policies and officers who manage daily operations.

- **Flexible distribution of profits:** Unlike a corporation, an LLC can decide how to divide its profits among shareholders. For example, a shareholder who contributed significant funding during the startup process could receive more profits, even if they have equal shares as another participant.

Entrepreneurs vs Managers:-

Comparison Table

Parameters	Entrepreneur	Manager
Meaning	An entrepreneur is a person who builds a new organisation by gathering data (i.e. land, labour and capital) for manufacturing purposes.	By the term 'manager' we mean a person who gets the things done through his assistants, with the purpose of achieving business goals efficiently.
Focuses on	Setting up a business	Running the daily operations
Status in organisation	Owner	Employee
Kind of benefit applicable	Profit earned from running business	Salary earned from managing daily business operations

Both modes have their own merits and demerits; here, the students can learn abut the role of entrepreneur and manager.

Entrepreneur

Entrepreneur is referred to as the person who is responsible for building an organisation by accumulating the various factors such as labour, land and capital. An entrepreneur takes all the business risk with the objective of gaining profit.

Manager

The term manager represents a person who has the ability to get his work done with the help of assistants. The objective of a manager is to achieve business goals in an effective way. The manager serves the principal functions in a business organisation which are planning, directing, organising, motivation, controlling, and coordination.

UNIT-2

10 ways to implement your great business idea:-

1. Look for pain points, don't wait for the "Eureka' moment

A sustainable business should generate out of a pain point, which in other words, is an opportunity. Kar-Worx was born out of a pain point that was then used as an opportunity to cater to a dire need in the aftermarket service industry. Waiting for an idea to hit you is probably the worst idea! Talking to potential customers will help you gauge the shelf life of an idea and if it needs changes.

2. Share your business idea

Once you have a business idea in place and the necessary research material, pick a few customers or industry colleagues, may be from your family and peer group or a reference to share your ideas. Allow questions and healthy criticism to evaluate the credibility and potential of your idea.

3. Find a mentor

It is always good to have a mentor when starting up. A mentor, who guides you, supports you, be unbiased in his opinions and connects you to the right set of people. Most importantly, he/she should be able to give time to your business idea. A mentor could be your professor or even a peer member or an industry expert.

4. Make a business plan

Making a business plan is critical – concept, financials, requirements and strategies should be penned down in detail. While working on getting the business up and running, it is important not to loose focus and pivot away from the plan. Having the plan in front of you will help adhere to the basic groundwork.

5. Understand your market needs & adapt to change

Doing a thorough market research of your target audience, demography, buying pattern, micro and macro factors that could affect your business goes a long way in getting you sales because you have already tested the viability of your product/ service. Adapting quickly to the findings of your research/survey one can help you cut loose of unnecessary losses, delays and stalling in the future. But remember you cannot always be right, so be ready for change.

6. Learn the technicality

Being an entrepreneur comes with a lot of challenges, having said that, it has its rewards too. For a service industry, trust doesn't come easy. For building good customer and vendor relations, what has helped me the most is spending time with my blue collared employees and understanding the nitty-gritties and technicalities of cars. Being technically sound goes a long way in creating a trust value with your customers. It can also be a great tool to help you get away with vendors, who try to outsmart you.

7. Networking & Trade shows

It is the most underrated tool when starting up a business. Meeting like-minded people from your industry, entrepreneurs and even entrepreneurs from other fields can help you with the required support, guidance and even ancillary business needs that you may have overlooked. Go to all relevant networking meet-ups, trade shows in your city, webinars and industry groups, you could find potential customers, vendors and even promoters for your business. Attending major trade fairs has helped us gain access to a range of local and international vendors, who offer good quality genuine spares. We then pass on this benefit to our customers.

8. Pick a good team to initiate growth

Startups today are nothing like their counterparts in the 90s or early 2000s. Entrepreneurs want a team that is motivated, rich in academia as much as with work experience. Having a team that is self-evolving, contributing and honest is key to ensure that the company is self-sufficient operationally. At Kar-Worx, there is a lot of give and take of information, latest trends, industry updates that helps company's overall growth and ecosystem. Having a good cross–communication among the enterprise can do away with errors that could cost you a customer.

9. Create a website suitable to your business

Having a good website is like an extension of your company. Even the best salesman cannot get you as many customers as much a website can. The customer today has taken most of his/ her purchasing decisions online; having a clean, informative and interactive design can help convert customers faster. While working on your website, you should also work on the branding image of your company; logo, colours, information, etc. If you are in the service industry like Kar-Worx, explicitly describing the services offered supplemented by digitals, testimonials, images of the workshop, basic pricing, etc. go a long way in getting online customers through the door.

10. Use free resources online to reach out to customers

Using resources online such as free listings, online directories, and social media to showcase your work can help save money and time in gaining your first few customers. For smaller projects such as product or company photo-shoot, creating, marketing and branding material using different design software, which require specific skills, can be outsourced to relatives and friends initially. This is not only cost effective but more importantly it allows your creative input and flexibility to modify, which could cost you extra if outsourced to a professional agency.

Activity System Map

To visualize the strength of fit between activities, place the activities on a map.

- Start by placing the key components of the value proposition.
- Make a list of the activities most responsible for competitive advantage
- Add each activity to the map. Draw lines wherever there is fit: when the activity contributes to value proposition, or when two activities affect each other

Here's an example for IKEA:

A densely interconnected activity map is a good sign. A sparsely connected map shows weak strategy.

The activity map isn't useful just for description of your current strategy. **It can also be used for ideation for new strategies:**

- Can you improve fit between activities?
- Can you find ways for an activity to substitute for another?
- Can you find new activities or enhancements to what you already do?
- Are there new products or features you can offer because of your activity map, that rivals will find difficult to emulate?

What Is a Business Plan?

A business plan is a document that defines in detail a company's objectives and how it plans to achieve its goals. A business plan lays out a written road map for the firm from marketing, financial, and operational standpoints. Both startups and established companies use business plans.

A business plan is an important document aimed at a company's external and internal audiences. For instance, a business plan is used to attract investment before a company has established a proven track record. It can also help to secure lending from financial institutions.

Furthermore, a business plan can serve to keep a company's executive team on the same page about strategic action items and on target for meeting established goals.

Although they're especially useful for new businesses, every company should have a business plan. Ideally, the plan is reviewed and updated periodically to reflect goals that have been met or have changed. Sometimes, a new business plan is created for an established business that has decided to move in a new direction.

KEY TAKEAWAYS

- A business plan is a document describing a company's core business activities and how it plans to achieve its goals.
- Startup companies use business plans to get off the ground and attract outside investors.
- A business plan can also be used as an internal guide to keep an executive team focused on and working toward short- and long-term objectives.
- Businesses may create a lengthier traditional business plan or a shorter lean startup business plan.
- Good business plans should include an executive summary and sections on products and services, marketing strategy and analysis, financial planning, and a budget.

Elements of a Business Plan

The length of a business plan varies greatly from business to business. Consider fitting the basic information into a 15- to 25-page document. Then, other crucial elements that take up a lot of space—such as applications for patents—can be referenced in the main document and included as appendices.

As mentioned above, no two business plans are the same. Nonetheless, they tend to have the same elements. Below are some of the common and key parts of a business plan.

- **Executive summary:** This section outlines the company and includes the mission statement along with any information about the company's leadership, employees, operations, and location.
- **Products and services:** Here, the company can outline the products and services it will offer, and may also include pricing, product lifespan, and benefits to the consumer. Other factors that may go into this section include production and manufacturing processes, any patents the company may have, as well as proprietary technology. Information about research and development (R&D) can also be included here.
- **Market analysis:** A firm needs a good handle on its industry as well as its target market. This section of the plan will detail a company's competition and how the company fits in the industry, along with its relative strengths and weaknesses. It will also describe the expected consumer demand for a company's products or services and how easy or difficult it may be to grab market share from incumbents.
- **Marketing strategy:** This section describes how the company will attract and keep its customer base and how it intends to reach the consumer. A clear distribution channel must be outlined. The section also spells out advertising and marketing campaign plans and the types of media those campaigns will use.

- **Financial planning:** This section should include a company's financial planning and projections. Financial statements, balance sheets, and other financial information may be included for established businesses. New businesses will include targets and estimates for the first few years plus a description of potential investors.
- **Budget:** Every company needs to have a budget in place. This section should include costs related to staffing, development, manufacturing, marketing, and any other expenses related to the business.

The best business plans aren't generic ones created from easily accessed templates. A company should entice readers with a plan that demonstrates its singularity and potential for success.

Types of Business Plans

Business plans help companies identify their objectives and remain on track to meet goals. They can help companies start, manage themselves, and grow once up and running. They also act as a means to attract lenders and investors.

Although there is no right or wrong business plan, they can fall into two different categories—traditional or lean startup. According to the Small Business Administration (SBA), the traditional business plan is the most common.[1] It contains a lot of detail in each section. These tend to be longer than the lean startup plan and require more work.

Lean startup business plans, on the other hand, use an abbreviated structure that highlights key elements. These business plans aren't as common in the business world because they're short—as short as one page—and lack detail. If a company uses this kind of plan, it should be prepared to provide more detail if an investor or lender requests it.

Data visualization is the practice of converting raw information (text, numbers, or symbols) into a graphic format. The data is visualized with a clear purpose: to show logical correlations between units, and define inclinations, tendencies, and patterns. Depending on the type of logical connection and the data itself, visualization can be done in a suitable format. So, it’s dead simple, any analytical report contains examples of data interpretations like pie charts, comparison bars, demographic maps, and much more.

UNIT-3

What is market analysis?

Market analysis is a detailed assessment of your business's target market and competitive landscape within a specific industry. This analysis lets you project the success you can expect when you introduce your brand and its products to consumers within the market. Market analysis includes quantitative data such as the actual size of the market you want to serve, prices consumers are willing to pay, and revenue projections, as well as qualitative data such as consumers' values, desires, and buying motives.

Conducting a market analysis can benefit you in several ways by helping you to:

- Spot trends and opportunities in your industry
- Differentiate your business from competitors
- Reduce the risks and costs of launching a new business (or pivoting an existing one)
- Tailor products and services to your target customers' needs
- Analyze successes and failures
- Optimize your marketing efforts
- Reach new market segments
- Monitor your business's performance
- Pivot your business in new directions

In researching this topic, you may come across terms with similar meanings, including market research and marketing analytics. Here are some distinctions:

- **Market research** is the process of gathering information about a target market, including its customers' needs and behaviors, in order to market products to it effectively.
- **Marketing analytics** is the process of studying the metrics of specific marketing efforts, such as landing page sign-ups and social media engagement, in order to increase return on investment.

Here, we focus on market analysis as one component of a thorough business plan. Continue reading to begin conducting your market analysis and lay a strong foundation for your business.

How to do a market analysis in 6 steps

This section covers six main steps of a market analysis, including the purpose of each step and questions to guide your research and reflections.

1. Research your industry.

The purpose of this step is to gain an understanding of your industry at large, so that you know how to enter it, can spot trends, and compete with other brands.

Here are questions to get you started:

- What statistical information can you gather about your industry from sources like the US Bureau of Labor Statistics, BMI Research, and professional associations?
- How many businesses are in this industry?
- What's the size of the market in terms of the number of potential customers?
- How much revenue does the industry generate?
- What are the industry standards by which companies and consumers operate?
- What external factors have bearing on how businesses in this industry operate, including laws and regulations, new technologies, world events, and economic and social change?
- Where do you spot opportunities to innovate within the industry?

2. Investigate the competitive landscape.

This next step takes you from broad industry insights to looking specifically at brands you'll be competing against as you seek to attract potential customers in your target market. Here are questions to guide your process:

- What brands are the most well known in your industry? Who sets the trends and captures the attention of customers?
- What are these brands' offers, price points, and value propositions?
- What sales tactics, technologies, and platforms do these brands use to create a customer journey?
- How do these brands use content to educate and engage an audience?
- What can you learn from customer reviews of these brands?

3. Identify market gaps.

With insights into how competing brands fare, you're in a good position to find market gaps, differentiate your products and services, and stand out within your industry.

Market gaps are needs that are currently not being filled by existing brands. For example, in the online education industry, you might find that learners are interested in topics that existing courses do not cover, in which case you could develop a course to fill this need.

Here are some questions to help you identify market gaps:

- Looking back at your industry research findings, what will external factors like social change and new laws mean for developing products and services?

- Ask consumers directly: “What do you want or need that you currently can’t find?”
- How specifically do competitors’ products and services fall short?
- In what ways would you be able to create better products and services, given your strengths and expertise?

4. Define your target market.

Now that you know your industry, the competitive landscape, and market gaps you can fill, the next thing to do is get specific about the kinds of customers you want to serve. Define your target market according to the characteristics that make individual consumers more likely to purchase products and services from you:

- Of the potential customers in your industry, which specific market segment can you target effectively?
- How can you describe this segment according to their demographics (age, ethnicity, income, location, etc.) and psychographics (beliefs, values, aspirations, lifestyle, etc.)?
- What are their daily lives like?
- What problems and challenges do they experience?
- What words, phrases, ideas, and concepts do consumers in your target market use to describe these problems when posting on social media or engaging with your competitors?
- What are the features and benefits of your offers, and how will these provide solutions to your target market’s needs?
- What kind of marketing messaging can you use to appeal to this target market in order to exhibit empathy and understanding?

5. Identify barriers to entry.

As you’re getting to know your target market and tailoring your offers and messaging to consumers, it’s important to have a clear sense of factors that might prevent you from entering your market successfully. That way, you can devise a strategy to address challenges.

Here are some questions to make barriers to entry more visible:

- What are the startup costs of building your business, including product development, technology, suppliers, patents, and certifications?
- What legal requirements will you need to fulfill before launching?
- What political, economic, and social factors might affect customers behavior and their likelihood of purchasing your offerings?
- How much do your top competitors spend on their advertising to earn the loyalty of customers?
- What will you need to do to present your offerings as better alternatives in terms of value, price, and ease of purchase?

6. Create a sales forecast.

Sales forecasting is the process of estimating future sales so that you can make confident business decisions or secure funding from investors and lenders. You may find it useful to create forecasts for specific increments of time, such as the next three months, six months, or year.

To generate a sales forecast, answer these questions:

- What products and services do you intend to sell?
- How many units do you expect to sell during each increment of time, based on your market size and the behaviors of your target market?
- What prices will you assign to each product or service?
- What is the cost of producing and advertising each offering?

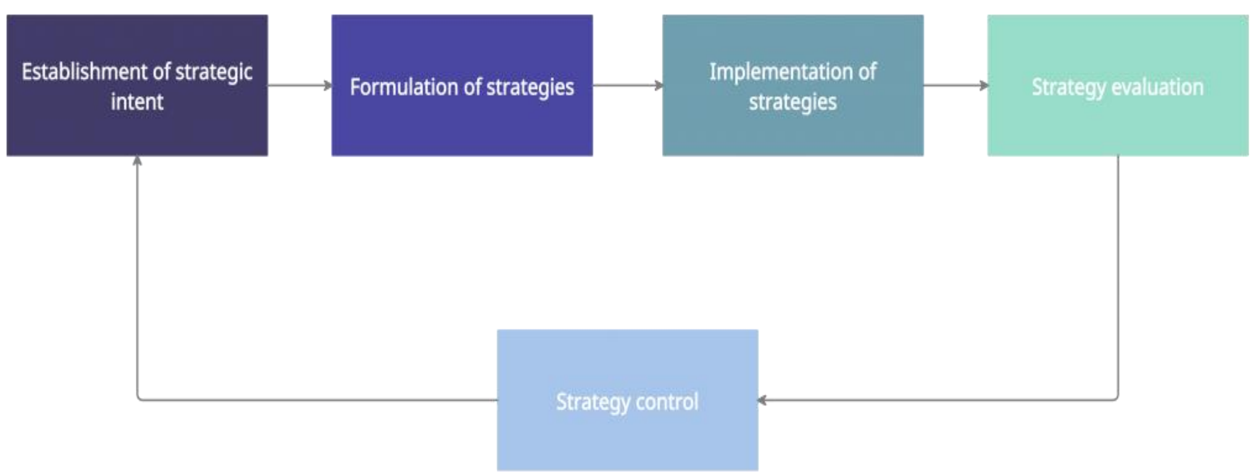
The Complete Guide to Strategy Evaluation

All organizational strategies are constantly reviewed and revised. As the internal and external environments of an organization change, so should the company strategy to aid in the survival and growth of an organization. A standard process to evaluate the effectiveness of an organizational strategy is therefore essential. It ensures that the organization is on the right path and is constantly adapting in a dynamic market.

In this post, we will be explaining what strategy evaluation is and how to effectively implement the process.

What is Strategy Evaluation

Strategic evaluation constitutes the final stage of strategic management and is considered one of the most vital steps in the process.



Strategy evaluation is the process by which the management assesses how well a chosen strategy has been implemented and how successful or otherwise the strategy is. To simply put, strategy evaluation entails reviewing and appraising the strategy implementation process and measuring organizational performance.

In the instance, the implementation of the strategy is not taking place as planned, say due to the limitations in the strategy that are blocking the achievement of organizational goals, necessary corrective actions should be identified and applied.

At the end of the evaluation, you'll have gathered insight to either reformulate the strategy or to plan and develop new ones.

Evaluating the strategy helps improve it, distinguish between what works and what doesn't, and contribute to the ongoing development and adaptation of the strategy to the changing conditions and complexities in the industry.

Strategy evaluation operates at two levels; strategic and operational. At the strategic level, the focus is given to the consistency of the strategy with the environment, and at the operational level, how well the organization is pursuing the strategy is assessed.

Through the process of strategy evaluation, strategists can make sure that the,

- Premises made during strategy formulation are correct
- Strategy is guiding the organization towards accomplishing its objectives
- Managers are doing what they are supposed to be doing to effectively implement the strategy
- The organization is performing well, schedules are being followed, and resources are being properly utilized
- Whether there's a need to reformulate or change the strategy

Participants of the Strategy Evaluation

The stage of strategy evaluation requires the contribution of several participants who will be playing different roles throughout the process.

The board of directors: takes on the formal role of reviewing and screening the executive decisions in light of their environmental, business, and organizational implications. Although they are not directly involved in the evaluation and control of the strategy implementation process, they periodically take part in reviewing the organization's performance and results.

Chief executives: are responsible for all the administrative tasks of strategy evaluation and control.

The SBU or profit-center heads: monitor strategy implementation at the business unit level and give feedback to the corporate parent who can intervene as necessary.

Financial controller, company secretaries, and external and internal auditors: responsible for operational control based on financial analysis, budgeting, and reporting.

Middle-level managers: carry out tasks assigned to them by SBU heads or the strategic planning group, and provide them with feedback and information. They will also be participating in the corrective actions, in the case of mid-term revisions in the implementation process.

Importance of Strategic Evaluation

The phase of strategy evaluation helps ensure that the implementation of the particular strategy will help the organization achieve its objectives. Without this step in the strategy management process, it would prove difficult to identify whether the strategy implemented is generating the desired effect. In addition, strategy evaluation also helps,

- Check the validity of the strategic choices the organization makes
- Assess whether the decisions made during the strategy implementation stage meet the intended strategy requirements
- Provide insight and experience into the strategists that can be used in reformulating or planning new strategies
- Shed light on issues caused by changes in the internal and external environment and take precautions and avoid making wrong decisions

Strategy Evaluation Process

The strategy evaluation is carried out in order to determine that the strategy is helping the organization achieve its objectives. It compares the actual performance of the organization with desired results and provides the necessary insight into the corrective action that needs to be taken to improve the performance of the organization. Following are the steps in the process of evaluating strategy.

Establish standards

This step starts with determining what standards to set, how to set them, and the terms used to express the standards. To do this,

- Identify the key areas of performance which are usually based on the key managerial tasks pertaining to strategic requirements. Standards should be set within these identified key performance areas.
- The special requirements needed to perform each of these key tasks can be used to determine the type of standard to be set.
- Performance indicators that can satisfy these special requirements can then be identified for evaluation.

Performance indicators have to be set on the basis of quantitative or qualitative criteria in order to make measuring performance easier.

- Quantitative criteria – on the basis of this criteria, performance can be evaluated in two ways: Either by comparing how the company has performed against its past achievements or against the performance of the industry average or that of the competitors.
- Qualitative criteria – in order to assess factors such as core competencies, capabilities, risk-bearing capacity, workability, and flexibility, companies need a set of qualitative criteria such as the ones suggested by Glueck and Jauch,
    - Consistency (evaluating strategy against company objectives, environmental assumptions, and internal conditions)
    - Appropriateness (evaluating strategy with regard to resource capabilities, risk preference, and time horizon)
    - Workability (evaluating the feasibility and simulation *of the strategy)*

Measure Performance

The standards of performance set will serve as the benchmark against which the actual performance will be evaluated. Based on these standards, managers should decide how to measure the performance and how often to do so.

The methods used to measure performance may vary on the standard set; usually, data such as the number of materials used, units produced, the monetary amount of services utilized, the number of defects found, processes followed, quality of output, and return on investment, are used.

Once the methods of measuring performance are identified, how often it should be done for control purposes needs to be then decided. Whether it should be on a daily, weekly, monthly, or annual basis is decided on factors such as how important the objective is to the organization, how quickly the situation might change, and how difficult or costly it would be to fix a problem once it has actually occurred.

Analyze Variances

Evaluating the actual performance against the standards of performance will reveal whether;

- The actual performance matches the budgeted performance
- The actual performance differs from the budgeted performance in a positive way
- The actual performance differs from the budgeted performance in a negative way

A predetermined set range of tolerance limits can be used to determine whether the results can be accepted satisfactorily. If the actual performance deviates from the budgeted performance within the set tolerance limit, the performance can be considered acceptable and the variance insignificant.

On the other hand, if the performance is below standards, effort must be directed to finding the root causes of the deviation and coming up with corrective action to fix it.

Take Corrective Action

In the case the actual performance falls out of the tolerance limit, corrective action must be taken to solve it. The deviation can be caused internally or externally, predicted or random, or temporary or permanent.

If the actual performance is below the standards consistently, a thorough analysis should be carried out to find the root causes. If the organizational potential can’t meet the performance requirements, consider adopting attainable performance standards. In the case of an extreme deviation, you might have to consider formulating the strategy, which might require you to start from the beginning of the strategic management process.

Strategic Evaluation Technique

Evaluating the effectiveness of a strategy entails assessing the internal and external forces that affect strategy implementation. Following are a few techniques that you can use to examine these factors and make well-informed strategic decisions.

Gap analysis

A gap analysis is performed to identify and measure the gap between your current state of organizational performance and the desired state. It can be utilized to evaluate various aspects of the business from production to marketing.

Learn more on how to conduct a gap analysis and the tools you can use to accelerate the process and the gap analysis templates to simplify the steps.

SWOT analysis

A SWOT analysis is another helpful tool that strategists use to assess the current situation -both internal and external environments – of an organization. It helps you gain insight into your internal landscape by analyzing strengths and weaknesses, and insight into your external landscape by scanning opportunities and threats.

Value chain analysis:- This analysis examines the set of activities the company performs to produce and market a product or service. It helps identify which activities are most valuable to the company and which needs to be improved to help perform better.

Ready to Evaluate Your Strategy?

Strategy evaluation plays a significant role in assessing the effectiveness of a strategy in achieving organizational objectives and helping in the successful culmination of the strategic management process.

This guide gives an introduction to strategy evaluation and the steps to evaluating a strategy effectively, and we hope it will help you carry out the process seamlessly.

Entrepreneurial Marketing

Entrepreneurial marketing is an integral part of any business strategy. It requires a proactive orientation, innovativeness, focus on customers, utilization of opportunity, risk management, and value creation in order for an interactive marketing approach to be successful.

These topics are essential for entrepreneurs to understand in order to make their businesses thrive: understanding customer needs and preferences; identifying trends and emerging companies and taking advantage of them; setting goals and developing strategies; creating unique solutions and leveraging resources; minimizing risks and mitigating losses; employing aggressive tactics; and devising a marketing mix that meets customer expectations while delivering quality at the best possible rate.

This article will discuss the essential characteristics of entrepreneurial marketing, as well as how to use it to maximize potential profits, increase customer satisfaction and create long-term relationships with customers.

Proactive Orientation

Successful entrepreneurs understand that marketing requires a proactive orientation. It is not enough to simply follow traditional marketing strategies; instead, entrepreneurs must be willing to take risks and think outside the box in order to create innovative products and services. This means understanding their target markets, responding quickly to changing dynamics, and using the appropriate marketing mix while considering risk management processes. These activities represent both a challenge and an opportunity for success – like a tightrope walker balancing on a thin line between failure and success.

Relationship marketing is also essential for deepening customer relationships and creating value-added initiatives for new businesses, such as brand equity campaigns. By taking advantage of these opportunities, entrepreneurs can ensure that their businesses remain competitive in today’s ever-changing market landscape.

Setting Goals

Setting goals is critical for successful entrepreneurial marketing efforts. When setting goals, entrepreneurs need to consider various factors, such as the objectives of their entrepreneurship and marketing strategy, the tactics they will employ, the available resources, and the target market. Additionally, entrepreneurs should also consider short, intermediate, and long-term goals during this process. Goals should be concrete and achievable but should also be flexible enough to allow for change and modification over time as the business or marketing environment evolves.

Ultimately, goal setting requires good planning, discipline, and accountability in order to be effective. Without having well-thought-out goals, measurements, and deadlines, entrepreneurs run the risk of wasting resources or missing important opportunities. Setting clear, achievable goals gives entrepreneurs something concrete and tangible to strive for, which can help to motivate and focus their efforts to create successful outcomes.

Developing Strategies

Goal setting helps entrepreneurs chart a course for success. To develop an effective strategy, they must assess the competitive landscape and leverage their existing resources and capabilities. Creative thinking, research, and hard work are essential to executing effectively. Metaphors, similes, personification, alliteration – these stylistic devices can be used to get their message across in an impactful way while incorporating various marketing tactics and channels into the mix to reach target markets quickly and efficiently.

Taking Action

Once entrepreneurs set their goals and establish their strategies, it is equally as important to take action in order to make their plans a reality. Taking action means actually implementing the chosen strategies and executing the defined actions–whether through formal or informal methods. This involves direct contact with end-users, vendors, and partners in order to gather feedback and fine-tune the whole marketing plan and strategy.

Being proactive also entails risk assessment and management in order to mitigate any losses. For example, entrepreneurs need to be aware of their financial position in order to assess the associated risks and plan accordingly. Additionally, it is important to maintain a working relationship with a network of people in order to access necessary resources, capitalize on new opportunities, and stay agile in reacting to developments in the marketplace.

Taking action and following through on the chosen course of action is an essential part of being successful as an entrepreneur. It is a necessary step in reaching one’s goals and capitalizing on opportunities in order to create a sustainable and successful business.

Innovativeness

In entrepreneurial marketing, innovativeness is an essential characteristic. Innovative entrepreneurs are able to identify and exploit opportunities that traditional businesses fail to recognize. Analyzing the market is fundamental in order to understand both customer needs and wants, as well as establish a competitive advantage over competitors to create a successful and effective entrepreneurial marketing strategy. Through market analysis, entrepreneurs can identify trends that can help determine what solutions are needed, whether it be a product or service, as well as use them to their advantage.

Alli Webb provides an example of how money can be made through innovation by creating a niche within the hairstyling industry with her small business name, 'Drybar.' Drybar offers wash and styling services separately, so customers have the ability to select services based on their own budget and needs. This demonstrates the effectiveness of market analysis and the importance of identifying customer needs by finding unique solutions to capture a bigger market share.

ACCOUNTING SKILLS FOR ENTREPRENEURS

1. Managing Cash Flow

The time-tested saying, "cash is king" really is true. For many businesses, especially new ones, where credit lines are limited and financing is difficult, cash proves to be one of the most critical assets. It serves as the fuel to your company's engine. Without it, you can't pay suppliers and will find it difficult to build inventory, reach customers, and grow the business.

Understanding and projecting cash flow allows companies to plan for the future and ensure that there's always enough money in the bank to keep the business running (and hopefully growing). Paying attention to cash inflows and outflows allows entrepreneurs to plan accordingly, prevent any unnecessary cash shortages, and use excess cash productively to grow the business.

2. Maintaining a Balance Sheet

The balance sheet provides a snapshot of a company's financial health at a particular point in time. It allows those interested in the business to quickly see what resources are available and how those resources were financed, and shows both the assets and liabilities—or what you have right now and what you owe others.

Entrepreneurs can use the balance sheet to help keep the business in check. While sales may be increasing exponentially, keeping an eye on the liabilities side of the balance sheet is important to the long-term success of the business. Even though investors care about growth potential, they also care about how much the company owns versus how much it owes. The balance sheet gives investors, and potential buyers, a solid understanding of where the company currently stands.

3. Identifying a Path to Profitability

Profitability is defined as how much money is left from each dollar of sales after all expenses have been subtracted. This may seem obvious for those interested in starting a business, but it can sometimes fade into the background during the early stages of a company.

It’s often necessary to take a loss early to reach a target market, accumulate customers, increase visibility, or launch successfully, but this cannot be a long-term strategy. Entrepreneurs must have a path to profitability to attract investors and succeed over time.

4. Communicating About Money

Solid communication skills are essential to nearly every aspect of running a business, but they’re particularly important when dealing with finance and accounting. As an entrepreneur, you must be comfortable and able to clearly discuss the hard numbers of your business—with employees, vendors, and investors or other stakeholders.

Clear communication, especially in relation to terms of payment and scope of work, allows you to ensure that all parties are properly aligned, protecting you and your business from assumptions or miscommunication.

Similarly, developing your organizational skills and putting in place clear protocols for everything related to payment can help protect your business from the same kinds of misunderstandings and miscommunications. This is especially important when working with multiple invoices, purchase orders, vendors, and tax accounts.

5. Forecasting the Future of Your Business

For most entrepreneurs, growth is a key motivation. Some are happy acting as a one-person business, but want to maximize their revenue streams. Others may want to grow their team by adding employees. And others still may want to scale dramatically.

In order to grow responsibly and successfully, an entrepreneur must be capable of making predictions about the future of their business—regardless of their specific growth goals. Accurate predictions about future revenues, future operating costs, future resource needs, and future profit levels are necessary to attract investors, secure funding, hire employees, and take on additional clients or customers.

What is risk analysis in business?

A risk analysis evaluates the possibility of an unforeseen adverse event that can affect crucial business initiatives and projects. Organizations conduct a risk analysis to establish when an adverse effect can occur, the effects of the risk on a business segment, and how the risk can be mitigated. A business analysis draws up a control plan to restore the business operations to normalcy in a worst-case scenario where an unforeseen negative impact occurs.

Business benefits of risk analysis

Because businesses want to maximize production and generate high profits, a risk situation is likely to occur at some point. However, risks can help actualize the business objectives and play an essential function in business growth. Here are five benefits of risk analysis for a business:

Evaluate what is working

A risk analysis is a tool used to evaluate what segments of the project or investment are working, which may require urgent improvement intervention, and which section is not working. The outcome of the analysis assists management in making decisions that may mitigate or control the risk.

Assess the financial impact

In its entirety, the analysis process is an assessment procedure to isolate, evaluate and compare the business and the organization's general financial impact. An analysis may combine all concepts of financial risks, including credit and cash flow, and help you understand the impact of risk.

Provide a foundation for decision-making

The essence of a risk analysis is to observe, examine and plan a diagnosis procedure. By analyzing and understanding the various financial ratios and accounting statements, the decision-makers can diagnose a financial condition. Investors and clients evaluate the business's success in terms of profitability, liquidity or creditworthiness based on the company's previous decisions that contributed to either failure or success.

Prepare for growth

When expanding your business, risk analysis in financial management can help you develop capital strategies to ensure your business attracts investors. Investors and other stakeholders with the required potential to grow the company will project the return on their investment based on your business risk analysis success.

Identify opportunities

A risk analysis process involves identifying a potential issue and its outcomes. Although many risks result in adverse effects, the awareness that specific categories of risks can cause business gains and profitability is significant. An opportunity can present itself from the risks identified that the business can exploit and boost its profitability.

How to use risk analysis in business

Businesses use risk analysis by looking at the potential threats they can encounter. Here are seven ways companies use risk analysis:

1. To enhance and promote compliance

Conducting a risk analysis in financial management can help managers engage staff in the safety and risk minimization in an organization. By complying with the risk analysis experts' recommendations, there is a high likelihood of protecting the business from potential losses resulting from fines, low profits and reputation damage.

2. To generate new and crucial decisions

A risk analysis business program provides new opportunities for the management to generate critical business decisions. Analysis information informs decisions to expand certain business sections, or merge or eliminate others.

3. To enhance financial strength

By identifying a financial risk, the business decision-makers minimize risk occurrence or start mitigation measures. A risk analysis helps create financial stability because there is minimal loss through unforeseen financial threats.

4. To strengthen operational efficiency

Risk analysis can enhance business operations and maximize efficiency by eliminating or minimizing threats such as employee turnover and system hitches.

5. To inspire a contingency plan

You can use the analysis information to define a “what if” situation. The analysis information encourages business managers to plan mitigation. A viable mitigation strategy must follow a business risk assessment.

6. To influence potential investors

Any investor contemplating putting money in a company would first appraise its risk analysis and mitigation measures. If you can convince investors the risks cannot severely affect the business or a satisfactory mitigation plan is in place, they are likely to put their money in the company. A comprehensive risk analysis can assist the business by giving investors the confidence to put their money into the company.

7. To center the business around the existing environment

As the company starts a risk analysis plan, it must consider the possibilities of new competitors' entrance and currency rate changes, among other business environment changes. A risk analysis can predict changes in the business environment, minimizing a potential business failure.

When to use risk analysis in business

- When starting up a business to help estimate the risks and prepare mitigation measures.
- When deciding if it is okay to move forward with a business project.
- When a business is preparing to improve safety to reduce the likelihood of risks occurring.
- When a business wants a plan to avert events such as system failure, natural disasters or staff productivity.

Tips for managing risk :- After identifying the risks, how do you mitigate or control the risk from negatively affecting your business? Here are four ways to manage risks:

Avoid risk:- If you find a risk has little or no positive impact on your business, consider skipping it altogether. Another reason for avoiding risk is when the cost of mitigating is high when compared to a potential business advantage.

Spread the risks:- By spreading the risks among branches, segments, teams or systems, you will likely minimize the effects. Each risk's destination could have the means to deal with the threats differently from the other.

Accept and own the risk:- Accepting the risk is the fallback method of managing risk when an impact has a high percentage. However, you must evaluate and determine the consequences of the impact and develop a contingency plan to avert a future occurrence.

Control the risk:- When you accept the risk impact has occurred, you can either prevent further damage by adding measures to control the issue or minimize the risk impact by employing tactics such as staff training or system protective software.

UNIT-4

What Is an Organizational Structure?

An organizational structure is a system that outlines how certain activities are directed in order to achieve the goals of an organization. These activities can include rules, roles, and responsibilities.

The organizational structure also determines how information flows between levels within the company. For example, in a centralized structure, decisions flow from the top down, while in a decentralized structure, decision-making power is distributed among various levels of the organization. Having an organizational structure in place allows companies to remain efficient and focused.[1]

KEY TAKEAWAYS

- An organizational structure outlines how certain activities are directed to achieve the goals of an organization.
- Successful organizational structures define each employee's job and how it fits within the overall system.
- A centralized structure has a defined chain of command, while decentralized structures give almost every employee receiving a high level of personal agency.
- Types of organizational structures include functional, divisional, flatarchy, and matrix structures.
- Senior leaders should consider a variety of factors before deciding which type of organization is best for their business, including the business goals, industry, and culture of the company.

Understanding an Organizational Structure

Businesses of all shapes and sizes use organizational structures heavily. They define a specific hierarchy within an organization. A successful organizational structure defines each employee's job and how it fits within the overall system. Put simply, the organizational structure lays out who does what so the company can meet its objectives.

This structuring provides a company with a visual representation of how it is shaped and how it can best move forward in achieving its goals. Organizational structures are normally illustrated in some sort of chart or diagram like a pyramid, where the most powerful members of the organization sit at the top, while those with the least amount of power are at the bottom.

Types of Organizational Structures

Functional Structure

Four types of common organizational structures are implemented in the real world. The first and most common is a functional structure. This is also referred to as a bureaucratic organizational structure and breaks up a company based on the specialization of its workforce. Most small-to-medium-sized businesses implement a functional structure. Dividing the firm into departments consisting of marketing, sales, and operations is the act of using a bureaucratic organizational structure.

Divisional or Multidivisional Structure

The second type is common among large companies with many business units. Called the divisional or multidivisional (M-Form) structure, a company that uses this method structures its leadership team based on the products, projects, or subsidiaries they operate. A good example of this structure is Johnson & Johnson. With thousands of products and lines of business, the company structures itself so each business unit operates as its own company with its own president.

Divisions may also be designated geographically in addition to specialization. For instance, a global corporation may have a North American Division and a European Division.

Team-Based

Similar to divisional or functional structures, team-based organizations segregate into close-knit teams of employees that serve particular goals and functions, but where each team is a unit that contains both leaders and workers.

Flat (Flatarchy) Structure

Flatarchy, also known as a horizontal structure, is relatively newer, and is used among many startups. As the name alludes, it flattens the hierarchy and chain of command and gives its employees a lot of autonomy. Companies that use this type of structure have a high speed of implementation.

Matrix Structure

Firms can also have a matrix structure. It is also the most confusing and the least used. This structure matrixes employees across different superiors, divisions, or departments. An employee working for a matrixed company, for example, may have duties in both sales and customer service.

Circular Structure

Circular structures are hierarchical, but they are said to be circular as it places higher-level employees and managers at the center of the organization with concentric rings expanding outward, which contain lower-level employees and staff. This way of organizing is intended to encourage open communication and collaboration among the different ranks.

Network Structure

The network structure organizes contractors and third-party vendors to carry out certain key functions. It features a relatively small headquarters with geographically-dispersed satellite offices, along with key functions outsourced to other firms and consultants.

Benefits of Organizational Structures

Putting an organizational structure in place can be very beneficial to a company. The structure not only defines a company's hierarchy but also allows the firm to lay out the pay structure for its employees. By putting the organizational structure in place, the firm can decide salary grades and ranges for each position.

The structure also makes operations more efficient and much more effective. By separating employees and functions into different departments, the company can perform different operations at once seamlessly.

In addition, a very clear organizational structure informs employees on how best to get their jobs done. For example, in a hierarchical organization, employees will have to work harder at buying favor or courting those with decision-making power. In a decentralized organization, employees must take on more initiative and bring creative problem solving to the table. This can also help set expectations for how employees can track their own growth within a company and emphasize a certain set of skills—as well as for potential employees to gauge if such a company would be a good fit with their own interests and work styles.

What is requirements management?

Requirements management is a set of techniques organizations employ to ensure they achieve important business goals and meet customer requirements throughout the product life cycle. The requirements management process helps companies document and prioritize requirements so project teams have an updated set of requirements and can complete their product development duties accordingly. Product managers typically help oversee this process, which typically includes the following stages:

- **Collection:** Requirements management typically begins when managers and teams collect initial feedback from customers and product development teams, allowing them to define their needs.

- **Analysis:** In the analysis stage, the team working on a particular project determines whether the information they collected aligns with the company's vision and mission.

- **Definition:** After the analysis phase, the organization may begin defining and listing its requirements.

- **Prioritization:** As the organization begins the planning for the project, it can begin to prioritize its requirements to determine which to include in its management plan.

- **Assignment:** Once the project teams understand which requirements to prioritize, they can begin applying them to work items or tasks.

- **Assessment:** After implementing the requirements, the organization can then develop a method for measuring whether its project planning is complete and validating the requirements.

- **Revision:** Project teams and managers may decide to revise certain requirements as customer needs or conditions change.

Types of project requirements

Here are some types of project requirements to consider when implementing a requirements management strategy:

User requirements

These types of requirements outline consumer needs and describe how customers may interact with a certain product or feature. They often address a specific challenge or problem consumers experience, such as a lack of affordability. User requirements can also address how a particular product can improve a consumer's experience, which then allows that organization to define the reason for creating its product. Organizations typically define these requirements in a user story or requirements document. Some examples of user requirements include:

- Ensuring more diversity in subscription options
- Implementing a customer service process that customers can use to replace lost or damaged goods
- Packaging goods securely so they arrive safely

Business requirements

Executives and other high-level managers may establish business requirements for the organization. These requirements function as objectives that help the company accomplish its business goals and ensure customer satisfaction. Organizations typically define these in a business plan or model. Some examples of business requirements include:

- Adding product instructions in multiple languages
- Creating training materials for a product
- Developing multicultural buyer personas

Systems requirements

These requirements describe a product's capabilities and help gauge its operability. They function as technical objectives that address factors such as a system's availability, efficiency or quality. Organizations typically outline systems requirements in a product requirements document or software specification plan. Some examples of systems requirements include:

- Providing multiple subscription prices to customers
- Offering fast loading times to compete with similar companies
- Supplying a certain amount of free storage on network devices to incentive purchases

Tips for effective requirements management

Here are some tips that can help you manage different requirements more effectively:

- **Use requirements management tools.** When completing a project, consider using requirements management tools and collaborative project management software to help you store and share key information regarding project or product requirements.
- **Establish a process for handling changing requirements.** To handle changes to requirements or new and unexpected requirements that may arise, meet with your team to discuss how you plan to adapt to change and facilitate the completion of the project.
- **Conduct a risk analysis.** You can also plan for potential issues by conducting a risk analysis and using it to determine which actions to take if an expected event occurs.

Benefits of requirements management

Requirements management can help reduce errors in the development process by allowing the teams involved in the process to track and evaluate requirements changes.

It also allows teams to maintain more consistent communication with customers throughout a project while also making it easier for individual team members to understand their tasks and their roles in the process. Some of the additional benefits associated with requirements management as it relates to the development life cycle include:

- Enhanced product quality
- Timelier delivery
- Reduced project and development costs
- Clearer project scope
- Better product consistency
- Increased collaboration and teamwork
- Minimized risk for products requiring high safety standards
- Decreased number of product defects

What is Financial Management?

"Financial management is the activity concerned with planning, raising, controlling and administering of funds used in the business."

Financial Management

Financial Management is vital for businesses and organisations as it lays the right pathway to achieve business goals and objectives. Here are some of the reasons why financial management is essential in a business:

- Helps in Financial Planning
- Assists in acquiring and managing funds
- Helps in funds allocation
- Provides insights to make critical financial decisions
- Cuts down financial costs
- Improves profitability and value of the organization
- Makes employees aware of financial savings and investments
- Helps in planning the future growth of the organization
- Helps in achieveing economic stability

Objectives of Financial Management

Just like we all used to save money during our student life and be mindful about it while spending, organisations need to manage the finances effectively to scale and be successful. Here are some crucial objectives that organisations need to be kept in mind:

1. Profit Maximisation

One of the most critical objectives is to ensure maximum profits in both the short and long run. A finance manager should consider this on top of his priority list and ensure that outcomes related to business performance are profitable.

2. Proper Mobilization

Just like you do not waste your savings all in one go to buy something and have nothing in hand, managing funds is crucial for any business. Financial managers need to evaluate and make vital decisions on the allocation and utilization of various funds. Whether it is shares, products, or investing in small companies, all the critical factors must be considered before investing.

3. High Efficiency

Financial Management tries to increase the efficiency of all the departments of the company. Proper distribution of finances or funds to all the departments considering the resources and work involved increases the organization's efficiency as a whole.

4. Reduce Risks

There are always risks involved in running a business, especially with the uncertainties that come along. Financial managers need to avoid high-risk situations/opportunities and take calculated risks under the consultation of experienced leaders and subject matter experts.

5. Business Survival :- Amidst the competitive world, the survival of the business is a primary goal. Darwin said, "Survival of the fittest" in Biology, which is applicable for companies. Companies need to make decisions intuitively. They can always take the help of expert consultants if needed.

6. Balanced Structure

Like they say – Balance is key to everything. This applies not just in life but to businesses too. Financial managers need to prepare a robust capital structure considering all capital sources. This balance is vital for liquidity, flexibility, economy, and stability.

Elements of Financial Management

Financial Management is made of the following key elements. These are:

1. Financial Planning

Financial Planning is a way of calculating the capital required by an organization and adequately allocating resources accordingly. To do this effectively, one needs to have answers to the following questions:

- Do you have well-established business goals and objectives?
- What is your long-term plan as a brand?
- What is the capital required for the organization to sustain itself?
- What are the different policies and regulations involved in your business?

Answers to each of these questions and many more are all related to Financial Management. So, it is crucial to plan things properly that help you achieve your business goals.

2. Financial Control

It is a pivotal activity to ensure the business is working to meet its objectives. It is more about setting proper KIPs rather than reducing costs. It is essential to ensure everyone in the team is aware of both financial and business goals.

3. Financial Decision-making

Once you have a proper plan and understanding of all the financial aspects, decision-makers should access and decide on fundings, resource allocations, profit distributions, and many more.

Functions of Financial Management

The financial management team in any organization is led mainly by the Finance Manager or someone from the Core Leadership team. Here are a few functions which the team generally is responsible for:

1. Capital Estimation

A finance manager has to estimate the capital required for the company. This will include expected costs, profits, future programs, and expected losses, if any. The estimate had to be made in such a way that the earning capability of the company increases steadily.

2. Deciding Capital Structure

Once the estimate has been made, it is now time to form the capital structure. This includes debt analysis in both the short and long term and is dependent on the capital the firm owns and raised external fundings(if any).

3. Choice of Funds

When significant funds are required, the capital structure needs to be expanded. The organization can take options like Bank Loans and Issues of Share and Debentures. It is essential to evaluate these options considering the interest rates, returns and risk involved. A pro and con list of each of these options will be helpful.

4. Investments

The organization cannot just sit on funds or profits. Growing money is more important than saving money for sustainable growth. The finance Manager needs to allocate funds into profitable ventures or make investments that give reasonable returns with safety on the investment made.

5. Profit Allocation

Profit allocation plays an important role. Once the business makes profits, it is essential to allot them properly. Various factors to be considered here are – employee bonuses, dividends, returns to investors, funds for future growth, and other basic cashflows. It is essential to plan and allocate profits to achieve business objectives.

6. Money Management

The team is also responsible for money or cash management. Cash is required for various purposes such as salaries, electricity and water bills, real estate bills, buying raw materials, storage costs, etc.

7. Financial controls

The finance manager has to plan and utilize the funds and needs to have complete control over the finances considering both short term and long term. This can be achieved using risk analysis and mitigation tools, financial forecasting, ratio analysis, cost reduction, and profit control.

Meaning of Financial Management

Financial Management means planning, organizing, directing and controlling the financial activities such as procurement and utilization of funds of the enterprise. It means applying general management principles to financial resources of the enterprise.

Scope/Elements of Financial Management

1. **Investment decisions** includes investment in fixed assets (called as capital budgeting). Investment in current assets are also a part of investment decisions called as working capital decisions.
2. **Financial decisions-** They relate to the raising of finance from various resources which will depend upon decision on type of source, period of financing, cost of financing and the returns thereby.
3. **Dividend decision-** The finance manager has to take decision with regards to the net profit distribution. Net profits are generally divided into two:
    a. *Dividend for shareholders*- Dividend and the rate of it has to be decided.
    b. *Retained profits*- Amount of retained profits has to be finalized which will depend upon expansion and diversification plans of the enterprise.

UNIT-5

Funding Options For Startup:-

1. Angel investors

Angel investors are individual investors that invest in startups at an early stage, i.e. seed stage. Having a deep understanding of the pain points of entrepreneurs and finding opportunities in startups, these investors invest a lesser amount than venture capitalists and expect higher returns.

Angel investors, in some cases, are experienced entrepreneurs who have been through the process of starting and growing a business. They also act as mentors to young and budding entrepreneurs.

Before choosing a startup to invest in, angel investors screen the startup, research, and see how much the founder is passionate and invested in the startup. Once convinced, angel investors give funding in exchange for convertible debt or equity ownership in the startup.

2. Angel Networks & Platforms

Through these networks and platforms, angel investors pool their capital to invest in businesses, providing larger investments to startups. The platform receives equity ownership in the startup and benefits if it succeeds.

As startup investing is risky, angel networks & platforms enable angel investors to hedge risks and provide larger funds.

3. Venture Capital Funds

Venture Capital Funds are provided by venture capital firms. These are financing firms that provide capital to startups and emerging companies.

Unlike angel investors, **VC funds** provide large amounts of capital to startups, helping them grow and expand. In return, they get equity or equity-linked instruments. Fueling the vision of thousands of entrepreneurs, these VcCfirms exit when the startup releases an IPO or is acquired.

4. Corporate Venture Capital

Corporate Venture Capital refers to the investment made by large organisations directly into a private enterprise or a startup. Through **corporate venturing**, startups get resources like funding, marketing expertise, or strategic direction. Depending on the deal, organisations can get equity in return, or they can use the resources of the startup like proprietary technology**,** in-demand product, etc.

5. Venture Debt Funds

Though most common, equity is an expensive source of finance for entrepreneurs. That is why non-banking financial companies (NBFCs) provide an alternate form of **debt funding** to VC-backed startups under a hybrid scheme known as venture debt funds.

Venture debt funds lend money in exchange for non-convertible debentures (NCDs) and equity warrants. These funds are gaining prominence,

6. Accelerators & Incubators

Accelerators and incubators help startups grow by providing necessary resources like management training, networking with highly specialised professionals, office space, equipment, etc.

Generally found in major cities, accelerators and incubators run programs for four to eight months, providing entrepreneurs with funding assistance, mentors, and a platform to connect with investors and other startups. In return, they take an equity stake.

7. Revenue Based Financing

This kind of financing allows investors to provide capital to a startup in exchange for a certain percentage of the company's ongoing total gross revenues.

Revenue-Based Financing is becoming quite popular among the stakeholders, and India has seen the emergence of various revenue-based lending organisations.

8. Government Grants & Funds

The Government of India, through its several initiatives and schemes, is backing the Indian startup ecosystem and providing them with the support they need. Aiming to build a robust startup ecosystem, the Government’s Startup India program offers an 80% rebate on patent costs and income tax exemption to startups registered under the scheme for the first three years.

In 2021, the government also launched the **Startup India Seed Fund scheme**, which provides funding support to early-stage startups.

9. Crowdfunding

It is a less popular startup funding alternative in which funding is raised from a large number of people. This method of raising funds is easy compared to bank loans, venture capital, and angel investors, which involve complicated procedures. Equity crowdfunding is another option, but its legality in India is debatable.

10. Banks and NBFCs

As the startup ecosystem is flourishing, banks provide loans for all stages of business, but the terms differ. Startups can opt for bank loans for their different business needs like equipment loans, working capital loans and startup business loans.

Banks require higher collateral for an idea-stage startup, but for equipment loans, there may be no need for collateral.

Effective Communication:- Communication is a way to make interaction between people. Entrepreneurs always try to improve their communication skills because it will assist them in sharing their ideas and presenting them clearly and to constantly work in a better way with their staff, team members, clients and colleagues. They understand the role of communication in entrepreneurship and they furnish themselves with some best tips to make their regular interactions effective.

Having good communication skills will also help an entrepreneur at the time of project explanation, elevator pitches, presentation, training as well as many other areas where a person has face-a-face talk with people. An effective communicable person can build his career easily.

The basic steps of communication are −

- The forming of communicative intent to make a healthy relationship.
- Message composition to make a healthy dialogue between two participants.
- Message encoding to hide your personal or confidential thoughts in a message.
- Transmit encoded messages in a sequence of signals using specific channels.
- Checking reception of signals to ensure the that they are active in communication.
- Reconstruction of the original message and acknowledge on a particular chat.
- Interpretation of previous messages and making a sensible reconstruction.

Presentation Skills for Entrepreneurs

Presentation is a way to represent your idea through pictures, but it needs excellent communication skills too. Effective presentation can help your business in growth. Once you explain everything digitally in a conference hall, everyone likes your product.

A few steps which you should follow for convincing your target audiences are as follows −

- **Step 1** − Before proceeding to the presentation, you should clear your objective in advance. During a presentation, you can try to focus to a specific topic, so the users are impressed with it and understand your key motive and take a decision.
- **Step 2** − Practice your point of view in advance, so that you can be prepared for the target audience at the time of the presentation. It is a big challenge to impress everyone, but when you know the people, then you can give presentation as per their guidelines.
- **Step 3** − Self-confidence is the key to getting success; it means you must know your positive points and limitations so that while presenting, you should use your qualities and try to hide your weaknesses, so they don't affect your presentation.

What is a patent

Patents are used to protect the way things work. A patent is a right granted for an invention that is new and useful. A registered patent provides the owner of the invention with the exclusive right to exploit it commercially for the life of the patent. The owner also has the right to license others to make, use or sell the invention or products made using the invention.

Unlike copyright, patent protection is not granted automatically. A formal patent application must be lodged, and it is essential that the invention is not disclosed beforehand.

A patent encourages the undertaking of further research, testing, effort and expenditure to develop a new product, method or process. A patent offers you a monopoly for the duration of your patent registration. After the period of protection expires,

Licensing

Definition: Licensing is defined as a business arrangement, wherein a company authorizes another company by issuing a license to temporarily access its intellectual property rights, i.e. manufacturing process, brand name, copyright, trademark, patent, technology, trade secret, etc. for adequate consideration and under specified conditions.

The firm that permits another firm to use its intangible assets is the licensor and the firm to whom the license is issued is the licensee. A fee or royalty is charged by the licensor to the licensee for the use of intellectual property right.

For example: Under licensing system, Coca-Cola and Pepsi are globally produced and sold, by local bottlers in different countries.

In finer terms, it is the simplest form of business alliance, wherein a company rents out its product based knowledge in exchange for entry to the market.

Why Licensing?

The overseas company enters into a licensing agreement with another company based in the domestic country, for a specified period of time. The two primary reasons for entering in the licensing agreement are:

- International expansion of a brand franchise.
- Need for commercialisation of new technology.

Generally, a firm opts for license its products, when the firm holds that the consumer's acceptance of the product is high. It helps the licensee to differentiate the product from other products offered by the competitors in the market. Further, it also assists the licensing company in reaching new customers at a low price.

Benefits and Limitations

In licensing, the licensor gets the advantage of entering the international market at little risk. However, the licensor has little to no control over the licensee, in terms of production, distribution and sales of the product. In addition to this, if the licensee gets success, the firm has given up profits, and whenever the licensing agreement expires, the firm might find that it has given birth to a competitor.

As a prevention measure, there are certain proprietary product components supplied by the licensor itself. Although, innovation is considered as the appropriate strategy so that the licensee will have to depend on the licensor.

On the other hand, the licensee acquires expertise in production or a renowned brand name. It expects that the arrangement will increase the overall sales, which might open the doors to the new market and help in achieving the business objectives. However, it requires a considerable capital investment, to start the operations, as well as the developmental cost is also borne by the licensee

Types of Licensing

Licensable properties come from a variety of sources. The definitions of various property types are not always clear and they often overlap. Although every licensing program is unique, different areas of the licensing business have specific patterns in terms of how they are organized and how business is done.

The chart below shows the different property types of licensed merchandise with their relative shares of estimated overall licensing industry revenues generated in 2021. The chart is followed by a brief description of key industry segments.

- Entertain/Character (41%)
- Corporate/Brand (24%)
- Fashion (9%)
- Sports (10%)
- Publishing (9%)
- Collegiate (2%)
- Celebrity (2%)
- Music (1%)
- Art (1%)
- Non-Profit (0.5%)

UNIT-6

What Is a Business Exit Strategy?

A business exit strategy is an entrepreneur's strategic plan to sell his or her ownership in a company to investors or another company. An exit strategy gives a business owner a way to reduce or liquidate his stake in a business and, if the business is successful, make a substantial profit. If the business is not successful, an exit strategy (or "exit plan") enables the entrepreneur to limit losses. An exit strategy may also be used by an investor such as a venture capitalist in order to plan for a cash-out of an investment.

Business exit strategies should not be confused with trading exit strategies used in securities markets.

KEY TAKEAWAYS

- A business exit strategy is a plan that a founder or owner of a business makes to sell their company, or share in a company, to other investors or other firms.
- Initial public offerings (IPOs), strategic acquisitions, and management buyouts are among the more common exit strategies an owner might pursue.
- If the business is making money, an exit strategy lets the owner of the business cut their stake or completely get out of the business while making a profit.
- If the business is struggling, implementing an exit strategy or "exit plan" can allow the entrepreneur to limit losses.

Understanding Business Exit Strategy

Ideally, an entrepreneur will develop an exit strategy in their initial business plan before actually going into business. The choice of exit plan can influence business development decisions. Common types of exit strategies include initial public offerings (IPO), strategic acquisitions, and management buyouts (MBO). Which exit strategy an entrepreneur chooses depends on many factors, such as how much control or involvement (if any) they want to retain in the business, whether they want the company to be run in the same way after their departure, or whether they're willing to see it shift, provided they are paid well to sign off.

A strategic acquisition, for example, will relieve the founder of his or her ownership responsibilities, but will also mean the founder is giving up control. IPOs are often seen as the holy grail of exit strategies since they often bring along the greatest prestige and highest payoff. On the other hand, bankruptcy is seen as the least desirable way to exit a business.

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What Is Bankruptcy?

Bankruptcy is a legal proceeding initiated when a person or business is unable to repay outstanding debts or obligations. It offers a fresh start for people who can no longer afford to pay their bills.

The bankruptcy process begins with a petition filed by the debtor, which is most common, or on behalf of creditors, which is less common. All of the debtor's assets are measured and evaluated, and the assets may be used to repay a portion of the outstanding debt.

KEY TAKEAWAYS

- Bankruptcy is a legal proceeding carried out to free individuals or businesses from their debts.
- Creditors still have an opportunity for repayment with the bankruptcy process.
- Bankruptcy is handled in federal courts, and rules are outlined in the U.S. Bankruptcy Code.
- A bankruptcy will stay on your credit reports for a number of years and make it more difficult to borrow in the future.

How Bankruptcy Works

Bankruptcy offers an individual or business a chance to start fresh by forgiving debts that they can't pay. Meanwhile, creditors have a chance to get some repayment based on the individual's or business's assets available for liquidation.

In theory, the ability to file for bankruptcy benefits the overall economy by allowing people and companies a second chance to gain access to credit. It can also help creditors regain a portion of debt repayment.

All bankruptcy cases in the United States go through federal courts. A bankruptcy judge makes decisions, including whether a debtor is eligible to file and whether they should be discharged of their debts.

Administration over bankruptcy cases is often handled by a trustee, an officer appointed by the United States Trustee Program of the Department of Justice, to represent the debtor's estate in the proceeding. The debtor and the judge usually have no contact unless there is some objection made in the case by a creditor. When bankruptcy proceedings are complete, the debtor is relieved of the debt obligations.

Bankruptcy Pros and Cons

Pros

- Allows debtors to emerge from default
- Wipes clean certain unsecured debts
- Avoids legal judgment

Cons

- Leaves a scar on one's credit score
- Secured debts will have the collateral seized
- Certain debts like child support not eligible for discharge
-

What Leads to Bankruptcy?

- Three of the biggest mistakes that can lead to bankruptcy include:

- **1. Over-Extension.** Growth requires investment, but many companies—even otherwise healthy ones—find themselves on the brink of insolvency because they take on too much debt. If they can't service or refinance the debt, they default and are faced with few options other than trying to reorganize through a Chapter 11 bankruptcy filing.

- **2. Lack of Bookkeeping/Recordkeeping.** When businesses don't have a good handle on their books, they often run into difficulty. A business with sloppy bookkeeping is typically surprised that its performance isn't what it expected—revenue is lower and expenses are higher than it thought. By the time the problem is diagnosed, it's often too late to fix it.

- **3. Over-Optimism.** An unrealistically rosy outlook gets businesses into trouble. When things are seemingly good, businesses invest in new projects and new people. Their expenses increase in anticipation of new revenue, but if work they expected to come in gets delayed or cancelled, then they're left scrambling—or worse, end up in bankruptcy.

- **How to Avoid Bankruptcy?**

- Avoiding bankruptcy requires discipline, rigor, and smarts—in other words, it requires good fundamental business practices. Here are some of the things businesses should do to steer clear of bankruptcy:

- **1. Be Conservative.** Don't assume every customer is going to pay. Don't assume every customer is going to stay. Budget for a reasonable case scenario, not a best case scenario. Be optimistic about the future, but not overly so. It's often assumed that the world's top entrepreneurs, such as Richard Branson and Jeff Bezos, are swashbuckling risk takers. While they do take risk, it is always calculated and done in a way that protects against the downside.

- **2. Have a Written Business Plan.** Most businesses start very small, and their business "plans" exist solely in the heads of their founders. Unfortunately, as businesses grow, often there is still no written business plan, despite the acute need for one.

- Every business should have a written plan that describes strategies and tactics related to things like sales, operating budgets, capital expenses, cash flow, input costs, performance objectives, and a means to track performance.

- Having a plan allows everyone in a business to understand the big picture and direct their actions toward achieving business objectives. The nonexistence of a plan is what derails businesses—in fact, without a plan no one knows what track they are supposed to be on in the first place.

- **3. Prioritize Debt Repayment.** As previously discussed, businesses get into trouble when they over-extend. The best way to avoid over-extending is not to borrow in the first place. The next best way is to ensure that you're prioritizing debt repayment.

- **4. Eliminate Unnecessary Expenses.** Take a look at your bank and credit card statements on a monthly basis. Are you incurring unnecessary expenditures? Are there recurring charges, such as for software that you never use, that you can eliminate?

- **5. Stay in Touch with Lenders.** Stay in close communication with your lenders. Be responsive to their requests for information. If you're having trouble in your business, and you're late on a debt payment, or miss one altogether, it will raise red flags with your lenders. Failing to respond to your lenders when they inquire as to why you were late, or missed a payment, will raise even more.

- **6. Review Insurance Policies.** Insurance is a major expense for most businesses. From health, to disability, to property and casualty, premiums tend to go up every year and suck cash flow away from more productive uses.

- There are also many different life insurance options to consider. Term insurance is cheaper, but a whole life policy offers you the option to borrow against its cash value. Again, consult with your agent to determine your needs, and the best way to meet them based on where you're at in life.

- **7. Craft a Retirement Strategy.** Just as you should have a written business plan, you should have a written plan for retirement as well. Start thinking about who will succeed you. For example, if you have more than one child involved in the business, who is better equipped to handle the jo

- **8. Take Advantage of Tax Reform.** This year's tax reform offers businesses the opportunity to use extra cash from tax savings to pay down debt and make strategic investments.

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By:- Mr. Sonu Kumar