Q.2 Discus the following three topics (How entrepreneur thinks)

(A) Think Structurally (**B)** Bricolage **(C)** Effectuation

Entrepreneurs think differently from non-entrepreneurs. Moreover, an entrepreneur in a Particular situation may think differently from when faced with some other task or decision environment. Entrepreneurs must often make decisions in highly uncertain environments where the stakes are high, time pressures are immense, and there is considerable emotional investment. He or she must sometimes (1) think structurally, (2) engage in bricolage, (3) effectuate, and (4) cognitively adapt.

Think Structurally:

Forming opportunity beliefs often requires creative mental leaps. These creative mental leaps are launched from a source—one's existing knowledge.

In the case of entrepreneurial opportunities, an example of a creative mental leap is from knowledge about existing markets to a new technology that could lead to products/services that satisfy that market. Alternatively, the creative mental leap could be from knowledge about a technology to a new market that could benefit from its introduction. Making these connections between a new product (or new service, new business model, or new technology) and a target market where it can be introduced is aided by the superficial and structural similarities between

the source (e.g., the market) and the destination (e.g., technology).

Thus, individuals who can see or create structural matches between a technology and a target market, especially in the presence of superficial mismatches, are more likely to recognize entrepreneurial opportunities. Knowledge specific to a technology and/or a market can facilitate this ability,5 and the good news is that this skill can also be enhanced through practice and training.

Bricolage:

Entrepreneurs often lack resources. As a result, they either seek resources from others to provide the "slack" necessary to experiment and generate entrepreneurial opportunities or they engage in bricolage. By bricolage we mean that some entrepreneurs make "do by applying combinations of the resources at hand to new problems and opportunities." This involves taking existing resources (those at hand) and experimenting, tinkering, repackaging, and/or reframing them so they can be used in a way for which they were not originally designed or conceived. From this process of "making do," entrepreneurs can create opportunities.

Effectuation:

As potential business leaders, you are trained to think rationally and perhaps admonished if you do not. This admonishment might be appropriate given the nature of the task, but it appears that there is an alternate way of thinking that entrepreneurs sometimes use, especially when thinking about opportunities. Entrepreneurs sometimes use an effectuation process, which means they take what they have (who they are, what they know, and whom they know) and select among possible outcomes.

Cognitive Adaptability:

Cognitive adaptability describes the extent to which entrepreneurs are dynamic, flexible, self-regulating, and engaged in the process of generating multiple decision frameworks focused on sensing and processing changes in their environments and then acting on them. Decision frameworks are organized on knowledge about people and situations that are used to help someone make sense of what is going on. Cognitive adaptability is reflected in an entrepreneur's metacognitive awareness, that is, the ability to reflect upon, understand, and control one's thinking and learning.

Q.3 Explain Methods of Generating Ideas?

Even with a wide variety of sources available, coming up with an idea to serve as the basis for a new venture can still pose a problem, particularly since the idea is the basis for the business. The entrepreneur can use several methods to help generate and test new ideas, such as focus groups, brainstorming, brainwriting, and problem inventory analysis.

Focus Groups:

Focus groups have been used for a variety of purposes since the 1950s. In a focus group, a moderator leads a group of people through an open, in-depth discussion rather than simply asking questions to solicit participant response. For a new product area, the moderator focuses the discussion of the group in either a directive or a nondirective manner. The group of frequently 8–14 participants is stimulated by comments from each other in creatively conceptualizing and developing a new product/service idea to fill a market need.

In addition to generating new ideas, the focus group is an excellent method for initially screening ideas and concepts. The results can be analyzed more quantitatively, making the focus group an even more useful method for generating new product ideas.

Brainstorming:

The brainstorming method stimulates people to be creative by meeting with others and participating in an organized group experience. Although most of the ideas generated by the group have no basis for further development, sometimes a good idea emerges. This has a greater frequency of occurrence when the brainstorming effort focuses on a specific product or market area. When using brainstorming, four rules need to be followed:

1. No criticism is allowed by anyone in the group—no negative comments.
2. Freewheeling is encouraged—the wilder the idea, the better.
3. Quantity of ideas is desired—the greater the number of ideas, the greater the likelihood of the emergence of useful ideas.
4. Combinations and improvements of ideas are encouraged; ideas of others can be used to produce still another new idea.

Brainwriting:

Brainwriting is a form of written brainstorming. This is different from classical brainstorming by giving participants more time to think than in a brainstorming session, where the ideas are expressed spontaneously. Brainwriting is a silent, written generation of ideas by a group of people. The participants write their ideas on special forms or cards that circulate within the group, which usually consists of six members. Each group member generates and writes down three ideas during a five-minute period. The form is passed on to the adjacent person who writes down three new ideas, and so on, until each form has passed all participants. A leader monitors the time intervals and can reduce or lengthen the time given to participants according to the needs of the group. Participants can also be spread geographically with the sheets rotated electronically.

Problem Inventory Analysis:

Problem inventory analysis uses individuals in a manner analogous to focus groups to generate new product ideas. However, instead of generating new ideas themselves, consumers in the group are provided with a list of problems in a general product category. They are then asked to identify and discuss products in this category that have the particular problem. This method is often effective since it is easier to relate known products to suggested problems and arrive at a new product idea than to generate an entirely new product idea by itself. Problem inventory analysis can also be used to test a new product idea. Once a complete list of problems is developed, individuals can usually associate products with the problem. Results from product inventory analysis need to be carefully evaluated as they may not actually reflect a new business opportunity.

Q.4 Explain Various Aspects of Culture?

Culture encompasses a wide variety of elements, including language, social structure, religion, economic and political philosophy, education, manners and customs, and aesthetics.

Language:

Language, sometimes thought of as the mirror of culture, is composed of verbal and nonverbal components. Messages and ideas are transmitted by the spoken words used, the voice tone, and nonverbal actions such as body position, eye contact, and gestures. An entrepreneur or someone on her or his team must have command of the language in the country in which the business is being done.

Social Structure:

Social structure and institutions are also aspects of culture. An entrepreneur needs to recognize that social structure including family, economic class, and people that a customer associates with have an impact on employee relations and buying decisions.

Religion:

The impact of religion on entrepreneurship, consumption, and business in general will vary. Depending on the religion itself and its tenants, it can impact the values and attitudes of individuals and the overall society.

Political and Economic Philosophy:

The political, and by extension economic, philosophy of a country significantly impacts the entrepreneur and their decisions on market entry and how to conduct business transactions. A country's political government, which is supportive of free markets and capitalism, or, on the opposite spectrum, socialism, has a major impact on a wide variety of economic issues. Some countries limit the amount of profits that can be transferred between countries (known as repatriation of income). Think how difficult it would be to do business in a country that restricted the exportation of profits.

The same situation also applies to laws on currency convertibility as well as those countries, such as China, that artificially peg their exchange rates that can raise the price of imported goods

Education:

Entrepreneurs are educators. When introducing a new product or service into a new market, they have to educate consumers on its value and how to use it. So, it is important that an entrepreneur understand how both formal and informal education affect the culture and the way it is passed between generations.

Manners and Customs:

Understanding manners and customs is particularly important for the entrepreneur in key business transactions such as negotiations, dining, and gift giving.

Aesthetics:

One final aspect of culture is aesthetics. Aesthetics has implications not only with gift giving but also, how your product is packaged and even how your office is designed. Certain colors, such as red, are considered good luck in China while yellow is associated with authority. If you are successful enough to be able to establish a permanent office in a foreign country, it will be important to adapt to their sense of art.

Q.5 Define Description of venture? Also explain Business Plans?

Description of venture Provides complete overview of the product(s), service(s), and operations of a new venture. This will enable the investor to ascertain the size and scope of the business. This section should begin with the mission statement or company mission of the new venture. This statement basically describes the nature of the business and what the entrepreneur hopes to accomplish with that business. This mission statement or business definition will guide the firm through long-term decision making. After the mission statement, a number of important factors that provide a clear description and understanding of the business venture should be discussed.

Business Plans

The business plan is a written document prepared by the entrepreneur that describes all the relevant external and internal elements involved in starting a new venture. It is often an integration of functional plans such as marketing, finance, manufacturing, and human resources.

WHO SHOULD WRITE THE PLAN:
The business plan should be prepared by the entrepreneur; however, he or she may consult with many other sources in its preparation. Lawyers, accountants, marketing consultants, and engineers are useful in the preparation of the plan.

WHO READS THE PLAN:
The business plan may be read by employees, investors, bankers, venture capitalists, suppliers, customers, advisors, and consultants. Who is expected to read the plan can often affect its actual content and focus. Since each of these groups reads the plan for different purposes, the entrepreneur must be prepared to address all their issues and concerns. The business plan is valuable to the entrepreneur, potential investors, or even new personnel, who are trying to familiarize themselves with the venture, its goals, and objectives. The business plan is important to these people because:

- It helps determine the viability of the venture in a designated market.
- It provides guidance to the entrepreneur in organizing his or her planning activities.
- It serves as an important tool in helping to obtain financing.

PRESENTING THE PLAN:
Often, colleges and universities or locally sponsored business meetings offer an opportunity for selected entrepreneurs to present their business plans in a competitive and structured setting. Typically, each selected entrepreneur is asked to present the highlights of his or her business plan in a defined time frame. Audiences at these presentations usually include potential investors who are given an opportunity to ask pointed questions regarding any of the strategies conveyed in the business plan presentation.
After the completion of all the scheduled business plan presentations, a winner is usually declared, with a financial reward that can range from $10,000 to $500,000. The benefit of these competitions is not necessarily the financial award since there can be only one winner. However, since the audience is made up of professional investors, there is always the opportunity for any one of the business plans presented to attract the attention of a venture capitalist or private investor.

WRITING THE BUSINESS PLAN:
The business plan could take hundreds of hours to prepare, depending on the experience and knowledge of the entrepreneur as well as the purpose it is intended to serve. It should be comprehensive enough to give any potential investor a complete picture and understanding of the new venture, and it should help the entrepreneur clarify his or her thinking about the business.

USING AND IMPLEMENTING THE BUSINESS PLAN:
The business plan is designed to guide the entrepreneur through the first year of operations. It is important that the implementation of the strategy contain control points to ascertain progress and to initiate contingency plans if necessary. Some of the controls necessary in manufacturing, marketing, financing, and the organization are discussed in subsequent chapters. Most important to the entrepreneur is that the business plan not end up in a drawer somewhere once the financing has been attained and the business launched.

Measuring Plan Progress:
During the introductory phases of the start-up, the entrepreneur should determine the points at which decisions should be made as to whether the goals or objectives are on schedule. Typically, the business plan projections will be made on a 12-month schedule. However, the entrepreneur cannot wait 12 months to see whether the plan has been successfully achieved.
Updating the Plan:
The most effective business plan can become out-of-date if conditions change. Environmental factors such as the economy, customers, new technology, or competition—and internal factors such as the loss or addition of key employees—can all change the direction of the business plan. Thus, it is important to be sensitive to changes in the company, industry, and market. If these changes are likely to affect the business plan, the entrepreneur should determine what revisions are needed. In this manner, the entrepreneur can maintain reasonable targets and goals and keep the new venture on a course that will increase its probability of success.
WHY SOME BUSINESS PLANS FAIL:
Generally, a poorly prepared business plan can be blamed on one or more of the following factors:
• Goals set by the entrepreneur are unreasonable.
• Objectives are not measurable.
• The entrepreneur has not made a total commitment to the business or to the family.
• The entrepreneur has no experience in the planned business.
• The entrepreneur has no sense of potential threats or weaknesses to the business.
• No customer need was established for the proposed product or service.

Q.6 Define S corporation? And also explain Advantages and Disadvantages of S corporation?

The S corporation combines the tax advantages of the partnership and the corporation. It is designed so that venture income is declared as personal income on a pro rata basis by the shareholders. In fact, the shareholders benefit from all the income and the deductions of the business.
Advantages of an S Corporation:
The S corporation offers the entrepreneur some distinct advantages over the typical corporation, or C corporation. However, there are also disadvantages.5 In those instances when the disadvantages are great, the entrepreneur should elect the C corporation form. Some of the advantages of the S corporation are as follows:
• Capital gains or losses from the corporation are treated as personal income or losses by the shareholders on a pro rata basis (determined by number of shares of stock held). The corporation is thus not taxed.
• Shareholders retain the same limited liability protection as the C corporation.
• The S corporation is not subject to a minimum tax, as is the C corporation.
• Stock may be transferred to low-income-bracket family members (children must be 14 years or older).
• Stock may be voting or nonvoting.
• This form of business may use the cash method of accounting.
• Corporate long-term capital gains and losses are deductible directly by the shareholders to offset other personal capital gains or losses.
Disadvantages of an S Corporation:
Although the advantages appear to be favorable for the entrepreneur, this form of business is not appropriate for everyone. The disadvantages of the S corporation are as follows:
• Even with the regulations passed in 1996 and 2004, there are still some restrictions regarding qualification for this form of business. More recent Small Business Job Acts

passed in each of the past two years have also had some impact on the S corporation and should be consulted when considering this form of organization.
• Depending on the actual amount of the net income, there may be a tax advantage to the C corporation. This will depend on the company payout ratio, the corporate tax rate, the capital gains tax rate for the investor, and the personal income tax rate of the investor.
• The S corporation may not deduct most fringe benefits for shareholders.
• The S corporation must adopt a calendar year for tax purposes.
• Only one class of stock (common stock) is permitted for this form of business.
• The net loss of the S corporation is limited to the shareholder's stock plus loans to the business.
• S corporations cannot have more than 100 shareholders.

Q.7 Explain Leadership Characteristics of Corporate Entrepreneurs?

Within this overall corporate environment, certain individual characteristics have been identified that constitute a successful corporate entrepreneur.

1) Understands the environment:

An entrepreneur needs to understand all aspects of the environment. Part of this ability is reflected in the individual's level of creativity. To establish a successful corporate venture, the individual must be creative and have a broad understanding of the internal and external environments of the corporation. The understanding of the environment is important because it enables the individual to notice signals of potential opportunity and those high in creativity are able to "connect the dots" to form an opportunity belief.

2) Is visionary and flexible:

The person who is going to establish a successful new venture within the firm must also be a visionary leader—a person who dreams great dreams. The leadership is the ability to dream great things and communicate these in such a way that people say yes to being a part of the dream. To establish a successful new venture, the corporate entrepreneur must have a dream and overcome obstacles to achieving it by selling the dream to others.
The third necessary leadership characteristic is that the corporate entrepreneur must be flexible and create management options. A corporate entrepreneur does not "mind the store," but rather is open to and even encourages change. By challenging the beliefs and assumptions of the corporation, a corporate entrepreneur has the opportunity to create something new in the organizational structure.

3) Creates management options:

By challenging the beliefs and assumptions of the corporation, a corporate entrepreneur has the opportunity to create something new in the organizational structure. Indeed, rather than seeing a change from plans as a threat to the venture, an entrepreneurial individual will see the change as a potential opportunity. That is, he or she asks when confronted with a change "How can I turn this change into an opportunity, that is, turn this lemon into lemonade?"

4) Encourages teamwork:

The corporate entrepreneur needs a fourth characteristic: the ability to encourage teamwork and use a multidisciplined approach. This also violates the organizational practices and structures taught in most business schools that are apparent in established organizational structures. In forming a new venture, putting together a variety of skills requires crossing established departmental structure and reporting systems. To minimize disruption, the corporate entrepreneur must be a good diplomat.

5) Encourages open discussion:

Open discussion must be encouraged to develop a good team for creating something new. It is worth noting that there are two types of conflicts that occur in team interactions:
(1) There is conflict over the nature of the task and this conflict reveals information for

enhancing performance on the task and (2) there is relationship conflict where the discussion becomes personal and this obstructs performance on the task.

6) Builds a coalition of supporters:

Openness leads also to the establishment of a strong coalition of supporters and encouragers. The corporate entrepreneur must encourage and affirm each team member, particularly during difficult times. This encouragement is very important, as the usual motivators of career paths and job security are not operational in establishing a new corporate venture. A good corporate entrepreneur makes everyone a hero.

7) Persists:

Last, but not least, is persistence. Throughout the establishment of any new venture, frustration and obstacles will occur. Only through the corporate entrepreneur's persistence will a new venture be created and successful commercialization result.

Q.4 Explain International Versus Domestic Entrepreneurship?

Although both international and domestic entrepreneurs are concerned with sales, costs, and profits, what differentiates domestic from international entrepreneurship is the variation in the relative importance of the factors affecting each decision.

Political:

As government continues to play a greater role in regulating business activity, it is important that the entrepreneur understands all the political and legal aspects that can facilitate or impede business growth.

Economic:

A country's political environment is inextricably tied to the economic environment, especially when issues of taxation and trade are concerned. These and the following listed below are some of the important factors to consider when conducting a proper economic environment analysis:

- Taxation and trade
- Monetary policy
- Distribution
- Trends

Social:

Trends are closely related to social influencers that should be analyzed to ensure your product has market appeal. Four types of social factors include:

- Psychographics
- Language
- Ethics
- Major events

1. Discuss entrepreneurial process in details?

The Entrepreneurial Process

- Opportunity identification-The process by which an entrepreneur comes up with the opportunity for a new venture.
- Market size and the length of the window of opportunity are the primary bases for determining risks and rewards.
- Window of opportunity - The time period available for creating the new venture.
- Business plan - The description of the future direction of the business.

Table 1.1 - Aspects of the Entrepreneurial Process

Identify and Evaluate the Opportunity	Develop Business Plan	Resources Required	Manage the Enterprise
• Opportunity assessment • Creation and length of opportunity • Real and perceived value of opportunity • Risk and returns of opportunity • Opportunity versus personal skills and goals • Competitive environment	• Title page • Table of Contents • Executive Summary • Major Section 1. Description of Business 2. Description of Industry 3. Technology Plan 4. Marketing Plan 5. Financial Plan 6. Production Plan 7. Organization Plan 8. Operational Plan 9. Summary • Appendixes (Exhibits)	• Determine resources needed • Determine existing resources • Identify resource gaps and available suppliers • Develop access to needed resources	• Develop management style • Understand key variables for success • Identify problems and potential problems • Implement control systems • Develop growth strategy

2. **Write a note on managerial v/s entrepreneurial decision making?**

Entrepreneurship represents a mode of managing an existing firm that is distinct from the way existing firms are traditionally managed. Entrepreneurial management is distinct from traditional management in terms of eight dimensions: (1) strategic orientation, (2) commitment to opportunity, (3) commitment of resources, (4) control of resources, (5) management structure, (6) reward philosophy, (7) growth orientation, and (8) entrepreneurial culture.

Strategic orientation and Commitment to Opportunity:

Strategic orientation refers to those factors that are inputs into the formulation of the firm's strategy. The strategy of entrepreneurial management is driven by the presence or generation of opportunities for new entry and is less concerned about the resources that may be required to pursue such opportunities. Entrepreneurially and traditionally managed firms can be distinguished in terms of their commitment to opportunity.

More entrepreneurially managed firms have an *entrepreneurial orientation toward opportunity* in that they are committed to taking action on potential opportunities and therefore can pursue opportunities rapidly, making the most of windows of opportunity.

Commitment of Resources and Control of Resources:

It is important to note that entrepreneurs still care about the resources they must commit to the pursuit of an opportunity, but they have an entrepreneurial orientation toward the commitment of resources that is focused on the opportunity. Thoughts of resources turn more to how the firm can minimize the resources that would be required in the pursuit of a particular opportunity.

Over and above their commitment of resources, entrepreneurially and traditionally managed firms differ in their control of resources. Entrepreneurially managed firms are less concerned about the ownership of resources and more concerned about having access to others' resources, including financial capital, intellectual capital, skills, and competencies.

Management Structure and Reward Philosophy:

An entrepreneurial orientation toward management structure is organic. That is, the organizational structure has few layers of bureaucracy between top management and the customer and typically has multiple informal communication channels. In this way, entrepreneurially managed firms are able to capture and communicate more information from the external environment and are sufficiently "fluid" to be able to take quick action based on that information.

Firms are organized not only by their structures but also by their reward philosophy. The entrepreneurially managed firm is focused on pursuing opportunities for new entry that represent new value for the firm (and hopefully for others, including society as a whole). It is not surprising then that entrepreneurially managed firms have an entrepreneurial philosophy toward rewards that compensates employees based on their contribution toward the discovery/ generation and exploitation of opportunity.

Growth Orientation and Entrepreneurial Culture:

In a firm that has an entrepreneurial orientation toward growth, there is a great desire to expand the size of the firm at a rapid pace. Although traditionally managed firms may also desire to grow, they prefer growth to be slow and at a steady pace. That is, they prefer a pace of growth that is more "manageable" in that it does not "unsettle the firm" by putting at risk the resources that the firm controls and thus does not put at risk the jobs and power of top management.

Culture also distinguishes entrepreneurially and traditionally managed firms. A firm with an entrepreneurial orientation toward culture encourages employees to generate ideas, experiment, and engage in other tasks that might produce creative output. Such output is highly valued by entrepreneurial management because it is often the source of opportunities for new entries. Opportunities are the focus of the entrepreneurially managed firm.

3. **Discuss the advantages and disadvantages of first mover to enter the market?**

We are the first movers." Whether they are the first to introduce a new product and/or the first to create a new market, these claims have some merit.

Advantages:

Being first can result in a number of advantages that can enhance performance. These include:

• **First movers develop a cost advantage.** Being first to offer and sell a particular product to a specific market means that the first mover can begin movement down the "experience curve." Costs are reduced because the firm can spread its fixed costs over a greater number of units (economies of scale) as well as learn by trial and error over time (learning curve) to improve products and processes.

• **First movers face less competitive rivalry**. Although first movers might initially have only a few customers, if they have correctly assessed the opportunity, the market will grow rapidly. Even though competitors will enter this growing market, the market share lost to new competitors will be more than compensated for by market growth. In fact, in the growth stage of the market, firms are more concerned with keeping up with demand than they are with taking actions, such as price cutting, to take market share from others.

• **First movers can secure important channels**. First movers have the opportunity to select and develop strong relationships with the most important suppliers and distribution channels.

• **First movers are better positioned to satisfy customers.** First movers have the chance to (1) select and secure the most attractive segments of a market and (2) position themselves at the center of the market, providing an increased ability to recognize, and adapt to, changes in the market. In some cases, they may even (3) establish their product as the industry standard.

• **First movers gain expertise through participation.** First movers have the opportunity to (1) learn from the first generation of products and improve, for example, product design, manufacturing, and marketing; (2) monitor changes in the market that might be difficult or impossible to detect for those firms not participating in the market; and (3) build up their networks, which can provide early information about attractive opportunities. These learning opportunities may be available only to those participating in the market.

Disadvantages:

There are forces pushing toward first-mover advantages, but there are also environmental conditions that can push a first mover toward performance disadvantages. When considering whether to be one of the first to enter with a new product and/or into a new market, entrepreneurs must determine whether the first mover advantages outweigh the first-mover disadvantages. Such an assessment depends on (1) the stability of the environment surrounding the entry, (2) the ability of the entrepreneur to educate customers, and (3) the ability of the entrepreneur to erect barriers to entry and imitation to extend the firm's lead time. We now explore each of these influences.

Environmental Instability and First-Mover (Dis)Advantages:

The performance of a firm depends on the fit between its bundle of resources and the external environment. If there is a good fit between its resources and the external environment, then the firm will be rewarded with superior performance; however, if the fit is poor, then performance will also be poor. To obtain a good fit with the external environment, the entrepreneur must first determine the key success factors of the industry being targeted for entry. However, the first mover will not know these key success factors in advance.

Demand Uncertainty:

First movers have little information upon which to estimate the potential size of the market and how fast it will grow. Such demand uncertainty makes it difficult to estimate future demand, which has important implications for new venture performance as both overestimating and underestimating demand can negatively impact performance.

Technological Uncertainty:

First movers often must make a commitment to a new technology. There are a number of uncertainties surrounding a new technology, such as whether the technology will perform as expected and whether an alternate technology will be introduced that leapfrogs the current technology. If the technology does not perform as expected, the entrepreneur will incur a number of costs that will negatively impact performance.

Adaptation:

Changes in market demand and technology do not necessarily mean that first movers cannot prosper. They do mean that the entrepreneur must adapt to the new environmental conditions. Such changes are difficult. The entrepreneur will likely find it difficult to move away from the people and systems that brought initial success and toward new configurations requiring changes to employees' roles and responsibilities as well as changes to systems.

Customers' Uncertainty and First-Mover (Dis)Advantages:

Whether introducing a new product into an established market or an established product into a new market, the entry involves an element of newness. Embedded in this newness is uncertainty for customers. They may be uncertain about how to use the product and whether it will perform as expected. Even if it does perform, they may wonder to what extent its performance provides benefits over and above the products that are currently being used. Customers, like most people, are uncertainty averse, which means that even if the potential benefits of the new product are superior to existing products, customers may still not switch from the old to the new because of the uncertainties described earlier. Therefore, offering a superior product is not sufficient to enable a first mover to make sales; the entrepreneur must also reduce customer uncertainties.

To do this, the entrepreneur can offer informational advertising that, for example, provides customers with information about how the product performs and articulates the product's benefits. However, providing customers with information on the performance of a new product does not always work. When the new product is highly innovative, as are the products that create a new market, the customers may lack a frame of reference for processing this information. Therefore, entrepreneurs may be faced with the challenging task of creating a frame of reference within the potential customers before providing informational advertising.

Lead Time and First-Mover (Dis)Advantages:

Being first to market might provide some initial advantages, but unless the entrepreneur can stop or retard potential competitors from entering the industry and offering similar products, the initial advantage will be quickly eroded, diminishing firm performance. Entry barriers provide the first mover (and nobody else) with the opportunity to operate in the industry for a grace period under conditions of limited competition (although the firm must still battle for customers with firms that offer substitute products). This grace period represents the first mover's lead time.

The lead time gives the entrepreneur a period of limited competition to best prepare the firm for when competition does increase. This preparation could involve a concerted effort to influence the direction in which the market develops to the advantage of the first mover.

4. **Write a note on the trend of the next decade?**

TRENDS:

A trend often provides one of the greatest opportunities for starting a new venture, particularly when the entrepreneur can be at the start of a trend that lasts for a considerable period of time. Seven trends that provide opportunities include wearable trend, green trend, payments, maker trend, mobile trend, health trend, and the Internet of things.

Wearable Trend:

As the cost and size of microprocessors continue to shrink, the ability of carry computers with to monitor and record activity and display relevant information is now a reality. Broadly speaking, the wearable tech industry includes categories such as augmented reality (Google Glass), body monitoring (Fitbit), and point of view (GoPro). Consumer interest in "Smart Watches" is expected to boost the industry further as new companies form to service the industry with applications and accessories.

Green Trend:

The green sector continues to provide a wealth of inspiration for entrepreneurs around the world. New businesses in this area include energy efficiency and storage, software, e-commerce, and electronic components. Also popular are hybrid energy storage approaches designed to stabilize demand on an energy grid such as what is being implemented in Braderup, Germany, where citizens can sell excess electricity during peak demand when prices are higher.

Payments:

Money and the way we manage and exchange it continues to be an industry undergoing a massive transformation. In addition, the popularity of new forms of currency designed to reduce fraud such as Bitcoin and the entire ecosystem around financial fraud detection and mitigation will also be interesting to monitor over the next several years.

Maker Trend:

In May 2014, Disney announced that it would buy Maker Studios, series of YouTube channels dedicated to independent inventors, designers, and tinkerers for as much as $1 billion. Maker Studios and other outlets such as Etsy are part of the growing DIY ecosystem, which is empowering individuals to become makers instead of just consumers. According to Time magazine,15 approximately 135 million U.S. adults are considered makers and the industry is expected to grow to over $8 billion by 2020 fueled in part by interesting 3D printing products.

Mobile Trend:

The mobile phone continues to revolutionize the way we consume content, make purchases, and interact with each other. Consumers are increasingly short on time so activities once confined to a desktop are now being done on the go with their tablet or phone.

Health Trend:

Health maintenance and concerns about health-care provisions together are one of the biggest trends today that will continue in the next decade as the world population ages. This provides many opportunities for entrepreneurs, including cosmetic procedures, mind expansion such as the “brain gym” of Vibrant Brains, personal health portals, point-of-care testing facilities, fitness centers, fitness toys such as the latest Fit Flops and Wii Fit peripherals, fit food, convenient care clinics, and wellness coaches.

The Internet of Things:

The research firm Gartner estimates that by 2020, more than 26 billion devices will be connected to the Internet. The potential for nearly everything we interact with to be connected to the Internet has given rise to new products that people never imagined could benefit from having an embedded WiFi transmitter. Internet connectivities such as light bulbs and thermostats are part of this new trend of “Smart” devices. This reality caused Google’s Eric Schmidt to remark recently that “the Internet will soon disappear, meaning that you won’t even sense you are interacting with it.”

5. **What are the sources of new ideas?**

Some of the more fruitful sources of ideas for entrepreneurs include consumers, existing products and services, distribution channels, the federal government, and research and development.

Consumers:

Potential and nascent entrepreneurs should always pay close attention to potential customers. This can take the form of informally monitoring potential ideas and needs or formally arranging for consumers to have an opportunity to express their opinions. The idea or need has to have a large enough market to support a new venture.

Existing Products and Services:

Potential entrepreneurs should also establish a method for monitoring and evaluating competitive products/services on the market. Frequently, this analysis uncovers ways to Improve on these offerings that may result in a new product/service that has more market appeal and sales and profit potential.

Distribution Channels:

Members of the distribution channels are also excellent sources for new ideas reflecting their familiarity with the needs of the market. Not only do channel members frequently have suggestions for completely new products, but they can also help in marketing the entrepreneur’s newly developed products.

Federal Government:

The federal government can also be a source of new product ideas in two ways. First, the files of the Patent Office contain numerous new product possibilities. Although the patents themselves may not be feasible, they can frequently suggest other more feasible product ideas.

Second, new product ideas can evolve in response to government regulations. The Occupational Safety and Health Act (OSHA) mandated that first-aid kits be available in business establishments employing more than three people. To assist business establishments in meeting this new regulation, a company was found to assemble and distribute the kits containing the specific items needed for the company and the industry

Research and Development:

The largest source of new ideas is the entrepreneur's own "research and development" efforts, which may be a formal endeavor connected with one's current employment or an informal one in a basement or garage. What are the characteristics of entrepreneur environment?

Q. Entrepreneur background and characteristics?

Education:

Although some may feel that entrepreneurs are less educated than the general population, research findings indicate that this is clearly not the case. Education is important in the upbringing of the entrepreneur. Its importance is reflected not only in the level of education obtained but also in the fact that it continues to play a major role in helping entrepreneurs cope with the problems they confront. Although a formal education is not necessary for starting a new business—as is reflected in the success of such high school dropouts as Andrew Carnegie, William Durant, Henry Ford, and William Lear—it does provide a good background, particularly when it is related to the field of the venture. Even general education is valuable because it facilitates the integration and accumulation of new knowledge, providing individuals with a larger opportunity set and assists entrepreneurs in adapting to new situations. The general education (and experiences) of an entrepreneur can provide knowledge, skills, and problem-solving abilities that are transferable across many different situations.

Age:

The relationship of age to the entrepreneurial career process also has been carefully researched. In evaluating these results, it is important to differentiate between entrepreneurial age (the age of the entrepreneur reflected in his or her experience) and chronological age (years since birth). As discussed in the next section, entrepreneurial experience is one of the best predictors of success, particularly when the new venture is in the same field as the previous business experience. Generally, male entrepreneurs tend to start their first significant venture in their early 30s, while women entrepreneurs tend to do so in their middle 30s. However, an entrepreneurial career is quite popular later in life when the children have left home, there are fewer financial concerns, and individuals start to think about what they would really like to do with the rest of their lives.

Work History:

Work history can influence the decision to launch a new entrepreneurial venture, but it also plays a role in the growth and eventual success of the new venture. Experience in the following areas is particularly important: financing, product or service development, manufacturing, and the development of distribution channels. As the venture becomes established and starts growing, managerial experience and skills become increasingly important. Although most ventures start with few (if any) employees, as the number of employees increases, the entrepreneur's managerial skills come more and more into play.

Finally, previous start-up experience can provide entrepreneurs with expertise in running an independent business as well as benchmarks for judging the relevance of information, which can lead to an understanding of the "real" value of new entry opportunities, speed up the business creation process, and enhance performance. Previous start-up experience is a relatively good predictor of starting subsequent businesses.

Q. Steps to establish corporate entrepreneurship in organization?

Over and above the creation of an organizational culture and the leadership characteristics discussed so far, an organization wanting to establish a more entrepreneurial firm must implement a procedure for its creation. Although this can be done internally, frequently it is easier to use someone outside to facilitate the process.

Step 1.

The first step in this process is to secure a commitment to corporate entrepreneurship in the organization by top, upper, and middle management levels. Without top management commitment, the organization will never be able to go through all the cultural changes necessary for implementation. Once the top management of the organization has been committed to corporate entrepreneurship for a sufficient period of time (at least three years), the concept can be introduced throughout the organization.

Step 2.

Second, ideas and general areas that top management is interested in supporting should be identified, along with the amount of risk money that is available to develop the concept further. Overall program expectations and the target results of each corporate venture should be established.

Step 3.

Third, a company needs to use technology to make itself more flexible. Technology has been used successfully for the past decade by small companies that behave like big ones. How else could a small firm like Value Quest Ltd. compete against very large money management firms, except through a state-of-the-art personal computer and access to large data banks? Similarly, large companies can use technology to make themselves responsive and flexible like smaller firms.

Step 4.

Fourth, the organization should be a group of interested managers who will train employees as well as share their experiences. The training sessions should be conducted one day per month for a specified period of time.

Step 5.

Fifth, the organization needs to develop ways to get closer to its customers. This can be done by tapping the database, hiring from smaller rivals, and helping the retailer.

Step 6.

Sixth, an organization that wants to become more entrepreneurial must learn to be more productive with fewer resources. This has already occurred in many companies that have downsized.

Step 7.

Seventh, the organization needs to establish a strong support structure for corporate entrepreneurship. This is particularly important since corporate entrepreneurship is usually a secondary activity in the organization.

Step 8.

Eighth, support also must involve tying the rewards to the performance of the entrepreneurial unit. This encourages the team members to work harder and compete more effectively since they will benefit directly from their efforts.

Q. Two strategies to reduce uncertainties (write in detail)?

There are following two strategies that can be used to reduce some or all of the uncertainties and thereby reduce the risk of downside loss. These are market scope and imitation.

Market Scope Strategies

Scope is a choice by the entrepreneur about which customer groups to serve and how to serve them. The choice of market scope ranges from a narrow- to a broad-scope strategy and depends on the type of risk the entrepreneur believes is more important to reduce.

Narrow-Scope Strategy: A narrow-scope strategy offers a small product range to a small number of customer groups to satisfy a particular need. The narrow scope can reduce the risk that the firm will face competition with larger, more established firms in a number of ways.

• A narrow-scope strategy focuses the firm on producing customized products, localized business operations, and high levels of product quality.

• By focusing on a specific group of customers, the entrepreneur can build up specialized expertise and knowledge that provide an advantage over companies that are competing more broadly.

• The high end of the market typically represents a highly profitable niche that is well suited to those firms that can produce customized products, localized business operations, and high levels of product quality.

However, a narrow-scope strategy does not always provide protection against competition. Although a narrow-scope strategy can sometimes reduce the risks associated with competition, this scope strategy is vulnerable to another type of risk: the risk that market demand does not materialize as expected and/or changes over time.

Broad-Scope Strategy: A broad-scope strategy can be thought of as taking a "portfolio" approach to dealing with uncertainties about the attractiveness of different market segments. By offering a range of products across many different market segments, the entrepreneur can gain an understanding of the whole market by determining which products are the most profitable. Unsuccessful products (and market segments) can then be dropped and resources concentrated on those product markets that show the greatest promise.

Imitation Strategies

Imitation is another strategy for minimizing the risk of downside loss associated with new entry. Imitation involves copying the practices of other firms, whether those other firms are in the industry being entered or from related industries. This idea of using imitation strategies to improve firm performance at first appears inconsistent with the argument at the start of the chapter that superior performance arises from the qualities of being valuable, rare, and inimitable. An imitation strategy cannot be rare or inimitable.

me-too strategy:

new entry can involve copying products that already exist and attempting to build an advantage through minor variations. This form of imitation is often referred to as a "me-too" strategy.

Q. Steps to write business plan?

The business plan could take hundreds of hours to prepare, depending on the experience and knowledge of the entrepreneur as well as the purpose it is intended to serve. The outline for a business plan is illustrated in Table 7.3. This outline is only meant to be a guide. The entrepreneur should be aware that each business plan may be different depending on the purpose of the plan and who will be reading it.

I. Introductory Page
   A. Name and address of business
   B. Name(s) and address(es) of principal(s)
   C. Nature of business
   D. Statement of financing needed
   E. Statement of confidentiality of report

II. Executive Summary—Two to three pages summarizing the complete business plan

III. Industry Analysis
  A. Future outlook and trends
  B. Analysis of competitors
  C. Market segmentation
  D. Industry and market forecasts
IV. Description of Venture
  A. Product(s)
  B. Service(s)
  C. Size of business
  D. Office equipment and personnel
  E. Background of entrepreneur(s)
V. Production Plan
  A. Manufacturing process (amount subcontracted)
  B. Physical plant
  C. Machinery and equipment
  D. Names of suppliers of raw materials
VI. Operations Plan
  A. Description of company's operation
  B. Flow of orders for goods and/or services
  C. Technology utilization
VII. Marketing Plan
  A. Pricing
  B. Distribution
  C. Promotion
  D. Product forecasts
  E. Controls
VIII. Organizational Plan
  A. Form of ownership
  B. Identification of partners or principal shareholders
  C. Authority of principals
  D. Management team background
  E. Roles and responsibilities of members of organization
IX. Assessment of Risk
  A. Evaluate weakness(es) of business
  B. New technologies
  C. Contingency plans
X. Financial Plan
  A. Assumptions
  B. Pro forma income statement
  C. Cash flow projections
  D. Pro forma balance sheet
  E. Break-even analysis
  F. Sources and applications of funds
XI. Appendix (contains backup material)
  A. Letters
  B. Market research data
  C. Leases or contracts
  D. Price lists from suppliers