



#### F. HIGHER ORDER THINKING SKILLS

Q1. Aditi started her boutique business near an industrial area and she was not getting clients as she had expected. What are the factors which have been ignored before starting the boutique? Suggest the various factors that she has to look into before venturing into business.

Ans: Aditi started her boutique business near an industrial area and she was not getting clients as she had expected because selection of a product or service will depend upon many factors. They are:

- (i) Demand
- (ii) Supply and Nature of Competition
- (iii) Cost and Price of Product
- (iv) Project Innovation and Change Here, the main factor which had been ignored before starting the boutique is DEMAND of the product. It is to be suggested to Aditi that while assessing the market, an entrepreneur has to prepare details on the following lines:

(i) Demand:

- (a) The demand assessment will be based on the size of market being targeted.
- (b) The different types of markets are local markets, market at state level or national/international market.
- (c) It involves a detailed study of the target groups of consumers, their preferences, tastes and other related variables.

(ii) Supply and nature of competition:

- (a) Supply position refers to the complete picture of quantities of the product made available in the market by all the existing players.
- (b) It should take into account future supplies from possible entrants in the field.

(iii) Cost and price of product:

- (a) It is important to determine the cost of the product and its comparison with available products in the market.
- (b) Cost variable of competitors in terms of transportation delays, wastage, storage etc., have to be studied to spot cost advantage. This will influence the delivery mechanism of the identified product or service.

(iv) Project innovation and change:

- (a) Market assessment will require a study of prevailing innovations and changes being carried out by existing entrepreneurs.
- (b) Technological advancements in the field have to be analysed because they may change the quality and influence the cost and price ultimately.

Q2. Mr. Raghav had always wanted to manufacture an innovative, energy efficient fan. He was looking into various options and has finally narrowed it down to one option. He understands that the entire idea would have to follow a process. Identify and explain the process.

Ans: The process is idea and opportunity assessment.

- (i) Product identification: An idea should lead the entrepreneur to a definite product/service which he can sell. So the first step is to obtain a concept of the product or service suggested by one idea. We should also see whether this product is already available in the market or not. If it is, then we should identify the reason for introducing the same product or service in the market. For example,

innovating a new pen drive especially for teachers which will have a built in antivirus and which can be worn like a watch so it minimises the problem of losing the pen drive.

(ii) Application and use: Ideas should be examined for their real life use and application. If it already exists in the market we will have to find out its present use, then we may think of modifying it for better use. In the above mentioned example, we can clearly see that even though there are lot of companies manufacturing pen drives, the latest will be in consonance with the upcoming trends.

(iii) Level of operation: This is a crucial test for product/service identification. Depending on the use of the product/ service the entrepreneur will produce it in a cottage industry or a small scale industry or a large scale industry.

(iv) Cost: What is the per unit cost of the product at particular level of operation? Whether this cost is comparable with that of other competitive products? These are some of the questions that have to be answered. This will ultimately decide the sale price.

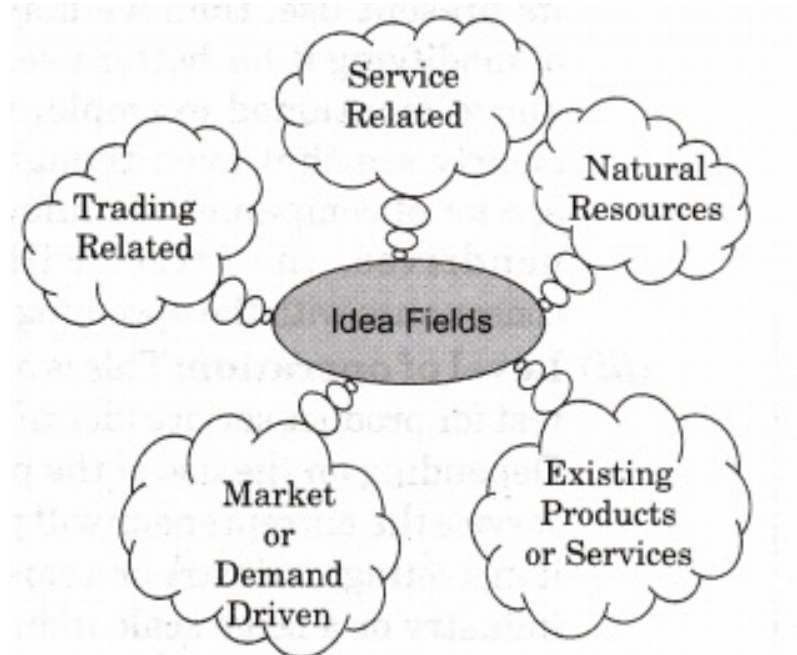
(v) Competition: Any product or service will face market competition at some stage. So market competition should be assessed through a study of the trends in demand and supply.

(vi) Technical complexity: What type of technology is required to produce the product? Whether training and application of such technology will be locally available or will it have to be supported from other places? What would be the position of supply of plant and machinery for such a technology? These are important issues that have to be resolved.

(vii) Annual turnover and profit margin: Ideas should also have to be examined on the basis of expected annual turnover. This will also indicate the market share of the product or service. Once the entrepreneur has assessed the opportunities on these basis he should go ahead and assess the market also.

Q3. These are convenient frames of reference for streamlining the process of generation of ideas. Identify them and explain any three briefly.

Ans:



(i) Natural resources: Ideas can be generated based on natural resources. A product/service may be desired from forest resources, agriculture, horticulture, mineral marine, or aqua mineral, animal husbandry, wind, sun and human resources. A further exercise with a field may generate many useful products ideas. For example: If we are getting ideas in the field of forest resources, we think wood-based product, bio-fertilizers, etc. Solar energy is used for many purpose like cooking, electricity consumption and water heater.

(ii) Existing Products/Services: Existing products and services can generate a number of ideas to improve the product, to come up with cheaper substitution or sometimes by reducing the price of the product.

There is a constant and consistent effort on the part of all entrepreneurs to improve the product/services already existing in the market. This can be improved by using old techniques with more care or using newly developed technology. So, thinking about existing product/ services he can generate a number of ideas to improve them.

For example:

(a) Thinking of introducing Laser Printer in place of Dot Matrix Printers.

(b) In an area, where automobiles are being made, there is a scope of starting a small unit of spare parts.

(iii) Service Sector Ideas:

(a) Service sector field is the most growing field these days all over the world. It emerges knowledge to societies doing advance research in information technology.

(b) An entrepreneur identifies new opportunities and by understanding it he links services to develop various business activities.

(c) Various service base units in an enterprise are transport, security, catering, recruitment, training and communication, health care centres.

(d) It serves the purpose of helping enterprise to satisfy their day-to-day needs like bill collection, water tank cleaning, travel arrangement, etc.

(e) For example: Cyber cafe (internet facilities), ATM Facilities and other banking services, Metro trains, etc. In Amongst the most interesting ones in the food sector are the following:

- Indian fast food chains: McDonald's and Pizza Hut can be the role models in terms of efficiency of service, hygiene, quality, and overall value.
- Family dinner: Nirula's offering Indian style "Plated or Combo" meals with table service and overall good price-value equation.
- Ice-cream and Juice/Beverage Parlours, (Indian "desserts" and "snack food" chains).

Lastly, in the genre of food and food service chains, one of the biggest opportunities remains in starting national or at least regional chains offering Indian mithai, namkeen/ farsaans, and snack-foods such as pakodas and samosas. Haldiram's success should certainly put any doubt on this opportunity to rest.

(iv) Market driven or demand driven ideas:

(a) For an entrepreneur market is the only place where he can carry out or generate maximum ideas. Such a study yields valuable data about trends of supply, demand and consumer taste and preferences.

(b) Market research is any organized effort to gather information about target markets or customers as it is one of the important component of business strategy.

(c) Market research is a key factor to maintain competitiveness over competitors and it provides important information to identify and analyze the market need, market size and competition.

(d) It also includes social and opinion research by systematic gathering and interpretation of information about individuals or organizations using statistical and analytical methods and techniques of the applied social sciences to gain insight or support decision-making.

(e) Idea generation develops from knowledge of the consumer, the market, the technology and the general environment, and it creates newness in product, production and marketing. It systematically

develops product ideas to satisfy the aim of the project and therefore the business strategy.

(v) Trading related ideas:

(a) Trade in simple terms is buying goods and services and selling them to consumers at a profit. One big advantage that trading has over other types of businesses is that it is easier to launch and less risky.

(b) Trading these days is not limited to ordinary grocer or distributor outlets. With increasing consumerism, the scope and nature of trade has enlarged; local trade, import and export, e-commerce are all making trading a very wide area of enterprise. It is however, necessary for a prospective trader to be aware of the trends in an economy.

(c) With the opening of the market to International Companies, large size departmental stores, chain shops and umbrella markets have become omnipresent; competition has become intense and to survive in the market new entrants will have to acquire skills, competencies and knowledge required to launch, manage and expand business opportunities.

Q4. Varun decided to start his own venture and was looking into various ideas. Explain to him various sources from where he can get some good business ideas.

Ans: Varun decided to start his own venture and was looking into various ideas. The process of generation of ideas can be streamlined by developing an awareness for different idea fields. This will help the Varun in enlarging the scope of thinking, at the same time structuring the ideas according to convenient frames of reference. By following different ways for generating ideas Varun collects a number of good business ideas.

#### G. EVALUATION AND MULTI-DISCIPLINARY QUESTIONS

Q1. 'Environmental factors exert influence upon each other and do not operate in isolation'. Discuss.

Ans: Yes, it is true. All environmental factors are interrelated and exert the influence upon each other.

Political Factor: Political factor is the outcome of a combination of various ideologies advocated by different political parties. The rules and regulations and the laws that monitor and regulate the market forces are framed and promulgated by the Government.

The policies of the Government in power have to be reckoned and implemented:

- (i) for taking a business decision,
- (ii) growth of trade industry and commerce,
- (iii) aims at improving infrastructural facilities which encourage new business ventures,
- (iv) relaxation of import-export policies, Example: Taxation Policy, Trade regulations, Governmental stability, Unemployment Policy, etc.

Socio-cultural Factor:

- (i) Business is born and develops in society and in it various social factors exist.
- (ii) It involves a close study of the life styles, beliefs, customs, conventions, practices, etc. Expectations of individuals their preferences on the basis of their family background, age group and education will also form a part of this study.
- (iii) This is a crucial process for the simple reason that the product or service that the entrepreneur envisages will have to satisfy the need of these individuals.

Example. An entrepreneur wants to open a showroom of branded foot wears.

Economic Factor: It includes the close study of important variables like supply and demand. Details of consumer trends, economic preference, costing, discounting etc. are all economic decisions. Inflation rate, growth in spending power, economic details will also

help the entrepreneur in determining the size of the project and the reasons of finance.

(i) Legal: Legal scanning of the environment demands analyzing the legal requirements in the establishment of a project. Managing of the project and also in getting assistance from different sources, e.g. welfare of employees, safety, simple contracts entered into with suppliers of raw materials financier's, health and safety.

(ii) Product Safety: Advertising regulations, product labeling, labour laws etc., real estate owners., etc. require legal assistance.

Technical Factor: It is influenced by government spending on research, new discoveries and development, Internet, E-commerce, Social Media, Electronic Media, Research and Development, Rate of technological change government and industry focus employment law.

Value points:

(i) Truthfulness

(ii) Universal

(iii) Faithful justice

(iv) Discipline

(v) Helpfulness

(vi) Readiness to cooperate.

Q2. "If you don't adapt, you don't endure". Evaluate the validity of the statement.

Ans: Yes, it is correct. The business environment is increasingly becoming uncertain and complex due to political realignments, economic crises, terrorism threats, technological innovations and natural disasters.

In rapidly changing environments, one rule of thumb applies: If you don't adapt, you don't endure. It is the core idea behind environmental scanning, which refers to the means by which organizations gather information on changing conditions and incorporate those observations into a process where necessary changes are made.

The right information, combined with the right adaptations, can determine an organization's future viability. Environmental scanning can help you identify the trends that are most likely to directly affect the organisation and product. Then an entrepreneur can craft a strategy that will help him take advantage of various changes occurring and get through the success and at the same time if he is not aware of what the environment surrounding his business he is sure to fail.

(i) E.g., HMT watches lost its market to Titan;

(ii) Sony failing to understand the changing trends in mobile phones and therefore losing its market share.

Value Points:

(i) Spirit of Enquiry

(ii) Services to others

(iii) Initiative

(iv) Self-existent

(v) Awareness of responsibility of citizenship

(vi) Social service

(vii) Endurance

(viii) Tolerance

(ix) To protect national property.

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