



C. SHORT ANSWER TYPE QUESTIONS - II

Q1. Enlist the various sources which lead to the emergence of basic ideas.

Or

Explain any three sources which lead to the emergence of basic ideas. [CBSE Sample Paper 2016]

Ans: The various sources which lead to the emergence of basic ideas.

- (i) Problems: When a problem exists, an idea leads to a solution to resolve that problem, emerges as a business opportunity.
- (ii) Change: A change in social, legal, technological aspects etc. leads to new opportunities to start a business.
- (iii) Inventions: New products or services leads to new business opportunities.
- (iv) Competition: Competition often results in emergence of new and better ideas that result in new business opportunities.
- (v) Innovation: Creating new things of value as well as new and creative processes that add value to the existing products or services. For example, computers to tablets.

Q2. Write the meaning of product identification in terms of business opportunity.

Ans: So the first step is to obtain a concept of the product or service suggested bone 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.

Q3. What are the factors an entrepreneur has to keep in mind while assessing the market?

Or

Give the details of market assessment.

Ans:

- (i) Demand: The demand assessment will be based on the size of market being targeted and also involve a study of the groups of consumers, their preferences, tastes, etc.
- (ii) Supply and nature of competition: It is a study supply position what is meant is the complete picture of quantities of the product made available in the market by all the existing players including future supplies.
- (iii) Cost and price of product: To determine what will be the actual cost price and preferable selling price. This will influence the delivery mechanism of the identified product or service.
- (iv) Project innovation and change: Market assessment will require a study of prevailing innovations and changes being carried out by existing entrepreneurs using technological advancements in the field.

Q4. What are the various ways in which an entrepreneur spot trends?

Ans:

(i) Read trends:

(a) Entrepreneurs regularly read the leading publications and websites affecting their business.

(b) Publications include industry publications, trade association sites, major newspapers, key business magazines, thought leaders and influential bloggers.

(c) They scan information from a wide variety of sources - from international news on down to niche bloggers focused on specific aspects of their industry. Obviously, there is a tsunami of information available. They use tech-tools like RSS feeds, e-mail newsletters or websites and forums to keep on top out of all and get the information they want. They understand quickly which sources are valuable and which should be avoided.

(ii) Talk trends:

(a) Talking to people is an equally important trend-spotting tactic. They get involved in specific industry's trade association and attending events both online and offline.

(b) From social networking tools like social network websites and forums.

(c) They even start or join groups on the networks and see what people are buzzing about the latest trends to customers regarding what customers thinking, buying, doing, etc. what customers are saying about the business, but what they're saying about the competitor's business.

(iii) Watch trends:

(a) Watching and observing the customers in the market place.

(b) If the customers are teenagers, in the local mall.

(c) If they are business class people, it might be restaurant or office park restaurant center.

(d) The entrepreneur spends some time simply watching and observing, what people are eating, doing, wearing, using.

(iv) Think trends:

(a) As an entrepreneur begins gathering all these information regularly, they will start to develop a "trend-spotter mind."

(b) They collect from what they read, heard and observed, and they start to making connections and observations that will lead to business-boosting insights.

D. LONG ANSWER TYPE QUESTIONS

Q1. "An opportunity may be derived from the needs and problems of the society." Comment.

Ans: "An opportunity may be derived from the needs and problems of the society". Yes, it is a correct statement.

An entrepreneur is one who perceive opportunities, synthesize the available information and analyse emerging patterns that escape the attention of other people. It is the first step of an entrepreneur to grab the opportunity and setup a business enterprise to offer the solution of various problems and needs that exist.

This involves awareness about the surrounding environment, determining and evaluating the needs of people, problems faced by the people in their day-to-day life related with any type of goods or services, etc.

A rational entrepreneur with a vision senses the opportunities present in the environment and finds creative solution to the problems coming in between him and the success through analysis and observation.

Entrepreneurs see and craft opportunities that other people miss, even though the opportunity manifests themselves. He uses his sharpened skills of observation, analysis and synthesis to identify an opening.

For example,

(i) Detergent Nirma captured the market by introducing a low priced detergent. Here the entrepreneur sensed the need of low priced product in the society.

(ii) With the increase in number of murders and other crimes taking place in big cities entrepreneurs can tap the niche of households for installing security systems like alarms, CCTVs, cameras and other safety gadgets, etc.

Q2. "Sensitivity to environmental factors is essential for an entrepreneur." In light of above statement explain the importance of environment scanning.

Ans: Importance of Environment: Sensitivity to environmental factors is crucial for an entrepreneur. If a company is able to adapt to its environment, it would succeed in the long run. For example, Sony is failing to understand the changing trends in mobile phones and therefore losing its market share. The benefits of understanding the relevant environment of business are:

(i) Identification of opportunities to get first mover advantage: An entrepreneur must be keen and alert and must be aware of all the changes in the external environment, so that he can identify opportunities and find strategies to capitalise on the opportunities at the earliest.

For example, Volvo, the Swedish brand, has 74% share in the luxury bus segment as it had entered India earlier.

(ii) Formulation of strategies and policies: An entrepreneur must be capable of formulation of strategies and policies which is really going to help in identifying threats and opportunities in the market.

(iii) Tapping useful resources: If an entrepreneur has complete and a thorough knowledge of the external environment, then easily he can tap raw materials, technology and even financial resources from the market at economical prices, at the right time.

(iv) Better performance: Proper understanding of the various elements of the external environment is necessary to take timely action to deal with threats and avail opportunities for the purpose of improvement in the performance of the firm.

(v) Sensitisation of entrepreneurs to cope up with rapid changes: A keen watch on the trends in the environment would help sensitise the entrepreneur to changing technology, competition, government policies and changing needs and taste of the customers. For example, trends in clothing, outdoor celebration of family events. Showing more interest in fast food, changing fitness trend.

(vi) Image building: If a company is sensitive to the external environment, it will come out with new products and services to meet the requirements of the customers. This would build the image or reputation of the firm in the eyes of the general public. For example, call-radio taxis with additional features like GPS systems, online booking, etc.

Q3. Entrepreneurship does not emerge and grow spontaneously. Rather it is dependent upon several various environmental factors. Explain them.

Ans: Yes, it is correct to say that "Entrepreneurship does not emerge and grow spontaneously." It is dependent upon several factors, like economic, social, political, legal and other factors.

The basic PESTEL analysis includes four factors:

Political factors are basically to what degree the government intervenes in the economy. Various political factors include areas are:

(i) Taxation Policy, Trade Regulations, Tariffs policy, Policy regarding export and import.

(ii) Government Affairs: Government in power, attitude of government towards different groups of the societies, Government Stability, Policy changes implemented by changed government, Labour laws, Unemployment policy.

(iii) Goods and services which the government wants to produce and how much quantity to be produced.

(iv) It also influences the health, education, and infrastructure of a nation.

Economic factors:

(i) Gross domestic product, Income level at national level and per capita income, economic growth.

(ii) Profit earning rate, interest rate, exchange rate, inflation rate, fiscal and monetary policy of the government. For example, interest

rates will affect the cost of debt and, potentially, the cost of equity, e.g. when interest rates increase the cost of debt increases, which increases the firm's cost of capital to what extent a business grows and expands.

(iii) Exchange rates affect the costs of exporting goods and the supply and price of imported goods in an economy.

(iv) 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.

(v) Economic details will also help the entrepreneur in determining the size of the project and the reasons of finance and have major impacts on how businesses operate and make decisions.

Social factors:

(i) Social factors include the cultural aspects and include health consciousness, population growth rate, age distribution, career attitudes and emphasis on safety.

(ii) Trends in social factors affect the demand for a company's products and how that company operates.

(iii) For example, an aging population may imply a smaller and less-willing workforce (thus increasing the cost of labour).

(iv) Furthermore, companies may change various management strategies to adapt to these social trends (such as recruiting older workers).

Technological factors:

(i) An entrepreneur must be aware of importance of technological development for the firm and how it is to be resolved.

(ii) He should show complete knowledge of technology required to produce the product?

(iii) Availability of training at a local area or can outsource it.

(iv) What would be the position of supply of plant and machinery for such a technology?

(v) It also includes technological aspects such as resources and development activity, automation, technology incentives and the rate of technological change.

(vi) Influence various decision for better and latest technology, costs, quality, and lead to innovation.

Environmental factors:

(i) It includes ecological and environmental aspects such as weather, climate, and climate change, which may especially affect industries such as tourism, farming, and insurance.

(ii) Growing awareness of the potential impacts of climate change is affecting how companies operate and the products they offer, both creating new markets and diminishing or destroying existing ones.

Legal factors:

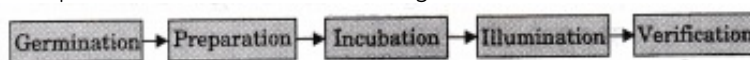
(i) It includes discrimination law, consumer law, antitrust law, employment law, and health and safety law.

(ii) These factors can affect how a company operates, its costs, and the demand for its products.

Q4. Explain creative process.

Ans: Creativity means bring something new into existence.

Creativity is the ability. Creativity is a process leads to evolution of idea. Those ideas are further enhanced and developed by the entrepreneurs. It consists of five stages:



Idea Germination:

(i) It is the first stage or seeding stage of new idea.

(ii) In this stage an entrepreneur recognises that an opportunity exists in an environment.

(iii) The first stage takes a shape only when an entrepreneur shows an interest and curiosity according to which opportunity is explored and exploited to its best potential.

(iv) Creative idea germinates on the basis of needs and problems

of people and according to the area of study.

For example, Mansukhbhai Prajapati, who thought of a non-stick pan made from clay and a clay refrigerator that works without electricity. He wanted to explore the idea of making the refrigerator which will be eco-friendly. He conceived this idea in 2001, but the final product could take shape only in 2004.

Preparation:

(i) More interest and curiosity, the need is adjudged by the entrepreneur and he starts looking for the answer to implement the idea.

(ii) Again market research is to be conducted, if the idea is to launch a new product or service.

(iii) Market research helps an entrepreneur to foresee the future of the product. For example, in the aforesaid story of Mansukhbhai since his wife could not afford to buy a non-stick TAYA

(pan).Mansukhbhai's brain stormed immediately that, not only his wife but other housewives are also in need of a nonstick-TAVA. And he decided to go ahead.

Incubation:

(i) This is the subconscious assimilation of information.

(ii) It is also considered as the transition period (Change of one stage to another stage).

(iii) The entrepreneur starts thinking about the idea, imagining and thinking about implementation in his sub-conscious mind.

For example, Mansukhbhai went through the process of studying the pros and cons of manufacturing the product before he had launched it.

Illumination: In this period of illumination the idea re-surfaces in realistic way and entrepreneur comes out with viable plan to give practical shape by collecting raw-material, arranging funds, policy-making for the implementation of idea.

In this case of Mansukhbhai it was important to have enough of funds in hand to buy and keep in store enough raw-material.

Verification: Also called the validation or testing stage. This is where the idea is verified to prove that it has value. This is the most difficult phase of creativity as obstacles begin to appear.

This is the developing stage in which knowledge is developed into application.

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