



### III. LONG ANSWER TYPE QUESTIONS

Q1. How business environment can be classified into different categories?

Ans: Business environment can be classified into two major categories:

<b>Economic environment</b>	<b>Non-economic environment</b>
It is related to economy which consist of factors like fiscal policy, monetary policy, the industrial policy and nature of the economic system, the pace of economic development.	It refers to social, cultural, political, legal, technological factors, etc. As most of the business opportunities exist in the environment the environment provides both constraints. Constraints such as government regulations, labour force, etc. and opportunities.

Q2. How an environment offers the firm/ entrepreneur numerous opportunities in changing the needs of customers and market? Give two examples.

Ans:

(i) Examples: (a) When an entrepreneur notices that the people in the neighbourhood are complaining about : the lack of availability of chemist shop.

So he opens a chemical shop. As we know that entrepreneur search for an opportunity in an environment, and he converts it into a reality.

(b) The growing demand of AC has attracted many new comers (GE Godrej and LG Electronics). It is the environment that decides his choice of business venture. An entrepreneur keeps constant interaction between human factors and other developmental factors prevailing in the environment at any given time that why a study of environment factor become important for entrepreneurship.

Q3. 'The process diagram shows different stages environment means surroundings'. State the difference.

Ans: When an entrepreneur looks outside for business idea he often sees that business opportunities exist in the environment. First Stage: Spotting an opportunity by analyzing the needs and problems that exist in the environment.

(i) Busy life work schedules, frequent corporate travelling created the need for fast banking services and hence the ATM, credit card, debit card and telephone banking came in popularity.

(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.

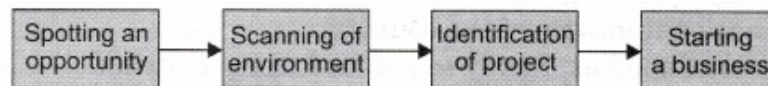
Second Stage: Evaluating the ideas received from different sources to find a creative solution.

Third Stage: After evaluating each ideas received, selecting the best ideas to start a business venture.

Fourth Stage: Setting up a project and nurturing success.

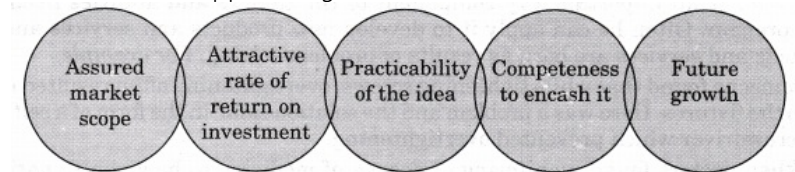
Q4. Why is scanning of environment considered as interface between spotting and product identification? Support your answer with at least one example.

Ans: An entrepreneur spots an opportunity to know the demand for the product and sustainable and profitable. He has to scan an environment by which the entrepreneur first identifies the key elements and characteristics. In the absence of environment scan, an entrepreneur can bear loss in business because lack of knowledge about the customers and its demand about the product. For example, in the form of electricity shortage or more demand of electricity, the entrepreneur spot opportunity. He, then scans the environment in order to know the need of electricity. Customers to produce a substitute of electricity would be a viable or not could only be sensed. After scanning an environment, he can move on to the identification of the product i.e. whether to produce invertors or candles can be the substitute.



Q5. State five elements of business opportunity.

Ans: A business opportunity has five elements which are as follows:



Q6. What are the five ways in which creative ideas can be generated?

Ans: Creativity is an important and key component of the talents and abilities needed for an entrepreneur. Creativity can be applied to develop new products and services. There are basically five ways as given below:

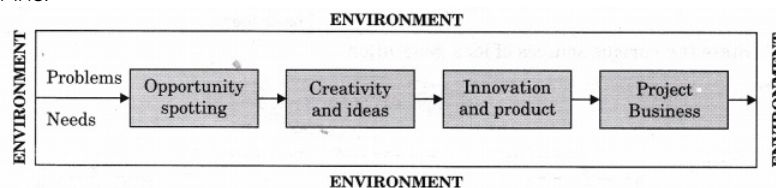
- (i) Develop a new product or service.
- (ii) Improve an existing product or service.
- (iii) Find a new use for a product or service.
- (iv) Find a new process or resource for manufacturing a product.
- (v) Find new markets for existing products or services.

Q7. Explain the stages of enterprises model with the help of a diagram.

Or

Explain Enterprise Process diagram.

Ans:



This diagram shows the following stages:

- (i) Opportunity spotting by analysing the needs and problems that exist in the environment.
- (ii) Evaluating the ideas received from different sources to find a creative solution.
- (iii) Identifying a product or service through innovation.

(iv) Setting up a new venture and nurturing it to success.

Q8. Enumerate the sources from which information for environmental scanning can be collected by an entrepreneur.

Ans: Information for environmental scanning can be collected from several sources. These include:

- (i) Verbal communication and time to time information from: customers, wholesalers, retailers, distributors, consultants, stakeholders, etc.
- (ii) Complete records of companies.
- (iii) Government publications and information.
- (iv) Publications by various financial institutions and related organisations.
- (v) Formal studies conducted by strategic planners.

Q9. How the uses of problem identification helps an entrepreneur?

Ans:

- (i) It helps an entrepreneur to bring out new products in the market.
  - (ii) It helps him to understand the problems and needs of the market.
  - (iii) Helps the entrepreneur to be creative.
  - (iv) Increase in employment generation.
  - (v) Increase in national income of the country.
- For example, Instant noodles, Ready to eat food, Easy to drink.

Q10. "Creative products and services are born as results of problem solving". Explain with the help of an example.

Ans: Creativity is an important key component of the talents and abilities needed for an entrepreneur. Often he can apply it to develop new products and services and creative products and services are born as results of problem solving. For example,

- (i) Someone found that while tightening screws, over tightening often resulted in damage to the fixtures. Here was a problem and the solution came in the form of a self-adjusting screwdriver which prevented over tightening.

- (ii) When doctors found monitoring of dosage of medicine to be given to patients on a regular basis by using traditional methods using a syringe cumbersome, by looking into a problem of most of the patients a pharmaceutical firm developed a new process of implanting the dosage of medicine required the patient for even discharge of in time and required dosage into the blood stream.

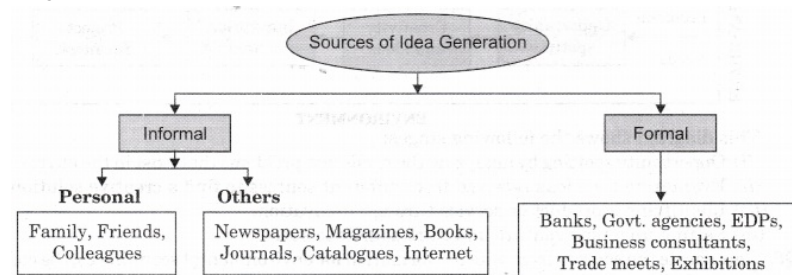
Q11. What is the difference between basic idea and post-scanning ideas?

Ans: The difference between basic idea and post-scanning ideas are as follows:

S.No.	Basic ideas	Post scanning ideas
(i)	It is of random nature.	It is of purposeful activity.
(ii)	It is an experiential process.	It is a strategic process.
(iii)	They have to be under a close-examination, evaluation, analysis and synthesis.	They are activity oriented.
(iv)	Number of ideas are more.	Number of ideas are less as compared to basic ideas.

Q12. State the various sources of idea generation.

Ans:



Q13. What is meant by 'Problem Identification'? State its any two

objectives and also give an : example of 'Problem Identification'. [All India 2015]

Ans: Problem Identification: A problem is a roadblock in a situation, something that sets up a conflict and forces you to find a solution. Objectives of Problem Identification are:

- (i) It should clearly state the problem.
- (ii) Identify target group facing the problem.
- (iii) Identify the market acceptability of solution to the problem.

Example of Problem Identification: Ready to eat foods for the younger career oriented generation.

Q14. The first step in the creative process is 'Idea Germination'. State the other steps of this process. [All India 2015]

Ans: Following are the other three steps:

- (i) Preparation: On the basis of the idea, interest and curiosity an entrepreneur starts looking for an answer to implement the idea.
- (ii) Incubation: This is an sub-conscious assimilation of information.
- (iii) Illumination: The idea resurfaces in a realistic way in the form of a viable plan.
- (iv) Verification: The idea is verified to prove that it has value.

Q15. Shahida, a student of School of Rug Weaving Institute, Turkey, visited her grandparents in Kashmir for the first time. Breathtaking mountain scenery, clear lakes, lush vegetation and magnificent forests mesmerized her. The valley is home to a rich biodiversity including a large number of bird species, many of which are unique to Kashmir, it is home to Yak and sheep that are taken care of by Nomads. Kashmiri lifestyle is essentially slow paced and reflects religious diversity. Kashmiris are known to enjoy their music in its various local forms, and the traditional dress of both genders is often quite colourful. Tulip, Saffron, dry fruits and artistic woodwork are its hallmark.

She also observed that the government was stable and all the tourist places were well guarded by the army.

She found it to be an ideal place to start a unit for carpet weaving and employ local people to preserve the ethnic touch. After the devastating floods a considerable population was rendered jobless, her unit would help to revive their economic condition. She started scanning and screening the environment and collected the following information.

(i) Help her categorize the information making use of PESTEL MODEL.

(ii) Also state a value communicated by Shahida. [CBSE Sample Paper 2016]

Ans:

- (i) (a) Political: The political environment includes taxation policy, government stability and foreign trade regulations.
- (b) Economic: The economic environment includes interest rates, inflation, business cycles, unemployment, disposable income, energy, availability and cost.
- (c) Social: The social/cultural environment includes population demographics, social mobility, income distribution, lifestyle changes, attitudes to work and leisure, levels of education and consumerism.
- (ii) Sharing and compassion.

Q16. Explain the factors that help an entrepreneur to identify a product. [CBSE Sample Paper 2016]

Ans: The factors that help an entrepreneur to identify a product are:

(i) 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.

(ii) 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.

- (iii) 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.
- (iv) 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.

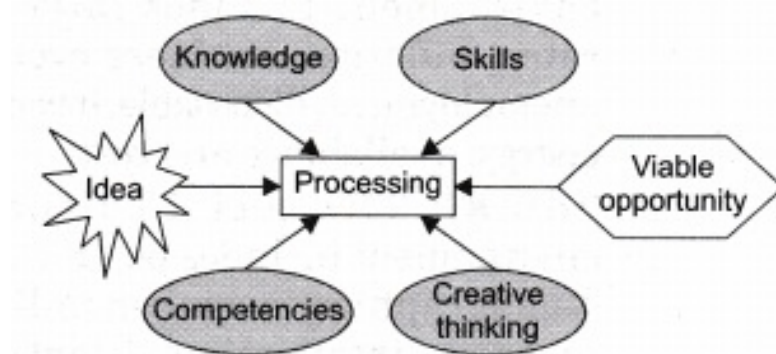
#### IV. VERYLONG ANSWER TYPE QUESTIONS

Q1. Explain how the process of a basic idea becoming an opportunity?

Or

Explain the transformation of ideas into opportunity.

Ans: The given diagram shows how the process of a basic idea becoming an opportunity:



The above given diagram explains that it is just a process of conversion of basic idea into opportunity. Business idea arises from an opportunity in the market. It originates from any need or wants of any product or services that an entrepreneur can identify. In this process all basic ideas have to undergo a vigorous process of close examination, evaluation, analysis and synthesis to become viable opportunities. This diagram explains an entrepreneur utilize the skills, knowledge, creative thinking and competency needed to develop an idea which is backed up by various political economical, social, technological, ecological and legal factors in the existing competitive market. By this process an entrepreneur convert ideas into viable business opportunities.

Q2. How environmental scanning is helpful for an entrepreneur?

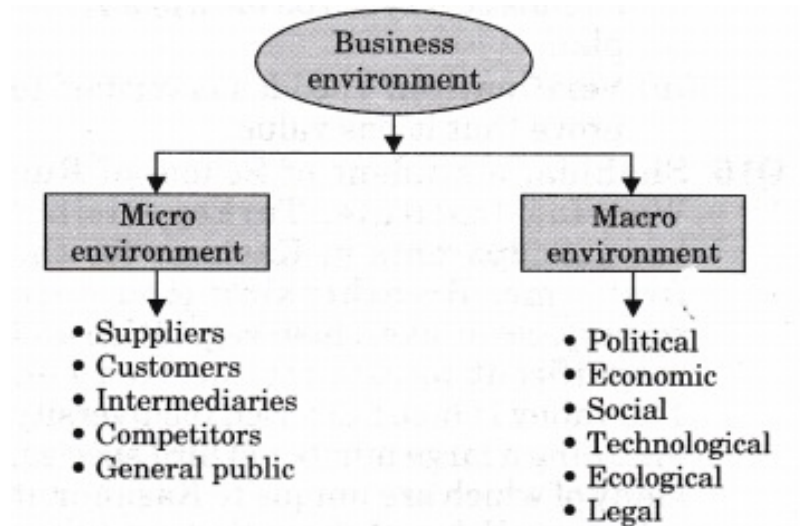
Ans:

- (i) Environmental scanning will be helpful to an entrepreneur/firm to understand the actual happening in an organisation (inside and outside),
- (ii) It is necessary because of rapid changes taking place in the environment that has a great impact on the working of the business firm.
- (iii) Analysis of business environment helps to identify strength, weakness, opportunities and threats. So that the enterprise can survive and grow, for longer time.
- (iv) It is helpful to frame out different plans and policies for the establishment and further development.
- (a) It act as a tool in understanding, for casting and decision making in all situation of the business enterprise.
- (vi) Study of environmental analyses enables the firm to select the best option for the success and growth of the firm.
- (vii) It helps an entrepreneur to act quickly, take advantage of all environmental opportunities before others take a chance and immediate respond to reduce damage
- (a) take advantage of opportunities before competitors do
- (b) respond to environmental threats before significant damage is done.

Q3. How many levels are there in external environment? Explain.

Ans: The external environment consists of two levels, i.e. micro

environment and macro environment.



**Producer/Seller:** The goals, objectives, policies, strategies, etc. of the organization are the foremost forces which govern the market. Successful companies are those that can recognize and respond profitably to unmet needs and trends in the society.

**Customers:** Consumer satisfaction is the foundation stone of a successful business. Business has to produce goods according to the needs, taste and preferences of the customers. Enterprises have to take into consideration the following features to create, maintain and retain this force: Tradition, customs, beliefs, values of society, lifestyle, standard of living, consuming, habit, thinking behaviour, income level, demographic characteristics, etc.

**Competitors:** Competitors are such factors in the micro environment that provide similar offerings for goods and services. To remain competitive, an enterprise must consider who their biggest competitors are.

**Suppliers:** Suppliers are another key component in the core system of market. Any manufacturing unit uses necessary resources for the conversion of input (material, machines labour and funds) into output for that the necessary resources are generally obtained by the supplier.

The companies growth depends upon the production and production depends upon the regular supply of resources therefore working of the various supply markets depends upon maintaining good relations with suppliers. Lack or non-availability of suppliers can ruin the market for a product.

**Marketing Intermediaries:** Marketing intermediaries are institutions that facilitate the flow of goods and services between the company and its final markets. They include resellers (i.e. wholesalers, retailers, agents, and brokers), transporters, warehouses, banks and promoting agencies.

These all institutions come into being to facilitate the work of consummating exchanges in the market. They perform a great deal of work in bringing about transactions between the buyers and sellers, market cannot survive without these intermediaries.

**Macro Environment includes:**

**Political factor:** Political factors 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. This include the political factor. These policies generated aims at improving infrastructural facilities which encourage new business ventures. For example, after relaxation of import-export policies, an entrepreneur who exported textile material used its earning to import heavy industrial machines.

**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.



Economic details will also help the entrepreneur in determining the size of the project and the reasons of finance. Socio-Cultural factor: Business is born and develops in society and in it various social factors exists. 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. The main aim of an entrepreneur is to satisfy the need of all individuals of a society. For example, an entrepreneur wants to open a showroom of branded footwears. Hence, he will target the high income group of society.

Technological factors: It is influenced by government spending on research, new discoveries and development, government and industry focus of technological effort, speed of technological transfer and rates of obsolescence. Ecological factors: It considers the ways in which the organisation can produce its goods or services with minimum environmental damage.

Legal and finance factors: 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. For example, welfare of employees, safety, simple contracts entered into with suppliers of raw materials financier's, real estate owners, etc. require legal assistance.

Q4. Explain the benefits of understanding the relevant environment of business.

Ans: The benefits of understanding the relevant environment of business are:

(i) Identification of opportunities to get first mover advantage:

By keeping in touch with the changes in the external environment, an enterprise 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: It helps in identifying threats and opportunities in the market. These can serve as the basis of formulation of strategies to counter threats and capitalise on opportunities in the market.

(iii) Tapping useful resources: If the company has a thorough knowledge of the external environment, it 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 the 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 environment would help to sensitise the entrepreneur to the changing technology, competition, government policies and changing needs of the customers. E.g., changing trends in clothing.

Q5. Explain the various environmental factors crucial for an entrepreneur.

Ans: Some environmental factors crucial for an entrepreneur are:

Political factor: Political factors 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. This include the political factor. These policies generated aims at improving infrastructural facilities which encourage new business ventures. For example, After relaxation of import-export policies, an entrepreneur who exported textile material used its earning to import heavy industrial machines. Socio-Cultural factor: Business is born and develops in society and in it various social factor exists. 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. The main of an entrepreneur is to satisfy the need of all individuals of a society. Ex. An entrepreneur wants to open a showroom of branded footwears. Hence, he will target the high income group of society. 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. Economic details will also help the entrepreneur in determining the size of the project and the reasons of finance. Legal and Finance factors: 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, real estate owners, etc. require legal assistance.

Q6. 'Information for environmental scanning can be collected from several sources.' State any four such sources. [CBSE Delhi 2015]

Ans: Following are the sources for collecting the information for environmental scanning:

- (i) The sources can be obtained by analyzing the verbal information from customers, wholesalers, retailers, distributors, consultants, etc.
- (ii) The record of the companies is also analyzed.
- (iii) Various sources can be obtained by analyzing the various government publications.
- (iv) The sources can be obtained by the publications of various financial institutions.

Q7. 'The process of generation of ideas' can be streamlined by developing an awareness about it and these work as the convenient frames of references for this. [CBSE Delhi 2015]

- (i) Identify the concept stated in the above lines.
- (ii) Explain any three sources of the concept identified which are used by an Entrepreneur.

Ans:

- (i) Idea fields
- (ii) (a) Natural resources: Ideas can be generated based on natural resources. A product or service may be desired from forest resources, agriculture, horticulture, mineral, animal husbandry, wind, sun, and human resource.
- (b) Existing products or service: A business opportunity or idea often comes from everyday problems that someone solves. Successful businesses find a need and fill it by providing a service or product. Entrepreneurs who look at ways to make an existing product or service better can be as successful as those who create or invent products.
- (c) Market driven or demand driven: Market research is any organized effort to gather information about target markets or customers. Ideas can be generated based on existing demand in the market. It is a very important component of business strategy.

Q8. Lalita Devi did her post-graduation from Manipur University, Imphal. She had offers to join reputed firms in metropolitan cities like Delhi and Mumbai. Instead of joining any of these firms she decided to do some creative work in Imphal. She observed that a special type of chilli is grown by the farmers of most of the villages around Imphal. This chilli has a distinct flavour and the pickle made from it has a taste that may be liked by many people in other parts of the country. But the farmers were neither trained in the farming of this kind of chilli on a large scale nor was there a secured market for their produce. Lalita Devi met eighteen like-minded women of the area and formed an organization for doing the business of pickle manufacturing. Each of them contributed ₹ 2,00,000 towards



its capital and were equally responsible for its management. On one hand they assured the farmers to purchase the chilli produced by them and on the other hand, the organization with the help of the local agriculture department arranged for the training of the farmers. They also employed 10 local unemployed graduate girls for doing the various operations of pickle manufacturing. [All India 2015]

(i) Name the process that helped Lalita Devi in 'converting an idea into an opportunity'.

(ii) Identify the kind of organization that Lalita Devi had decided to set up.

(iii) State any two values which Lalita Devi wants to communicate to the society.

Ans:

(i) The process that helped Lalitha Devi is Sensing entrepreneurial opportunities.

(ii) Partnership form of business organization was formed by Lalitha Devi.

(iii) Values involved are Courtesy; fostering respect for differences; sensitivity to environment, good behaviour in human interaction; sharing, compassion, empathy; discipline; responsibility; respect for law and order; conflict resolution; team work; honesty and integrity.

Q9. 'One of the keys to business success is to anticipate what the market will want or need.' Since it is not possible for an entrepreneur to see into the future, there is one best way. This 'best way' will help the entrepreneur to understand the market and produce goods or provide services accordingly.

(i) Identify the concept discussed in the above lines.

(ii) Explain any three ways in which an entrepreneur can perform the activities related to the concept identified.

Ans:

(i) Concept stated in the above lines is Trend spotting.

(ii) Following are the ways in which an entrepreneur can perform activities relating to the trend spotting:

1. Real Trends:

- Entrepreneurs regularly read the leading publications and websites affecting their business.
- Publications include industry publications, trade association sites, major newspapers, key business magazines, thought leaders and influential bloggers.
- 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.

2. Talk Trends:

- 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.
- From social networking tools like social network websites and forums.
- They even start or join groups on the networks and see what people are buzzing about and 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.

3. Watch Trends:

- Watching and observing the customers in the market place.
- If the customers are teenagers, in the local mall.
- If they are Business class people, it might be restaurant or office park restaurant center.
- The entrepreneur spends some time simply watching and observing, what people are eating, doing, wearing, using.

#### 4. Think Trends:

- As an entrepreneur begins gathering all these information regularly, they will start to develop a “trend-spotter mind.”
- They collect from what they read, heard and observed, and they start to making connections and observations that will lead to business-boosting insights.

#### V. VALUE BASED QUESTIONS

Q1. Sonam, a dropout from 10th class is forced by her mother to start working as a domestic help. Sonam agrees on the condition to do only if every day she is allowed to cook at home and in 2-3 houses as she was fond of cooking. One family turns out to be Punjabi, other Gujarati and the third one is Rajasthani. She cooked their kind of food for an year and to everyone’s surprise, she expressed her desire to open up a small eating joint of her own. All alone, determined, she finally opens “Apna Bhoj”, a small eating joint with her savings and it became a hot spot because of the fusion food platter being offered. Do you think Sonam is an entrepreneur? Give reasons for your answers. Give two value points related.

Ans: Yes, Sonam is an entrepreneur.

(i) Sonam’s one year occupational experience provides her confidence to start her own business.

(ii) It converted her hobbies into reality by sheer hard-work and application of mind.

(iii) Her desire to work independently and potential efforts, helped her to reduce the element of uncertainty.

(iv) She is innovative as she created new idea and new market to start business.

(iv) Understanding of the area/market in which she is going to start her business.

- She is a creative entrepreneur as, she has taken initiative and created an opportunity for innovation, experimentation and production.
- Her competitiveness which means willingness to compete honestly with others and providing quality product and services and reduction in price.
- She is an innovator of ideas, products, practices, services to meet the perceived opportunity, a lot of effort has done by Sonam to convert her dream into reality.

Value points: Initiative, resourcefulness, service to others, social service, unwillingness to hurt others.

\*\*\*\*\* END \*\*\*\*\*