



Hustle
harder

**TO SURVIVE IN
ENTREPRENEURSHIP**

Entrepreneurship

BY

**AKHIL PAL
JAY PANCHAL
VINAY PANCHAL
YASH PANCHAL
JYOTI PANDEY
RITIK PANDEY**

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CHAPTER I

INTRODUCTION

An **entrepreneur** is a person who organizes a venture to benefit from an opportunity, rather than working as an employee. Entrepreneurs play a key role in any economy. These are the people who have the skills and initiative necessary to anticipate current and future needs and bring good new ideas to market.

Entrepreneurs who prove to be successful in taking on the risks of a startup are rewarded with profits, fame and continued growth opportunities. Those who fail suffer losses and become less important in the markets. Many fail, lose money, and close the business.^{[1] [2]} The entrepreneur assumes all the risks and rewards of the venture and is usually the sole proprietary, a partner or the owner of the majority of shares in an incorporated venture. As the main decision maker the entrepreneur monitors and controls the business activities.

According to Joseph Alois Schumpeter (1883 - 1950) entrepreneurs regard profit as a standard for measuring achievement or success and discovered that they:

- Value self-reliance;
- Strive for distinction through excellence;
- Are highly optimistic;
- Favor challenges of medium risk.

Entrepreneurship is sometimes categorized among the factors of production, along with land/natural resources, labor and capital. An entrepreneur combines these to manufacture goods or provide services. He or she typically creates a business plan, hires labor, acquires resources and financing, and provides leadership and management for the business.

Entrepreneurs commonly face many obstacles when building their companies. Given the riskiness of a new venture, the acquisition of capital funding is particularly challenging, and many entrepreneurs deal with it via bootstrapping.

While some entrepreneurs are lone players struggling to get small businesses off the ground on a shoestring, others take on partners armed with greater access to capital and other resources.

CHAPTER II

ENTREPRENEURSHIP

Economists have never had a consistent definition of "entrepreneur" or "entrepreneurship" (the word "entrepreneur" comes from the French verb *entreprendre*, meaning "to undertake"). Though the concept of an entrepreneur existed and was known for centuries, the classical and neoclassical economists left entrepreneurs out of their formal models:

They assumed that perfect information would be known to fully rational actors, leaving no room for risk-taking or discovery. It wasn't until the middle of the 20th century that economists seriously attempted to incorporate entrepreneurship into their models.

Three thinkers were central to the inclusion of entrepreneurs: Joseph Schumpeter, Frank Knight and Israel Kirzner. Schumpeter suggested that entrepreneurs – not just companies – were responsible for the creation of new things in the search of profit. Knight focused on entrepreneurs as the bearers of uncertainty and believed they were responsible for risk premiums in financial markets. Kirzner thought of entrepreneurship as a process that led to discovery.

Characteristics of an Entrepreneur

The most important characteristics of an entrepreneur is his achievement motivation. All other characteristics emanate from achievement motivation. successful entrepreneurs are action-oriented, they have the ability to visualize the steps from idea to actualization. An entrepreneur is a job-giver and not a job –seeker. That means he is his own boss. the characteristics which make him his own boss are given below:

- a Strong achievement orientation
- b Unwavering determination and commitment
- c Self-reliance and independence.
- d Hunger for success
- e Self-confidence and self –faith
- f Sustained enthusiasm
- g Single-mindedness
- h Strong reality orientation.
- i Willingness to accept responsibility
Courage
bility to survive defeat
- l ecome wealthy and stay humble

An entrepreneur is a highly achievement oriented, enthusiastically energetic individual. The characteristics of an entrepreneur may be briefly stated as follows:

1. Mental ability
2. Clear- cut objectives
3. Capacity to guard business secrets
4. Capacity to interact with people
5. Effective communication
6. Technical expertise
7. Self-confidence
8. Initiative and drive
9. Motivator
10. Decision-maker
12. Risk-bearing

Role of an Entrepreneur Economy

Economy

Entrepreneurs occupy a central position in a market economy. For it's the entrepreneurs who serve as the spark plug in the economy's engine, activating and stimulating all economic activity. The economic success of nations worldwide is the result

Growth and opportunities

A society is prosperous only to the degree to which it rewards and encourages entrepreneurial activity because it is the entrepreneurs and their activities that are the critical determinant of the level of success, prosperity, growth and opportunity in any economy.

Risk Assumption

It is the entrepreneur who undertakes the risk of the enterprise in search of profit and who seeks opportunities to profit by satisfying as yet unsatisfied needs. Entrepreneurs seek disequilibrium--a gap between the wants and needs of customers and the products and services that are currently available. The entrepreneur then brings together the factors of production necessary to produce, offer and sell desired products and services.

Business Decision Making function

They invest and risk their money--and other people's money--to produce a product or service that can be sold at a profit. Entrepreneurs are optimistic and future oriented; they believe that success is possible and are willing to risk their resources in the pursuit of profit. They're fast moving, willing to try many different strategies to achieve their goals of profits. And they're flexible, willing to change quickly when they get new information.

Managerial Function

Entrepreneurs are skilled at selling against the competition by, creating perceptions of difference and uniqueness in their products and services. They continually seek out customer needs that the competition is not satisfying and find ways to offer their products and services in such a way that what they're offering is more attractive than anything else available.

Innovation

Entrepreneurs are a national treasure, and should be protected, nourished, encouraged and rewarded as much as possible. They create all wealth, all jobs, all opportunities, and all prosperity in the nation. They're the most important people in a market economy--and there are never enough of them.

Types of Entrepreneurs

There are four types of entrepreneurs, classified on the basis of their willingness to create and accept the innovative ideas.

Innovative Entrepreneur: These are the ones who invent the new ideas, new products, new production methods or processes, discover potential markets and reorganize the company's structure. These are the industry leaders and contributes significantly towards the economic development of the country. The innovative entrepreneurs have an unusual foresight to recognize the demand for goods and services.

Imitating Entrepreneurs: The imitating entrepreneurs are those who immediately copy the new inventions made by the innovative entrepreneurs. These do not make any innovations by themselves; they just imitate the technology, processes, methods pioneered by others.

Fabian Entrepreneurs: These types of entrepreneurs are skeptical about the changes to be made in the organization. They do not initiate any inventions but follow only after they are satisfied with its success rate. They wait for some time before the innovation becomes well tested by others and do not result in a huge loss due to its failure.

Drone Entrepreneurs: These entrepreneurs are reluctant to change since they are very conservative and do not want to make any changes in the organization. They are happy with their present mode

of business and do not want to change even if they are suffering the losses.

Thus, this classification is done on the basis of the willingness of an entrepreneur to create and accept the innovative ideas.

Strategies of Entrepreneuers

Strategies that entrepreneurs may use include:

- Innovation of new products, services or processes
- Continuous process improvement (CPI)
- Exploration of new business models
- Use of technology
- Use of businessintelligence
- Use of economical strategics
- Development of future products and services
- Optimized talent management

Five ways to entrepreneurs contribution for sustainable economy

Entrepreneur's contribution to the economy is of immense value. He or she is indispensable to the economic growth of the country. His or her products are valuable to the overall development of the society. People need their products. They simply cannot do without them. Ours is a consumer society now. Even in the developing countries consumerism is gaining ground. Developed countries anyway thrive on consumerism. Naturally, the role of an entrepreneur is of much significance in generating products valuable for the comforts and luxurious living of the people of a particular country.

An economy is much dependent upon the performance level of its entrepreneur. He or she plays a vital role in the growth of the national income as well as raising the per capita income of the people.

How does an entrepreneur stimulate the economy?

Investment – Then entrepreneur has to invest in what is required for the economy. Economic progress will much depend upon his or her contributions. Any entrepreneur will invest in products and services which the people need. His or investment will ensure a better life for the people. More goods and services will be at their disposal.

Employment – An entrepreneur by setting up various businesses and establishments is generating employment in the economy. People need jobs. This is a major contribution that an employer can make to provide income to an employee who can meet his or her needs.

Diversity in products and services – An entrepreneur can provide various types of goods and services to the consumer. The latter has much to choose from. A consumer after all would like to have a good bargain, and if his or her choices are more than he or she can get these products or services at reasonable rates. Also personal desires are met if there are products and services to choose from. A person may like a particular type of tie and he can perhaps locate it in his local market. His desire to purchase a tie of his choice is thus met.

International trade – An entrepreneur promotes international trade by selling his or her products abroad. Any entrepreneur would like a wider market. If there are more consumers to purchase his or her products, the higher his profits.

Contributes to gross national product – An entrepreneur makes much contribution to the national exchequer and to the national economy as whole. The GNP of the country is calculated based upon the total number of products and services available in a respective country. The more products and services available the higher the GNP. It indicates the economic prosperity of the country.

The entrepreneur is essential for the economic development of a country. The progress of a country will depend upon his skill and talent as well as hard work to deliver necessary goods and services required by the citizens of his or her country.

Entrepreneurship and Economic Growth

Economists' View

The position of the entrepreneur in modern production is like that of the director of a play. Modern economic development is closely linked with production. Modern production is highly complex. The entrepreneur directs production and he must do whatever is necessary for its success. His role in modern economic development has at least three aspects.

- (a) The entrepreneur co-ordinates the other factors of production. This involves not only assembling the factors, but also

to see that the best combination of factors is made available for the production process.

- (b) The entrepreneur takes risk. In Hawtrey's view this is the most important function of the entrepreneur and the quantum of profit he receives is directly proportionate to the risks he takes.
- (c) Finally, the entrepreneur innovates. Innovation is different from invention. Invention is the work of scientists. Innovation implies the commercial application of an invention. As an innovator the entrepreneur assumes the role of a pioneer and an industrial leader.

Modern economists tend to agree with the view expressed by Schumpeter. Since the process of economic development is characterised by the presence of discontinuous disturbance, economists tend to agree to the view that this disturbance comes in the form of innovation. The entrepreneur can undertake any type of the following five categories of innovation.

- (a) The introduction of a new good or a new quality of a good
- (b) The introduction of a new method of production
- (c) The opening of a new market
- (d) The conquest of a new source of supply of raw materials.
- (e) The carrying out of a new organisation of any industry.

Micro ,Small and Medium Enterprises

The idea that entrepreneurship and economic growth are very closely and positively linked together has undoubtedly made its way since long. To quote Adam Smith, when the division of labour increases, so will economic development. An increase in the number of entrepreneurs leads to an increase in economic growth. This effect is a result of the concrete expression of their skills, and more precisely, their propensity to innovate. Entrepreneurship is a key indicator of economic development of any country. As more and more of the population becomes involved in opportunity entrepreneurship and as more and more people relieve necessity entrepreneurship the more we see rising levels of economic development. In other terms, the "driving force of the market". Entrepreneurs create new businesses, and new businesses in turn create jobs, intensify

competition, and may even increase productivity through technological change. High measured levels of entrepreneurship will thus translate directly into high levels of economic growth.

Micro, small and medium enterprises (MSME) is the engine of economic development in emerging economies like India. MSMEs are generally characterized as being skill oriented, low capital, resource based and local market ambitious enterprises. MSMEs open the new opportunities for the employment growth, economic development, and provide new dimension to the country's economy. This sector plays an important role especially relating to poverty alleviation and improving living standard, utilization of the available human and other resources for the development of the economy and thereby leading to individual growth, social growth and national growth. As MSME play a vital role in economic development, since independence high priority was given to support and make these enterprises vibrant. Assistance and support was provided in terms of production, upgrading technology and policy measures to stabilize the enterprises taking into consideration its role in economic development.

Qualities of an Entrepreneur

Successful business people have many traits in common with one another. They are confident and optimistic. They are disciplined self starters. They are open to any new ideas which cross their path. Here are ten traits of the successful entrepreneur.

1. Disciplined

These individuals are focused on making their businesses work, and eliminate any hindrances or distractions to their goals. They have overarching strategies and outline the tactics to accomplish them. Successful entrepreneurs are disciplined enough to take steps every day toward the achievement of their objectives.

2. Confidence

The entrepreneur does not ask questions about whether they can succeed or whether they are worthy of success. They are confident with the knowledge that they will make their businesses succeed. They exude that confidence in everything they do.

3. Open Minded

Entrepreneurs realize that every event and situation is a business opportunity. Ideas are constantly being generated about workflows and efficiency, people skills and potential new businesses. They have the ability to look at everything around them and focus it toward their goals.

4. Self Starter

Entrepreneurs know that if something needs to be done, they should start it themselves. They set the parameters and make sure that projects follow that path. They are proactive, not waiting for someone to give them permission.

5. Competitive

Many companies are formed because an entrepreneur knows that they can do a job better than another. They need to win at the sports they play and need to win at the businesses that they create. An entrepreneur will highlight their own company's track record of success.

6. Creativity

One facet of creativity is being able to make connections between seemingly unrelated events or situations. Entrepreneurs often come up with solutions which are the synthesis of other items. They will repurpose products to market them to new industries.

7. Determination

Entrepreneurs are not thwarted by their defeats. They look at defeat as an opportunity for success. They are determined to make all of their endeavors succeed, so will try and try again until it does. Successful entrepreneurs do not believe that something cannot be done.

8. Strong people skills

The entrepreneur has strong communication skills to sell the product and motivate employees. Most successful entrepreneurs know how to motivate their employees so the business grows overall.

They are very good at highlighting the benefits of any situation and coaching others to their success.

9. Strong work ethic

The successful entrepreneur will often be the first person to arrive at the office and the last one to leave. They will come in on their days off to make sure that an outcome meets their expectations. Their mind is constantly on their work, whether they are in or out of the workplace.

10. Passion

Passion is the most important trait of the successful entrepreneur. They genuinely love their work. They are willing to put in those extra hours to make the business succeed because there is a joy their business gives which goes beyond the money. The successful entrepreneur will always be reading and researching ways to make the business better.

CHAPTER III

IDENTIFICATION OF OPPORTUNITIES

Identifying a business opportunity

An entrepreneur is said to be an opportunity seeker. For the potential entrepreneur his/her first task is to identify, explore and then select an attractive business opportunity.

Defining “opportunity”

In simple terms, opportunity may be defined as an attractive project idea which an entrepreneur accepts as a basis for his investment decision.

A mere “possibility” is to be distinguished from business “opportunity”. Good business ideas must be capable of being converted into feasible projects.

Therefore, two major ingredients of a business opportunity need to be highlighted: (1) good market scope, i.e., gap between present or likely demand and supply; (2) an attractive/ acceptable return on investment.

Apart from these two criteria, a business opportunity needs to be analysed from other view points for its viability such as technical, production, commercial and managerial. These criteria are interlinked and a decision about one, affects others.

Preliminary Evaluation

The entrepreneur has to prepare a list of investment opportunities identified from various sources. These project ideas are analysed by taking into account government regulations for finalizing a set of feasible investment opportunities. As such a project idea cannot be appraised in detail, the investment opportunities are evaluated against a set of specific criteria to select those project ideas which are commercially feasible.

These criteria are:

- (1) Is it compatible with the promoter?
- (2) Is it compatible with government regulations and priorities?
- (3) Whether raw materials are easily available?

- (4) What is the size of potential market?
- (5) Whether the cost justifies the project?
- (6) What is the risk inherent in the project?
- (1) **compatible with the promoter** : The entrepreneur must ensure that the project undertaken should be compatible with the financial and human resources available at his disposal.
- (2) **Compatible with Government Regulations and Priorities:**
The project undertaken by the entrepreneur should not violate government regulations and priorities.
- (3) **Availability of Raw Materials:**The availability of raw materials and the cost of obtaining raw materials are also important factors to be taken into account in selecting the project.
- (4) **Potential Market:** existing and potential demand in the domestic and export markets, consumption trends,nature of competition, competitors market shares, availability of substitutes, barriers and the possibility of entry of substitutes and technological developments taking place in the industry.
- (5) **Cost of the project:**the cost of the project should be reasonable in the sense that a desired profit margin can be realized from a competitive price.
- (6) **Risk inherent in the project:** Every project is subject to risks such as changes in demand, technological developments,entry of substitutes,competition and cyclical/ seasonal variations .
“Business Entrepreneurs”, special supplement to “The Week”, has given the following tips regarding selection and marketing of a product or service.

Steps in Setting up a Business

There are still some fundamental steps that any business needs to follow to get started.

Step 1 – Write a Business Plan

Step 2 – Get Help and Training

Step 3 – Choose Your Business Location

Step 4 - Understand your Financing Options

Step 5 – Decide on a Business Structure

Step 6 – Register Your Business Name (“Doing Business As”)

Step 7 – Get a Tax ID

- Step 8 – Register with Tax Authorities
- Step 9 - Apply for Permits and Licenses
- Step 10 - Hiring Employees.

Setting up a Small Scale Unit

Introduction

A small scale unit is normally a one-man show and even in the case of a partnership the activities are mainly carried out by the active partner and the rest are sleeping partners. The area of operation of small units is localized, catering to the local or regional demand. Small industries are fairly intensive with comparatively smaller capital investment than the larger units. Therefore, these units are more suited for economics where capital is scarce, and there is an abundant supply of labor. The Ministry of Small Scale Industries has now merged with the Ministry of Agro and Rural Industries to form the Ministry of Micro, Small, and Medium Enterprises (MSME).

Procedures for Setting up of a Small Scale Business

Small Scale Business provides more independence than the large scale business and through this type of business one can fulfill their dream to become an entrepreneur. It eliminates much of the overhead expense and extensive planning required in larger business ventures. One can set up small-scale industries by following the simple procedures, which are as follows.

The Procedure for setting-up a small scale industrial unit is given below:

- Selection of product and preparation of project profiles
- Direct purchase of land or obtaining land in development Area/ development plot or obtaining shed in the industrial estates or mini industrial estates.
- Registration in case of formation of company /partnership concern.
- Agreement with foreign collaborator, if any
- Obtaining letter of intent/DGTD Registration/provisional SSI registration as the case may be.

- Obtaining foreign collaboration approval from government of India.
- Preparation of detailed project report.
- Obtaining CG clearance, import license etc.
- Applying for power connection to kerala state Electricity Board.
- Sanction by financial Institutions- state of civil construction after obtaining clearances from local authority and other statutory organisations.
- Opening letter of credit for imported machinery and equipments, if any.
- Selection of personnel – administrative and technical for running the industry
- Placement of orders for supply of indigeneous machinery
- Completion of civil works.
- Delivery of imported equipments.
- Delivery of indigenous equipments.
- Erection of machinery and equipments.
- Obtaining clearance from pollution control board.
- Trial run and commissioning of plant
- Start of commercial production
- Arrangements for sale of products.
- Obtain industrial licence/DGTD Re-validation/permanent SSI Registration.

Decision Making: First of all, you need to prepare the description for the small scale industry you want to set up. It is necessary to decide whether you wish to set up a corporation, proprietorship or partnership.

Scanning of Business Environment: Before setting up your industry, it is always essential to study and understand the prevailing business environment in which they operate particularly the industrial policy, economic policy, licensing policy, legal environment, and technological environment.

Product Selection: You need to decide the product you wish to manufacture or the service you wish to offer. While choosing the

product or service you want to offer, you must conduct a good market research and learn about the prevailing competition in the market.

Location: You need to choose a location to set up your small scale industry. While choosing the location such factors such as nearness to market, sources of material availability of raw materials, labor, transportation services, modern infrastructural facilities and other things are considered.

Technology: To manufacture any item, technology is used. The entrepreneur should collect information on all available technologies, and the most suitable one should be identified.

Project: Project appraisal means the assessment of a project. It is a technique for ex-ante analysis of a scheme or project while preparing to set up an enterprise; the entrepreneur has to appraise the project carefully from the standpoint of economic, financial, technical, market, social and managerial aspects to arrive at the most socially-feasible enterprise.

Finance: Finance is the lifeblood of the enterprise. So, the next big step is to arrange for finance. No business can be created, with zero capital. If you don't have enough finance and then the best way is to borrow or take a loan.

Provisional Registration: It is always worthwhile to get the unit registered with the government. The entrepreneur has to obtain the prescribed application from DIC or Directorate of Industries.

Production Management: Production management is the next step, once you can start your small scale industry. This includes allocating space for different operations and choosing your production methods.

Power and Water Connection: The sites where the enterprise will be located should either have adequate power connections, or it should be arranged. The entrepreneur can calculate the total power requirement and determine the nearest pole from which power will be given to the enterprise, as it can materially affect the installation cost.

Installation of Machinery: Once the above formalities have been completed; the next step is to procure machinery and begin its installation as per the plant layout.

Insurance: It is necessary to have adequate insurance for fixed assets at this stage and later on for the current assets as well.

Recruitment of Manpower: Once machines are installed, the need for manpower arises to run them. So, the quantum and type of manpower are to be decided. The sources of getting desired labor are also important. This follows the recruitment, training, and placement.

Production: The unit established should have an organizational set-up. To operate optimally, the organization should employ its manpower, machinery, and methods effectively.

Marketing: Marketing is the most important activity as far as the entrepreneurial development is concerned. Marketing and business advertising form the next big step of setting up a small scale industry.

Quality Assurance: Before marketing, the product quality certification from BIS (Bureau of Indian Standard)/AGMARK/HALLMARK, etc., should be obtained depending upon the product.

Permanent Registration: After the small scale unit goes into production and marketing, it becomes eligible to get permanent registration based on its provisional registration from the DIC or Directorate of Industries.

Market Research: Once the product or service is introduced in the market, there is strong need for continuous market research to assess needs and areas for modification, up gradation and growth.

Monitoring: Periodical monitoring and evaluation not only of markets but also production, quality, and profitability help in knowing where the firm stands in comparison to performance envisaged in the business plan.

Conclusion

It can be concluded that setting up small scale industries is not a difficult task. The procedure of small scale industries is simple and easy than the large scale industries. So, if one wants to set up an industry, one can surely go for it. It is profitable, easier and helps in the growth of the economy of the country.

CHAPTER IV

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