

ENTREPRENEURSHIP DEVELOPMENT AND MANAGEMENT

M.L. Sharma



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ENTREPRENEURSHIP DEVELOPMENT AND MANAGEMENT

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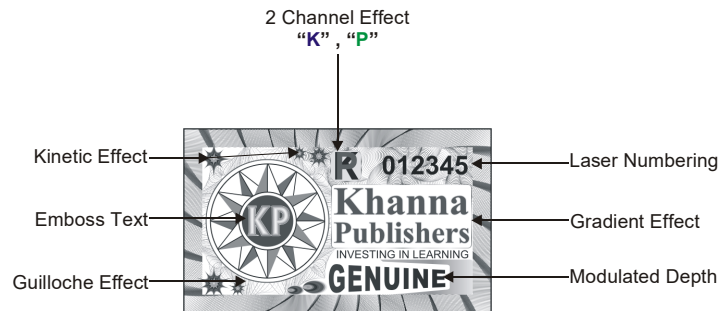
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Preface

Dr. APJ Abdul Kalam, a renowned scientist and former President of India, addressing students on the occasion of IIT-Bombay's 54th Foundation Day exhorted the students to inculcate innovative habits to set up more enterprises rather than running after jobs. He suggested that an education system that highlights the importance of entrepreneurship should be created. He said "In the present context, the education system has to be designed to see that we generate a large number of employment generators and not employment seekers." To achieve this, Kalam listed a three-pronged strategy that will make education more attractive, skill imparting and simultaneously create employment potential.

Firstly, the education system should prepare students to get oriented towards setting up enterprises, which will provide them creativity, freedom and ability to generate wealth. Secondly, the banking system should provide venture capital to the graduates' who have aptitude and keenness to create their own new enterprises.

Thirdly, entrepreneurs have to produce competitive products for becoming successful in their missions.

The Indian education system though one of the credible ones among developing nations, leaves a lot to be desired, especially on the entrepreneurial front. To keep pace and plug gaps, the Government of India has replaced 34-year-old National Policy on Education, with the National Education Policy of 2020 (NEP). The NEP on one hand promises to make sweeping reforms in education and research, whereas, on the other hand it aims to create new possibilities for life-long learning, besides making it industry-oriented with emphasis on entrepreneurship.

The overarching goal of the entrepreneurial revolution has been woven in the NEP in the sense that it aspires to make young generation more imaginative, innovative, ingenious, proactive, pioneering, prospect oriented. This is at the core of entrepreneurship and is also a competence that all demography increasingly needs to have in today's environment, regardless of career choice.

The NEP, promotes student entrepreneurs with the exposure to vocational education in partnership with industry and in alignment with the Sustainable Development Goal 4.4 (SDG) adopted at the United Nations Sustainable Development Summit held in New York in September, 2015 which stipulates. By 2030, substantially increase number of youth and adults who have relevant skills, for employment, decent jobs and entrepreneurship.

Integration of vocational education with educational offerings in all institutions by choosing focus areas based on skills gap analysis and mapping of local opportunities will develop entrepreneurial competencies besides capacities and will go a long way to make vocational education a part of the larger vision of holistic education. Studying for higher education, after completing the secondary school stage, is the most critical stage of a student to decide about the career. Unfortunately, Indian education system has not generated much interest among the students to choose entrepreneurship as an alternative career apart from searching for jobs in both public and private sectors. Adequate importance need to be given to motivating, encouraging and handholding the students for launching their own enterprises.

Apart from creating awareness and self confidence among the students for entrepreneurship as a career option some other practical help could be given to them. Students should be made aware of various government policies and support systems and agencies existing to lend guidance

and assistance to prospective entrepreneurs and they can be facilitated to avail loans from banks and financial institutions.

It is heartening to note that many educational institutions and universities have already started including in their curriculum the subject relating to various aspects of Entrepreneurship, setting up of an enterprise and management thereof. With this end in view the present book by authors has been attempted to give an overview of various steps involved in setting up an enterprise and managing it efficiently and effectively. It is expected that it will give adequate information to aspiring students to have a feel of real life situation in the area of entrepreneurship, opportunities and challenges, so as to equip them to take a considered decision to venture into this field. Although various topics covered in this book are a subject in their own area, an attempt has been made to make students aware of salient aspects of all these subjects.

Lot of material available on the internet, on various websites of Government of India, MSME supporting institutions/organizations, industrial organizations, associations and different books available on various relevant subjects have been referred. We are grateful to all the authors and organizations that have placed useful information on the internet.

We are highly grateful to Shri R.K. Jain, a renowned author of several engineering books and a couple of lifestyle books to have motivated us to attempt this book and for providing his able guidance and various salient inputs in the process. We are also thankful to M/s Khanna Publishers for having agreed to undertake publishing of this book, which we believe will encourage students pursuing higher education, technical or management oriented, to seriously consider entrepreneurship as an alternative career.

Er. M. L. Sharma
Neelam Sharma

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SECTION - A
ENTREPRENEURSHIP

1

ENTREPRENEUR *and* ENTREPRENEURSHIP

The Indian education system though one of the credible ones among developing nations, leaves a lot to be desired, especially on the entrepreneurial front. To keep pace and plug gaps, the Government of India has replaced 34-year-old National Policy on Education, with the National Education Policy of 2020 (NEP). The NEP, as approved by the Union Cabinet, on one hand promises to make sweeping reforms in education and research, whereas, on the other hand it aims to create new possibilities for life-long learning, besides making it industry-oriented with emphasis on entrepreneurship.

With this end in view integration of entrepreneurial curricula into the mainstream education including technical education can help motivate students to choose entrepreneurship as an alternative career apart from searching for jobs in both public and private sectors.

This chapter covers basics of entrepreneurship and the support systems available to help one embark on this journey.

Contents

1.1 Concept/Meaning and its need

1.2 Qualities and Functions of Entrepreneur and barriers in Entrepreneurship

1.3 Types of Organizations; Sole Proprietorship, Partnership, joint Stock Company

1.4 Schemes of assistance by various entrepreneurship support agencies

Quick Revision

Short answer Questions

Success story

REALIZE YOUR DREAMS.....

“All our dreams can come true, if we have the courage to pursue them.” **Walt Disney**

“You have to have the courage to follow your dreams because there will always be obstacles you have to face before you reach your dream” **April Williams, Owner of Peach Blossom**

Keep away from people who try to belittle your ambitions. Small people always do that, but the really great make you feel that you, too, can become great. – Mark Twain

ENTREPRENEUR

The entrepreneur is defined as someone who has the ability and desire to establish, administer and succeed in a startup venture along with risk attached to it and to make profits. The best example of entrepreneurship is the starting of a new business venture. The entrepreneurs are often known as a source of new ideas or innovators, and bring new ideas in the market by replacing old with a new invention.

It can be classified into small or home business to multinational companies. In economics, the profits that an entrepreneur makes are obtained with utilization of a combination of **land, natural resources, labor and capital**.

An entrepreneur is an individual who creates a new business idea, implements it bearing most of the financial risks and enjoying most of the rewards. The entrepreneur is commonly seen as an innovator, a source of new ideas, goods, services, business or procedures.

In simple words, we can say:

- A person who undertakes the risk of starting a new business venture is called an entrepreneur.
- An entrepreneur creates a firm, which makes use of capital (money) and labor in order to produce goods or services for profit.
- Entrepreneurship is an important driver of economic growth and innovation.
- Entrepreneurship is high-risk, but also can be high-reward as it serves to generate economic wealth, growth, and innovation.

Dictionary meaning of an entrepreneur... *"a person who sets up a business or businesses, taking on financial risks in the hope of profit."*

Economists have never had a consistent definition of "entrepreneur" or "entrepreneurship" (the word "entrepreneur" comes from the French verb 'entreprendre', meaning "to undertake").

In a nutshell, anyone who has the will and determination to start a new company and deals with all the risks that go with it can become an Entrepreneur.

Entrepreneurs play a **key role** in any economy, using the skills and initiative necessary to anticipate 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 relevant in the markets.

Unemployment has been a huge issue for the Indian economy for a long time but with startups growing at a fast rate, entrepreneurs are also enabling the economy by making way for more and more jobs. Slowly there has been a change in the trends as well; *fresh graduates instead of opting for multinational companies or big corporations are looking at joining start-ups for experience and better growth. India's youth are job creators today.*

It is time for change. Time to realize that government, on their own cannot provide us with permanent secured jobs and growing standard of living; Time to accept that the solutions to our problems lie in our hands. We need to foster a spirit of self-reliance and determination to take charge of our future. The next decade will provide greater opportunities for enterprise and initiative than we have even seen before. The extent to which our generation will accept this challenge will determine our future levels of employment and national wealth.

1.1 CONCEPT/MEANING AND ITS NEED

Entrepreneurship is the willingness and ability of an individual to seek out investment opportunities, establish and run an enterprise successfully. The concept of entrepreneurship has

been associated with several activities concerned with the establishment and operations of the business – enterprises. **Prof. Howard Stevenson** of Harvard Business School defines *entrepreneurship* as the process of creating value by putting together a unique package of resources to exploit an opportunity. *Entrepreneurship is the ability to create and build something from practically nothing.* It is initiating, doing, achieving, risk – taking and building an enterprise. Entrepreneurship is the practice of starting new organizations or revitalizing mature organizations, particularly new businesses generally in response to identified new opportunities.

An **Entrepreneur** is a person who has possession of a new enterprise, venture or idea and is accountable for the inherent risks and the outcome. The term was originally derived from French and was first defined by the Irish-French economist **Richard Cantillon**. Entrepreneur in English is a term applied to a person who is willing to launch a new venture or enterprise and accept full responsibility for the outcome. **Jean Baptiste Say**, a French economist, is believed to have coined the word “entrepreneur” in the 19th century - he defined an entrepreneur as “one who undertakes an enterprise, especially a contractor, acting as intermediary between capital and labor”. A broader definition by French Economist J.B. Say “The entrepreneur shifts economic resources out of lower and into higher productivity and greater yield.”

For starting any production activity, we need some resources, mainly; land/ natural resources, labor and capital (money). In addition to these resources, entrepreneurship is also one of the resources economists categorize as essential requirement for production. An entrepreneur combines the first three of these to manufacture goods or provide services. They typically create a business plan, hire labor, acquire resources and financing, and provide leadership and management for the business.

Businessman and Entrepreneur

It is a common assumption that businessman and entrepreneur are the same, but both words refer to a different individual possessing a distinct approach to business. To put it in other words, a businessman follows a *set path* engraved by some other person with an unoriginal idea, whereas an entrepreneur thinks and believes in making his *own path* with new ideas.

In the future, an entrepreneur can become a businessman. However, between businessman and entrepreneur, there is a thin line, difference being, *businessman is a market player, whereas, the entrepreneur is a market leader.*

Who is a Businessman?

A businessman is an individual who operates or starts a business with the same old business idea. The businessman chooses to do business that is high in demand or give him maximum profits in return. The firm faces stiff competition because many companies already exist in the market having the same business ideas. However, the risk factor is very less as the concept has been tried and tested by other existing companies, so the chance of failure is low.

Who is an Entrepreneur?

An entrepreneur is an individual who has an exclusive idea to initiate and establish a new venture and bring a change in the world. An entrepreneur is highly creative and innovative, takes a risk and endures the unpredictability of business. The business started by entrepreneurs with a new concept for the first time is known as Start-up. The entrepreneur is an integral part of the operation, which builds and deploys the other functions of the operations i.e. labor, land, and capital. Later in the future, the entrepreneur becomes a businessman.

Concept of Entrepreneurship

Entrepreneurship is the ability and readiness to develop, organize and run a business enterprise, along with any of its uncertainties in order to make a profit. The most prominent example of entrepreneurship is the starting of new businesses.

In economics, entrepreneurship is connected with land, labor, natural resources and capital and can generate a profit. The entrepreneurial vision is defined by discovery and risk-taking and is an indispensable part of a nation's capacity to succeed in an ever-changing and more competitive global marketplace.

1.2 QUALITIES AND FUNCTIONS OF ENTREPRENEUR AND BARRIERS IN ENTREPRENEURSHIP

"I knew that if I failed I wouldn't regret that, but I knew the one thing I might regret is not trying."

-Jeff Bezos, founder and CEO Amazon

"Achievement seems to be connected with action. Successful men and women keep moving. They make mistakes but they don't quit." - **Conrad Hilton (founder of Hilton Hotels)**

"Don't worry about being successful but work toward being significant and the success will naturally follow." **Oprah Winfrey**

To become an entrepreneur one must be determined and ambitious. Motivation is a social or psychological call to action or an innate drive for success – success requires motivation.

Qualities of an Entrepreneur

An entrepreneur is a job-giver and not a job-seeker. This means that 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) Risk taking capacity
- (e) Hunger for success.
- (f) Self-confidence and self-faith.
- (g) Sustained enthusiasm.
- (h) Single-mindedness.
- (i) Strong reality orientation.
- (j) Willingness to accept responsibility.
- (k) Courage.
- (l) Ability to survive defeat.
- (m) Become wealthy and stay humble.

An entrepreneur is a highly achievement oriented, enthusiastic and energetic individual.

Characteristics of Entrepreneurship:

Successful entrepreneurs are action-oriented; they have the ability to visualize the steps from idea to actualization. They are both thinkers and doers, planners and workers, get involved; they adopt a hands-on approach, enterprise always consists of action in uncertainty, accept risk but understand and manage it; overcome rather than avoid mistakes; they don't admit they are beaten, see themselves as responsible for their own destiny, they are dedicated, setting self-determined goals and believe in creating markets for their ideas, not just in responding to existing market demands.

An entrepreneur is a job-giver and not a job-seeker. This means that he is his own boss. There are many definite characteristics that make entrepreneurship successful. A few of them are mentioned below:

1. Risk management- Entrepreneurs take prudent risks. They assess costs, market/customer needs and persuade others to join and help. An entrepreneur is usually a positive thinker and a decision maker. Starting any new venture involves a considerable amount of failure risk. Therefore, an entrepreneur needs to be courageous and able to evaluate and take risks, which is an essential part of being an entrepreneur.

2. Innovation- He should be highly innovative to generate new ideas, start a company and earn profits out of it. Change can be the launching of a new product that is new to the market or a process that does the same thing but in a more efficient and economical way.

3. Visionary and Leadership quality- The entrepreneur has an enthusiastic vision, the driving force of an enterprise. To be successful, the entrepreneur should have a clear vision of his new venture. However, to turn the idea into reality, a lot of resources and employees are required. Here, leadership quality is paramount because leaders impart and guide their employees towards the right path of success.

4. Open-Minded- In a business, every circumstance can be an opportunity and used for the benefit of a company. For example, 'Paytm' recognized the gravity of demonetization and acknowledged that the need for online transactions would be more, so it utilized the situation and expanded massively during this time.

5. Flexible- An entrepreneur should be flexible and open to change according to the situation. To be on the top, a businessperson should be equipped to embrace change in a product and service, as and when needed.

6. Know your Product- A company owner should know the product offerings and also be aware of the latest trend in the market. It is essential to know if the available product or service meets the demands of the current market, or whether it is time to tweak or modify it a little. Being able to be accountable and then alter as needed is a vital part of entrepreneurship.

FUNCTIONS / CONTRIBUTIONS OF ENTREPRENEURS

1. Develop new markets.

Under the modern concept of marketing, markets are the people who are willing and able to satisfy their needs. In Economics, this is called effective demand. Entrepreneurs are resourceful and creative. They can create customers or buyers. This makes entrepreneurs different from ordinary businessmen who only perform traditional functions of management like planning, organization, and coordination.

2. Discover new sources of materials.

Entrepreneurs are never satisfied with traditional or existing sources of materials. Due to their innovative nature, they persist on discovering new sources of materials to improve their enterprises. In business, those who can develop new sources of materials enjoy a comparative advantage in terms of supply, cost and quality.

3. Mobilize capital resources.

Entrepreneurs are the organizers and coordinators of the major factors of production, such as land, labor and capital. They properly mix these factors of production to create goods and services. Capital resources, from a layman's view, refer to money. However, in economics, capital resources represent machines, buildings, and other physical productive resources. Entrepreneurs have initiative and self-confidence in accumulating and mobilizing capital resources for new business or business expansion.

4. Introduce new technologies, new industries and new products.

Apart from being innovators and reasonable risk-takers, entrepreneurs take advantage of business opportunities, and transform these into profits. So, they introduce something new or

something different. Such entrepreneurial spirit has greatly contributed to the modernization of our economy. Every year, there are new technologies and new products. All of these are intended to satisfy human needs in more convenient and pleasant way.

5. Create employment.

The biggest employer is the private business sector. Millions of jobs are provided by the factories, service industries, agricultural enterprises, and the numerous small-scale businesses. For instance, the super department stores like Big Bazaar, Reliance Fresh, SM, Uniwide, Robinson and others employ thousands of workers. Likewise giant corporations like Infosys, TCS, Reliance Industries and Mahindra group of companies are great job creators. Such massive employment has multiplier and accelerator effects in the whole economy. More jobs mean more incomes. This increases demand for goods and services. This stimulates production. Again, more production requires more employment.

Challenges before Entrepreneurs in India

The problems faced by Indian entrepreneurs are depicted below:

1. To follow marketing techniques that are result and consumer-oriented

Marketing is a big challenge before every Indian entrepreneur. He has to select an efficient and experienced marketing team. He must train and develop this team into a result-oriented one. He must motivate his marketing team with high salaries, attractive incentives and good commissions.

Indian entrepreneur must try his level best to satisfy needs and expectations of his customers. He must use marketing research and produce his product by taking into consideration the consumers' likes and preferences. He must sell high-quality goods at lower prices. He must also provide after-sale services. In short, he must make his business a consumer-oriented and service oriented one. He must always give his customers full value for their money. If not, they will lose trust in his brand and go to the competitors.

2. To understand, tackle and survive the era of globalization

Till some time back the Indian entrepreneurs had to fight regional and national competition. However, today, the scenario has changed and become much more complex than what it was earlier. Now, almost all countries have opened up their economies, and the world (globe) has become one giant global market.

To survive this competitive era of globalization, Indian entrepreneurs must prepare themselves with new, better, and innovative business tactics and skills. They must accept this global challenge willingly and try their best to seek business opportunities to establish their dominant place in this ever-changing and always challenging open market.

3. To improve production process and produce high-quality goods

They must replace all outdated plants and machineries with new modern ones. They must provide continuous training to their production staff. They must use good quality raw-materials to produce high quality finished goods.

They must have a good Inventory Control system. This will avoid Over-stocking and Under-stocking. Over-stocking blocks the working capital, and Under-stocking blocks the production process. Indian entrepreneurs should use a part of their profits for Research and Development (R&D). They must pay special attention to Quality Control (QC). Nowadays most companies also use Total Quality Management (TQM) to ensure their finished goods are of good quality. (TQM is discussed in detail in a subsequent chapter).

4. To take optimum advantage of business opportunities that arose due to liberalization of Indian economy since 1991

The Government of India (GOI) started the process of liberalization in India in year 1991. With its initiation, private entrepreneurs were granted liberty (freedom) to start any business in any

open domain (unreserved sector) of choice without the need for a license. However, this openness came with few exceptions that were strictly restricted only for Indian government to operate and manage, this included Railways, Water Supply, Defence, and other reserved public sectors.

India's liberalization of 1991 opened a gift-box of many new business opportunities for entrepreneurs. Now, the challenge before Indian entrepreneurs is how to take optimum advantage of these business opportunities in India. Again this is not an easy task to accomplish, rising cut-throat competition has made it much more difficult for both Indian and foreign companies. However, Indian entrepreneurs can beat this enormous competition by focusing more on selling high-quality yet unique goods and services at lowest prices feasible

5. To replace outdated technology with improved modern technology

Modern technology not only improves quality of produced goods and services, but it also helps to reduce their cost of production. It speeds up their process of production. High-quality commodities, lower cost of production and faster production rate makes any company a highly competitive one. Therefore, it becomes mandatory for every company to keep pace with new emerging technologies and adapt it regularly to remain as cut-throat as possible.

It is always better to replace outdated technology with the new technology. Old machines must be replaced by modern machines. This is a big challenge before an Indian entrepreneur. If he has a financial problem, then he must try to maintain a good balance between old and new technology. He also has a challenge to train his staff well to make them able to use (handle) the modern machines and technology properly.

6. To motivate and properly manage needs and expectations of women and young managers that makes an Indian workforce

In the recent decade, the workforce in India has undergone a remarkable change. Statistics indicate the dominance of men in the workforce is shrinking day-by-day. A new generation of highly educated Indian women has entered the workforce in India. Breaking all traditional and social barriers, they have established themselves as efficient employees and professional managers. Today, it is very common to see a lady professional working in a corporate office. This presence of women in the workforce has brought new challenges before Indian entrepreneurs.

To handle women's workforce-related challenges efficiently, Indian entrepreneurs must know and follow all the special Labor Laws for women. They must provide women staff with better working conditions, safe environment, and other essential facilities. Special care must be taken to see to it that they are treated with dignity and respect. Their grievances or complaints, if any, regarding physical or mental harassment must be addressed immediately and seek prompt actions.

7. To professionally manage the financial activities of the business

Managing the finance of his business is a big challenge for an Indian Entrepreneur. He must manage both Fixed and Working capital properly. He must borrow money from the right source. He must manage his Cash Flow properly. He must invest his excess funds correctly. He must create sufficient Reserves and surpluses.

He must provide for enough depreciation for his fixed assets, so that he can replace them when they become old and outdated. He must provide for repairs and maintenance of machines. He must also take steps to provide for but avoid bad debts.

8. To balance profit earning capacity and social-welfare activities

They must balance between earning high profit and doing social-welfare activities. They must use modern machines without causing unemployment and harm to the environment. They must earn a profit without reducing quality of their goods and services. They must earn a profit

without charging high prices for their products. They must not cause any type of pollution in the society. They must accept their community responsibilities and donate a small part of their profit (money) for social causes.

They must pay all their taxes and duties. They must not use unfair and unethical practices to fight cut throat competition.

Barriers in Entrepreneurship

Entrepreneurship requires a thorough thought process, radical thinking, market know-how, and a strategic plan that is clear and crisp. Also, the vision and mission need to be divided as per the short term and long term goals and objectives. However, easy and simple it may sound on a piece of paper or the PowerPoint presentation slides, there are various *Barriers to Entrepreneurship* that each of the entrepreneurs taking the risk has to face and get through. Some of these are briefly discussed below:

1. Availability and Mobilization of Adequate Finances

Many people are bustling with ideas that are unique and can make for an amazing business start-up. But no matter how good the idea is, it will always need stable finances and funding from the investors to begin the process and take the first step towards journey of entrepreneurship.

Getting a sound financial investment or funding can be one of the biggest barriers to entrepreneurship as many of banks, private investors, angel investors, and organizations find it quite difficult to believe in the start-up ideas owing to the risk of failure and losing their money.

2. Lack of confidence

We all go through the fear of failure. And if the fear is associated with the financial risks and stakes taken in the stream of business and entrepreneurship, the level of fear elevates and it affects not only you but your entire family and others dependent on you.

3. Inadequate planning

Lack of proper planning and strategy in place is one of the most common barriers to entrepreneurship. Many of us persons think to build a business out of a hobby without having any sort of long term and short term vision and plan in mind. Running a fully-fledged business or being an entrepreneur requires a huge amount of skill set, passion for excelling, strategic vision, the mission to accomplish the goals, market research, and a lot more.

Right from the target market, finances, human resources, to a proper strategic plan is required to build a successful business or a brand in the market.

4. Non-availability of right type of Human resource

Entrepreneurs cannot handle and run a business alone by themselves. They require the support of human resource to carve a niche in the market. Employees with the required knowledge, expertise, and experience are needed for the efficiency of the business processes and high levels of productivity.

First of all, it is quite difficult to find the employees that share the same vision and wavelength of the business. Plus paying a hefty annual or even a monthly retainer income is a problem for the start up's as the finances at hand are always limited, and the overheads and expenses are also to be taken care of. Secondly, it is also difficult to manage human resources as each one work with a different mindset and perspective. Hence, non availability of right type of human resources and employees can be as one of the Barriers to Entrepreneurship.

5. Stringent rules and regulations of the market

It is not very easy for entrepreneurs to enter the new market as there are quite many rules and regulations imposed by the government authorities. Plus there are various laws and compliances to be adhered to such as taxation, environmental regulations, licenses, property rights, and much more than act as the Barriers to Entrepreneurship.

ENTREPRENEURSHIP DEVELOPMENT AND MANAGEMENT

About the Book:

This book “Entrepreneurship Development and Management” is for students who desire an indepth knowledge and skills of entrepreneurship. Everyone who wants to take responsibility for their life rather than letting life happen to them. This book presents the subject matter in full conformity with the syllabi prescribed by AICTE. This book is written in simple and lucid manner. Whole text arranged strictly according to diploma engineering pattern. This book provides an insight and proper grip over the topics, as one learns it. The book will help not only students but also the individual, who wants to start his/her business and wants to be entrepreneur. This book also describes the many ways in which organisations help employees develop their personal and organisational skills either as managers in a management job or with an eventual management.

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