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PRINCIPLES OF ENTREPRENEURSHIP AND SMALL BUSINESSES

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PREFACE

Entrepreneurship and Small Business has been the market driving course book on entrepreneurship in the UK for longer than 10 years. Its solidarity comes from its capacity to mix the hypothesis and practice of entrepreneurship, mirroring the foundation of the creator as business visionary, consultant and scholastic. Small scope businesses contribute fundamentally to the advancement cycle and goes about as an imperative connection in the industrialization as far as creation, work and fares for economic thriving by broadening innovative base and utilization of neighborhood crude materials and indigenous abilities. Small scope ventures rule the modern situation in the nation with sizeable extent of workforce and huge fare potential. In India, the 'town and small businesses area' comprises of both 'conventional' and 'current' small enterprises. This area has eight subgroups. They are handlooms, handiworks, coir, sericulture, khadi and town enterprises, small scope ventures and force looms. The last two go under the cutting-edge small enterprises, while the others go under conventional ventures. Town and small ventures together give the biggest business openings in India.

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PREFACE

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CHAPTER 1

INTRODUCTION

1.1 ENTREPRENEURSHIP AND SMALL BUSINESSES

Entrepreneurship and Small Business has been the market driving course book on entrepreneurship in the UK for longer than 10 years. Its solidarity comes from its capacity to mix the hypothesis and practice of entrepreneurship, mirroring the foundation of the creator as business visionary, consultant and scholastic. The significant qualities of the book have been held in the fourth version:

The extraordinary broadness of inclusion which permits an all-encompassing way to deal with the issues confronting the innovative association as it develops;

The manner in which it incorporates hypothesis and examination with work on, utilizing Case experiences and statements from business people in reality;

The drawing in style that makes the book so open and effectively comprehended by understudies, without relinquishing its scholarly substance.

This fourth release has been totally revised and refreshed. It has filled in size – once more. New highlights include:

More Case experiences with a more extensive worldwide inclusion – more than 150 Case bits of knowledge into associations from 17 nations around the globe, including the UK, USA, India, China just as Europe, Asia and the Gulf;

New Practice bits of knowledge that give tips on the best way to complete things or access extra assets;

New parts on the economics of entrepreneurship and public arrangement just as tasks and danger;

Integration of social and metro entrepreneurship with the fundamental body of the book, so it is not, at this point treated as a completely isolated authoritative structure;

Extended inclusion of qualities and morals, corporate social duty, supportable entrepreneurship and enterprising magnanimity;

Greater spotlight on internet and web-based business businesses both in the content and the Case bits of knowledge;

Improved inclusion of lean new businesses and the open doors given to this by the internet;

Improved web-based learning assets that incorporate an educators' manual, PowerPoint slides and 'Meet the Entrepreneur' video contextual analyses just as an intuitive eBook arrangement of the book.

Staying up with the latest is a test in any content that embarks to be down to earth and current. This is accomplished by the broad signposting to sites that proposal state-of-the-art data about associations that include in the Case bits of knowledge just as those contribution commonsense assistance and counsel. I might want to thank each one of those scholarly partners who keep on suggesting the book and the individuals who have recommended upgrades. I trust I have lived up to your desires with this fourth release

The flighty capacity of business people to transform leads into gold or coal into precious stone, which governments have consistently been amped up for the chance of making more business visionaries in their social orders, has made the field entrepreneurship and small business advancement as perhaps the most reliably well-known intercessions financed by benefactors and governments the same. With joblessness startling as the most testing financial issue of the following century, a reestablished center has been set around the significant part which small business play in work creation. The emotional change in the worldwide political economy in the most recent decade has additionally honed governments' advantage in small endeavor and business people. Rarely has there been more noteworthy arrangement among nations on the need to utilize market influences in the reenactment of economic development.

Climate in creating, immature or created countries, everybody perceives the need to grow the private area as the significant instrument for expanding pay. Business visionaries are presently held up to be good examples and one of the quickest developing businesses has become entrepreneurship training the specialty of beginning and maintaining a business.

1. Specialized aptitudes - Having position explicit information and methods that are needed to play out an authoritative job. For example, the supervisor of a café may require

cooking abilities to fill in to a missing cook, bookkeeping and accounting aptitudes to monitor receipts and cost and to regulate the finance, and stylish abilities to keep the eatery looking appealing for customers.

2. Human aptitudes - The capacity to comprehend, modify, lead, and control the conduct of others and gatherings. The capacity to convey and spur individuals and to form people into a durable group recognizing effective from

3. Calculated aptitudes - The capacity to dissect and analyze a circumstance and to recognize circumstances and logical results. Arranging and coordinating require a significant level of applied aptitude. Formal instruction and preparing are significant in assisting laborers with creating reasonable aptitudes. Every one of these aptitudes have suggestion for professional technology in the event that it will create likely business people through its different software engineers of study.

Small scope businesses contribute fundamentally to the advancement cycle and goes about as an imperative connection in the industrialization as far as creation, work and fares for economic thriving by broadening innovative base and utilization of neighborhood crude materials and indigenous abilities. Small scope ventures rule the modern situation in the nation with sizeable extent of workforce and huge fare potential. In India, the 'town and small businesses area' comprises of both 'conventional' and 'current' small enterprises. This area has eight subgroups. They are handlooms, handiworks, coir, sericulture, khadi and town enterprises, small scope ventures and force looms. The last two go under the cutting-edge small enterprises, while the others go under conventional ventures. Town and small ventures together give the biggest business openings in India.

• **BENEFITS OF ENTREPRENEURSHIP**

1. Chance of oversee your own predetermination: claiming a business gave business people freedom and the occasion to accomplish what is critical to them. Business people need to "give orders" in their live, and they utilize their business to rejuvenate this craving. They receive the characteristic benefits of realizing they are main impetuses behind their businesses.

2. Occasion to arrive at your maximum capacity: Too numerous individuals discover their work exhausting, unchallenging, and unexciting. Yet, to most business people there is little contrast between work and play: the two are interchangeable. Business visionaries' businesses become the instrument for self-articulation and self-realization. That is, ability, own energy restricts business visionary's development and that... implies an enterprising circumstance.

3. Occasion to harvest limitless benefits: The benefits their businesses can procure are a significant persuading factor in the business visionary's choices to dispatch organizations. One financial speculator that has financed numerous small organizations says, "Beginning your own organization has consistently been the most ideal approach to make riches. Furthermore, regardless of whether you don't get rich doing it, you will even now have some good times.

4. Occasion to harvest limitless benefits: The benefits their businesses can acquire are a significant rousing component in the business person's choices to dispatch organizations. One investor that has financed numerous small organizations says, "Beginning your own organization has consistently been the most ideal approach to make abundance. Also, regardless of whether you don't get rich doing it, you will at present have some good times.

5. Occasion to do what you appreciate: A typical slant among small business proprietors is that their work isn't work. Best business visionaries decide to enter their specific business fields since they have an interest in them and appreciate those professions. They have made their diversion (interests) their livelihoods (work) and are happy they did! "Gets a new line of work doing what you love, and you will never need to work a day in your life."

1.1.1 Characteristics of an Entrepreneur

The main attributes of a business visionary are his accomplishment inspiration. Any remaining qualities exude from accomplishment inspiration. Effective business people are activity situated; they can envision the means from thought to realization. A business visionary is an occupation provider and not a work – searcher. That implies he works for himself. The attributes which make him his own supervisor are given underneath:

- a) Strong accomplishment direction
- b) Unwavering assurance and responsibility
- c) Self-dependence and autonomy.
- d) Hunger for progress
- e) Self-certainty and self – confidence
- f) Sustained eagerness
- g) Single-mindedness
- h) Strong reality direction.
- I) Willingness to acknowledge obligation
- j) Courage

1.1.2 Importance of Entrepreneurship

Thriving of a country relies upon the advancement of its economy. Each country has a duty to guarantee economic advancement to improve the expectations for everyday comforts of the individuals, dispense with destitution and backwardness. The cycle of economic advancement includes improvement in Gross National Product and relies upon the use of actual common assets by the human assets to understand the profitable capability of the country. It requires increment underway and level of utilization. In a work plentiful yet capital short economy like India, there is impediment to the public authority in straightforwardly including itself in expanding efficiency thinking about the extreme budgetary requirement for reserves and the squeezing need for higher interest in the wildernesses of social turn of events.

Consequently, individuals need to approach to draw in themselves in gainful exercises by beginning their own modern unit's work. At the point when an ever-increasing number of people approach to begin their undertakings, anyway small it could be, and run the endeavor, productively and effectively, the profitability of the country will naturally improve. The public authority actualizes various software engineers to prompt independent work and to create entrepreneurship in the nation. Thus, advancement of

entrepreneurship and business person are sine-qua-non for the economic flourishing of the country. Following are the reasons why entrepreneurship holds indispensable job in an economy:

Makes abundance for country and for people too: All people who search business openings generally make abundance by going into entrepreneurship

work to tremendous mass of individuals: People frequently hold a view that each one of the individuals who don't go anyplace bounce into entrepreneurship, a genuine differentiation to this is that 76% of foundations of new business in the year 2003 were because of a yearning to pursue openings. This stresses the way that entrepreneurship isn't at all an encumbrance to an economy.

Contributed towards innovative work framework: Almost 2-3% of all advancements are because of the business visionaries without the blast of developments the world would have been a much dry spot to live Inventions gives a simpler method of improving and normalized technology

1.1.3 Entrepreneur and Entrepreneurship

The idea of entrepreneurship has developed for quite a while yet its ubiquity has not picked up such a great amount for quite a while. Yet, through revival, the idea has accomplished so much notoriety that after its perception, a firm thought has been grown up about its abrupt revelation. Entrepreneurship is one of the four standard economic variables, viz., land, work, capital and entrepreneurship.

The word itself has been gotten from the French word business visionary in the seventeenth century, which implies the individual who attempts the danger of new endeavor. The people would attempt crafted by a contractual worker and bear the danger of benefit or misfortune. Early references to the business person can be followed out in the fourteenth century when the term showed about duty temporary workers who paid a fixed amount of cash to an administration for acquiring the permit to gather charges in their locale. From that point, entrepreneurship was a typical subject in economic articles in the eighteenth and nineteenth hundred of years.

The early French, British and Austrian market analysts were striking in this regard and expounded astonishingly on business people as the changing specialist of reformist economies. A French business analyst, Richard Canutillo was the main man to be credited with giving the idea of entrepreneurship a focal job in economics as depicted in his distribution in 1755. In the assessment of Canutillo, business people deliberately settle on choices about asset allotment. He recognized the business visionaries as the specialists who buy methods for creation to join them to deliver an item to sell at value that are questionable right now at which he invests in his expense.

Adam Smith deciphered the work "enterpriser" in his renowned book, *Wealth of Nation* in 1776 as an individual endeavor the development of an association for business purposes. In his view, business visionaries responded to economic change, subsequently turning into the economic specialists who changed interest into supply.

A couple of many years after the fact from Canutillo, the idea of entrepreneurship has picked up straightforwardness. Another French financial analyst, J.B. State in his book, *A Treatise on Political Economy* initially distributed in 1803 recognized a business visionary as an individual who had certain expressions and aptitudes of making new economic undertakings and who had additionally an excellent knowledge into society's requirements and had the option to fulfill them. In 1848, the British market analyst, John Stuart Mill dissected the need of entrepreneurship in private area.

1.1.4 Micro, Small and Medium Enterprises

The possibility that entrepreneurship and economic development are intently and decidedly connected together has without a doubt advanced since long. To quote Adam smith, when the division of work increments, so will economically turn of events. An expansion in the quantity of business visionaries prompts an increment in economic development. This effect is an aftereffect of the solid articulation of their abilities, and all the more absolutely, their affinity to develop. Entrepreneurship is a vital marker of economic improvement of any nation.

As increasingly more of the populace gets associated with circumstance entrepreneurship and as an ever-increasing number of individuals discharge need entrepreneurship the more, we see rising degrees of economic turn of events. In different terms, the "main

thrust of the market" Entrepreneurs make new businesses, and new businesses thusly make occupations, heighten.

1.2 TYPES OF SMALL BUSINESS

It is imperative to realize how size is characterized in our nation, concerning small enterprises and small business foundations. A few boundaries can be utilized to quantify the size of business units. These incorporate the quantity of people utilized in business; capital put resources into business, volume of yield or estimation of yield of business and force devoured for business exercises. Be that as it may, there is no boundary which is without impediments. Contingent upon the need, the measures can differ.

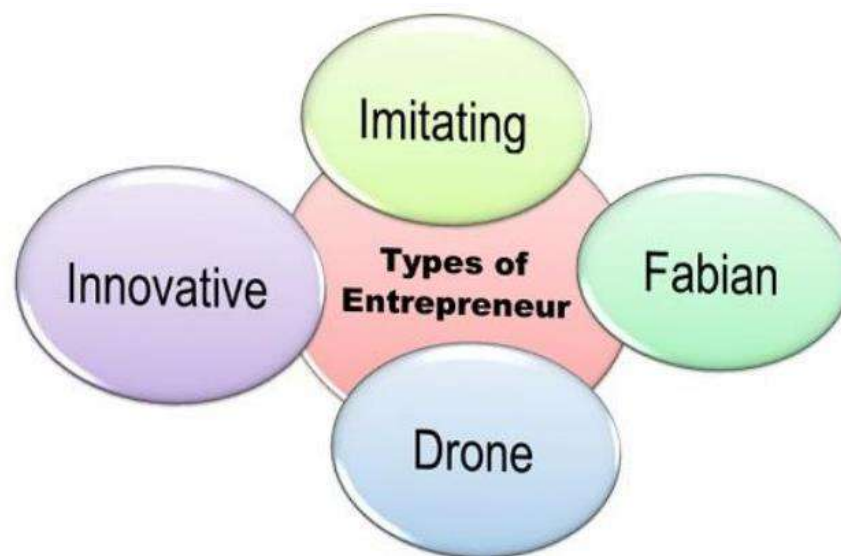


Figure 1.1: Types of Small Business

The definition utilized by the Government of India to depict small businesses depends on the interest in plant and hardware. This measure looks to keep in view the socioeconomic climate in India where capital is scant and work is bountiful. The rise of an enormous administrations area has required the public authority to incorporate different ventures covering both Small-Scale Industries (SSI) area and related assistance substances under a similar umbrella.

Extension of the small scope ventures was occurring developing into medium scale undertakings and they were needed to receive more significant levels of innovations to stay serious in a quick globalizing world. Subsequently, it was important to address the worries of such endeavors miniature, small and medium and give them a solitary lawful

structure. The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 delivers these issues identifying with definition, credit, showcasing and technology up degree. Medium scale undertakings and administration related ventures likewise go under the domain of this Act. The MSMED Act, 2006 came into power October, 2006. In like manner, undertakings are ordered into two significant classes' viz., assembling and administrations.

1.2.1 Manufacturing

On account of undertakings occupied with the manufacture or creation of merchandise relating to any businesses determined in the principal timetable to the industries (Development and Regulation) Act, 1951, there are three kinds of ventures:

- (I) Micro endeavor: where the interest in plant and hardware doesn't surpass 25 lakh rupees.
- (ii) Small endeavor: where the interest in plant and hardware is in excess of 25 lakh rupees however doesn't surpass five crore rupees.
- (iii) Medium venture: where the interest in plant and hardware is in excess of five corer rupees however doesn't surpass ten crores' rupees.

1.3 ROLE OF SMALL BUSINESS IN INDIA

Small Scale Industries in India appreciate an unmistakable situation considering their commitment to the financial improvement of the nation. The accompanying focuses feature their commitment.

- (I) the commitment of small enterprises to the reasonable territorial improvement of our nation is essential. Small ventures in India represent 95 percent of the modern units in the nation.
- (ii) Small enterprises are the second biggest bosses of human assets, after horticulture. They produce a greater number of work openings per unit of capital contributed contrasted with enormous enterprises. They are, hence, viewed as more work concentrated and less capital escalated. This is a help for a work overflow nation like India.

(iii) Small businesses in our nation supply a tremendous assortment of items which incorporate mass utilization merchandise, readymade articles of clothing, hosiery products, writing material things, cleansers and cleansers, homegrown utensils, cowhide, plastic and elastic products, prepared nourishments and vegetables, wood and steel furniture, paints, stains, wellbeing matches, and so forth Among the complex things manufactured are electric and electronic merchandise like TVs, mini-computers, electro-clinical hardware, electronic training helps like overhead projectors, cooling gear, medications and drugs, rural devices and hardware and a few other designing items.

An exceptional notice should be made of handlooms, handiworks and different items from conventional town enterprises taking into account their fare esteem. (See Box A which features the significant business bunches that go under the domain of small enterprises according to the order set somewhere near the public authority.)

(iv) Small businesses which produce straightforward items utilizing basic innovations and rely upon locally accessible assets both material and work can be set up anyplace in the nation. Since they can be generally spread with no professional imperatives, the advantages of industrialization can be procured by each area. They, subsequently, contribute fundamentally to the decent improvement of the nation.

(v) Small enterprises give sufficient occasion to entrepreneurship. The dormant abilities and gifts of individuals can be directed into business thoughts which can be changed over into reality with minimal capital speculation and nearly nil customs to begin a small business.

(vi) Small enterprises additionally appreciate the upside of ease of creation. Locally accessible assets are more affordable. Foundation and running expenses of small ventures are on the lower side in light of low overhead costs. Contaminate, the minimal effort of creation which small businesses appreciate is their serious strength.

(vii) Due to the small size of the associations, brisk and convenient choices can be taken without speaking with numerous individuals as it occurs in enormous measured associations. New business open doors can be caught at the correct time.

1.3.1 Government Assistance to Small Business Units

Keeping in view the commitment of small business to work age, adjusted provincial improvement of the nation, and advancement of fares, the Government of India's approach push has been on building up, advancing and building up the small business area, especially the country enterprises and the bungalow and town ventures in reverse regions. Governments both at the focal and state level have been effectively taking an interest in advancing independent work openings in country territories by giving help with deference of framework, account, technology, preparing, crude materials, and promoting. The different approaches and plans of Government help for the improvement of rustic enterprises demand the usage of nearby assets and crude materials and locally accessible labor.

These are converted without hesitation through different offices, divisions, companies, and so on, all going under the domain of the enterprise's office. All these are fundamentally worried about the advancement of small and country ventures. A portion of the help gauges and modified implied for the advancement of small and country ventures.

1.4 FACTORS INFLUENCING ENTREPRENEURSHIP

1. Instructive: There is a need to have intense changes in instructive example to make it more applicable to the requirements of the time, economic, social and world of politics. An ever-increasing number of youthful personalities should be prepared to make roads for independent work. Planning a reasonable customized of innovative training and presentation of entrepreneurship, as a subject for concentrate even at the school level to cause the youthful personalities to understand the significance of entrepreneurship are the need of great importance.

2. Lawful: The law should ensure the feeble till the time they need it. Business people in small areas have restricted assets and can't rival enormous scope manufactures. Reservation of specific things of items for selective creation in small area is one such legitimate measure to secure the interests for small-scale business visionaries.

3. Foundation: Land and processing plant sheds at concessional rates, sufficient stockpile of intensity, water, coal and different wellsprings of energy, transport offices, accessibility of carts, supply of crude materials and other actual offices should be given by the Government to encourage setting up of new undertaking.

4. Institutional: Entrepreneurs need guidance on the lines of manufacture, which might be reasonable, wellsprings of crude materials, money and different offices like specialized skill, devices and supplies, and so on the business people additionally need to think about the chances.

5. Monetary: The requirements for fixed and working capital should be enough required; if the new undertakings are to serve and develop. The absence of monetary assets dissuades likely business people to begin new pursuits.

6. Communicational: The data hole pushes numerous enterprising endeavors towards elimination. Except if a business person thought about the market possibilities, rivalry on the lookout, innovative and different turns of events, and the business visionaries isn't probably going to prevail in the endeavor

1.5 ENTREPRENEURSHIP: THE SOCIAL AND BUSINESS REVOLUTION

This new period of vulnerability has incredible ramifications for all associations. Arranging gets dangerous in the event that you can't foresee the future, and vital administration faces totally new difficulties as the straight models dependent on information and data and utilized for quite a long time appear to be progressively ridiculous. But business visionaries adapt as well as flourish. In the course of the most recent 30 years, business people setting up new pursuits have accomplished more to make abundance than firms whenever before them – ever of the current abundance of the USA, 95% has been made since 1980.

What's more, as we search for good examples, we understand that so a large number of our best enterprises have been established in the course of our life. Of the 100 biggest public organizations in the USA, 31 were established by a business visionary during the post-war time, making more than 4,000,000 positions, and 29% of US firms on the Global FT 500 rundown were established after 1950.

At the point when you have perused this part and attempted the connected exercises you will have the option to:

> Critically examine the changing business climate and how it impacts on entrepreneurship;

- > Explain how the methodology business visionaries take to the executives in a dangerous, unsure climate varies from 'customary' the board;
- > Define a business visionary and comprehend the various structures entrepreneurship may take;
- > Define small firms and comprehend their qualities;
- > Explain why business visionaries and small firms are so essential to the economies of current nations;
- > Understand the part of social and metro business people and the issues they face;
- > Understand the importance of supportable entrepreneurship.

1.5.1 A period of progress and opportunity

Yet, for business people change presents openings – and these progressions have implied small enterprising firms have thrived. For business visionaries CSR is an occasion to be both moral and to improve competitiveness by separating themselves from contenders. Different variables have quickened this pattern towards smaller, more pioneering firms. There has been the move in many economies from assembling towards the administration areas where small firms frequently thrive due to their capacity to convey a customized, adaptable, customized administration at a neighborhood level. Technology has had its impact.

It has impacted the pattern thereby. Right off the bat, the new advances that cleared the late-twentieth century business world have been spearheaded by new, quickly developing firms. Small firms have spearheaded development in PCs, the internet and versatile advancements, making new business sectors for these advancements. Small firms have been at the front line of creating portable applications, or applications, on the grounds that the expenses of doing so are low however the additions from offering to a worldwide market can be tremendous. Besides, these advances have really encouraged the development of independent work and small business by facilitating correspondence, empowering telecommuting and permitting smaller and smaller market sections to be adjusted.

For sure, data has become an item in its own privilege and one that can be produced anyplace around the globe and shipped at the dash of a catch. At long last, numerous new advances, for instance computerized printing, have diminished fixed expenses so creation can be beneficial in smaller, more adaptable units. They have likewise rearranged the courses to showcase so that small firms can offer to bigger firms or direct to customers around the globe, without the cost of setting up an appropriation organization. Furthermore, as huge firms progressively rethink non-center exercises, the recipients are frequently small firms.

1.5.2 Entrepreneurial administration

The key is their distinctive way to deal with managing danger and vulnerability. Also, at the center of this is an individual way to deal with the executives for the most part – one that stresses that another business is a social element worked around close to home connections and around one individual, the organizer, or as an associate put it, 'two arms, two legs and a monster conscience'. The way to seeing how any small firm is overseen is to comprehend the proprietor administrator. Their character and their conduct qualities will emphatically impact this. It influences how customers and staff are taken care of and how choices are made.

1.6 FIVE WAYS TO ENTREPRENEURS' CONTRIBUTION FOR SUSTAINABLE ECONOMY

Business visionary's commitment to the economy is of gigantic worth. The person in question is crucial to the economic development of the nation. Their items are significant to the general improvement of the general public. Individuals need their items. They just can't manage without them. Our own is a purchaser society now. Indeed, even in the non-industrial nation's commercialization is making strides. Created nations at any rate blossom with commercialization normally, the job of a business person is of much hugeness in creating items important for the com strongholds and sumptuous living of the individuals of a specific nation.

An economy is a lot of wards upon the presentation level of its business visionary. The person assumes a crucial job in the development of the public pay just as raising the per capita pay of the individuals.

1.6.1 Investment

Then business visionary needs to put resources into what is needed for the economy. Economic advancement will much rely on their commitments. Any business visionary will put resources into items and administrations which individuals need. His or speculation will guarantee a superior life for the individuals. More merchandise and ventures will be available to them.

1.6.2 Employment

A business person by setting up different businesses and foundations is producing work in the economy. Individuals need occupations. This is a significant commitment that a business can make to turn out revenue to a worker who can address their issues.

1.6.3 Diversity in items and administrations

A business person can give different kinds of products and enterprises to the shopper. The last has a lot to look over. A customer after all might want to have a decent deal, and if their decisions are beyond what the person in question can get these items or administrations at sensible rates. Additionally close to home cravings are met if there are items and administrations to browse. An individual may like a specific sort of tie and he can maybe find it in his nearby market.

1.6.4 International exchange

A business person advances worldwide exchange by selling their items abroad. Any business visionary might want a more extensive market. In the event that there are more buyers to buy their items, the higher his benefits

1.6.5 Contributes to net public item

A business person makes a lot of commitment to the public exchequer and to the public economy as entirety. The GNP of the nation is determined dependent on the all-out number of items and administrations accessible in a particular nation. The more items and administrations accessible the higher the GNP It show the economic thriving of the nation. The business visionary is basic for the economic improvement of a nation. The

advancement of a nation will rely on his expertise and ability just as difficult work to convey important products and ventures needed by the residents of their nation.

<file:///C:/Users/Dell/Downloads/Book-1Entrepreneurship-FullFile.pdf>

1.7 PROCEDURES FOR SETTING UP OF A SMALL-SCALE BUSINESS

Gives more freedom than the huge scope business and through this sort of business one can satisfy their fantasy to turn into a business visionary. It takes out a significant part of the overhead cost and broad arranging needed in bigger business adventures. One can set up small-scale businesses by following the straightforward methods, which are as per the following. The Procedure for setting-up a small scope modern unit is given underneath:

- Selection of item and readiness of venture profiles
- Direct acquisition of land or acquiring land being developed
- Area/advancement plot or getting shed in the mechanical homes or small modern bequests. Enrollment if there should arise an occurrence of arrangement of organization/association concern
- Agreement with unfamiliar collimator, assuming any
- Obtaining letter of plan/DGTD Registration/temporary SSI enlistment by and large

Dynamic: First of all, you need to set up the portrayal for the small scope industry you need to set up. It is important to choose whether you wish to set up an enterprise, ownership or association.

Filtering of Business Environment: Before setting up your industry, it is consistently fundamental to contemplate and comprehend the predominant business climate in which they work especially the modern strategy, economic approach, authorizing strategy, legitimate climate, and innovative climate

Item Selection: You need to choose the item you wish to manufacture or the administration you wish to offer. While picking the item or administration you need to

offer, you should lead a decent statistical surveying and find out about the predominant rivalry on the lookout.

Area: You need to pick an area to set up your small scope industry. While picking the area such factors, for example, closeness to advertise, wellsprings of material accessibility of crude materials, work, transportation administrations, current infrastructural offices and different things are thought of.

Technology: To manufacture anything, technology is utilized. The business person should gather data on every accessible technology, and the most appropriate one should be distinguished.

1.8 PROBLEMS OF SMALL BUSINESS

Small scope businesses are at a particular burden when contrasted with enormous scope ventures. The size of tasks, accessibility of account, capacity to utilize present day technology, acquirement of crude materials is a portion of these regions. This offers ascend to a few issues. The greater part of these issues can be credited to the small size of their business, which keeps them from taking preferences, which build to enormous business associations. In any case, the issues confronted are not like all the classes of small businesses. For example, on account of small auxiliary units, the serious issues incorporate postponed installments, vulnerability of getting orders from the parent units and regular changes underway cycles.

The issues of conventional small scope units incorporate distant area with less created infrastructural offices, absence of administrative ability, low quality, customary technology and insufficient accessibility of money. The issues of trading small scope units remember absence of satisfactory information for unfamiliar business sectors, absence of market knowledge, swapping scale vacillations, quality guidelines, and pre-shipment money. As a rule, the small businesses are confronted with the accompanying issues:

1.8.1 Finance:

One of the serious issues looked by SSIs is that of no accessibility of satisfactory account to complete its activities. By and large a small business starts with a small capital base. A

large number of the units in the small area come up short on the credit value needed to ascend as capital from the capital business sectors. Accordingly, they vigorously rely upon nearby monetary assets and are oftentimes the casualties of abuse by the cash loan specialists. These units every now and again experience the ill effects of absence of satisfactory working capital, either because of postponed installment of duty to them or securing of their capital in unsold stocks. Banks additionally don't loan cash without satisfactory insurance security or certifications and edge cash, which huge numbers of them are not in a situation to give.

1.8.2 Raw materials

Another serious issue of small business is the obtainment of crude materials. On the off chance that the necessary materials are not accessible, they need to settle on the quality or need to follow through on a significant expense to get great quality materials. Their haggling power is generally low because of the small number of buys made by them. Likewise, they can't stand to face the challenge of purchasing in mass as they have no offices to store the materials. In light of general shortage of metals, synthetics and extractive crude materials in the economy, the small scope area endures the most. This likewise implies a misuse of creation limit with regards to the economy and loss of additional units.

1.8.3 Managerial abilities

Small business is by and large advanced and worked by a solitary individual, who may not have all the administrative aptitudes needed to maintain the business. A considerable lot of the small business people have sound specialized information however are less effective in advertising the yield. Besides, they may not discover sufficient opportunity to deal with every utilitarian movement. Simultaneously they are not in a situation to bear the cost of expert supervisors.

1.8.4 Labor

Small business firms can't stand to pay more significant compensations to the representatives, which influences worker ability to try sincerely and produce more. Subsequently, profitability per worker is moderately low and representative turnover is by and large high. In light of lower compensation offered, drawing in gifted individuals is

a significant issue in small business associations. Incompetent specialists join for low compensation yet preparing them is a tedious cycle. Likewise, in contrast to huge associations, division of labour can't be drilled, which brings about absence of specialization and fixation.

1.8.5 Marketing

Marketing is quite possibly the main exercises as it creates income. Effective promoting of merchandise requires an exhaustive comprehension of the client's necessities and prerequisites. As a rule, promoting is a more vulnerable territory of small associations. These associations have, consequently, to rely unnecessarily upon agents, who on occasion misuse them by following through on minimal effort and postponed installments. Further, direct promoting may not be achievable for small business firms as they come up short on the fundamental foundation.

1.8.6 Quality

Many small business associations don't cling to wanted principles of value. Rather they focus on reducing the expense and keeping the costs low. It is critical to perceive the job of innovativeness in the imaginative cycle. Inventiveness is the age of thoughts that bring about the improved proficiency or effectiveness of a framework. Imagination is the cycle that can be created and improved. Everybody is inventive somewhat be that as it may; similar to the case with numerous capacities and abilities (for example athletic, masterful) a few people have a more noteworthy inclination for inventiveness than others. Additionally, a few people have been brought and instructed up in a climate that urged them to build up their innovativeness.

They have been educated to think and act inventively. Numerous individuals inaccurately accept just a virtuoso can be innovative. The vast majority likewise expect individuals are brought into the world imaginative and others are not, or just the skilled or exceptionally shrewd individual is equipped for producing inventive thoughts and understanding. However, the genuine boundaries to inventive reasoning are here and there the coincidental "executioner phrases" we use in our correspondence. Illustration of an innovative thought is that of Classic Beverages Nigeria Limited, (CBNL), creators of La Casera carbonated soda pop currently known as La Casera Company Ltd set up in 2002, was set up by three companions

CHAPTER 2

PRINCIPLES OF ENTREPRENEURSHIP

2.1 OVERVIEW

What is implied by entrepreneurship? The idea of entrepreneurship was first settled during the 1700s, and the significance has developed from that point onward. Numerous basically compare it with going into business. Most financial specialists trust it is more than that. To certain business analysts, the business person is one who is happy to bear the danger of another endeavor if there is a huge possibility for benefit. Others accentuate the business person's job as a trailblazer who showcases his development. Then again different financial experts' state that business visionaries grow new merchandise or cycles that the market requests and are not currently being provided. In the twentieth century, financial expert zeroed in on how the business person's drive for advancement and improvement makes change a lot. Schumpeter saw entrepreneurship as a power of "inventive demolition." The business visionary completes "new mixes," along these lines helping render old enterprises outdated.

Set up methods of working together are wrecked by the making of new and better approaches to do them. Business master took this thought further, depicting the business person as somebody who really looks for change, reacts to it, and endeavors change as a chance. A brief glance at changes in interchanges from typewriters to PCs to the Internet represents these thoughts.

Most financial experts today concur that entrepreneurship is an important element for invigorating economic development and business openings in all social orders. In the creating scene, fruitful small businesses are the essential motors of occupation creation, pay development, and destitution decrease. Subsequently, government uphold for entrepreneurship is a pivotal methodology for economic turn of events.

As the Business and Industry Advisory Committee to the Organization for Economic Cooperation and Development (OECD) said in 2003, "Strategies to cultivate entrepreneurship are basic to work creation and economic development."

Government authorities can give impetuses that urge business visionaries to hazard endeavoring new pursuits. Among these are laws to uphold property rights and to empower a serious market framework. The way of life of a network likewise may impact how much entrepreneurship there is inside it. Various degrees of entrepreneurship may come from social contrasts that make entrepreneurship pretty much remunerating by and by. A people group that agrees the most elevated status to those at the highest point of progressive associations or those with proficient aptitude may debilitate entrepreneurship. A culture or strategy that concurs high status to the "independent" individual is bound to empower entrepreneurship. This outline is the first in a progression of one-page expositions about the key elements of entrepreneurship. Each paper consolidates the considering standard economic scholars with instances of practices that are basic to entrepreneurship in numerous nations.

The arrangement endeavors to reply:

- Why and how individuals become business visionaries?
- Why is entrepreneurship advantageous to an economy?
- How would governments be able to empower entrepreneurship, and, with it, economic development?

Business people need to follow some essential standards which would fill in as rules and guides for their prosperity. In view of the examination led over a time of three years and by talking in excess of 150 business visionaries, noted writer and the executives master, Bill Murphy came out with a book about entrepreneurship which was distributed by Harvard Business School. This article depends on the bits of knowledge from this book and records five rules that should fill in as markers for both yearning just as existing business people. One of the bits of knowledge from this examination is that a large portion of these standards can be gained as a matter of fact and the way toward beginning an endeavor is an instructive involvement with itself. With this presentation, we would now be able to proceed onward to the five standards of entrepreneurship as advanced by Bill Murphy.

Have you ever got the inclination that a sales rep is drawing in you in talkative talk wherein the individual in question is attempting to persuade you to purchase an item

which is untested? Also, all discussion and no execution would lead the new pursuit no place and subsequently, it is significant for business people to guarantee that they walk the discussion and convey on their guarantees.

Surely, it isn't sufficient to have a game changing thought and an incredible group set up except if the business person knows the craft of execution. As occurred during the Dotcom blast, there were numerous new companies with extraordinary thoughts and similarly incredible groups that offered too much for anybody ready to tune in. In any case, the way that they fizzled in their businesses was primarily because of the hole among thoughts and execution.

In this manner, the business person must be a pioneer who strolls the discussion and comprehends the significance of execution. Further, administration implies that business visionaries should not fear disappointment and should all things considered, transform affliction into win and change disappointment into a venturing stone for progress.

For sure, extraordinary business people are the individuals who are eager to heed their gut feelings and instinct and back themselves up when the endeavor is yet to fructify or in any event, making misfortunes. All in all, on the off chance that you feel that you have a good thought and are executing it well with the correct group, you need to endure and continue going in any event, when the tried-and-true way of thinking says that you are missing the point.

2.1.1 Entrepreneurs should act naturally completing visionaries

Ask any fruitful business visionary and they would state that while cash is in reality significant and benefits are in fact basic, it is consistently not about the cash or that making benefits is the solitary thing that is important. All things considered, incredible entrepreneurship is tied in with paying attention to the inward voice, making occupations and open doors for other people, be aware of cultural thriving because of the endeavor as opposed to having a me, myself just disposition, and in particular, make an interpretation of their vision into progress.

For example, there are a large number of us who have heard or gone over people who surrendered comfortable tasks to discover their interests and to follow and pursue their fantasies. Thusly, effective entrepreneurship is tied in with having any kind of effect to

the world and turning into a social savior who might change social orders with their endeavors.

2.1.2 Impact of Culture and Institutions on Entrepreneurship

The effect of culture on entrepreneurship is very disputable. A few analysts have contended that specific societies are threatening to entrepreneurship while others have contended that such contentions mirror a one-sided or mixed-up impression of the way of life being referred to. In any case, social orders with dynamic Schumpeterian entrepreneurship will in general share a few attributes for all intents and purpose. Everybody thinks more as far as the individual as opposed to the network. There is less regard for power and age. People will in general believe that achievement should be compensated by benefit or other monetary profits instead of advancement to higher status positions. At last, it is acknowledged that compensations from effective entrepreneurship should gather to the individual business visionary and not to his more distant family, clan, or to the state.

Yet, regardless of whether the social climate is significant in deciding the extent of creative entrepreneurship, it is unsure whether culture – particularly when grounded in strict convictions – can be changed to give a more business visionary inviting society. Also, endeavors to move past culture to zero in on organizations bring up the issue; how much do foundations reflect social qualities?

2.2 PRINCIPLES OF SMALL BUSINESS

It is difficult to transform a dream or dream into the real world. There are center ideas and standards associated with beginning, developing, and keeping a small business effectively. Anybody with adequate financing can begin a business in principle, and many take the risk for all intents and purposes, just to run into dynamic and business-the executives' preventions. It takes a comprehension of basic business standards, for example, measure, procedure, monetary knowledge, and morals to do it effectively. From a monetary point of view, in its most essential structure, a business can be clarified as basically utilizing cash to bring in cash. From an essential viewpoint, small business can be getting from where you are to where you need to be.

From a cycle viewpoint, a small business can be a progression of steps performed to create income. From a moral viewpoint, it very well may be an approach to carry required merchandise and enterprises to the network. The accomplishment of a small business depends on the different parts of how proficient you can constantly create, market, and sell your item or administration. From these points of view, it is critical to comprehend that claiming and maintaining a business are requesting and fulfilling. Take this correlation for instance: the top percentile of abundance on the planet has a place with business people; in any case, the majority of those in the working scene are representatives. Entrepreneurship doesn't give the security of the corporate world. It doesn't accompany the set-up element or the hierarchical culture.

This must be constructed. It is the prerequisites of supporting a business from start-up to development to development that make small-business possession both fulfilling and testing. Individuals start business for different reasons yet consistently for the goal of bringing in cash. The truth of small-business possession is that most that got into small-business proprietorship were not set up to be small-business proprietors. They had the aptitude or the ability or the financing to begin a business and were looking to abuse that to create income yet had no cycle, procedure, or reasonable vision of getting the ideal outcome.

A business based on helpless cycle can recuperate, however a business set up on helpless guideline will fizzle. On the off chance that the business visionary will prevail in small-business possession, he needs to comprehend the essentials required for achievement in the small-business world. He needs to get measure, technique, monetary insight, and morals and their applications.

2.2.1 Principles of Business Functionality

BusinessDictionary.com characterizes standards as "crucial standards, rules, or qualities that speak to what is alluring and positive for an individual, gathering, association, or network, and help it in deciding the legitimacy or injustice of its activities. Standards are more fundamental than strategy and destinations, and are intended to oversee both" and characterizes objective as "a noticeable and quantifiable final product having at least one targets to be accomplished inside a pretty much fixed time period." It is significant for business proprietors to comprehend the distinction among standards and objectives. Your

business will be characterized by your rules that you build up, and the objectives you set should be in consistence with those standards.

With regards to different regions of usefulness and execution of choices and thoughts, the spotlight should be intensely weighted on the standards of consumer loyalty and worth, using the devices of cycle, procedure, and monetary knowledge. Every one of these instruments should be administered by morals. You need to guarantee your cycle, system, and monetary insight is actualized and performed morally for the business, client, network, and cost. A few instances of basic devices to have the option to have working information to aid this planning are the accompanying: For monetary knowledge:

A financial plan

- Business economics reports (miniature and full scale)
- Financial explanations, for example, accounting reports, pay proclamations, and benefit and misfortune

Strength, shortcoming, opportunity, and danger investigation (SWOT)

- Root source investigation instruments that incorporate cycle planning, fishbone graphs
- Simple histograms for checking creation and use

Legitimate business documentation, for example, licenses and allows

- Record keeping and qualified staff
- Policy and method manuals

These apparatuses and the comprehension of their motivation and capacity in a small business would assist you with lay excursion the underlying guide called your business plan and guide you in settling on effective choices and accomplishing the general mission of bringing in cash. These straightforward apparatuses will help with settling a large number of the expense and execution issues you will experience as a small-business proprietor. The best part is that you can apply these devices with pen and paper on the off chance that you wish incredibly financially savvy.

2.2.2 Critical Components in real life

A Brief Analysis of Traditional Storefront Cell Phone Service Providers Business-Functionality Proof of the Effect of Process, Strategy, Financial Intelligence, and Ethics Cell telephone contracts appear to be extremely convoluted and numerous deals are written thusly intentionally on the grounds that the PDA deals are in a genuinely quick climate. Appropriate scrutiny and comprehension of the agreement terms may take a couple of hours in any event, and you may have questions that the salesmen are not in the situation to reply.

For instance, if you somehow managed to get some information about the selective cure provision in an agreement, they will be unable to give any more data than what is now composed. While setting aside the effort to peruse a PDA contract and processing the boundaries of the agreement may assist you with choosing if an arrangement is in reality appropriate for you, the genuine explanation you presumably went to the merchant was the telephone or the cost/administration of your current transporter.

The businesses in this industry know about the business market for these items, and they devise their advertising procedure around showcases and items to focus on these qualities to the client. All things considered, you don't see the agreements' and plans' subtleties in plain view when you stroll in the stores, correct? Indeed, even with those prepaid plans accessible, there is as yet the showcasing procedure of blending an arrangement with more technically knowledgeable and eye-getting telephones while the terms and conditions to consent to get those administrations assume a lower priority. The cycle that mobile phone suppliers use is straightforward and effective

The sight to behold and technology of the PDAs are shown with availability, permitting you to use your faculties, along these lines playing to your feeling; and they are offered at a value direct planned toward be appealing and of worth.

The specialist organizations make many occasions over the cost they caused through the month-to-month plan, and they realize how to guarantee they make their anticipated deals by actualizing certain boundaries, for example, a two-year concurrence with an early end punishment or, in the no-contract administrations, increase the direct front cost of the telephone and decrease the availability of the extra highlights of a legally binding arrangement. Be that as it may, where are the morals in this? Apparently, I have called attention to unfavorable moral practice in the general plan of advertising.

2.3 SIMPLE MODEL OF ENTREPRENEURSHIP FOR PRINCIPLES

The difficulties of encouraging standards of economics' courses are many. They incorporate showing the main economic ideas, in a coordinated design, accepting no earlier information on economics and – ideally – instructing nothing that should be untaught later. And the entirety of this should be cultivated dependent upon an extreme time imperative. Accordingly, there is a proceeding with banter on which new themes or bits of knowledge should be added to the standards of economics educational program. Regarding the incorporation of entrepreneurship, little advancement has been made since the 1999 Kent and Rushing investigation of the by and large lightweight inclusion of entrepreneurship in standards course books. As verified by Phipps, Strom and Baumol note in their 2012 Journal of Economic Education article: "... starting economics course books proceed, generally, to need thorough inclusion of entrepreneurship and related points."

Eight notable standards of economics messages, Phipps et al found that solitary three contain in excess of a short notice of business people or entrepreneurship. What's more, even among those writings that examine entrepreneurship, the sum, dept and inclusion differ significantly. For instance, Baumol and Blinder give a broad treatment however it happens late in the content – not in the establishment sections. Furthermore, even those writings that talk about entrepreneurship will in general fall between the stools. Some endeavor to regard entrepreneurship as simply one more contribution alongside work, capital, and common assets. Others express that entrepreneurship is totally exogenous. These methodologies misshape the fundamental job of entrepreneurship in the creation, activity, and extension of a market economy just as its basic effect on long haul economic development.

The attributes of entrepreneurship oppose examination utilizing standards level Marshallian request and supply bends. For an info, for example, coal or work, it is accepted that either every unit of information is of a similar quality or, if the data sources contrast in quality that the buyer can assess, or possibly rank, the negligible profitability of every unit. In the event that this presumption of respectable quality isn't substantial, at that point the idea of a stockpile bend isn't significant. A firm can't buy the most gainful contribution before it buys the second generally beneficial, and so forth in light of the fact that the firm can't separate the profitability of each. Likewise, on account of variable and

imperceptible yields, one can't build a customary descending inclining Marshallian request bend for business people or innovative acts.

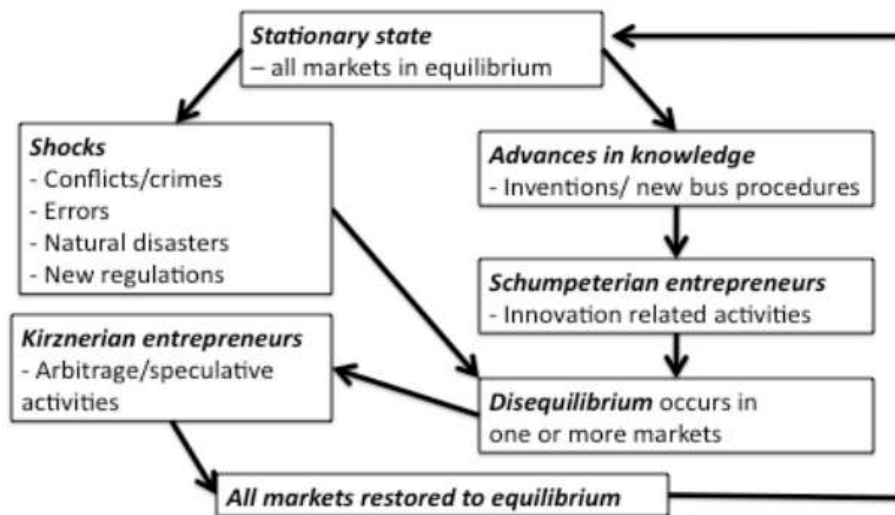


Figure 2.1: Stationary State and Entrepreneurship

The fixed state system gives effective methods for explaining the business person's job in making markets and carrying these business sectors to balance. The remainder of this paper will give a standards of economics suitable meaning of entrepreneurship that incorporates both significant sorts, talk about the idea of the fixed state, give an outline of the fixed state fitting for a standards of economics course, examine the basic effect of entrepreneurship on economic development, and end with a conversation of some approach issues identified with small innovative businesses.

2.4 PRINCIPLES OF THE ENTREPRENEUR AND THE INTERNET

The Internet a tremendous PC network connecting smaller PC networks has altered business by uniting individuals from everywhere the globe. Huge numbers of its highlights can be utilized to shape another business. Correspondences: A business person should speak with numerous individuals' providers, merchants, and customers, for instance. A brisk and moderately reasonable approach to send letters, reports, photos, and so forth to other Internet clients is with electronic mail or "email."

Email can be utilized in any event, for promoting. Different types of PC programming are accessible to shield reports from unapproved access or modification with the goal that they can be safely shared and effectively validated. Examination: Starting a business

takes loads of exploration. A business visionary can discover data on practically any subject quickly by utilizing the Internet's World Wide Web. (The Web is an assortment of text and sight and sound archives connected to make a colossal electronic library.) Many government offices, colleges, associations, and businesses give data on the Internet, typically at no expense. The most effortless approach to discover data on the Web is by utilizing a web index an information recovery framework.

The client types catchphrases for a subject on the PC, taps the enter button, and gets a rundown of materials—frequently in no time. The things are connected electronically to the real records with the goal that Internet clients can peruse them on their PC screens. Among the most well-known web indexes are Promotion: Web locales, pages of print and visual data that are connected together electronically, offer an open door for business people to present another business and its items and additionally administrations to an enormous crowd. As a rule, Web destinations can be made and refreshed more rapidly and economically than printed limited time materials. In addition, they run persistently! To make a Web webpage for her business, the business person can enlist a firm to make one or buy PC programming to make it all alone. Numerous colleges offer courses that instruct how to construct a Web webpage, too.

A Web webpage needs a name and a location. On the Internet, the two are typically the equivalent. Site names and addresses should be enlisted. Site that rundowns recorders by nation and language utilized the location of the online business is communicated as a Uniform Resource Locator (URL). It normally finishes in website (.com), which demonstrates a "business" webpage. Spot nets (.net), a substitute completion; is regularly utilized when a particular Web website name finishing off with .com has just been enrolled. Great business Web website names are anything but difficult to recollect and summon the firm and its items or administrations. The business person additionally needs a bit of property in the internet, where her Web website will dwell. Numerous business "facilitating administrations," called Internet specialist co-ops (ISPs), lease space on their huge PCs (called workers) for a small month to month or yearly charge.

Site advancement is basic. A Web webpage address can be put on business cards, writing material, handouts anything having to do with the new firm. Or on the other hand, a business visionary can pay to put a bright commercial on non-serious Web locales, for example, ones for integral items. Publicizing pennants as a rule connect back to the

promoted association's Web website. Business visionaries likewise can give data about their Web locales to notable Internet web crawlers. For an expense, most web indexes will advance a Web webpage when a chose set of search terms is utilized. Online customers, for example, regularly use web indexes to discover businesses that give explicit items and administrations. Safe Use: Just as businesspeople lock their retail facades, business visionaries who utilize the Internet need to find a way to guard their PC frameworks from the likely perils of security penetrates and infections.

Perhaps the best advances are introducing security programming. Another is setting up an Internet firewall to screen and impede undesired traffic between a PC organization and the Internet. A technology advisor on agreement can introduce these and other PC safeguards. There is a ton of data about PC security accessible, and regularly for nothing. For instance, the National Cyber Security Alliance an association dedicated to raising Internet security mindfulness offers instructive materials and different assets. As Julian E. Lange, partner educator of entrepreneurship at Babson College, has stated, "For innovative business people with restricted assets, the Internet offers critical occasions to construct new businesses and upgrade existing ventures."

New businesses will create answers for upgrade the Internet client's experience. Existing businesses will exploit horde Internet applications from client care to arrange preparing to speculator relations. Lange proposes that, for some business visionaries, the difficulties presented by the Internet are "occasions to enchant customers and make energizing innovative endeavors.

2.5 PRINCIPLES OF ENTREPRENEURSHIP SELLING ONLINE

Numerous business visionaries sell products or administrations on the Internet. Why? The Internet gives admittance to a huge and developing business sector. Around 627 million individuals were shopping on the web worldwide in 2005, as indicated by ACNielsen, a worldwide data advertising organization. By selling on the Internet, a local shop or locally established firm can arrive at a public or even global gathering of expected customers. At the point when business people sell on the web, they are on a more level battleground with bigger contenders. There are expenses to Internet selling, unquestionably. However, the cost of making and dealing with a Web webpage has

dropped, and the quantity of Web website plan and the executive's organizations has developed.

Truth be told, a few business visionaries think that its less exorbitant to run an Internet store than to employ an enormous deals constrain and keep at least one blocks and mortar or real stores. A few businesses books, aircraft travel, and the financial exchange, for instance - have been changed by their achievement in online deals. Others, for example, event congregations, bowling alleys, or service organizations, may not from the start appear to be appropriate to the Internet. Be that as it may, a Web webpage additionally can be utilized for selling tickets, offering limits, or allowing customers to make installments over the Internet. To begin an online business, a business person must:

Numerous business people sell products or administrations on the Internet. Why? The Internet gives admittance to an enormous and developing business sector. Roughly 627 million individuals were shopping on the web worldwide in 2005, as per ACNielsen, a worldwide data showcasing organization. By selling on the Internet, a local shop or locally situated firm can arrive at a public or even worldwide gathering of expected customers. At the point when business visionaries sell on the web, they are on a more level battleground with bigger contenders. There are expenses to Internet selling, positively. Be that as it may, the cost of making and dealing with a Web website has dropped, and the quantity of Web webpage plan and the board organizations has developed.

Truth be told, a few business visionaries think that its less exorbitant to run an Internet store than to employ huge deals drive and keep at least one blocks and mortar — or real stores. A few businesses books, aircraft travel, and the financial exchange, for instance - have been changed by their achievement in online deals. Others, for example, entertainment micas, bowling alleys, or service organizations, may not from the start appear to be appropriate to the Internet. However, a Web website likewise can be utilized for selling tickets, offering limits, or allowing customers to make installments over the Internet. To begin an online business, a business visionary must:

(Shipper represent) dealing with the income (and expenses) from Visa exchanges from a bank or other foundation that cycles MasterCard's on the web. Then again, it is

conceivable to recruit an online installment administration, for example, WorldPay to deal with these exchanges.

Make the Web webpage secure, particularly to ensure customers' monetary data. Recruiting a technology master is time and cash very much spent when contrasted with the likely danger of security infringement.

Establish a strategy for delivery. Choices incorporate letting the business retain the cost (no charge), remembering costs for the recorded costs, or expressly posting delivering charges. Customers should never be astonished toward the finish of an exchange with delivery costs. Customers may drop the deal.

Offer customers an email address or telephone number for grumblings, recommendations, or praises, and react to them. This can support client faithfulness.

2.6 PRINCIPLES OF ENTREPRENEURSHIP CHOOSING A FORM OF BUSINESS

In numerous nations, business people should choose a type of association when they start a small business. The essential types of association are sole ownerships, organizations, and enterprises. Each has focal points and detriments. Also, the laws and guidelines that apply to business proprietors shift from nation to nation and by nearby purview. Business visionaries ought to counsel a lawyer or other master to ensure that they have all the vital licenses and allows, and know about the entirety of their lawful commitments. In numerous nations, the nearby Chamber of Commerce or neighborhood business gathering is additionally a decent wellspring of data. Sole Proprietorship: In a sole ownership, the individual business visionary claims the business and is completely answerable for every one of its obligations and legitimate liabilities. In excess of 75 percent of all U.S. businesses are sole ownerships. Models incorporate journalists and experts, neighborhood cafés and shops, and locally situated businesses.

This is the most effortless and most economical type of business to begin. As a rule, a business person records every necessary report and opens a shop. The weakness is that there is limitless individual obligation all close to home and business resources claimed by the business visionary might be in danger if the business strays into the red. Association: An organization comprises of at least two individuals who share the

resources, liabilities, and benefits of a business. The best bit of leeway comes from shared obligations. Organizations likewise advantage by having more speculators and a more noteworthy scope of information and aptitudes. There are two fundamental sorts of associations, general organizations and restricted organizations. In an overall organization, all accomplices are obligated for the demonstrations of any remaining accomplices.

All additionally have limitless individual risk for business obligations. Interestingly, a restricted organization has at any rate one general accomplice who is completely subject in addition to at least one restricted accomplice who are obligated uniquely for the measure of cash they put resources into the association. The biggest hindrance of any organization is the potential for contradictions, paying little heed to how well or how long the accomplices have known one another. Specialists concur that an association understanding drawn up by an accomplished legal advisor is fundamental to a fruitful organization. It is regularly used to:

- make a system for settling contradictions;
- indicate each accomplice's commitment to the organization;

Divide up administration duties; and Corporations: Corporations are prescribed for business visionaries who intend to lead a huge scope undertaking.

As a legitimate substance that has a day-to-day existence separate from its proprietors, an enterprise can sue or be sued, get and sell property, and loan cash. Organizations are partitioned into offers or stocks, which are claimed by one, a couple or numerous individuals. Proprietorship depends on the level of stock possessed. Investors are not answerable for the obligations of the enterprise, except if they have actually promised them. An investor's speculation is the constraint of her obligation. Companies can all the more effectively get venture, raise capital by selling stock, and endure a difference in proprietorship.

They give more security from risk than different types of business. Their potential for development is limitless. Be that as it may, partnerships are more unpredictable and costly to set up than different types of business and are typically dependent upon a more significant level of government guideline.

2.7 PRINCIPLES OF ENTREPRENEURSHIP ENTRY STRATEGIES FOR NEW VENTURES

It is anything but difficult to be spellbound by the guarantee of entrepreneurship and the bait of turning into one's own chief. It tends to be troublesome, be that as it may, for a forthcoming business person to figure out what item or administration to give. Numerous elements should be thought of, including: a thought's market potential, the opposition, monetary assets, and one's aptitudes and interests. At that point it is imperative to ask: Why might a shopper decide to purchase merchandise or administrations from this new firm? One significant factor is the uniqueness of the thought.

By making an endeavor stand apart from its rivals, uniqueness can help encourage the section of another item or administration into the market. It is ideal to dodge a passage methodology dependent on ease alone. New pursuits will in general be small. Enormous firms for the most part have the benefit of bringing down expenses by delivering huge amounts. Fruitful business visionaries regularly recognize their endeavors through separation, specialty determination, and development.

- Differentiation is an endeavor to isolate the new organization's item or administration from that of its rivals. At the point when separation is effective, the new item or administration is moderately less delicate to value vacillations since customers esteem the quality that makes the item one of a kind. An item can be practically like its rivals' item however have highlights that improve its activity, for instance It could be smaller, lighter, simpler to utilize or introduce, and so forth in 1982, Compaq Computer started rivaling Apple and IBM. Its first item was a solitary unit PC with a handle. The idea of a convenient PC was new and very fruitful.

- Niche determination is an endeavor to give an item or administration that satisfies the necessities of a particular subset of purchasers. By zeroing in on a genuinely thin market area, another endeavor may fulfill client needs in a way that is better than bigger contenders can. Changes in populace qualities may make occasions to serve specialty markets. One developing business sector fragment in created nations contains individuals more than 65 years of age. Different specialties incorporate gatherings characterized by interests or way of life, for example, wellness fans, experience travel buffs, and working

guardians. Truth be told, a few business people have some expertise in making "custom made" meals for working guardians to warmth and serve.

- Innovation is maybe the characterizing normal for entrepreneurship. Visionary business master Peter F. Drucker clarified development as "change that makes another element of execution." There are two principal sorts of item advancement. Spearheading or extremist development epitomizes an innovative discovery or new-to-the-world item. Steady advancements are alterations of existing items. In any case, development happens in all parts of businesses, from assembling cycles to evaluating strategy. Tom Monaghan's choice in the last part of the 1960s to make Domino's Pizza dependent on home conveyance and Jeff Bezos' choice in 1995 to dispatch Amazon. com as an absolutely online book shop are instances of imaginative conveyance techniques that altered the commercial center.

Business visionaries in less-created nations frequently improve by copying and adjusting items made in created nations. Drucker called this cycle "imaginative impersonation." Creative impersonation happens at whatever point the imitators see how a development can be applied, utilized, or sold in their specific market in a way that is better than the first makers do. Development, separation, as well as market detail are effective methodologies to assist another endeavor with pulling in customers and begin making deals.

2.8 PRINCIPLES OF ENTREPRENEURSHIP DECISIONS AND DOWNFALLS

Entrepreneurship is an alluring vocation decision. However, numerous choices must be made prior to dispatching and dealing with another business, regardless of its size. Among the inquiries that should be addressed are:

- Does the individual really need to be answerable for a business?
- Item or administration should be the premise of the business?
- the market, and where would it be advisable for it to be found?
- is the capability of the business enough to give a living compensation to its workers and the proprietor?

- how can an individual raise the money to begin?
- should an individual work full or low maintenance to begin another business? Should the individual beginning alone or with accomplices? Answers to these inquiries are not observationally right or wrong. Or maybe, the appropriate responses will be founded on every business person's judgment. A business person accumulates however much data and counsel as could be expected prior to settling on these and other critical choices. The business visionary's test is to offset conclusiveness with alert – to be an individual of activity who doesn't tarry prior to taking advantage of a lucky break – and simultaneously, to be prepared for an open door by having done the entire preliminary work conceivable to decrease the dangers of the new undertaking.

Preliminary work incorporates assessing the market opportunity, building up the item or administration, setting up a decent business plan, sorting out how much capital is required, and making courses of action to get that capital. Through cautious investigation of business people's victories and disappointments, financial experts have recognized key variables for cutting-edge business proprietors to consider intently. Considering can lessen hazard. Conversely, giving them no consideration can accelerate the defeat of another undertaking.

- Motivation: What is the impetus for beginning a business? Is it cash alone? Valid, numerous business visionaries accomplish extraordinary riches. Nonetheless, cash is quite often close in the startup and beginning stages of another business. Numerous business visionaries don't take compensation until they can do as such and still leave the firm with a positive income.
- Strategy: What is the methodology for recognizing the item or administration? Is the arrangement to contend exclusively based on selling cost? Cost is significant, however most financial experts concur that it is very hazardous to contend on cost alone. Enormous firms that produce tremendous amounts have the preferred position in bringing down expenses.
- Realistic Vision: Is there a practical vision of the undertaking's potential? Inadequate working assets are the reason for some bombed businesses. Business people frequently disparage fire up expenses and overestimate deals incomes in their business plans. A few examiners exhort adding 50% to conclusive quotes and decreasing deals projections.

Really at that time can the business person analyze income projections and choose if the individual in question is prepared to dispatch another business.

2.9 PRINCIPLES AND PROCESS ENTREPRENEURSHIP AND INNOVATIVE MANAGEMENT

The 21st century has been portrayed by violent change, and disturbance and remarkable instability has been found in all business sectors, from items to trade rates, from financial exchanges to security markets. As Burns says: "Change itself has changed to turn into a nonstop cycle of regularly irregular advances – sudden and all inescapable" The new request has brought troubles and dangers for enormous firms to manage, while small firms and new companies have been tested and have discovered open doors in these changes. Smaller firms flourish in this season of grimness and of progressively furious rivalry. it has never been simpler to make another endeavor and never get the opportunities of achievement on a worldwide level been higher.

Business people, who have set up their endeavors over the most recent 30 years, have accomplished more to make abundance than some other firms before them. Small firms are work generators, and regarding position age they have surpassed enormous firms. So, business people are at last being perceived as motors of improvement and development of public economic.

They have become the saints of the business world, encapsulating transient characteristics that numerous individuals begrudge: opportunity of soul, innovativeness, vision and enthusiasm. They have the boldness, self-conviction and obligation to transform dreams into real factors. They are the impetus of economic, too social changes. The main thing a business visionary brings to the new pursuit brings human, social and monetary capital. Human capital gets from instruction, preparing and past working administrative experience; social capital gets from his/her social aptitudes and capacity to interface and speak with proficient organizations, while monetary capital can be can carry it to the endeavor through cooperating or "bootstrapping".

At the point when we state, that a business visionary brings to the new pursuit, brings character too, which has five attributes: a significant requirement for accomplishment and independence, inner locus of control, elevated levels of innovativeness and an eagerness

to take estimated, moderate dangers. These qualities are affected by foundation, youth, and societies of various gathering's partners with.

The nature of innovativeness can be estimated by eight measurements: reflection, association, viewpoint, interest, strength, mystery, intricacy and steadiness. Business visionaries likewise have a solid vision and key plan, their dynamic is gradual as they are working in an unsure climate, with restricted assets being submitted at any one time. In our article we present entrepreneurship and its significance for the public economies of Slovenia, Macedonia and Turkey. Our examination is centered around the attributes of fruitful business people and the correlation of these qualities as seen by understudies from all the elaborate nations. Entrepreneurship is normally characterized regarding development, and as stated, pioneering exercises include the "imaginative pulverization" inside a specific industry. In this way, entrepreneurship is a specific type of advancement.

The morals are canvassed in the agreement that you sign or in the terms and states of the prepaid arrangement. We are not zeroing in on the morals of the business staff yet rather on the morals associated with the general methodology and cycle. At times the agreement may come in electronic organization; you realize that case that you need to check "I Agree" that you look to the base zone to sign? That is, you consenting to the consistence, strategy, and guidelines angles, which make this moral, give boundaries to you to comply with, and ensure the seller.

So, you perceive how effective their cycle, monetary insight, morals, and methodology work; and the wireless business is one that appears to be unaffected by the economy despite the fact that particular segments' deals, for example, telephone brands appear to ebb and expand with the economy. The specialist organizations themselves have made an apparently economy-evidence market. However, in the event that we take a gander at late events in the mobile phone industry, we see that a few organizations rose and others fell.

What affected this ascent and fall when all transporters appeared to be to have serious models and comparable plans? Was it about cost? Toward the day's end, administration reduces to consumer loyalty which administration was trustworthy in specific territories, who gave more an incentive for the expense, and so forth these basics are predictable with the methodology delineated in this book. Execute apparatuses that advance quality in your cycle and item, invest energy to devise an effective procedure that gives

customers esteem, guarantee your value point advances an incentive just as income, and ensure all segments are morally drilled and you will accomplish piece of the overall industry and life span. Zero in on building piece of the overall industry, not bringing in cash.

The small-business proprietor or business person ought to fathom how the collaboration among dynamic and comprehension of the ways of thinking and devices of cycle, technique, morals, and monetary insight are fundamental to have the option to begin, create, and effectively keep a small business.

Instruments without anyone else can't take care of business. You should be a necessary piece of your business' prosperity. You should commit time, exertion, assets, and income. Your business objective is to give a quality item or administration. In business, the objectives are what you, the business proprietor, are centered around. Defining straightforward and sensible objectives utilizing the cycle, procedure, monetary insight, and morals standards will improve and put together your point of view and make objective setting, foundation, and requirement more reasonable.

All the instruments of achievement won't be of advantage except if appropriate choice Making is applied, and hence, the human component and the job it plays in achieving achievement should be investigated.

It begins with you, the business proprietor. For what reason would you like to begin a business? Is the choice driven by the correct intentions? No one but you can reply these inquiries. Despite the fact that the banks, accomplices, and financial specialists may ask these questions and you'll Google the ideal reaction for them to get the advance, and so on, the proviso is "to thane own self be valid. Compelling yourself into a passionate choice will put you at an extreme disservice in that you may not be moving toward this test with the privilege attitude.

Keep in mind, there is a ton of danger associated with the business proprietorship choice. Are you getting into business since you disdain your current work and might want to simply bring in similar cash you are making at your corporate work by maintaining your own business as opposed to working for that savage of a chief? How about we run with that thought State, you make \$50,000/year, and you need to make \$50,000 heating cupcakes.

CHAPTER 3

ENTREPRENEURSHIP & SMALL BUSINESS START-UP

3.1 ENTREPRENEURSHIP: STARTING A BUSINESS

Starting and operating one's own business has been becoming an interest area for individuals from different walk of life. It may be a man or woman, old or young, someone from rich or poor family background, a technologist or someone without sophisticated technological background, a college graduate or high school dropout. It is a fact that entrepreneurship is the key to solve what is known as dependency syndrome on salaried employment and unemployment. In creating and growing a new business, any individual (entrepreneur) needs to understand how to create and manage a new venture and its risk and efforts to overcome the inertia against creating something new. This paper is designed to help you understand different concepts of entrepreneurship and competencies in entrepreneurial development and small business management.

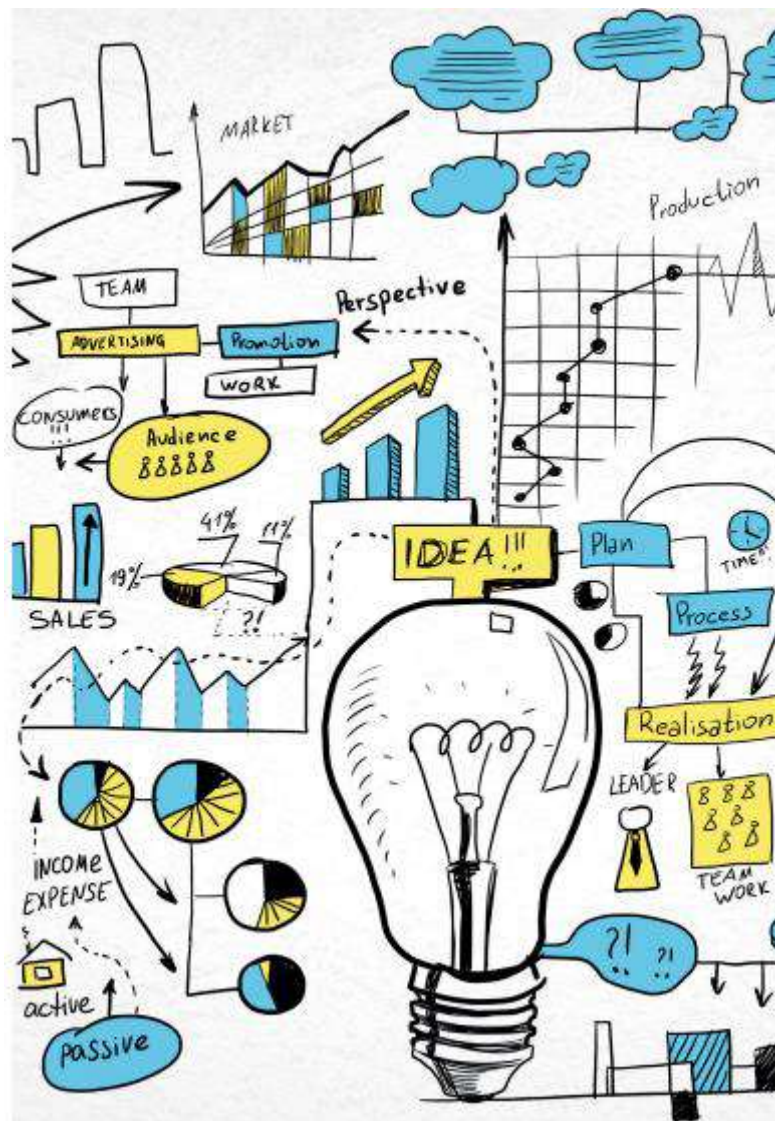
When you are building a startup, it's difficult. Particularly, a startup that is expanding at the rate of Tinder You have to give 100%, and you have to be committed. Solving the problem has to be personal or else you're going to disintegrate." -Sean Rad, Co-founder of Tinder, Inc.

It also provides you the desired knowledge, skills, and competencies that would enable you to become confident entrepreneurs who are capable to create and innovation important business ideas. The words entrepreneur and entrepreneurship have acquired special significance in the context of economic growth in rapidly changing socio-economic and socio-cultural climates both in developed and developing countries like Nigeria.

"It's fine to celebrate success but it is more important to heed the lessons of failure." -- Bill Gates

The unpredictable ability of entrepreneurs to turn leads into gold or coal into diamond, which governments have always been excited about the possibility of creating more entrepreneurs in their societies, has made the field entrepreneurship and small business

promotion as one of the most consistently popular interventions funded by donors and governments alike.



Source: Entrepreneurship Hand looks

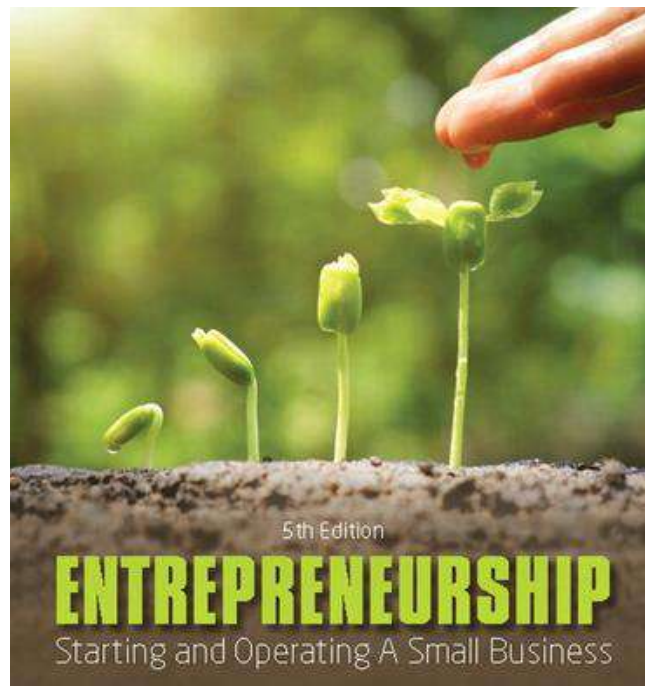
Figure 3.1: Business New Start -Up

With unemployment frightening as the most challenging socio-economic problem of the next century, a renewed focus has been placed on the major part which small business play in employment creation. The dramatic change in the global political economy in the last decade has also sharpened governments' interest in small enterprise and entrepreneurs. Infrequently has there been greater agreement among countries on the need to use market forces in the simulation of economic growth.

"When in doubt, bootstrap. Using your own personal resources is the easiest way to start a business. You don't have to convince investors about the merits of your idea. You just have to convince yourself." -Ryan Holmes, Co-founder of Hootsuite

Whether in developing, under developed or developed nations, everyone recognizes the need to expand the private sector as the major instrument for increasing income. Entrepreneurs are now held up to be role models and one of the fastest growing business has become entrepreneurship education the art of starting and running a business.

1. Technical skills - Having job specific knowledge and techniques that are required to perform an organizational role. For instance, the manager of a restaurant may need cooking skills to fill in to an absent cook, accounting and bookkeeping skills to keep track of receipts and cost and to administer the payroll, and aesthetic skills to keep the restaurant looking attractive for customers.
2. Human skills - The ability to understand, alter, lead, and control the behavior of other individuals and groups. The ability to communicate and motivate people and to mold individuals into a cohesive team distinguishing effective from
3. Conceptual skills - The ability to analyze and diagnose a situation and to distinguish between cause and effect. Planning and organizing require a high level of conceptual skill. Formal education and training are very important in helping workers develop conceptual skills.



Source: Pearson

Figure 3.2: Operating a Small Business

In the previous unit, we dealt with the concept of grassroots entrepreneurs. This unit will help you to understand the concept of business plan and how to prepare a business plan. The various sections and sub-sections of this unit will also summarize the feasibility study and importance of a business plan. A company's business plan is one of its most important documents. It can be used by managers and executives for internal planning. It can be used as the basis for loan applications from banks and other lenders. It can be used to persuade investors that a company is a good investment.

For start-up ventures, the process of preparing a business plan serves as a road map to the future by making entrepreneurs and business owners think through their strategies, evaluate their basic business concepts, recognize their business's limitations, and avoid a variety of mistakes.

If we look a little more closely at the definition of entrepreneurship, we can identify three characteristics of entrepreneurial activity:

1) Innovation. Entrepreneurship generally means offering a new product, applying a new technique or technology, opening a new market, or developing a new form of organization for the purpose of producing or enhancing a product.

2) Running a business. A business, as we "The Foundations of Business," combines resources to produce goods or services. Entrepreneurship means setting up a business to make a profit.

3) Risk taking. The term risk means that the outcome of the entrepreneurial venture can't be known. Entrepreneurs, therefore, are always working under a certain degree of uncertainty, and they can't know the outcomes of many of the decisions that they have to make.

Consequently, many of the steps they take are motivated mainly by their confidence in the innovation and in their understanding of the business environment in which they're operating.

It is easy to recognize these characteristics in the entrepreneurial experience of the Jurmains. They certainly had an innovative idea. But was it a good business idea? In a practical sense, a "good" business idea has to become something more than just an idea. If, like the Jurmains, you're interested in generating income from your idea, you'll probably need to turn it into a product something that you can market because it satisfies a need. If you want to develop a product, you'll need some kind of organization to coordinate the resources necessary to make it a reality (in other words, a business). Risk enters the equation when you make the decision to start up a business and when you commit yourself to managing it.

"Ignore the hype of the startups that you see in the press. Mostly, it's a pack of lies. Half of these startups will be dead in a year. So, focus on building your business so you can be the one left standing." -Jules Pieri, Co-founder and CEO of The Grommet

3.2 BUSINESS SERVICES

Operating a business that provides services to other businesses allows you to sell an expertise you've developed either over many years or within a few months. While you might be a one-person show in the beginning, you could have the opportunity to add

employees as your business service matures. Companies and nonprofits increasingly seek people who understand how to create engaging content that bolsters their reputation – and, ultimately, their revenue. To start a business as a consultant in this space, you should be a strong communicator and have experience either as a professional content marketer or be able to show that you’ve achieved content marketing success on your own, such as by running a successful blog or website. Social media expertise is essential. Online courses can teach you current best practices for creating and distributing compelling content and building an online audience. Also consider joining at least one networking organization, such as the Content Marketing Association

3.2.1 PERSONAL SERVICES

Many service business opportunities are geared toward consumers rather than other businesses. An advantage to starting a consumer service is that startup costs are often low.

FOOD DELIVERY SERVICE: depending on your location, you may need several licenses and permits, including those that allow you to handle food. Consider partnering with popular local restaurants and food businesses for a win-win

URNITURE MAKER: Demand for unique crafted items has been growing. Furniture could be one area that’s ripe for more high-end, uniquely designed, domestically-made furniture. Success in this area will likely depend on finding a niche and utilizing unique, signature designs.

3.2.3 PROFESSIONAL SERVICES

If you’ve developed a vast expertise in a particular field, starting your own business may be a smart move. But you need some business savvy beyond your professional expertise.

MEDICAL PRACTICE: You went through all the work to earn a medical degree and become a licensed physician, and now you work long hours for a large healthcare conglomerate. Opening your own medical practice may seem attractive.

DENTAL PRACTICE: You’ll need a location, equipment, staff, and an electronic health record system if you want to start your own dental practice. In other words, you’ll

need a lot of financing upfront. That means having a business plan that persuades lenders that there's room for a new dental practice in your area.

LAW FIRM: hanging your shingle can be a dream of many lawyers. Here's a good piece of advice: Keep your overhead low when you start out. At least initially, avoid the fancy office, staff and pricey office equipment. Focus instead on winning clients and building your reputation.

3.2.4 RETAIL

A retail business typically requires little educational background or training, but the startup costs are often higher than what you'd encounter when starting a service business – that's because you may need a storefront and inventory. You may also need permits, especially if you're making or selling food.

FOOD TRUCK: Food trucks continue to proliferate, offering great chefs a chance to shine without having to deal with the headache of operating out of a brick-and mortar location. Is there a particular food or cuisine that isn't being offered yet in your area, one that you might be able to provide?

ECOMMERCE RETAILER: starting an online retail business requires different expertise than a traditional brick-and-mortar store. You'll still need to manage inventory and invoicing, secure an internet domain name, build a user-friendly website and market your products online; but you'll also have different customer service (such as handling website technical issues) and logistic concerns (think shipping and handling).

PAINT AND WALLPAPER STORE: Providing top-notch customer service and extra services can help an independently owned paint and wallpaper store stand out from the competition. Once you've found a winning location, focus on carving your niche. Will your primary customers be homeowners or professional painters and wallpaper hangers? Will your paint be high-end or lower priced? What services can you provide that will give you a leg up over the mass retailers selling paint in your area? Having expertise or background in the paint and wallpapering industry is clearly a huge advantage.

3.2.5 FINANCIAL SERVICES

Building a financial services business isn't an easy, or cheap, endeavor. But the opportunity may be right if you have enough capital and a strong business plan.



Source: IMS School

Figure 3.3: Financial Services

- **Financial Advisor**

A four-year college degree is generally considered a must in order to become a financial advisor. Plus, you'll need to pass an exam to become a registered financial advisor with either your state securities agency (if you're managing investments of less than \$100 million) or the U.S. Securities and Exchange Commission (if you're managing more than \$100 million). There's also credentialing from the Financial Industry Regulatory Authority. You can enhance your credentials by doing coursework and taking an exam that allows you to become a Certified Financial Planner.

BANK you need a lot of money to start a bank, or at least have would-be investors willing to provide millions of dollars in capital. However, it can be a sound way to get more returns out of the fortune you have already amassed in another field, such as real estate development. It can also cement your reputation as a leader in your local business community. Be forewarned that the application process for a de novo bank can be arduous, whether you're chartering at the state or national level. A strong grasp of

financials is also important. However, the most important qualification is to focus the bank's lending on a niche that you know. Stick to geographies you've done business in.

3.3 LEVEL 4 DIPLOMAS IN BUSINESS START-UP AND ENTREPRENEURSHIP

Welcome to the study manual for Business Start-up and Entrepreneurship. This is a combined manual for the three Level 4 Entrepreneurship units: Understanding Entrepreneurship (4UE), Enterprise Start-up (4ESU) and Business Plan for Enterprise Start-up (4BP), the syllabus contents of which are closely related. The fourth unit, Introduction to Marketing, has a separate recommended reading list on the Members Area of the ABE website (www.abeu.com). This study manual has been developed for use by students who are studying ABE qualifications in colleges and centers in some 70 countries around the world. Clearly, it would be impossible to reflect the different cultures, legal and financial systems and currencies of all of those individual countries within this manual.

"Starting a company extracts so much energy and conviction that not having a clear-cut goal and meaningful mission can hamper your success. This is why, at Virat, our mission was clearly defined: reverse early type-2 diabetes in 100 million people by 2025." -Sami Inkinen, Co-founder of Virta Health

Therefore, for simplicity and consistency, definitions of entrepreneurship and small and medium-sized enterprises (SMEs) will be those used in the UK and European Union (EU), the currency used in financial examples will generally be British pounds (£), and the examples of legislation quoted will be based on English law.

Tutors and students alike are encouraged to relate the principles of these units to their own national currencies, and to consider examples of their own national legislation. Level 4 Diploma in Business Start-up and Entrepreneurship the ABE Level 4 Diploma in Business Start-up and Entrepreneurship consists of four units totaling 48 Credits on the Credit framework. Whilst the examinations for these units will all be offered twice yearly; the Association of Business Executives strongly recommends that students should take the Introduction to Marketing unit and the Enterprise Start-up units before or

alongside the Business Plan for Enterprise Start-up unit in order to cover the necessary knowledge and understanding required for the latter unit examination.

Table 3.1: Level 4 Diplomas in Business

| Unit Titles | Credits | Assessment |
|---|----------------|--|
| Introduction to Marketing (4IM) | 12 Credits | Three-hour examination |
| Understanding Entrepreneurship (4UE) | 12 Credits | Three-hour examination |
| Enterprise Start-up (4ESU) | 12 Credits | Three-hour examination |
| Business Plan for Enterprise Start-up (4BP) | 12 Credits | Three-hour examination based on a case study |

It is intended that the Level 4 Business Start-up and Entrepreneurship units will provide a combination of both practical and theoretical information. The theory learned from the Understanding Entrepreneurship unit and the Introduction to Marketing unit provides the broader knowledge of entrepreneurship. When linked to the more applied knowledge of the Enterprise Start-up unit and the Business Plan for Enterprise Start-up unit, this will provide the relevant knowledge and understanding for a student to prepare and start up a new small business, or to work as a supervisor or junior manager within a small business.

it can be an entire itself, often the first stage of large research projects, allowing the supervisor to ascertain that the student is on the correct path. A critical and in-depth evaluation of previous research It is a summary and synopsis of a particular area of research, allowing anybody reading the paper to establish why you are pursuing this particular research program. A good expands upon the reasons behind selecting a particular research question. It is not a chronological catalog of all of the sources, but an evaluation, integrating the previous research together, and also explaining how it integrates into the proposed research program. All sides of an argument must be clearly explained to avoid bias and areas of agreement and disagreement should be highlighted.

3.4 STARTING YOUR OWN BUSINESS IS DESIGNED

Starting Your Own Business is designed to help you navigate your own personal journey to business ownership. We're here to instruct and inspire. To tell you the things you don't

know and remind you of the things you do. Some will tell you that the path you're about to embark on is a perilous one, but it's not. However, it's not without its curves, speed bumps and detours. Starting Your Own Business helps prepare you as you go. You'll learn what to expect at each step along the way. It's like a map pointing out the best routes to take. A wise person once said, "Forewarned is forearmed." So, consider this book part of your arsenal. Earlier editions of this book contained a quiz to see if you were cut out to be an entrepreneur.

But I decided to eliminate it. Tests don't tell you whether you're ready to be an entrepreneur your gut tell you. If you weren't ready, you wouldn't have bought this book. Some people mistakenly believe you have to be born an entrepreneur to succeed you don't. You can learn what it takes. That's what this book is all about. Starting Your Own Business takes you step by step through the startup journey, from how to get an idea for a business to finally open the doors to your new venture. Along the way, we provide lots of forms, work sheets and checklists you can actually use in your business as well as to make sure you're on the right track. Since business ideas, trends and strategies constantly change, we've made a number of changes in Starting Your Own Business as well.

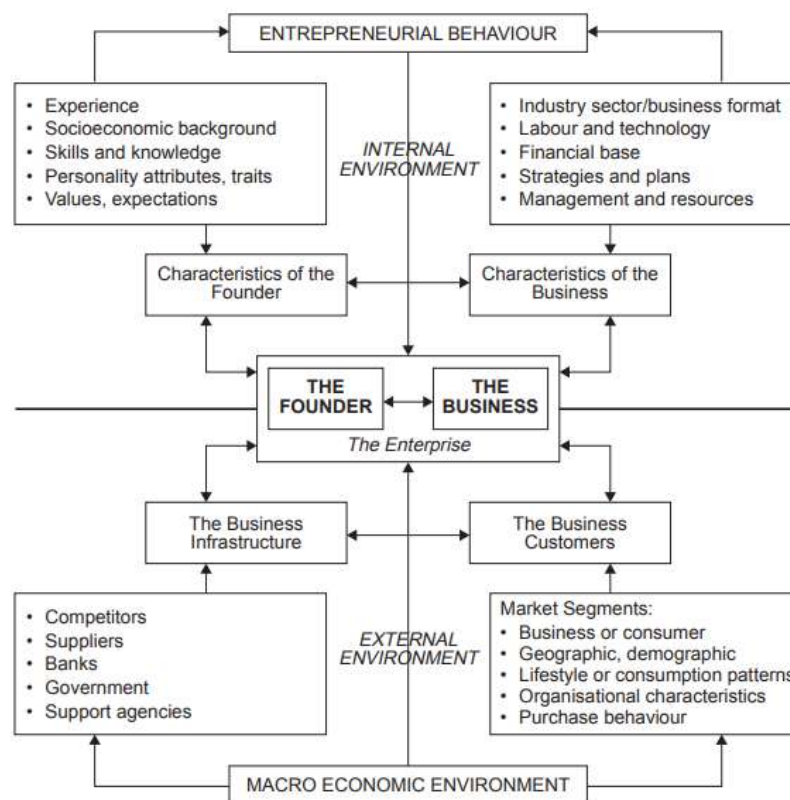
If you know too much before the start, then you will get overwhelmed. Come up with an original idea, and don't copy because there will be no passion. You need that otherworldly passion. Just start." -Jeni Britton Bauer, Founder of Jeni's Splendid Ice Creams

We've updated and revised (or expanded) every chapter and added a lot of new ones too. Since I believe the startup phase of a business lasts about three years, we take you beyond just opening your doors. In addition, the business resources are all new.

And I've asked some of the business experts and gurus who write for Entrepreneur magazine to share their insights and expertise with you here. We've also added quotes. I love quotes. When I'm looking for inspiration, I often read quote books. They not only inspire me, but sometimes I learn from reading them. I've decided to share my joy of quotes with you. Sprinkled throughout this edition, you'll find quotes from successful entrepreneurs and other experts. I'm certain their wisdom will inspire you as much as it does me.

3.5 SMALL BUSINESS START-UPS: SUCCESS FACTORS AND SUPPORT IMPLICATIONS

The research reported in this paper relates to an empirical study of business start-ups and their survival and growth or, conversely, their failure (exit) in the early years following start-up. A cohort of new start small or micro businesses which were set up with the support of a Training & Enterprise Council (TEC) in the West Yorkshire area are investigated. TECs are a government funded support agency for small and medium-sized businesses which were set up by a British Government initiative in 1988. By way of background information, a section outlining the support services provided by the TEC is included.



Source: Slide Share

Figure 3.4: Analytical framework

“What do I need to do and what comes first?” That’s the question most often asked by people considering starting a business. There is a logical sequence of actions and a process for starting a business. MI-SBDC has created a “Steps to Starting a Business”

checklist that charts the tasks in recommended order to help you stay on track, manage the various steps, and give you the confidence of knowing you have considered all the essential elements.

1. Select a business idea is deciding on what type of business you want to start. Many people choose to start a business around something they know and are passionate about. The first question every business owner needs to ask about his/her product or service idea: “What problem does it solve or what need does it fill?” There are many reasons why consumers make purchase decisions, but the primary one is need. Market research will help you answer this question.

2. Market Research (Feasibility) Market research is the first and most important task you need to accomplish before you start your business, to determine if your idea is feasible, which according to Webster’s Dictionary means “capable of being done; suitable.” Market research is the gathering of facts and figures to make an informed decision about the market potential for your business, about the prospects for success and the direction your business will take – both at the start and periodically as you continue on your business journey industry is the big picture of what’s happening in the “total world” of your particular type of business.

3.6 STARTUP COST/FINANCIAL RESOURCES ANALYSIS (FEASIBILITY)

One of the most common reasons businesses fail is “hitting a financial wall” either before opening or soon thereafter, as a result of one or more contributing factors such as:

1. An insufficient estimate of the true cost of starting what you have in mind; finding out you need to spend more than you have to get it open or keep it going;
2. An unrealistic expectation about resources you might tap into; lack of grants and startup loans are difficult to obtain;
3. A misconception about how quickly you will start making money, meaning you might need sources of cash to keep a business afloat until it does start making money.

You need a well-researched estimate of what it will cost to start the business you have in mind so you can match it to the reality of your available resources and/or your ability to

get conventional financing. This may lead to refining your idea to make your startup possible, based on your personal financial situation.

Don't get distracted. Never tell yourself that you need to be the biggest brand in the whole world. Start by working on what you need at the present moment and then what you need to do tomorrow. So, set yourself manageable targets." -Jas Bagniewski, Co-Founder of Eve Sleep

The good news is that where there's a will there is a way! Determining that you would not be able to pull together or be loan-eligible for a specific level of funding resources does not mean you won't be able to start the business. It does mean you will have to rethink how you'll start. The majority of businesses start by "bootstrapping" – starting with what you have at hand, perhaps working at it part time, building slowly but steadily. Every large business started as a small business, many of them building and growing one success or customer at a time. The next of categories of common startup costs. Depending on your business, some of these may apply to your business and some may not.

3.6.1 Sources of Financing / Startup Resources

Once you know the cost to start your business, there are resource and finance issues to consider: How much do you need to start and what are the resources? Your savings selling your car Asking your friends or family other more common forms of personal financial resources are:

- Home Equity
- Cash Value of Life Insurance
- Credit Cards
- Retirement Plans
- Keeping your day job or working part time as you build your business
- Grants

Are you hoping for a grant? We've all seen the infomercials, advertising, or websites telling us there is "millions in free money." The myth of "free money" has been around for decades, and clever scammers often extract a hefty fee without delivering anything that provides you with the results you sought.

3.7 START-UP& RESOURCE GUIDE

Small businesses are the lifeblood of our national and state economy. The entrepreneurial spirit that propels people to create and grow new businesses has been an essential part of our growth as a state. In fact, small businesses account for the majority of net new job creation in North Carolina and nationally. The Small Business and Technology Development Center (SBTDC) has long been an organization committed to nurturing this entrepreneurial spirit. This Business Start-up and Resource Guide is one of the most highly regarded and valued tools used by people who are thinking about starting a business in North Carolina.

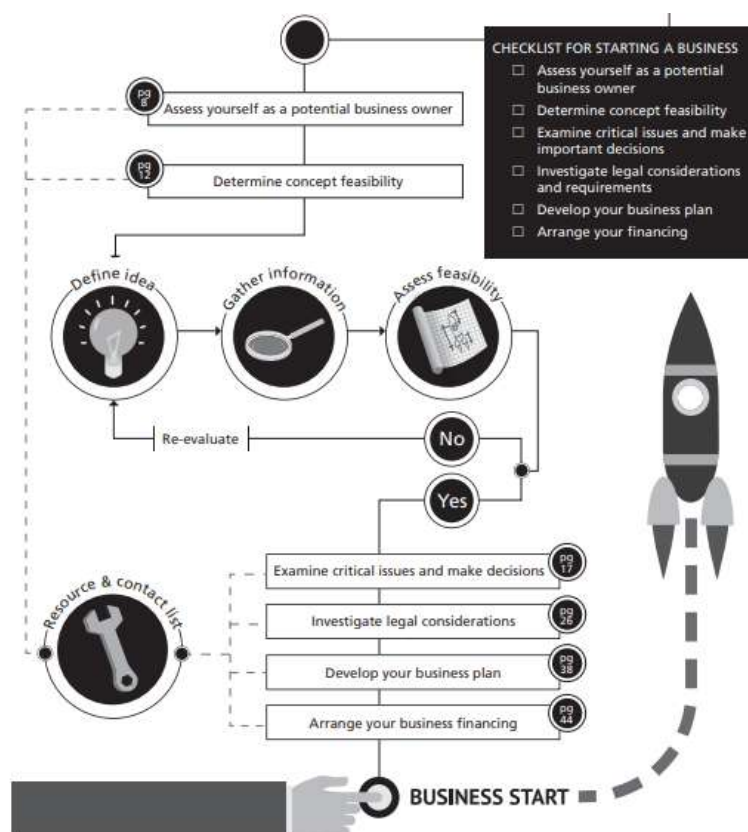
The SBTDC also provides valuable counseling assistance to established businesses as they grow. The SBTDC is one of the reasons that North Carolina is known as a great place to start and develop a business. By working closely with our key partners, the Community College System's Small Business Center Network (SBCN) and the Department of Commerce's Business Link North Carolina (BLNC), we will continue to help North Carolina be a leading state for small businesses.

The SBTDC's statewide team provides personalized management counseling and education services designed to help small and midsize businesses:

- Obtain quality business and market information
- Evaluate and improve financial performance
- Access new capital and markets
- Improve management and employee performance
- Make better decisions and achieve goals our services include not only general business counseling, but also specialized assistance delivered by specialized programs within the SBTDC.

3.7.1 A potential business owner

While owning a business may be a personal dream for many, managing a business may prove difficult because of a lack of prior business ownership, experience or management skills. An honest self-evaluation will allow you to assess your personal characteristics and determine your willingness to meet the demands of owning your own business. Some of the questions below may be difficult to answer, but it is critical to evaluate your personal weaknesses along with your strengths. When owner weaknesses are identified, partners, managers, staff members, other external resources or education and training may be found to balance strengths and offset weaknesses.



Source: Research gate

Figure 3.5: Potential business owner

3.7.2 Determine Concept Feasibility

Many questions must be answered and certain information gathered before determining the feasibility of your business idea. Careful research and analysis will help you in

evaluating your concept and assist you in assessing your idea. This section will cover the following topics:

- Define your business idea
- Redefine the concept
- Define your market through research and analysis
- Enhancing your chance for success

3.7.3 Market analysis

A market analysis is a comprehensive review of the business climate where the company will compete. It includes a thorough analysis of the industry, customer demographics and buying patterns, competitors, and the general business and economic climate, including a review of regulations and barriers to entry. This analysis will help the business owner identify SWOTS (strengths, weaknesses, opportunities, and threats) and determine whether the business or industry provides an attractive opportunity. The Four P's of Marketing should be considered when conducting your company's market analysis.

- **PRODUCT** what is the product or service you intend to provide? Are there other similar offerings? How does your product or service provide a better value to the buyer? Is it newer, faster, cleaner, and cheaper? Maybe you have exclusivity or own the intellectual property. How big is the industry? How much do you think you can command?

- **PLACE** How will your product or service be distributed? Dedicated sales force or storefront? Is that easier, faster, or cheaper than similar offerings? Are there any limitations to where or how your product can be distributed (i.e, is your product regulated or does it require licensing?) Do you have exclusivity? Do you own the distribution channel (the sales force, truck line, store front, etc.)? Is your distribution better or worse than the rest of the industry?

- **PRICE** Is your price higher or lower than the competition? Why? Is it better or worse than competitive offerings? Maybe you have proprietary rights. If it is in demand, you can likely charge a higher price. Is it a generic item? Are there taxes, licenses, or fees that

impact the price? How much do you have to charge to recoup your costs and make a profit?

- **PROMOTION** knowing what you do about the industry, your competitors and customers, how will you promote the product? Will you use social media, a sales force, mass media (TV and radio), word of mouth, referrals, or discounting to promote your product? What will that cost and how can that best reach the users you have identified? A thorough examination of the 4Ps will not only help you define your market and prospective buyer; it will assist you in identifying target markets and developing a successful go-to-market strategy.

3.8 PLANNING AND NETWORKING FOR STARTUP SUCCESS

So far in this book, we have been laying the foundation for your business. If this foundation is strong, your business will stand the test of time like a solidly built house. At this point, you want to start thinking about how to pitch your business idea. The pitch is a well-known term in the entrepreneurial world. Whether you're a farmer, a seamstress or a mobile app creator, you must be able to tell the story of your business to different audiences. In this chapter, we'll discuss how to make this story, or the pitch, effective, and how to create and present a more detailed proposal, or your business plan. Making a great pitch Think back to when you were a child. Do you remember a parent or grandparent telling you stories? Think of what made these stories interesting.

1. An exciting idea
2. Interesting characters
3. A call to do something
4. A new way of looking at something
5. A good feeling it produced

A pitch essentially is telling a story about your business idea. You start out by getting the listeners' attention, and then you create curiosity, capture their interest and build excitement. Your story will differ slightly depending on the person to whom you are

making a pitch: a customer, a supplier, a partner, a family member, a friend or an investor. It should prompt the listener to take an action:

1. Buy your product.
2. Work with you to fine-tune your idea.
3. Introduce you to important contacts.
4. Give you worthwhile business advice.
5. Invest in your business.

Whatever the audience you pitch to, focus on why you want to start a business and how you plan to achieve its goals. But don't overdo it: Be concise and leave out details. Your listeners will ask you about the details they consider important. Listen carefully to their questions and suggestions because they may indicate essential issues you need to tackle. If you're seeking advice, don't hesitate to ask questions.

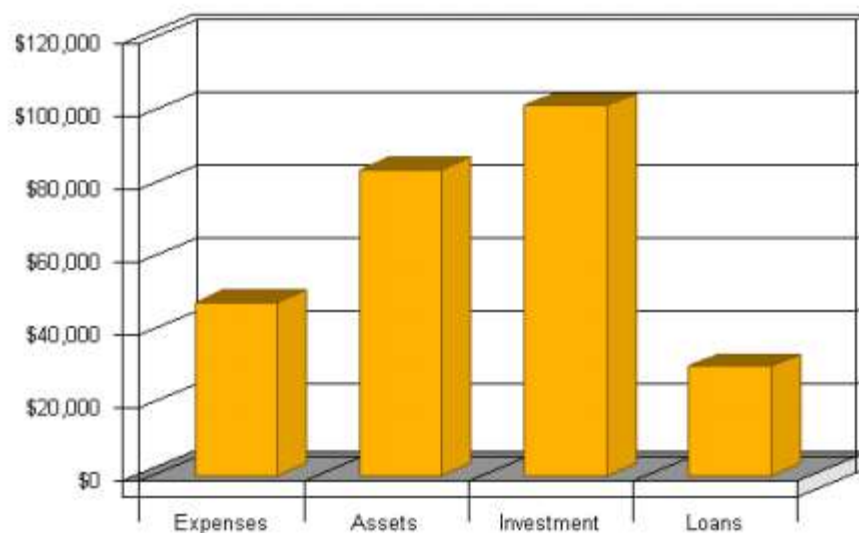
Customers may be the easiest audience to pitch to. You need to tell them about your product or service. This is the "sales pitch." It should make customers want to buy your product or service. Your pitch should be driven by the desire to sell customers on your product or service. So, before you make a sales pitch, you have to understand the needs of your customers. Depending on what you sell, the pitch may be similar for each customer or customer segment, or it may have to be tailored. For example, a farmer selling eggs delivers the same pitch to all of his customers, but an entrepreneur teaching computer skill is likely to make different pitches to older customers and children's parents.

Generally, the pitch should be short sometimes you get only five minutes though for certain pitches, such as for complicated technical products, you might need more time, followed by additional explanations. Your sales pitch must be authentic and truthful. You may get someone to buy your product once by giving a less-than-honest pitch, but you won't keep that customer for long. When the customer discovers your deception, he/she won't be buying from you anymore and may share the experience with others. As a result, you can lose sales. You're better off making your pitches honest.

3.8.1 Start-up costs and funding

After spending several months searching for a convenient location, the owners decided to lease a commercial space in a densely populated area of Local Bay. The start-up capital will be used for legal expenses, kitchen inventory and equipment, packing and other materials, insurance, rent, promotion, business sign, and inventory on hand at start-up, as detailed in the company summary section of this plan. We have estimated total start-up costs of \$131,500. The numbers in the start-up and the start-up funding tables are meant to reflect these estimates. The company capital will be \$101,500. John and Lisa Walker, as co-owners, will provide the bulk of start-up financing in the amount of \$72,000 (\$36,000 and 35.47 percent ownership each). Approximately \$59,500 additional funding is needed.

The purpose of this business plan is to secure financing for that amount. An investor and co-owner are welcome to participate in the company's capital for the amount of \$29,500, and could be offered a portion of 29.06 percent ownership of the \$101,500 company capital.



Source: Morebusiness.Com

Figure 3.6: Start-Up Costs and Funding

The funds provided by the investor will be used to buy equipment, and to cover part of the start-up expenses. More details about the investor's potential interest in the company are provided in the important assumptions section of this plan. For the remaining \$30,000

additional financing needed to cover the start-up costs, the company plans to receive a five-year term commercial loan facility which will meet the cash flow requirements. The borrowed funds will be used exclusively to buy equipment, based on the list that will be made available to the lending institution. The loan could be repaid in equal monthly installments over a five-year period. Our cash-flow analysis demonstrates the company's ability to repay the loan and meet the interest payment obligations, while maintaining adequate liquidity and generating positive cash flow, and sufficient cash reserves for unforeseen future events.

CHAPTER 4

UNDERSTANDING THE CAUSE OF SMALL-BUSINESS FAILURE

4.1 SMALL-BUSINESS SUCCESS

It is not easy to turn a vision or dream into reality. There are core concepts and principles involved with starting, growing, and maintaining a small business successfully. Anyone with sufficient financing can start a business in theory, and many take the chance practically, only to run into decision-making and business-management hindrances. It takes an understanding of critical business principles such as process, strategy, financial intelligence, and ethics to do it successfully. From a financial perspective, in its most basic form, a business can be explained as simply using money to make money. From a strategic perspective, small business can be getting from where you are to where you want to be. From a process perspective, a small business can be a series of steps performed to generate revenue. From an ethical standpoint, it can be a way to bring needed goods and services to the community.

The success of a small business is based on the various components of how efficient you can continuously produce, market, and sell your product or service. From these perspectives, it is important to understand that owning and running a business are demanding and rewarding. Take this comparison for example: the top percentile of wealth in the world belongs to entrepreneurs; however, most of those in the working world are employees. Entrepreneurship does not provide the security of the corporate world. It does not come with the established entity or the organizational culture. All this has to be built. It is the requirements of nurturing a business from start-up to growth to maturity that make small-business ownership both rewarding and challenging.

People start business for various reasons but always for the intent of making money. The reality of small-business ownership is that most that got into small-business ownership were not prepared to be small-business owners. They had the skill or the talent or the financing to start a business and were.

4.1.1 Success or Survival?

There is a success or survival paradigm (the internal process of interpreting reality) that we all fall into as small-business owners. Either we follow the survival paradigm where we avoid reality, blame others, and live-in denial, or we embrace reality, focus on self-improvement, and look toward success and achievement from within ourselves and, thus, follow the success paradigm. From a business management perspective, which of these describes you? Let's take a look at some erroneous comparisons and erroneous statements derived from business-owner habits and thought processes and see if we can gain some sort of understanding as to why things are the way they are (I have placed the core concepts—process, ethics, strategy, and business economics—next to each statement to address the failed area that may have caused these statements):

- **Activity = productivity (process).**

True or false? Why? False Activity does not equal productivity. It is not uncommon to hear managers claim to be so busy yet nothing gets done. Being busy with nonvalue-added process is the same as wasting time. The small-business owner needs to understand that value-added activity is vitally important. For example, many local pizza stores here in the Dover, Delaware, area have pizza delivery staff available most of the time, hanging around waiting for the next delivery to be ready.

- **Business decision = personal decision (strategy, ethics).**

True or false? Why? False. Your personal decisions and your business decisions should never mix. You should make business decisions based on business goals and the business mission. Do you live your entire life by the business goals and the business mission? Therefore, apply the reciprocity.

The biggest problem with business owners today is that they think making money is the goal, so they cut ethical and process corners, overwork and underpay employees, remove quality from products, and breach ethical requirements that benefit their employees so that they can make money to their satisfaction. Business goals are about client satisfaction, and the formula should be happy clients + happy employees = successful business owners, because if you set an environment for success, everyone will benefit and you'll get the results you seek. Goals can always change, but the mission is principle based.

4.2 SUCCESS AND FAILURE FACTORS IN ENTREPRENEURSHIPS

There are four basic factors responsible for business success:

You have to see failure as the beginning and the middle, but never entertain it as an end." -Jessica Herrin, founder and CEO of Stella & Dot

1. Hard work, drive and dedication — He said new business owners must be committed to succeeding and be willing to put in the time and effort to make it happen. Gladys Edmunds, a single teen-age mother in Pittsburgh, washed laundry, made chicken dinners to sell to cab drivers, and sold fire extinguishers and Bible's door-to-door to earn money to launch her own business.
2. Careful analysis of market conditions can help new-business owners assess the probable reception of their products in the market place. This analysis will provide insights about market demand for proposed products and services.
3. Managerial competence also contributes to success - Successful new business owners may acquire competence through training or experience or by using the expertise of others, few successful entrepreneurs succeed alone or straight out of college. Most spend time working in successful companies and/or partner with others to bring more expertise to a new business.
4. Luck also plays a role in the success of some firms. For example, after Alan Mckim started Clean Harbours (www.cleanharbors.com), an environmental cleanup firm based in New England, he struggled to keep his business afloat. Then the U.S government committed \$1.6 billion to toxic waste cleanup-Mckim's specialty. He was able to get several large government contracts and put his business on solid financial footing. Had the government fund not been created at just the right time, may well have failed.

4.2.1 Furthermore on factors that cause success in business

Proposed these three factors:

1. The ability and willingness of the entrepreneur to respond to business opportunities often referred to entrepreneurial capacity.

2. The presence of a supportive set of institutions (including financial institutions), social structure and values

3. The availability of business opportunities in the society. She further added that some other factors could be responsible for entrepreneurial success such as:

1. Luck - one may have good plans, experience, educational qualification, finance and so on, but if luck is against you, you may not do much in the business.

2. Planning - There are many things to consider before starting a business; these include money, customers, location and labor. There is a saying that he who fails to plan, plans to fail”.

3. Financing - Perhaps the most important aspect of your plan focuses at estimating your financial need and identifying sources of funds, such as bank loans, loan from friends and relations.

4. Record keeping - A good accounting system is imperative to a successful business. It will enable you know whether the business is progressing or declining.

4.3FACTORS INFLUENCING SUCCESS AND FAILURE

As highlighted in our conceptual framework, a multitude of factors can impact on business outcomes. In this section we discuss the literature which is pertinent to certain business performance outcomes, namely failure, survival and growth. Since a mass of research has sought to discover if there are any clear characteristics shared by the owners of small businesses that distinguish them from other members of the economically active population and what characteristics are conducive to small business success. The general conclusion appears to be that there is no simple pattern. Rather, the evidence Factors influencing success and failure as highlighted in our conceptual framework, a multitude of factors can impact on business outcomes.

In this section we discuss the literature which is pertinent to certain business performance outcomes, namely failure, survival and growth. Since mass of research has sought to discover if there are any clear characteristics shared by the owners of small businesses that distinguish them from other members of the economically active population and what characteristics are conducive to small business success.

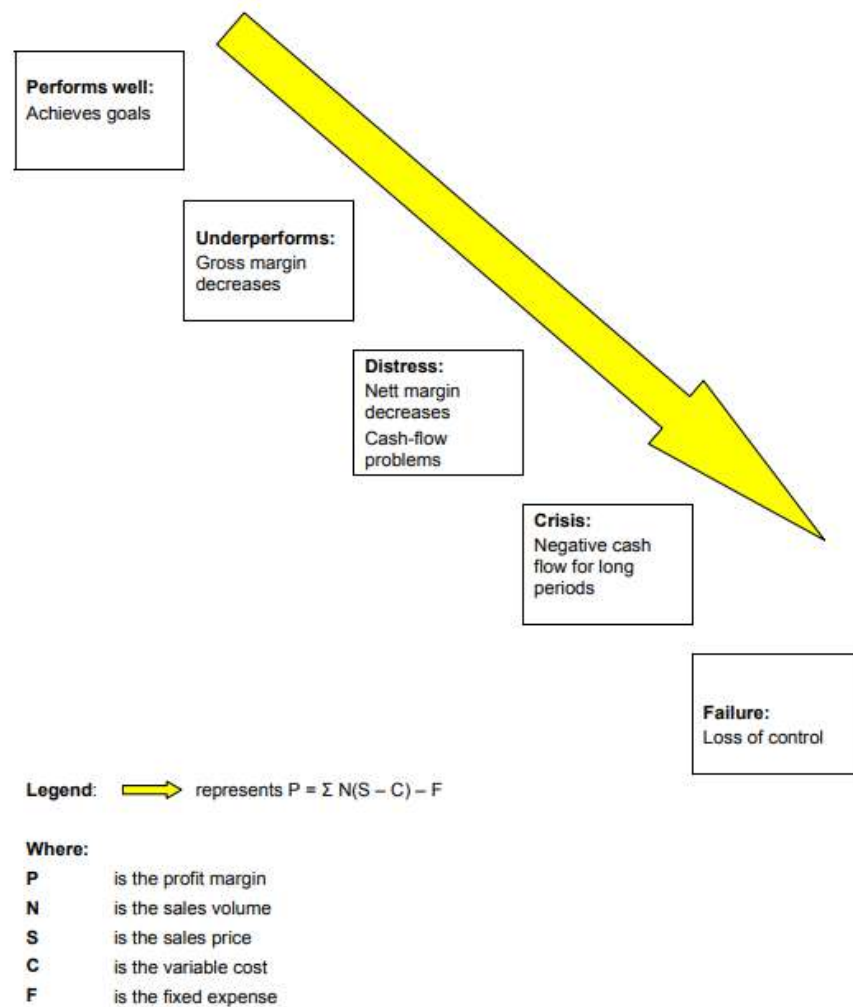
"You have to see failure as the beginning and the middle, but never entertain it as an end." -Jessica Herrin, founder and CEO of Stella & Dot

The general conclusion appears to be that there is no simple pattern. Rather, the evidence points towards a complex set of interrelated factors that increase or decrease the probability that an individual will become the owner of a successful small business suggests that there is no ideal-type personality or marginal set of attributes that guarantee success for a new venture. In order to understand why some individuals, become entrepreneurs and some are more successful than others, according to Ray, three key elements must be addressed: personality or attributes; background and experience; and skills.

There is no universally accepted definition of the point in time when an organization can be said to have closed (or failed).

This situation can hinder the advance of knowledge, because it creates parts without wholes, and disciplines without cores. This concern is raised to highlight that, if failure can be defined in more than one way, the causes of failure can also be manifold which is not helpful for the business owners and researchers trying to address business problems or deviations from the business management principles or rules. For as long as there is no consensus on the definition of failure, researchers will continue to find it difficult to account for the causes of a phenomenon they themselves cannot fully define.

The absence of a uniform definition of failure has added a further complex dimension to understanding research into SMME failures. For example, understanding the causes of failure using resources and opportunities has, to date, received scant attention from researchers of the failure phenomenon.



Source: Pretorius (2006:229).

Figure 4.1: Failure associated with different stages of the failure slide

Posits that the probability of launching a successful business is not based on a fixed set of attributes but on an infinite variety of combinations in which an individual's positive attributes might outweigh their negative attributes. While the idea that small businesses and their founders are heterogeneous was made explicit by the Bolton Inquiry, certain commonalties were emphasized. Founders were likely to be both owners and managers and supported by the family.

Their closeness to the firm explains their involvement, flexibility, special role in risk-taking and innovation, and their fervently guarded sense of independence. Money, it was suggested, was not their prime source of motivation, there is a quality-of-life issue – personal involvement in owning and managing one's own firm led to greater satisfaction

on a number of fronts all associated with the notion of independence. states that the strong desire of many small business owners to retain personal control and business independence has been well recognized as a key factor limiting the growth of many potentially successful small enterprises. Some authors view business success from an entirely different perspective, for example, in a study of entrepreneurial success, rejects the idea that success is equated with entrepreneurial competence.

"Success depends on employees. For me knowing and connecting with my employees is very important." -Divine Ndhlovu, founder and managing director of DDNS Security Operations Ltd

Osborne recommends a shift from a focus on the personality or characteristics of the business founder to the firm's underlying business concept and capacity to accumulate capital. In starting up a business, Osborne suggests that entrepreneurs should start or buy a business which has a hospitable environment; understand how customers access product/service benefits; avoid markets dominated by one or several companies with product or price leadership; understand the underlying economics in which the firm operates and be cautious about starting a business where capital requirements suppress or eliminate discretionary cash flow.

4.4THE SINGLE MOST IMPORTANT INGREDIENT FOR BUSINESS SUCCESS

The first and most important thing you need to acquire in order to succeed in a small business is... knowledge. Sounds exaggerated? Listen to this According to research conducted by Dun & Bradstreet, 90% of all small business failures can be traced to poor management resulting from lack of knowledge.

This is backed up by my own personal observations. In my 31 years as a business coach and consultant to small businesses, I've seen practically dozens of small business owners go under and lose their businesses -- not because they weren't talented or smart enough -- but because they were trying to re-invent the wheel rather than rely on proven, tested methods that work.

"Why Invent Mediocrity, When You Can Copy Genius?"

That's an excellent quote I picked up from a fellow business owner a few years back. What this means is that you should see what is working and try to duplicate Printing Business. Why go through all the trouble of inventing something new, that you don't even know will ever work, when you can easily learn from and duplicate something that has been a proven success? During my career as a business coach and consultant I've helped dozens of business owners start their businesses, market, expand, get out of troubles, sell their businesses and do practically every other small business activity you can think of. You see, I have been there.... done it ... and bought the Small Business t-shirt! -- This free book contains techniques and strategies I've learned during my 31-year small business career.

4.5 BUSINESS-FAILURE THEORIES AND TODAY'S BUSINESSES

Business failure (BF) is a constant in today's business world, being considered an essential and significant part of new business ventures. From the extant literature on the topic of the costs bared by the entrepreneurs, it is undeniable that BF is essentially a learning process. Although BF is hard to define, all definitions relate to the same significant event in the lives of organizations and individuals – the defining moment that unfolded over time where the survival of a company ends, creating losses for investors and creditors alike. How that moment is determined varies widely among authors who have analyzed the phenomenon. There is considerable debate regarding the narrative of the creation and performance of entrepreneurial efforts, but failure has received much less attention.



Source: Authors' compilation

Figure 4.2: Operationalize framework for studying business failure (BF) experiences

This book aims to contribute to the scarce empirical research on the outcomes of BF for individuals. Many researchers highlight the need to analyze the aftermath of BF, specifically addressing: how the individual progresses and eventually develops new ventures how individuals change business behaviors and practices in light of a failure and what is the effect of previous failure on the individual's future career path and/or decisions to embark on subsequent ventures. The gap includes the learning process and all the actions and changes that are born from it. Questions like “How can these different outcomes be explained? What is it about certain individuals, BFs, and/or the nature of the stories that obstruct – rather than generate – action?” are yet to be answered and require a better understanding.

The study thus intends to contribute to the empirical literature on the consequences of BF by developing insights into the consequences of BF and the reasons/conditions that enable entrepreneurs to succeed or otherwise hamper their success after a BF. The pertinence of the study of failure is widely asserted, as are the benefits that emerge from such an experience. The authors also believe that there is a key progression in time for the individuals, as successful business leaders are not born successful but rather fail continually until they achieve success – a concept that could prove useful to institutions and aspiring entrepreneurs.

To achieve this, we will focus on currently successful entrepreneurs who have failed in the past and try to understand the consequences of their past BF in the creation of new business ventures. Although many consider failure a pathway to success due to it being a learning experience there is a lack of research dealing explicitly with prior failure as a condition for success or other considerations that reflect long-term orientations for the individual.

Qualitative research is to understanding the “how” of the phenomenon, especially when trying to understand the development of the individual within his/her context. Thus, personal accounts and narratives are essential to understand the process, although it has only recently been applied to this field. Specifically, we will employ the Interpretative Phenomenological Approach using a set of six selected case studies of entrepreneurs from several countries.

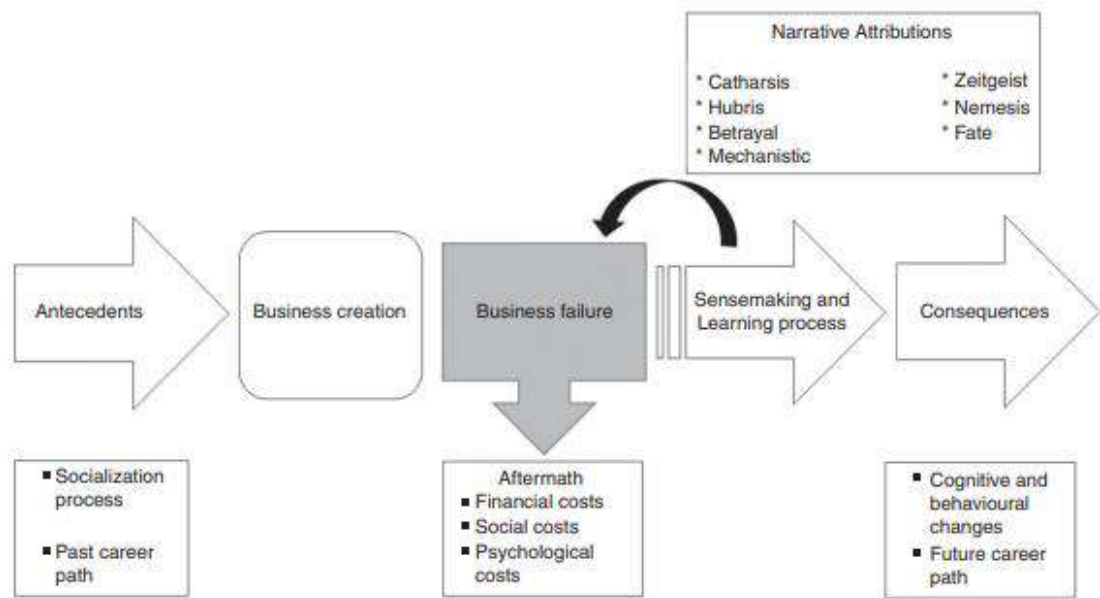
4.5.1 on the consequences of business failure

Occurs over several distinct phases, usually contiguous to a significant event that is considered the tipping point of “failure” The process includes the analysis of the conditions and series of events that lead to BF It also considers the post-failure situation, focusing on the consequences of going through such a stressful situation The relevant literature can be categorized into three main research streams (BF prediction through modeling; determinants or causes of BF; and consequences of BF.

A brief bibliometric analysis of the documents published in journals indexed in the Web of Science using as search keywords the combination of “business failure” or “startup failure” or “company bankruptcy,” limited to the field of Business Economics, resulted in 201 journal articles that focused on BF. More than one third of these studies analyze the determinants of failure with 31 percent trying to predict failure in organizations through mathematical models.

The aftermath and outcomes of BF is only analyzed in 14 percent of the studies. To better understand the consequences of BF, researchers draw on many theories from the field of psychology, such as Attribution Theory in order to determine what each individual goes through when they experience a BF. Others look at specific conditions of BF that might affect the impact of the costs, such as applying the personal bankruptcy law in a given region and the asset protection it provides and factors associated to Institutional Theory. work, it was possible to summarize the main theoretical contributions that frame this stream of research.

When widening the view, the theoretical framework for studying BF, in particular the consequences of BF. As illustrated, BF is a continuous process with key moments that require further study. The determinants of BF are intimately related with the consequences and the outcomes, as well as the psychological processes involved, and should not be separated from the individual, given the cognitive, behavioral and personality theories involved – all leading up to a key stage: rising from failure to achieve success.



Source: Authors' compilation

Figure 4.3: A theoretical framework for studying the process of business failure for an individual

Most of the studies analyzing the consequences of failure are focused on the individual. This may be justified by the fact that such individuals are either the survivors of the failure or the ones that support most of the consequences. In this vein, it comes as no surprise that most of the research done in this field is based on theories from psychology. This specific literature stream usually considers failure a traumatic event where the individuals related with the failure gain a series of costs and benefits during the following period. Researchers feel that it is important to understand the different phases that one goes through after the trauma, which can resemble, in many ways, the death of a family member.

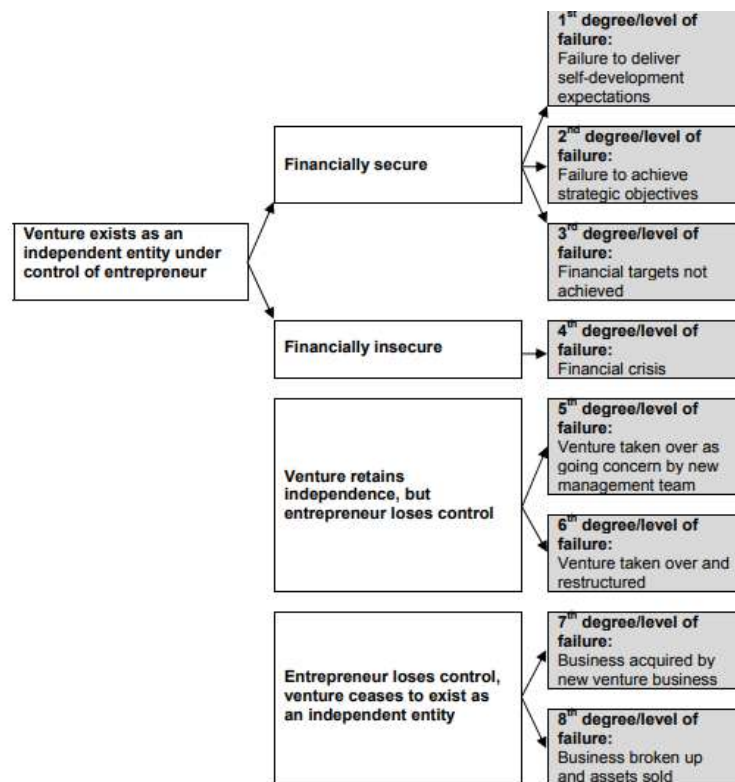
4.6 BUSINESS FAILURE AND ENTREPRENEURSHIP: EMERGENCE, EVOLUTION AND FUTURE RESEARCH

Business failure research has its origins in the finance, when the establishment of commercial banks greatly increased the flow and spread of financial information in the latter half of the nineteenth century. Since then, it has been explored and studied by a range of disciplines with researchers using disparate methodologies and various lenses.

The most recent resurgence of interest in the subject has occurred in the past decade, with a noticeable and sustaining increase in studies related to business failure emerging from the entrepreneurship literature. The renewed interest on business failure within the entrepreneurship domain has led to a focus on individuals' experiences of failure [thus departing from the comparatively detached approaches, such as analytical modeling, that were commonplace when the topic first debuted in the finance literature. Interest in the topic has enriched the entrepreneurship literature and led to a more nuanced understanding of business failure.

However, if you set the goal as making money, your focus becomes fine-tuned to money alone when it should be fine-tuned to client needs. This misdirection leads you to lose focus on your business environment, and soon you will encounter many areas of concern. One of the default processes of this mentality is that you select your partners, lawyers, accountants, etc., by cost rather than by quality and service. So how do you overcome hurdles that seemingly affect every business owner?

The first step is to understand that there will be hurdles to overcome. Planning is a key component, and any consultant or business assistance organization will tell you to create a business plan. Technically, a business plan is a compilation of process, strategy, business economics, and ethics and the application of the fundamental 5Ws and H in all these areas. (Remember the fundamental 5Ws and H: who, what, why, when, where, and how.)



Source: Visser (2007:17) adapted from Wickham (2001:205; 2006:208).

Figure 4.4: Degrees/levels of business failure

However, there remain issues within the field, gathering data on such a sensitive topic is difficult. Comparability between studies is further hindered by the lack of a universally accepted definition; furthermore, the tendency amongst researchers is to select their definition based on access to data rather than scientific reasoning is concerning. This review aims to explore these issues and provide a comprehensive overview of the evolution of business failure research and key debates that have surrounded the subject over the years within the entrepreneurship literature. This literature review organized as follows. the lack of a universally accepted definition of business failure, the difficulties that arise from this, and the way in which this has directly contributed to the limitations of quantitative studies. Furthermore, the range of definitions employed by various studies within the literature is examined in addition to the diverse methodological approaches.

The emergence of failure studies in the business literature, from their roots in financially driven bankruptcy prediction models to the more encompassing organizational decline models the monograph also explores competing perspectives of business failure —

deterministic and voluntaristic. These two distinct schools of thought rise compelling, albeit reductionist arguments in their exploration of the drivers of business failure.

4.6.1 And their implications

Business failure is a topic that has piqued the interest of scholars from various business disciplines; in turn it has garnered a variety of definitions over the decades. It drew attention to the expanding and contracting nature of various business failure definitions ranging from the dysfunctional broad to the acutely narrow. At one end of the spectrum is the definition of failure as bankruptcy. A firm may cease to exist as a legal entity through either voluntary or compulsory liquidation. In certain circumstances dissolving the firm earlier through voluntary liquidation can stem further financial loss. However, firms may also pursue voluntary liquidation for wholly positive reasons such as acquisitions, mergers, or retirement. Thus, when examining the legal cessation of a firm from a business failure perspective, compulsory liquidation is most appropriate, as a court order forces the liquidation of the firm.

4.6.2 Bankruptcy prediction models

In the 1930s the great depression formed the catalyst that led to the study of business failure to begin in earnest. Access to financial data allowed for tentative links and relationships to be made between various items within financial statements. Studies identified that failing companies display considerably different ratio measurements to continuing businesses. This led to the creation of bankruptcy prediction models; most models were created using a paired-sample technique. That is, one sample consisting of data pertinent to failed firms (e.g., debt level, cash liquidity rate) and a paired sample comprising of continuing firms with contemporaneous data. The results determine which financial attributes are consistent and/or which are significantly different between the viable firms and failed firms.

The goal of this technique is to identify a formula, “based either on a single ratio or a combination of ratios, that best discriminates between firms that eventually failed and firms that remained solvent” The development of an empirical foundation of ratio analysis that these early studies created, paved the way for the more sophisticated studies that came to the fore in the late 1960s. It was the seminal works of that ignited profound new interest in prediction modeling as a means of determining corporate distress.

4.7 SMALL BUSINESS FAILURE IN DEVELOPED COUNTRIES

To understand the phenomenon of failure of SMMEs, it is necessary to present definitions from research on developed countries first. Table 4.1 presents a summary of different interpretations of the concept of “business failure”, indicating that there is no single agreed-upon definition of “business success” or “business failure”. From Table 4.1, it emerges that the concept of “failure” has been defined from a number of perspectives, all of which ultimately point to the inability of the venture to satisfy certain set goals. The inability to satisfy the goals in variably translates into the position occupied by the firm along a continuum characterized by success at one pole and failure at the other.

Table 4.1 indicates that the opposition forces could be in terms of tensions between assets against liabilities, revenues against costs, output against input, demand against supply and hope against despair. The definitions illustrate that where the expenses tend to exceed the incomes, the business concerned could face the possibility of bankruptcy, leading to eventual closure of the business. The closing down of the business thus denotes the end of the venture, having struggled to survive over a certain time period. The failure definitions in Table 4.1 are thus based on the concept of tensions between opposing forces.

Table 4.1: Developed countries’ definitions of “small business failure”

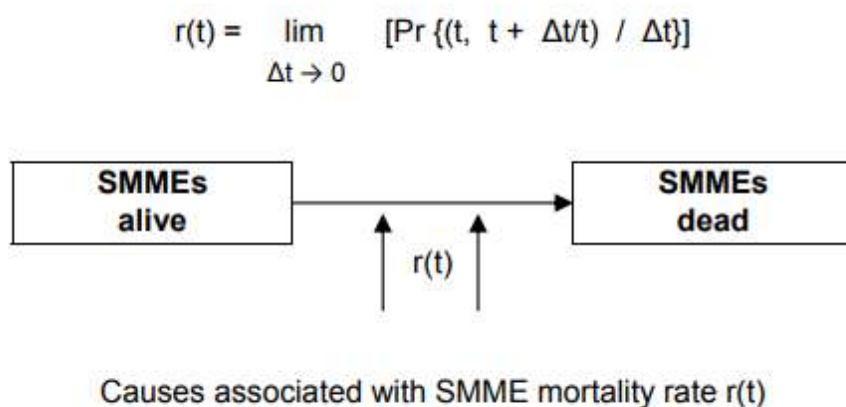
| Failure definition | Category/key definition construct | Source |
|--|--|---|
| Firms earning a return on investment which is less than the opportunities cost of capital | Economic failure | Friedland & Morris (1976:7) |
| Bankruptcy is an obvious form of failure; the courts treat technical insolvency and bankruptcy in the same way. They are both considered to indicate the financial failure of a firm | Economic failure | Gitman (2009:785) |
| Failure: Failing business organisations are those that become insolvent unless appropriate management actions are taken to effect a turn-around in financial performance | Pending insolvency. Requirement for alternative management action | Richardson, Nwankwo & Richardson (1994:9) |
| Small business failure: the inability to satisfy principal stakeholders’ aspirations | Subjective failure | Jennings & Beaver (1995:192) |
| Failure: Firms involved in court procedures or voluntary actions which result in losses to creditors, excluding discontinued ventures | Losses to creditors | Lussier (1996:79) |
| A company is unsuccessful if it fails to meet the objectives set for it by its stakeholders, or if it produces outputs which are considered undesirable by those associated with it | Subjective failure | Thompson (1996:227) |
| Failure is defined as bankruptcy | Bankruptcy | Zacharakis, Meyer & De Castro (1999:5) |
| Failure refers to deaths of entire firms and industry exits by multiple business companies | Closing or exiting the industry | Henderson (1998:291) |

4.8 AN OUTLINE OF SMALL BUSINESS FAILURE THEORIES

This section is dedicated to an in-depth discussion of the theories on small business failure which have been identified by the author for this research. In undertaking a comprehensive business failure theoretical review, classifications are important. The theoretical assumptions as defined refer here to frameworks of the causes of failure, in which the failure by owners of businesses to adhere to certain basic business management principles culminates in the decline and eventual failure of the businesses concerned. For example, the mismanagement of a small business is presented as a cause that triggers a venture's decline and eventual failure. But, how can the failure concept in small business be viewed? The next section on hazard rate crystallizes the concept of failure in small businesses.

4.8.1 The “hazard rate”

Failure theory before an in-depth review of small business failure is conducted; attention is first given to the conceptualization of “hazard rate” in the small business failure process. This concept is being introduced to set the stage for a deeper review of small business failure theories. The hazard rate is used to isolate causes responsible for the fate of small businesses. Furthermore, according to the determinants of the life duration of small businesses can be explored by making use of the hazard function. The hazard function is a model for understanding the causes of small business failure that determine the lifespan of small businesses and new firms. The exploration of the causes of the high failure rate (averaging 70 % to 80 %) follows a conceptual framework known as the “hazard rate” (death) or failure rate



Source: Adapted from Preisendorfer & Voss 1990:127; Laitinen & Kankaanää 1999:72; Anderson & Tushman 2001:696; Abouzeedan & Busler 2004:159

Figure 4.5: The hazard-rate failure framework

Illustrates that at time t (0) all units (firms/SMMs) are presented as being “alive”. As time (t) progresses, some units “die”, in other words, they change their state from “SMMs alive” to “SMMs dead”. This constitutes $r(t)$, known as the mortality rate. In this model, $r(t)$ is described as the factors associated with the small business failure. The model allows for a multivariate analysis of the factors (independent variables/explanatory variables or covariates) affecting $r(t)$. In this framework, everything in entrepreneurship is supposed to begin with the venture start-up and end when venture ceases to function

4.8.2 THREE THEMES OF SMALL BUSINESS FAILURE

As causes of small business failure are many and varied, often complicating how business owner-managers as well as researchers understand the small business failure phenomenon, necessitating prioritization and categorization of the causes of failure if discussions are to be meaningful. In this section, the failure theories are presented in terms of various classifications which have been made by researchers such as Timmons who posit four classifications: strategic management; poor planning and financial systems; practices and controls, and environmental issues. In contrast, suggest only three classifications. The many causes that have been used by extant researchers are grouped in this research into three classifications or themes:

- Resources and opportunities as a perspective of failure;
- Metaphors as a perspective of failure (for example, the venture life cycle and liabilities of failure);
- Multiple origins/causes as a perspective of failure (entrepreneur, organization, environment).

These themes are presented in and elaborated. The discussion that follows after indicates the important role of the model on this study. The model could be regarded. Those aspects of this model which are relevant and applied in this study are elaborated.

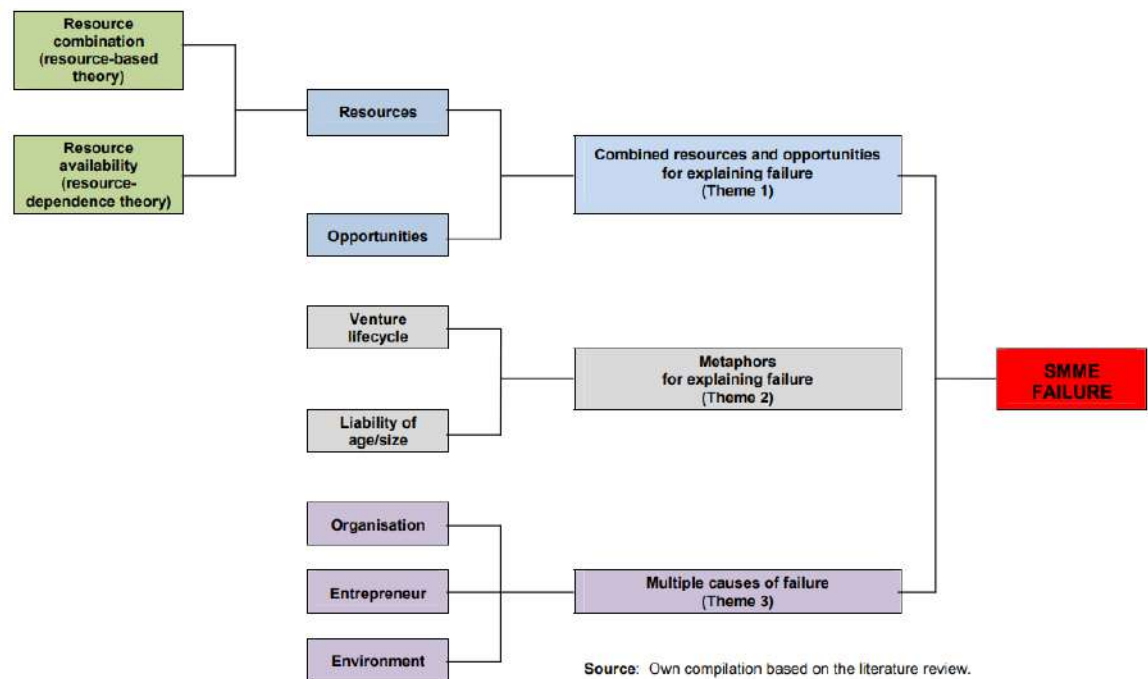


Figure 4.6: Proposed tree diagram of small business failure themes

4.8.3 Negativity Leads to Failure

We must understand that we were being developed by emotion actions and poorly bred as logical thinkers from birth. However, as strategists our strength and success were built into emotion; as children if we wanted something we cried and we perfected that emotional approach strategy throughout our childhood. As we grew older, we became more emotional buyers and more focused on our personal satisfactions, and the consequences of poor decisions were avoided or we dealt with them afterward. Whatever the case, we all became really good at using our emotions to impose our will. As adults and entrepreneurs, we get enough money to start a business; and because we are financially positioned (or think we are), we jump into the business world to reap the benefits of small-business ownership. The fact of the matter is, you cannot take the impulses that make you a great customer and try to implement them as a business owner. However, you should apply some perspective on what makes the great customers and work back from that point to see how best to facilitate them.

"No matter how many customers you have, each is an individual. The day you start thinking of them as this amorphous 'collection' and stop thinking of them as people is the day you start going out of business." -Dharmesh Shah, Co-Founder of HubSpot

Well, a great customer is one who buys and buys often, the one you know by the time and the order, the one who can say, “I’ve been coming here for twenty years.” There’s no secret to the definition. Look at how much marketing today is directed toward children. Even grown-up products like cell phones, cars and insurance are getting the kids involved, because the bottom line is that kids are great customers. They value the emotional experience and fun. If you can package that in some form, you have a hit product.

As business owners, we have to focus on who our customer will be and ensure our product, process, and strategy focus on the components that that customer base considers value. Again, the 5Ws and H can help you with the due diligence. Small-business owners today are seemingly in a rut for one reason or another. Most are still not where they want to be and have a hard time getting there. And they’ll tell you why. This next section discusses some of the more frequent negativities I’ve heard and an elaboration on the statements.

CHAPTER 5

THE ECONOMICS OF ENTREPRENEURSHIP AND PUBLIC POLICY

5.1 ECONOMICS OF ENTREPRENEURSHIP AND PUBLIC POLICY

Entrepreneurship is a major force that drives the economy of many nations; it is also engine which new ideas are introduced continually into businesses and the market place. Entrepreneurs convert ideas into products and services and ultimately create wealth and reduce unemployment (Schumpeter, 2005). The strength of any nation depends on its ability to create wealth. The wealth creation process lies in the hands of individuals who are innovative. This will translate into capital formation, creating large-scale employment opportunities, promotes balanced regional development, reducing concentration of economic power, stimulating wealth creation and distribution, increasing gross national product and per capita income, improvement in the standard of living, promotes the country's export trade and reducing poverty.

Therefore, a nation that wants to experience economic growth and reduce poverty needs to understand the impact of entrepreneur on poverty reduction and economic development. According to some theories of entrepreneurship, there are factors that affect the survival of entrepreneur like availability of bank credit, education & training, government etc. The Economic Theory of Entrepreneurship states that economic growth take place when economic conditions are favorable.

"If you are working on a product that's going to be consumer-facing, then feedback is invaluable. You should be out there being brave and talking to people and asking for feedback as much as possible." -Emily Brooke, Co-founder of Blaze

Economic incentives are the main motivators of entrepreneurial activities; the incentives include taxation policy, industrial policy, source of finance and raw material, infrastructure availability, investment and marketing opportunities, access to information about market conditions and technology.

There is need to examine these factors and create an environment for entrepreneurship to thrive. Therefore, the proposed study will look at the impact of entrepreneurship on poverty alleviation as well as the factors that affect entrepreneurship.

5.1.1 Role of Entrepreneurship in Economic Development:

The term economic development has been defined in so many ways that its precise meaning is often baffling. Nevertheless, economic development essentially means a process of upward change where by the real per capita income of a country increases over a long period of time. Economic development has attained significance right from the days of Adam Smith, Ricardo, Mill, Schumpeter and other renowned economists. Adam Smith, the foremost classical economist in his monumental work "An Enquiry into the Nature and Causes of Wealth of Nations (1776)" did not assign any significance to entrepreneurial role in economic development. He regarded the rate of capital formation as an important determinant of economic development.

While David Ricardo identified only three factors of production namely machinery, and labor among whom the entire produce is distributed. He appreciated the virtues of profit in capital accumulation. According to him profit leads to saving of wealth which ultimately goes to capital formation and leads to economic development. Thus, both the classical theories of economic development had no room for entrepreneurship in 2 economic developments. These regarded economic development as automatic and self-regulated. They opined that "the firm is shadowy entity and the entrepreneur even shadowed or at least is shady when he is not shadowy". In recent past, the role of an entrepreneur has been considered of great significance in accelerating the pace of growth and economic development not in developed but also in underdeveloped countries.

Entrepreneurship is the ability to amass the necessary resources to capitalize on new business opportunities. The term is frequently used to refer to the rapid growth of new and innovative businesses and is associated with individuals who create or seize business opportunities and pursue them without regard for resources under their control. They build something from practically nothing and usually reinvest earnings to expand their enterprise or to create new enterprises. Other words that characterize entrepreneurship include innovative, creative, dynamic, risk-tolerant, flexible and growth oriented.

But the economic history of many presently developed countries like USA, Japan etc. has supported the fact that entrepreneurship has played a key role in their economic development. The crucial role displayed by the entrepreneurs in the development of the western countries has made people of underdeveloped countries too much conscious of the significance of entrepreneurship in economic development. As a result, people have begun to realize that for achieving the goal of economic development it is necessary to promote entrepreneurship both qualitatively and quantitatively in the country. Only an active and enthusiastic entrepreneur may fully explore the potentialities of the country's available resources labor, technology, capital etc.

5.1.1 Entrepreneurship policy

The research literature identifies at least factors ranging from labor market regulations to public sector size that influence the rate of entrepreneurial activity. Compiled systematically, public policy influences entrepreneurial activity in five different areas:

- The demand side of entrepreneurship;
- The supply side of entrepreneurship;
- The availability of resources, skills and knowledge;
- Preferences for entrepreneurship; and
- The decision-making process of potential entrepreneurs.

Irrespective of classification, it is tricky to evaluate the effectiveness of different policy options. As discussed earlier, measurement poses the first problem. Second, different policy measures will likely interact, with ambiguous effects—policies can be complementary, but they may also counteract each other. Third, policies geared towards other goals may also influence entrepreneurial activity. As the effect of a policy tool depends on the whole policy mixes in the economy, it is virtually impossible to fully identify the factors affecting entrepreneurial activity; to quantify their respective effect is of course even more difficult. In short, context matters.

Political, economic, and cultural systems differ across countries, each of which has characteristics that cannot be replicated or imitated by public policies. Although using

both cross-national benchmarking and best practice comparisons is worthwhile when evaluating different policy tools, doing so largely ignore the importance of context. Countries may have different binding constraints, and the importance of a particular factor may be greater in one country than in others. Therefore, ranking different policies as “best practice” may at best give rough policy guidance and at worst be quite misleading.²⁸ No time-invariant and universal general policy prescriptions exist that can and should be used to stimulate entrepreneurial activity. As entrepreneurship research is multidisciplinary and diverse, no generally accepted theory exists.

Patterns can be traced between countries using suitable empirical and econometric techniques, but one must avoid drawing strong general conclusions based on this research. Even if several studies find one aspect to be (the most) important, this factor may not be similarly relevant in other economies not covered by the study. Time span poses an additional problem. Several studies have shown that public policy rarely influences entrepreneurial activity in the short run. This can stem from cultural inertia but also transaction/switching costs, which make public policy towards entrepreneurship ineffective. Depending on the political time horizon, different policies may prove optimal from different points of view

5.1.2 Developing new markets

Under the new concept of marketing, markets are people who are willing and able to satisfy their needs. Saw marketing as looking at the business through the customer’s eyes profitably. In Economics, this is called effective demand. observed that demand has relationship with prices and quality. Entrepreneurs are therefore 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, organizing and coordinating.

5.1.3 Discovering new sources of materials

Owning to the entrepreneur’s innovative nature, they persist in discovering new sources of materials to improve their enterprises.

5.2 PUBLIC POLICY AND THE ECONOMICS OF ENTREPRENEURSHIP

Entrepreneurship has been a subject of much recent discussion among academics and policymakers because of the belief that it invigorates the economy—producing greater productivity, more jobs, and higher economic growth. President George W. Bush promoted his economic plan by pointing to its encouragement of entrepreneurship. Yet, despite its importance, the topic of entrepreneurship is underrepresented in the economics literature. The contributors to *Public Policy and the Economics of Entrepreneurship* examine different aspects of entrepreneurship and its relation to public policy to help us reach a better understanding of the economic role of entrepreneurs.

The contributors, all prominent economists, first consider what policies effectively encourage entrepreneurship, discussing a possible role for government in venture capital markets, the effect of the tax code's subsidy of health insurance for the self-employed, and the impact of banking deregulation on entrepreneurial activity. Two contributors then examine entrepreneurship in "unexpected places" not small businesses, but large pharmaceutical firms and nonprofit organizations.

The final essays explore the effect of entrepreneurship on inequality, looking at statistical evidence of upward mobility for self-employed blacks and Hispanics and discussing the effect on entrepreneurial activity of policies to reduce wealth inequality. The contributors hope, by offering a rigorous economic examination of entrepreneurship, to foster better public policies that encourage and support entrepreneurial activity.

5.2.1 Public Policies That Impact Entrepreneurship

Many definitions of public policy abound agree that public policy is a public decision to achieve a purpose. However, policy only lays down the general directive rather than detailed instructions or strategies to follow to achieve the objective. Basically, public policies are formulated by the three arms of government working in concert. Simply defines it as a guiding principle which governs action especially repetitive actions, it is a decision as to what should be done and how, when and where. Easton in defines public policy as the authoritative allocation of value of the whole society. Some of these definitions are in one way or the other not adequate. The following policies impacts entrepreneurship:

- General perspective of entrepreneurship.

- Tax and regulatory climate
- Access to capital
- Entrepreneurship education
- Intellectual capital

5.2.2 Evolving government roles

Generic support for business creation in both Canada and the United States is longstanding. In both countries, new business creation has been generally promoted with changes to business regulations, taxation, and training. Nonetheless, the roles that governments have played have evolved considerably since the mid-twentieth century. At the national level, the ethos of assisting fragile small businesses prevailed until around 1980, when it began to be replaced by the view that entrepreneurial startups could be the vehicle for innovation.

Since then, federal governments in both countries have through federal agencies and targeted programs sought to support R&D and technology commercialization activities involving new firms. Part of this support flows through institutions that historically supported small business owners; part through research funding agencies that support academic science.

Representative of these evolving roles are the early economic institutions focused on small businesses. The Business Development Bank of Canada was founded in 1944 (as the Industrial Development Bank) to finance the development of national industry, and added consulting and training services to its financial offerings in the mid-1970s. In 1995, the Canadian Parliament passed the Business Development Bank of Canada Act, mandating BDC to promote entrepreneurship, with a special focus on the needs of small and medium-sized enterprises. In the United States, the 1953 Small Business Act created the Small Business.

5.3 ENTREPRENEURSHIP DEVELOPMENT PROGRAMMED (EDP):

Evolution Entrepreneurship Development Programmers have been playing a major role in the growth of overall activity of an entrepreneur. The programmers help the

entrepreneurs to develop entrepreneurial efficiency and improve the productivity. In order to run the enterprise on efficient lines, proper training and wide exposure to the entrepreneurial qualities become extremely important. This is because entrepreneurial qualities are deficient in character in a developing country like India, especially in the smaller town and rural areas.

Entrepreneurs possess certain traits or competencies which are the underlying characteristics of him/her. This resulted in superior performance. Then the crucial question arises is: whether these characteristics are born in the entrepreneurs or can be induced and developed? In other words, whether entrepreneurs are born or made. Behavioral scientists have tried to seek answer to these questions.

A well behavioral scientist David McClelland (1961)¹ at Harvard University made an interesting investigation into why certain societies displayed great creative powers at particular period of their history? What were the cause of these creative bursts of energy? He found that 'the need for achievement' (nach factor) was the answer to this question. There is a need to motivate people to work hard through need achievement model. According to him, money making is only an incidental aspect. It was only a measure of achievement, not its motivation. He conducted a five-year experimental study in Andhra Pradesh in India in collaboration of Small Industries Extension and Training Institute (SIET). This experiment was popularly known as 'Kakinda Experiment'.

The prevailing habits of thoughts and the incentive system also affect the pace and direction of learning, and it is new knowledge, in Veblen's case particularly technological knowledge, that brings about shifts in the basic patterns of life and, ultimately, alterations in institutions and cultural norms (Rutherford, 1995 pp. 447).

The young persons were selected and put through a three-month training programmed and motivated to see fresh goals under the experiment. One of the significant conclusions of the experiment was that the traditional beliefs didn't seem to inhibit an entrepreneur and 136 that the suitable training can provide the necessary motivation to the entrepreneurs.

The Kakinda's Experiment can be treated as a precursor to the present day EDP inputs on behavioral aspects. The experiment has set up the mind set among the entrepreneurs that people need the EDP to induce motivation and competence among the young prospective

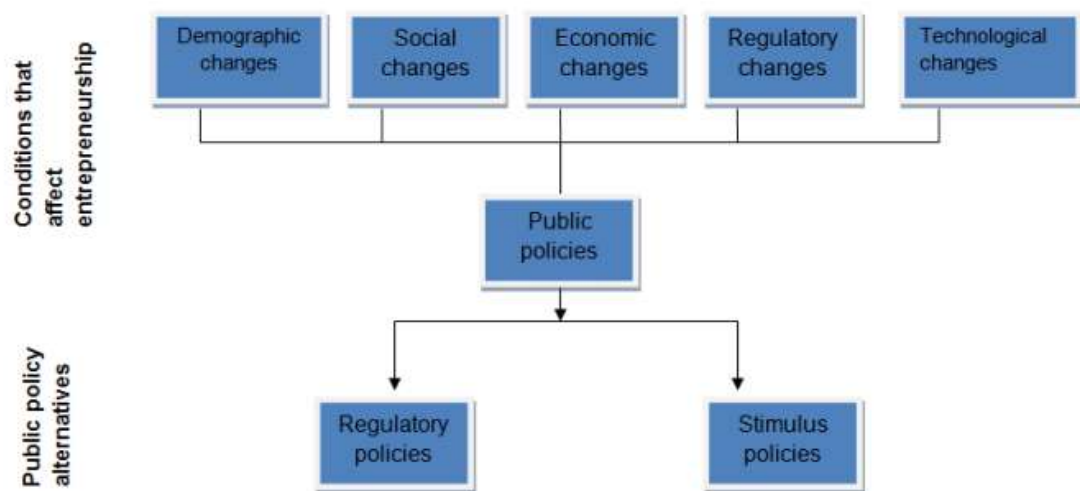
entrepreneurs. Entrepreneurship development through training intervention has been accepted in our country as a strategy for promotion of first-generation entrepreneurs. Assam is the pioneer state which initiated a planned and systematic effort in entrepreneurship development.

Entrepreneurship begins with people, for the people and by the people, so the urgent need is how to develop their talents in order to improve the overall performance of the entrepreneurs. "Entrepreneurs are not only born but also can be created: - With this slogan Entrepreneurship Development Programmed started in the 7th five-year plan (1985-1990), when Indira Gandhi was the chairman of the plan. The aims of the programmed were to identify, select prospective entrepreneurs, to develop through training, to create employment opportunities and to expand the area of entrepreneurial activities.

5.4 ENTREPRENEURS, GROWTH, AND PUBLIC POLICY

Entrepreneurs perform a very specific role in help enhance economic development. Their role is to recognize an opportunity and to use resources which are yielding a low return and shift them into a function which yields a higher return from which they personally gain (. Entrepreneurs seek out these opportunities for personal gain and, in so doing, ensure that resources are being constantly reallocated in a manner which improves efficiency. In other words, productivity is enhanced by allocating the production factors of labor, capital, and knowledge more effectively throughout the economy. In the absence of entrepreneurs, resources continue to be devoted to functions where returns are low, leading to an ossified economy in which resources are underutilized.

Further, as Acs and Storey state: "The clearest example of an entrepreneurial act which can lead to resource transfer is the creation of a new firm that offers a product or service that was not previously available. The new firm founder assembles resources to provide the product/service and offers this to customers. Where this is an entirely new product it may not explicitly displace an existing product or service".



Source: author São Paulo

Figure 5.1: Conditions that affect entrepreneurial activity and public policy options

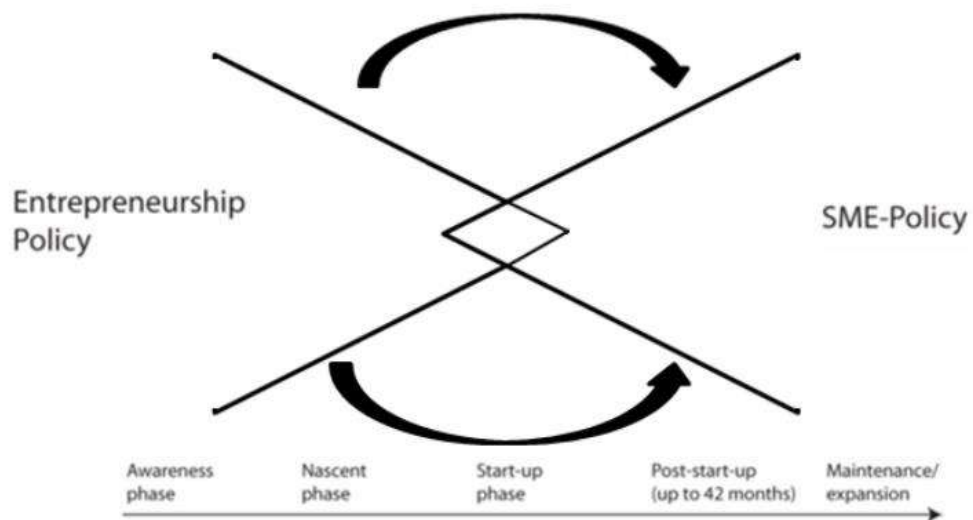
Entrepreneurs, however, do not always have perfect knowledge. They may observe what they believe to be an opportunity but, either because of over-optimism and/or poor judgment, their idea proves non-viable in the short/ medium or long term. In this case they may have entered, and displaced an existing business but then failed to satisfy its customers. In this case the entrepreneurship is referred to as “destructive” yet, even it, may have positive benefits. For example, other entrepreneurs may observe the actions of this unsuccessful entrepreneur.

Some may take it as a signal to avoid such activities, providing valuable discouragement to others considering replicating the venture. Others, however, may observe aspects of the failed venture and decide they can make changes which would improve the chances of this venture being a success where others have failed. Finally, the entrepreneur who started the business may learn from this experience in a subsequent business

While the potential enhancements entrepreneurship may offer an area are considerable, the fact remains that entrepreneurial activity varies greatly across and within countries, and disagreements exist as to whether clustering occurs because of intrinsic advantages or historical accidents. In the United States, two of the most well-known clusters have occurred in “Third Italy” and the Silicon Valley (OECD, 1997). In South Korea, SMEs have played a significant role in major transformations within the economy, especially with regard to exports, foreign investment, and productivity performance. While

particular regions in the United States and South Korea have benefited greatly from increased levels of entrepreneurship, it is important to note that others have not experienced comparable advantages. What, then, are the factors that potentially lead to higher entrepreneurship?

A key variable in the firm formation rate is the educational attainment of the labor force. Although the actual knowledge acquired with a college degree seldom suffices as the basis for a successful new business, the analytical methods learned in college facilitate both future acquisition of knowledge and openness to new ideas received as spillovers from other activities in the area.



Source: Lundstrom and Stevenson (2017)

Figure 5.2: The interconnection between entrepreneurship policies and MSME policies

Find that for a cross-section of cities, a key economic determinant of growth is the level of schooling, just as had been found previously for countries. This suggest that higher education levels influence later growth, not through increased savings, but by promoting higher rates of growth of technology through spillovers. More specifically, find a positive impact of higher proportions of adults with college degrees on rates of new firm formation. But this positive effect of educational attainment was limited to the share of adults with college degrees.

Although the high school graduate share is correlated strongly with formation rate, after allowing for the effect of differences in local share of college graduates, the additional impact of higher shares of high school graduates is negative. In other words, higher shares of high school dropouts were associated with higher rates of new firm formation, assuming similar shares of college graduation.

5.5 ECONOMIC DEVELOPMENT: THEORY, EVIDENCE AND POLICY

However, the theoretical and empirical cases for understanding the role of entrepreneurship are not yet solid. Evidence on whether entrepreneurship matters for economic growth is not straightforward; how entrepreneurship has been promoted and how it contributed to development in countries like China and the East Asian Tigers is still a matter of contention; and whether and why private-sector development initiatives may be effective is not well understood. Closer scrutiny of the relationship between entrepreneurship and economic development is therefore needed.

In order to stimulate the development-entrepreneurship discourse it may be necessary to first attempt to formalize or reconcile the role of entrepreneurship in the “grand ideas” of development economics, and to consider how this resonates with available evidence, and what this means for policy. There are at least three “grand” ideas in development economics. The first is that development requires a structural transformation of what, how and where production and consumption takes place: from low-value added, low productivity and rural-based activities to more productive, higher value-added activities in services and manufacturing located in cities.

The second idea is that development is a multi-dimensional concept that requires more than just the eradication of income poverty. The third is the idea that market failures are prevalent and that the state has an important coordinating and regulatory role to play in development.

“The resource, process and state of being through and in which individuals utilize positive opportunities in the market by creating and growing new business firms.”

All of these grand ideas are currently at the forefront of thought in development, and much of what development scholars are occupying themselves with either directly or indirectly resort under the umbrellas of these ideas. Accordingly, this paper provides an

overview of the state of the art in terms of development and entrepreneurship. It is concerned with the theoretical insights from the intersection of entrepreneurship and development studies; with the empirical evidence on that relationship between entrepreneurship and development; and on the fresh insights for entrepreneurship policy for development that emerges from recent advanced in this area.

5.6 PUBLIC POLICY FOR ENTREPRENEURSHIP AND INNOVATION

There is hardly any argument against the view that the world economies have undergone and continue to experience significant structural changes. Technological advances have contributed to an increasingly prominent role for new and small firms in economic activities in the most advanced economies. This has been recognized by academics, governments, industries as well as individuals.

| Group | Trade-offs | Managed Economy | Entrepreneurial Economy |
|------------------------|------------|---------------------------------|---------------------------------|
| Underlying Forces | 1. | Globalization | Localization |
| | 2. | Continuity | Change |
| | 3. | Jobs or high wages | Jobs and high wages |
| Underlying Environment | 4. | Stability | Turbulence |
| | 5. | Specialization | Diversity |
| | 6. | Homogeneity | Heterogeneity |
| Firm Function | 7. | Control | Motivation |
| | 8. | Firm transaction | Market exchange |
| | 9. | Competition and Co-operation as | Competition and Co-operation as |

| | | | |
|--------|-----|------------------|-----------------|
| Policy | | substitutes | Complements |
| | 10. | Scale | Flexibility |
| | 11. | Regulation | Stimulation |
| | 12. | Targeting output | Targeting input |
| | 13. | National Policy | Local Policy |
| | 14. | Low-risk Capital | Risk Capital |

Source: Self elaboration

Figure 5.3: Public Policy for Entrepreneurship and Innovation

Many developed economies have faced increased competition from emerging economies of Central and Eastern Europe as well as those from Asia. They have seen their comparative advantages eroded and their economic growth reduced to uncomfortably low rates. It has been suggested that these are the effects of advances in information and telecommunication technologies and globalization. Counteracting the challenges to their economic status and way of life has required a shift in focus, away from the managed economy as characterized to an alternative structure which characterized as the entrepreneurial economy.

The new structure stresses innovation and entrepreneurship as the means to maintain comparative advantages and achieve economic growth. The new economic structure differs from the old in many ways, but at the heart of it all is the significance of new and small firms. These are the output of innovative activities which are implemented by talented entrepreneurs. The old system is less supportive of both entrepreneurship and innovation favoring large established corporations.

One of the most widely touted differences between the two economic systems is that of public policies to support entrepreneurship and innovation. Since public policy can be more easily manipulated, some governments have undertaken to create supportive infrastructures through public policy initiatives. In this way they hope to stimulate innovation and entrepreneurship activities and, through these activities, maintain

comparative advantages while achieving greater levels of economic growth. Others have not taken these steps, preferring to continue along the old pathways. This has created the trade-offs between the two 'economic pathways.

5.7 ENTREPRENEURSHIP POLICY vs. SMALL BUSINESS POLICY

Stimulating entrepreneurship and small business activity sits high on the agenda of developed and developing countries alike. This is striking given that large companies commanded attention during much of the post-war period. Recently, however, globalization has spurred focus on entrepreneurship. Increased product and market integration have thwarted efforts to protect incumbents, allowing successful entrepreneurs to extract higher profits. This, in turn, increases the lobbying power of potential entrepreneurs relative to incumbent firms.

Public discourse often regards entrepreneurship and small businesses as an economic panacea. While this view is exaggerated, it is fair to claim that productive entrepreneurship plays a key role in economic development. The government can wield public policy namely, the use of tools by policymakers to influence society in a politically desired manner to stimulate the economy. Entrepreneurship can be encouraged by efforts ranging from specific targeted support, such as technology assistance to small firms, to general macro policies to maintain a stable economic environment. It should be noted, however, that SME policy does not parallel entrepreneurship policy.

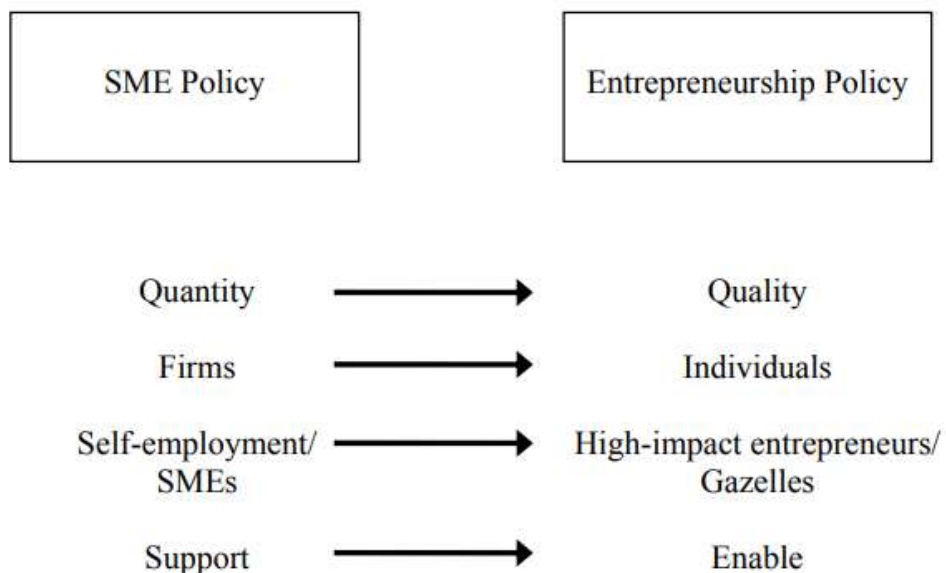


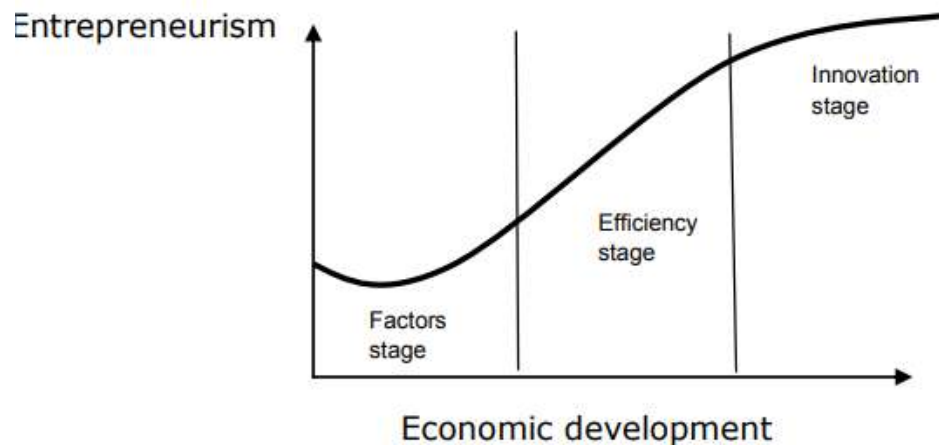
Figure 5.4: SME Policy vs. Entrepreneurship Policy

SME policy involves policies directed specifically at supporting SMEs (including self-employment), and can be justified on several grounds. It can be used to spur perceived positive macroeconomic side-effects such as increased employment, growth or innovation output or to compensate for perceived negative microeconomic side-effects such as scale-economies or other cost and information disadvantages associated with the SME sector. This policy approach commonly involves the creation of specific government agencies that support SMEs in a range of small firm support programs and subsidies. Entrepreneurship policy is a much broader concept. Its aim is not to stimulate firms but to support an economic system that encourages socially productive entrepreneurial activity by individuals acting independent of business form.

SME policy influences quantitative aspects, such as the number of self-employed and small or new firms, and the size distribution of firms. This rests on the premise that more SMEs and self-employment is always better, since it increases entrepreneurship in the economy. Yet most definitions of entrepreneurship find no truth in this assertion. Pervasive small-scale or self-employment would not benefit a country's economy. Moreover, searching for an "optimal" level of self-employment and trying to steer the economy towards this level would be foolish as well. Such a level cannot be determined; even if it did exist, it would fluctuate over time and differ across regions and industries. It is not feasible to fine-tune a modern market economy in this manner.

5.7.1 The relationship between entrepreneurialism and economic development

The skeptical view of public policy intervention is that large companies are more capable than entrepreneurs of attaining economies of scale and raising funds for research and development (R&D) in addition to providing more stable employment. The efficiency of promotional activities is also questioned, as large businesses may leverage more positive effects for economic growth than small businesses. The differences in public policy frameworks can be associated with three stages of economic development. The first stage is motivated by production factors, the second by efficiency, and the third by innovation. The production factor-driven stage is marked by lifestyle entrepreneurs and an agricultural economy.



Source: (Acs & Szerb, 2019: p.351)

Figure 5.5: The relationship between entrepreneurialism and economic development according to Porter's stages of development

During this stage, a country is characterized by the production of commodities and products with low added value. The majority of the companies in this stage are manufacturers; a small number of the companies provide services. During the efficiency-driven stage, a country must explore economies of scale, thereby favoring an industrial concentration. Finally, in the stage motivated by innovation, the economy becomes strongly characterized by knowledge intensive activities that drive entrepreneurial activity. The graph below shows the relationship between entrepreneurial activity and Porter's stages of economic development.

The Global Entrepreneurship Monitor (GEM) 2009 makes it clear that, during the factor-driven stage, a country's primary concern is to provide basic infrastructure services, such as education and healthcare. As the country becomes more economically stable and improves its infrastructure, a positive relationship begins to form between economic growth and entrepreneurial activity recently developed a Global Entrepreneurship Index (GEIDEX) based on raw data from the GEM, and it consists of sub indicators related to entrepreneurial activity, attitudes, and aspirations. The index considers these components to be a function of the institutional conditions of each country. Analyzing the results from the countries in their data set, indicate that a set of institutional features is fundamental for an economy to transition from the factor-driven stage to the efficiency-driven stage.

Improvements in the Easy Doing Business Index (EDBI), increased economic freedom and use of the internet, reductions in corruption, and improved human development are generally more common in efficiency driven economies than in economies that are in the factor-driven stage.

5.8 ENTREPRENEURSHIP POLICY AND IMPLEMENTATION GUIDANCE

As such, entrepreneurship is a vital component of economic growth and development. The creation of new business entities not only generates value added, fiscal revenues, employment and innovation, but is an essential ingredient for the development of a vibrant small- and medium-sized business sector—the core of most competitive economies. It has the potential to contribute to specific sustainable development objectives, such as the employment of women, young people or disadvantaged groups. Growth-oriented entrepreneurs can also contribute to structural transformation and building new industries, including the development of eco-friendly economic activities.

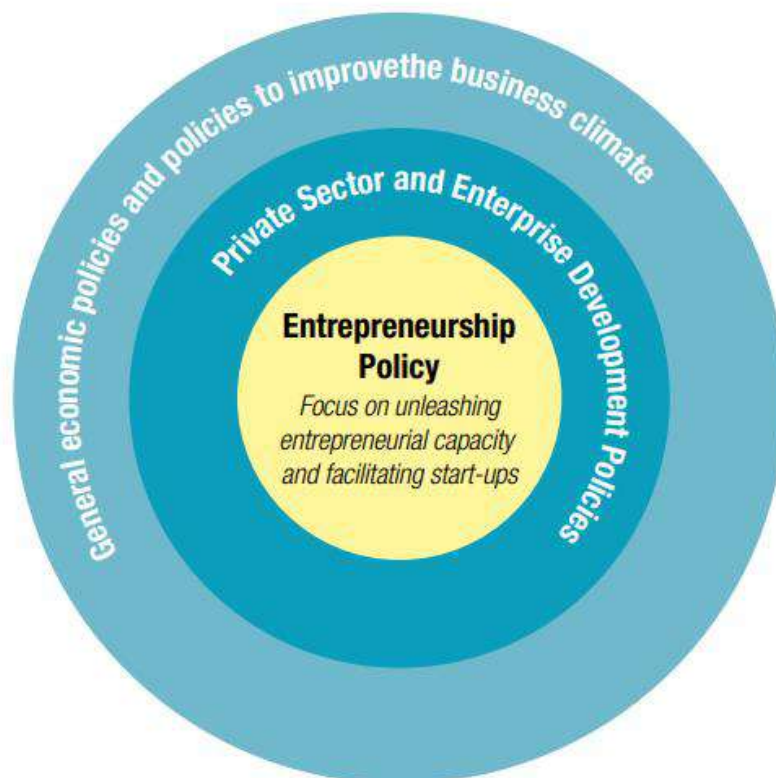
"It's very important for entrepreneurs to look for people in the company who are not afraid of failures, for example, entrepreneurs. They make a business more successful by thinking like an entrepreneur -- but within a company." - Chirag Kulkarni, Founder of Taco

UNCTAD's Entrepreneurship Policy Framework aims to support developing-country policymakers and those from economies in transition in the design of initiatives, measures and institutions to promote entrepreneurship. It sets out a structured framework of relevant policy areas, embedded in an overall entrepreneurship strategy that helps guide policymakers through the process of creating an environment that facilitates the emergence of entrepreneurs and start-ups, as well as the growth and expansion of new enterprises. The framework recognizes that many countries may not, as yet, have a dedicated 'national entrepreneurship strategy'.

The promotion and facilitation of new enterprise is often, implicitly or explicitly, part of an overall private sector or enterprise development strategy that encompasses broader objectives related to the creation of productive capacity, including regulatory reform, infrastructure development, human resource and skills development, or small and medium size enterprises (SME) policies (figure 6). Policymakers have at their disposal a

large body of existing research and policy guidance (from UNCTAD and other institutions) to help them devise such broader national policies and to create a general business environment conducive to enterprise development.

The Entrepreneurship Policy Framework is narrower in scope and focuses specifically on policies aimed at promoting the emergence of new entrepreneurs and facilitating new business start-ups in developing countries and transition economies. Given this focus, the framework also pays attention to how entrepreneurship policy interacts with broader private sector development and general economic policies, as well as policies that contribute to improve the business climate.



Source: UNCTAD.

Figure 5.6: the focus of UNCTAD's Entrepreneurship Policy Framework

The framework aims to help policymakers to formulate policies to promote entrepreneurship across all sectors and industries, independent of the level of innovation, and including profit-seeking ventures and those with social entrepreneurship objectives. It also acknowledges the importance of the informal sector, although policy initiatives

aimed at facilitating entrepreneurship will, by necessity, tend to promote formal business start-ups or transitions out of informality.



Source: UNCTAD

Figure 5.7: Key components of an entrepreneurship policy

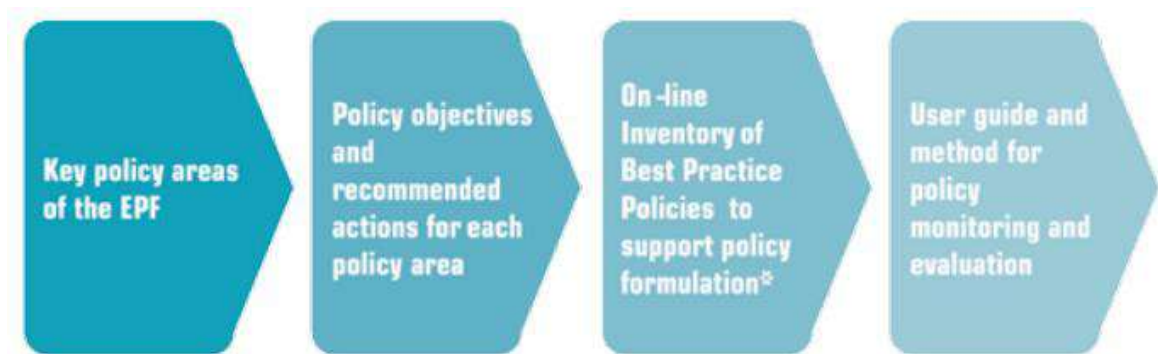
Although this document presents first and foremost a policy framework (as its title suggests), due to the practical ‘step-by-step’ approach taken, the checklists of questions, and the methodology and indicators to measure policy effectiveness, combined with the availability on UNCTAD’s web-site of an online inventory of best practices in entrepreneurship development, it can be considered as a toolkit for policymakers in the formulation, implementation and measurement of entrepreneurship policies. The toolkit-logic is represented in figure 7.

5.8.1 Identify country-specific challenges

National Entrepreneurship Strategies need to be tailored to each country’s specific conditions. It is therefore important to clarify how entrepreneurship is expected to contribute to overall national development objectives and where policies should intervene to achieve those objectives. Which policy package is the most appropriate depends on the existing level of entrepreneurship in a given country and its structural characteristics? The rate of start-ups relative to the size of the workforce and the level of innovation of startups vary considerably between countries.

When the number of start-ups is low, incentives may be helpful to encourage more people to create their own business; when the number is already high, entrepreneurship policy could focus on helping firms stabilize and grow. Typically, low-income countries

have a very high share of own-account workers in their workforce. Many of these can be classified as necessity entrepreneurs, that is, individuals that are pushed into entrepreneurship because they have no better alternatives for work, reflecting the scarcity of decent wage-labour opportunities in the economy.



Source: slide share

Figure 5.8: Structure of UNCTAD's Entrepreneurship Policy Framework and Entrepreneurship Policy Toolkit

5.8.2 Specify goals and set priorities

Based on the analysis of structural characteristics and binding constraints, it is important to specify the goals of a National Entrepreneurship Strategy. Entrepreneurship policies may pursue a variety of objectives and therefore set priorities differently. They may, for example, put emphasis on modernizing agricultural societies; leapfrogging into next generation technologies; increasing and diversifying exports; creating new economic opportunities for women; boosting youth employment; overcoming ethnical divides; or re-integrating ex-combatants in post conflict countries into civil life.

5.8.3 Public entrepreneurship in the 21st century

With this framework in mind, we turn next to some important public-policy challenges. We organize our discussion around the four levels of analysis discussed above. Rules of the game: the institutional environment for private action One important manifestation of public entrepreneurship is novelty or innovation regarding the institutional environment or rules of the game (constitutions, laws, norms, property rights, and regulatory systems), our first level of analysis above.

Typically, private entrepreneurship is assumed to focus on value creation and capture within a set of (shifting and non-immutable) rules. And yet, entrepreneurial activity is embedded in a particular institutional environment. Any change in the institutional environment brought about by public-sector entrepreneurship changes the setting in which private-sector (and public sector) entrepreneurship takes place. Furthermore, the legal political and institutional system establishes the general guidelines concerning political entrepreneurial behavior which is not immutable, and can be enabling as well as constraining. While entrepreneurship, like bargaining, takes place in the shadow of the law public entrepreneurship also involves changes to the very law and its shadow!

That is, public entrepreneurship involves novelty, change, and innovation vis-à-vis the rules of the game, for example, shows that an ‘immensely complicated’ negative externality problem of over-exploitation of ground water basins in California was successfully solved via public entrepreneurship by the decentralized water companies themselves, but only after a judge issued a credible threat to enforce a solution that would have disadvantaged all decision-makers involved. In this instance, public entrepreneurship by the judge involved the shaping of incentives in a way unanticipated by the usual treatments of entrepreneurship, for example, treats entrepreneurship as *sui generis*, not a response to market or institutional incentives.

CHAPTER 6

CREATE THE BUSINESS PLAN

Most companies need a business plan. Lack of planning is one of the most commonly cited reasons for business failure. Business plans help companies identify their goals and objectives and provide them with tactics and strategies to achieve them. These are not historical documents; rather, they incorporate a series of management decisions about the steps necessary for the company to achieve its objectives and act within its capabilities.

"By definition, a business plan is a plan for the company that clarifies why it exists, for whom it exists, what products and services it offers to these customer groups, how it would like to develop and deliver these products and services, and where it is managed. "Rebecca Jones wrote in Information Outlook, "A business plan, a roadmap for the organization, is the goal you seek, the path you take. Follow them to get there, as well as the supplies and funds necessary to complete the journey. " .

6.1 CONCEPT AND PURPOSE OF THE BUSINESS PLAN

Planning is the first and most important step in starting a business. A carefully crafted and elaborate business plan can transform a simple idea / innovation into a successful business.

A business plan is a roadmap for starting and running a business. A well-designed business plan identifies opportunities, analyzes the external and internal environment to assess the viability of the business, and allocates resources in the best possible way, which ultimately leads to the success of the plan. Provide information to everyone involved, such as venture capital firms and other financial institutions, investors, employees. Provides information on various functional requirements (marketing, finance, operations, and human resources) for running a business.

A business plan is the blueprint of the step-by-step process that would be followed to transform a business idea into a successful business venture. A business plan first identifies an innovative idea, searches the external environment to list opportunities and risks, identifies internal strengths and weaknesses, assesses the feasibility of the idea, and

then optimally allocates resources (production / operation, financing, human resources), to make the plan was a success.

The objectives of a business plan are as follows:

1. Give direction to the vision formulated by the entrepreneur.
2. Objectively assess business prospects.
3. Monitor progress after the plan is implemented.
4. Convince others to join the company.
5. Apply for loans from financial institutions.
6. Visualize the concept in terms of market availability, organizational, operational and financial feasibility.
7. Guide the entrepreneur in the effective implementation of the plan.
8. Identify the strengths and weaknesses of the plan.
8. Identify challenges related to the opportunities and risks of external markets.
9. Clarify ideas and identify gaps in management information about your business, competitors, and market.
10. Identify the resources that would be required to implement the plan.
11. Document ownership agreements, future prospects, and planned growth of the business.

Creating a business plan is not an easy task. A business plan forces the entrepreneur to systematically plan for all critical dimensions of the business and also ensures that the entrepreneur conducts a thorough research on the proposed business venture. The business plan research and writing process helps identify any gaps in the existing plan. All role plans (marketing, operations / production, finance, personnel) should be developed for each business enterprise.

6.1.1 Value and importance of a business plan

Business plans have several main uses. This includes internal planning and forecasting, ensuring the financing of ongoing operations or expansion, planned divestitures and divisions, as well as restructurings or reorganizations. While business plans contain elements that are common to all uses, most business plans are tailored to your specific use and audience. When used for internal planning, business plans can be a blueprint for managing an entire company. The performance and progress of a company can be measured against planned objectives that include sales, expenses, time and strategic direction. Business plans also help an entrepreneur or business leader identify and focus on potential problems inside and outside the company. Once the potentially problem areas have been identified, the proposed solutions and contingency plans can be incorporated into the business plan.

Business plans also cover areas such as marketing opportunities and future financing needs that require management's attention. In some cases, such as scenarios where an entrepreneur decides to turn a favorite hobby into a home business, the business plan can be a simple one- or two-page document. However, a business proposition of considerable complexity and financial importance should have a much broader plan.

For example, a tool and mold maker looking for investors to expand its manufacturing capacity will likely need to create a more detailed and detailed business plan than a computer enthusiast who decides to start a desktop publishing business from home.

Ideally, all members of the company will use the information from the company's business plan, whether it be to set performance goals, assist decision-making for ongoing operations, or evaluate employee performance in terms of ability to achieve the goals established in the business plan. Additionally, employees who are familiar with the business plan can evaluate and adjust their performance against business goals and expectations.

Business plans can also be used when restructuring or reorganizing a business. In such cases, business plans outline the steps to take to restore profitability or achieve other goals. The plan identifies necessary operational changes and related cost reductions. Desired performance and operational goals are outlined, often with corresponding changes to manufacturing facilities, workers, and specific products and / or services.

Banks and other lenders use business plans to assess a company's ability to increase debt and, in some cases, equity. The business plan documents the cash flow requirements of the company and includes a detailed description of its activities, capitalization, and expected financial performance. It provides verifiable facts about a company's performance to potential lenders and investors so that risks can be accurately identified and assessed.

After all, the business plan is the most important source of information for potential buyers of a company or one of its business lines or product lines. As with external lenders and investors, business plans prepared for potential buyers provide them with verifiable data and forecasts on the development of the business. The business plan should communicate the basic premise or business concept of the business, show its strengths and weaknesses, and give an idea of the long-term profitability of the business. When a business tries to sell a business line or product line, the business plan defines the new business unit.

Self-Assessment Indicates whether the following statements are true or false:

- The performance and progress of a company cannot be measured against its planned objectives, which include sales, expenses, planning, and strategic direction.
- Business plans also cover areas such as marketing opportunities and future financing needs that require management's attention.
- The business plan is the secondary source of information for potential buyers of a company or one of its divisions or product lines.
- The business plan should communicate the basic premise or business concept of the company.
- Business plans can also be used when restructuring or reorganizing a business.

6.1.2 Preparation and evaluation of the business plan

In fact, a plan that at first seems very profitable / feasible may not be once the details have been worked out. Therefore, documenting the business plan is one of the first steps an entrepreneur must take. As mentioned above, the successful entrepreneur creates a

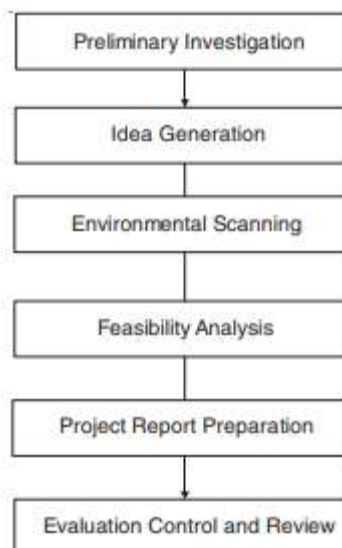
step-by-step plan that he follows to start a new business. This business plan serves as an orientation aid for the entrepreneur and is dynamic: it requires constant review and updating so that the plan is viable even in changing business situations. The different stages of the business planning process are as follows:

6.1.3 Preliminary examination

Before creating the plan, the contractor must:

1. Review available business plans (if applicable).
2. Establish the key business assumptions on which plans are based (eg inflation, exchange rates, market growth, competitive pressures, etc.).
3. Analyze the external environment and the internal environment to assess strengths, weaknesses, opportunities and threats.
4. Get professional advice from a friend / relative or someone already in a similar business (if applicable).

Figure 6.1: Business planning process



6.1.4 Generation of ideas

Entrepreneurship is not limited to innovation (generation of a completely new concept, product or service, but also includes adding value to the concept / product / service offered to the consumer, shareholder and company. Employee).

Idea generation is the first step in the business planning process. This step makes the difference between an entrepreneur and an entrepreneur. An entrepreneur is a very creative person who has an innovative idea for a product or service that could be marketed. At this point it must be reiterated that it is not necessary to have a completely new idea; the added value of new products on the market is also contained in innovative products / services. Idea generation is the first step in the business planning process. It includes the generation of new concepts, ideas, products or services in order to meet existing, latent and future market requirements. The different sources of new ideas are:

1. Consumers / customers
2. Existing companies
3. Research and development
4. Employees
5. Resellers, resellers

The different methods to generate new ideas are:

1. Brainstorming, Reverse Brainstorming, and Idea Writing
2. group discussion
3. Data collection through questionnaires / programs, etc. to consumers, existing businesses, resellers, retailers
4. Invitation of ideas through advertising, mail and the Internet.
5. Added value to current products / services
6. Market research
7. Marketing of inventions

Today there are even contests to identify business ideas, such as " Business Bazigaar " on Star TV, which invites you to participate in the contest and awards the best business plan.

The selection of new ideas should be done in a way that identifies promising new ideas and eliminates impractical ones.

6.1.5 Environmental scan

Once a promising idea emerges, the idea generation phase, the next step is the environmental scan, which is done to analyze the company's strengths, weaknesses, opportunities, and potential threats. Therefore, it is recommended, before going into the details of the start-up of a company, analyze the external and internal environment and gather information on possible opportunities, threats from the external environment and strengths and weaknesses of the internal environment. The various variables to be analyzed refer to sociocultural, economic, governmental, technological, demographic changes in the external environment and the availability of raw materials, machines, finances, human resources, etc. with the contractor. The different sources of information collection are informal sources (family, friends, colleagues, etc.) and formal sources (bankers, magazines, newspapers, administrations, seminars, suppliers, distributors, competitors). The goal of a successful environmental scan should be to maximize information and then the business owner should collect information from as many sources as possible and then analyze it to understand if the information provided could help / hinder the business venture. The cheaper the information, the greater the confidence in the success of the company. However, some errors can also occur when doing this process, for example: The culture is also different, so a deep understanding is required.

6.1.6 External environment

These are the components of the external environment:

Sociocultural assessment: assesses the social and cultural norms of a society over a period of time. The variables evaluated are the values, beliefs, norms, fashions and fashions of a particular society. It can help to understand the degree of rigidity / flexibility that a particular company has towards a new product / service / concept.

Example: the sociocultural norms of the United States and the United Arab Emirates. Americans are adventurous and adventurous, while Arabs are conservative. If an entrepreneur wanted to present an innovative product such as bungee jumping, its acceptance would be greater in the United States than in the United Arab Emirates.

Technological evaluation: evaluates the different technological knowledge available to turn the idea into a product. It can also be done to assess the various modern technologies expected in the near future and their ability to be absorbed by the industry.

Example: an entrepreneur has the idea of producing tobacco-free herbal cigarettes that do not harm the health of smokers; Technological knowledge makes it possible to judge whether it is possible to manufacture a product of this type or not.

Economic evaluation: evaluates the state of the economy in a given society in terms of inflation, consumption patterns and per capita income, balance of payments, consumer price index, etc. A healthy economy offers greater opportunities for growth and development in the sector, thus increasing the entrepreneur's confidence in the success of his company.

Demographic assessment: assesses the general distribution of the population of a given geographic region. It includes variables such as age profile, distribution, gender, educational profile, income distribution, etc. Demographic assessment can help determine the size of your target customers.

Government Evaluation: Evaluates various laws, policies, incentives, subsidies, grants, procedures, etc. formulated by the government for a particular industry. The more flexible the government standards are for the industry, the easier it will be for the entrepreneur to build and run the business. Take, for example, the government policy on subsidized electricity in Uttaranchal. A production unit heavily dependent on energy has an additional advantage for the creation of an industry. On the contrary, take Uttar Pradesh. Electricity here is not only expensive, it also suffers from severe shortages, and UP entrepreneurs rely on their own generators for electricity supply, which automatically increases the cost of the product. Therefore, it would be a wise decision for a contractor to install / relocate their production unit in Uttaranchal.

The performance of government policies in other areas should also be taken into account when evaluating your policies. An example is the government's intention to only partially allow FDI in the retail segment. Due to this particular clause, multinational retail stores like Wal-Mart cannot enter the Indian market, even if the market potential and financial viability are abundant.

6.1.7 Internal environment

These are the components of the internal environment of a company:

Commodities - Assess **commodity** availability now and in the near future. If the availability of raw materials is lower now or in the future, the entrepreneur should seriously consider starting a business, as the entire plant may be closed due to a shortage of raw materials.

Production / Operation: Evaluates the availability of various machines, equipment, tools and techniques that would be necessary for production / operation.

Finance: assesses total financial needs in terms of startup costs, fixed costs, and ongoing costs. It also shows the sources of funding that can be accessed to obtain funding.

Human resources: evaluates the type of human resources required and their supply and demand in the market. It also helps assess the cost and level of competence in recruiting and retaining staff.

As mentioned above, the goal of environmental scanning should be to gather information from as many sources as possible and maximize that information to increase the likelihood of business success.

6.1.8 Feasibility study

A feasibility study will be carried out to determine if the proposed project (taking into account the previous environmental assessment) would be feasible or not. At this stage it is important to outline the environmental impact assessment and the feasibility study. The environmental assessment is carried out to assess the external and internal environment of the geographical area (s) in which the entrepreneur intends to establish his business, while the feasibility study is carried out to further evaluate the viability of the particular

environment. Therefore, while the feasibility study depends on the environmental assessment, it is much more meaningful. The different variables / dimensions are:

6.1.9 Market analysis

A market analysis should be performed for the following reasons:

1. Estimate the future demand for the proposed product / service.
2. Estimate the market share of the product / service that will be offered in the future.

The analysis of demand and market share is based on a number of factors such as consumer behavior, the availability of substitute goods / services, the type of competition, etc. A large amount of information needs to be collected to make these estimates.

A preliminary meeting is held with consumers, retailers, distributors, competitors, suppliers, etc. understand consumer preferences, existing, latent and potential requirements, competitive strategies and practices of distributors, resellers, etc. The objective of a formal study should be complete enough to provide the desired answers to the following questions:

1. Who are the consumers (customers), present and potential?
2. What are the present and future needs?
3. How is demand distributed seasonally (for example, is air conditioning required in most of our country from May to September)?
4. How demand is geographically distributed?
5. What price is the consumer willing to pay?
6. What is the competition's marketing mix like?
7. What marketing mix would consumers accept?

In almost all cases, research is needed to obtain enough information to answer the questions above and determine whether or not a project is feasible. This is done through market research.

6.1.10 Technical / operational analysis

The technical / operational analysis is performed to evaluate the operational performance of the proposed company. The cost and availability of the technology can be critical to the viability of a project or not be an issue at all. The most important questions to answer are:

1. What technological requirements does the planned company have?
2. What other equipment does the proposed company need?
3. Where will this technology and equipment come from?
4. Where do we get the raw material from?
5. How about the equipment and technology?

Technical / operational analysis collects data on the following parameters:

1. Availability of materials: it is essential to evaluate the availability of raw materials necessary for the production of goods / services. The feasibility study of the material must take into account the following variables:

- (a) The availability of the quality and quantity of the raw material.
- (b) Factors on which the availability of raw materials depends
- (c) Sensitivity to the price (elasticity) of the raw material
- (d) Perishable raw material

2. Planning the requirements of the material: the amount of material is analyzed that would be needed for fluid production process; it would depend on the hardware availability variable mentioned above.

- (a) Is there a technology for the product or not?
- (b) If the technology exists in more than one form, which would be more profitable for the company?

(c) The choice of technology would be influenced by

- (i) Facility capacity
- (ii) investment amount
- (iii) Availability of technology
- (iv) Production costs
- (v) Latest developments
- (vi) Planned production volume
- (vii) Environmental impact.

3. Factory location: **Factory location** refers to a fairly large area where the business will be located, such as a city, industrial zone, or coastal zone. The location of the system is the spatial arrangement of the company and is influenced by the production process, personnel safety, minimum production costs, scope of expansion, proper use of space, etc.

The choice of location is influenced by the following factors:

- (a) Proximity to raw materials and the market
- (b) Availability of infrastructure such as electricity, transportation, water, means of communication.
- (c) Supporting government policies
- (d) Other factors such as weather conditions, availability of labor, etc. they can influence the decision about the location of the plant.

4. Machines and systems: Machines and systems depend on production technology, system capacity, investment costs, procurement, maintenance, and operation.

6.1.11 Financial viability

After successful completion of the marketing and operational analysis, a final financial feasibility study is conducted to assess the financial aspects of the planned business enterprise. The following cost estimates should be made.

1. **Land and Building Costs** - Depending on needs and the availability of funds, land and buildings can be rented, leased, or purchased.
2. **Plant and machine costs**: include estimates of plant and machine costs, their operation and maintenance costs.
3. A preliminary cost estimate is made to determine the costs that would be required to conduct a market study, prepare a feasibility report, machine registration and establishment costs, establishment costs, public capital mobilization costs, and other miscellaneous expenses.
4. Measures should be taken for some unforeseen expenses that may arise due to a change in the external environment, such as increases in raw material prices or transportation costs that increase when oil prices fall.
5. Estimates of the working capital required to run the business are also made.
6. Production costs, which include the cost of raw materials, labor costs, overhead, ancillary costs such as electricity, water, fuel, etc.
7. Sales and Production Estimates - Based on factory capacity, production and sales estimates are made to help estimate profitability.
8. Profitability forecasts are made based on the following parameters:
 - a) production costs
 - (b) Sales costs
 - (c) administrative expenses
 - (d) Expected sales

The sum of all the above gives a gross profit.

Based on the above information, the following projections are made:

- (a) Balance point
- (b) Cash flow statement
- (c) Balance
- (d) Multi-year projections

Creation of role plans: After the positive results of the feasibility study, role plans are developed. Some researchers and authors prefer to include a feasibility study with functional plans, but they have been treated separately in this book because the feasibility study is a preliminary stage of the plan and is done to verify the feasibility of the design in different dimensions. Although the feasibility study provides positive indications about the feasibility of the proposed project, it is possible to go into the details of the development of functional plans that plan strategies for all operational areas: marketing, finance, human resources and production.

Plan marketing: The plan **marketing** defines marketing strategies that can lead to the success of the company. These strategies refer to the marketing mix (product, price, location and advertising). From the market feasibility study and the market research, the potential / current demand of the clients is determined, which helps to understand the client's profile and therefore to define the market segmentation strategies, the identification of the market of reference and definition of target market strategies.

Production / Exploitation Plan: The production plan is drawn up for the manufacturing sector trading companies, while the operational plans are drawn up for the service sector trading companies. The production / recovery plan should contain strategies for the following parameters:

1. Location and reasons for choosing a location
2. Physical layout
3. Costs and availability of machines, devices, raw materials.
4. List of suppliers and, if possible, distributors

5. Production / execution costs of the work
6. Quality management
7. Production planning, capacity management and inventory management
8. Past changes as the business expands.

Plan organization: The plan organizational defines the type of property: it can be an owner only, usually a partnership, a corporation or a corporation. It also suggests an organizational structure and suggests human resource management practices that govern the proper functioning of the proposed business enterprise.

Financial plan: The financial plan shows the financial needs of the planned company.

1. Costs incurred for the proper functioning of all financial plans (marketing, operations and personnel).

The costs incurred in the marketing plan would include sales forecasts, the production plan would include the cost of goods, and the organizational structure would include the cost of employee compensation.

2. Expected cash flow
3. Preliminary income statement
4. Estimated breakeven point
5. Estimated fees
6. Preliminary budget.

6.1.13 Create the project report

After the environmental scan and the feasibility study, a project report is prepared. It is a written document that describes, step by step, the strategies to start and run a business.

A project report helps you understand the opportunities, problems, and weaknesses of the business. Guide the entrepreneur in the creation and management of the company. This helps you to control whether the business is developing according to what is envisaged in

the business plan or not. Help document company cost estimates. It can be used as a practical tool to encourage investors and financial institutions to finance the project. It can help in the correct use of all resources. You can uphold the work ethic of employees, owners, and investors. Ultimately, it can lead to the sustainable development of the organization.

6.1.14 Essential elements of a project report

These are the basics of a project report:

1. The project report must be structured sequentially.
2. The project report must be complete (cover all details of the proposed project).
3. The project report should not be too long and subjective.
4. The project report should explain the projections in a logical and objective manner.
5. Projections should reasonably be made over a period of two to ten years.
6. The project report should be professionally written to demonstrate that the promoters have a strong sense of business and a solid background.
7. The project report must justify financial needs and financial projections.
8. The project report should also justify the prospects and needs of the market.
9. The project report must be attractive to investors and financial service providers.
10. The project report should also have a high aesthetic value.

6.2 BASIC ENTREPRENEURS THROUGH SELF-HELP GROUPS

Empowerment of women entrepreneurs and the problems they face were also discussed. This unit will help you conceptualize basic entrepreneurs. The various sections and subsections of this unit will also summarize how local entrepreneurs work through Self Help Groups (SHGs). Women play a very important role in the economic

development of India. They are involved in business operations at all levels and make important contributions to economic growth.

Today, Indian women are increasingly involved in what was once considered male dominance. But the development of female entrepreneurship is very weak in India, especially in rural areas. Entrepreneurship among women is a new cause for concern. The women became aware of their existence, their rights and their employment situation. Today, Self Help Groups (SHGs) play a very important role for women entrepreneurs through microfinance. Support groups are increasing not only in the rural women's entrepreneurship area, but also in the urban women's entrepreneurship area.

India adopted the Bangladesh model in a modified form. To reduce poverty and empower women, microfinance has become a powerful tool in the new economy. With the availability of microfinance, Self Help Groups (SHGs) and Credit Management Groups have also been created in India. And so, the SHG movement spread to India. SHG members now become entrepreneurs. Innovative thinking and foresight, ability to make quick and effective decisions, ability to mobilize and mobilize resources, strong determination and self-confidence to take notes, risk-taking, acceptance of change at the right time, access and vigilance at the forefront of science and Information technologies are fundamental elements of women, therefore they actively run their own business with the help of self-help groups. Actively manage activities such as food processing and storage, restaurant services and fast-food centers, interior design, DTP and bookbinding, dairy, poultry, household appliances, stationery, packaging and packaging, diagnostic laboratories and pathology clinics, communication centers with telecommunications, fax and navigation. Xerox Facilities, Ready-to-Wear, Embroidery and Fashion Design, Retail, Art and Painting, Warehouse and Shop Rental, Flower Arrangements, Jewelry, Beauty Salons. Although female entrepreneurship is a young phenomenon in India that gained prominence in the late 1970s, we now see more and more women entering all kinds of businesses as entrepreneurs, in commerce and business and in the sector of services. Although female entrepreneurship initially developed only in urban areas, it has recently expanded its wings to rural areas.

6.2.1 Basic entrepreneurs: meaning and definition

Local entrepreneurs are civic activists who take the initiative to create campaigns or other organizational initiatives to address social issues, in our case to expand freedom. The idea is also known as social entrepreneurship. While profits are the legitimate social benefit of entrepreneurs, local businesses have another goal, such as getting an electoral law passed for a school or organization to oppose a tax increase. The basic entrepreneur can be defined as follows:

“A person who has an innovative idea with the potential to solve a community problem. These people are ready to take the risk and commit to making a positive change in society through their initiatives. ”

Example : Kalamandir : The initiatives of this organization with the tribes of Jharkhand to support, cultivate and spread a finer aesthetic sense among individuals, communities, organizations and social groups act as a bridge between producers and consumers.

Just as entrepreneurs are changing the face of the economy, local entrepreneurs are acting as agents of change for society, seizing opportunities that others miss, improving systems, inventing new approaches, and creating lasting solutions to improve the economy. However, unlike for-profit entrepreneurs, local entrepreneurs are motivated to make society a better place. Despite this difference, local entrepreneurs are just as innovative and change-oriented as their co-workers and seek new and better ways to solve society's problems.

1. Basic entrepreneurship, pioneer of growth

The lack of local entrepreneurship is the real reason Pakistan has evaded sustainable economic growth for so long. We remain stuck in solving problems related to the survival of existing companies, and thus we have never achieved the economic growth achieved by many, including the Asian tiger countries, "India and China in the last two years." or three decades.

In the real economy model, it is not the government's responsibility to create jobs; Their most important role is to act as a facilitator and help entrepreneurs and create a supportive environment. Entrepreneurs, in turn, create jobs and return urgent tax revenues to the state to improve infrastructure and create an attractive investment environment.

Where did we go wrong? Three themes stand out, namely short-term thinking and planning, the lack of attention to teaching "entrepreneurship" in our educational institutions, and third, the lack of government incentives for promising new entrepreneurs. Let's go into a little more detail.

2. Short-term thinking and planning

Unfortunately, today's discussions and debates focus on the challenges faced by existing companies and their sustainability. No time is wasted identifying opportunities and ways to boost local investment as a driver for job creation and sustainable GDP growth. Corresponding visions and detailed planning must be implemented and institutionalized.

- **Lack of entrepreneurship-oriented education**

We need to develop an entrepreneurial culture and integrate it into our educational system. Entrepreneurship courses should be designed and introduced at all levels and be required at the graduate level. Let's take the "Engineering" course as an example. These programs focus solely on acquiring technical knowledge, not business skills.

- **Lack of state incentives**

Taxing a start-up company contributes little to public funds. Many companies are exploding in other countries dominated by an educated middle class, but they have not yet caught on in Pakistan. The fledgling information technology (IT) industry is one example, particularly when it comes to back-office outsourcing services for large companies and software / software design and support. Remember that every new business benefits not just the owner, but the city, the region, and the country as a whole. We must foster entrepreneurship and work towards the creation of specialized government agencies, incubators and science parks and provide a solid foundation for the training of young entrepreneurs and easy access to corporate capital.

6.2.2 The basic entrepreneurs are:

- 1. Ambitious:** Local entrepreneurs are tackling key social problems, from increasing school enrollment rates for low-income students to alleviating poverty in developing countries.

2. **Mission-oriented:** generating social value, not wealth, is the central criterion of a successful local entrepreneur. While wealth creation can be part of the process, it is not an end in itself. The real goal is to promote systemic social change.
3. **Strategic:** how entrepreneurs see and act local entrepreneurs, what others lack: opportunities to improve the system, create solutions and invent new approaches.
4. That create social value. And like the best company founders, local entrepreneurs intensely and decisively pursue, even relentlessly, a social vision.
5. **Ingenious:** Because local entrepreneurs operate in a social environment rather than the corporate world, they have limited access to capital and traditional market support systems.
6. **Results orientation:** Ultimately, local entrepreneurs are **motivated** to generate measurable returns. These insights transform existing realities, open new avenues for the marginalized and disadvantaged, and unlock the potential of society for social change.

Today, local entrepreneurs in many countries are working to create avenues of independence and opportunity for those who would otherwise be trapped in desperate lives. Whether local or international, social entrepreneurs share a commitment to groundbreaking innovations that are reshaping society and benefiting humanity. Simply put, they are solution-oriented pragmatists who aren't afraid to tackle some of the world's biggest problems.

Example: Popular entrepreneurs include Professor Muhammad Yunus, who received the Nobel Prize for his work to expand microcredit to the poor in Bangladesh, comedian Drew Carey, who uses Reason TV to produce videos for freedom, and Ward Connerly, the pioneer of voting actions against racial quotas in state governments.

Examples of local entrepreneurship include microfinance institutions, educational programs, providing banking services in disadvantaged areas, and caring for children orphaned by an epidemic. The main goal of a social entrepreneur is not to make a profit, but to implement far-reaching improvements in society. However, a social entrepreneur must always be financially savvy to be successful in their cause.

6.3 SELF-HELP GROUPS

The Self-Help Group (SHG) is a group of 12 to 20 women from the same socioeconomic background who volunteer to work together on their own development. The unique feature of the SHG is its ability to impart healthy savings, savings and banking habits to its members. Regular savings, regular meetings, compulsory attendance, and systematic training are important features of the SHG concept. Each group elects a moderator and two representatives from among its members. The moderator is responsible for leading the group and keeping the various records. Representatives support the moderator and manage the group's bank accounts.

SHG is a small group of poor rural residents who have volunteered to form a group to improve the social and economic situation of its members.

- (a) It can be formal (registered) or informal (not registered).
- (b) The concept emphasizes the principle of savings, credit and self-help.
- (c) GAA members commit to save regularly and contribute to a mutual fund.
- (d) Members agree to use these mutual funds and other resources (such as grants and bank loans) that they may receive as a group to provide small loans to members in need, as decided by the group.

6.3.1 Need for self-help groups

The rural poor are unable to work for various reasons. Most of them are socially backward, illiterate, poorly motivated and have a poor economic base. A poor person is not only individually weak from a socio-economic point of view, but also does not have access to the knowledge and information that are the most important components of the current development process. However, as a group, they manage to overcome many of these weaknesses. Therefore, there is a need for self-help groups, which are specifically:

1. Mobilize the resources of each member for their common economic development.
2. Improve the living conditions of the poor in rural areas.
3. Among the poor, it is convenient to save with their meager income.

4. Use of local resources not used by members.
5. Mobilize individual skills for the benefit of the group.
6. Raise awareness about rights and duties and make people aware of it.
7. Help members financially when they need it and free them from the clutches of greedy loan sharks.
8. Develop entrepreneurial skills with inherent talents and abilities.
9. Identify member problems and find solutions to implement them in a viable way.
10. Act as a means for the socio-economic development of the town.
11. Collaborate with NGO institutions to obtain financial and non-financial aid and assistance.
12. Organize training courses for the development of skills to develop entrepreneurial skills.
13. To achieve mutual understanding, develop the confidence that "everyone is for everyone."
14. Develop teamwork according to the basic philosophy "two brains are better than one".
15. Develop leadership skills to lead the group and develop followers to achieve goals.
16. Be used as an efficient channel for rural credit distribution to minimize the difference between rural and urban areas.

6.3.1 Microfinance as a tool for grassroots entrepreneurship through self-help groups

Rural women today have a subordinate place in social life, economic activities and decision-making within their families. Their role in productive work, job creation and income-generating activities is hampered by many socio-economic

constraints. Therefore, there is a need to formulate policies aimed at empowering women and entrepreneurship.

Certainly, if women are given the right decision-making skills and opportunities, they will show that they are, if not superior, then at least equal to men. Women are seen as good leaders in areas that require collaboration, group integration, listening, and motivation. Recent trends in India and even the world, women are far superior to men in various aspects of development. The only problem is that so far, the company has barely given women the opportunity to enter various sectors of the economy. Therefore, today there is a need to empower women by giving them the opportunity to undertake various economic activities to live economically independently and socially in their businesses.

The founder and CEO of the World Economic Forum, Klaus Schwab, presented the top award for local or social entrepreneurship. It was presented by the Schwab Foundation to Dr. Devi Prasad Shetty, founder of Narayana Hrudayalaya in Bangalore. The award was given with the aim of highlighting social entrepreneurship as a key to the development of societies and the resolution of social problems.

Microfinance through support groups plays an important role in local entrepreneurship and the empowerment of women. An economically poor individual gains strength as a member of a group. Additionally, financing through SHG reduces transaction costs for both lenders and borrowers. While lenders only need to have one SHG account rather than many small individual accounts, borrowers with an SHG reduce travel costs (to and from branches and other locations) to complete paperwork and wasted work days to acquire loans. A non-governmental organization (NGO) is a voluntary organization created to provide social mediation, such as reference banks for self-help groups.

Microcredit appears to improve the lives of the poor by increasing their purchasing power and investment, which makes them economically valuable. Consequently, these small loans appear to have a positive impact on poverty by creating entrepreneurship and greater autonomy among the poor. Today SHGs are the basic institutions developed for social / economic and financial mediation with a focus on the poor. The SBLP "is essentially based on the principle that financial services are linked to the cash flows of low-income customer groups and therefore aims to facilitate relatively frequent and very small transactions or microcredits and savings." (Sinha, 2003). In fiscal year 2007-08,

microfinance in India served more than 33 million Indians through its two main channels, the Self-Help Group Bank Links Program (SBLP) and MFIs, with an increase of 9 million from year to year. 4 out of 5 microfinance clients in India are women.

Support groups are generally informal groups whose members share a common understanding of the need and importance of collective action. These groups encourage savings among members and use shared resources for multidimensional development.

The number of members in the GAA is usually between 10 and 20, it is expected that there is a true democratic culture within the group where all members must actively participate in the decision-making process.

Membership in the GAA guarantees the social and political emancipation of women.

The GAA concept generally rejuvenates rural women as it helps to break the vicious cycle of poverty among women and thus become economically viable.

Self-help groups (SHGs) are able to empower rural women through entrepreneurial activities. An increase in the behavior of income, expenses and savings of rural women was observed. Self-help groups have a strong impact on the social and economic life of rural women.

Example: Rang De. Rang De was founded in January 2008 by Ramakrishna and Smita Ram and is an online peer-to-peer platform that offers low-cost micro-credit to poor rural and urban residents of India.

One study found an increase in social self-recognition, family status in society, size of the social circle, and participation in family and business decisions. Rural women's self-confidence, autonomy and independence increase through participation in entrepreneurial activities and other self-help group activities. Support groups could be linked to government literacy programs and could be an integral part of support group activities. A high level of literacy could help GAA members overcome cognitive limitations and understand government policies, technical understanding and the acquisition of necessary skills.

Rural women may be motivated to receive funding to start businesses. Raising awareness about various lines of credit, economic incentives and subsidies through support

groups. As women have been shown to have fewer technical skills, they must be forced to use technologies that save labor, reduce fatigue, generate income and increase productivity. Business education and training could be introduced at all levels of basic education. This could be helpful in promoting a positive self-image, autonomy, self-confidence and independence in rural women.

6.3.1 Self-assessment

Please indicate whether the following statements are true or false:

- Women are not considered good leaders in areas that require collaboration, group integration, listening and motivation.
- Microfinance through support groups plays an important role in local entrepreneurship and the empowerment of women.
- A non-governmental organization (NGO) is a voluntary organization created to provide social mediation.
- Microcredit appears to improve the lives of the poor by reducing their purchasing power and investment.
- Self-help groups promote savings among members and use shared resources for multidimensional development.

6.3.2 KCC and social entrepreneurship

Alicia Polak founded Khayelitsha Cookie Co. with the intention of helping local women change their lives. The KCC motto - "Create one opportunity at a time" clearly illustrates how Alice has decided to improve the standard of living of a few people in Khayelitsha, one of the most deprived regions of Africa. Khayelitsha is one of the largest and most dangerous municipalities near Cape Town, where most of the residents live in extreme poverty and unemployment. KCC employed most of the women it had never employed before and lived on government subsidies. Vocational training is one of the main activities of the KCC. Employees have been trained in various aspects of the business such as communications business, managing customer relationships, inventory management, IT skills, etc., as well as cooking, packaging and labeling. Full-time work

has raised employees' self-esteem and made them proud; At the same time, the cash benefits they made helped them improve their lifestyle earlier.

Zanele Bam, director of KCC Bakery, in his thirties, is living proof of the success of this company. He said: "I have acquired entrepreneurial skills, I have learned to manage business activities, to work with clients and also to communicate. If you can't manage yourself, you can't manage others "

To help the company, KCC donates part of its profits to the Philani Clinic in Khayelitsha. This cookie business has achieved considerable success as it has been accepted by customers and merchants. In 2006, Oprah Winfrey featured KCC and its products on her highest rated television talk show, which is watched by more than 22 million people. Alicia Polak firmly believes that you will be able to empower more and more women and attract more international clients by replicating this KCC model in different countries, regardless of their languages and cultures.

6.3.3 Summary

Self-help groups (SHGs) now play a very important role in motivating women to become entrepreneurs through microfinance. Support groups are increasing not only in the rural women's entrepreneurship area, but also in the urban women's entrepreneurship area.

Although female entrepreneurship initially developed only in urban areas, it has recently expanded its wings to rural areas.

Local entrepreneurs are civic activists who take the initiative to create campaigns or other organizational initiatives to address social issues, in our case to expand freedom. The idea is also known as social entrepreneurship.

Unlike for-profit entrepreneurs, local entrepreneurs are motivated to improve society.

As entrepreneurs, local entrepreneurs see and act on what others lack: opportunities to improve the system, create solutions, and invent new approaches that create social value.

Each group elects a moderator and two representatives from among its members. The moderator is responsible for leading the group and keeping the various records. Representatives support the moderator and manage the group's bank accounts.

A poor person is not only individually weak from a socio-economic point of view, but also does not have access to the knowledge and information that are the most important components of the current development process.

Recent trends in India and even the world, women are far superior to men in various aspects of development. The only problem is that so far, the company has barely given women the opportunity to enter various sectors of the economy.

An economically poor individual gains strength as a member of a group. Additionally, financing through SHG reduces transaction costs for both lenders and borrowers.

Small loans provided by self-help groups appear to have a positive impact on poverty by creating entrepreneurship and greater self-reliance for the poor.

Membership in the GAA guarantees the social and political emancipation of women.

The GAA concept generally rejuvenates rural women as it helps to break the vicious cycle of poverty among women and thus become economically viable. Self-help groups (SHGs) are able to empower rural women through entrepreneurial activities.

CHAPTER 7

SETTING UP A SMALL BUSINESS ENTERPRISE

In fact, as in ancient times, consumer sovereignty has always been considered important. It is largely thanks to retail trade that civilization has spread to the four corners of the then known world. Small businesses brought the benefits of things like Babylonian astronomy, Greek philosophy, the Jewish calendar, and Roman law to the poor. Since then, many developed and developing countries have recognized the vital importance of small businesses as a useful source of growth: the former as a complement to large industry; and the second to create new job opportunities on a large scale in the shortest possible time.

Small businesses have played an important role in the history of India. It has flourished in practically every corner: Calcutta, Surat, Madras, Bombay and has penetrated the roots of Indian soil. However, the standards of its products and services are often not met. This focused efforts on the need to protect the consumer. Little by little, small companies became the source of the expansion of civilization to the four corners of the then known world. With highly specialized skills and abilities, Indian products were the center of attraction for the house and dominated some of its commercial activities until the 18th century. A country known for its vast industrial base until the late 18th century suffered irremediably under colonial rule.

7.1 STEPS TO START A SMALL BUSINESS

Business location refers to the most convenient location, so transportation costs are a key component in deciding where to go. The German economist Alfred Weber developed the theory of industrial location in 1909. At the beginning of the industrial revolution, factories expanded into areas where industrial goods were already being produced. These were the places where woolen fabrics were made in the yards of sheep farms. The transition was made from the patio to a mill in the same area. Fortunately, many of these textile factories were located in coalfields and when the transition from water-based steam to coal-fired factories was made, the transition took place in the same place. The same thing happened when steel production also shifted from local blacksmiths to coal factories. The first industrial revolution, sawmills and factories emerged in the coal mining areas and remained anchored there for more than a century. At the end of the 19th century, these raw material places lost their importance. At the beginning of the industrial revolution, the roads were bad and slow. The canals were quickly built to transport heavy industrial materials, but nowhere did they form a really practical network. Only the

expansion of the railroad into extensive networks in the late 19th century allowed the industrial site to break free from deposits of raw materials. This trend continued into the 20th century for roads and vehicles, but river traffic, and in particular maritime traffic, remained dominant in long-distance industrial freight transport. Weber's analysis got to the point where the rail networks had peaked. Therefore, it is about the balance of position between the position of goods, the market for manufactured products and traffic. What do we understand by small business? A small business or factory or factory is a single building or room that produces finished products.

A company may have multiple factories, probably in different locations. The industry consists of many factories or factories and several independent companies. Industrial location is primarily a matter of the environment of the individual company and not of the entire industry, although the location of the industry itself is a factor of location. The concepts of position and position play different roles, although we can use the word position in relation to position when we really consider the business situation. The location of a company or group of companies is the actual physical location or land. There are basic location restrictions on the site.

Almost all cities will have suitable industrial sites, which will be zoned by municipalities. Therefore, the situation or relative position with respect to other factories and industry is important. Like the theories of agriculture and the position of central positions, Weber formulates hypotheses that simplify reality, but unlike these other theories, he does not assume an equitable distribution. Rather, it assumes that raw materials are unevenly distributed in fixed locations.

7.1.1 Hypothesis

Here are the various hypotheses in this context:

1. In the plain there is an uneven distribution of natural resources. Raw materials are concentrated in certain places.
2. The size and location of the markets are indicated at fixed points on the level.
3. There are permanent jobs where wages are fixed and work is immobile and unlimited (capitalists love it).

4. The region has a uniform cultural, climatic and political system.
5. Entrepreneurs minimize production costs.
6. There is perfect competition.
7. The cost of land, buildings, equipment, and capital does not vary from region to region.
8. There is a uniform transport system on a flat surface.

7.1.2 Product or market

First, we check whether an industry has to be localized to the commodity or to the market. If there is no weight loss or weight gain in manufacturing, you can install your factory anywhere because the transportation costs are the same in every way. Weber did it with a material index that calculates relative weight gain or loss.

- 1) Total weight of the finished product.
- 2) Total weight of the materials used in the manufacture.

7.1.3 Material index

If the product is a pure material, its index will be. If the index is less than 1, the final product has gained weight in production, thus increasing production in the market. The weight gain is most likely due to the addition of ubiquitous materials like water that can be expected everywhere. One such product would be a beverage, soda or beer in which a small amount of generally dry material is added to the water and bottles to make a much heavier and more brittle end product.

Most products lose weight during manufacture, like a metal extracted from a mineral. Therefore, its material index will be greater than 1, which favors the location of the raw material. The interest of the material index lies in the precise calculation of the difference between the unit costs of transportation of raw materials and finished products. A relative weight is calculated from the index number, which is then applied to the distance / radius of the isotimes. The position triangles in your document are small examples of the weighting of more than one material. Although drawing isotimes and

isodapans for two locations is very simple, adding a number of physical locations and markets makes the spatial model more complex and a useful way to calculate the location cheaper.

In addition to weight gain or loss, the material index and weighting of shipping costs can also take into account the loss or increase in shipping, properties such as perishable, brittle, and dangerous.

7.1.4 Need for a company headquarters

The need for the location of the plant arises in the following circumstances:

- 1) Whenever it is necessary to start a new business.
- 2) For an established business, the need for a location arises when expansion, decentralization, and diversification is undertaken to meet the growing demand for its products.
- 3) If the existing facility cannot obtain the lease extension.
- 4) Every time you have to give up an undesirable place.
- 5) If in a factory there is a tendency to market movement, depletion of raw materials, changes in transport structures, new processes that require a different location.
- 6) When it is necessary to open one or more new branches to increase production or sales volume, or both.

Steps in the location of the company:

- 1) Region selection
- 2) Choice of place or municipality
- 3) Choose the exact location and
- 4) Choose an optimal location

Steps to start a small business:

- 1) Analyze yourself and your goals
- 2) Meet with yourself for new ideas
- 3) Consult publications and agencies
- 4) Make a decision for yourself
- 5) Choose a line
- 6) Decision on the form of ownership (sole ownership / society / cooperative / company (private / public))
- 7) Decide whether to buy an existing business or start a new one.

Self-appraisal

Please indicate whether the following statements are true or false:

1. A small business or factory or factory is a single building or room that produces finished products.
2. Industrial location is not primarily about the location of a single company, but of the entire industry.
3. The region has a uniform cultural, climatic and political system.
4. The interest of the material index lies in the precise calculation of the difference between the unit costs of transportation of raw materials and finished products.
5. A factory location is required when one or more new offices need to be opened to reduce production or sales volume, or both.
6. If the product is a pure material, its index is 10.
7. The weight gain is most likely due to the addition of ubiquitous materials.
8. Transportation costs are not the same for raw materials and finished products.

7.2 SELECTION OF THE TYPE OF ORGANIZATION

There are numerous organizations that a new entrepreneur can choose from to meet their needs, ambitions, preferences, and plans. He can choose

- Single owner,
- Joint partnership,
- Limited liability company
- Accompaniment

7.2.1 Selecting a company - sole ownership

Sole proprietorship is both the simplest and most widespread form of business organization. A big reason for this is that it is the least regulated of all the types of business structures. Technically, sole property is traditional individual property without legal personality. The company is proprietary for legal and fiscal reasons. It has no existence outside the owner. The responsibility of the business rests with the owner and the business ends when the owner passes away. On the other hand, all profits are also personal to the owner and the sole owner has full control of the business.

Advantages These are the advantages of the sole proprietorship:

1. Full control of ownership: The most attractive advantage of sole proprietorship as a business structure is the owner's full control of the business. Subject to financial considerations and certain legal restrictions, you are completely free to conduct business at your discretion. Many people think that this factor alone is enough to overcome the disadvantages of this type of business.
2. Simplicity of organization: The simplicity of the organization of a single company is related to this. In addition to keeping sufficient records for tax purposes, there are no legal requirements on how the business is run.
3. The least regulated company: As mentioned above, the sole proprietorship is the least regulated company.
4. Registration with local authorities: Lastly, you may need to register with local, state and federal tax authorities to obtain identification numbers and the collection

of sales and other taxes. Other than a few simple registrations, there is not much you need to do legally to start a sole proprietorship.

5. Various tax advantages: A final and important advantage for the sole proprietorship are the various tax advantages offered to a natural person. The sole proprietorship's gains or losses are considered the owner's personal. Losses are directly deductible from all other homeowners' income, and capital gains are taxed only once at the owner's marginal tax rate. In many cases, especially when setting up a business, this can have significant advantages over corporate or corporate double taxation.

Below

Here are the downsides to sole proprietorship:

1. Sole proprietorship risk: Perhaps the most important factor to consider before choosing this type of business structure is that all personal and corporate assets from the sole proprietorship in the sole proprietorship are at risk.
2. Potential difficulty in obtaining loans: A second major disadvantage of sole proprietorship as a form of business is the potential difficulty in obtaining corporate loans.
3. Lack of continuity: Another disadvantage of a sole proprietorship is the lack of continuity in the form of the business. If the owner dies, the business closes. Of course, the assets and liabilities of the business pass to the owner's heirs, but experience and knowledge of how the business was successfully run often die with the owner.

7.2.2 Selection of a business entity:

Joint venture A partnership is a relationship between two or more people who come together to run a company or business. Each partner contributes money, assets, work and / or experience to the partnership and, in return, expects a share in the profit or loss of the company. A partnership is generally based on some type of partnership agreement, although the contract does not have to be a formal document. It could also be a verbal

agreement between the partners, although it is not recommended. A simple joint obligation to share costs is not a partnership or a simple co-ownership of a property that is held and rented or rented. To qualify as a company for legal and tax purposes, the following factors are generally taken into consideration:

1. The behavior of the shareholders in the implementation of the legal provisions,
2. The relationship between the parties,
3. The capabilities and contributions of each party to the partnership and
4. The control that each shareholder has over the company's income and the purposes for which the income is used.

Benefits

These are the advantages of the commercial form of association:

Greater opportunities for companies: Due to the combination of the credit potential of different partners, a partnership naturally offers more opportunities for business loans than are generally available for a sole proprietorship.

Tax benefits: As with sole proprietorships, running a business as a partnership, as opposed to a corporation, can bring some tax benefits. The profits of a company can be distributed directly to shareholders without double taxation, as in the case of the distribution of corporate profits in the form of dividends to shareholders. The income of a company is taxed at the rate of income tax. However, keep in mind that this can be a disadvantage depending on the individual tax situation of each partner.

A simple form of business: a partnership is often the chosen structure for a company in which two or more people want to share work and profits. It is perhaps a much simpler form of business organization than the corporate form. Lower start-up costs are required and regulation of associations is limited.

Below

These are the disadvantages of the partner company:

1. Potential for conflict between partners: The disadvantages of the type of company begin with the potential for conflict between partners. Of all the forms of business organization, the association has generated more disagreements than any other. This is generally due to the lack of a relevant first association agreement that clearly defines the rights and obligations of the shareholders.
2. Unlimited personal liability: Another disadvantage of the company structure is that each partner has unlimited personal liability for the debts of the company.
3. Legal liability - associated with business risks Personal financial liability is potential personal legal liability for the negligence of another partner. Furthermore, any shareholder may also be liable for the negligence of a company employee if such negligence occurs in the normal course of the company's business. Here, too, the associated risks are increased by the possibility of liability due to the actions of others. Of course, liability insurance can compensate for this to some extent to protect each member's private and club assets.
4. Lack of continuity: Here too, as in sole proprietorships, the company does not have the advantage of continuity. A partnership generally ends automatically with the death of a partner. In this case, the final invoice and details of assets and liabilities are generally required, unless specific business continuity methods are set out in the articles of incorporation.

7.2.3 Selection of a company: company limited liability company (LLC)

Notes the limited liability company is a hybrid corporate structure. It contains elements of both a traditional partnership and a corporation. The legal form of the limited liability company is relatively new. Only in the last few years has it been available as a form of business in all 50 states and in Washington DC. Its uniqueness is that it offers the limited personal liability of a company and the tax benefits of a partnership. A corporation is made up of one or more partners / owners who actively manage the business of the corporation. There may also be non-member managers employed to run the business.

Benefits

The members / owners of such a company enjoy limited liability similar to that of a shareholder of the company. Generally, your risk is limited to the level of your participation in the limited liability company. Since none of the members have personal responsibilities and do not necessarily have to carry out management tasks themselves, it is easier to win investors for the company form of the GmbH than for a classical association. Members will share in the potential earnings and tax deductions of the limited liability company, but less the associated financial risks. Since the limited liability company is generally taxed as a partnership, the company's profits and losses pass directly to each partner and are taxed only at the individual level. Another advantage of this type of business structure is that it offers a relatively flexible management structure. A final benefit is that limited liability companies have more flexibility than corporations regarding how profits and losses are actually allocated to the members / owners.

Below

Since the type of company is always similar to that of an active company, there is always a possible conflict between the shareholders / owners of a GmbH. Limited liability companies are formed in accordance with the law of each state, generally by filing the formal bylaws of a limited liability company with the relevant state authorities in the state of incorporation. Limited liability companies are generally a more complex form of business than a sole proprietorship or a normal partnership. They are subject to more administrative procedures than a simple company, but a little less than a corporation. Limited liability companies are regulated by the states in a much stricter manner with respect to their formation and operation than sole proprietorships or partnerships. Like traditional companies, limited liability companies lack continuity.

7.2.4 Selection of a business entity:

Society A society is a creation of law. It is subject to the laws of the state in which it was incorporated and the state or states in which it operates. In recent years it has become the preferred corporate structure for many small businesses. Corporations are generally a more complex form of business than sole proprietorships or partnerships. In addition, companies are subject to much stricter government regulations, both when they are founded and when they operate. The following explanation is intended to help the future

entrepreneur understand this type of business transaction. Society is an artificial entity. It is created by filing the statutes with the relevant state authorities. This gives the company its legal existence and the right to operate.

The statute serves as a public act of some formalities of the existence of the company. The adoption of company statutes or internal operating rules is often the first activity carried out by a company after being authorized by the State to carry out its activity. The company statute describes the actual operation and management of the company. There are two main types of companies: company C and company S. These prefixes refer to the respective chapter of the US tax code that determines the tax consequences for one type of business organization or another. In general, these two types of businesses are organized and managed in the same way. Special rules apply to recognition by the US Internal Revenue Service as an S-Corporation. There are also important differences in the tax treatment of these two types of companies. These differences are explained below. The following basic structure and organizational rules apply to both types of companies, unless otherwise noted. Corporation C: In its simplest form, the organizational structure of the company includes the following levels:

- 1) Shareholders: they hold the shares of the company but do not contribute to the direct management of the company, except by electing the directors of the company and voting on the most important matters of the company.
- 2) Directors: who can be shareholders, but as Directors do not own the company. As members of the Company's Board of Directors, they are jointly responsible for the Company's relevant business decisions, including the appointment of Company officers.
- 3) Executives: who can be shareholders and / or directors, but do not have executive activities. CEOs (typically the president, vice president, secretary, and treasurer) are responsible for day-to-day business.

S Corporation:

S Corporation is a specific type of company available for specific tax purposes. It is a creation of the Tax Agency. S's corporate status is irrelevant to Crown corporate law. Its purpose is to give small corporations the ability to be federally taxed as a partnership, but also to obtain many of the benefits of a corporation. It resembles a limited liability

company in many ways. The main difference is in the rules that a business must follow to qualify as an S business under federal law. In general, a business must meet certain requirements to be considered an S business under applicable IRS rules:

1. Must not have more than 75 shareholders
 2. All shareholders must generally be individuals and US citizens.
 3. You must only have one class of shares.
 4. Shareholders must agree with the status of the company S
1. An Election for Company S Status must be filed with the IRS

Company S retains all the advantages and disadvantages of traditional society, except in the tax area. For tax purposes, the shareholders of the S-Gesellschaft are treated the same as the shareholders of a company. The income, losses and deductions generated by an S company are passed on to the individual shareholders through the legal entity. This means that there is no double taxation of an S company and, unlike a standard company, the shareholders of an S company can personally deduct the losses of the company.

Benefits

Here are the various advantages of the corporate form:

1. One of the main advantages of the corporate form is the possible limited liability of the founders and shareholders of the company. Liability for business debts is generally limited to the amount of money each owner has brought into the business. Unless the business is essentially a shell of a sole proprietorship, or the business is severely under-capitalized or underinsured, the owners' private assets are not at risk in bankruptcy. Shareholders run the risk of losing only what they invested. This factor is very important to attract investors as the company grows.
2. A company can exist forever. In theory, a business can last forever. This can be of great benefit when potential future changes in corporate ownership loom. Changes that would lead to the dissolution or termination of a company often have no effect on the company. This continuity can be an important factor in

building a stable corporate image and a lasting relationship with others in the industry.

3. Unlike a partnership, where no one can become a partner without the consent of the other partners, a partner of a company can freely sell, exchange or dispose of its shares, unless this right is formally limited by sensible decisions of the partnership. The new owner of these shares is therefore the new owner of the company in relation to the shares acquired.

Below

Here are the various downsides of the business-by-business type:

1. Loss of individual control: Due to the nature of a company's organizational structure, a certain amount of individual control is inevitably lost upon establishment. The officers appointed by the board are responsible for the decisions of the board.
2. Technical procedures: for a company to reap the benefits of its existence, the technical procedures for the establishment and management of a company must be strictly complied with. Corporate meetings, both of shareholders and directors, are more formal and frequent. In addition, the actual establishment of the company is more onerous than the establishment of a sole proprietorship or a partnership. The initial state tax payable to register a business in one state can be up to \$ 900.00 for a small cap business. Businesses are also subject to a higher level of government regulation than any other type of business entity. These complications can overwhelm a small business struggling to survive.
3. Finally, when the profits of a company are distributed to shareholders in the form of dividends, they are subject to double taxation.

7.3 SUMMARY

- 1) Business location refers to the most convenient location, so transportation costs are a key component in deciding where to go.

- 2) A small business or factory or factory is a single building or room that produces finished products.
- 3) The concepts of position and position play different roles, although we can use the word position in relation to position when we really consider the business situation.
- 4) The location of a company or group of companies is the actual physical location or land. Since the transportation costs of raw materials and industrial goods are not the same, a relative weight needs to be calculated.
- 5) The interest of the material index lies in the precise calculation of the difference between the unit costs of transportation of raw materials and finished products.
- 6) A relative weight is calculated from the index number, which is then applied to the distance / radius of the isotimes.
- 7) Sole proprietorship is both the simplest and most widespread form of business organization. A big reason for this is that it is the least regulated of all the types of business structures.
- 8) A partnership is a relationship between two or more people who come together to run a company or business. Each partner contributes money, assets, work and / or experience to the partnership and, in return, expects a share in the profit or loss of the company.
- 9) The profits of a company can be distributed directly to shareholders without double taxation, as in the case of the distribution of corporate profits in the form of dividends to shareholders.
- 10) Of all the forms of business organization, the association has generated more disagreements than any other. This is generally due to the lack of a relevant first association agreement that clearly defines the rights and obligations of the shareholders.
- 11) In this case of obligation, the final invoice and the detail of the assets and liabilities are required, unless specific procedures are established in the statutes for the continuation of the business.

12) Corporations are generally a more complex form of business than sole proprietorships or partnerships. The company statute describes the actual operation and management of the company. There are two main types of companies: company C and company S.

7.4 COMPANY C:

Refers to any corporation that is taxed separately by its owners under United States federal tax law. Believer: A believer is a party who is entitled to the services of a second party. Limited Liability Company (LLC) - Business structure in which members of the business cannot be held personally liable for the debts or obligations of the business. Association: A partnership is a relationship between two or more people who come together to manage a company or business. Personal Property: Personal property is something of value that belongs to a person personally. S-Corporation: S-Corporation is a specific type of company available for specific tax purposes. Sole proprietorship: This is a type of business entity that is owned and operated by one person and in which there is no legal distinction between the owner and the business. Tax Advantage: A tax advantage is a deduction that is allowed on a tax return to ease the burden on the taxpayer while helping certain types of businesses.

7.5 FINANCIAL CONSIDERATIONS

In the previous unit, we covered the steps for starting a small business. This unit will help you understand financial statements and business metrics. The various sections and subsections of this unit also summarize sources of funding and cash flow management. Whenever there is an idea to start a new business, the first thing to think about is how to use the money necessary for the business or company being offered. Finance is the lifeblood of a business or organization. Likewise, the success and failure of new businesses depend heavily on financial planning. Therefore, it is very important for any entrepreneur to develop a financial plan at the start of their new business or business. Having a clear and well-defined plan will help determine financing needs at different stages of the business.

7.5.1 Annual budget

Annual financial statements are a necessary source of business information for a wide variety of users. Those who use balance sheet information include company management teams, investors, creditors, government regulators, and the Internal Revenue Service. Users of financial reporting information do not need to know everything about accounting to use the information in key financial statements. However, to use budget information effectively, it helps to understand a few simple concepts and become familiar with some of the fundamentals of basic financial information. Here are the four most important balances:

7.5.1.2 Balance

Balance Sheet The balance sheet is a statement of what a business owns (assets) and claims a profit against the business (liabilities and equity) on a specific date. Some analysts view the balance sheet as a snapshot of a company's financial health. When looking at assets and credits, it is helpful to remember the direction of the "left-right" accounting equation: assets on the left, credits on the right. In addition, there are a number of other balance sheet characteristics that should be highlighted, such as: B. Accounting, listing order, position valuation, and position definition. The budget must be balanced, that is why it is called a budget. In other words, the assets must be claims on the assets.

$$\text{Assets} = \text{liabilities} + \text{equity}$$

Each of the three balance sheet segments contains numerous accounts that document the value of each. The asset side of the balance sheet shows the accounts as cash, inventory, and real estate, while the liability side shows the accounts as debt or long-term debt. The exact accounts of a balance sheet vary by company and industry, as there is no single model that accurately takes into account the differences between different types of companies.

Figure 7.1 Proforma balance sheet

| Pro-Forma Balance Sheet | | | | |
|---------------------------------------|----------------|----------------|----------------|----------------|
| XYZ Corporation | | | | |
| For 2003 to 2006 | | | | |
| (all numbers in \$000) | | | | |
| ASSETS | 2003 | 2004 | 2005 | 2006 |
| Current Assets | | | | |
| Cash | \$54 | \$57 | \$59 | \$64 |
| Net accounts receivable | \$367 | \$396 | \$426 | \$435 |
| Inventory | \$177 | \$191 | \$203 | \$205 |
| Temporary investment | \$12 | \$12 | \$12 | \$12 |
| Prepaid expenses | \$2 | \$2 | \$2 | \$2 |
| Total Current Assets | \$612 | \$658 | \$702 | \$718 |
| Fixed Assets | | | | |
| Long-term investments | \$42 | \$43 | \$43 | \$46 |
| Land | \$656 | \$656 | \$684 | \$727 |
| Buildings (net of depreciation) | \$903 | \$928 | \$983 | \$1,021 |
| Plant & equipment (net) | \$608 | \$631 | \$642 | \$654 |
| Furniture & fixtures (net) | \$61 | \$65 | \$68 | \$72 |
| Total Net Fixed Assets | \$2,270 | \$2,323 | \$2,420 | \$2,520 |
| TOTAL ASSETS | \$2,882 | \$2,981 | \$3,122 | \$3,238 |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Accounts payable | \$246 | \$252 | \$258 | \$277 |
| Short-term notes | \$24 | \$25 | \$26 | \$28 |
| Current portion of long-term notes | \$14 | \$14 | \$14 | \$15 |
| Accruals & other payables | \$14 | \$14 | \$14 | \$14 |
| Total Current Liabilities | \$298 | \$305 | \$312 | \$334 |
| Long-term Liabilities | | | | |
| Mortgage | \$897 | \$931 | \$978 | \$1,021 |
| Other long-term liabilities | \$443 | \$485 | \$527 | \$576 |
| Total Long-term Liabilities | \$1,340 | \$1,416 | \$1,505 | \$1,597 |
| SHAREHOLDERS' EQUITY | | | | |
| Capital stock | \$300 | \$300 | \$300 | \$300 |
| Retained earnings | \$944 | \$960 | \$1,005 | \$1,007 |
| Total Shareholders' Equity | \$1,244 | \$1,260 | \$1,305 | \$1,307 |
| TOTAL LIABILITIES & EQUITY | \$2,882 | \$2,981 | \$3,122 | \$3,238 |

7.5.1.3 Account results

The income statement shows the income and expenses of a company, as well as the taxes associated with these expenses during a fiscal period. If the balance sheet can be viewed in the "left-right" orientation described above, the income statement will display "top to bottom". A basic description of the items in the income statement shows how a manufacturing company can present an income statement. The income statements of other companies may look slightly different, but in general the structure would be the same.

Figure 7.2: Proforma of the income statement

| [Company Name] | | Income Statement | |
|---|--|--|------|
| | | For the Years Ending [Dec 31, 2008 and Dec 31, 2007] | |
| Revenue | | 2008 | 2007 |
| Gross sales | | 181,683 | |
| (Less sales returns and allowances) | | (10,000) | |
| Net Sales | | 171,683 | - |
| Cost of Goods Sold | | | |
| Beginning inventory | | | |
| Goods purchased or manufactured | | 130,028 | |
| Total Goods Available | | 130,028 | - |
| (Less ending inventory) | | | |
| Cost of Goods Sold | | 130,028 | - |
| Gross Profit (Loss) | | 41,655 | - |
| Expenses | | | |
| Advertising | | | |
| Bad debt | | | |
| Commissions | | | |
| Depreciation | | 16,636 | |
| Employee benefits | | | |
| Furniture and equipment | | | |
| Insurance | | | |
| Maintenance and repairs | | | |
| Office supplies | | | |
| Payroll taxes | | | |
| Rent | | | |
| Research and development | | | |
| Salaries and wages | | | |
| Software | | | |
| Travel | | | |
| Utilities | | | |
| Web hosting and domains | | | |
| Other | | 16,192 | |
| Total Operating Expenses | | 32,808 | - |
| Operating Income (Loss) | | 8,847 | - |
| Non-operating revenues, expenses, gains, losses | | 12,762 | |
| (Less interest expense) | | (6,113) | |
| Income Before Taxes | | 15,496 | - |
| (Less income tax expense) | | (1,069) | |
| Income From Continuing Operations | | 14,427 | - |
| Below-the-Line Items | | | |
| Income from discontinued operations | | | |
| Extraordinary items | | | |
| Cumulative effect of accounting changes | | | |
| Net Income | | 14,427 | - |

Earnings per share (EPS) are an important concept to understand the income statement. A company's EPS Notes are net income divided by the number of common shares outstanding. Represents the end result of a company. Companies are constantly making decisions about how their profits will turn out because corporate shareholders are concerned about how management decisions will affect the position of individual shareholders.

7.5.1.4 Cash flow statement

Cash flow analysis is useful for short-term planning. Historical cash flow analysis helps you create reliable cash flow forecasts for the immediate future and take appropriate action. The cash flow statement shows the inflows, sources of funding (that is, positive cash flows) and outflows, uses of funds (that is, negative cash flows) during the period and the difference is the "net cash flow". This statement analyzes the evolution of both

the long-term accounts and the current accounts (excluding money) in order to determine the cash flows. The list of changes in cash and cash equivalents is created by recording only the cash inflows and outflows that reflect the net change in the period. Money received minus cash disbursements during a period is the cash balance at the end of the period. If the net change in cash and cash equivalents is recognized in the income statement, adjustments should be made for non-monetary items in the comparative balance sheets.

Types of cash flows

There are two types of movement or cash flow, the actual cash flow and the theoretical cash flow. Actual Cash Flow There may be actual or direct cash flow "in" and "out" of the business in the following circumstances:

- a. Actual inflow of funds:

This operation results in a real inflow of liquidity to the company. There are also inflows of funds when cash bonds are issued, cash loans are taken, fixed assets are sold for cash, cash dividends are received, etc.

Example: Issue of shares for cash:

| | |
|----------|----------------------|
| Cash a/c | Dr |
| | To Share Capital a/c |

- b. Current cash flow: The transaction results in an actual cash outlay by the business. There is also an outflow of funds when you repay loans, trade preferred stocks or bonds, pay taxes, pay dividends, and so on. cash.

Example: Purchase of Machinery for cash.

| | |
|---------------|---------|
| Machinery a/c | Dr. |
| | To Cash |

The indirect flow of money in and out of the store is known as "theoretical cash flow" and can occur in the following circumstances:

- a. Input fictitious funds: a fictitious inflow of funds occurs when a transaction always leads to an increase in current liabilities or a decrease in current assets.

Example: Purchase of goods on credit.

| | |
|------------------|-----|
| Purchases A/c | Dr. |
| To Creditors A/c | |

This operation entails an increase in creditors in the amount of credit purchases made. Although there is no real cash inflow, goods purchased on credit can be converted to cash. Then there is a fictitious influx of funds

b. Fictitious cash flow: output dummy cash occurs whenever a transaction leads to a decrease in short - term liabilities or increased current assets.

Example: Purchase of goods on credit.

| | |
|------------------|-----|
| Purchases A/c | Dr. |
| To Creditors A/c | |

This operation implies an increase in accounting / bills of exchange to the extent of the loan transfer. Although there was no actual cash outflow, assets sold on credit would be sold for cash and trade materials costs, labor, and overhead. Therefore, there is a theoretical outflow of funds, that is, it can be seen as customer credit. Likewise, a reduction in short-term liabilities is attributable to a partial payment of these contributions. Therefore, such a reduction in a short-term liability is treated as a notional cash outflow.

Figure 7.3: Proforma cash flow statement

| [Company Name] | |
|--|-----------------|
| Cash Flow Statement | |
| For the Year Ending | 12/31/2008 |
| Cash at Beginning of Year | 15,700 |
| Operations | |
| Cash receipts from customers | 693,200 |
| Cash paid for | |
| Inventory purchases | (264,000) |
| General operating and administrative expenses | (112,000) |
| Wage expenses | (123,000) |
| Interest | (13,500) |
| Income taxes | (32,800) |
| Net Cash Flow from Operations | 147,900 |
| Investing Activities | |
| Cash receipts from | |
| Sale of property and equipment | 33,600 |
| Collection of principal on loans | |
| Sale of investment securities | |
| Cash paid for | |
| Purchase of property and equipment | (75,000) |
| Making loans to other entities | |
| Purchase of investment securities | |
| Net Cash Flow from Investing Activities | (41,400) |
| Financing Activities | |
| Cash receipts from | |
| Issuance of stock | |
| Borrowing | |
| Cash paid for | |
| Repurchase of stock (treasury stock) | |
| Repayment of loans | (34,000) |
| Dividends | (53,000) |
| Net Cash Flow from Financing Activities | (87,000) |
| Net Increase in Cash | 19,500 |
| Cash at End of Year | 35,200 |

7.5.1.5 Account results

The profit and loss account shows the profits that the company generates. This is also known as a "business income statement." It consists of the following elements:

- reduction
- Direct
- costs
- Raw
- Benefit

- indirect
- costs
- Net profit taxation
- Director's Drawings
- Invest in business

The profit and loss account are opened by entering gross margin (if credited) or gross loss (if debited). To make a net profit, an entrepreneur has to incur many more expenses in addition to direct expenses. These expenses are subtracted from earnings (or added to gross loss) and the resulting number is net profit or loss. The charges recognized in the income statement are "indirect charges".

Preparation of planned budgets

The budget contains assumptions about the future financial condition of a particular company, be it an annual or quarterly forecast. The preparation of prospective financial statements is a time-consuming activity, as it involves analyzing the finances of the company, reading previous budgets and financial statements, and reviewing the current financial situation of the company to make assumptions about the financial potential of the company. The process is the same for small sole proprietorships and established businesses. There are some common mistakes to avoid when preparing forecast budgets:

Do not prepare an overly ambitious or unrealistic projection. It is better to make a conservative forecast and be able to beat your plan than to have to prepare something unrealistic and explain to investors why you did not achieve the expected results.

Don't be creative when developing your demo presentation. Use standard formats that are common in the industry and conform to generally accepted accounting principles.

Pay attention to the amount of detail presented and avoid using technical terms. Give the reader the right amount of detail to make a decision.

The facts and in-depth investigation must support all assumptions used in the projections. Makes your projections more credible.

Disclose complete information on all matters related to contracts, property, offer price, stock options, guarantees, related party matters, risks and uncertainties. Don't mislead the reader.

| <div style="text-align: center;"> [Company Name] <small>[Street Address], [City, ST ZIP Code]</small> <small>[Phone: 555-555-5555] [Fax: 123-123-123456]</small> <small>[abc@example.com]</small> </div> Profit & Loss Statement For the Period Ended _____ | | |
|---|-----------|-----------------|
| Income | \$ | \$ |
| Sales | 0000000 | |
| Services | 00000000 | |
| Other Income | 00000 | |
| Total Income | | 00000000 |
| Expenses | | |
| Accounting | 0000000 | |
| Advertising | 000000 | |
| Assets Small | 000000 | |
| Bank Charges | 000000 | |
| Cost of Goods Sold | 00000 | |
| Depreciation | 00000 | |
| Electricity | 000000 | |
| Hire of Equipment | 00000 | |
| Insurance | 00000 | |
| Interest | 00000 | |
| Motor Vehicle | 00000 | |
| Office Supplies | 00000 | |
| Postage and Printing | 00000 | |
| Rent | 00000 | |
| Repairs and Maintenance | 000000 | |
| Stationary | 0000 | |
| Subscriptions | 00000 | |
| Telephone | 00000 | |
| Training/Seminars | 00000 | |
| Wages and On costs | 00000 | |
| Total Expenses | | 00000000 |
| Profit/Loss | | 00000000 |

7.6 CASH FLOW MANAGEMENT

Maintaining healthy cash flow is one of the most important aspects of running a small business. The key to success in this sector is the management of entries and exits, which can be monitored with financial software.

7.6.1 Cash flow analysis

Before you can begin to improve cash management, you must have a thorough understanding of how your business manages cash flow. Examine areas such as credits

and debits, credit terms, and inventory. If you discover that there is an imbalance between the inflow and the outflow of money, for example, if you have more unpaid purchases than pending sales, it may cause a cash flow problem for the next month. Now that you've analyzed your cash flow, it's time to start looking for ways to improve your cash flow management. Simply put, your goal is to expedite entry and delay exit for as long as possible while meeting all your financial obligations.

7.6.2 Improve customer accounts

Trade receivables are an important part of a small business's cash flow, so it's important to keep an eye on them to improve cash flow. Raising money may not always be easy, but there are steps you can take to ensure you don't get into a cash flow crisis due to slow payments. Track payments - Knowing when customer payments are due is very important, and you can use your financial software to stay one step ahead. Creating a payer age report to track your customers' habits over time will help you understand which customers are likely to need a boost to pay. Make it easy for them to pay; also, be sure to pay your bills quickly. If customers receive their invoices on a regular and timely basis, they are more likely to get their money faster. Make sure customers know exactly when payment is due by clearly stating it on the invoice. Offer them quick and easy payment options like fax and online methods. Many homeowners have been able to speed up debt collection by offering discounts to first-time payers.

Create a credit policy: when and how do you make credit decisions for your customers? The sooner you do this, the faster you can bill them and the faster they pay you. Try to anticipate the credit needs of customers before they ask. For new customers, you likely want a credit check and multiple references, a process that can be started before they place their first order to speed things up. You may also consider taking a small deposit for reorders to ensure you have cash on hand. Establish a collection policy - Your policy should specify when to begin collecting a payment. Many employers adhere to a formal reminder system that, with increasing delays, takes on a more serious tone, eventually involving an attorney and finally a debt collection agency. However, your approach can also vary depending on the customer or size. the payment is overdue. A chronic laggard may require different treatment than someone who made a sudden mistake.

7.6.3 Upgrade accounts

Payable It is in your interest to keep cash for as long as possible, which requires careful monitoring of your cash outflows.

Manage Your Due Dates - Pay a bill on due date to maintain stable cash flow. If you pay in advance, you may not have enough money at a crucial time. You can organize your trips by making transfers with your financial software.

Extend Payment Terms - Talk to your vendors and see if you can stagger a deal so payments can be staggered and payment terms are extended as much as possible. Also, think about how you can strengthen relationships with your providers in case you have to delay payments in the future. Remember, the ones with the lowest prices may not necessarily be the most flexible. Keep this in mind when choosing who to work with.

7.6.4 Improve inventory

Management Inventory management is about monitoring your daily sales activity and making sure your inventory reflects these patterns. With the help of your retail management software, you can predict how demand will fluctuate in the coming months. A popular saying has it that 80 percent of your income comes from 20 percent of your inventory. By determining which products, it applies to, you can make informed decisions about how much of an item to order and when. Actions that are not converted to cash are useless. If your inventory is out of date, the best strategy is to sell it at the best possible price. Many small business experts believe that healthy cash flow is indeed the key to success. Once you understand how to balance inputs and outputs, it will be fine for you.

Self-Assessment Indicates whether the following statements are true or false:

- 1) Business credits are an important part of the money that goes to a small business.
- 2) Only a few homeowners have been able to speed up debt collection through discounts.
- 3) If you pay in advance, you may not have enough money at a crucial time.

4) Many small business experts believe that healthy cash flow is indeed the key to success.

7.7 APPLICATIONS OF TRADE KEY FIGURES

A tool used by people to perform quantitative analysis of the information contained in the financial statements of a company. Metrics are calculated from current year figures and then compared to previous years, other companies, industry, or even the economy to measure company performance. Relationship analysis is used primarily by followers of fundamental analysis. There are many metrics that can be calculated from the annual financial statements related to the performance, activity, financing and liquidity of a company. Some common metrics are price-earnings ratio, leverage ratio, earnings per share, asset turnover, and working capital.

7.7.1 Importance of activity rates

Business metrics are used to evaluate the performance of the company in terms of:

1. Analyze trends
2. Comparative of companies
3. Operational efficiency analysis
4. Long-term financial sustainability
5. Show the strengths and weaknesses of the company.
6. Overall profitability of the company

7.7.2 Financial indices

Financial metrics are the indicators of the financial well-being of a business plan. These are used as tools to determine the financial viability of a business plan. Financial metrics are supported by other facts before passing judgment. These are calculated using the information available in the historical and / or forecast financial statements and in the other financial statements. Metrics are often used for trend analysis, that is, to track financial data over a period of time. Since the company has no historical financial

statements or past performance, these are notes that have been valued on the basis of preliminary financial statements and other forward-looking documents. These allow you to compare the expected performance with similar industries or similar companies. Financial metrics can be divided into four general categories.

These can be classified as follows: Liquidity ratios Liquidity ratios are indicators of the ability of a company to meet its short-term financial obligations. Short-term commitments mean that cash needs will be covered in the next 12 months. This ratio is best used by short-term business loan providers. Three of the most common liquidity ratios are (a) current ratio or working capital ratio, (b) quick report or acid test report, and (c) cash ratio.

The current ratio is the ratio of short-term assets to short-term debt:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Short-term creditor providers prefer a high electricity fee as it reduces the risk of default. This means the liquidity of venture capital. On the contrary, it is known that shareholders prefer a low proportion of electricity because it requires the use of money to create more wealth. The values in the current report vary from industry to industry and from company to company within the same industry. Companies exposed to cyclical ups and downs maintain a high incidence of the current relationship to stay liquid during a recession. A current ratio of 1 or greater than 1 is considered acceptable for most industries.

A judgment should not be formed solely on the basis of the current key figure of the company. There are many other factors that must be considered before reaching conclusions. A high working capital greater than 2 indicates excess working capital in the form of underutilized inventories and funds. A low ratio of less than 1 indicates that the company may have difficulty meeting its short-term financial commitments. The quick or acid test ratio is the ratio of short-term assets (inventory to short-term liabilities); The inventory component in the current metric may consist of certain inputs or commodities that may not be liquidated in the short term. The liquidation value can also be uncertain. The quick report is a refinement of the current metric, as it excludes actions

from current company activities. This exclusion removes the ambiguity that uncertain inventory components create in the company's liquidity position.

$$\text{Quick Ratio} = \frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}}$$

The working capital used to calculate the rapid index (acid test report) includes cash, credits, and invoice credits. The cash ratio is one of the most conservative of all cash ratios. It is an extreme refinement of the quick report. It excludes all short-term assets of the company, except for absolute liquidity available. These are cash on hand or bank balances, as well as other cash equivalents. Liquidity ratio the liquidity ratio is the ratio of cash and cash equivalents to the company's short-term liabilities. It is the most reliable indicator of the ability of venture capital to deal with short-term debt. A higher liquidity ratio could be cause for concern, as it represents a situation where resources may not be used optimally to create wealth.

Profitability metrics

Profitability metrics are indicators of the success of a company when it comes to generating benefits for the entrepreneur. Various metrics are used to measure profitability. We focus on the three main indicators. These include (a) gross profit margin, (b) return on investment, and (c) return on equity or return on investment (ROI). The gross profit margin is the gross profit that the company makes from its sales. Record the cost of goods sold, excluding any other costs.

$$\text{Gross Profit Margin} = \frac{\text{Sales} - \text{Cost of Goods Sold}}{\text{Sales}}$$

A lower gross profit margin ratio indicates that the revenue required to cover other costs, including fixed costs, is low. It is also an indicator of the inability of the company to control its production costs. A higher gross profit margin indicates production efficiency and the company's ability to compete in intense rivalries and in markets with low barriers to entry. The return on investment is an indicator to determine the efficiency of the company in the use of assets to create wealth / profit.

$$\text{Return of Assets} = \frac{\text{Net Income}}{\text{Total Assets}}$$

A lower return on investment is an indicator that the returns on venture capital for invested assets are low. It can be used to determine the efficiency of companies, that is, industrial companies. Return on equity, or return on investment (ROI), is one of the basic metrics used to determine return on investment for shareholders. It derives from the determination of the net profit that the company generates from the net worth.

$$\text{Return on Equity} = \frac{\text{Net Income}}{\text{Stockholder's Equity}}$$

Operational metrics These are the metrics used to measure the internal operational efficiency of the company. A resulting isolated interpretation is largely unproductive, sometimes even misleading. These should be considered in relation to other key figures and the industrial environment. We will focus on just three types of operational metrics, including: (a) Credit rate, (b) Inventory turnover rate, and (c) Average payday rate.

$$\text{Accounts Receivables Turnover Ratio} = \frac{\text{Net Credit Sales}}{\text{Average Accounts Receivable}}$$

Measures the liquidity of trade accounts receivable for the entire year. Average credit is the average of the opening and closing balances of all credits. Provides information on the number of sales credits over the course of a financial year. In general, it is rated positively or negatively compared to companies in the sector of a similar nature. A higher churn rate is an indicator of timely customer payment and leads to fewer credit investments. The inventory turnover rate is determined by the production costs of the goods sold relative to the average inventory.

It is generally calculated as follows:

$$\frac{\text{Sales}}{\text{Inventory}}$$

It is also possible to calculate it as:

$$\frac{\text{Cost of Goods Sold}}{\text{Average Inventory}}$$

The first calculation method is most often used in relation to the cost of goods sold and the average inventory level. The second method is used because sales are recorded at fair value, while inventories are recorded at purchase value or cost. Using an average inventory instead of an ending inventory will help reduce seasonal factors that can alter the correct ratio. Measures how often inventory was replenished during a fiscal year. It also indicates the quality of the inventory in terms of obsolescence and the effectiveness of the inventory management practices used by the company. High inventory turnover is generally considered a positive sign of company performance. If your business has committed significant inventory resources, this relationship is even more important to consider as it helps you formulate proper financial plans. If the company was slow to maintain inventory levels, it would affect the company's cash flow. As with other metrics, it should be compared to industry metrics. Another interpretation is that while a low inventory turnover indicates poor sales and inadequate additional inventory maintenance, affects the freeze of funds and increases inventory costs and unproductive investments, a high percentage indicates high sales or purchases. Incorrect could indicate. The average payday rate measures the average number of days it takes for a business to pay its suppliers.

$$\text{Average Days Payable} = \frac{\text{Days in the period} \times \text{Average accounts payable}}{\text{Purchases on credit}}$$

"Period days" refers to the number of days in the measurement period, which is typically 365 days (a fiscal year). The "average of accounts payable" is derived from the consideration of the opening and closing balances of accounts payable for the measurement period. If the company's vendor maturity is greater than the collection period, it could indicate improper payment practices or a persistently low cash flow position. This can affect the solvency of the company. In contrast, a shorter payment term by the company suggests that the company may not be able to maximize the benefits of loan purchases despite being able to meet the provider's payment terms.

Leverage Ratios These ratios measure the financial leverage of the company to meet its financial obligations. In addition, they show the capital structure of the company and the

resulting strengths and weaknesses. The main focus is on the debt, equity, assets and interests of the company. These also provide information on the combination of the company's operating costs (fixed and variable) and how production changes affect the operating result. Firms with relatively higher fixed costs that have breakeven (BEP) have a higher operating margin when production increases than firms with higher variable costs. It is determined by the fact that the costs have already been incurred and, once the breakeven point is reached, the increases in turnover are transferred to the operating result. On the contrary, in companies with high variable costs, the additional income does not bring such benefits due to the greater participation of the variable costs of the exit ticket. We will examine three types of leverage ratios and their effects. These include (a) the leverage ratio, (b) the combined degree of leverage¹, and (c) the degree of operating leverage. The leverage ratio is a measure of a company's financial debt. It is the result of dividing the total liabilities of the company by its equity. Provides information on equity and debt participation in the capital structure of the company.

$$\text{Debt to Equity Ratio} = \frac{\text{Total Liabilities}}{\text{Equity}}$$

Further clarification is possible if only long-term interest-bearing debt is used instead of full debt. A high debt-to-equity ratio generally means leveraged venture capital financing and a higher interest charge, which can affect profitability in a recession. A high level of indebtedness also indicates greater corporate control. The debt-to-GDP ratio also varies from one sector to another. Capital-intensive industries have a higher leverage ratio than less capital-intensive industries. The degree of the combined leverage ratio summarizes the combined effect of the degree of operating leverage (DOL) and the degree of leverage on earnings per share (EPS) for a specific change in sales. This relationship can be used to determine the optimal level of financial and operating leverage for a business. In addition, it indicates the effect that this combination or variation of this combination has on venture capital gains.

$$\text{Degree of Combined Leverage Ratio} = \frac{\% \text{ Change Earning Per Share (EPS)}}{\% \text{ Changes in Sales}}$$

A high combined leverage interpretation means higher risk associated with the asset, as high leverage can mean higher fixed costs. The level of operating leverage indicates what

effect a certain level of operating leverage has on the company's earnings before interest and taxes (PBIT).

Uses a higher percentage of fixed costs than variable costs in operating the joint venture. A higher level of operating leverage will make venture capital gains before interest and taxes more volatile relative to changes in sales.

$$\text{Degree of Operating Leverage} = \frac{\% \text{ Change in Profit Before Interest \& Taxes}}{\% \text{ Changes in Sales}}$$

This metric also helps to understand the impact that a given level of operating leverage has on the profit potential of the company. This can serve as a beacon for optimal operating leverage to maximize earnings before interest and taxes.

7.8 FUNDING SOURCES:

Debt and Equity There are different types of expenses to consider when estimating capital requirements, namely, business and start-up expenses, capital purchase expenses, business expansion expenses, business activities, capital expenses, and asset acquisition expenses. capital., Etc.

Creation of internal resources: although this resource is mobilized in large companies, it is rarely used in small companies. This source includes a tax fund, a depreciation fund, and a reserve fund. Startups cannot use this resource.

Collecting public deposits: large corporations borrow time deposits from the public to raise capital in the medium term. The public receives a certificate of deposit. Although it is an important source of funding for established businesses, this opportunity cannot be used in any way for business start-ups.

Financing through commercial banks: commercial banks today cover their short-term financial needs by providing financing to companies. Commercial banks provided short-term capital by discounting bills of exchange, cash advances, and advance payments.

Financing of financial institutions: examples are IFC, IDBI, ICICI, SFC, SIDBI, etc.

Financing from other investment institutions: Numerous public and private sector investment institutions have been developed to provide financing to startups such as LIC, GIC, Tata Investment Trust, etc.

1. Personal finances: When starting a new business, the entrepreneur obtains capital by investing his own savings or those of his family. This includes money and personal property that can be converted to cash. In most cases, small businesses and family businesses are developed from the entrepreneur's own capital. To do this, an entrepreneur may have been established a few months or a few years ago and must have already prepared financially. But no large company can grow by financing the personal capital of the entrepreneur.
2. Public contributions: a specific section provides for the financing of public contributions in favor of new companies. The government generally provides adequate funding in the form of donations and grants for cases recognized as a priority area. The capital is made available to entrepreneurs through contributions and state subsidies.
3. Others: Apart from the various sources mentioned above, local credit institutions or bankers provide conditional capital to the new entrepreneur. This can also be accomplished through a venture capital firm. Capital can be contributed by leasing

7.8.1 Capital financing

If the new company is a corporation, it can issue shares to the public with the approval of the Company Law Board and thus provide the necessary capital for the corporation. The action represents the property. The value of a share is not very high. So, if you want to have a business, you can buy on their behalf. The capital obtained through the sale of shares is known as share capital. Whenever an entrepreneur intends to finance on the market, equity financing is a common method. Equity refers to the capital that the owner or owners have invested in the business and is a risky long-term investment. The capital stock or social capital is the capital available by the owner in a sole proprietorship or by the owners in a partnership. And in private companies, entrepreneurs, their family and friends contribute capital, and in public companies, capital is raised by selling shares to

the public. These assets or assets are provided by the shareholders. The different forms of financing through share capital are:

1. Personal savings and assets of the entrepreneur.
2. Loans from family and friends.
3. Personal loan contracted with a local lender.
4. Financing through the sale of shares.
5. Ordinary shares or shares.

7.8.2 External financing

To raise more capital, the company raises capital by selling bonds. A debt guarantee is a debt guarantee under the seal of an organization. Those who buy notes are known as note holders. Bondholders cannot become owners of the company, but they can be recognized as its creditors. Leverage refers to one of these financing schemes, in which capital is raised through the issuance of bonds, notes, and mortgages. There are several key ways to obtain debt financing, such as money from the sale of bonds, bills, and business documents. Small companies have fewer opportunities than large companies to obtain external financing. These companies are limited by their size. These are local companies with small stocks or markets that provide few resources to support loans. Small business owners founded with the intention of growth are still developing and risky. They have not yet determined their level of performance or the strength of their assets to incur significant debt.

Changing trends in the banking sector

Indian banks can be broadly divided into nationalized (state-owned), private and specialized banking institutions. The Reserve Bank of India acts as a central point that monitors deviations and loopholes in the system. Since the nationalization of the banks in 1969, public banks or nationalized banks have occupied a prominent position and have made great strides since then. The need for a strong customer focus has forced slowly evolving public banks to adopt an accelerated approach. These easy-to-use programs included reviewing the product and service portfolio by introducing new product and

service programs (such as credit cards, hassle-free home loan programs, student loans, and flexible deposit programs), " integration branch network with advanced network technology and customer personalization programs (through ATMs and banking at any time, etc.). Many banks have started to take advantage of the recent boom in equity markets by expanding their range of products (IPOs) to include financing options and IPO programs. IPO financing has received positive feedback from investors and is becoming increasingly popular in the business world. The objective of all these strategies is very clear: to close the gap between services and products inherent in the banking system. To meet increasing customer demands and increase business volume, many public sector banks have invested heavily in technology upgrades and systems such as local area networks, wide area networks, VSAT, etc.

Marketing and branding programs have also received a new boost in the new liberalized banking scenario. The advertising budget was increased to cater to the new and large target group. Banks now wanted to market their products and services through various means to reach their main customers. Direct marketing, internet marketing, hoarding, print advertising, television sponsorship, image promotion, etc. they have become an indispensable part of a bank's marketing mix. To meet the individual needs of clients and differentiate their services, banks have repositioned themselves in specialized areas such as mortgage loans, car financing, educational loans, etc. to better serve the customer. Authorization marketing is the new strategy proposed by banks, which consists of informing customers (with their consent) about products and services and then attracting them to the portfolio of banking products and services. Based on these events in private and public banks, Mera Bank also introduced basic banking services to its clients.

Banca Mera's Basic Banking Services: A Modern Intervention to Survive in a Highly Competitive Market is one of the pioneering banks in the public sector, the Core Banking Solution launched on the market in 2000. As of June 2006, more than 70 branches / bank account expansion are networked under the Core Banking Solution, powered by the centralized technology platform. The bank has launched several electronic distribution channels and installed about 100 ATMs on the network. Online remote banking is available to all major banking customers. In addition to the online transaction function, the versatile and versatile online banking solution also provides detailed information for

private and corporate customers at the basic bank branches of the bank. In addition to the usual banking services, clients can now also benefit from a variety of value-added services, such as cash management, insurance, mutual funds and material banking. Mera Bank had introduced basic banking services to its clients, prompting a number of changes at Mera Bank, including:

- Adopt a web mindset
- Maintain the lead of the first
- Recognize basic skills
- Ability to manage multiplicity with ease
- Senior management initiative to transform the organization from external introspection
- Align roles and value propositions with customer segments
- Rethink the optimal channel portfolio
- Acquire new skills through strategic alliances
- Corporate branding exercises that also include infrastructure redesign (such as air-conditioned banks)
- Computerization of all banking operations
- National banking network via WAN, LAN
- Customer personalization programs through ATMs and banking services at any time
- Advanced services like hassle-free home loan programs, student loans, and flexible deposit programs)
- 8 to 8 banks to attract more and more customers.

The problem

Samina Rafat, a professor at one of the leading administrative institutes, a client of Mera Bank for almost seven years, was very satisfied with the positive evolution of Mera Bank, in particular the 8-8 banking operations. She was certainly a loyal customer, not only did she have a salary account with Sparkasse, but she also took out a mortgage with Mera Bank. On the way to the bank he thought, " Oh! Mera Bank has taken so much pressure off me that now I can do all my banking after business hours. How can I forget those days when all my banking work was on hold? Months because it was very difficult to take a break from my busy schedule." When she joined the bank after almost a year, she was delighted to see that the conventional look of a state bank had been replaced by a previous infrastructure class with an airy workplace. Conditioning. congratulated Mr. Chauhan (one member of staff) for progress wonderful as he waited patiently for the prospectus will be updated. Only after requesting a cash withdrawal realized that "not everything that glitters are gold. " As soon as he handed a cash check to one of the clerks, he immediately came back in a dismissive tone:" Ma'am, we have closed the ATM and you can pre ndire the money only between 10 and 3 in the morning. " They said things changed at Mera Bank. " She replied. " Do you really think we can all fight 8-8 ? " Leave your tantrums and tantrums ma'am, no additional staff to attend 8-8. This is just a change. temporary and we will try to restore the previous work schedule of 10-5. Lusamine was burned so much by the treatment that she got it "from her own bank" as she puts it. She had a heated argument with the employee and filed a complaint with the manager of the branch. The branch manager is now lost; Reflect on what went wrong by presenting the change that was planned and discussed in advance. In theory, everything has been simplified: loyal employees, a good financial situation, a solid educational system for face those of challenges of the changing banking system.

The branch manager reflects on his approach to the complaint: should he ignore the complaint, file an accusation against the employee, call a meeting of all employees on the matter, or should he seek outside help from a consultant? Because this is not the first complaint presented to you and you are not the only employee against whom the complaint was received. The point is that employees cannot accept changes (read: increased working hours). This clearly shows that the problem lies with the system and requires immediate action.

7.9 SUMMARY

The resources that financial organizations need, as they are called the lifeblood of a business element. Funding refers to raising funds for the business and using them in a meaningful way to achieve goals. Finance is the backbone of a business.

Capital is needed to start, operate and grow the business. By refinancing we mean the types of business activities that serve to supply and have the capital necessary to meet financial needs and to achieve the overall objective of the business. The financing of new businesses occupies an important place.

In estimating capital requirements, there are several types of expenses to consider, including training income and expenses, capital increase expenses, business expansion expenses, asset expenses, fixed assets and capital increase expenses, etc.

A financial plan involves several forecasting techniques: Forecasting begins with estimates of production and sales, followed by cash budgets, working capital, profit and loss projections, cash flow, and balance sheet. From these forecasts, it is possible to calculate the company's breakeven point and analyze key data to examine the financial viability of the planned business project.

It is important to remember that, due to external and internal factors that affect the business, the breakeven point, and therefore the generation of profits for the company, does not begin, in most cases, until the end of the first year.

Forecasts are made for three consecutive years to get a better idea of the financial profitability of the proposed company.

Users of financial reporting information do not need to know everything about accounting to use the information in key financial statements.

Financial statements are a list of the holdings (assets) of a business and the claims of the business (liabilities and assets) at any given time.

Earnings per share (EPS) is an important concept to understand the income statement. The earnings per share of a company is its net income divided by the number of common shares it has issued. Represents the end result of a company.

CHAPTER 8

PRODUCTION MANAGEMENT

8.1 PRODUCTION AND MANAGEMENT OF MATERIALS

Production management is the process of converting input to output through a conversion process. Inputs come in the form of land, labor, raw materials, machines, capital, and information (information is a new addition to inputs after the growing importance of the food industry. Services). Transformation occurs through the machines in manufacturing companies and through the skills of employees in a service company.

8.1.1 Capacity planning

Capacity planning is the production capacity of a plant. The operations manager must plan capacity so that the production / operation has a degree of flexibility to expand or contract according to market demand.

When planning capacity, consider the following:

- Operational / production flexibility
- Cost of maintaining capacity
- Vision and objectives of the organization
- Assessment of existing capacities
- Forecast capacity needs based on business objectives

The capacity of a hospital is determined by the number of services and the number of patients it can offer, the number of services it can handle, the number of emergencies it can have, it can handle both, etc.

The capacity of an educational institution is determined by the number of students who can study in the classrooms, the number of specializations offered, the type and size of the laboratory required, the size of the library, the number of computers, the number of teachers. who uses it, etc. can have?

Capacity planning is necessary to meet both the current needs and future goals of the Notes organization. Assuming an entrepreneur starts a school up to grade V and develops a good brand image over time, they should have enough space to open higher grades. It also depends on the purpose of the organization whether you want to expand to school, graduate school, or graduate school.

Capacity planning can be divided into three types depending on the period in which the planning is carried out:

- Short-term capacity planning
- Medium-term capacity planning
- Long-term capacity planning

Short-term capacity planning - Monthly capacity planning that is updated daily for up to one year is called short-term capacity planning. With short-term capacity planning, basic capacity remains fixed, but various short-term adjustments are possible, e.g., in case of increased demand), cessation (in case of decreased demand)

Medium-term capacity planning: Medium-term capacity planning ranges from one to five years. Demand forecasts and business / operational planning are important in meeting projected demand. Medium-term capacity planning strategies include material requirements, staff turnover, and machine planning.

Capacity planning includes the following steps:

- (a) Estimation of future needs
- (b) Evaluation of existing plants
- (c) Evaluation of strategic alternatives for capacities
- (d) Choose the best alternative.

Consider the following when planning capacity:

Demand forecasting: forecasting the demand for the future gives an indication of operating / production requirements.

Overall planning: Capacity planning also depends on overall production / operations planning, including decisions related to the material requirements planning, production planning and inventory management.

Overall Business Strategy - Capacity planning relies on overall expansion, contraction, or steady production / operation business strategy. Depending on market needs, the holistic view of the entrepreneur ultimately guides capacity planning.

Manpower Availability: Capacity planning also depends on the availability of manpower in this area (for expansion) and labor laws regarding layoffs, layoffs, layoffs, overtime, etc.

8.1.2 Inventory management

A production process can be continuous, however efficient the production planning is, there is always room for an unpredictable increase / decrease in demand and / or availability of raw materials and / or delays between machines due to machine failures. Therefore, inventory must be managed. Inventory is managed on three levels:

- Stocks of raw materials: Stocks of raw materials are held to cope with unexpected changes in market forces.
- Work in Progress - Inventory is managed at each work-in-process level.
- Inventory of finished products: Inventory of finished products is also maintained.

There are two types of inventories:

(a) Ordinary inventory: The inventory that ensures the availability of materials in various stages under normal conditions is called ordinary inventory.

(b) Reserve inventory: Inventory that ensures the availability of materials at the time of uncertainty is known as reserve inventory.

However, there is a cost to maintaining inventory, and therefore a sufficient amount of inventory must be maintained at each level. The following should be taken into account:

When to order inventory? (Charging point)

- a) Order time: average time between the order and the receipt of the merchandise.
- b) Usage: Average inventory rate over a period of time.
- c) Refueling point: level at which a new order must be placed to replenish stocks before the supply runs out.

Supply point = use * delivery time

Economic Order Quantity (EOQ): What quantity should be ordered?

The EOQ formula is

$$Q = \sqrt{\frac{2CS}{I}}$$

Where C = Annual use of the item in units

S = cost of an order

I = Annual operating costs per unit

It is based on the following assumptions:

- (a) The order costs are constant
- (b) The cost of transporting an additional unit is constant
- (c) Quantity discounts are not available
- (d) Consumption is constant

Cost of owning a large lot = cost of ownership

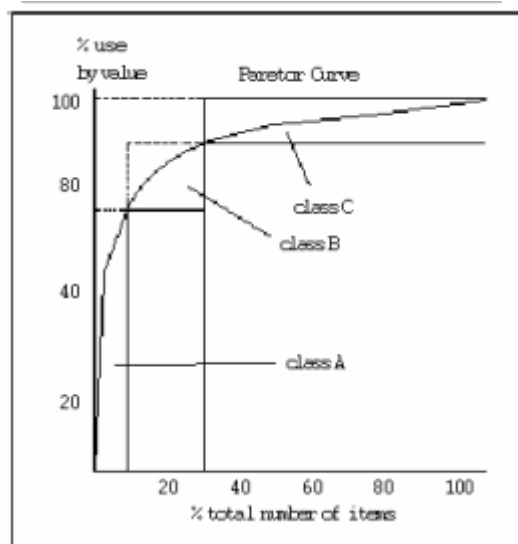
Costs of placing the order = costs of processing the order

Therefore, if the order is placed in large quantities, the order processing cost would be less, but the handling cost would be high.

8.1.3 ABC analysis

Pareto analysis (ABC) can be used to classify groups of stocks. Items in stock are ranked in descending order of value in use and plotted on a cumulative frequency curve. It is normal that 20 % of the items represent 80 % of the value in use, the next 30 % 15 % of the value. The last 50% has a value of 5%.

The ABC or Pareto analysis indicates the path in which control efforts are best directed. An assessment is required for critical inventory items or safety issues that Pareto analysis alone does not reveal.



Source: Lall Madhurima and Sahai Shikha (2008), " Entrepreneurship ", Excel Books Pvt. GmbH.

Figure 11.1: Pareto curve

8.2 QUALITY MANAGEMENT SYSTEM

" Quality comes first " is the motto of competitive and growth-oriented companies. Quality is an important function of manufacturing / operations management. The importance of quality has improved today. With increased competition and a wide variety of products / services, consumers have become quality conscious and quality can now determine the fate of the business. Quality must be maintained at all stages of production.

Quality is meeting the requirements (Crosby). Quality is the type or characteristic of a product or service that reflects the ability to satisfy, express or imply a statement of need

(deming), or quality is the characteristic of the product and service as represented by design, marketing, production, maintenance and service that meets customer expectations (Feigenbaum).

All of the above definitions reflect that quality is the perceived standard of the product or service. It is the performance of the product in accordance with the obligation of the producer to the consumer.

8.3 GENERAL QUALITY MANAGEMENT (TQM)

According to Wake and Moti, 1999, "Total Quality Management is a management philosophy that focuses on continuous improvement avoiding problems and errors. This requires continuous monitoring and control of processes, performance and quality, with the customer at the center, as well as awareness, commitment and commitment from management, all employees, customers and suppliers.

Therefore, TQM includes the concern for continuous quality improvement, customer orientation and employee empowerment.

Schmidt and Finnigan (1992) suggest that the roots of TQM include:

1. Scientific management: finding the best way to do a job.
2. Group dynamics: testing and organizing the power of the group experience.
3. Education and training: investing in human capital.
4. Performance motivation: people get satisfaction from performance.
5. Employee involvement: Employees must have some influence in the organization.
6. Socio-technical system: the organization works as an open system.
7. Organizational development: supporting the organization in learning and change.
8. Corporate culture: beliefs, myths and values that guide the behavior of people within the company.

9. New Leadership Theory: Inspire and Empower Others.
10. The concept of connecting pivot of the organization: the creation of intercultural teams.
11. Strategic planning: determining where the organization should go and how and when to get there.
12. Therefore, TQM is not limited to products and services, but encompasses quality at the level of people, processes and management. TQM is a philosophy that involves everyone in the continuous improvement cycle of the system to strive for customer satisfaction.

8.4 ANALYSIS OF THRESHOLD OF PERFORMANCE

The equilibrium analysis shows the relationship between costs and benefits and the volume of sales. Determine the business where total cost equals total sales, which is the point of zero profit and zero loss. It can be used to determine the potential profit at each level of business.

Mathematical calculation of the equilibrium analysis:

Draw

$$(\text{₹}) = \frac{\text{Fixed Cost}}{\text{P/V Ratio}}$$

$$\text{Break-Even Point (Units)} = \frac{\text{Fixed Cost}}{\text{Contribution per Unit}}$$

$$\text{P / V Ratio} = \frac{\text{Contribution}}{\text{Net Sales}} \times 100$$

Contribution = Sales - Marginal Cost

Margin of Safety = Actual Sales - Compensatory Sales

$$\text{Margin of Safety Ratio} = \frac{\text{Margin of Safety}}{\text{Actual Sales(₹)}}$$

Profit = Margin of Safety \times P / V Ratio

8.5 PROFITABILITY TABLES

The equilibrium diagram shows the relationship between cost, volume, and profit. It not only shows the BEP, but also the effects of costs and income at different levels of sales.

Assumptions for the BEP diagram:

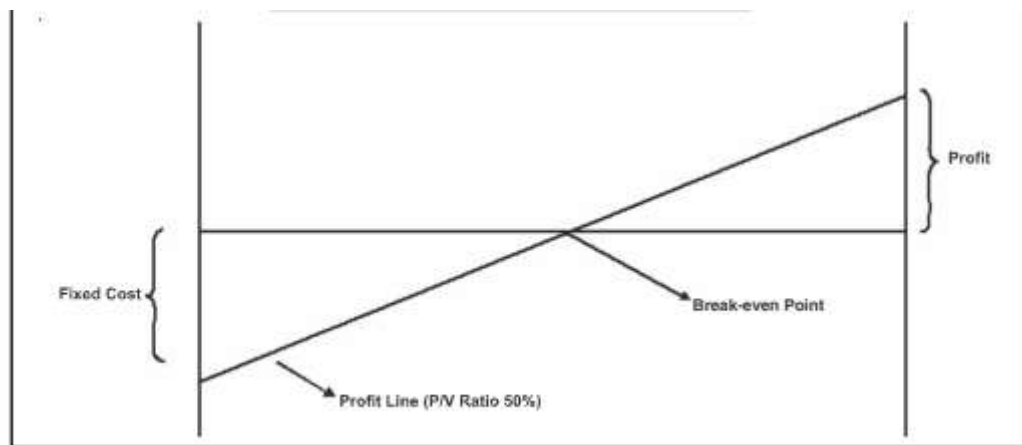
1. Costs can be divided into variable and fixed components.
2. Fixed costs remain constant over the relevant volume range on the chart.
3. Variable costs per unit remain constant over the relevant volume range on the chart.
4. The selling price per unit remains constant regardless of the quantity sold with the corresponding chart area.
5. In the case of a multi-product business, the sales mix even remains constant.
6. Production and sales volumes are the same.

The BEP is a powerful management tool, allowing you to better understand the impact of related factors that affect the utility of the project. The relationship between cost, volume and profit forms the profit structure of the project. It is very useful for budget and profit planning.

Profit Volume Chart - Shows the relationship between profit and volume. It is also known as a P / V chart. It is structured as follows:

1. Choose an appropriate measure of sales volume on the horizontal axis. It's called the sales line. This line is drawn in the central area so that you can visualize profit and loss.
2. Select an appropriate scale for profit and loss (fixed costs) on the vertical axis. Fixed costs are below the sales line on the left side of the vertical axis and profits are displayed on the right side above the sales line.

3. The P / Table V plots the points for the FC required and profit at 2-3 levels of sales assumed. Profits are chosen so that one profit is above sales and the other is below the sales line.
4. The origin of the curve is a zero-level total fixed cost selling point.
5. If we now connect the origin points with two points developed according to step 3 with a diagonal line that crosses the sell line, the point of intersection is the breakeven point (BEP).



Source: Lall Madhurima and Sahai Shikha (2008), "Entrepreneurship", Excel Books Pvt. GmbH.

Figure 11.2: Equilibrium analysis

8.6 SUMMARY

Production management is the process of converting input to output through a conversion process.

- Transformation occurs through the machines in manufacturing companies and through the skills of employees in a service company.
- Capacity planning is the production capacity of a plant.
- Planning for daily, monthly, and even yearly capacity is called short-term capacity planning.
- Medium-term capacity planning ranges from one to five years.

- Long-term capacity planning involves exercising over a five-year period. Substantial changes can be made to capacity planning.
- Demand forecasts for the future will give an idea of production / operational requirements.
- A production process can be continuous, however efficient the production planning is, there is always room for an unpredictable increase / decrease in demand and / or availability of raw materials and / or delays between machines due to machine failures.

8.6 COMMERCIAL CONSIDERATIONS

Marketing plays an important role in our daily life. Every day it is filled with consumer goods made available by retailers. We pay for marketing every time we buy a product. In fact, half of every rupee spent on retail is used for marketing expenses. Marketing is responsible for customer satisfaction, which in turn increases our standard and quality of life.

Therefore, the marketing strategy of the goods manufactured by the entrepreneur must ultimately be beneficial to the consumer. No consumer will buy goods if they are not satisfied with their quality and, if necessary, with efficient after-sales service. This unit will help you understand the various aspects of marketing management.

8.7 DESTINATION SELECTION

The target market represents a group of people who have similar needs, perceptions, and interests. They show a weakness for similar brands and react in the same way to market fluctuations. Like-minded people with similar preferences make up the target group.

The target market includes people who have almost similar expectations of Notes organizations or marketers.

Obese people around the world strive to reduce their calorie intake. Marketers understood your needs and developed Kellogg's K Special, which promises to lose weight in just two weeks. The target market for Kellogg's Special K Diet would include obese people.

People who sweat the most are more interested in buying perfumes and deodorants with a strong, long-lasting scent.

Choosing a target market is a very important decision for a business, as it requires significant effort and commitment to implement the right and targeted marketing mix.

Targeted marketing can be a particularly valuable tool for small businesses that often lack the resources to attract large global markets or maintain a wide range of differentiated products for different markets. Targeted marketing enables a small business to develop a combination of products and marketing that constitutes a relatively homogeneous share of the overall market. By focusing its resources on a specific customer base in this way, a small business can potentially access a niche that it can serve better than its larger competitors.

Identifying specific target markets and then delivering products and promotions that ultimately maximize the profit potential of those target markets is the primary responsibility of marketing management for many small businesses.

Example: A manufacturer of fishing tackle would not casually market its product to the general population of the United States. Instead, you will conduct market research using tools like demographics, market research, and trade shows to determine which customers would be most likely to buy what you offer. You could then use your limited resources to persuade members of your target audience to buy. Ads and promotions can be tailored to each target market segment.

There are endless possibilities to satisfy the wants and needs of a target market. For example, the product packaging can be designed in different sizes and colors or the product itself can be tailored to different personality types or age groups. Manufacturers can also change the life of a product or shelf warranty or offer different levels of service. Other influences such as distribution and licensing methods, strategies, and collateral also play a role. It is the responsibility of the marketing manager to take all of these factors into consideration and devise a consistent marketing program that appeals to the target customer.

Small businesses are also encouraged to constantly review their marketing activities to ensure they are keeping up with changing business realities.

Example: Startups generally accept all kinds of legitimate business agreements to pay their bills and establish themselves as a profitable entity. But long after the startup has grown into a strong member of the local business community, it can continue to build on those early customers rather than looking for more promising customers.

8.8 MARKET STRATEGY

Small businesses can gain a competitive advantage over larger competitors by tailoring their products or services to meet the needs of each individual customer. This customization can take place through the product / service offered, the price, the advertising and the distribution. This is known as the marketing mix. Another benefit is that small businesses offer more personalized customer interactions.

First of all, networking is a marketing strategy that you should use both online and offline. This is probably the most important strategy to consider. As a small business, you will find that one of your first and biggest hurdles is simply letting people know you exist. Unless people know that you've started a small business and have some great widgets or services to sell, they won't ask you to buy these widgets or hire you for these services, no matter how disgusting and amazing they are. So, your first job as a small business owner will be to spread the word.

In addition to online and offline networks, another way to do marketing in both places is to promote your business through ads. In the real world, this can be done through print ads and brochures, stationery, vehicle trailers and shop windows, while on the Internet you can follow activities such as online marketing.

Several fairly common small business strategies are growth strategies. The way One Notes considers strategies to grow your business is the way you use products, markets, or customers:

Current market / Current products: The market penetration is a strategy to increase its share in existing markets. You can do this by educating customers about your products and services or by finding new customers. For more information on planning effective marketing communications, see the Related Articles section below with a link to the fact sheet: Marketing Communications Planning.

Current product / new market: the development market is a strategy to find and open new markets with your product or service line current. The new market can be a new region, a new country, or a new market segment. For more information on choosing and entering new markets, see the Related Articles section below with a link to the fact sheet: Entering New Markets.

New Product / Current Market: Product development is a strategy to increase the value you offer to your customers by improving your existing products and services or by developing new ones.

New Product / New Market - Diversification is a strategy that is generally associated with high costs and risks. This often forces companies to adopt new ways of doing business and therefore has consequences that go far beyond simply offering new products / services in a new market. Therefore, it is generally a strategy to use when other options are not feasible.

8.9 PRICES AND SERVICES MARKETING STRATEGIES

Price is an important function of marketing. Price is the exchange value of a product. It is the amount of money or other merchandise required to buy a merchandise. Barter is the exchange of products for other products. When developing a marketing program, an organization can compete on factors of price and other factors in addition to price.

8.9.1 Price method

1. Markup Price - The simplest pricing method is to add a standard markup to the cost of the product. Construction companies post vacancies by estimating the total cost of the project and adding a standard margin to its cost.

Example: toaster manufacturer

Variable cost per unit

Fixed prices

Expected numbers

Producer unit costs are given by

$$\text{Unit cost} = \text{CV} + (\text{FC} / \text{unit sales})$$

$$= ₹ 10 + (300,000/50,000) = ₹ 16$$

Now suppose that the manufacturer wants a premium for the 20 % of sales. The manufacturer's margin price results from:

$$\text{Markup Price} = \frac{\text{Unit Cost}}{(1 - \text{Desired return on sales})} = 16/(1-.02) = ₹ 20$$

The manufacturer would charge retailers 20 "per toaster and make a profit of 4" per unit. Marking varies greatly from one product to another.

Surcharges are generally higher for seasonal items (to cover the risk of no sale), specialty items, slow moving items, items with high storage and handling costs.

2. Target return price: the company determines the price that will achieve its target return (ROI). The target price is used by General Motors, which values its cars with a return on investment of 15-20%.

$$\text{Target-Return Price} = \text{Unit Cost} + \frac{\text{Desired return} \times \text{invested capital}}{\text{Unit sales}}$$

3. Perceived price - Value: more and more companies base their price on the perceived value of the product. They see the buyer's perception of value, rather than the seller's cost, as the key to price. They use variables other than price in the marketing mix to create perceived value in the minds of buyers. The price is set to capture the perceived value.

4. Price value: in recent years, several companies have introduced value prices, applying a sufficiently low price for a high-quality offer. Value pricing means that the price must represent a high-quality offering to the consumer. 5. List prices: With standard market prices, the company pays less attention to its costs or demand and broadly targets its price at the competitive price.

6. Sealed Prices: Competitive prices are common when companies submit sealed job offers. The company orients its price to the price expectations of the competition and not to a rigid relationship with the costs or the demand of the company. The company wants to win the contract, and to win it usually has to bid at a lower price than the competition. At the same time, the company cannot price it below cost without deteriorating its position.

8.9.2 Different pricing strategies

These are some of the pricing strategies for a product:

- **Special price**

Use the high price when there is a unique brand. This approach is used when there is a significant competitive advantage and the merchant is confident that they can charge a relatively higher price. Such high prices apply to luxuries like Cunard cruises, Savoy hotel rooms, and first-class air travel.

- **Penetration price**

Notes the price of products and services is set artificially low to gain market share. Once this is achieved, the price will increase. This approach was used by France Telecom and Sky TV. These companies have to attract large numbers of consumers to make it worthwhile. That is why they offer free phones or satellite dishes at discounted rates for people to sign up for their services. Once you have a large number of subscribers, the prices will gradually increase. Take for example Sky TV or a cable or satellite company, if there is a premium movie or the prices of sporting events are the highest, they go from a penetration approach to a more scarce / premium price.

- **Economical price**

It is a low price and no frills. Marketing and advertising costs of a product are minimized. Supermarkets often carry inexpensive brands of soup, spaghetti, etc. Low-cost airlines have a reputation for keeping overheads as low as possible and therefore offer the consumer a relatively low price to fill a plane. The first seats are sold at a very low price (almost a promotional price) and the average majority are economy class seats, with the highest price paid for the last seats on a flight (which would be a premium

pricing strategy). In times of recession, cheap prices increase sales. However, this is not the same as an evaluation approach, which we will talk about briefly.

- **Inflate prices**

Price skimming causes a company to charge a higher price because it has a significant competitive advantage. However, the benefits are not usually permanent. The high price attracts new competitors to the market and the price inevitably falls due to the increase in supply.

Digital watch makers followed a skim approach in the 1970s: After other manufacturers were drawn into the market and the watches were produced at lower unit costs, other marketing strategies and pricing approaches were implemented. New products have been developed and the watch market has earned a reputation for innovation.

- **Psychological rewards**

This approach is used when the marketer wants the consumer to respond emotionally rather than rationally. For example, Price Point Perspective (PPP) 0.99 cents and not 1 dollar. It's strange how consumers use price as an indicator of all kinds of factors, especially when they are in unfamiliar markets. Consumers can take an avoidance approach when buying products in unfamiliar surroundings, such as buying ice cream. What would you like, a \$ 0.75, \$ 1.25 or \$ 2.00 ice cream? It's your decision. You could enter a whole new market. For example, suppose you are shopping for a lawn mower for the first time and you are not familiar with garden tools. Do you want the cheapest automatically? Would you buy the most expensive? Or would you get the lawn mower somewhere in between? Therefore, the price can indicate quality or advantages in unfamiliar markets.

- **Product line pricing**

In the case of a variety of products or services, the price reflects the advantages of certain parts of the variety. For example, car washes; a basic wash could cost \$ 2, a wash and wax \$ 4, and all for \$ 6. The price of the product line rarely reflects the cost of making the product, as it offers a price range that the consumer will find gradually right, across the entire range.

When buying chocolate bars or chips, you would expect to pay X for a single pack, even if you were buying a family pack 5 times the size you would expect to pay less than 5 times the price. The cost of manufacturing and distributing chocolate / chip packaging for large families could be much higher. It may be beneficial for the manufacturer to sell them individually in terms of profit margin, even if their price covers the entire range. The benefit is obtained with the assortment and not with the individual items.

- **Optional product prices**

Businesses will try to increase the amount that customers spend once they start shopping. The "extras" optional increase the total price of the product or service. Airlines, for example, require special features like guaranteeing a window seat or reserving a row of seats next to each other. Again, budget airlines are the main users of this approach when they charge you additional fees for additional luggage or extra legroom.

- **Price of linked products**

When products contain dietary supplements, companies charge a higher price because the consumer has no other choice. For example, a razor manufacturer charges a low price for its first plastic razor and recoups its margin (and more) on the sale of razor blades. Another example is that printer manufacturers are selling you an inkjet printer at a low price. In this case, the inkjet company knows that when supplies run out, you'll have to buy more, which are often relatively expensive. Again, the cartridges are not interchangeable and you have no other choice.

- **Price of product packages**

Here sellers combine several products in one package. It is also used to move old titles. Blu-ray and video games are often sold in bundles when they reach the end of the product life cycle. You can also view product bundle prices when auctioning items where an attractive item with a box of less interesting items can be included in a lot, so you must bid on the entire lot. It's a great way to sell slow-selling products, and in some ways it's another form of promotional pricing.

- **Promotional prices**

Pricing to promote a product is a very common use. There are many examples of promotional pricing, including approaches like BOGOF (Buy One Get One Free), coupons, and discounts. Promotional prices are often controversial. Many countries have laws governing how long a product must be sold at its highest original price before qualifying for a discount. Sales are promotional price extravaganzas!

- **Geographical prices**

Geographical prices cause price fluctuations in different parts of the world. For example, the value of the rarity or if the shipping costs increase the price. In some countries, there are higher taxes on certain types of products that make them more or less expensive, or laws that limit the number of products that can be imported, which in turn raises the price.

- **Price value**

This approach is used when external factors such as a recession or increased competition force companies to offer products and services of value to maintain sales, such as high-quality meals at McDonalds and other fast-food restaurants. Value for money means you are getting value for money, which means that the price you pay makes you feel like you are getting a lot of products. In many ways, it is similar to the budget price.

We cannot make the mistake of thinking that a product or service has added value. Lowering the price does not usually increase the value.

8.9.3 Marketing of services

Service industries are very diverse. The public sector, with its courts, employment services, hospitals, credit bureaus, military, police and fire departments, post offices, regulatory agencies, and schools, is part of the service sector. The private non-profit sector with its museums, charities, churches, universities, foundations, and hospitals is located in the service sector. Much of the business sector with its airlines, banks, IT offices, hotels, insurance companies, law firms, management consulting firms, medical offices, film companies, plumbing repair companies and real estate companies operate in the sector of services. Many manufacturing workers, such as IT, accountants, and lawyers, are effectively service providers. In effect, they represent a "service factory" that

provides services to the "goods factory". Not only are there traditional service companies, but new ways of meeting the needs of a changing population are always emerging.

Kotler (1996) defines service as an activity that one party offers to another that is essential and intangible and does not involve property rights. Its manufacture may or may not be associated with a physical product. The four main characteristics of the service are immaterial, inseparable, variable and perishable.

- **perish ability**

Of all the suggested service product features, this is perhaps one of the most difficult to evaluate. How? Services are perishable compared to physical products. But how can airline services, for example, be considered more perishable than, for example, fresh food and plant products?

This is because, unlike most physical products, many services cannot be archived. For example, if an airline does not sell all the seats on a particular flight, those seats or the sales revenue from their occupation would immediately and irrevocably disappear.

- **Intangibility**

The physical products in the store are widely displayed so that customers can see, smell, touch, weigh or smell them before deciding whether or not to buy.

Compare this to your choice of service, like an insurance policy. You may not be able to touch, see or smell the products before choosing, but you can make an assessment based on past experience, word of mouth, or even the location and setup of the insurance office.

- **variability**

In the manufacturing and marketing of physical products, companies are paying increasing attention to consistency in terms of quality, properties, packaging, etc. In most cases, all customers can be sure that every bottle of Coke they buy will not change. . during the entire purchase. However, the provision of services invariably includes a large part of the " person element ".

In fact, for many services we only acquire the skills of the providers. For this reason, it is often very difficult for suppliers and consumers to guarantee a consistent "product" or consistent quality of service.

- **inseparability**

One of the main differentiators of marketing services is that the offer and the service provider are inextricably linked to the consumption and consumer of services. For example, we cannot take a hotel room home to eat; we have to "consume" this service at the place of delivery. The hairdresser must also be physically present to use this service.

8.10 EXPORT MARKETING

Export marketing means exporting goods to other countries in the world. This involves lengthy paperwork and paperwork. In export marketing, merchandise is shipped abroad in accordance with procedures monitored by the exporting country and the importing country. Export marketing is more complicated than domestic marketing due to international restrictions, global competition, lengthy paperwork and paperwork, etc. Furthermore, when a company crosses the borders of a nation, it becomes infinitely more complex. In addition, there are many opportunities in export marketing to generate huge profits and valuable foreign exchange.

According to BS Rathor, "Export marketing includes managing the marketing activities of products that cross the borders of a country."

Export marketing is of broader economic importance as it provides various benefits to the national economy. It promotes economic / commercial / industrial development to earn foreign exchange and ensure optimal use of available resources. Each country takes different political initiatives to promote exports and allow meaningful participation in global marketing. World trade is a reality and all countries must participate in it for their mutual benefit.

Each country should open its markets to other countries and also try to open the markets of other countries in the best possible way. This is a normal rule that all countries must follow in today's global trading environment. Without such participation in global marketing, the country's economic development process is threatened.

8.11 SUMMARY

- The target market represents a group of people who have similar needs, perceptions, and interests.
- The target market includes people who have almost similar expectations of organizations or marketers.
- Targeted marketing enables a small business to develop a combination of products and marketing that constitutes a relatively homogeneous share of the overall market.
- Small businesses are also encouraged to constantly review their marketing activities to ensure they are keeping up with changing business realities.
- In addition to online and offline networks, another way to do marketing in both places is to promote your business through ads.
- Several fairly common small business strategies are growth strategies. One way to think about strategies to grow your business is through the way you use products and markets.
- Price is an important function of marketing. Price is the exchange value of a product. It is the amount of money or other merchandise required to buy a merchandise.
- Pricing to promote a product is a very common use. There are many examples of promotional pricing, including approaches like BOGOF (Buy One Get One Free), coupons, and discounts.
- Value for money means you are getting value for money, which means that the price you pay makes you feel like you are getting a lot of products.
- Much of the business sector with its airlines, banks, IT offices, hotels, insurance companies, law firms, management consulting firms, medical offices, film companies, plumbing repair companies and real estate companies operate in the sector of services. When manufacturing and marketing physical products,

companies are paying increasing attention to consistency in quality, properties, packaging, and more.

- Export marketing is more complicated than domestic marketing due to international restrictions, global competition, lengthy paperwork and paperwork, etc. Furthermore, when a company crosses the borders of a nation, it becomes infinitely more complex.

8.12 NEW STANDARDS FOR INVENTORY MANAGEMENT

Apple Inc, one of the most innovative companies in the world, not only sells some of the most popular devices of the century, but also manages its inventory well. The company has been working on new inventory management strategies that have become a benchmark in the electronics industry. The SKUs have not only kept storage costs low, but have also helped you seamlessly through high-priced product launches without giving competitors a chance to catch up. The case not only covers inventory management techniques at Apple, but also provides the basis for calculating the company's internal financing requirements based on sales forecasts.

In 1983, Apple introduced the first commercial Lisa computer. Lisa was equipped with a graphical user interface (GUI) and a Windows operating system that allowed her to run multiple programs at the same time. At a cost of \$ 9,995, Lisa was a commercial failure due to its high price and limited software features. In 1983, John Sculley (Sculley) became the CEO of Apple. Sculley was previously the CEO of Pepsi.

In 1984, Apple released the Macintosh (Mac), which also contained a graphical user interface and ran under the Mac OS (Mac operating system). The price was \$ 2,495. At the time, Apple estimated that it would sell 80,000 units. However, the company did not achieve its goal and only sold 20,000 units.

Due to overproduction of computers and actual sales below estimated sales, the company has accumulated a large inventory, resulting in a 17% loss of the company's net profit. At the April 10-11, 1985 meeting, Sculley asked Jobs to resign as vice president and general manager of the Macintosh division. In September 1985, Jobs resigned along with some Apple employees and founded Next.

In 1993, Apple released Newton, a personal digital assistant (PDA). Newton was a failure. After Newton's bankruptcy, Apple lost market share and its technological edge in its business. In mid-1993, Mike Spindler (Spindler), who was the company's chief operating officer (COO), was appointed CEO and Sculley, who was then CEO, was promoted to president. But after 5 months, Sculley resigned from her position.

The period from 1993 to 1996 was difficult for Apple. Not even Spindler could do much. In January 1996, Apple reported a loss of \$ 69 million due to Japan's price war and poor inventory management. Apple has cut prices to ditch its bulky inventory of low-end Macs. In February 1996, Gil Amelio (Amelio) became Apple's CEO. Amelio plans to optimize Apple's product line and increase cash reserves. He wanted Apple to focus on higher-margin segments like servers and Internet access devices. In 1996, Amelio asked Jobs to serve as an informal consultant. In 1997, Apple bought Next for \$ 400 million.

8.12.1 Warehouse management from 1995 to 1997

The company's revenue growth slowed from 1995 to 1997, and net income similarly fell from \$ 424 million to \$ 1,045 million between fiscal years 1995 and 1997. However, all commodities or commodities raw were stored in a warehouse. The company had an inventory of \$ 1,775 million in 1995.

8.12.2 Stock management from 1998 to 2011

Timothy D. Cook (Cook) joined Apple in 1998. He was responsible for Apple's global operations. Jobs and Cook focused on reducing the company's inventory. They are implementing the strategy of "inventory reduction, closing stores, bringing production to the core". It helped Apple become profitable again and set new standards for the electronics industry, like competitors like Dell. "They have closed factories and warehouses all over the world. Has established relationships with contract manufacturers. They were successful and the company posted a net profit of \$ 309 million for fiscal 1998.

8.13 4 KEYS TO INVENTORY MANAGEMENT

Take a look at the equity in your property and the showroom floor and you'll quickly see that your used and new vehicle inventory is your dealership's most valuable asset. Is your

dealership's process of turning these assets into profit getting the most value out of each vehicle? If not, there is a four-part inventory strategy that can drive growth and ensure your store inventory works for the merchant in the form of more business, more profit, and less waste.

When your dealership instinctively buys and sells, or you don't know which models will come out in 20 days starting in the '90s, or your trade-in strategy might be to move the customer to a new vehicle instead of thinking about where to move their vehicle. The old vehicle wastes money every day.

To be successful in today's market, merchants must have specific inventory strategies and processes. It means doing more than just storing the right number of vehicles. Managing your inventory to profitability consists of four interrelated elements that make up a complete inventory strategy: inventory analysis, proactive strategy, inventory acquisition, and inventory management systems. Let's take a closer look at each element of your inventory strategy.

1. Inventory analysis

Inventory analysis involves evaluating every vehicle on your property, including the vehicles that you are listing for sale and want to get rid of. Through in-depth analysis, you can identify and manage the correct combination of primary and nonessential actions. A retailer can also determine the optimal delivery cycle to prevent inventory from staying on your property for too long and costing you money, as well as determine the optimal time to buy and sell inventory. It can also help you create pricing metrics suitable for your carrier's market.

2. Proactive strategy

Once you've mastered your inventory, you must develop a proactive strategy to actively manage, market, buy, and sell your vehicles. Your proactive strategy should include vehicle buying and selling plans that take into account gross margin, return on investment (ROI), number of days remaining, average cost of sale, and seasonality. Your strategy should also include best practices to realistically value and evaluate operations, create a specific aging plan, and define a pricing structure that is appropriate for your market and region.

3. Stock refueling

Vehicle acquisition is an essential part of inventory management. Your sourcing strategy includes how the dealer determines how often wholesale vehicles are purchased and how trade-in decisions are made. When evaluating a trade-in, many dealers will check the condition of the vehicle and forget to assess the need for the vehicle. A good remarketing strategy takes into account the past sales performance and age history of a particular model, as well as current market demand and residual value.

4. ERP systems

Inventory management systems are designed to help merchants implement, maintain, and refine their inventory plans. Dealers who use inventory management systems have faster vehicle turnover and a higher return on investment than dealers who don't. Choosing the right system can be of great help in managing your inventory.

CHAPTER 9

MARKETING THE PRODUCT OR SERVICE

Odds are great that assuming you are perusing these words, you have a Facebook page. Your mother, your canine, and the shop where you get your hair style might have Facebook pages too. In the United States, around 100 million distinct guests sign on to the site every month. Justifiably, business people need to attempt to impart their products to any gathering so enormous and dynamic. Ellie Sawits, CEO of Frutels, creator of chocolate confections that treat skin break out, views Facebook as a reasonable option in contrast to paying the significant compensation per-click charges for skin break out related words on Google AdWords. She says, "As far as I might be concerned, the financial aspects of Google simply don't work." Since Facebook as of late made Bing the default internet searcher, it can improve its promoting model much more than with Google AdWords. The capacity to look through Facebook gives an abundance of psychographic data—attributes connecting with character, values, mentalities, interests, and ways of life—division factors you will see again in this section. You can stretch out you're publicizing to just Facebook clients who notice explicit words in their profiles or status messages. Howie Goldklang, co-proprietor of The Establishment beauty parlor and spa in Milwaukee, will target young ladies with Facebook pages that notice Justin Timberlake or Lady Gaga.

Tim Kendall, Facebook's overseer of adaptation, says that most promoters decide to pay dependent on the quantity of individuals who really see your advertisement, however you can be charged per individual who sees the advertisement. Twenty bucks will purchase a small test promotion so you can see which approach is better for your business. Adam Golomb is head of internet business at Eat'n Park Hospitality Group, which forces a chain of 76 eateries to leave Pittsburgh. Golomb needed to carry more eyeballs to the organization Facebook page and made an intriguing revelation during testing. He observed that his eatery promoting focusing on ladies worked much better than those focusing on the two sexes. "The active visitor clicking percentage dropped drastically when we went out to both," he says. Goldklang reminds that "it is an interpersonal organization, so assuming you set up a customary promotion, you will be pushed aside." He observes that tense advertisements turn out best for his boutique, which has an

objective market of more youthful customer base. His best-performing advertisement last year expressed, "Springtime is here. Time to get waxed."

9.1 SMALL BUSINESS MARKETING

What is your take of when you hear the term marketing? Do you consider selling and promoting? Presumably, however marketing is in reality considerably more than simply selling or promoting. Marketing includes every one of the exercises expected to get a product from the maker to a definitive shopper. The board master Peter Drucker has expressed those businesses have two—and just two—essential capacities: marketing and development. These are the main things a business does that produce results; all the other things is actually a "cost." ¹ This is similarly as valid for the one-individual stand all things considered for the biggest corporate goliath obviously, some selling will forever be vital, however the objective of marketing is to come as close as conceivable to making selling superfluous.² A really client driven organization gets what purchasers need in a product and gives it so its products, generally, sell themselves. Obviously, this is difficult. To summarize President Lyndon Johnson: Doing the proper thing is simple; knowing the correct thing to do is extreme.

9.1.1 Marketing Concept

Numerous businesses work today with a client driven way of thinking. They need to discover what their clients need and afterward give that great or service. This way of thinking is known as the marketing idea.

Businesses have not dependably focused their endeavors on what the market needs. Before the Industrial Revolution and large-scale manufacturing, practically each of a business proprietor should have been worried about was making products. Request surpassed supply for most products, similar to boots, dress, and seats. Individuals needed to have these products, so pretty much each of a business needed to do was to make them. This way of thinking where organizations focus their endeavors on the product being made is presently called the production idea of business.

After the mid-1800s, when large scale manufacturing and mass dissemination became feasible for made products, supply started to surpass request. Some selling was required, yet the accentuation stayed on delivering merchandise. The Second Great War briefly

moved assets from shopper markets to the military. After the conflict, when those assets were gotten back to the purchaser market, businesses kept delivering at limit, and numerous new businesses were begun. Chiefs observed that they could don't really trust that purchasers will search them out to sell everything they could make. Albeit these organizations actually underscored making products, they currently needed to persuade individuals to purchase their products, rather than the opposition's, which introduced the selling idea of business.

Ahead of schedule during the 1960s, numerous businesses started to take on the marketing idea, which, as recently clarified, underlines discovering what your clients need and need, and afterward offering products to fulfill those longings. Florence Henderson (indeed, the mother from the first TV Brady Bunch) conceded that she had an issue—she was unable to send email from her new cell phone. At the point when Tony Hirsch, a business accomplice, showed her how, she shouted, "I need every one of my companions to have the option to do this!" That want lead to the formation of FloH Club, a phone based technical support service for seniors. For \$24.99 every month, individuals get day in and day out admittance to assist with anything from making an eBay buy to associating a printer. Florence has taped infomercials to contact her objective market and hopes to draw a huge number of new individuals

The business theory that expands the perspective on the marketing idea is called relationship marketing. Here a business proprietor perceives the worth and benefit capability of client maintenance; accordingly, the directing accentuation is on growing long haul, commonly fulfilling associations with clients and providers.

- **Of Purple Cows**

In your movements you have no doubt passed by many cows: dark ones, white ones, earthy colored ones, or some blend thereof. Except if you have a particular justification behind seeing them, for example, being in the dairy cattle business, not very many cows presumably hang out in your psyche. Indeed, a great many people would order cows as exhausting. Creator Seth Godin makes a relationship between most products that shoppers see every day with cows: Consumers see such countless products that appear to be indistinguishable that they are altogether exhausting. However, a purple cow? Drive by one of those, regardless of whether it is in a field with an entire group of dark, white,

or earthy colored cows, and it would get your consideration. What products hang out to you as various? Krispy Kreme doughnuts? Hard Candy beauty care products? Doing and making things that are strange, sensational, and energizing are significant fixings to marketing small businesses.

Small businesses can make the progress that Godin talks about by staying away from the snares of show and not being reluctant to stand apart from the group by offering novel products and marketing rehearses. "Purple cows" address the production of an upper hand or an exceptional selling point (USP)— themes that volumes have been expounded on. Investigate Godin's Purple Cow for motivation (you can peruse it in with regards to 60 minutes).

9.1.2 Marketing Strategies for Small Businesses

Your marketing system ought to be chosen in the beginning phases of working your business. It should state what you mean to achieve and how you plan to achieve it. The marketing part of the business plan is a decent spot for the small business proprietor to recognize marketing procedures. Any potential financial backer will cautiously review how you have spread out the marketing activity that will drive your business. A decent marketing technique will assist you with being proactive, not receptive, in maintaining your business. You can upgrade your marketing plan by ensuring that three related bases are covered:

- A resolute spotlight on the client to the avoidance of different partners
- An excessively tight meaning of the client and their necessities
- An inability to perceive the changed cultural setting of business that requires tending to different partners

Small businesses in the service enterprises should really focus on marketing. At the point when their service is one that clients could perform themselves, for example, grass cutting, a marketing methodology is basic. It is likewise normal harder to separate or build up a brand picture with services than with unmistakable products. Would the normal vehicle proprietor differentiate between programmed transmissions that be able to have been remade by various shops? Most likely not. A marketing methodology that

imparts the advantages that shoppers get is urgent. Anyway, exhaustive or straightforward your marketing plan, it ought to incorporate a portrayal of your vision, marketing destinations, deals gauge, target markets, and marketing blend.

9.1.3 Setting Marketing Objectives

Your marketing destinations characterize the objectives of your arrangements. They can be broken into two gatherings: marketing-execution goals and marketing-support destinations. Goals for marketing execution are explicit, quantifiable results, for example, deals income, piece of the pie, and benefit. For instance, a target of this kind for a nearby protection office could be "to expand deals of mortgage holder's protection by 10% for the following monetary year." Objectives for marketing support are what you should achieve before your presentation destinations can be met, for example, teaching clients about your products, building mindfulness, and making picture. Like any objective you need to achieve in business, marketing destinations should be (1) quantifiable, (2) activity situated by distinguishing what should be done, and (3) time specific by focusing on a date or time for accomplishment.

9.1.4 Developing a Sales Forecast

Your marketing plan ought to incorporate a business figure, in which you foresee your future deals in dollars and in units—at the end of the day, what your "top line" will be. In the event that you are composing a business plan for a new company, the business conjecture is one of the main snippets of data you will assemble. Why? Since that "top line" figure turns into the establishment for your ace forma pay explanations and income articulation. From your projected incomes, you will deduct your costs and distributions to check whether and when you will create a gain.

Determining is troublesome, however it will assist you with building up more exact objectives and targets. Your business figure will influence all areas of your marketing plan, including the decision of fitting channels of appropriation, deals power prerequisites, publicizing and deals advancement spending plans, and the impacts of value changes.

A broken deals gauge can cause extreme harm to a small business. Steve Waterhouse was a justifiably invigorated team lead when he announced in a financial plan meeting

that one of his agents had gotten a \$2 million request. Fulfilling the request would require the organization to put \$100,000 in new instruments. The tasks chief was not extremely energized, be that as it may, on the grounds that the buy request contained a proviso permitting the client to retreat. The proprietor carefully chose to require a store for beginning supplies prior to continuing. In the wake of getting \$100,000 from the client, the organization bought the required tooling. The client then, at that point, retreated from the arrangement. Emergency deflected, however a near calamity by and by. What's the lesson of the story? Be cautious with regards to projections dependent on "my salesman says ...

There are two essential ways of gauging deals: develop strategies and separate techniques. With a development strategy, you recognize whatever number objective business sectors as could reasonably be expected and foresee the deals for each. Then, at that point, you consolidate the expectations for the different sections to make an absolute deals gauge. For instance, in the event that you intend to open a frozen yogurt shop, would you be able to gauge what number of gelatos you will sell in a year? Not effectively or precisely without some examination. Yet, you can gauge with some level of exactness the amount you could sell in one day—particularly assuming you go through a few days outside a current frozen yogurt shop seeing the number of individuals go in and out, and generally the amount they are purchasing. From those day-by-day deals figure, you can extend deals for the week, month, and year. Would you hope to sell a similar sum each day in April? July? October? January? Likely not, really you would concoct an everyday deals projection at various seasons to consider occasional changes.

For certain kinds of products, obviously, it is hard to gauge day by day deals. Then, at that point, what? You might have the option to utilize a separate strategy. For this methodology, you start with a gauge of the absolute market potential for a particular product or a whole industry. This figure is separated into gauges of smaller units until you arrive at a gauge of how huge a market you will reach and the number of deals you will make. For instance, assuming industry data from an exchange relationship for a product you consider selling shows that 4% of a populace will be on the lookout for your product at some random time, what number of units and dollars of deals would you be able to sensibly create? Do what's necessary individuals live in your space, or would you be able to arrive at enough of the objective market for your business to be productive?

Advertisers utilize numerous different models in deals estimating; tragically, most don't matter well to small businesses since they rely upon recorded information. For instance, time series examination is a gauging technique that utilizes past deals information to find whether product deals have expanded, diminished, or remained something similar throughout timeframes. Cyclic, occasional, and irregular component investigations are minor departure from this model.

Like time series investigation, relapse examination utilizes broad authentic deals information to track down a connection between earlier deals (the reliant variable) and at least one autonomous factor, like pay. With relapse examination, the goal is to foster a numerical recipe that portrays a connection between a product's deals and the picked variable. All that we can expect is to distinguish an affiliation, not to track down confirmation or causation. When an equation is set up, you enter all vital information into it to foster a business gauge. Obviously, in light of the fact that these models of time series and relapse examination rely so intensely upon a lot of recorded information, they are pointless in estimating deals for new products.

9.2 IDENTIFYING TARGET MARKETS

Market division is the most common way of separating the absolute market for a product into recognizable gatherings, or target markets, with a typical need or need that your business can fulfill. These objective business sectors are essential to your business since they comprise of individuals who are bound to be your clients. They are individuals toward whom you ought to coordinate your marketing endeavors. Distinguishing and focusing on track markets can assist you with abstaining from falling into the snare of attempting to be everything to everybody—you can't do it.

9.2.1 Sometimes the Best Marketing Strategy Is a Good Defense

We ordinarily partner marketing with forceful promoting efforts intended to boost development, or open new business sectors, or gain piece of the pie from contenders. Marketing is a strong hostile weapon—however it very well may be an important protective device moreover. Furthermore, your business might require a cautious device, on the grounds that for each new business or product sent off, there is a current one (perhaps yours) that should safeguard its position.

Greg Sutter, VP of marketing for DataStream Systems, focuses more consideration on supporting associations with existing clients than going to career expos or stirring up print publicizing. He says, "To safeguard our position, we don't go wide; we dive deep." so, DataStream spends nearly its whole marketing financial plan playing guard. However, not all clients are equivalent. They can be ordered by their worth (benefit) and their weakness (to rivals). Sutter will work most enthusiastically to hold clients who are both significant and defenseless. Clients who are significant yet not powerless are content with the organization, so they will keep up with net revenues. The people who are neither important nor defenseless are content with the organization however don't make benefit. The business proprietor should attempt to make them important. A disregarded gathering are those clients who are defenseless however not important, making them unbeneficial and liable to leave. They ought to be supported out the entryway. Assuming you are shrewd in making a protective marketing system, you can get contenders far from your turf, or even dispense with them. A few marketing strategies to consider:

- Influence your qualities. Assuming your small business has an old neighborhood advantage over rivals, for instance, exploit that.
- Keep rivals speculating. Moving targets are difficult to hit, so advance and set up hindrances like licenses and brand names.
- Know when to withdraw. A few business sectors and clients are not valuable, so move your assets somewhere else.
- Focus on consumer loyalty. A well-known axiom from farming, "It doesn't take a decent fence to keep in a cheerful pony," gives a similarity that can be applied to clients.

When gotten some information about their objective business sectors, numerous small business proprietors will react, "We don't have explicit objective business sectors; we will offer to any individual who comes in the entryway." obviously you will offer to any individual who needs your product, however the purpose in fragmenting objective business sectors is to tell the perfect individuals about your product so that more individuals will need it. A business opportunity for your business should have three attributes:

1. A need that your products can fulfill
2. Enough individuals to create benefit for your business
3. Ownership of, and readiness to spend, enough cash to produce benefit for your business

To recognize the most alluring objective business sectors for your business, you should search for attributes that influence the purchasing conduct of individuals. Does where they reside impact whether they purchase your product? Does pay, sexual orientation, age, or way of life matter? Do they look for an alternate advantage from the product than different gatherings do? These distinctions, called division factors, can be founded on geographic, segment, or psychographic contrasts, or on contrasts in benefits got.

A small business proprietor should begin (and incidentally return to) the most common way of sectioning a market by focusing on composing a depiction of "ideal" clients. For instance, for a small bookkeeping firm, that portrayal could be "business people in their mid-thirties to mid-fifties; proprietors of retail, service, or assembling firms with deals of \$500,000 to \$3 million." Ideal client buying examples could incorporate this depiction: "When they know about a business need our bookkeeping firm can settle, they need forceful and imaginative arrangements. They don't have the opportunity to investigate arrangements themselves." This inclination design shows that our model bookkeeping firm is dividing based on benefit got by clients. What makes such clients ideal ones for this firm? They effectively need the abilities of the expert services offered and are willing and ready to pay for them.

A few strategies for fragmenting a market are more valuable for specific businesses than others. For instance, assuming that guys and females respond to the marketing endeavors of your business similarly, then, at that point, dividing by sex isn't the most ideal way to distinguish an objective market. When sectioning objective business sectors, remember that the justification behind gathering individuals is to foresee conduct—particularly the conduct of purchasing from you. A proviso for what's to come: Segmenting and focusing on may not forever be sufficient. The most widely recognized marketing technique during the 1960s was mass marketing, or offering single products to huge gatherings of individuals. Then, at that point, during the 1970s, market division was utilized. Businesses made division a stride further during the 1980s with particular specialty

marketing, which includes concentrating marketing endeavors toward smaller objective business sectors. The subsequent stage in the advancement of marketing came during the 1990s, with the rise of individualized marketing, or redoing every product to suit the necessities of individual clients. These patterns in marketing methods don't imply that businesses need to toss out each procedure that has been utilized previously. Rather, they demonstrate that businesses might have to add more instruments to their marketing tool kit

Two components inciting more individualized marketing are untidiness and development. Wreck in standard media stations (paper, mail center-based mail, TV, radio) has shown up where "shotgun" approaches—a comparable message composed to no one explicitly—don't stand out. Consider that the ordinary American family moves toward numerous TV stations and goes through north of 50 hours out of every week watching them. The American public furthermore has more than 11,500 novel magazines from which to pick. Add all of the radio stations, files, and mail center-based mail that buyers ingest step by step, and you begin to perceive how ceaselessly customers are assaulted with publicizing. An individualized message to pieces requiring your product has a better shot at being heard over the upheaval. Advancement is moreover allowing us to lead more individualized marketing by allowing us to follow our customers with more exactness. Individualized marketing, at whatever point taken as far as possible, could mean viewing each person as an alternate market (offering different products, different publicizing, and different channels to each). Yet this procedure may not be valuable, advancement has definitely made it possible.

As "large box" stores settle the score greater, the hole between mass business sectors and specialties is really becoming bigger too. Large organizations need to focus on mass business sectors to make money. Hence, huge retailers—including stores—are by and large lessening the quantity of brands they stock. On the off chance that a product is certifiably not a main three brand, it is most likely not SKU-commendable. Small businesses, thusly, should focus on specialties to survive.¹¹ A decent spot for you to begin in acquiring explicit data about your objective market is at the Small Business Administration's landing page (www.sba.gov). Here, under the classification of Business Development/General Information and Publications, you'll observe two documents on marketing that are particularly worth perusing: "Knowing Your Market" and "Marketing

Strategies for the Growing Business." Each gives fundamental foundation data on marketing points for small business directors and proprietors.

At the point when you're prepared for more explicit data on business sectors, look at the Census Bureau's Web website (www.census.gov). Here you'll observe explicit data by state and province with respect to business examples and statistics data. As you're exploring the suitability of an objective market, you can check for the number and kinds of businesses previously working and the segment qualities of that area's populace. The Census Bureau is likewise adjusting its TIGER map service (<http://tiger.census.gov>), which gives enumeration maps road level detail for the whole United States, every one of the 50 states, and all provinces in those states; cartographic plan; and numerous different highlights. Nonetheless, know that this site can be delayed in making the guides in light of the enormous measure of information that should be communicated.

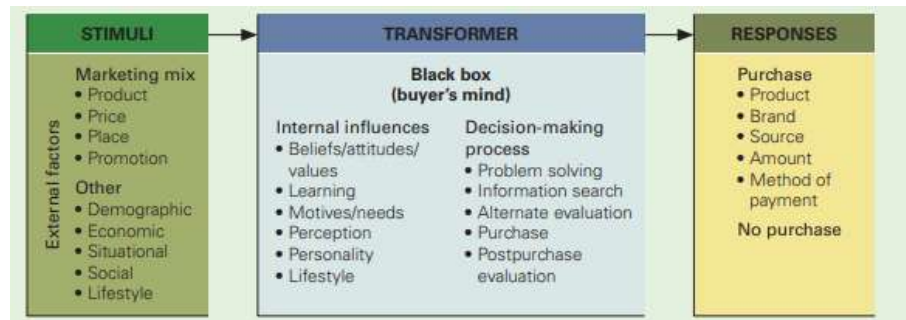
9.2.2 Understanding Consumer Behavior

While market division and target marketing can perceive you who may purchase your products, it is likewise crucial for your small business marketing endeavors to comprehend shopper conduct—why those individuals purchase. Data on shopper conduct comes from a few fields, including brain science, social science, science, and different callings that attempt to clarify why individuals do what they do. In deciding why individuals buy products, we will begin with a boost reaction model of buyer conduct called the discovery model. This model depends on crafted by analyst Kurt Lewin, who concentrated on how an individual's conduct is impacted by the connections of individual impacts, like inward requirements, musings, and convictions, and an assortment of outside natural powers.

The black box is proper in light of the fact that it addresses what continues in the client's brain that stays stowed away from businesspeople. We can see the outer variables that go in and the reactions that come out, yet we can't see the inward impacts or the dynamic interaction. As a small business proprietor, closeness to your clients is a benefit in understanding the interior impacts to clients. Their convictions, perspectives, qualities, and intentions, just as their view of your products, are basic to your prosperity. A small business proprietor should know about the means of the psychological dynamic cycle that buyers use in fulfilling their necessities. We as a whole use them, regardless of

whether we are not aware of each progression. Individuals normally purchase products as an answer for a few issues or need in their lives, not only for purchasing something.

Figure 9.1 Black Box Model of Consumer Behavior



9.3 SEO – SEARCH ENGINE OPTIMIZATION

Is an Internet marketing technique fundamental for your small business? Indeed, consider how you search for data. You search on the web, isn't that so? It's home to approximately 120 million spaces and a huge number of recorded pages. Assuming you need your site to be on that first page, you want search-marketing techniques, including website streamlining (SEO) and pay-per-click (PPC) publicizing. You really want to give the web crawlers what they're searching for to be viewed as important. Then, at that point, they'll put your site in the top outcomes when individuals are looking for your product or service.

Track down the most sweltering watchwords for your market Deciding watchwords is the beginning stage for any pursuit marketing effort.

Plug catchphrases into the right areas in your duplicate and code. Your Web webpage is brimming with problem areas that web search tool bugs check consistently for watchwords. Put your catchphrases in the features, subheads, and body duplicate of your Web pages. In your code, use them in anchor text, alt text, title labels, picture labels, and meta labels. In any case, use them sparingly: The old procedure of stacking up your meta labels with catchphrases doesn't work any longer—web crawlers get shrewd in a rush and will drop your webpage promptly for attempting to take advantage of a known positioning component.

Use watchwords that relate straightforwardly to your substance. Assuming you sprinkle watchwords like "ensured weight reduction" through your site that sells shoes, web search tools will overlook you. Your catchphrases will work best assuming they reflect what's going on with your site.

Keep the insects returning by offering regular new substance. The more new, important substance they find, the higher the web crawler bugs are probably going to rank your webpage. Keep all the duplicate on your pages current, including any progressions or updates to your business or products. Furthermore, document the pamphlets or announcements on your site. A blog or gathering additionally keeps individuals heading back for every day updates and conversation.

Figure it out. Draw up a rundown of watchwords and expressions that potential clients may look for in searching for your product. Then, at that point, perceive how regularly clients look for these terms by connecting each to apparatuses, for example, www.wordtracker.com or Google AdWords catchphrase Tool (adwords.google.com/select/keywordtoolexternal). Run your terms through Google to observe the quantity of Web destinations returned. At long last, partition the quantity of ordered pages by the quantity of every day look. The lower the outcome, the really encouraging the term. Search for a proportion of 500 to 1 or less.

Construct a superior Web webpage. How your site is coordinated, planned, and constructed will influence its web index positioning. Web indexes have significantly improved at perusing space names, so for instance, www.DMCS.com makes next to no difference to an internet searcher, while www.PrivateScubaLessons.com does. Be immediate with regards to sprinkling watchwords (bug food) all through, recollecting that it should peruse well to genuine individuals and web search tools.

Get the connections. Google utilizes around 200 information focuses while investigating your site, yet a big deal is whether your site is well known with the fashionable elite. Assuming that legitimate locales connect to you, the Google divine beings favor you. Website design enhancement ought to be at the center of your general Internet marketing procedure. It's one of the cheapest (thoroughly free) and successful methodologies accessible. Yet, SEO can be slow.

Subsequently, the initial phase in the dynamic interaction that prompts a buy is issue acknowledgment, which happens when we are inspired to diminish a distinction between our current and wanted situations. For instance, consider a youthful couple expecting their first youngster, who acknowledge they don't have a method for recording occasions for future recollections. They have perceived an issue. Presently they start the second step in the dynamic interaction: a data search. What products exist that can tackle the issue distinguished in the initial step? This inquiry will as a rule lead purchaser to understand promoting, magazine articles, and appraisals like those found in Consumer Reports. They additionally talk with salesmen, companions, and relatives to study products that will fulfill their requirements.

These data look normally turn up a few potential arrangements, which lead the customer to the third step: an assessment of options. The guardians to-be needing a camera to catch minimal junior for any kind of future family, however the decisions of a computerized SLR, a four-thirds camera, a simple to use camera, a small camcorder (like a Flip), a full-scale camcorder, or a cell phone pass on them with six choices to assess. As a small business proprietor, you enter the clients' dynamic cycle by being in their evoked arrangement of brands or businesses that strike a chord while thinking about a buy. For instance, assuming you really want a couple of shoes, what number of businesses that sell shoes ring a bell rapidly? Those stores are your evoked set for shoes. In the event that your business doesn't come into clients' psyches as a potential answer for their concern, you most likely can't sell them to an extreme. The motivation behind most promoting (counting small business publicizing) is to get products into a client's evoked set.

The most alluring option ordinarily drives customers to the fourth step, which is buy, however many secret elements can adjust this choice. For instance, the mentalities of others can impact the buy choice. Assuming the forthcoming guardians expected to purchase a particular camera and discovered that companions experienced difficulty with that model, their choice to buy would likely change.

At long last, the post buy assessment happens when the purchaser utilizes the product and concludes what his level of fulfillment is, which will influence your rehash deals. Intellectual disharmony, which, in this specific circumstance, is the inside struggle we feel in the wake of settling on a choice, is a typical piece of the interaction. Assuming the guardians in our model bought a SLR camera without video capacity, you may anticipate

that they should later ponder the movement and sound that they might have gotten from a camcorder. As a small business proprietor, you attempt to diminish intellectual cacophony with merchandise exchanges, guarantees, and confirmation that the client settled on the ideal decision.

9.4 MARKET RESEARCH

One of the significant benefits that small businesses have over enormous businesses is close client contact. Albeit this closeness can assist you with keeping up with your upper hand, you will likewise require a specific measure of progressing statistical surveying to remain firmly sensitive to your market. On the off chance that you are beginning another business, you will require statistical surveying significantly more. The American Marketing Association (AMA) characterizes statistical surveying as the capacity that interfaces the purchaser, client, and public to the advertiser through data. That data can be utilized to recognize and characterize marketing openings and issues; to produce, refine, and assess marketing activities; to screen marketing execution; and to work on comprehension of marketing as an interaction.

Not all statistical surveying directed by small businesses is formal and extraordinary. Most small business proprietors need to get data as fast and as modestly as could really be expected. One overview showed that most spend somewhere in the range of one and a half year and under \$1,000 leading statistical surveying on the last product or service they sent off. Statistical surveying can be just about as basic as junk and peanuts—in a real sense. Proprietors of small eateries frequently review active waste to see what clients leave on their plates uneaten. Why? Since clients might arrange a dish like crawfish and pineapple pizza for the curiosity, however if most don't really eat it, it ought to be removed the menu. One imaginative rebate dealer directed an in-store statistical surveying project utilizing peanuts. During a three-day advancement, clients were given every one of the broiled peanuts in a shell they could eat while in the store. Toward the finish of every day, the unfilled structures on the floor gave data about traffic examples of individuals traveling through the store. Heaps of shells before shows showed the product that was drawing specifically interest.

There is one central point flagging that small businesses should expand how much time and cash they spend on statistical surveying: evolving conditions. Since many business

sectors and socioeconomics change rapidly, the businesses that arise as victors are those that are proactive rather than responsive. Statistical surveying can give you data on the thing your clients will need instead of authentic information that stop for a minute they used to need. Some streetwise, ready to take care of business marketing examination can be assembled from contenders. No, they won't deliberately hand anything helpful over to you, yet you plant yourself before a contender's store for a little while, and notice the number of individuals stroll in. Presently, what number of leave with a buy? Would you be able to figure out the normal buy estimate? This data could be exceptionally valuable in making your business projections on the off chance that you have comparative foot traffic.¹³ Small business proprietors who have been in business for longer than, say, two days have learned two things about statistical surveying: They need it, and it's costly. Luckily, client criticism can be a tick away. A few web-based review devices make it workable for you to all the more successfully pay attention to clients and settle on informed business choices. David Ambler, an accomplice in the Phelon Group, a Palo Alto, California, consultancy having some expertise in building client relations reminds small business proprietors that "gathering information is a certain something. Following up on it is something else through and through. Assuming you are reluctant or unfit to follow up on review information, then, at that point, the study is a misuse of your clients' time and a superfluous interruption for your association."

Zoomerang, SurveyMonkey, and Survey Gizmo are for the most part online review devices—and client contact focuses, which means an association with construct relations with your clients. To your clients, your study greeting, and the moves you make in circling back to the review show them how you esteem their input.

9.4.1 Market Research Process



The statistical surveying process follows five fundamental stages: recognizing the issue, fostering an arrangement, gathering the information, investigating the information, and making determinations

Distinguish the Problem The most troublesome and significant piece of the statistical surveying process is the initial step—recognizing the issue. You should have an obviously expressed, succinctly phrased issue to create usable data. Many individuals (fledgling and experienced specialists the same) experience difficulty with this progression since they mistake issues for indications. For instance, assuming you go to a doctor grumbling of a fever, the doctor could endorse prescription that would cut your fever down. That progression would not fix you, nonetheless, in light of the fact that a disease or other issue is really causing your fever. Your doctor will look until the issue is found and afterward fix it—not simply veil the indication. Also, declining deals in your small business isn't only an issue—it is a manifestation of another, fundamental issue that is its objective. That hidden issue is the thing that you would need to attempt to reveal with your exploration. Has the opposition expanded? Do your salesmen require retraining? Have your clients' tastes changed?

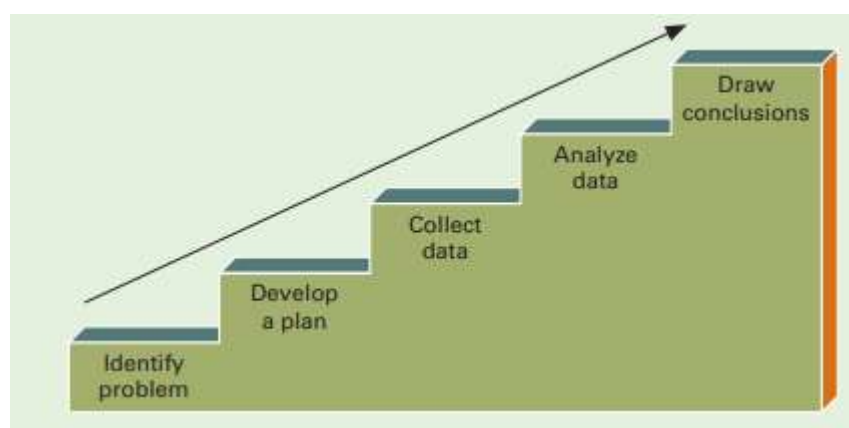
Your marketing "issue" doesn't generally need to be something off-base. It very well may be something lacking or something that could be improved. You can utilize statistical surveying not exclusively to tackle issues yet in addition to distinguish openings.

Whatever your objective, your capacity to finish this initial step of the examination interaction is significant in directing the remainder of your exploration endeavors.

Arranging Market Research Market research is frequently costly, however an arrangement for how you will direct your exploration undertaking can assist with holding costs within proper limits. Before you start, you should isolate what is "basic to know" from what might be "good to know." Your following stage is to plan a method for resolving the issue or answer the inquiry that you have distinguished concerning your business. You can do it without anyone else's help, and you should keep it as straightforward as could be expected. In arranging your statistical surveying project, you really want to do the accompanying:

- Recognize the kinds of data that you really want.
- Recognize essential and auxiliary wellsprings of information.
- Select an example that addresses the populace you are contemplating.
- Select an exploration strategy and estimation procedure (telephone review, center gathering, etc) to respond to your examination question

Figure 9.2 Market Research Process



In directing statistical surveying for your small business, you ought to pick a technique that gives sufficient dependable information to you to settle on a choice with certainty.

The strategy you pick should likewise utilize your restricted time, cash, and staff productively

A decent spot to start your pursuit of auxiliary information is your neighborhood library. Online information bases like Lexis-Nexis or ABI-INFORM permit you to enter key terms into the program and quickly get titles, digests, and whole articles from diaries and periodicals. The Government Printing Office Monthly Catalog contains report references from numerous administration offices, like the Department of Commerce and the Small Business Administration (SBA), which might help you. The Department of Commerce likewise distributes Selected Publications to Aid Business and Industry. Actually, take a look at the Encyclopedia of Associations for a large number of exchanges, proficient, specialized, and modern affiliations that exist. These affiliations arrange data that can be extremely pertinent to your business.

You can get information on your PC from online PC services like Dun and Bradstreet's landing page, Yahoo!, or Dow Jones, distributor of the Wall Street Journal, which offers Dow Jones News/Retrieval. The last option service can assist you with checking the paper's every day Enterprise segment, which is dedicated to subjects on small business. The SBA gives 24-hour admittance to data on services it gives, distributions, preparing, exchange fairs, and different projects through its electronic notice board, SBA On-line (www.sba.gov). Among the best business wellsprings of data are examination and exchange affiliations. Their data is industry explicit and by and large accessible just to affiliation individuals, however it is exhaustive and precise. Assuming you are not kidding about getting into or being in business, the enrollment levy for these associations are advantageous ventures. Really look at Encyclopedia of Associations (Gale Research) and Business Information Sources (University of California Press) at your nearby library to find applicable associations.¹⁶ Unfortunately, promptly accessible optional information is not explicit or itemized sufficient all the time for your motivation, or they might be out of date. Regardless, you should assemble your own essential information.

9.5 LIMITATIONS OF MARKET RESEARCH

Really significant for small businesses, it ought to be utilized with alert. Statistical surveying can furnish you with an image of what individuals at present know and anticipate from products or services, yet it has restricted capacity to demonstrate what

individuals will need later on. Depending on statistical surveying only for your marketing system and new product thoughts resembles driving a vehicle while observing just the rearview reflect. As verified in Chapter 1, small businesses give a large number of the most creative products that we use. Our economy and customers rely upon a surge of such developments as fax machines, CD-ROMs, and minivans, yet advancement doesn't come from statistical surveying. Peter Drucker noticed that albeit the fax machine was planned and created by U.S. organizations, no U.S. organizations started delivering these gadgets for homegrown utilization since statistical surveying showed that there would be no interest for such a product.

When getting some information about a product that doesn't yet exist, Drucker says your inquiry may go this way (with respect to the not-yet-created fax machine): "Would you purchase a phone extra that costs upwards of \$1,500 and empowers you to send, for one dollar a page, a similar letter the mailing station conveys for pennies?" The normal customer would typically say "no." Hal Sperlich planned the idea of the minivan while he was working for Ford, yet when Ford didn't completely accept that a market existed for such a vehicle (in light of its recorded statistical surveying), he changed to Chrysler. Sperlich says, "In ten years of fostering the minivan, we not even once got a letter from a housewife requesting that we concoct one." To the doubters, that demonstrated a market didn't exist.

CHAPTER 10

SMALL BUSINESS MARKETING: PLACE

A more conventional area is utilized by East Hampton Edibles, a margarine brickle sugary treat business, claimed and worked by Anita Zeldin, who sells her caramel, chocolate, and nutty candy at nearby stores in East Hampton and other upscale settings like Southampton. The Hamptons have become known as an extraordinary spot for food business visionaries because of the greater expendable earnings around here just as the more complex palates of the purchasers. It is an ideal spot to sell a superb custom-made candy with a formula known distinctly to Zeldin and her one partner. How would you offer 90% of a product to American buyers, when you are an Italian organization that has been in business for over 75 years? Vibram has retail locations in the United States that sell its Five-fingers product just as a web-based presence situated at www.vibramfivefingers.com, where customers can go on the web and purchase a couple of these one-of-a-kind shoes.

Vibram has created bottoms for very good quality climbing boots for a long time and as of late evolved Vibram Five-fingers, a "glove for the foot," made famous by Christopher McDougall, a sprinter who supports running shoeless. These special looking shoes are just about as close as a sprinter can get to running shoeless and still have on some foot assurance. Where waters Mill Cupcake Co. sell their "Rosso Velluto" and banana-with-maple icing cupcakes? This business is situated close to the connoisseur market Citarella in the Water Mill Shoppes, at Water Mill, NY, an exceptionally upscale area for their strength cupcakes.

The proprietors, Cynthia Formica and Ruth Balletta, said they worked perseveringly to be the first cupcake organization in quite a while with a business in this "sweet" area. What's more where cranes and Co. sell most of their product, a top-of-the-line composing paper? A lot of its income comes from offering paper for printing money to nations, including the United States. This privately-run company has been around for a very long time and is supposed to have provided Paul Revere with the primary cash for the American settlements. This organization sells straightforwardly to legislatures, which then, at that point, utilize the product to print their cash. This specific product is created in Berkshire County and utilized in nations from the United States to China.

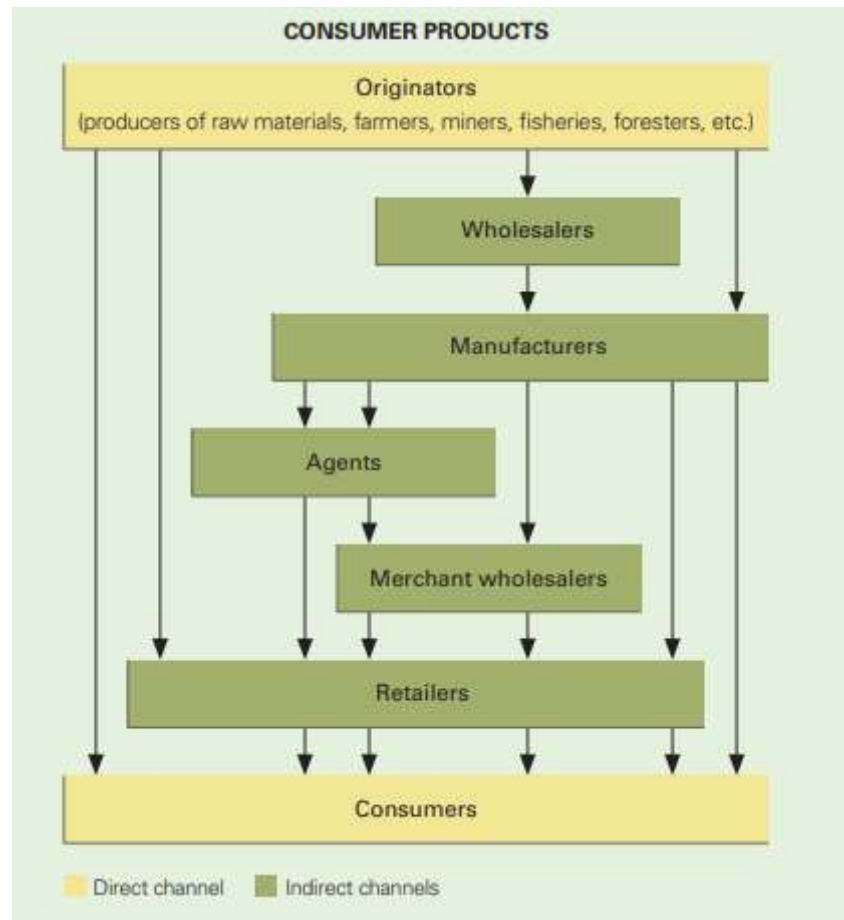
10.1 SMALL BUSINESS DISTRIBUTION

In this section, we will investigate the job of product dispersion, business area, and design of your small business. In marketing terms, these capacities are classified as spot. Of the Four Ps of the marketing blend, spot, or dissemination, is particularly huge for your small business on the grounds that a powerful conveyance framework can make or save a small business however much cash that a hot publicizing effort can create. Truth be told, circulation is about the last genuine stronghold for cost reserve funds—as methods for following and individualizing advancement improve, as assembling turns out to be increasingly proficient, and as representative productivity rises. Your decision of dispersion channel is particularly significant when entering global business sectors, where you are not prone to have however many choices for circulation as in the U.S. market.

In marketing, conveyance has two implications: the actual transportation of products starting with one spot then onto the next, and the connections between middle people who move the products—in any case called the channels of dissemination. There are two sorts of appropriation channels: immediate and circuitous. With an immediate channel, products and services go straightforwardly from the maker to the customer. Purchasing yams and corn at a rancher's market, or a couple of shoes straightforwardly from the craftsman who made them, are instances of deals through an immediate channel. Different models are purchasing seconds and overwhelms from production line outlets or through list deals oversaw by the maker.

Circuitous channels are purported in light of the fact that the products go through different delegates prior to arriving at the customer. Small businesses that utilization more than one channel, (for example, a bathing suit maker offering to a middle person like a corporate store and straightforwardly to shoppers by means of list deals) are said to utilize double circulation.

Figure 10.1 Channels of Distribution



Specialists unite purchasers and merchants and work with the trade. They might be called maker's representatives, selling specialists, or salespeople.

Representatives address customers who trade particular merchandise or occasional products. Neither intermediaries nor specialists take title to the merchandise sold.

Wholesalers purchase products in mass from makers and afterward exchange them to different wholesalers or to retailers. Wholesalers take title to products and as a rule collect.

Retailers offer products to a definitive buyer. Retailers take title and ownership of the products they convey.

The watchword for assessing a channel of conveyance is proficiency—getting products to target markets in the quickest, most affordable way imaginable. Did you understand that around three-fourths of the cash spent on food goes to dispersion? Does adding go-betweens to the channel of dispersion expand the expense of getting the product to the customer? Or then again does "getting rid of the agent" consistently mean reserve funds

to buyers? Albeit the last option has turned into a marketing banality, it isn't accurate all the time. Adding go-betweens can diminish the cost to the customer on the off chance that every mediator expands the proficiency of the channel. You can get rid of the broker; however, you can't supplant his capacity. Somebody actually needs to do the work. For instance, assuming your business needs a large portion of a load of provisions consistently from your fundamental provider 400 miles away, would it be a good idea for you to purchase your own truck or have the provisions delivered through a typical transporter (a shipping organization that pulls products for employ)? Assuming that were the main time you wanted a truck, obviously it would be less expensive to have the provisions delivered, despite the fact that it adds a middle person to your channel of appropriation.

On the off chance that you get rid of the agent—for this situation, the shipping organization—you should supplant its capacity by purchasing your own truck, paying a driver, keeping up with the vehicle, documenting administrative work, etc. The inquiry here isn't whether the elements of a delegate are played out; the inquiry is who performs them. You should be ready to update the manner in which you get your products to shoppers in light of the fact that the proficiency of channels can change. Right now, the quickest developing appropriation frameworks include non-store marketing, including candy machines, telemarketing, and standard mail. In some cases, a break from the business standard can make an upper hand for your business. At the point when Michael Dell began Dell Computer, he wiped out each of the typical mediators found in the PC market. Dell publicized and sold straightforwardly to customers. This dispersion technique shot Dell Computer into the Fortune 500.

10.1.1 Location for the Long Run

Choosing an area for your business is one of the main choices you will make as a small business proprietor. Albeit only one out of every odd business relies upon people walking through for its clients, pretty much any business can pick a helpless area for some explanation. For instance, retail businesses should be effectively available to their shoppers. An organization that produces substantial squares for development should be situated in a space that regularly utilizes that kind of building material, assuming it is to hold down transportation costs. Producing businesses need to think about situating close to their laborers, wellsprings of unrefined substances, and transportation outlets.

Individuals don't will more often than not make a special effort to track down a business. Despite the fact that Ralph Waldo Emerson had extraordinary scholarly achievement when he expressed, "Assuming a man can make a preferable mousetrap over his neighbor, however he constructs his home in the forest, the world will make a generally accepted way to go to his entryway," it's best not to take his recommendation in a real sense while choosing an area for your business.

This part will follow the structure area process from the broadest choices (choosing a state or local) to the tightest (planning a design of your offices). There are four fundamental inquiries you really want to pose:

This section will follow the structure area process from the broadest choices (choosing a state or district) to the tightest (planning a design of your offices). There are four fundamental inquiries you want to pose:

1. Which locale of the nation would be best for your business?
2. What state inside that district fulfills your necessities?
3. What city inside that locale will best suit you?
4. What explicit site inside that city will oblige your business?

Don't consequently leap to the fourth inquiry. By starting the site choice cycle extensively and afterward reducing your decisions, you can pick an area that addresses the issues of your objective market and is close to different businesses that are correlative to yours. To examine an expected area for your business, you will need to think about the particular necessities of your business related to your own inclinations. To start with, yet all the same not required. Instances of models incorporate the accompanying:

- Price and accessibility of land and water
- Quality and amount of work pool
- Admittance to your clients
- Closeness of providers
- Admittance to transportation (air, expressway, and rail)

- Area of contest
- Public perspectives toward new businesses
- Laws, guidelines, and expenses
- Your own inclination in regards to where to take up residence
- Monetary motivating forces gave (tax reductions, bond issues, and ensured advances)
- Nature of schools
- Personal satisfaction (crime percentage, entertainment openings, lodging, typical cost for basic items, and social exercises)

10.1.2 State Selection

Most small business proprietors start and work their businesses in the space where they at present reside. Others, notwithstanding, are restless to move to one more piece of the nation (or world) to maintain their small businesses.

The United States is an assortment of neighborhood and local business sectors rather than one major market. Business conditions change from one spot to another. Financial expansions and downturns differ from one area to another. Markets and individuals' tastes fluctuate from one district to another also, and these provincial contrasts might impact the choice with regards to where you ought to find your business. For instance, your formula for profound skillet pizza may not separate your business from the opposition in Chicago, where that style of pizza is as of now exceptionally famous. On the other hand, it might make your business special in Flagstaff, Arizona, or Biloxi, Mississippi.

Where do you track down data to look into the financial exhibition of areas, states, and urban communities? A few sources are accessible. Consistently, Inc. magazine distributes its yearly Metro Report, which positions work development, populace development, business begins, development in close to home profit, and work pool information. Fortune magazine consistently remembers data for provincial and state economies in its Fortune Forecast. Business Week, Forbes, the Wall Street Journal,

Entrepreneur, and USA Today all consistently distribute records of current provincial and public data. The U.S. Evaluation Bureau assembles information by geographic locale at regular intervals and keeps a broad data set. Evaluation information are accounted for by a few sources, including the Survey of Buying Power, which is distributed every year by Sales and Marketing Management (SMM).

10.1.3 Site Selection

Though the complete cosmetics of the U.S. commercial center is assorted and complex, neighborhoods will generally be the exact inverse. Individuals are by and large more agreeable in regions where individuals such as themselves reside. In this manner the banality "opposites are drawn toward each other" doesn't generally remain constant in areas. The purposes behind this segment truth can involve reasonableness as much as of inclination. Individuals of comparative pay can manage the cost of correspondingly evaluated houses, which are by and large underlying a similar region. Neighborhoods likewise will generally contain bunches of comparable age gatherings, strict gatherings, families, and social gatherings. These variables recognize one neighborhood from another.

They are in this way critical to consider in finding your business. To recognize diverse area types, Nielsen Claritas has three frameworks to give definite segment and division data: PRIZM, P\$YCLE, and Connections. These frameworks give data on shopper conduct including family abundance, likes, loathes, ways of life, buy inclinations, and media inclinations dependent on 66 fragments. A few instances of the fragments are Big Fish, Small Pond (more established, privileged school instructed proficient without kids); Back Country Folks (more than 55, provincial way of life, middle pay \$33,000); and Park Bench Senior (resigned singles with serene inactive ways of life). Need to see what these frameworks need to say about your ZIP code? Go to www.mybestsegments.com and discover.

10.1.4 Site Questions

Picking the right site includes responding to many inquiries regarding every area being thought of. You should track down the right sort of site for your business. It should be open to your clients and merchants, and it should fulfill every single legitimate prerequisite and financial necessities of your business.

10.1.5 Type of Site

- Is the site situated close to target markets?
- Is the kind of building fitting for your business?
- What is the site's age and condition?
- How huge is the exchange region?
- Will neighboring businesses supplement or contend with your firm?

10.2 GIS—IMPROVING DECISION MAKING

We have all heard the expression over and over: area, area, area. Picking the ideal locations to find your business is basic to your prosperity. Everything from pedestrian activity, to turns across paths of traffic, to stopping accessibility, to different businesses found or not situated next to your business can have the effect in your main concern. So how would you choose where to find your business or how do you have at least some ideas where to migrate your business assuming you really want extra space to grow? GIS, geographic data framework, is an apparatus that is giving truly necessary data on the spot for business proprietors. GIS is involved both equipment and programming just as techniques to obtain, make due, control, show, and dissect spatially referred to data. Contrasting information sources like airborne guides, segment data, organization data sets, and other data can be layered together onto an intelligent guide, which then, at that point, can be utilized to help business proprietors settle on the spot choices. Guides can graphically show patterns, connections, and examples that would be additional hard to see from a rundown of numbers. GIS can help with anticipating client area and conduct, and in figuring out where portion of the overall industry will develop, extremely critical to expanding income.

Insurance agencies can utilize GIS to assess hazard for both the guaranteed and the organization. Coordinated factors can check out channels of appropriation, product conveyance courses, and timetables. Media can utilize GIS to target publicizing to explicit areas. The GIS group from Pueblo County, Colorado, utilized GIS to help a Web-based business with cross country marketing. They had the option to foster methodologies that elaborate TV, radio, and regular postal mail, and afterward utilize the

postal divisions of the clients who were directing web-based product searches to view new watchwords as utilized in Google for this business. Not exclusively did these procedures get more cash, yet in addition the business added more positions. GIS is changing the manner in which information are utilized inside a business. For more data on GIS, go to www.esri.com and learn of more uses for GIS in your business.

10.2.1 Accessibility

- How are street examples and conditions?
- Do any regular or counterfeit hindrances impede admittance to the site?
- Does the site have great perceivability?
- Is traffic stream excessively high or excessively low?
- Is the entry or exit to stopping helpful?
- Is stopping sufficient?
- Is the site available by mass travel?
- Would merchant conveyances be able to be made without any problem?

1 Legal Considerations

- Is the drafting viable with your firm?
- Does the structure meet construction standards?
- Will your outer signs be viable with drafting statutes?
- Would you be able to get any extraordinary licenses you will require, (for example, an alcohol permit)?

2 Economic Factors

- How much are inhabitation costs?

- Are the conveniences worth the expense?
- What amount will leasehold enhancements and other one-time costs be?

10.2.2 Traffic Flow

The quantity of vehicles and people on foot passing a site emphatically influences its potential for retail deals. Assuming that you are a retailer, you really want to decide if the sort and measure of traffic are adequate for your business. Inexpensive food establishments have exact details for number counts of vehicles going at indicated speeds toward every path as a feature of their area examination. Public interstate divisions can typically give insights on traffic builds up to most open streets. Kind of traffic is significant, in light of the fact that you don't get a specific advantage assuming individuals passing your business are not prone to stop. For instance, assume you are looking at two areas for your upscale adornments store—one in a focal business locale and the other in a small mall with other forte stores in a restrictive area.

Absolute volume of traffic by the focal business area will be higher, however you will appreciate a greater amount of the right sort of traffic for your store at the small mall. Different businesses in the space will influence the kind of traffic. This clarifies why you frequently see auto showrooms bunched together. The cooperative energy made from a few comparable businesses found together can be exceptionally advantageous, with clients coming to a particular region to "look around" prior to purchasing. Your odds of drawing in clients on the lookout for an auto will be a lot more prominent in an area with correlative contest than assuming that your area is disengaged. A few vital inquiries to pose as you pick your area are:

- Is it true or not that you are on the right half of the road for the progression of traffic? What number of paths of traffic should be crossed to arrive at your entry?
- Do you have adequate stopping all times? Is it simple to get to?
- Do you out-situate your nearest rivals around here?
- What does the opposition resemble that is situated by you?

- Is there an anchor store close to you? Is your product separated from that product?

10.2.3 Going Global

In the event that you are thinking about growing your activities into another country, you want data on the area of your unfamiliar venture. You can hear foundation data and thoughts on unfamiliar areas from magazines and papers at your nearby library. Remember that all nearby offices of business and financial improvement bunches exist to advance their region, not to scrutinize it, so view data got from them with a to some degree suspicious eye. The American Management Association and the American Marketing Association (and different associations) support classes on promising circumstances and issues in unfamiliar activities. The U.S. Branch of State can be exceptionally useful in enlightening you concerning political turns of events, nearby traditions and contrasts, and financial issues in explicit nations.

As well as doing your examination (and assessing the data in Chapter 15), you really should get to know the region actually before you set up activities abroad. Visit expected locales, meet with others in business there, and distinguish conceivable conveyance sources before you think about setting up business in another country. Tracking down data on the Internet to assist you with settling on astute area choices about worldwide business sectors is genuinely simple. The U.S. government has made Web locales for different government organizations that can furnish the small business proprietor with fitting data. For example, the Central Intelligence Agency server (www.cia.gov) gives admittance to the most recent version of the CIA World Factbook, which remembers data about each country for the world, with subtleties like topography, environment, territory, regular assets, religions, dialects, etc.

10.3 LAYOUT AND DESIGN

After you have chosen a site, you really want to spread out the inside of your business. Assuming yours is a sort of business that clients visit, the majority of the executives' choices will be coordinated toward getting clients into your business to burn through cash. Regardless sort of business you run; this is the place where the action occurs. How your area is spread out and planned is significant in light of the fact that it influences the picture and productivity of your business.

10.3.1 Legal Requirements

The Americans with Disabilities Act (ADA) expects businesses to be available to crippled clients and representatives, with businesses having in excess of 14 workers needed to oblige handicapped work competitors in recruiting. This law influences the manner in which each business works. Structures developed after January 26, 1993, should meet stricter necessities than those constructed before. A few ADA necessities for client convenience incorporate the accompanying:

- Available leaving should be furnished with space for both the vehicle and an entrance passageway. An openness sign should likewise be situated before the parking spot to recognize the parking space.
- Access inclines should be given to make the entry available with the slant of the slope not to surpass 1:12.
- Handrails should be given at whatever point the incline slant is more than 1:20 and the upward ascent is more prominent than six inches.
- Checkout walkways should be something like 36 inches wide.
- Entryway equipment should be effortlessly gotten a handle on like a switch handle.
- Latrine offices and drinking fountains should be available to individuals in wheelchairs.
- Self-service retires, counters, and bars should be open to individuals in wheelchairs and to the outwardly debilitated.

10.4 LEASE, BUY, OR BUILD?

You have three options of proprietorship for your area: renting an office, buying a current structure, or building your own. In this part, we will talk about the overall benefits of renting or buying your structure.

1 Leasing

A rent is fundamentally a drawn-out consent to lease a structure, gear, or other resource. The greatest benefit of renting is how much money you free up for different purposes. In addition to the fact that you avoid an enormous introductory money cost through renting, yet you likewise decrease your danger during the beginning up period. When your business is set up, your requirements might change. Renting your business premises can give you the adaptability to move to a greater, better, or more reasonable area later on. An inconvenience of a rent is that it might keep you from adjusting a structure to meet your requirements. You likewise don't have long haul affirmation that you can remain in a similar area. The proprietor might choose not to restore your rent toward the finish of the term or may expand your lease installments. Rented space in retail plazas generally requires a month-to-month expense dependent on square feet of room, in addition to a level of gross deals.

2 Purchasing

The choice to purchase a structure can be a troublesome one. Proprietorship expands your forthright costs and how much capital you want. The significant cost of buying and renovating can empty previously extended assets of other business needs. With possession, you gain the opportunity of modifying the property any way you need. You know what your installments will be. Simultaneously, you are secured to that area considerably more assuming you own as opposed to leasing the property. Charge contemplations enter the image. In spite of the fact that rent installments are deductible business costs, just devaluation on the structure is deductible assuming you own it. At last, the worth of your speculation is dependent upon the impulses of the nearby housing market. The worth might appreciate or devalue for reasons that don't have anything to do with your own endeavors. Eventually, the decision comes down to financial aspects and adaptability. Since most business visionaries are in business due to what they make or sell, and not in the "blocks and concrete" business of land theory, a greater part will pick renting

3 Building

Building another office to meet your own particulars might be essential in the event that your business has one-of-a-kind necessities or then again assuming existing offices are not found where you want them, which might be the situation in a few high-development

regions. Similarly, as with purchasing a current property, fabricating another office enormously expands your decent costs. Will your incomes increment enough to cover these extra costs? On the in addition to side, fabricating another office might empower you to join new innovation or elements that will bring down your working expenses contrasted with utilizing a more established, existing structure. Check out your complete expenses over the drawn out when settling on this choice.

CHAPTER 11

SMALL BUSINESS MARKETING: PRICE AND PROMOTION

Estimating and advancement are two basic parts to the accomplishment of a small business. How about we take a gander at how a few business visionaries have effectively grappled with both of these issues. Zoobie Pets are cuddly toys for preschoolers that are additionally a pad and a cover. Two siblings, Reid and J.C. Smoot, concocted Zoobies in the wake of watching their more youthful kin as they went with their plush toys, pads, and covers. Zoobie Pets wrap each of the three into one. How could they tell the world with regards to their product? Career expos were significant in spreading the news about the new toy, both locally and globally. Magazines, papers, and viral marketing were other key parts in their special blend, just as bloggers, in dispersing data on this new product. Reid and J.C. decided to sell their product just in the top-of-the-line market, utilizing cost to underscore the nature of their Zoobie Pets.

Sayyid Nadimi and his two children work a very varying kind of business—Social Smoke—a business that spotlights on Americans' advantage in the Middle Eastern custom of hookah smoking. Ali established Social Smoke while he was an understudy at the University of Texas in Arlington, and it has become one of the quickest developing providers in the global hookah market. This privately-owned company is exploiting the expanding revenue in hookah lounges, up 400% starting around 1999. Since hookah smoking is a get-together, clients coming into a hookah parlor will spend about two times the length they would in a café. While the clients are there, they will spend up to \$16 an hour on shish, in addition to food and drink. The expense for the business is \$2 for the shisha (seasoned spices, natural products, or potentially tobacco blends smoked in hookah pipes), a huge markup. The eighth quickest developing industry neighborly for small businesses as of now is specialty bread kitchens. Adriano Lucas opened his pastry kitchen, The Best Chocolate Cake in the World, in New York City. Indeed, even before the great opening, Lucas had been referenced in the New York Times and New York magazine because of the gigantic interest by the nearby press, furnishing him with much-required exposure. During their initial end of the week, 400 chocolate cakes were bought.

11.1 THE ECONOMICS OF PRICING

Cost is how much cash charged for a product. It addresses what the purchaser believes the worth of the product to be worth to them. The worth of a product relies upon the advantages got contrasted and the financial expense. Individuals really purchase benefits—they purchase how a product will help them. Assuming that purchasers purchased on cost alone, then, at that point, no Cadillac convertibles, Denon sound system collectors, or Godiva chocolates could at any point be sold, on the grounds that more affordable substitutes exist. Individuals purchase premium products like these on the grounds that they see them to have higher advantages and expanded quality that conveys esteem notwithstanding the greater expense.

Ordinary shoppers don't need the least expensive product accessible—they need the best product at the most sensible cost. Value varies from the other three parts of the marketing blend in that the product, spot, and advancement factors all enhance the client and expenses for your business. Evaluating allows you to recuperate those expenses. Albeit the "right" cost is in reality all the more a reach between what the market will bear and what the product costs, numerous components go into the estimating choice. For instance, the picture of your business or product impacts the value you can charge. Despite the fact that the evaluating choice is basic to the accomplishment of a business, numerous small business proprietors settle on estimating choices inadequately. Absolute dependence on "premonition" is improper, however so is finished dependence on bookkeeping costs that overlook what's going on in the commercial center—what the opposition is doing and what clients request. Three significant financial variables are engaged with the amount you can charge for your products: contest, client interest, and expenses. We should investigate what every one of these powers can mean for your small business.

11.1.1 Competition

Your rivals will have a major impact in deciding the accomplishment of your evaluating system. The quantity of contenders and their nearness to your business impact what you can charge for your products, in light of the fact that the opposition addresses substitute decisions to your clients. The more straightforward rivalry your business faces, the less control you have over your costs. Direct contest makes product separation vital, so you contend on focuses other than cost. So, for what reason will clients come to your store, image, or product instead of the opposition? What separates your product? The

accompanying five regions are great spots to begin when contemplating what separates your product from the opposition:

1. Cost. While you will most likely be unable to rival the large box stores, you in all actuality do should be touchy to the financial environment. During a downturn, purchasers are significantly more cautious with regards to how they spend their scant dollars. What is your opposition doing in this field? What can really be done? Possibly you can package products, give amount limits, give incessant customer rewards, etc.
2. Added esteem. How does your product or service increase the value of the client? Is your product one of a kind? Do you give after-deal counsels? Would you be able to give one-quit shopping to an overabundance? Does your cost mirror this additional worth? Is it true that you are straightforwardly binds the additional worth to your cost?
3. Accommodation. How advantageous are your area and your shopping hours for your clients? Assuming your standard client is a functioning mother, then, at that point, you might have to open prior toward the beginning of the day so they can stop by after they have dropped off their youngsters at school before they go to work, or possibly open two nights per week and the ends of the week. Look at the ways of life of your clients and add accommodation for them in the shopping system. Accommodation is something for which clients will pay.
4. Trust. Do you have a privately-owned company that has been around for a long time? Assuming this is the case, then, at that point, publicize that reality. Here you might have the option to beat Walmart and other enormous box stores, assuming you have been locally longer. Neighborhood tributes that bear witness to the nature of the product as well as the service that goes with that product can be helpful. Your valuing methodology should then join this procedure. The client will pay more on the grounds that your business will be around to deal with them long after the product deal.
5. Local area Member. Do you take part in your neighborhood local area? Possibly you sit on the school evaluation board of trustees or plant blossoms at the neighborhood professional flowerbed. Exhibit that you are a lot of a piece of the local area and plan to be so for quite a while, and that you are rewarding the local area. Again, clients might pay more for a product when they realize you are being a decent steward locally.

These are largely factors that can assist you with showing your clients how your product or service is not quite the same as the opposition and how your cost mirrors these regions. Returning to our definition, clients purchase benefits. Ensure the advantages your business gives are more noteworthy than benefits the opposition gives. Remember cost for this cycle however know that lower costs are by all account not the only variable.

One more component in assessing the opposition can be the nearness of your opposition. The nearer the opposition is geologically, the more impact it will have on your evaluating. For instance, on the off chance that two service stations situated across the road from one another had a value distinction of a dime for every gallon of fuel, to which one could clients go? Alternately, similar value contrast between stations found a few miles separated might not have as emotional an effect. Value rivalry presents a more troublesome test for all businesses today since clients have more admittance to data about you and your rivals than you had about your own business even five years prior.

The kind of products sold will likewise affect value rivalry. On the off chance that you maintain a video rental business, then, at that point, other video rental stores are not your main rivalry. In actuality, your opponent's incorporate cinemas, athletic occasions, and surprisingly the drama. Try not to consider yourself being in the video rental business—consider being in the amusement business, since you are seeking diversion dollars. Along these lines, you should screen not just what other video rental spots are charging, yet in addition what circuitous, or elective, amusement services charge.

Today more small businesses are confronting tough opposition from huge chains like Walmart and Target. Walmart has in excess of 4,000 stores in the United States alone, utilizes 1.4 million individuals, and has 127 million buyers shopping at its stores each week.³ No big surprise small businesses feel scared. Would your small business be able to contend? Obviously, you can. Likely not on cost for indistinguishable things—the discounters have economy-of-scale benefits from mass buying and circulation that can take a small business out of a straight on value war, yet there are different regions where small businesses dominate, including the ones we talked about before: added esteem, being viewed as a decent local area resident, adaptability, prevalent product determination, predominant service, and assortment to give some examples.

11.1.2 Demand

The second financial element that influences the value you can charge for your products is request—the amount of your product truly do individuals need and what cost are they ready to pay. Commonly as cost goes up, individuals purchase to a lesser degree a product, and as cost goes down, individuals will purchase to a greater extent a product, a backwards relationship. The interest bend graphically shows this connection among cost and amount requested, and since the relationship is opposite, the interest bend has a descending incline. Value versatility is a significant element to think about when examining estimating. It decides the effect a difference in cost will have on the amount of your product you will sell. For certain products, similar to soft drink, assuming that the cost goes down, when the product goes on special, the shopper will purchase extensively a greater amount of the product. Then again, milk is a product that we burn-through with regards to a similar amount of paying little heed to the cost expanding or diminishing. Value flexibility checks out this connection between an adjustment of cost and the effect on amount requested. So, assuming a small business proprietor has a product that is value touchy or is versatile in monetary terms, assuming that the cost is brought down, the buyer will purchase a greater amount of the product, any remaining factors held steady. With a flexible product, however, the cost ought not be brought down, or put on special, since the shopper won't buy considerably more of the product regardless of whether it is less expensive. You could lose cash putting an inelastic product discounted, any remaining factors being held consistent.

11.1.3 Costs

Prior we expressed that the "right" cost is really a scope of potential costs. What your opposition charges and what buyers will address set the roof for your cost range. Your expenses build up the floor at your cost range. In the event that you can't take care of your expenses and create a gain, you won't remain in business. Your complete costs fall into two general classifications: fixed expenses and variable expenses.

$$\text{Total costs} = \text{Fixed costs} + \text{Variable costs}$$

Fixed expenses stay steady regardless of the number of merchandises you sell. In the short run, your decent expenses are a similar whether you sell 1,000,000 units or none by any means. Expenses, for example, lease, local charges, and utilities are fixed. Variable expenses, interestingly, rise and fall in direct extent to deals. Deals commissions,

materials, and work will more often than not be variable expenses. Inc. magazine writer Norm Brodsky (assuming you are not perusing his month to month include yet, start presently) cautions against falling into what he calls the limit trap—that is, tolerating a lower cost than expected on the grounds that you have unused limit. Unused limit can appear as an unfilled distribution center, a truck that is sitting inactive, or a machine that is utilized just sometimes. Whenever the chance emerges to sell that limit at a decreased rate, hardly any individuals would decline. They contemplate the cash to be made on something that would some way or another go to squander however overlook the issues they make by charging altogether not exactly the service is worth. En route, they disregard the expense of capital; we put resources into things like trucks and stockrooms to get more cash-flow from them than assuming we had purchased something different. There are additionally opportunity costs; low-edge deals will more often than not swarm out high-edge deals. For instance, assuming business is delayed in your small work shop and you take on work at a large portion of your ordinary rate to stay away from your hardware sitting inactive, what happens when a full-pay work goes along? You don't have the opportunity to handle it. At last, do you figure your current clients would discover that new clients are paying short of what they are or have been for a similar product or service? They will—and they won't be entertained; they might feel deceived. Absolutely, they will request a similar rebate. Primary concern: Don't disintegrate your edges.

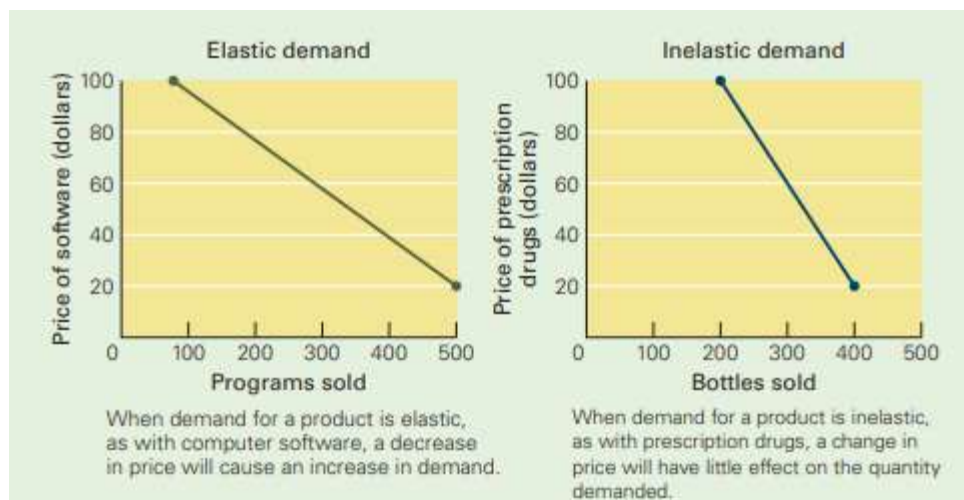
11.2 BREAKEVEN ANALYSIS

By utilizing the three expense figures talked about before, in a breakeven examination, you can observe the volume of deals you should take care of your all-out costs. Your breakeven point (BEP) in deals volume is the place where your absolute income approaches all out costs. All in all, what amount of your product or service do you need to sell to take care of every one of your expenses? At breakeven, you are not creating a gain. Notwithstanding, you can pay both your fixed and variable expenses. So, if your breakeven point is 35 CDs, that number method you should sell 35 CDs just to have the option to pay your expenses.

Figure 11.1 is an illustration of a BEP chart. Notice that the fixed-costs line runs on a level plane on the grounds that decent expenses don't change with deals volume. Fixed expenses must be paid paying little mind to how much product sold. Fixed expenses are

fixed—they don't change. The absolute costs line starts where the fixed-costs line meets the y-pivot of the diagram, showing that regardless of whether you have sold nothing, you actually have costs: your proper expenses. Absolute costs ascend starting there at a point, as factor expenses and deals increment. The region between the absolute costs line and the fixed-costs line addresses your variable expenses. The income line addresses the quantity of units you will sell at some random value level—data you can get from your interest bend. The place where the income line meets the complete costs line is your breakeven point. The region over the BEP between the income and all out costs lines shows benefit. The region beneath the BEP between the income and absolute costs lines addresses misfortune.

Figure 11-1 Demand Curves



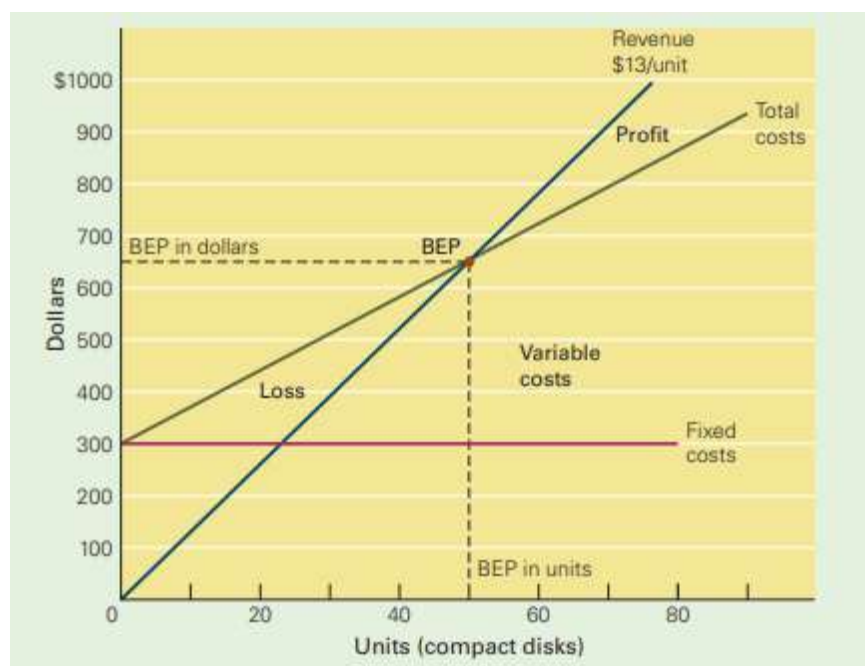
When Demand for a Product Is Elastic, as with Computer Software, a Decrease in Price Will Cause an Increase in Demand?

The incline and state of the income line for your business will shift contingent upon your client interest. The data expected to define this boundary can come either from deals history or on the other hand, assuming that hard information is not accessible, from your own best "estimate" of how much individuals will purchase. You can likewise plot other income lines dependent on various selling costs. The income line in Figure 11.2 depends on product deals. How about we utilize the case of minimized circles (CDs) selling for \$13 each. You can likewise track down your BEP for units with the accompanying recipe:

$$\text{BEP (units)} = \frac{\text{Total fixed costs}}{\text{Unit price} - \text{Average variable cost}}$$

where normal variable expense approaches complete variable expense isolated by amount. Utilizing the information from Figure 11.2, we could compute the BEP in units for another CD of Christmas tunes from Hatten and His Yodeling Goats. Complete fixed expenses to create this melodic show-stopper are \$300. Variable costs run \$7 per unit. Charging \$13 per CD, we would need to offer 50 CDs to make back the initial investment on the endeavor. (Would 50 individuals pay \$13 to hear warbling goats, or should Hatten keep his normal everyday employment?)

Figure 11.2 Breakeven Analysis



When the Price of a Compact Disk is \$13, the Breakeven Point (BEP) Would Be Reached When 50 CDs Are Sold and \$650 of Revenue Are Generate

11.3 PRICING-SETTING TECHNIQUES

Subsequent to taking rivalry, buyer interest, and your expenses into thought, you have made a head toward building up your "right" cost. You have a vibe for what the value floor and value roof may be, however the value you at last pick will rely upon the targets and systems you decide to seek after—what you are attempting to achieve in your business. While one of the hardest choices you will make as a small business proprietor

is the value you charge for your product, it is likewise one of the most basic choices in the achievement of your business.

Think about the accompanying focuses when seeing product valuing. The explanation you are in business is to bring in cash, which implies you need to sell sufficient product at a sufficiently high cost to more than cover costs. Valuing your product too high can remove you from a market since shoppers won't pay that much for your product or your opposition will bring down their costs. In any case, valuing your product too low can likewise bring on some issues since all expenses, both fixed and variable, may not be covered. Shoppers can likewise consider low costs to be a sign of bad quality, to be examined in no time. What amount will your clients pay? What is the pay of your objective market? Where does your product squeeze into their spending plan? What is your opposition doing to draw your clients away?

Where is the market for your product going? Will deals increment? Are substitutes accessible? What is the probability different contenders will appear? Is it a prevailing fashion thing that will not be around long? What is your objective in estimating? Is it true that you are attempting to acquire piece of the pie? Is it true that you are passing on a quality product? How much product would you say you are attempting to sell? This large number of inquiries tie once more into what is your evaluating objective?

You have unquestionably heard the old joke about the person who purchases 100 watermelons for \$100 and sells them in lots of 10 for \$10. At the point when asked how he hopes to bring in cash, he answers, "I'll make it up in volume." Okay, so it isn't so amusing, however you would be stunned the number of individuals figure they can develop their businesses simply by evaluating their products less expensive than the opposition. They accept that low costs will create an adequate number of deals to compensate for lower edges.

Setting your costs too low is a perilous snare to fall into. Take a speculative model: You believe that some product is excessively costly, so you choose to start a new business selling that thing for not exactly your rivals. Assuming you sell for less, you have lower net revenues. Lower net revenues, thusly, mean less income. Will you have a sufficient pad assuming that a cost increments? All things considered, rents go up, utilities raise their rates, etc. With lower net revenues, you want to reduce expenses—however where?

Will you decrease wages and advantages? Assuming this is the case, can you recruit and hold great representatives? Will you cut marketing costs? Will clients continue to come in the entryway, and, in the event that they do, what sort of clients will they be? Low-value customers are the most whimsical and probably going to change to the following organization that can offer your product for five pennies less. Keep in mind, we examined clients purchase benefits. You can add esteem by something other than bringing down cost. As indicated by Grant Cardone, "Bringing down your cost might work for a brief time, yet it's anything but a fruitful equation for developing benefits.... When the worth of your product surpasses the worth of their cash, you'll get the deal.

11.4 CUSTOMER-ORIENTED PRICING

Methodologies Customer-situated valuing systems center around target markets and factors that influence the interest for products. Such systems incorporate infiltration, skimming, and mental valuing. Both entrance and skimming procedures depend on knowing value flexibility, talked about prior in this section. With an inelastic product, since there are not generally many substitutes, a skimming procedure can be utilized, setting costs higher. More exorbitant costs can likewise intentionally be accustomed to carry the client's thoughtfulness regarding explicit product benefits. For flexible products that are substantially more cost delicate, entrance estimating might be a more successful technique since even a small reduction in cost can expand the interest for the product.⁹ Suppose you have the accompanying evaluating targets:

- Increment deals.
- Increment traffic in your store.
- Deter contenders from entering your market.

To achieve these targets and gain fast piece of the pie, entrance evaluating is the most fitting technique. Entrance estimating involves setting costs beneath what you may hope to urge clients to at first attempt your product. This technique is intended to hold contest back from entering the market for your product. In spite of the fact that you create less gain on every unit, the compromise is to eliminate the motivating force for contest to enter, in this way, it is trusted, assisting you with building a drawn-out position on the lookout. Assume that you have an alternate arrangement of evaluating destinations:

- Augment short-or since quite a while ago run benefit.
- Recupérate product improvement costs rapidly.

In the event that these are your targets and you have a really remarkable product, a technique of value skimming might be proper. Value skimming includes setting your value high when you accept that clients are somewhat cost harsh or when there is little rivalry at purchasers to think about costs against. Skimming recuperates high improvement costs, so businesses with new-to-the-world innovations frequently utilize this system. It can likewise urge buyers to check out your product and see what highlights contrast from your product that are permitting you to charge a greater cost. When intentionally utilized as a system, skimming can make an oddity in your product that makes the customer really do additionally investigate and find the additional advantages. Home hardware, for instance, are frequently presented utilizing a skimming technique. Think about the value decreases in PCs, cells, and DVDs. These products for the most part have high advancement costs, yet their unit costs fall as production increments. Obviously, buyers must compensation a premium to be one of the first to possess these new products. Skimming is certainly not a drawn-out methodology. In the end rivalry powers costs down. At last, assume you have these estimating destinations:

- Balance out market costs.
- Build up your organization's situation on the lookout.
- Construct a picture for your business or product.
- Foster a standing for being reasonable with providers and clients.

11.4.1 Internal-Oriented Pricing

Methodologies Pricing procedures that are inside situated depend on your business' monetary necessities and expenses rather than on the requirements or needs of your objective business sectors. Assuming you utilize these systems, ensure that you don't value your products out of the commercial center. Recall that buyers couldn't care less what your expenses are; they care just with regards to the worth they get. Inward situated techniques incorporate expense in addition to estimating and target-bring valuing back.

11.4.2 Cost-Plus Pricing

Presumably the most well-known type of estimating is adding a predetermined rate, a proper expense, or markup, to the expense of the thing. Albeit this sort of valuing, called cost-in addition to estimating, has forever been normal in retailing and wholesaling, makers additionally utilize this moderately straightforward methodology. Markup can be founded on either selling cost or cost, and it is critical to recognize the two.

11.4.3 Credit Policies

Subsequent to setting up your evaluating rehearses comes a significantly more significant assignment: concluding how you will get clients to pay for their buys. Installment strategies incorporate money, check, or credit. Clearly, tolerating just money truly eliminates those terrible obligations. In any case, the pattern is toward buyers conveying less money, not more, so a money just arrangement will presumably switch off numerous clients who might want to buy with one more type of installment. Most small businesses acknowledge checks with satisfactory ID, for example, a telephone number and driver's permit number, in the event that the bank returns the check for inadequate assets. For accounting purposes, checks are dealt with equivalent to cash and really put aside bank installments simpler. The fundamental explanations behind your small business to stretch out credit are to make deals to clients you would not have in any case reached and to build the volume and recurrence of deals to existing clients.

11.4.4 Extending Credit to Your Customers

Would it be a good idea for you to stretch out credit to your clients? Great inquiry. Do your rivals? Will your business increment enough to pay the money charges? Will deals expand to the point of covering the awful obligations you will bring about? Would you be able to expand credit and still keep a positive income? Will credit deals smooth out changes in deals volume? Credit is separated into two essential classes: exchange credit and shopper credit. Exchange Credit Trade credit alludes to deals terms that one business stretches out to one more for buying merchandise. As a small business proprietor, consider exchange credit from the two bearings—stretched out to you from merchants and that you might reach out to your clients. Assuming you can buy products/services and are permitted to require 30, 60, or 90 days to pay for them, you have basically acquired an advance for those things for that time-frame. Numerous new businesses can

exploit exchange credit in any event, when no other type of financing is accessible. Be cautioned, in any case, that routine late installment or delinquency might make your providers remove your exchange credit and spot your business on a COD—money down—premise. Assuming you stretch out credit to your business clients, you will require a records receivable framework to keep cash streaming into your business. An extremely simple snare that developing new businesses fall into is the idea, "Get the business presently; work on further developing net revenues later."

This snare is particularly significant for service businesses, whose biggest cost is work, which should be paid when the service is given, not when you the business proprietor are paid by the client. Makers likewise experience the ill effects of slow assortment because of the lengthy timespan slack between buying natural substances, work, and stock and the genuine offer of the product. Not gathering your records receivable will contrarily affect your income and your capacity to pay your costs. On the off chance that you don't gather on deals, they aren't deals. Exchange credit can be presented in a few structures: expanded installment periods and terms, products presented on credit, installment not needed until merchandise are sold. Credit lines are well known ways for one business to get exchange credit from another.

11.4.5 Personal Selling

Individual selling includes an individual show by a salesman to make deals and building associations with clients. There are numerous products not enormous enough, sufficiently complex, or separated to the point of justifying individual selling, however for those products that do, this strategy is the most ideal way to settle the negotiation. Through close to home selling, you are attempting to get three things done: distinguish client needs, coordinate those requirements with your products, and show the clients the match between their need and your product.

Client assumptions are rising. A decent product at a reasonable cost, presented by an all-around prepared deals staff, upheld by a responsive client support office, is only the beginning stage in a serious commercial center. For your business to stick out, its products should be custom-made to the specific requirements of your clients. Luckily, innovation is assisting with supercharging your business execution. For instance, numerous salesmen fear settling on cool decisions, part of the way since they don't know

much with regards to the planned client they are going to call. You could Google the possibilities, yet that is adequately not. Services, for example, Before the Call naturally scour Internet locales like Hoover's and Factiva just as their own exclusive information base for new articles. Before the Call can be joined with your business frameworks like Salesforce.com and Oracle OnDemand to stay up with the latest and loaded with current information.²³ Such services could give simply the piece of data your sales rep needs to start discussion.

11.4.6 Public Relations

Advertising (PR) includes special exercises intended to construct and support altruism between a business and its clients, representatives, providers, financial backers, government offices, and the overall population. Exposure is a part of PR comprising of any message about your organization conveyed through the broad communications that you don't need to pay for. For the most part, PR works by producing exposure. PR includes an assortment of correspondence designs, including organization distributions like pamphlets, yearly reports, and notices; public talking; campaigning; and the broad communications. Each arrangement can have a proper use and advantage for your organization's marketing exertion.

A much-needed development in the PR business has been firms that charge by pay-for-situation rather than retainer bargains. PayPerClip is simply a firm situated in Califon, New Jersey, that can assist with eliminating a portion of the secret from PR bills. PayPerClip would get \$400 for a concise circulating on a small market TV news show, \$2,000 for a sizable story in a small exchange magazine, and \$8,900 for a full component in the Wall Street Journal.

11.4.7 Promotional Mix

In choosing how to join every one of your four devices into a limited time blend, you really want to think about when each sort of advancement might be suitable. Promoting comes to such countless individuals that it is great for making mindfulness, however its ability to invigorate activity diminishes rapidly. Individual selling, paradoxically, is the best apparatus for building client longing for the product and inciting clients to make a move. Since it requires one-on-one contact, notwithstanding, it is less helpful in making mindfulness. Deals advancements are best with clients who are now inspired by the

product, however who might require provoking to make the buy. Advertising fabricates mindfulness, however brings about not many prompt deals.

CHAPTER 12

HRM IN SMALL BUSINESS

Numerous small businesses work without any representatives. One individual handles the entire business with maybe periodic assistance from family or companions. Taking the jump toward employing somebody to help is a major one since out of nowhere you really want to stress over finance, benefits, joblessness protection, and seemingly a bunch of different subtleties. Also, this doesn't think about the host of issues that can emerge from character clashes and loss-of-control of the multitude of cycles in maintaining your business. Individuals are the genuine resources of an association. In the event that treated well, they can take associations to telling statures.

Two in addition to two could be four or even ten. Associations are, for the most part, determined by a bunch of foreordained objectives. They utilize physical, monetary and HR to accomplish the objectives. These objectives have no significance except if individuals comprehend the basic way of thinking, make an interpretation of them into substantial activity plans and put their heart while understanding the objectives. Associations, consequently, rely upon individuals for their endurance and development. Likewise, individuals need associations. By far most of individuals work to help themselves and their families. Yet, individuals work for some reasons other than monetary security. For instance, they may likewise attempt to keep occupied and feel valuable, to make and accomplish something. They need to acquire acknowledgment and accomplish status or Notes to test and stretch their abilities. To meet these diverse requirements, individuals and associations hold hands. Sadly, this association rarely moves toward flawlessness. Associations deal with a few issues in gathering their objectives, and moreover, representatives report a few issues in their endeavors to be productive and proficient in their occupations and to feel fulfilled in their work lives. The test of human asset the executives is to limit these snags and issues and further develop the commitments made by individuals to associations.

12.1 IMPORTANCE OF HRM

Individuals have been focal all of the time to associations, yet their essential significance is filling in the present information-based ventures. An association's prosperity progressively relies upon the Knowledge, Skills and Abilities (KSAs) of representatives,

especially as they assist with building up a bunch of center capabilities that recognize an association from its rivals. With proper HR strategies and practices an association can employ, create and use best minds in the commercial center, understand its purported objectives and convey results better compared to other people.

Human Resource Management helps an association and its kin to understand their individual objectives subsequently:

At the Enterprise Level

(a) Good human resource practices can help in drawing in and holding the best individuals in the association. Arranging makes the organization aware of the kinds of individuals it will require in the short, medium and since a long time ago run.

(b) It helps in preparing individuals for testing jobs, growing right mentalities towards the gig and the organization, advancing cooperation among workers and creating devotion and responsibility through fitting prize plans.

At the Individual Level Effective management of human resources help representatives, in this way:

(a) It advances cooperation and camaraderie among representatives.

(b) It offers superb development freedoms to individuals who can possibly rise.

(c) It permits individuals to work with industriousness and responsibility.

At the Society Level Society, overall, is the significant recipient of good human resource rehearses.

(a) Employment openings increase.

(b) Scarce abilities are put to best utilize.

Organizations that compensation and treat individuals well generally race in front of others and convey brilliant outcomes.

12.1.1 At the National

Level Effective utilization of human resources helps in double-dealing of regular, physical and monetary resources in a superior way. Individuals with right abilities, legitimate perspectives and fitting qualities assist the country with excelling and rival the best on the planet prompting better way of life and better work.

A small business' human resource management needs are not of a similar size or intricacy of those of a huge firm. In any case, even a business that conveys just a few representatives faces significant work force management issues. For sure, the stakes are extremely high in the realm of small business with regards to worker enlistment and management. No business needs a representative who is lethargic or uncouth or unscrupulous. However, a small business with a work power of about six individuals will be harmed definitely more seriously by such a worker than will an organization with a work power that numbers in the hundreds (or thousands). Regardless, "most small business managers have no proper preparing in how to settle on employing choices," noted Jill A.

Small businesses additionally need to coordinate the abilities of imminent workers with the organization's necessities. Endeavors to deal with this can be cultivated in a significantly more powerful manner assuming the small business proprietor dedicates energy to characterizing the work and effectively partaking in the enrollment cycle. However, the human resource management task doesn't end with the formation of a definite set of working responsibilities and the determination of a reasonable representative. Without a doubt, the recruiting system denotes the start of HRM for the small business proprietor.

Small business specialists firmly encourage even the most unassuming of business ventures to execute and record approaches with respect to human resource issues. "Not many small endeavors can bear even a juvenile staff division during the initial not many long stretches of business activity," recognized Burstiner. "All things considered, a huge mass of faculty structures and information for the most part collects rather quickly from the earliest starting point. To hold issues to a base, explicit faculty strategies ought to be set up as soon as could be expected. These become helpful aides in all spaces: enlistment and choice, pay plan and representative advantages, preparing, advancements and terminations, and such." Depending on the idea of the business undertaking (and the proprietor's own usual range of familiarity), the proprietor can even include his workers

in this undertaking. Regardless, a painstakingly considered representative handbook or faculty manual can be a significant instrument in guaranteeing that the small business proprietor and their workers are in total agreement. Additionally, a set up account can loan a small business a few insurances if its management or working strategies are addressed in the lawful field.

Model: A bread kitchen proprietor should not commit quite a bit of his resources to representative preparing, yet a firm that gives electrical wiring services to business customers might have to carry out a means of proceeding with training for its laborers to stay suitable.

At long last, the small business proprietor needs to set up and keep a productive working air for their work power. Workers are undeniably bound to be productive resources for your organization assuming they feel that they are dealt with decently. The small business proprietor who plainly conveys individual assumptions and friends' objectives, gives sufficient remuneration, offers significant freedoms for professional success, expects work power preparing and formative necessities, and gives significant input to their representatives is definitely bound to be fruitful than the proprietor who is careless in any of these spaces.

12.1.2 Employees are the New Corporate Heroes?

Individuals are integral to an association. To accomplish corporate objectives, they need to invest their heart into everything and effort with energy, excitement, devotion and responsibility. Without positive and inventive commitments from individuals, hierarchical objectives might stay devout dreams, existing just on paper. The information, abilities, experience moved by representatives and their earnest help to authoritative work, as a rule, would spell the distinction among progress and disappointment. The association's ability pool is its most important corporate resource and is the essential wellspring of upper hand. The nature of human capital (i.e., aggregate information, abilities, capacities and mentalities of all out-labor force inside an association) and its compelling management (by putting the perfect man on the right work) would go quite far in improving productivity and diminishing expenses. In information-based enterprises, human resources could represent the moment of truth an organization. Above all, the information, abilities and perspectives of labor force can't be

copied or imitated by contenders. They stay with individuals and, consequently, become a wellspring of uncommon cutthroat strength when the association offers the right sort of climate and air. In associations where decency, value, equity and independence are wildly watched and individuals are treated with deference, love and warmth – work becomes fun and individuals come out with extraordinary outcomes, outperforming every numerical estimation. One in addition to one could be two, twenty or even 200! One man's fantasy – it very well may be Ratan Tata, Anand Mahindra or K.M. Birla – turns into a day-to-day existence and passing battle for some. The outcome could be an Indica, a Nano or a Scorpio – the aftereffect of exceptional commitments from common individuals attempting to change over an energy/dream into a substantial reality. To acquire the edge, in any case, the association needs to put resources into its human resources – through preparing and improvement programs and setting out development open doors inside the organization now and again. The ability holes of representatives should be recognized and spanned through fitting preparing and advancement programs. HR arrangements and projects should be in a state of harmony with the business plans of the association and with one another.

12.2 HUMAN RESOURCE DEVELOPMENT

Human Resource Development (HRD) is a positive idea in human resource management. It depends on the conviction that an interest in human creatures is essential and will constantly get considerable advantages to the association over the long haul. It focuses on generally speaking advancement of human resources to add to the prosperity of the representatives, association and the general public at large.

As per Prof. T.V. Rao, HRD is a cycle by which the representatives of an association are helped in a consistent and arranged manner to: (1) secure or hone capacities needed to fill different roles related with their present or anticipated future jobs; (2) foster their overall abilities as people and find and exploit their own internal potential for their own and additionally hierarchical advancement purposes; (3) foster an authoritative culture in which prevalent subordinate connections, cooperation and joint effort among sub units are solid and add to the expert prosperity, inspiration and pride of workers. (Udai Pareek and T.V. Rao). So, HRD targets assisting individuals with gaining skills needed to play out the entirety of their capacities viably and cause their association to progress nicely. It is tied in with refreshing the human abilities to meet the evolving needs. HR Manager

needs to go about as a change-specialist and OD expert for authoritative turn of events and R&D.

Skilled workers may not stay equipped for eternity. Some are negligibly qualified after entering the association and require extra preparing or instruction. Others enter the association, equipped for performing at the ideal level, yet their abilities become old after some time. Associations change after some time and management should guarantee that there is a fitting match between individual capacity and authoritative requirements for what's to come. Representative preparing gives individual the particular abilities that they need for viable execution of their obligations. Management advancement, vocation arranging, profession directing and direction are likewise the vital obligations of HRD.

12.2.1 Self-Assessment

State whether the accompanying assertions are valid or bogus:

- Human Resource Development (HRD) is a negative idea in human resource management.
- HRD targets assisting individuals with gaining abilities needed to play out the entirety of their capacities successfully.
- Skillful representatives might stay able until the end of time.

12.2.2 Industrial Relations Pricing

Human resource management is tied in with overseeing individuals so businesses are serious and effective. To do this in a quick changing worldwide economy, HRM and IR experts stay aware of issues and patterns that influence work connections – the work market and financial matters, the product or service market, the world of politics, natural worries, mechanical change, business guidelines, authoritative brain science and social patterns.

Modern relations are additionally a multidisciplinary field that concentrates on the aggregate parts of the work relationship. It is progressively being called Employment Relations (ER) due to the significance of non-modern business connections. IR has a center worry with civil rights through reasonable business rehearses and nice work.

Individuals regularly think modern relations is about work relations and unionized business circumstances, however it is more than that. Modern relations cover issues of worry to administrators and representatives at the work environment, including work environment bartering, management technique, worker portrayal and support, union management collaboration, work environment change, work plan, new innovation and expertise improvement.

Significant assignments of HRM and IR are: recruiting staff, exchange of business agreements and conditions, execution management and prize frameworks, debate goal, disciplinary cycles, guaranteeing wellbeing and security of staff, worker inspiration, plan of work, group and association rebuilding, and preparing and improvement. "Modern relations" present one of the most sensitive and complex issues to current modern culture. With developing thriving and rising wages, laborers have accomplished a better quality of living; they have obtained instruction, complexity and more prominent versatility. Vocation designs have changed for bigger part of individuals have been compelled to pass on their ranches to become breadwinners and pay workers in metropolitan regions under attempting states of work. Uninformed and soaked in neediness, tremendous masses of men, ladies and kids have moved to metropolitan regions. The associations wherein they are workers have stopped to be independently claimed and have become corporate undertakings.

Simultaneously, be that as it may, a moderate, status-ruled, optional gathering focused, universalistic, wannabe and complex class of laborers has appeared, who have their own worker's guilds and who have, in this way, acquired a dealing power which empowers them to give an intense battle to their bosses to build up their privileges in the developing modern culture. Thus, the Government has stepped in and assumed a significant part in building up amicable modern relations, incompletely on the grounds that it has itself turned into a business of millions of modern specialists, yet basically in light of the fact that it has established an immense collection of regulation to guarantee that the privileges of modern laborers in private undertakings are reasonably shielded. In addition, fast changes have occurred in the procedures and techniques for production. Since a long time ago settled positions have vanished and new business openings have been made, which call for various examples of involvement and specialized instruction. Work boss connections have, in this manner, become more complicated than they were previously

and have been given a sharp edge as a result of the far-reaching work distress. In the conditions, a reasonable comprehension of the elements which make for this distress and which are probably going to dispose of it would be a remunerating experience for any individual who is keen on modern agreement.

12.3 LABOUR LAWS

Work law tries to control the relations between a business or a class of bosses and their representatives. The entrance of this law is the greatest, in that it contacts the existences of undeniably more individuals, to be sure huge number of people when contrasted with some other part of law and this is the viewpoint which makes it the most captivating of all parts of law and the investigation of this subject is of tremendous aspect and of truly evolving features.

There has been an astounding change in the way to deal with Labor law and modern relations since the World War II Philadelphia Charter embraced in 1944 gave that "Work isn't aware" and that "neediness anyplace is a threat to thriving all over the place". W. Friedmann and other people who have attempted to break down the fundamental attributes of the legitimate improvement in this part of law consider 'social-obligation'-with respect to manager as the primary bed rock on which this law is fabricated. This is exemplified by the actual methodology of legislators to the development of a compensation bundle of the functioning man in the post-second World War time frame, wage obsession and regulation connecting with state of work. The Indian Constitution sets down wide rules to be trailed by State.

Otto Kahn-Freund in his book on Labor and the Law makes the accompanying focuses.

(I) The arrangement of aggregate haggling lays on an equilibrium of the aggregate powers of management and coordinated work. The commitment which the courts have made to the organized improvement of aggregate work relations has been tiny. Aggregate dealing is a cycle by which the terms of work and states of service are dictated by understanding among management and the association. In actuality, "It is a business bargain (which) decides the cost of work services and agreements off's work."

(ii) The Law overseeing work connection is one of the focal parts of the law on which the extremely greater part of individuals procures their living. Regardless, law is an optional power in human relations and particularly in the process of giving birth relations.

(iii) Law is a method for the guideline of social power. This is valid for work law for what it's worth of different parts of any overall set of laws.

Work Law likewise tries to set down least norm of business. It sets down standards by which fundamental states of work are satisfied, for example, greatest working hours, least wellbeing conditions, least arrangements for occasions and leave security for ladies and youngsters from difficult work, denial of kids beneath particular age from business and arrangement for least principles of division benefits and certain arrangement for advanced age.

Small-business proprietors as of now have a ton to stress over, and claims brought by workers are only another thing to add to that rundown of stresses. For some small businesses, a solitary ominous jury decision could drain organization resources enough to bring about chapter 11. Thusly, owners and managers should become familiar with the essential work laws that apply to their organization.

- **Workmen's Compensation Act of 1923**

The Workmen's Compensation Act remunerates a laborer for any injury endured over the span of his business or to his wards on account of his passing. The Act accommodates the rate at which remuneration will be paid to a worker. This is one of numerous governments backed retirement laws in India.

- **Trade Unions Act of 1926**

This Act sanctioned the standards and assurances conceded to Trade Unions in India. This law was corrected in 2001.

- **Payment of Wages Act of 1936**

The Payment of Wages Act manages by when wages will be dispersed to representatives by the businesses. The law additionally gives the expense savings the business should deduct and pay to the focal or state government prior to appropriating the wages.

- **Industrial Employment (Standing Orders) Act of 1946**

This Act requires managers in modern foundations to characterize and post the states of work by giving supposed standing requests. These standing requests should be endorsed by the public authority and properly affirmed. These orders plan to eliminate adaptability from the business as far as work, hours, timing, leave award, productivity measures and different issues. The standing requests command that the business order its workers, express the movements, installment of wages, rules for get-away, rules for wiped out leave, occasions, rules for end among others.

- **Industrial Disputes Act of 1947**

The Industrial Disputes act 1947 manages how businesses might address modern debates, for example, lockouts, cutbacks, conservation and so forth. It controls the legal cycles for compromise, settling of work debates. The Act additionally controls what rules and conditions businesses should consent before the end or cutback of a been in persistent worker service for over one year with the business. The business is needed to pull out of end to the worker with a duplicate of the notification to suitable government office looking for government's consent, clarify legitimate explanations behind end, and sit tight for one month before the work can be legally ended. The business might pay full pay for one month in lieu of the notification. Moreover, business should pay an identical to 15 days normal compensation for each finished year of worker's ceaseless service. In this way, a representative who has labored for a long time notwithstanding different notification and fair treatment, should be paid at least the worker's pay comparable to 60 days before conservation, assuming the public authority concedes the business a consent to cutback.

- **Minimum Wages Act of 1948**

The Minimum Wages Act recommends least wages in all endeavors, and now and again those working at home per the timetable of the Act. Focal and State Governments can and do amend least wages at their carefulness. The lowest pay permitted by law is additionally grouped essentially of work, area and various different elements at the tact of the public authority. The lowest pay permitted by law ranges between ' 143 to 1120 every day for work in the alleged focal circle. State legislatures have their own lowest pay permitted by law plans.

- **Industries (Regulation and Development) Act of 1951**

This law announced various key assembling enterprises under its supposed First Schedule. It put numerous enterprises under normal focal unofficial laws notwithstanding whatever laws state government authorize. It additionally held north of 600 products that must be fabricated in small scope undertakings, subsequently directing who can enter in these businesses, or more all setting a breaking point on the quantity of workers per organization for the recorded products. The rundown remembered all critical innovation and modern products for mid 1950s, including products going from specific iron and steel products, fuel subsidiaries, engines, certain apparatus, machine instruments, to ceramics and logical gear.

- **Employees Provident Fund and Miscellaneous Provisions Act of 1952**

This Act looks to guarantee the monetary security of the workers in a foundation by accommodating an arrangement of necessary investment funds. The Act accommodates foundations of a contributory Provident Fund in which workers' commitment will be basically equivalent to the commitment payable by the business. Least commitment by the workers will be 10-12% of the wages. This sum is payable to the worker after retirement and could likewise be removed mostly for specific indicated purposes.

12.4 POLLUTION CONTROL LAWS

In 1976, when the Indian parliament passed the 42nd amendment to its constitution protecting the climate, it turned into the primary country on the planet to do as such. The correction was to "attempt to secure and work on the climate and to shield the woods and untamed life of the country." It forces an obligation on each Indian resident "to ensure and further develop the indigenous habitat including timberlands, lakes, waterways, and natural life, and to have empathy for living animals." According to the Environment Protection Act of 1986, Environment is what incorporates the "interrelationship which exists among and between water, air, and land and human creatures, other living animals, plants, microorganism and property." Essentially, The Water (Prevention and Control) Act, 1974 can be viewed as genuinely the principal guidelines. It has been changed commonly from that point forward. Fundamentally, there are six Pollution guidelines:

1. The Water (Prevention and Control of Pollution) Act, 1974, and its corrections;

2. The Water (Prevention and Control of Pollution) Cess Act, 1974 and its corrections;
3. The Air (Prevention and Control of Pollution) Act, 1981 and its corrections;
4. The Environment (Prevention) Act, 1986 and its corrections, (a) National Environmental Tribunal Act of 1995 and (b) National Environmental Appellate Authority Act of 1997;
5. Hazardous Waste (Management and Handling) Rules, July 1989 and
6. The Public Liability Insurance Act, 1991.