

# **LECTURE NOTES**

**ON**

# **ENTREPRENEURIAL DEVELOPMENT**

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## UNIT-1

### **Entrepreneurship**

#### **Introduction**

Entrepreneurship refers to all those activities which are to be carried out by a person to establish and to run the business enterprises in accordance with the changing social, political and economic environments. Entrepreneurship includes activities relating to the anticipation of the consumers likes and dislikes, feelings and behaviors, tastes and fashions and the introduction of business ventures to meet out all these expectations of the consumers.

Entrepreneurship is considered as a new product that would enable businessmen to develop new form of business organization and new business activities catering to the changing needs of the society. The liberalization of cultural rigidities are mainly due to this new product 'entrepreneurship'. Entrepreneurship is the ability of entrepreneurs to assess the risks and establish businesses which are risky but at the same time suits perfectly to the changing scenarios of the economy.

#### **What is Entrepreneurship?**

There are many meanings of the term 'entrepreneurship'. After attentively discussing all the available ones, we can conclude that entrepreneurship is a system of operating business in which opportunities existing within the scope of a market are exploited. Self-employment necessitates that any available opportunities within the economic system should be utilized in the creation and functioning of new organizations. A potential entrepreneur should show the interest to seek out investment opportunities in the market, so that they can run the enterprise successfully based on the identifiable opportunities. Thus, going through the above responsibilities of an entrepreneur, the term 'entrepreneurship' has been finally defined as a function which covers multiple functions such as:

- Building organizations.
- Providing self-employment
- Utilization of available resources
- Innovation applied to the novel concept
- Bringing together multiple factors of production in a tangible manner.
- Identifying and exploiting business opportunities within the available market.

## **Who is an Entrepreneur?**

Entrepreneurs are business people who can detect and sense the availability of business opportunities in any given scenario. They will utilize these opportunities to create new products by employing new production methods in different markets. They will also function in different ways by using various resources who will give them profit. It is important to note that although most entrepreneurial businesses start small, the owners of such businesses need not be small scale owners. They could in fact be big business owners, who first try and test the waters before investing big time in the business. Small business owners dread risk, but successful entrepreneurs are very innovative and know how to operate profitably in a business environment, even if the risk is very high.

In fact, innovation is the life blood of any kind of entrepreneurs; this is one of the tools that helps them gain an advantage over established players in the market. Entrepreneurs are, thus, defined as -individuals or groups of individuals who carry out entrepreneurship activities that are based on their innovative approaches to solving real-world problemsl.

## **Types of Entrepreneurs:**

Based on their working relationship with the business environment they are functioning in, various types of entrepreneurs can be found. The chief categories are these four types of entrepreneurs, i.e.

- Innovative entrepreneurs,
- Imitating Entrepreneurs,
- Fabian Entrepreneurs, and
- Drone Entrepreneurs.

Let us now discuss each of them in detail.

**Innovative Entrepreneurs** : This type of an entrepreneur is more interested in introducing some new ideas into the market, organization or in the nation. They are drawn towards innovations and invest a lot of time and wealth in doing research and development.

**Imitating Entrepreneurs:** These are often disparagingly referred to as ‘copy cats’. They observe an existing successful system and replicate it in a manner where all the deficiencies of the original business model are addressed and all its efficiencies are retained. These entrepreneurs help to improve an existing product or production process and can offer suggestions to enhance the use of better technology.

**Fabian Entrepreneurs:** These are entrepreneurs that are very careful in their approaches and cautious in adopting any changes. They are not prone to sudden decisions and try to shy away from any innovations or change that doesn’t fit their narrative.

**Drone Entrepreneurs:** These are entrepreneurs who do not like a change. They are considered as ‘old school’. They want to do business in their own traditional or orthodox methods of production and systems. Such people attach pride and tradition to even outdated methods of doing business.

### **Roles of an Entrepreneur:**

Entrepreneurs fulfill the following three dominant roles:

- Economic Change
- Social Change
- Technological Change

These are referred to as behavioral roles. All entrepreneurs have these common characteristics and decide to become an entrepreneur due to the factors or circumstances in their lives which made them think the way they do. To do their work effectively and operate a successful business, these entrepreneurs should perform certain roles. These roles are the same as the basic managerial roles.

## **THE ENTREPRENEURIAL MINDSET**

Entrepreneurial mindset refers to a specific state of mind which orientates human conduct towards entrepreneurial activities and outcomes. Individuals with entrepreneurial mindsets are often drawn to opportunities, innovation and new value creation. Characteristics include the

ability to take calculated risks and accept the realities of change and uncertainty.

The traditional career path is an anachronism. Statistics show 40 to 50 percent of students entering college in 2016 will be self-employed or will freelance at some point in their careers, according to a study commissioned by Intuit. The economy, students' desires and the world's expectations of students are all very different than what I faced when I graduated college. There is no better way to prepare students for the world of the 21st century, whether they aspire to work for a large company, start their own business, go into academia or devote themselves to public service than through cultivating their skills in entrepreneurship.

When we teach entrepreneurship, the emphasis is on developing skills, not starting businesses. Of course we support and encourage those students who are passionate about launching the next Facebook, and there are many resources at MSU to help them. Rather the goal is about developing the inter-disciplinary skills that lead to the development of an entrepreneurial mindset.

To me the term embodies a set of cross-functional life and professional skills that describe someone who is innovative, resourceful and creates value. The entrepreneurial mindset can be applied in many contexts. It applies to employees in large, hierarchical entities, and it applies to community organizers, academics, inventors, doctors, lawyers, politicians, musicians and public servants. In no way is it unique to startup companies, and the skills that are developed are relevant to everyone. Our premise is that learning the entrepreneurial mindset is a critically valuable 21st century skill. Those who learn it well will have outsized success in their careers — no matter what they choose to do — because by definition they become resourceful and adaptable.

Entrepreneurism must be practiced to be learned. It is experiential. Just as you can't learn to swim at the library, you can't learn what entrepreneurship is about unless you have experienced it. We are putting programs in place now to add an experiential dimension to our entrepreneurship and innovation curriculum.

And for those students who aspire to start their own business, there is no better time to do it than while they are in college since the cost of doing so goes up an order of magnitude the minute they lose their full-time student status. On campus students have access to facilities (like our ideation center, The Hive), an incubator (The Hatch), mentors, support and funding. Building a business is hard and most fail. But that's not the point. The point is that in the trying, students develop skills that pay handsome dividends long into their careers — decades in my case. The justification is in the experience, not in the outcome.

### **The Revolutionary Impact of Entrepreneurship**

Many people around the world are calling for an -entrepreneurial revolution to fix social and economic problems. This call naively assumes that more entrepreneurs are needed to address these issues. Increasing the number of entrepreneurs, however, is not as critical as persuading entrepreneurs to improve their societies through growth, innovation and social transformation. The revolution should be one of transforming contemporary entrepreneurial culture to make it more socially minded.

Entrepreneurs are known for creating new ventures that creatively solve problems. This basic definition, I believe, has to be expanded to conceive of entrepreneurs as powerful agents of cultural change capable of transforming their societies. This does not mean taking time after work to address social issues. It means consciously incorporating social goals into entrepreneurs' strategic thinking as a means to maximize personal and collective benefits. It demands getting rid of the paradigm that only governments and established companies are capable of addressing social needs. Entrepreneurs, who operate closer to the people, are in a perfect position to identify and to tackle critical problems, such as poverty and the lack of access to health and education.

Contemporary societies are demanding more efficient and socially interconnected ways to satisfy their necessities. To make this happen, entrepreneurs must understand that, by establishing new ventures that aim both to create economic prosperity and to spur social development, they are ensuring their long-term sustainability. More developed nations translate into platforms for larger growth and even internationalization.

## **Functions of an Entrepreneur**

An entrepreneur is expected to perform the following functions.

### **1. Risk Absorption**

The entrepreneur assumes all possible risks of business. A business risk also involves the risk due to the possibility of changes in the tastes of consumers, techniques of consumers, techniques of production and new inventions. Such risks are not insurable. If they materialise, the entrepreneur has to bear the loss himself. Thus, Risk-bearing or uncertainty-bearing still remains the most function of an entrepreneur. An entrepreneur tries to reduce the uncertainties by his initiative, skill and good judgment.

### **1. Formulate Strategic Business Decisions**

The entrepreneur has to decide the nature and type of goods to be produced. He enters the particular industry which offers the best prospects and produces whatever commodities he thinks will pay him the most. He employs those methods of production which seem to him the most profitable. He effects suitable changes in the size of the business, its location, techniques of production and does everything that is needed for the development of his business.

### **1. Execute Managerial Functions**

The entrepreneur performs the managerial functions though the managerial functions are different from entrepreneurial functions. He formulates production plans, arranges finance, purchases raw material, provides production facilities, organises sales and assumes the task of personnel management. In a large establishment these management functions are delegated to the paid managerial personnel.

### **1. Adopt Innovation Function**

An important function of an entrepreneur is innovation. He conceives the idea for the improvement in the quality of production line. He considers the economic inability and technological feasibility in bringing about improved quality. The introduction of different kinds of electronic gadgets is an example of such an innovation of new products. Innovation is an ongoing function rather than once for all, or possibly intermittent activity.

## **Characteristics of Entrepreneur**

### **1. Facilitating Character**

An entrepreneur must build a team, keep it motivated, and provide an environment for individual growth and career development

### **2. Self-Confidence**

Entrepreneurs must have belief in themselves and the ability to achieve their goals.

### **3. Work with Vision and Mission**

An entrepreneur must be committed to the project with a time horizon of five to seven years. No ninety-day wonders are allowed.

### **4. High Degree of Endurance**

Success of an entrepreneur demands the ability to work long hours for a sustained period of time

### **5. Troubleshooting Nature**

An entrepreneur must have an intense desire to complete a task or solve a problem. Creativity is an essential ingredient

### **6. Initiative and Enterprising Personality**

An entrepreneur must have initiative, accepting personal responsibility for actions, and above all make good use of resources.

### **7. Goal Setter**

An entrepreneur must be able to set challenging but realistic goals.

### **8. Calculated Risk-Taking Ability**

An entrepreneur must be a moderate risk-taker and learn from any failures.

## **Distinguish Between The Terms Entrepreneur And Entrepreneurship:**

Though both the terms entrepreneurs and entrepreneurship are almost similar, they possess several differentiating terms with them. The differences between the entrepreneurs and entrepreneurship are as follows:

<b>Entrepreneur</b>	<b>Entrepreneurship</b>
An entrepreneur one who undertakes and operates a new enterprise and assumes some accountability for the inherent risks.	Entrepreneurship is the practice of starting new organizations, particularly new businesses generally in responses to identified opportunities.
Entrepreneur is often synonymous with founder.	Entrepreneurship ranges in scale from solo projects to major undertakings creating many job opportunities.
The person who starts and operates a business enterprise is an entrepreneur.	The process in which an entrepreneur starts and operates his business enterprise is entrepreneurship.
The entrepreneur is a coordinator as he coordinates all the three elements of production i.e. land, labor and capital.	Entrepreneurship is the coordination maintained by an entrepreneur.
The person who innovates something new is an entrepreneur.	The innovation of something new or the process of innovation is entrepreneurship.
He who leads an enterprise towards its vision through leadership, motivation is an entrepreneur.	The way in which an entrepreneur leads his manpower, motivates them for the achievement of the firms goal is entrepreneurship.
He who bears risk of the firm for the sake of making a reasonable	The risk bearing practice that is done by an entrepreneur is

## **Approaches to entrepreneurship:-**

**There are broadly four approaches to the study of entrepreneurship:**

- 1. Sociological Approach
- 2. Psychological Approach
- 3. Political Approach
- 4. Composite Approach

### **1. Sociological Approach:**

The sociological approach to the study of entrepreneurship deals with social and cultural factors responsible for the nature and growth of entrepreneurship development in a society. It attempts to understand as to why a social structure and culture facilitates or inhibits entrepreneurial development. It believes that laws of development lie in the social structure and culture of a region.

- It tries to seek answer to the question, why one segment of social structure produces larger number of entrepreneurs than the other. For example, it is mainly the Samurai community that could rise to entrepreneurship during the Meiji regime in Japan. Indian entrepreneurship, from the very beginning, has been dominated by three communities: the Parsis, the Gujratis and the Marwaris. They, however, continue to dominate the business sector even today.
- Max Weber, Cocharan, Young, Hoselitz and Hagen are prominent among the scholars known for sociological interpretation of entrepreneurial development. Max Weber's thesis is that Protestantism, and not Catholicism, could help generate entrepreneurship and modern capitalism. Weber believed that the Hindu religion of India did not have the potential to promote entrepreneurship.
- The traditional social structures; the caste and the joint family which were essential attributes of the Hindu society, according to Weber, have been detrimental to the process

of entrepreneurial growth. Kapp (1963) also holds the Hindu culture and Hindu social organization responsible for slow pace of development and suggests that -a lasting solution of the problem can be found only by a gradual but systematic transformation of India's social system, world view and the level of personal aspirationsl.

- The backward economies, according to Hoselitz, exhibit usually a lack of reliance on achievement as a norm for acquiring economic goods. Achievement-oriented behaviour is however not fully absent but exists only in limited cases.
- Distribution of economic goods in primitive societies and also in medieval societies has been typical example of ascriptive way of distribution pattern. The advanced societies, on the other hand, exhibit the norms of achievement-oriented behaviour. In such societies, there is system of formal education and vocational and professional training.
- The second characteristic of underdeveloped economies is the prevalence of particularism in the distribution of economically relevant tasks among performers. Particularistic pattern of distribution has been prevalent, for example, in the traditional Indian caste system. The advanced societies have universalistic i.e., rational approach to the allocation of resources.
- Again, it is to be emphasized that both these variables do not exist in the respective societies in their pure forms. The movement of society is seen from particularistic to universalistic system as it moves from backward to advanced economy. Sir Henry Maine has also postulated this movement with different terminology and that is from 'status to contract'.
- Thirdly, in the backward societies, economic activities are quite diffuse. It is so because of the fact that there is a low level of development of division of labour. Partly it is the result and, at the same time, cause of the low level of productivity. Thus, the specialization of tasks and the finer division of labour require the development of principle of specificity and rational allocation of roles.
- Specificity is the outcome of rational planning, the result of the combined application of the principles of universalism and achievement as the norm to economically relevant social situations. Hoselitz concludes that the analysis of social structural aspects of the differentiation between -advancedll and -underdevelopedll economies leads us to conclude that we expect the former to exhibit predominantly universalistic norms in

determining the selection process for the attainment of economically relevant roles; that the roles themselves are functionally highly specific; that the predominant norms by which the selection process for those roles is regulated are based on the principle of achievement, or -performance.

- In an underdeveloped society, on the contrary, particularism, functional diffusion and the principle of ascription predominate as regulators of social structural relations especially in its economic aspects and the orientation of actors in economically or politically influential roles is determined predominantly by considerations of their ego.
- Entrepreneurial characteristics, such as the ability to make new combinations of factors of production, managerial skill perception of opportunity, risk-taking, inventiveness and achievement motivation are not merely a pale reflection of these antecedent conditions; they constitute an independent causal factor mediating between structural factors and consequent economic development.
- Modern democratic system is more conducive to the development of innovative behaviour. According to him, they are more prone to taking up entrepreneurship as a career whose existing social status has been denigrated in the course of historical change.

## **2. Psychological Approach:**

We have understood by now that the entrepreneur is not a common person. He has a typical personality with creative, managerial and imaginative skill who can innovate and contribute positively to an industrial project. This kind of personality develops in a person who has strong motivation for achievement.

- David McClelland, the greatest exponent of the psychological approach to entrepreneurship, is of the view that the genesis and performance of entrepreneurs requires strong motivation for achievement. The achievement motivation, according to McClelland, is a function of child rearing practices in a society.
- Unlike the sociological approach which asserts that the existing social structure determines entrepreneurship and economic development, the psychological approach seeks to find out how the social structure affects the attitude of the people of a society. Areas like entrepreneurial commitments, tendency of saving and investment and business management have been usually covered by the studies carried out by psychologists.

- Collins, Moore and others have examined a sub-category of business leaders. Their study of innovating entrepreneurs revealed that many of their subjects had experienced childhood poverty and disrupted family lives which stimulated strong motivations for personal achievements.
- John H. Kunkel questioned the validity of many psycho-dynamic concepts and principles and the unresolved controversy surrounding the role of social structure and personality in the process of economic development. He propounds the behavioural approach as an alternative.
- Joseph Schumpeter, the first to offer a systematic interpretation of entrepreneurship, had psychological perspective in his mind when he said that the entrepreneur possesses energy of will and mind to overcome fixed habits of thought and the capacity to withstand social opposition.

### **3. Political Approach:**

- The political approach to entrepreneurship deals with the issues involved in relationships between entrepreneurship development and the state particularly in the context of the role of the latter in the development of entrepreneurs. The role of the government is crucial in deciding the nature and rate of development.
- Rapid growth of industries and good pace of economic development largely depend on the merit of economic policies of the government. Democratic and relatively stable governments are supposed to be conducive to economic development.
- Entrepreneurial supply would be greater in a state which believes in the ideology of capitalistic liberalism and provides requisite credit facility, appropriate training opportunity, technological and scientific knowledge and adequate incentive.
- The Government of India pursued the policy of mixed economy till the end of 80s of the 20th century which could not contribute to growth rate of 3 to 4 per cent for over 40 years of the economic regime of the country. Corruption, laziness, traditional power structure and weak governance, responsible for sluggish development, could not be removed by the state.

- Economic reforms initiated by India from 1991 with an objective to liberalize economic policies, promote individual investors and bring about structural adjustment have undoubtedly yielded significant results.
- Entrepreneurial growth in India had been very slow till 1990. A long span of colonial rule and the following strict and partially controlled economy and red-tapism did not allow fast entrepreneurial growth. By 1990, the number of small-scale units in the country was about 10 lakh which, due to economic reform movement, swelled up to about 35 lakh by 2005.
- Political studies on entrepreneurship have revealed that the late growth of entrepreneurship in Russia and France had been due to the existing political conditions in the countries. Japan's fast entrepreneurial growth can be attributed to the country's political system which peculiarly integrated the industrial and agricultural economy.

#### **4. Composite Approach:**

- The entrepreneurship is a complex phenomenon. None of the approaches discussed above has been able to explain the entrepreneurial dynamics fully. Due to their non-holistic nature, they have failed to offer the precise laws of supply and success of entrepreneurship.
- It has been observed that entrepreneurial behaviour is an outcome of the interplay of multiple social, cultural, economic, political and psychological factors. No single factor is entirely responsible for the supply of successful entrepreneurs. We, in our study of carpet manufacturers in the Bhadohi-Mirjapur belt in India, found no manufacturer entering into business on account of any single factor.
- Dwijendra Tripathi also, in his comparative study of historical roots of industrial entrepreneurship in India and Japan, has observed that the emergence, performance and perception of entrepreneurs can be understood by an integrated approach which would take into account all the possible sociological, psychological, economic and political factors contributing to the increase in entrepreneurial behaviour.
- The variables like business acumen, motivation for achievement, modern and progressive value orientation, minimum necessary capital, technical knowledge, adequate market and

favorable political conditions need to exist together for the development of a milieu conducive to entrepreneurial supply and industrial development.

#### Entrepreneurship Challenges in 21st. Century:

The definition of entrepreneurship has been debated among scholars, educators, researchers, and policy makers since the concept was first established in the early 1700's. The term -entrepreneurship comes from the French verb -entreprendre and the German word -unternehmen, both means to -undertake. Bygrave and Hofer in 1891 defined the entrepreneurial process as 'involving all the functions, activities, and actions associated with perceiving of opportunities and creation of organizations to pursue them'. Joseph Schumpeter introduced the modern definition of 'entrepreneurship' in 1934. According to Schumpeter, 'the carrying out of new combinations we call 'enterprise', and — the individuals whose function it is to carry them out we call 'entrepreneurs'. Schumpeter tied entrepreneurship to the creation of five basic 'new combinations' namely: introduction of a new product, introduction of a new method of production, opening of a new market, the conquest of a new source of supply and carrying out of a new organization of industry. Peter Drucker proposed that 'entrepreneurship' is a practice. What this means is that entrepreneurship is not a state of being nor is it characterized by making plans that are not acted upon. Entrepreneurship begins with action, creation of new organization. This organization may or may not become self-sustaining and in fact, may never earn significant revenues. But, when individuals create a new organization, they have entered the entrepreneurship paradigm.

The study of entrepreneurship has relevance today, not only because it helps entrepreneurs better fulfill their personal needs but because of the economic contribution of the new ventures. More than increasing national income by creating new jobs, entrepreneurship acts as a positive force in economic growth by serving as the bridge between innovation and market place. Although government gives great support to basic and applied research, it has not had great success in translating the technological innovations to products or services. Although entrepreneurship offers a promise of marriage of those research capabilities and business skills that one expects from a large corporation, the results have not been spectacular. This leaves the entrepreneur, who frequently lacks both technical and business skills, to serve as the major link in the process of innovation development, and economic growth and revitalization. The study of entrepreneurship

and education of potential entrepreneurs are essential parts of any attempt to strengthen this link so essential to a country's economic well-being.

**Questions:**

1. What are the approaches to entrepreneurship?
2. Explain the revolution impact of entrepreneurship.
3. Distinguish between 'entrepreneur', 'Entrepreneurship' and 'Enterprise' Discuss the role of an entrepreneur for economic development.
4. How can an organizational development be aided by having a good entrepreneurial mindset.
5. What are the new trends you have noticed in Entrepreneurship during 21<sup>st</sup> century?

## UNIT - 2

### **The Entrepreneurial Mindset and Personality:**

The Entrepreneurial Mindset refers to a specific state of mind which orientates human conduct towards The Entrepreneurial activities and outcomes. Individuals with entrepreneurial mindsets are often drawn to opportunities, innovation and new value creation. Characteristics include the ability to take calculated risks and accept the realities of change and uncertainty.

The Entrepreneurial Mindset offers a refreshingly practical blueprint for thinking and acting in environments that are fast-paced, rapidly changing, and highly uncertain. It provides both a guide to energizing the organization to find tomorrow's opportunities and a set of entrepreneurial principles you can use personally to transform the arenas in which you compete. The authors present simple but powerful.

They show how to: eliminate paralyzing uncertainty by creating an entrepreneurial frame that shapes a shared understanding of what is to be accomplished; create a richly stocked opportunity register to redesign existing products, find new sources of differentiation, resegment existing markets, reconfigure market spaces, and seize the huge upside potential of breakthroughs; build a dynamic portfolio of businesses and options that continuously move your organization toward the future while simultaneously leaving the past behind; execute dynamically your ideas so that you can move fast, with confidence and without undue risk; and develop your own way of leading with an entrepreneurial mindset to create a vibrant entrepreneurial climate within your organization.

## Personality:



In order to organize and run a business successfully, an entrepreneur must possess **certain traits important for driving success**. Some of them are:

- ▢ **Self-confidence:** Others will trust you only when you trust yourself. This is the most important trait of an entrepreneur, who should have the confidence to take one's own decisions.
- ▢ **Risk-taking ability:** Business is all about taking risks and experimenting. Entrepreneurs need to have a risk-taking ability.
- ▢ **Decision-making ability:** Entrepreneurs should have the willingness and capability to take decisions in favor of the organization all the time.
- ▢ **Competitive:** Entrepreneurs should always be ready to give and face competition.
- ▢ **Intelligent:** Entrepreneurs always need to keep their mind active and increase their IQ and knowledge.
- ▢ **Visualization:** Entrepreneurs should have the ability to see things from different point of views.
- ▢ **Patience:** This is another virtue which is very important for entrepreneurship as the path to success is often very challenging and it requires a lot of patience for sustenance.
- ▢ **Emotional tolerance:** The ability to balance professional and personal life and not mixing the two is another important trait of an entrepreneur.
- ▢ **Leadership quality:** Entrepreneurs should be able to lead, control and motivate the mass.

- ▢ **Technical skill:** To be in stride with the recent times, entrepreneurs should at least have a basic knowledge about the technologies that are to be used.
- ▢ **Managerial skill:** Entrepreneurs should have the required skill to manage different people such as clients, employees, co-workers, competitors, etc.
- ▢ **Conflict resolution skill:** Entrepreneurs should be able to resolve any type of dispute.
- ▢ **Organizing skill:** They should be highly organized and should be able to maintain everything in a format and style.
- ▢ **High motivation:** Entrepreneurs should have high level of motivation. They should be able to encourage everyone to give their level best.
- ▢ **Creative:** They should be innovative and invite new creative ideas from others as well.
- ▢ **Reality-oriented:** They should be practical and have rational thinking.

### **The Entrepreneurial journey – Stress and Entrepreneur:**

#### **Entrepreneurial journey:**

Nobody is born an entrepreneur. Different people take different paths to achieve success, and there is no set-in-stone instruction for becoming one. Entrepreneurs take on a number of different roles and these roles can vary depending on what field you choose to enter.

While there is no perfect guide to entrepreneurship, there are a few steps that should be taken before beginning the endeavor, however. As with most forms of success, one way to achieve your goal is by avoiding mistakes. Following these pieces of advice could prevent you from starting off your life as an entrepreneur on the wrong foot.

#### **1. Have the right mindset.**

I often see people who want to be an entrepreneur and can't figure out why their goal isn't working. In the end, they simply aren't thinking like an entrepreneur. The first thing that new entrepreneurs need to know is that failure is likely and success is not given. Understand the risk you are taking, and also understand that you will most likely not succeed immediately.

## **2. Be honest with yourself.**

The life of an entrepreneur can be great -- you're your own boss, you make the rules, you run the business. However, all of these are easier said than done. Entrepreneurship isn't an easy path. Instead, it is often much more difficult than getting a regular job.

One reason entrepreneurship isn't easy is because, at the end of the day, you can only ever blame yourself. At a corporation you can blame your boss, or perhaps the economy as a whole. As an entrepreneur, you will be looking for a niche in the market that you can fill. Excuses won't cut it in this field. If your business failed, chances are that you researched poorly, you hired the wrong people or you just weren't prepared.

## **3. Start thinking.**

Just because some college drinking buddies want to open a bar doesn't mean they should. Likewise, just because you've come up with what you think is a good idea doesn't mean it's perfect. There's a lot of research, planning and general deep thought needed to succeed as an entrepreneur. Without proper preparation, your dream business could fail quite quickly.

At the same time, no amount of preparation is going to ensure that your business will succeed. You need to be the one who knows when you're ready. Decisiveness is important to have, but you should have ample preparation before the big decisions need to be made.

## **4. Find a mentor.**

This is one of the most important steps you can take to lay a foundation for success. When you have expert guidance, support, and motivation -- you are 100 times more unstoppable than you are alone. Mentorship allows you to quantum leap straight to the head of the game more rapidly than if you tediously faced down every beginner's hurdle. Avoid pitfalls, mistakes that could cost you your future, and rash decisions by having someone in your corner.

I credit having a mentor from the outset as the reason I was able to attain success. It's an invaluable resource for anyone who is serious about getting where they want to go. Get online, get out into the world, connect with the people who inspire you -- especially the one's whose

paths you admire -- and develop a working relationship with someone who has done what you want to do. It can change everything.

## **5. Commit.**

Once your business idea is prepared and you're ready to be an entrepreneur, the last thing you need to do is commit. If you truly want to succeed, put in 100 percent effort. Effort will always trump luck and skill, so if you're serious about being an entrepreneur then you should never stop trying.

### **Stress and Entrepreneur:**

With Network Group being a collective of dynamic and successful entrepreneurs, stress is a close companion in the life of an entrepreneur, which can also sometimes lead to periods of depression. So it is timely to be putting the spotlight on some of what it means to speak out about one of the more silent and unspoken aspects of being an entrepreneur (or sometimes it's called being a solopreneur).

Every entrepreneur starts out with big dreams and excitement. As an entrepreneur, you control your own destiny, and with the right ideas, the right skillset and unflinching dedication, you can build wealth or establish an enterprise to serve as your legacy.

This is the bright side of entrepreneurship, but unfortunately, there's also a darker side. The rigors of entrepreneurship demand sacrifices. Business is, at its core, a give-and-take process. The more you invest, the more you'll reap in rewards in kind. Within this there are some areas of sacrifice that nearly every entrepreneur makes, as a start-up and also along the business success journey in varying degrees – stability; work/life split; income; sleep; and comfort.

### **Dealing with entrepreneur isolation**

Entrepreneurs are often stereotyped as gregarious wheelers and dealers who network their way to fame and fortune. Some do. But many also find entrepreneurship a lonely pursuit, one so isolating at times that business builders need to take steps to safeguard their wellbeing.

This feeling of isolation is a common theme with small business owners or entrepreneurs struggling to build a venture, or dealing with a horrific business failure that may be compounded by relationship loss or mental illness, such as depression.

Entrepreneurs face a unique set of challenges when depressed. That's because for many entrepreneurs, their personal health is reflected in their business health.

Entrepreneurs know that their business successes are personal successes -- and their business challenges are personal challenges. The phrase -it's not personal; it's business doesn't apply to them. And so a personal struggle like depression leads to business challenges, including lost revenue and team conflicts.

Isolation is also a depression trigger. It's so important for entrepreneurs to safeguard against isolation and have tools to deal with it. This is often easier said than done. But one very supportive course of action is to belong to a group such as Network Group, and interact with your entrepreneurial peers who may well be experiencing, or have trod a similar path at one point. Isolation can lead to loneliness when it starts to feel like a darkness.

### **Don't let the loneliness of Entrepreneurship kill you"**

It's lonely at the top. And that potentially could kill you.

We all know how stress walks hand-in-hand, knuckles white, with entrepreneurship, because of the constant need to put out the fires in front of us. Entrepreneurs, after all, are crazy enough to believe fighting fires is more fun than fire prevention. We often look to stress management - exercise, more/less sleep, yoga/pilates - as a way to prolong our lives in this, the madcap life we've chosen. But we may be missing the real silent killer: Loneliness.

We aren't talking about simply acting alone. It's important to remember how the theologian Paul Tillich viewed it, with loneliness expressing the *pain of being alone*; rather than solitude, which expresses the *glory of being alone*.

Many entrepreneurs start out believing (and, more importantly, trusting) themselves and themselves alone. After all, entrepreneurship generally comes from a product or idea sprung from your head, and so a company is uniquely yours. It is a part of you.

Along the entrepreneurial journey, there are a good number of successes to share with your team, with your stakeholders and your customers. But there are a ton more failures and setbacks. Few people around you share in those. That means you are essentially alone. You can only rely on yourself. That's, though, when solitude can turn to the more corrosive loneliness. And that's where the health problems start.

A new study from researchers at the University of North Carolina shows that loneliness can "vastly elevate" a person's risk of heart disease, stroke and cancer, making it as dangerous to your health as a lack of physical inactivity in youth or diabetes in old age.

The research assessed loneliness across several life stages, but the overall picture is clear: loneliness can kill

### **Collaborate & Co-work**

While your instinct might be to always go it alone, you run the risk of self-imposed isolation, which almost always leads its close cousin, depression. Rather than isolate yourself, take on a partner or co-founder. For one thing, you'll have someone to talk with who is invested in your success. Second, it gives you the opportunity to get someone with complementary skills. Maybe you're a tech whiz, so you need someone who is a skilled marketer.

True, having a partner sometimes sucks, and you might find that even a founder needs to be fired down the line, but it can also be a wonderful, productive relationship.

### **Convert it.**

Reflection always gives your mind the pause it needs to recharge. Be still, and know you can do great things.

## **Cry.**

*“I cry. I'm not ashamed of it. One Father's Day, shortly after my divorce, my kids picked up a set of grill tools for me for my new house. I bawled. Since then, my kids pretend to cry every time I pick up a spatula.”*

We go through a range of emotions, but they really only get us in trouble if we let them manage us, rather than the other way around. Loneliness is a feeling, nothing more. After all, you can be lonely in a crowd of friends. Like all feelings, they need to be felt and then addressed. Cry it out. Have that pity party for yourself. Then wipe your nose and move forward.

## **Get Help.**

Depression is the cancer of entrepreneurship, and more and more business leaders are handling their own mental issues more effectively. If loneliness is leading to a true mental-health condition, find a therapist. If you just need to talk about where your life or business is heading, hire a coach. If it's a spiritual crisis, find that bar where the priest always seem to walk in. Talk to your mentor. Call your dad. Find anonymous online help if you need. *The greatest loss that comes from loneliness or depression is perspective.* Only someone who isn't you can truly see you without the biases our internal mirrors show us. My experience has been that people generally want to help others, so unburdening is rarely a burden.

I'd never presume to tell people how to live their lives, and experience tells me that lonely entrepreneurs are the least likely to listen anyway. But life is too important to spend it lonely – so why not take a few steps to correct that. Slowly but surely, more entrepreneurs are coming out about depression and seeking support.”

## **Opening up**

Slowly but surely, the tide is beginning to turn. People working in the tech community say it still has a very long way to go. For the stigma around mental illness to go away, more leaders will have to come out from the shadows and for those who work with them to be receptive to not judging, even to providing a shoulder to lean on, to encourage more startup leaders and employees - or anyone in the tech industry - not only to seek help, but to help each other.

The goal of this initiative is simple: -It's whatever you're going through, you're not alone. Talking about stress, anxiety and depression with someone else can make it okay, like there's nothing wrong with feeling this way. It's entrepreneurs helping other entrepreneurs, creating awareness and taking care of each other in tough times. And to destigmatise depression.¶

So how can business leaders reach the light at the end of the depression tunnel and avoid toxic triggers?

### **1. Look beyond self-help.**

Allowing for a shift from depression to fulfilment, a tech industry entrepreneur says, "I realised the success of my life and business was not determined by what I accomplished but rather by my ability to be fully present - to my family, my friends, my clients. And from this, my business grew in a different way."

### **2. Find a safe space.**

Part of what gives depression its power is the shame and the perceived need to conceal those feelings. But opening up in a safe space allows authentic vulnerability to eradicate shame.

Having an entrepreneurial support system isn't a bad idea either to have a safe place to share business and personal struggles. The fellow entrepreneurs in your mastermind or network group may have a deep understanding of the issues you're facing and can provide keen insights for solutions.

### **3. Close the gap.**

It's natural for entrepreneurs to chase the horizon. But when you're in a depressed state, the horizon seems further and further away. What once was a lofty goal turns into an unachievable, daunting odyssey, so why not shift your perspective and close the gap in your thinking during this time?

In depression, you tend to focus on everything you haven't achieved and focus solemnly on where you think you should be.

Instead, practice the act of looking back, acknowledging and celebrating what you have accomplished. Observe and appreciate every step, big or small, that you've taken traveling on the path toward your vision. With this practice, you'll see that you're closer to your goals than your depression wants you to believe. Closing the gap will give you positive, motivating fuel to take more action.

You're not alone in feelings of stress or depression, or any mental health matters. Many people struggle to cope at one point or another and going through a range of emotions during this time is common. **These feelings may not last forever.** Everyone feels low at some point in their lives and if you're struggling to cope it may be difficult to see beyond your current situation. Talking about how you're feeling can help put things into perspective and help you to feel more positive about the future.

There is a no 'one size fits all' and not everyone's journey will be exactly the same, but you can always find value in sharing your story with others, and them with you, to touch and support you in a unique way and perhaps be the turning point for you with your own challenges.

### **9 Mantras to Make Your Entrepreneurial Journey Stress-Free**

Why should you live by any *mantras*? Because, that's what gets your house in order. Being a startup entrepreneur can be quite daunting. Let's face it, starting up isn't easy. The toughest thing about starting up is taking the first step into entrepreneurship.

But once you do that, you embark on a fascinating journey of self-discovery. You will realize many things about yourself that you did not until now. The last thing you want then is to come across situations that slow down your pace.

I know, you'd be interested in learning what is it that can help you propel your growth. I've drawn out these 'Rules' to live by from my personal experience that will help you in every aspect of your entrepreneurial journey.

**1. Do not procrastinate.** I always execute the most important task in the moment. If it is important to be done right now, I don't put it off, whatever be the reason.

This is especially important for aspiring entrepreneurs. If you want to startup, do it now. That is what separates you from successful entrepreneurs. They did it. Nothing in this world can be excuse for doing something that you really want, right now.

**2. Write for one hour everyday.** Why should you write? For one, writing brings order in your life. Writing helps you to give your thoughts structure. Writing gives you clarity. You have many thoughts throughout the day about your business, ideas that you feel could potentially be developed into game changers, opinion about various things, etc.

Once you start penning these down, you will notice that your thoughts translate into action. And this is because when you start to write, you get more clarity about your thoughts. You are compelled to think deeper about the topic rather than a mere uninformed opinion.

And when you go deeper into your thoughts, you realize a lot of those can be put into action. So don't bother about how well your sentences and grammar is structured. It is about your insights and not the prose itself.

**3. Meditate every morning.** -Many people often find they are constantly going over problems in their minds and this can lead to judgment becoming clouded. For entrepreneurs, meditation is of exceptional importance since decision-making is a key to success. Meditating on a regular basis will allow your mind to rest and recuperate and for you to make clear well informed decisions,|| Glenn Harrold, best-selling author and hypnotherapist explained this concept to me.

Don't think you need hours everyday to meditate. Meditation can be done in the most non- intrusive way possible. Glenn adds, -Once you get the hang of it, you will be amazed at how

good you will feel as a result and how quickly it can become part of your routine, even if you have a busy day-to-day schedule. It is said that Margaret Thatcher (the ex-Prime Minister of the United Kingdom) meditated daily, despite only getting four hours of normal sleep per night. Love her or loathe her, she did get a lot of things done!!

**4 I never check my email until I'm in office.** This leaves me with ample time in the morning to relax and set the agenda for the day. It leaves me with less clutter on my mind or things to worry about. It also helps me get a lot of work done first thing in the morning — writing, meditating and setting focus on the important tasks of the day.

**5 Say something positive,** constructive or a few words of appreciation to each member of your team every day. You will start to see the positive aspect of each individual and focus on what they're really good at. It will help boost your team's morale and also tells them that you're noticing their contributions. The more you express gratitude, the more you get.

**6 Write a to-do list.** Easier said than done, but it must be done. When you wake up in the morning, pick up a handbook and jot down all the tasks that you need your attention that very day.

Now, start striking off tasks that you can live without. Your focus should be retaining only five tasks that you absolutely must do today that will help you to get from point A to point B. Not 10 and certainly not six. Just five.

Why five? Let's say you get about eight productive working hours each day. You then want to spend at least a good hour and a half's focus on completing each task.

There, you've just made your day a 100 percent more productive than it already was.

**7. I just don't watch television.** Period. You can too discover that you suddenly have so much more time in a day when you cut this idiot box out of your life.

**8 Be the best at one thing in your life and be known for that.** Matt Wilson, co-founder of Under30Media told me, -Everyone has a brand whether you intended to have one or

not - good or bad, the people who know you have an image of you in their head. Your goal should be to be in control of this. Think to yourself — what can I be best in the world at and develop that skill, and be known for that.¶

Personally, I am best at working with entrepreneurs helping them launch their startup. I love to see them smile and take something back from the advice that I provide them. Their happiness makes me happy. And successful. So, everything that I do in a day, every day, is towards spreading more and more of that happiness.

**9. There's no shame in failing.** I did thrice in my career. Yes, I've failed thrice before I launched my fourth successful venture, Arkenea Technologies.

-Don't fight failure. Take it in and redefine what motivates you. If you can get up over and over again after being knocked down and teach others to do the same, then you can become a person of character with strong moral values and a center that can't be shaken. After all, the practice of failure is necessary and never giving up is really the mark of an entrepreneur,¶ Ben Huh, founder of Cheezburger once told me.

Whatever be your circumstances or challenges, these rules will keep you warm when the chill sets in. These rules will keep you going in the toughest of times.

### **Entrepreneurial Ego**

**Entrepreneurs need a very healthy ego to succeed.** Many might be self-effacing and humble, but there still has to be a deep-seeded, positive sense of self and ego. Some might call it drive. That's part of it. Courage and belief in one's own abilities is also important. Natural leadership qualities and a desire to lead are driven by ego.

**Ego is important. Without a healthy ego entrepreneurs don't have the necessary internal reserves to survive the daily rigors of startup life.** But I'm generally not attracted to huge egos without the parallel humbleness that should come with it and the recognition that any real success involves multiple factors. It's very rare that one person can take all the credit (or all the blame!) When a successful person openly recognizes that other

factors impacted their success — luck, for example – I know that person has a healthy ego, the kind of ego that helped drive that person to succeed without putting them over the edge.

### **How the Ego Works**

The ego moves the project forward and the business starts to gain momentum. The cash starts flowing in and everything seems to go just right. The entrepreneur gains more and more confidence in the process. The company grows and grows. And then . . . (listen for the screeching halt.). Things start getting chaotic. But, the entrepreneur blames the chaos on how awesome they are and how quickly the company is growing – which is only partially accurate. Employees begin to complain about the chaos and lack of processes; customers lament about

-how it used to be so much better before now! . . . and the entrepreneur explains, -It is just a result of our continuous, fast growth! We're growing at 40 percent. Isn't that great?!

Want to know how to easily spot one of these ego-filled creatures so you can avoid working with them as employees, partners or clients? Here are a few items to pay particular attention to:

**They think they did all the work.** Such individuals have racked up some success, yet they feel the need to take all the credit. Yep, they built the company with their bare hands, did all of the sales and marketing, ran the numbers every night until 2 a.m., emptied trash cans and even replaced the toilet paper rolls. Be fearful of people who won't give [recognition](#) to those they surround themselves with. In fact, search for the opposite: Some of the greatest business and political [leaders](#) in history were completely opposed to taking credit for themselves and instead shifted it to their team members.

**They think they're the smartest people in the room.** Ever been around those folks who constantly talk about how smart they are or how stupid everyone else is? Look, if they have to tell others that they're smart, ethical or generous, it's pretty obvious that they're merely trying to convince themselves and could be the opposite. Such individuals pose a serious risk to your business for multiple reasons. For starters, there's the fact that they probably won't be open to outside opinions or ideas, will always think they're right and even believe their own nonsense -- even if most others won't.

**They won't give up control.** Everyone is familiar with control freaks or micromanagers. They feel that the only way to get something done is to do it themselves, which leaves their employees extremely unhappy and their own schedules dramatically overfilled. Then there's the problem that results from their inability to properly train and [delegate](#). Notice, I didn't say dump; there's a major difference. This is why their calendars are so mind-numbingly busy that they can barely function and feel the need to have their hands in every single project or process.

**They talk but don't listen.** It's common knowledge that people love talking about themselves. Furthermore, Dale Carnegie's *How to Win Friends and Influence People* explains the importance of getting people to talk about themselves, particularly in a sales setting.

But the big-ego types tend to turn each and every conversation into a story about themselves. They may even go a step further and turn their story into one that is clearly better than yours. Their sense of ego makes them incapable of listening, which is bad in the office -- especially in a sales setting where success is largely built from one's ability to [listen](#) and understand, not simply respond.

Let's be clear; there is a difference between being confident and being overly egotistical. Do you want a hint about how to avoid entering that territory? Keep in mind one simple word that can keep your ego in check: humility. It really is the perfect solution for every occasion.

### **The Entrepreneurial Motivations**

What is the incentive for starting a business? Is it money alone? True, many entrepreneurs achieve great wealth. However, money is almost always tight in the startup and early phases of a new business. Many entrepreneurs do not even take a salary until they can do so and still leave the firm with a positive cash flow. The factors that motivate people to take all the risk and start a new enterprise can be identified. The **6Cs that motivate entrepreneurs** to establish their own business are as follows:

**Change** – Entrepreneurs frequently want change, not only change, they also want to be the bearers of change. They are solution givers and want to interrupt the status quo. They have a

vision like "I want to assemble the world's information" or "I want to put an AC at every desk" and they take an attempt to make this change. In this attempt, some succeed and some fail.

**Challenge** – Some people love challenges and they opt for starting a new business as it is very challenging to handle big problems. These people find typical job in a big corporate as boring and not challenging enough.

**Creativity** – Running one's own business is all about being more creative and having the independence to make new discoveries. For example, testing a new website design, launching a new marketing scheme, creating inventive items that solve a known issue in a different way, creating new advertising campaigns, etc. One needs to have an infinite room to welcome and introduce creativity in a small business.

**Control** – Some people tend to start a business because they don't want to be pushed around and work for a product/company in which they have no way to shape their destiny. They want to be their own boss having their own time, own pace, location of their choice, employees of their choice and have a progressive role in deciding the direction of the company.

**Curiosity** - Successful entrepreneurs are always anxious and ask - "what if we do X this way?" They want to have more than one option to do a work and choose the best one from them. They want to understand the customer's perceptions, point of views, markets and competitors. They are frequently anxious to see how their particular theory like "people want to do A with B" works. In this aspect, they can't be differentiated from a scientist who is trying to prove his theorem.

**Cash** – The last but not the least part is the cash. Money says it all. Many non-entrepreneurs have a misconception that cash comes first for entrepreneurs but this is never really true. If this would be the case, then there is no reason for an Ellison or Gates to keep expanding their business aggressively after they have made more than billion dollars. However, money is not the primary motivation.

### **Results of Motivation:**

Successful entrepreneurship needs determination, freedom, discipline, connectivity and an abundance of skills in planning. People with a complete package of physical strength combined with perseverance, mental strength, and self-discipline have the passion and urge to succeed.

**With proper motivation, we get the following outcomes:**

**Heavy industrialization:** Tremendous growth can be seen in industrialization. Example: Companies like TISCO, TELCO have been set up and are flourishing.

**Self-employment:** A common man gets a chance to make a difference, set a new standard of industrial growth. Example: Entrepreneurs like Dhirubhai Ambani and Azim Premji are born.

**Economic growth:** When there is growth in an individual's economy, there is a growth in the company's economy, which in turn results in the growth of that particular area and country. Example: Emergence of smart cities concept.

**Creating new jobs:** More entrepreneurship leads to more job openings. More job openings leads to more employment opportunities.

**Proper social benefit:** When a country's economy grows or increases we see that more advanced and proper social benefits are provided to the general public like construction of roads, school, hospital, colleges, etc.

### **Corporate Entrepreneurship:**

Entrepreneurship Corporate Entrepreneurship Activities that receive organizational sanction and resource commitments for the purpose of innovative results. Innovative results

A process whereby an individual or a group of individuals, in association with an existing organization, creates a new organization or instigates renewal or innovation within the organization

### **Conceptualizing a Corporate Entrepreneurial Strategy:**

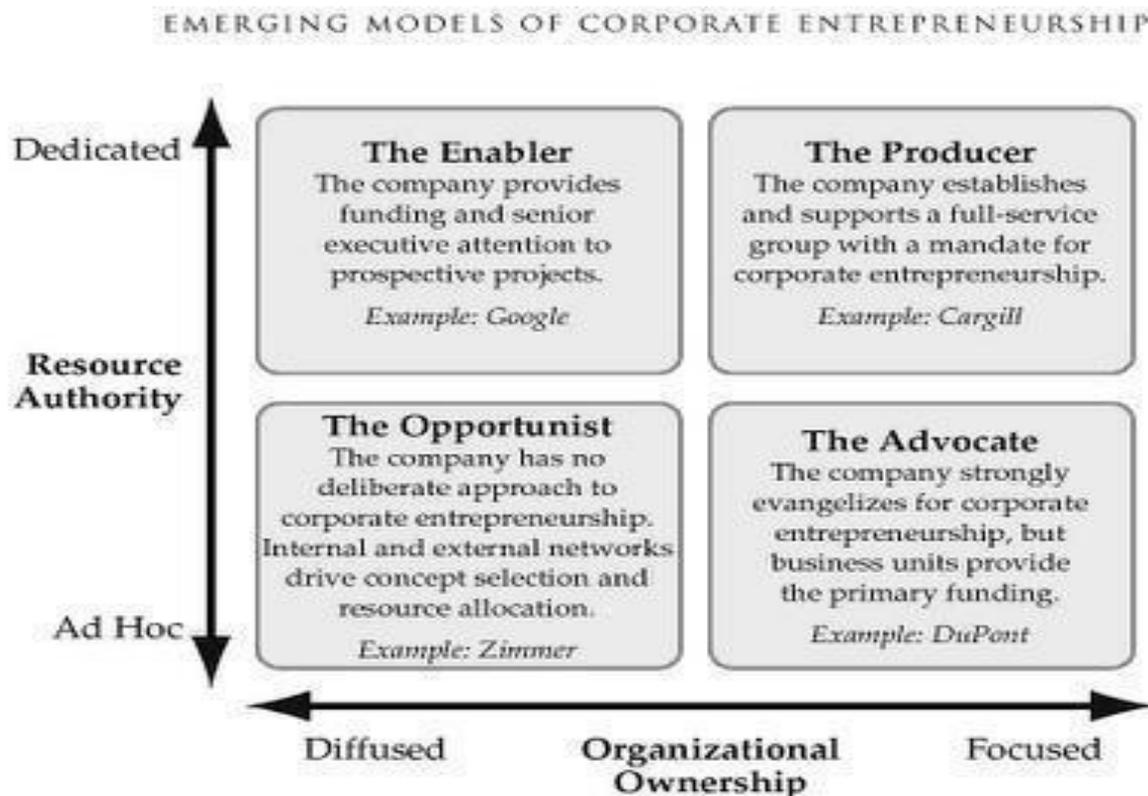
A vision-directed, organization-wide reliance on entrepreneurial behavior that purposefully and continuously rejuvenates the organization and shapes the scope of its operations through the recognition and exploitation of entrepreneurial opportunity

It requires the creation of congruence between the entrepreneurial vision of the organization's leaders, leaders and the entrepreneurial actions of those throughout and the entrepreneurial actions of the organization.

Critical steps of a Conceptualizing corporate entrepreneurial strategy:

- Developing the vision
- Encouraging innovation

- Structuring for an intrapreneurial climate
- Developing individual managers for corporate entrepreneurship
- Developing venture teams.



**Figure 3-1**

Some may come away thinking that 'corporate entrepreneur' and 'employee' are contradictory. They believe that entrepreneurs take the ultimate risk - ditching the security of the day-job, as it were, and facing the personal, financial and psychological challenges of business ownership. Innovation and corporate entrepreneurship are inextricably intertwined and fuel well-reasoned risk taking. Especially in large organizations traditionally risk averse, innovation drives leaders and teams to become more corporate enterprising. This process encourages growth from within, which helps.

As a business leader, you must build an environment that tolerates such entrepreneurial thinking. It's the leader's job to encourage such entrepreneurial thinking - to exude and build trust, to embrace the risk to fail, and to inspire people to take well-reasoned chances. The authors reveal

four models of corporate entrepreneurship laid out on an axis of organizational ownership (on the horizontal) and Resource Authority (on the vertical). Each possesses unique and specific characteristics. The Opportunist (bottom left), takes no deliberate approach to entrepreneurship; the Advocate (bottom right) evangelizes for it; the Enabler (upper left) provides funding and executive attention, and the Producer (upper right) establishes full service groups with mandates for corporate entrepreneurship. Applying Robert's Rules of Innovation, the Advocate, Enabler and Producer can thrive in this environment for each has corporate support. They have executive support, from Inspiration to Net Reward, needed for innovation borne of corporate entrepreneurship to thrive. Yet for corporate entrepreneurship to thrive, it needs more. It requires the structure and culture. Assuming the right people are in place, leadership must provide divisional and business unit autonomy.

### **Framework for sustainable corporate entrepreneurship**

The framework for sustainable corporate entrepreneurship as developed by Ireland, et al. (2006a:13) focuses on how to create sustainable corporate entrepreneurship where attention is given to the characteristics of an internal work environment that supports corporate entrepreneurship. These characteristics are structure, controls, human resource management systems and culture and are illustrated in figure 3.11. Other researchers that support some of the elements of this framework will also be incorporated in this discussion. This framework indicates that corporate entrepreneurship flourishes when a business's structure has a relatively small number of layers (Ireland et al., 2006a:13). A restricted number of layers results in a broader span of control which in turn creates opportunities for employees to act entrepreneurially. With fewer managerial layers, authority and responsibility are decentralized, and horizontal or lateral interactions among employees are encouraged. These structural characteristics facilitate the surfacing of ideas and innovations at lower organisational levels and foster unique and creative managerial styles. An entrepreneurially friendly organisational structure does not have highly structured job roles and is receptive to continuous changes in the nature of employees' work. The need to change job roles commonly results as employees become successful with efforts to innovate.

# Sustaining Competitive Advantage

- Reputation – often encapsulated in the brand, but communicated through relationships
- The way the organisation innovates – again and again
- The organisation's strategic assets – particularly the ones that can't be copied

All of this is part of organisational architecture

Kay 1998

Corporate Entrepreneurship: Building the Entrepreneurial Organization by Paul Burns

## Questions:

1. Discuss about corporate entrepreneurial mindset.
2. What are the sources of stress or various causes of stress, how it can be reduce?
3. Discuss about entrepreneurial journey and motivations.
4. What is conceptualization of corporate entrepreneurship strategy, explain the steps of a Conceptualizing corporate entrepreneurial strategy.
5. Discuss about sustainable corporate entrepreneurship.

## UNIT - 3

### **Launching An Entrepreneurial Venture:**

#### **INTRODUCTION**

Launching a new venture and becoming an entrepreneur is an exciting and challenging task. Can you learn how to be an entrepreneur or are some people just born that way? Some have argued that great entrepreneurs like Anita Roddick and Mohammed Yunis are simply born with different qualities to the rest of us – and it is these qualities that explain their success as entrepreneurs. But we know that a key human quality is the ability to change and develop over time. This is good news for anyone who wants to become an entrepreneur because it will require you to adapt and change with the enterprise you are founding as it develops and faces challenges. Becoming an entrepreneur is a never ending lesson as new challenges arise that offer experiences in how to do and not to do things.

Entrepreneurs learn mainly from experience, so the only real way to become an entrepreneur is to get out there and do it. You can start from scratch and learn it all by yourself or you can look at what others have already done and hope to profit from their experiences. The process outlined here is taken from what we know about what others have done and the advice that existing entrepreneurs offer to those that wish to follow their path.

The first thing we learn from other entrepreneurs is that there are many steps to be taken to start a new venture and attempts to make short cuts and avoid some of these steps can be disastrous. You don't have to take these steps in the same order as we suggest below but you will need to take them during the development of your enterprise.

#### **What is Entrepreneurial Venture?**

Entrepreneurship thrives in many different contexts. There are 'social entrepreneurs' who create value through successful exploitation of new ideas – leading to social inclusion, regeneration or some other kind of social benefit. There are 'creative entrepreneurs' who identify, evaluate and then exploit artistic, aesthetic or design-based opportunities.

Entrepreneurship is increasingly important in the environmental field. Entrepreneurship is also very important for the continued development of new technology and associated product and process innovations.

Over the seven steps that make up this programme, we talk about your particular enterprise or entrepreneurial venture as the focus for your thinking, learning, and development. This will often refer to your idea for a specific new business. However, the term enterprise, as we have just seen, can be applied in a wider context. You might be looking to work in a particular industry context, or aiming to launch a social enterprise. This step by step approach is valid in these contexts too.

This programme provides a wide range of advice and guidance to anyone interested in getting a new venture off the ground in whatever context. It aims to assist you in preparing to launch an enterprise, with signposts to other help and support that is available.

## **LAUNCHING A NEW VENTURE:**

### **STAGES AND STEPS OF THE ENTREPRENEURIAL VENTURE**

The entrepreneurial process of launching a new venture can be divided into three key stages of: Discovery; Evaluation; and Implementation. These can be further sub-divided into seven steps as shown below

Identifying  
opportunities

Analyzing and  
selecting the  
opportunity

Launching and  
developing the  
enterprise



1. Discovering your entrepreneurial potential
2. Identifying a problem and potential solution

3. Evaluating the idea as a business opportunity
4. Investigating and gathering the resources

5. Forming the enterprise to create value
6. Implementing the entrepreneurial strategy
7. Planning the future

## **DISCOVERY**

The first stage of Discovery is to identify opportunities that may form the basis of an entrepreneurial venture. It requires creative thinking to identify issues that can benefit from an entrepreneurial vision

This stage can be divided into two steps:

**Step 1. Discovering your entrepreneurial potential** - the first step is to know more about your personal resources and attributes through some self-evaluation. – what will you bring to the venture? What are your strengths and challenges? These will affect the type of venture you choose.

**Step 2. Identifying a problem and potential solution** – a new venture has to solve a problem and meet a genuine need.

## **EVALUATION**

By the end of first stage of Discovery, you should have selected an idea worthy of further detailed investigation. The next stage evaluates if this all adds up to a feasible business in two further steps:

**Step 3. Evaluating the idea as a business opportunity**– find out information about the market need. Is the solution to this problem really wanted by enough customers? Investigate the feasibility of the proposed solution (technically, economically, socially, legally).

**Step 4. Investigating and gathering the resources** – How will the product/service get to market? How will it make money? What resources are required?

## **EXPLOITATION**

By the end of the second stage of Evaluation, you should have identified an opportunity that has reasonable prospects of success, and analyzed what is required to launch it. The next stage is to make the final preparations and launch it into the market. It can be developed in three further steps:

**Step 5. Forming the enterprise to create value** – set up a business entity and protect any intellectual property. Get ready to launch the venture in a way that minimizes risk and maximizes returns

**Step 6. Implementing the entrepreneurial strategy** – activate the marketing, operating, and financial plans.

**Step 7. Planning the future** – look ahead and visualize where you want to go

## **ENTREPRENEURIAL IMAGINATION AND CREATIVITY**

**Imagination**, also called the faculty of **imagining**, is the creative ability to form images, ideas, and sensations in the mind without direct input from the senses, such as seeing or hearing. Imagination helps make knowledge applicable in solving problems and is fundamental to integrating experience and the learning process. A basic training for imagination is listening to storytelling (narrative), in which the exactness of the chosen words is the fundamental factor to "evoke worlds".

**Creative entrepreneurship** - is the practice of setting up a business – or setting yourself up as self-employed - in one of the creative industries. The focus of the creative entrepreneur differs from that of the typical business entrepreneur or, indeed, the social entrepreneur in that s/he is concerned first and foremost with the creation and exploitation of creative or intellectual capital. Essentially, creative entrepreneurs are investors in talent – their own or other people's.

The most renowned creative entrepreneurs have combined creative flair with entrepreneurial ability to build multimillion-dollar business empires.

Since the mid 20th century, commentators have observed the move towards a knowledge economy or information society where the old rules of manufacturing-based business no longer apply, or at very least need to be reconsidered (Machlup 1962; Drucker, 1969; Lyotard, 1984). But the creative sector, an intrinsic part of the knowledge economy, has received relatively little attention.

In recent years, due to significant economic growth in the sector (prior to the 2008/9 downturn), there has been a surge of interest in the creative industries, and the issue of creative

entrepreneurship has been pushed to the fore. In parallel with (and no doubt partially motivated by) general enthusiasm from policy makers and support agencies, creative entrepreneurship has grown as an academic discipline. Creative entrepreneurship courses are becoming widely available, and seem increasingly popular with students.

### **Specific Skills**

Creative entrepreneurs need to master specific skills: an understanding of intellectual property is essential, combined with the ability to manage cash flow, key talent and the creative process effectively.

Howkins (2001) lists 11 rules for successful creative entrepreneurs. These rules include: invent yourself, priorities ideas over data, be nomadic, learn endlessly and, most importantly, Howkins goes on to observe that, despite lack of recognition from economists and politicians, and traditional lack of support from society (although this is changing), creative entrepreneurs tend to be bright and to value their independence above all else. The freedom to manage their own time and abilities compensates for the unpredictable nature of their working environment, and irregularity of their income:

-These people instinctively think for themselves, instinctively network, and instinctively keep several balls in the air at once. They are the shock troops not only for new ideas about our culture but for new ideas about working in it.

### **The Innovation and Entrepreneurship:**

The **Innovation and Entrepreneurship Group** (I&E Group) is the largest of four research groups at Imperial College Business School and is globally leading in its field. It is an interdisciplinary team of academics, led by Professor David Gann, linking Imperial College Business School with the faculties of Engineering, Natural Sciences and Medicine within Imperial College London, as well with numerous external academic institutions and industrial leaders.

At the heart of the Group is the Innovation Studies Centre (ISC) funded for ten years by the Engineering and Physical Sciences Research Council (EPSRC), to conduct research on the innovation process, from knowledge creation to commercialization. The ISC was established in 2003 and encompasses the core research themes of the Group - Open and Distributed Innovation,

Business Model Innovation, Systems, Services and Design, and Diffusion of Innovation. The Centre collaborates with internationally leading academic institutions in the UK and overseas and works with world class firms such as GSK, IBM, Arup, Laing O'Rourke, CSC and BP, disseminating its findings widely.

The I&E Group has two additional research themes, Strategic Entrepreneurship and Inclusive Innovation, not funded by the central EPSRC grant. As well as the core research projects, the Group has also attracted funding to establish a number of related Centres to carry out research into association innovation and entrepreneurship subjects. Finally the Group runs an extensive events and conference programme to disseminate the work of the Group to the widest possible audience.

### **Types of innovation:**

#### **Pen and Distributed Innovation**

Led by Professor Ammon Salter. The purpose of this theme is to develop new knowledge and inform practice about open and distributed innovation. Developing and commercializing an innovation requires the coordination and integration of knowledge from many different sources and networks. Increasingly, innovators rely on external knowledge to complement and enrich their own expertise.

#### **Business Model Innovation**

Led by Dr Markus Perkmann, the research explores various questions regarding such business model innovation. What enables organizations to devise new business models and what are the sources, and consequences, of business model innovation? Current work focuses specifically on the low-carbon energy sector, which provides an ideal setting to investigate the ways organizations' experiment with new ways of deploying energy technologies, as well as generating and consuming energy.

#### **Systems, Services and Design**

Led by Dr Andrew Davies, this Theme examines the design, integration and operation of complex systems, particularly in the infrastructure industries (e.g. energy, water, roads and urban environments). Increasingly, organizations' are providing systems and services as 'smart'

integrated solutions to improve long-term operational performance and sustainability of outcomes.

### **Diffusion of Innovation**

Led by Professor Erkkko Autio, Diffusion of Innovation conducts research on innovation and technology commercialization strategies in platform and ecosystem contexts. The Theme also undertakes research on determinants of new venture growth in technology-intensive business sectors

### **Strategic Entrepreneurship**

Led by Professor Bart Clarysse The content of this theme is in development.

### **Inclusive Innovation**

Led by Professor Gerry George. The content of this theme is in development.



## **FRANCHISING - HYBRID VENTURES:**

**Franchising** is the practice of the right to use a firm's business model and brand for a prescribed period of time. The word "franchise" is of Anglo-French derivation—from *franc*, meaning free—and is used both as a noun and as a (transitive) verb.<sup>[1]</sup> For the franchisor, the franchise is an alternative to building "chain stores" to distribute goods that avoids the investments and liability of a chain. The franchisor's success depends on the success of the franchisees. The franchisee is said to have a greater incentive than a direct employee because they have a direct stake in the business.

Thirty-three countries—including the United States and Australia—have laws that explicitly regulate franchising, with the majority of all other countries having laws which have a direct or indirect impact on franchising. Franchising is also used as a foreign market entry mode.

### **Strategies for New Ventures:**

It is easy to be captivated by the promise of entrepreneurship and the lure of becoming one's own boss. It can be difficult, however, for a prospective entrepreneur to determine what product or service to provide. Many factors need to be considered, including: an idea's market potential, the competition, financial resources, and one's skills and interests. Then it is important to ask: Why would a consumer choose to buy goods or services from this new firm? One important factor is the uniqueness of the idea. By making a venture stand out from its competitors, uniqueness can help facilitate the entry of a new product or service into the market. It is best to avoid an entry strategy based on low cost alone. New ventures tend to be small. Large firms usually have the advantage of lowering costs by producing large quantities. Successful entrepreneurs often distinguish their ventures through differentiation, niche specification, and innovation.

- Differentiation is an attempt to separate the new company's product or service from that of its competitors. When differentiation is successful, the new product or service is relatively less sensitive to price fluctuations because customers value the quality that makes the product unique. A product can be functionally similar to its competitors' product but have features that improve its operation, for example. It may be smaller, lighter, easier to use or install, etc. In 1982, Compaq Computer began competing with Apple and IBM. Its first product was a single-unit

personal computer with a handle. The concept of a portable computer was new and extremely successful.

- Niche specification is an attempt to provide a product or service that fulfills the needs of a specific subset of consumers. By focusing on a fairly narrow market sector, a new venture may satisfy customer needs better than larger competitors can. Changes in population characteristics may create opportunities to serve niche markets. One growing market segment in developed countries comprises people over 65 years old. Other niches include groups defined by interests or lifestyle, such as fitness enthusiasts, adventure-travel buffs, and working parents. In fact, some entrepreneurs specialize in making "homemade" dinners for working parents to heat and serve. Part 10 Selling Online download PDF Part 11 Choosing a Form of Business download PDF Part

12 Creating a Business Plan download PDF Part 13 The Entrepreneur's Need for Capital download PDF Part 14 Sources of Financing download PDF Part 15 Intellectual Property: A Valuable Business Asset download PDF Part 16 The Strengths of Small Business download PDF Part 17 Entrepreneurship Aids the Economy download PDF Part 18 The Importance of Government Policies download PDF Part 19 Resources for Aspiring and Existing Entrepreneurs download PDF Part 20 Entrepreneurship: Glossary of Terms download PDF Part 21 Additional Readings download PDF spacer

- Innovation is perhaps the defining characteristic of entrepreneurship. Visionary business expert Peter F. Drucker explained innovation as "change that creates a new dimension of performance." There are two main types of product innovation. Pioneering or radical innovation embodies a technological breakthrough or new-to-the-world product. Incremental innovations are modifications of existing products. But innovation occurs in all aspects of businesses, from manufacturing processes to pricing policy. Tom Monaghan's decision in the late 1960s to create Domino's Pizza based on home delivery and Jeff Bezos's decision in 1995 to launch Amazon.com as a totally online bookstore are examples of innovative distribution strategies that revolutionized the marketplace. Entrepreneurs in less-developed countries often innovate by imitating and adapting products created in developed countries. Drucker called this process "creative imitation." Creative imitation takes place whenever the imitators understand how an innovation can be applied, used, or sold in their particular market better than the original creators do. Innovation, differentiation, and/or market specification are effective strategies to help a new venture to attract customers and start making sales.

## **Advantages to the franchisor:**

### **Cost-effective growth**

The most obvious benefit of franchising to a prospective franchisor is the ability to expand a business by utilizing the manpower and capital of others. The inherent risks usually associated with expansion are thereby reduced. The franchisor is able to exploit and market its business more effectively by increasing the number of its outlets far more rapidly than could otherwise be the case.

The franchisees contribute the bulk of the necessary capital requirement through their investment in the start-up costs, the payment of initial and ongoing franchise fees, and their own working capital. They also carry the ongoing expenses, such as the staff salaries of the branches, as part of their own business removing what can often be a significant overhead in corporate expansion.

### **Commitment**

A franchisee is the manager and owner of his own business and, therefore, brings a far more personal commitment and motivation to the job than a mere employee without the same self interest. As the owner of a business a franchisee should be eager to make it succeed, putting in the hours to ensure that customers and profits are maintained and maximised.

There will be none of the nine to five mentality that is often associated with employees. In theory, a franchisee will go that extra mile, particularly where he has only himself to rely upon and can see at first hand the effect his actions has on his gross takings.

### **Reduced involvement**

Once a franchisor is satisfied it has found suitable franchisees to develop and expand its business it then has more freedom to concentrate on other areas whether it is the improvement of the franchise concept or potential growth areas of its existing business.

Regular periodic checks are required to ensure that the network consists of dedicated personnel who are working hard to safeguard their investment, but this is not as time consuming as managing company-owned outlets.

### **Co-operative advertising**

Franchising grants the franchisor the ability to increase brand awareness by co-operative advertising. Very often franchisees are required to contribute a percentage of their gross sales (usually between two to five per cent) towards an advertising fund.

This offers a formidable capital resource for a franchisor keen to raise the public's perception of its business. The power of advertising should not be underestimated and plays a key role in ensuring the future success of the franchised business.

### **Collective bargaining**

For product-based franchises, the development of a network can provide a powerful bargaining tool with suppliers allowing franchisors, or occasionally franchisee associations, to negotiate extremely favourable rates. This in turn reinforces franchisees' loyalties with the realisation that such bulk purchasing power may not be possible elsewhere.

It is vital, therefore, that in order to reduce its risk and realise the full potential of franchising that a franchisor selects its franchisees very carefully, ensuring that the following qualities are present.

- Sufficient financial resources
- Commitment to motivation
- Enthusiasm and willingness to accept the responsibilities of self-employment
- Willingness to adhere to the established format in running the business.

### **Disadvantages to the franchisor:**

#### **Loss of ownership**

The most obvious downside to franchising is that a franchisor has to share ownership of the concept or product which it has formulated and developed. With the wrong partner this can have a negative impact on both realisable profits and reputation.

Notwithstanding overheads, company-owned outlets can still be more profitable to a franchisor than franchised outlets where the franchisor's return is limited. This is particularly the case

where the franchisor's main source of revenue is a continuing franchise fee which is expressed as a percentage of the franchisee's gross turnover.

These fees tend to range from between 10 and 15 per cent. The nature of the relationship between the franchisor and franchisee means that both parties need to see a profit, however as a rule of thumb, 90 per cent of such profit should go back to the franchisee. Less than this would cause problems with the franchisee's commitment and motivation.

### **Exclusivity**

In many franchises, a franchisee will be granted an exclusive area within which to run the business. This will usually prevent the franchisor from competing in the franchisee's territory unless it specifically reserves this right.

Problems arise where the exclusive area is not exploited to its full potential by the franchisee. There are ways of addressing this by setting performance criteria, but these need to be realistic and must be enforced.

### **Management and personnel skills**

Not everyone is cut out to be a franchisor. It requires patience, team work and management skills in order to persuade franchisees to follow directions and to ensure uniformity within the system.

Considerable financial and manpower resources will need to be committed towards managing a franchised network.

The resources required are different from those needed to manage employees. Franchisees are the owners of their own business and therefore must be treated in a different manner. Franchisors need to develop skills of motivating and persuading independent businessmen into following instructions and this is not always easy.

Whilst a franchise agreement should grant the franchisor the right to terminate the franchise where a franchisee fails to follow instructions, this should be seen as a last resort. It will often involve significant costs and result in a perceived failure of the franchise. This can have a demoralizing effect on the rest of the network and affect the sale of future franchises.

Business-format franchising requires a substantial amount of training and support on an ongoing basis from the franchisor who ultimately shares responsibility for the future of its franchisees. Each franchisee represents an investment of both time and money and it is important to get it right. If a franchisor wishes to monitor the performance of its network satisfactorily it will need to develop effective accounting and monitoring systems, particularly where the franchisor's income is derived from continuing franchise fees calculated as a percentage of gross takings.

In these circumstances a franchisor must be able to calculate the amount that is due accurately and ensure that its franchisees supply all relevant information on time. Various methods have been adopted to deal with this problem, but the accuracy of the franchisees' accountability ultimately relies on a relationship of trust and there is always a risk that a franchisee may act in a dishonest manner.

### **Loss of flexibility**

Franchised outlets can be slower to react to changes in the market and it can take longer to introduce a new range of products or services within a franchised network than in a chain of company-owned stores. It is important that franchisors maintain a balance between company-owned stores and franchised outlets as it is easier for a franchisor to introduce a change where it is based upon its own experience.

This does not, however, mean that improvements suggested by franchisees should not be acted upon and introduced within the network. Franchisees have a valuable contribution to make in ensuring that a franchised product or service responds to the requirements of consumer expectations.

### **Confidentiality**

By involving third parties in its business a franchisor will inevitably have to divulge its confidential information and know-how concerning its business and systems.

Although a prospective franchisee is usually obliged to sign a confidentiality agreement and the franchise agreement contains restrictions on his ability to make use of this information for his own purposes, these provisions are often difficult to monitor and expensive to enforce.

## **Advantages to the franchisee**

### **Reduced risk**

The greatest benefit to a franchisee is the reduction in his risk of business failure. As an ethical franchisor should have proven the business concept in the marketplace prior to franchising by way of a pilot or other trading experience, most of the obvious problems should have been solved and, therefore, the risks to a franchisee minimised.

It is statistically proven that far fewer franchisees fail within the first three years compared to over 90 per cent of other new business start-ups.

### **Economies of scale**

Franchising enables a small businessman to compete effectively in the marketplace and take advantage of economies of scale. A franchised network can buy products on more favorable rates than an individual small businessman. This can offer a significant advantage over smaller independent competitors.

In addition, the products, equipment, system, and services which should have been market tested will already have a degree of consumer acceptance.

### **Skilled management**

The franchisee has access to quality training and assistance to establish his business from day one thereby avoiding many of the pitfalls and mistakes of the independent businessman setting up from scratch.

The ongoing support and advice from the franchisor provides a valuable resource for franchisees often allowing them, for example, to do much better in a recession than other businesses.

### **Advertising**

A franchisee is often required to pay a contribution towards a central advertising fund administered by the franchisor. The pooling of the resources of other franchisees and any contribution from the franchisor allows a franchisee access to extensive advertising whether in

his own territory or nationwide. This increases the brand awareness and usually the profitability of his business.

### **Financing**

A franchisee can take advantage of the name and reputation which has been built up by the franchisor. This can reduce the lead time in making a business successful which in turn reduces the franchisee's working capital requirements.

Finance is usually more readily available to franchisees than to those setting up in business on their own account. Most franchisors will have negotiated with one of the major lenders in the franchising industry certain rates upon which a franchisee can obtain finance and a ratio of loan to capital. In some of the more substantial franchised networks these rates can be extremely favorable.

As a result, a franchisee is often required to invest less of his capital because of the financiers willingness to assist as a result of the proven success of the franchised concept. Franchising also has the added benefit of being eligible for the government's Enterprise Finance Guarantee scheme.

### **Exclusivity**

In many cases, franchisees are given exclusive territorial rights which effectively give them a monopoly over the area allocated in respect of doing business under the trade name.

### **Disadvantages to the franchisee Control**

Franchisees in essence perceive themselves as independent businessmen and owners of their own business. They are, however, subject to control and regulation by the franchisor in the form of the franchise agreement and operations manual which they will not necessarily welcome.

The more successful a franchisee, the more likely he is to find a franchisor's instructions and controls frustrating. A franchisee could argue that were he to set up in business independently he would not be subject to the same type of restrictions. Whilst on the face of it this seems true, in practice independent small business owners are often restricted in other ways through commercial considerations.

Powerful customers and suppliers, strong local competition, and financial constraints all impose less obvious, but equally important, restraints.

### **Reputation**

The franchisees' reliance upon the power of the franchisor's trade name can prove to be a major disadvantage where the franchisor through mismanagement or neglect allows the brand to be called into disrepute.

Any failure of the franchisor has a knock-on effect to its franchised network and whilst franchisees share in the benefits and success of the franchisor they also share in its failures. This is equally the case where some franchisees perform in a manner that calls the reputation of the franchised network into question.

There is also a risk that a franchisor will sell to a third party with a different vision which has an adverse impact on the franchisor's reputation. The franchise agreement usually states that a franchisee has no say in whether a franchisor sells out to a third party and it is a commercial risk that a franchisee takes from the outset.

This is particularly harsh as a franchisee will usually have made his decision based on the expectation of the strength and support of the franchisor and a change in ownership may erode this completely.

### **Products**

Not only will a franchisee have to pay royalties, but also in some cases a mark-up on goods and services received from the franchisor or his nominated supplier. Often a franchisee is tied exclusively to the supplier of the product and is restricted from selling any similar or other products.

In such cases, the franchisee is required to stock a specific range of products and to introduce new or additional products at the request of the franchisor, whether or not those subsequently sell as well. A franchisee's desire to expand can often be frustrated by the narrow mindedness of the franchisor.

## **Right to sell**

One of the most important considerations for a franchisee is the value that can be realized from the resale of the business in the future. Invariably, the franchisee will not have the unfettered right to sell his franchise business to a thirdparty.

Such a sale will be subject to the franchisor's consent and usually subject to certain pre- conditions being fulfilled. This consent can never be taken for granted, but it should not be unreasonably withheld.

In addition, a franchisor may impose a transfer fee on such sale and an introducer's fee where it has introduced the prospective purchaser. These can be significant and need to be factored into the realizable value of the business.

## **Dependence**

In certain cases, a franchisee can become over dependent upon the franchisor's support to the extent that he cannot make an independent decision. In such cases the franchisee has in practice become a disguised employee and the business stagnates.

Other disadvantages to a franchisee relate mainly to the type of franchise agreement which he is being offered. In many cases, the expectations of success are linked to minimum performance criteria which can be set unrealistically high so that the franchisee consistently fails.

This not only demotivates the franchisee, but also impacts on its right to renew the agreement at the end of the first term, or to sell it to a third party.

A franchisee is often not granted the specific right to terminate the agreement, whereas a franchisor invariably has a long list of circumstances under which it may end the relationship. This one-sided approach can put a franchisee into constant fear of termination which again has a negative impact on the business.

### **Advantages to the consumer**

In theory, a consumer should benefit greatly from a franchised business because he will be dealing with an owner and not merely an employee. The service should, therefore, be personalised, effective and result in greater customer satisfaction.

As the purpose of a franchised network is to establish uniformity of image amongst all its franchisees, a consumer should be able to expect the same standard of goods or services indifferent parts of the country from members of the same network and be able to rely on after- sales services and promises.

In many franchised networks a franchisee will honour the commitments and obligations to a customer of another franchisee should he be required to service such customers, and if not the franchisor itself may step in to preserve the reputation of the brand. A consumer dealing with a small independent business would not have the same comfort where the business goes into liquidation.

### **Disadvantages to the consumer**

A highly successful franchise can reduce or even eliminate the competition and choice for the consumer. This is particularly the case where a franchisee has an exclusive territory. Where a customer is dissatisfied with the service or product obtained from that particular franchise there will be no alternative outlet to go to. This can be a problem where the customer has a personal complaint against the franchisee.

### **Summing up**

#### **Franchisor advantages**

- Cost effective growth
- Commitment
- Reduced involvement
- Co-operative advertising
- Collective bargaining

**Franchisor disadvantages**

- Loss of ownership
- Exclusivity
- Management and personnel skills
- Loss of flexibility
- Confidentiality

**Franchisee advantages**

- Reduced risk
- Economies of scale
- Skilled management
- Enhanced advertising
- Better financing
- Exclusivity

**Franchisee disadvantages**

- Control
- Reliance on reputation
- Restrictions on products
- Restricted right to sell
- Dependence

There is no doubt, however, that a well structured and managed franchised operation can benefit all concerned. It offers opportunities for small businesses to compete with the big players and even on the international stage.

The continued growth of franchising is testament to the success and benefits that it can bring to franchisors, franchisees and consumers alike.

**Questions:**

1. Explain the role of creative thinking , How can an aspirant find creativity? What are the various stages of creativity in business.
2. What are the pathways to new ventures for entrepreneurs?
3. What are the major components for creating a favorable ecosystem for promotion of entrepreneurship.
4. From an entrepreneurial perspective, explain the significance of the statement, -A good idea is not enoughl.
5. Innovation is vital for success in business, like in any other field – comment. How can innovative methods be incorporated in business? What are the principles of innovation?