Entrepreneurship Development

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Nirmiti Centre for Social Innovation and Entrepreneurship

College of Social Work (Autonomous)

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Overview

Entrepreneurship Development Program is designed to help prospective entrepreneurs and entrepreneurs in acquiring skills and capabilities necessary for playing different roles in the entrepreneurial ecosystem. The history of such capacity development initiatives in India is quite interesting. David C. McClelland (1961) conducted an experiment in Kakinada in collaboration with Small Industries Extension and Training Institute (SIET), Hyderabad. The 'Kakinada Experiment' is treated as a precursor to the present day Entrepreneurship Development Programmes (EDPs) in India. The Gujarat Industrial Investment Corporation (GIIC) for the first time started a structured training programme on entrepreneurship development. Based on the success, the Government of India launched a massive programme on entrepreneurship development. Since then, 12 State Governments have established a state-level Centre for Entrepreneurship Development to develop entrepreneurship by conducting EDPs.The Indian model of entrepreneurship development is being adopted by some of the developing countries of Asia and Africa. Programmes similar to India's EDPs are conducted in other countries such as Junior Achievement Programme in USA and Young Enterprises in the U. K. Recently, the Atal Innovation Mission (AIM), NITI Aayog, and RUSA have encouraged higher education institutions to support entrepreneurship in the country, primarily focusing on developing and promoting innovations through educational institutes, both at the campus level and through extension.

College of Social Work was founded in 1955 by a band of valiant women known as Daughters of the Heart of Mary, whose mission was to readily respond to the needs of Indian society according to the signs of the time. During the 66 years of existence, the College of Social Work has initiated several projects of national and international repute. Appreciating the efforts, the college was awarded A grade thrice by the National Accreditation and Assessment Cell (NAAC) and on 12th Feb 2019, the University Grants Commission conferred Autonomous Status to the College of Social Work. Nirmiti Centre for Social Innovation and Entrepreneurship (NCSIE) inaugurated on 9th July 2019 under the visionary leadership of Dr. Lidwin Dias (Principal) is one of the latest units of college. Along with hosting E-Cell, the centre offers an Add-On Course on Entrepreneurship, and Elective on Social Innovation for inhouse students. For external candidates/ organisations, the centre offers two capsules, namely Entrepreneurship Development Program (EDP) and Management Development Program (in Training). The centre is equipped with full fledged Pre-Incubation and Incubation facilities for prospective social innovators and entrepreneurs.

Learning Outcomes

At the end of the EDP, learners will be able to:

1. Reflect on their entrepreneurial traits, motivation and need for achievement.
2. Analyse environmental context relating to starting a small business.
3. Formulate a business plan using lean canvas for a product/ service.
4. Recognise the process and procedure involved in setting up a small enterprise including sources of support available

Schedule

Day (Theme)	**10.00 am – 11.30 am**	**11.45 – 1.15 pm**	**2.00 pm – 3.30 pm**	**3.45 pm to 5.15 pm**
1 *(Understanding Business Context)*	Introduction to Entrepreneurship	PEST and SWOT Analysis	Visit to Enterprise and Interaction with Leaders	Group Work-I
2 *(Consolidation of Social Business Idea)*	Design Thinking and Business Idea Generation	Evaluation of Business Opportunities	Business Model Canvas	Group Work-II
3 *(Management Inputs)*	Financial Concepts & Fundraising	Production and Marketing Management	Legal Formalities in an Enterprise	Leadership and Team Building
4 *(Business Plan Review)*	Group Work-III	Business Pitch	Interaction with stakeholders from Entrepreneurship Ecosystem	Feedback on EDP

Session Overview

1. Introduction to Entrepreneurship

Entrepreneurship basically means to start companies or MSM enterprises based on the findings of the entrepreneur of certain niches in the marketplace, and willing to assume the risks of a business to take significant opportunities for success.

Social entrepreneurs act similar to business entrepreneurs, such as facing risks, inspiration and creativity in order to take hidden or uncovered significant opportunities. What the social entrepreneur seeks for value is the changeable factors that would result in a positive effect on disadvantaged communities, and ultimately, society at large.

Activity 1: 30 Mins

Divide the large group into smaller groups of 4 to 5 members each. Each team gets 20 minutes to discuss in small group and 10 minutes to share in large group

Ask participants to discuss about the following in small groups:

a. What is the difference between being employed and being in a position to provide jobs to others. The participants have to think about people in the vicinity as examples
b. Write down 10 qualities which differentiates between a worker and employer

Activity 2: 30 Minutes

The large group watches the following video on entrepreneurship:

"From 35 Rs to 13 Cr Business- The Case of Gaurav Sweets"

https://www.youtube.com/watch?v=kIvogF-iToQ

After watching the facilitator asks the following questions and facilitated discussion:

a. What drives the entrepreneur (clue: motivation, drive, etc)?
b. List some qualities/ traits of an entrepreneur?

After the activity, Ask them to use the annexure-1 to self score on the following parameters:

a. Passion
b. Self Confidence
c. Opportunity Focussed
d. Hardworking
e. Willing to take risk
f. Creative
g. Willing to learn from mistakes
h. Team builder
i. Effective communicator
j. Ability to cope with failure

After the participants fill the template, the resource person can specifically discuss each of the traits.

Now let's discuss some FAQs:

Does the Government have a role in entrepreneurship?

The government plays an important role in the development of entrepreneurship. The central and state governments have set up a number of institutions such as SIDO, MDI, EDI, AISSIB, NIESBD to promote entrepreneurship. The primary goal of Industrial and MSME Policy was to advance industrial development and furthermore decide the example of state help to small industrial units for satisfying financial targets.

The changing socio-political and financial scenario in the neoliberal and aggressive monetary environment requires basic and major changes in the policy structure set up for the improvement of SSI. Hence the fundamental goal of the Industrial Policy, 1999 was to make a friendly situation for the small industrial units to adapt to the rising difficulties of globalization.

To concentrate completely on the advancement and improvement of small industrial units, a different Ministry of Small Industrial Units and Agro and Rural Industries was made. Recently the GOi inaugurated the start up policy in India which promotes both student led and community led entrepreneurship.

Note:

The facilitator can ask candidates to share their point of view

What are some of the prominent Schemes of the Ministry of Micro, Small &Medium Enterprises?

PM's Employment Generation Programme	A Scheme for Promoting Innovation, Rural Industry and Entrepreneurship	Revamped Scheme of Fund for Regeneration of Traditional Industries
https://msme.gov.in/node/1763	https://msme.gov.in/node/1765#A13	https://msme.gov.in/node/1764#A5

Do you know?

According to a data by Startup India, only 13.76 per cent of the total entrepreneurs in India are women. The MSME ministry chose to empower women even more 1.38 lakh projects have been set up by the women entrepreneurs under Prime Minister's Employment Generation Programme (PMEGP) Scheme since inception up till 23/01/2019. The projects set up by women entrepreneurs are about 30 per cent of total projects set up under PMEGP. Despite having limited resources and lesser opportunities, women entrepreneurs from rural areas have shown immense potential to add value to the Indian economy by entering the MSME sector.

In Maharashtra the following schemes can be explained (20 Min):

Mudra Yojana Scheme: This is a general government scheme for women who want to kickstart their entrepreneurial journey on a small scale such as, beauty parlour, tuition centre, tailoring unit, etc. The scheme also caters to a group of women who wish to collaborate and start a business. Loans from Rs 50,000 onwards and up to Rs 50 lakh are sanctioned under this scheme. For loan amounts exceeding Rs 10 lakhs, collateral and guarantors are required. The three plans under this scheme are: Shishu plan (loans up to Rs 50,000 for new businesses), Kishor plan (loans between Rs 50,000 and Rs 5 lakh for well-established enterprises), and Tarun plan (loans between Rs 5 lakh and Rs 10 lakh for business expansion).

TREAD (Trade-Related Entrepreneurship Assistance and Development) Scheme: To run any business successfully, one needs a certain amount of expertise which would further help in building the enterprise in a better way to compete in the market. The scheme provides for a government grant of up to 30 per cent of the total project cost as appraised by lending institutions. These institutions would finance the other 70 per cent.

Mahila Udyam Nidhi Scheme: Initiated primarily to offer financial assistance up to Rs 10 lakhs, to small-scale business models, this scheme aims to help women set up new projects and promotes upgrading and modernisation of existing projects. With interest rates varying according to the market rates, the loans are to be repaid within 10 years, and this includes a five-year moratorium period.

Annapurna Scheme: To start a catering unit, women can avail loan up to Rs 50,000 to purchase kitchen equipment such as utensils and water filters. Collateral in the form of assets and a guarantor is required to avail this scheme and the loan must be repaid within the span of 3 years. Women who avail this loan also get a grace period of one month before the repayment process starts. Interest rates under this scheme vary as per market rates and assets will be taken as collateral by the concerned bank.

Stree Shakti Package for Women Entrepreneurs: To avail loan under this scheme, women need to be enrolled in the Entrepreneurship Development Programme (EDP) in their respective state agency. They also would need to have majority ownership (over 50 per cent) in a small business. Under the scheme, an interest concession of 0.05 percent can be availed on loans above Rs 2 lakh.

Bhartiya Mahila Business Bank Loan: Women under this scheme can avail loan up to Rs 20 crores which are to be repaid in seven years. Under the Credit Guarantee Fund Trust for Micro and Small Enterprises, there is no need for collateral for loans up to Rs 1 crore. The base rate of interest on this loan is 10.25 per cent to which an additional 2 percent is added, making the rate of interest 12.25 per cent.

Dena Shakti Scheme: Women entrepreneurs who are involved in agriculture, manufacturing, micro-credit, retail stores or similar enterprises can avail loan under this scheme. Under the micro-credit category, loans offered are up to Rs 50,000 with a concession of 0.25 per cent on rate of interest. Loans of up to Rs 20 Lakhs are sanctioned under the category of education, housing and retail trading.

Cent Kalyani Scheme: Women business owners who manage MSMEs or are involved in agricultural work or engage in retail trading can avail loan under this scheme. Loans up to Rs 1 crore are sanctioned and no collateral or guarantors are required with interest rates depending on the market. Another advantage of availing loan under this scheme is that there is no processing fee for businesswomen.

Udyogini Scheme: Women entrepreneurs involved in agriculture, retail and similar small businesses between the ages 18-45, whose family's annual income is less than Rs 45,000 are eligible to avail up to Rs 1 Lakh. The main advantage of the Udyogini Scheme is low-interest rates on business loans and no income limit for widowed, destitute or differently-abled women and a subsidy of 30 percent of the loan, or Rs 10,000 (whichever is lower) is provided for them. Similar is the case for women falling under the SC/ST category as well. For women who belong to the general category, a subside of 20 percent of the loan or Rs 7500 (whichever is lower) is provided.

For participants from other states, the following websites provide detailed information on the schemes. Facilitators should get the content ready before the session. For example, visit Orissa government website at http://www.msmeodisha.gov.in/Schemes.htm

Summary (10 Mins):

Ask participants to summarise FIVE learnings from the 1st session

1.
2.
3.
4.
5.

2. PEST and SWOT Analysis

PEST Analysis is a strategic business planning or market research tool for small business owners to identify, analyze, and monitor the key macro external factors that impact their businesses now and in the future. The PEST framework considers the Political, Economic, Social, and Technological external factors as a basis for analysis and how they affect the probability of small businesses being successful and profitable. Political Factors within the Macro Environment deals with the current direction of the political parties and the extent that government intervenes in the economy. Economic Factors within the Macro Environment are related to the performance of the economy and greatly affects how small businesses operate and make decisions.

Social Factors within the Macro Environment examines the ethical, cultural, and demographic aspects that affect the demand for a small business's products/services and how it operates. Technological Factors within the Macro Environment affects how a small business brings its product or service to market.

SWOT Analysis (initialism for strengths, weaknesses, opportunities, and threats) is a strategic planning technique that helps Small Business Owners to be aware of all the factors that influence a business decision or project. SWOT is a useful planning tool that enables small businesses to focus on strengths, overcome weaknesses, minimize threats, and exploit new opportunities

Activity 1 (35 minutes preparation and 10 minutes presentation):

The facilitator can group the participants based on the geographical location and help them to locate the macro environment using PEST Analysis (see Annexure-2 for worksheet)

Activity 2 (30 minutes self introspection):

The facilitator can ask the participants to sit individually in a calm place in the training centre and help them to do a self introspection using SWOT Analysis (see Annexure-3 for worksheet). Training Assistants can support illiterate or semi literate audiences in the process.

3. Visit to Enterprises and Interaction with Leaders (1 Hour, 30 Minutes)

Participants should pay attention to these details during visit:

a. What is the business idea?
b. What motivated the entrepreneur to start the business?
c. What is the mission and objectives of the business?
d. What is the macro environment in which the business operates?
e. Which registrations are required to start the business?
f. What are the other legal requirements based on local government mandates?
g. What is the key product or service?
h. What is the unique selling point?
i. What is the operating cost and what is the net profit?
j. How many staff/ shareholders/ volunteers are involved in the enterprise?
k. What is the marketing strategy employed by the entrepreneur?
l. What are some of the challenges faced by the entrepreneur?
m. Is there any expansion plan?

There shall be a debriefing group work (after the visit) on the above key points

4. Design Thinking and Business Idea Generation

Before we move to the topic, let's discuss design thinking (20 minutes).

Design Thinking is a methodology that provides a solution-based approach to solving problems. We will focus on the five-stage Design Thinking model proposed by the Hasso-Plattner Institute of Design at Stanford. The five stages of Design Thinking, are as follows: Empathise, Define (the problem), Ideate, Prototype, and Test. Let’s take a closer look at the five different stages of Design Thinking.

Empathise: The first stage of the Design Thinking process is to gain an empathic understanding of the problem you are trying to solve. This involves observing, engaging and empathizing with people to understand their experiences and motivations, as well as immersing yourself in the physical environment so you can gain a deeper personal understanding of the issues involved.

Define (the Problem): During this stage, you put together the information you have created and gathered during the empathise stage. This is where you will analyse your observations and synthesise them in order to define the core problems that you and your team have identified up to this point.

Ideate: During the third stage you are ready to start generating ideas. You’ve grown to understand your users and their needs, and you’ve analysed and synthesised your observations, and ended up with a human-centered problem statement. With this solid background, you and your team members can start to "think outside the box" to identify new solutions to the problem statement you’ve created, and you can start to look for alternative ways of viewing the problem. There are hundreds of Ideation techniques such as Brainstorm, Brainwrite, Worst Possible Idea, and SCAMPER. We are going to use 5Ws and H technique to help you find the best way to either solve a problem or provide the elements required to circumvent it.

Prototype: The team will now produce a number of inexpensive, scaled down versions of the product or specific features found within the product, so they can investigate the problem solutions generated in the previous stage. Prototypes may be shared and tested within the team itself, in other departments, or on a small group of people outside the design team. This is an experimental phase, and the aim is to identify the best possible solution for each of the problems identified during the first three stages.

Test: This is the final stage of the 5 stage-model, but in an iterative process, the results generated during the testing phase are often used to redefine one or more problems and inform the understanding of the users, the conditions of use, how people think, behave, and feel, and to empathise. Even during this phase, alterations and refinements are made in order to rule out problem solutions and derive as deep an understanding of the product and its users as possible.

Retrieved from https://www.interaction-design.org/literature/article/5-stages-in-the-design-thinking-process

How to define a problem (10 minutes)?

The participants can group themselves based on location or interest. The trainer shall facilitate the problem definition session based on the POV technique.Point of View (POV) is a technique to define the problem in a meaningful and actionable manner. You can articulate a POV by combining three elements, namely USER, NEED, and INSIGHT.

Activity 1:

(User)…………………………………………...needs……………………………..because ………………………………………………………………..

How to Generate Ideas (60 minutes)?

Idea generation or ideation is the act of forming ideas. It is a creative process that encompasses the generation, development and communication of new thoughts and concepts, which become the basis of your innovation strategy. The participants can group themselves based on location or interest. The trainer shall facilitate the idea generation session based on the 5Ws and H technique

Activity 2: 5Ws and the H

a. ***What** are you going to make or do?* Your vision: product or service.
b. ***Why** will customers buy from you?* Why would someone use your product or service? Why are you different?
c. ***Who** needs it?* Understand your community, target market, target customers and ideal customer.
d. ***Where** will you sell?* Location, Location, Location. Online and/or physical locations must be considered depending on your what. Even if you are going to blog, you have a whole host of things that you must consider on the internet.
e. ***When** will you launch, ramp, and get paid?* Your development and timeline, launch and ramp plan, revenue plan.
f. ***How** are you going to make it?* Your development and operating plan: make vs buy; Perhaps you should outsource.

5. Evaluation of Business Opportunities

According to Gundry and Kickul (2007: 64), there are four aspects to evaluate, namely people behind the idea, the resources, knowledge/ information, and idea's ability to generate revenue.

a. *People behind the idea:* what is the background/ talent of the entrepreneurial team; what is their experience; is there a team which can effectively grow the idea?
b. *Resources available to the entrepreneur:* what are the sources of capital: what expertise (techlogolocial and non-technological) is needed by the firm; how would they acquire the necessary resources?
c. *Knowledge and information possessed by the entrepreneur:* how much knowledge do you have about the concept, the sector and market research; what are some of your knowledge gaps which need to be known for success; what is your awareness about your competitors, and customer preferences?
d. *The idea's ability to generate revenue:* how much actual revenues can be generated; how can you manage and contain the costs while maximizing returns?

Reference:

Gundry, L.K., and Kickul, J.R. (2007). Entrepreneurship Strategy: Changing Patterns in New Venture Creation, Growth, and Reinvention. SAGE Publications (#Read chapter 3 from https://www.sagepub.com/sites/default/files/upm-binaries/10994_Chapter_3.pdf)

Activity 1:

Facilitator will ask the small group to use the charts available to map the 4 aspects. Training Assistant shall help the participants make the right observation (30 min)

Activity 2:

There is a need for another activity to further probe the feasibility of business opportunity/ new concept/ venture

The small group will continue to use Allis's 14 questions (2003 cited in Gundry and Kickul 2007) to further clarify their business (35 minutes of group discussion and 5 minutes of presentation for each small group). The set of Allis's guiding questions are as follows:

a. What is the need you fill or the problem you solve? (value proposition)
b. To whom are you selling? (target market)
c. How could you make money? (revenue model)
d. How will you differentiate from what is already out there? (unique selling proposition)
e. What are the barriers to entry?
f. How many competitors do you have and of what quality are they? (competitive analysis)
g. How big is your market in INR? (market size)
h. How fast is the market growing or shrinking? (market growth)
i. What percent of the market do you believe you could gain? (market share)
j. What type of company would this be? (LLP, sole proprietorship or corporation)
k. How much would it cost to get started? (start-up costs)
l. Do you plan to use debt capital or raise investment? If so, how much and what type? (investment needs)
m. Do you plan to sell your company or go public (list the company on the stock markets) one day? (exit strategy)
n. If you take on investment, how much money do you think your investors will get back in return? (return on investment)

6. Business Model Canvas

Business Model Canvas is a strategic management template used for developing new business models and documenting existing ones. Osterwalder, Pigneur and Clark (2010) came out with a business model canvas with multiple parameters. Some of the important parameters include,

- Key Partners
- Key Activities
- Key Resources
- Value Proposition
- Customer relationships
- Channels
- Customer segment
- Cost structure
- Revenue stream

Read:

Osterwalder, A., Pigneur, Y., Clark, T. (2010). *Business Model Generation: A Handbook for Visionaries, Game Changers, and Challengers*. Strategyzer series. Hoboken, NJ: John Wiley & Sons.

Difference between Osterwalder's and Ash Maurya's Canvas can be understood after reading these links:

http://alexosterwalder.com/

https://leanstack.com/business-model-canvas-alternative

Based on Osterwalder's Canvas, Ash Maurya created a Lean Canvas.

Activity:

We will be using Ash Maurya's Canvas for the activity (see annexure-4). Facilitator will explain each of the parameters first and shall help each team to work on the canvas (90 min).

Note: The draft will be kept ready at the end of the day. Based on the 3rd day input a final business model shall be made on the final day.

7. Financial Concepts and Fundraising

Do you know?

The Ministry of Commerce and Industry released a notification on April 1, 2015 to define a start-up.

According to it, an entity will be identified as a start-up.

- Till up to five years from the date of incorporation
- If its turnover does not exceed 25 crores in the last five financial years
- It is working towards innovation, development, deployment, and commercialization of new products, processes, or services driven by technology or intellectual property

The financial needs of a new venture can be categorised as follows:

(a) Fixed capital requirements: In order to start business, funds are required to purchase fixed assets like land and building, plant and machinery, and furniture and fixtures. This is known as fixed capital requirements of the enterprise. The funds required in fixed assets remain invested in the business for a long period of time.

(b)Working capital requirements: The financial requirements of an enterprise do not end with the procurement of fixed assets. No matter how small or large a business is, it needs funds for its day-to-day operations. This is known as the working capital of an enterprise, which is used for holding current assets such as stock of material, bills receivables and for meeting current expenses like salaries, wages, taxes, and rent.

Funding refers to the money required to start and run a business. It is a financial investment in a company for product development, manufacturing, expansion, sales and marketing, office spaces, and inventory. Many start-ups choose to not raise funding from third parties and are funded by their founders only. However, start-ups need to raise funds, especially as they grow larger and scale their operations.

The types of funds are as follows

Characteristics of Investment	Equity Financing	Debt Financing	Grants
Nature	There is no component of repayment of the invested funds.	Invested Funds to be repaid within a stipulated time frame with interest	There is no component of repayment of the invested funds
Risk	Risk factor for the investor is higher as he has no guarantee against his investment	Risk Factor for the investor is lower as he generally has collateral against his investment	There is no risk factor for the start-up as no collateral is involved

Pressure of repayment	Less pressure for start-ups to adhere to a repayment timeline but added pressure from investors to achieve growth targets	More pressure for start-ups to adhere to repayment timeline and as a result more pressure to generate cash flows to meet interest repayments	No pressure for repayment as grants are a form of monetary support provided for a specific purpose
Return to investor	Capital growth for investors	Interest payments	No Return
Involvement in decisions	Equity Fund Investors usually prefer to involve themselves in decision making process	Debt Fund have very less involvement in decision making	No direct involvement in decision making
Sources of funds	Angel Investors, Self-financing, Family and Friends, Venture Capitalists, Crowd Funding, Incubators/Accelerators	Banks, Non-Banking Financial Institutions, Government Loan Schemes (CGTMSE, Mudra Loan, Standup India)	Government, Corporate, and Grant Programs of Private Entities

Source: https://www.startupindia.gov.in/content/sih/en/looking_for_funding.html

Now let's discuss some more concepts:

Commercial banks: commercial banks occupy a vital position as they provide funds for different purposes as well as for different time periods. Banks extend loans to firms of all sizes and in many ways, like, cash credits, overdrafts, term loans, purchase/discounting of bills, and issue of letter of credit.

Trade credit: it is the credit extended by one trader to another for the purchase of goods and services. Trade credit facilitates the purchase of supplies without immediate payment. Such credit appears in the records of the buyer of goods as 'sundry creditors' or 'accounts payable'. Trade credit is commonly used by business organisations as a source of short-term financing

Lease financing: a lease is a contractual agreement whereby one party i.e., the owner of an asset grants the other party the right to use the asset in return for a periodic payment. In other words it is a renting of an asset for some specified period. The owner of the assets is called the ‘lessor’ while the party that uses the assets is known as the ‘lessee’

Public deposits: the deposits that are raised by organisations directly from the public are known as public deposits. Rates of interest offered on public deposits are usually higher than that offered on bank deposits. Any person who is interested in depositing money in an organisation can do so by filling up a prescribed form. The organisation in return issues a deposit receipt as acknowledgment of the debt. Public deposits can take care of both medium and short-term financial requirements of a business. The acceptance of public deposits is regulated by the reserve bank of india

Retained earnings: a company generally does not distribute all its earnings amongst the shareholders as dividends. A portion of the net earnings may be retained in the business for use in the future. This is known as retained earnings.

Commercial paper (cp): commercial paper emerged as a source of short-term finance in our country in the early nineties. Commercial paper is an unsecured promissory note issued by a firm to raise funds for a short period, varying from 90 days to 364 days. It is issued by one firm to another. Its regulation comes under the purview of the reserve bank of india.

Issue of shares: the capital obtained by issue of shares is known as share capital. The capital of a company is divided into small units called shares. Each share has its nominal value. For example, a company can issue 1,00,000 shares of rs. 10 each for a total value of rs. 10,00,000. The person holding the share is known as a shareholder. There are two types of shares normally issued by a company. These are equity shares and preference shares.

Debentures: this is an important instrument for raising long term debt capital. A company can raise funds through issue of debentures, which bear a fixed rate of interest. The debenture issued by a company is an acknowledgment that the company has borrowed a certain amount of money, which it promises to repay at a future date. Debenture holders are, therefore, termed as creditors of the company

Source: https://ncert.nic.in/textbook/pdf/kebs108.pdf

Stages in the growth of start-up:

Stage	Sources	Year
Ideation	• Bootstrapping/Self-financing • Friends and Family • Business Plan/Pitching Events (small seed money)	1
Validation (Prototype ready/ need to validate demand by POC	• Incubators • Government Schemes (CGTMSE, MUDRA, and Stand-up India) • Angel Investors (Indian Angel Network, Mumbai Angels, Lead Angels, Chennai Angels) • Crowdfunding	2
Early Traction	• Banks/NBFCs	3
Scaling	• Venture Capital Funds • Private Equity/Investment Firms	4
Initial Public Offering (IPO)	• Listing in stock market	5

Source: https://www.startupindia.gov.in/content/sih/en/looking_for_funding.html

Activity:

The small group reassembles to discuss the following points:

a. How much money is needed?
b. How are you planning to raise funds (sources)?
c. Clearly indicate how long will these funds last and what you will be able to achieve with it

There will be a presentation in the large group based on the small group

8. Production and Marketing Management

Production management deals with converting raw materials into finished goods or products. Production management involve three main types of decisions, typically made at three different stages:

- Production planning. The first decisions facing operations managers come at the planning stage. At this stage, managers decide where, when, and how production will occur. They determine site locations and obtain the necessary resources.
- Production control. At this stage, the decision-making process focuses on controlling quality and costs, scheduling, and the actual day-to-day operations of running a factory or service facility.
- Improving production and operations. The final stage of operations management focuses on developing more efficient methods of producing the firm's goods or services.

Another important thing to note is the logistics which includes movement and storage of products, materials, and services throughout the supply chain from the point of origin to the point of consumption. This might include transportation, shipping, warehousing, packaging, disposal, and security.

There are 7 principles of marketing. They are Product, Price, Place, Promotion, People, Packaging, and Physical Evidence. All these are interconnected and work together; hence, they are also known as Marketing Mix. You might see some variation of these in most of the enterprises.

The marketing principles are as follows:

1. Product

Product is one of the most crucial principles of marketing. The product can be either a good or a service you provide to customers. If you want to sell a profitable product, then you need to do thorough planning and look at your product from customers' eyes and consider all the essential factors in your plan. These factors may include questions such as customers' needs, the quality of your product, how it is different from others and what is its selling point, as well as how safe it is for your customers. You not only need a quality product but also be able to successfully define the quality of your product to your prospective consumers and turn them into consumers.

2. Price

The price is the money the customer has to pay for the product or services they receive. There are two types of pricing, such as cost-oriented prices and market-oriented prices. In market-oriented prices, there is more to price than the contribution price, and it needs market research. Some things to look into are:

- What are your customers willing to pay?
- The price of the same type of products offered by competitors.

Moreover, the price is selected after determining the market value. Or on the value, you offer through your product or service. If you ask for a higher price than market value, customers will have more expectations from your product, and you should live up their expectations if you want a successful business. The price can also be adjusted with time to make sure it is right for your current market.

3. Place

Place refers to the process of bringing your products and services to the customers. The place is wherever your product or services are available for purchase and customers can buy them. It could be a brick-and-mortar store, an online website, or you can use multiple channels to reach a broader audience. It is essential for a business to choose the right place that is convenient for customers, and reach out to the potential customers to increase the sale of the product. Therefore, careful planning of the placement or distribution of your product is important for a successful business. Additionally, in today's digital age, no matter where your store or services are located, a digital presence can make a huge difference in reaching out to your potential customers. As more and more people tend to search online for their needs.

4. Promotion

Promotion should give customers a reason to choose your product or service, as well as show the prospective customers the benefits of using your product. Promotion is the backbone of marketing and as crucial for businesses as the quality of the products they produce. It refers to communicating with the target audience through different channels and creating awareness for your product and services. There are different methods used to let the market know about your product or services. The following are some of the most popular ways marketers use to reach out to their prospective customers.

- Email marketing: refers to reaching out to your target audience through emails.
- Advertisement: is a paid promotional tool marketer uses to promote their products or services. It includes social media ads, tv, and magazine advertisements.

- Sales promotions: temporary incentives offered for a short period. These promotions are used to encourage prospective customers to try out the product and services before buying.
- Direct marketing: Direct marketing is when you directly reach out to your target audience and build relationships through two-way communication.
- Public Relations: presenting a favorable image of your products and services.

5. People

People are also an important part of any business organization. From team members to branch manager to customer service representatives, all play a vital role in the progress of a business organization. Hiring the right people who are trained and able to do the right job is essential for a business organization. Additionally, an excellent customer service that listens to customers' concerns and needs and satisfies them is necessary for business growth. The people who have the ability as well as are driven and trained to do their work can make a massive difference in creating and implementing the marketing plan in the right way.

6. Packaging

The packaging is another principle of marketing. The right package makes a big difference in making a good initial impression. Packaging refers to the way your product or services are represented to the people. Good packaging is the best way for your product to get noticed and stand out so that people choose your product instead of your rivals. The packaging is the opportunity for you to make your product more attractive and different from others. It creates a powerful first impression that makes people choose your product among other competitors.

7. Physical Evidence

It includes the things customers see when interacting with a business. Make sure the environment where products or services are provided are user-friendly and attractive; the packaging you use is appealing to the customers and represents your brand. Physical Evidence also includes the customers' experience with the product or service. It gives some solid knowledge of your product or service for the first-time customers. Wherein, a customer can read or see the result of your product and develops some level of trust that encourages them to choose it. Physical Evidence also includes the case studies and testimonials from satisfied customers. Companies build brand awareness with all these interactions and increase their sales.

Activity:

Participants will have to use the worksheet (annexure 5) to prepare a marketing mix for your product/ service (45 mins)

9. Legal Formalities

In India, one can choose from different types of legal entities to conduct business. These include Sole Proprietorship, Partnership Firm, Limited Liability Partnership, Private Limited Company.

Sole Proprietorship is a single person establishment where the individual manages and controls their business on their own. Accordingly, it is cost-effective as there no fees to pay during the initiation of the process. Further, the primary establishment is easy as there is no need for registration. Mandatory Requirements to Start a Sole Proprietorship are as follows:

- Aadhar card ‘
- PAN card
- Bank account
- Registered office proof (Rent Agreement or Property Documents)

There is no rigid protocol to register a Sole Proprietorship. Nonetheless, its existence is established by generating a bank account in the name of the proprietorship. Otherwise, it can be through attaining the licenses necessary to conduct business. The owner can approach the Municipal Officials to register under Shop and Establishment act. Obtaining a PAN card is an absolute necessity in the business sector. Because, it aids in attaining license and certificates, company registrations, and filing the tax return for Sole Proprietorship. For manufacturing and trading businesses with expected turnover over Rs 40 Lakhs (and Rs 20 Lakhs for special category states) owners should get GST registration done. It is also a good idea to also go for MSME registration if the firm is acceptable under the MSME sector. Partnership firm is another type of registration when an agreement is made between the partners in which rights, duties, profits shares and other obligations of each partner are mentioned. Following details are required in a partnership deed:

A. General Details:

- Name and address of the firm and all the partners
- Nature of business
- Date of starting of business and capital to be contributed by each partner
- Capital to be contributed by each partner
- Profit/loss sharing ratio among the partners

B. Specific Details:

Apart from these, certain specific clauses may also be mentioned to avoid any conflict at a later stage:

- Interest on capital invested, drawings by partners or any loans provided by partners to firm
- Salaries, commissions or any other amount to be payable to partners
- Rights of each partner, including additional rights to be enjoyed by the active partners
- Duties and obligations of all partners
- Adjustments or processes to be followed on account of retirement or death of a partner or dissolution of a firm.
- Other clauses as partners may decide by mutual discussion

To register a partnership firm, an application form along with fees needs to be submitted to the Registrar of Firms of the State in which the firm is situated. The application has to be signed by all partners or their agents. Documents to be submitted to Registrar are

- Application for registration of partnership (Form 1)
- Specimen of Affidavit
- Certified original copy of Partnership Deed
- Proof of principal place of business (ownership documents or rental/lease)

The registration of a Partnership Firm in India can take up to 12 to 14 working days. However, the time taken to issue a certificate of incorporation may vary as per the regulations of the concerned state. The registration of Partnership Firm is subject to Government processing time which varies for each State. If the partners of a firm wish to end the partnership, they can do so by dissolving the partnership by notice, if it is a partnership of will. A partnership can be dissolved in accordance with the terms laid out in the Partnership Deed, or they can do so creating a separate agreement. Every partner is jointly liable with all the other partners and also individually, for all acts/activities of the firm, during the course of business while he/she is a partner. This means that if a loss or injury is caused to any third party or a penalty is levied during the course of business all partners will be held liable even if the injury or loss was caused by one of the partners. A limited liability partnership (LLP) is a partnership in which some or all partners (depending on the jurisdiction) have limited liabilities. It therefore exhibits elements of partnerships and corporations. In an LLP, one partner is not responsible or liable for another partner’s misconduct or negligence. As in a partnership or limited liability company (LLC), the profits of an LLP are allocated among the partners for tax purposes, avoiding the problem of “double taxation” often found in corporations.

A private limited company is a company privately held for small businesses. This type of business entity limits owner liability to their shareholdings, the number of shareholders to 200, and restricts shareholders from publicly trading shares.The advantages for incorporation is as follows:

- Limited risk to personal assets: The shareholders of a private limited company have limited liability. This means that as a shareholder you will be liable to pay for the company's liability only to the extent of the contribution made by you.
- Legal Entity: A PLC has a separate legal entity different from you. This means that the Company is responsible for the management of its assets and liabilities, debtors and creditors. And you are not responsible for it. So, the creditors cannot proceed against you to recover the money.
- Raising Capital: Even though registering a PLC comes with compliance requirements, it is preferred by entrepreneurs as it helps them raise funds through equity, expand and at the same time limits the liability.
- Trustworthiness: Companies in India are registered with the Registrar of companies(ROC) under Companies Act 2013. Anyone can check the details of the company through the Ministry of Corporate Affairs (MCA). Also, details of all the directors are provided while the formation of the company. Hence a PLC form of business structure is trusted more.
- Continue Existence: A company has 'perpetual succession', that is continue or uninterrupted existence until it is legally dissolved.

The steps for registration is:
Step 1: Obtain Digital Signature Certificate (DSC)
Step 2: Obtain DIN
Step 3: Name Availability
Step 4: Form SPICE INC-32
Step 5: MOA and AOA
Step 6: PAN and TAN Application

In addition to these legal provisions for registration, ventures can also think about cooperative registration

Know More: Intellectual property rights are legal rights that provide protection for original works, inventions, or the appearance of products, artistic works, scientific developments, and so on. There are four types of intellectual property rights (IP): patents, trademarks, copyrights, and trade secrets.

For more information on IPR, please read:

http://caaa.in/Image/34_Hb_on_IPR.pdf

Other legal knowledge required for entrepreneurs include the following:

Tax law: For tax exemptions in a start-up, the first 7 years' lifespan can be availed for tax benefits. The organization must be registered as the limited liability partnership/ company. The total turnover for the starting years must not be more than 25 crores annually. Every firm or business needs to maintain proper accounts and tax audits to adhere to the taxation rules applied and adhered to in the country.

Labour Laws: As every business firm has employees or labour which helps in proper and efficient functioning daily. Many laws related to labours like minimum wages act, gratuity, Provident funds payment, paid holidays to workers, maternity benefits, harassment at workplace, payment of bonus, etc needs to be followed by enterprises.

Business Contract Management: The proper legal contract is judged under the Indian contract act, 1872. For making a valid contract the conditions in Section 10 of the Contract Act must be fulfilled. The first contract in business is the employment contract which should be effectively made. The salary, stock options, scope of work, etc should be discussed properly. The non-disclosure agreements would also prove beneficial for the startup as for setting up the start-up host has to share ideas about the working to investors, suppliers, customers and from this, there is a huge possibility of misuse of ideas. So the nondisclosure contracts help in preventing the information from getting spread.

Winding Business: In the fast track exit, the company should not have any assets liabilities left and no past business must be entertained in the process of winding up and the company name can be removed afterward from the registrar of companies (ROC). In the voluntary closure, all the accounts must be settled by the company that is the shareholders and the creditors must be on the same line. In the court or tribunal closure, the prolonged court proceedings are involved and are a hectic procedure with the stakeholders. The Insolvency and Bankruptcy Bill, 2015 is also used for easy and efficient business windup. The Ministry of Corporate Affairs has notified sections 55 to 58 of the Insolvency and Bankruptcy Code, 2016, to efficiently monitor the insolvency resolution process and the fast-track process requires a start-up as per government policy

10. Leadership

An effective leader motivates the subordinates for higher levels of performance. Leadership promotes team- spirit and team- work which is quite essential for the success of any organization. Leadership is different from management.

A manager is required to plan, organize, direct and control. But a leader is one who gets others to follow him. A manager depends on his authority. But a leader depends on his confidence and goodwill. He inspires enthusiasm. Management is concerned with the formulation of broad policies to guide the operations of an enterprise. But leadership is concerned with the initiation of action for the accomplishment of the goals. An individual is a leader in the true sense if he is accepted as a leader by the group. A manager is appointed and he derives his authority by virtue of his office.

Different Leadership Styles:

Autocratic or Task Management Leadership

An Autocratic leader operates on the following assumptions: -

(a) An average human being has inherent dislikes of work and will avoid it if he can.

(b) His assumption is that if his subordinate was intelligent enough, he would not be in that subordinate position.

(c) He assumes that unintelligent subordinates are immature, unreliable and irresponsible persons. Therefore, they should be constantly watched in the course of their work.

(d) As he has no regard for his subordinates, he gets the work done by his subordinates through negative motivation i.e., through threats of penalty and punishment.

Thus, under this style all decision-making power is centralized in the leader. The autocratic leader stresses his prerogative to decide and order and subordinate's obligation to do what they are told to carry out. He does not give subordinates the freedom to influence his behaviour.

Participative or Democratic Leadership

A participative leader believes that subordinates are capable of doing work and assuming the responsibility if they are given opportunities and incentives. Subordinates are supervised, guided and aided rather than threatened and commanded to work. Mistakes are not viewed seriously. The assumption is that disciplinary action breeds discontent and frustration among employees and creates an unhealthy work environment. A democratic leader is one who consults and invites his subordinates to participate in the decision-making process. He gives orders only after consulting the group; sees to it that policies are worked out in group decisions and with the acceptance of the group.

The manager largely avoids the use of power to get a job done. He behaves that a desired organizational behaviour can be obtained if employees' needs and wants are satisfied. Therefore, he not only issues orders but interprets them and sees to it that the employees have the necessary skill and tool to carry out their assignments. He assigns a fair work lead to his personal and recognizes the job that is well done; there is a team approach to the attainment of organizational goals. He recognizes human value for greater concern for his subordinates.

Laissez faire or Free-rein Leadership

In this type, the leader relieves himself of responsibilities and is ready to blame his subordinates if something goes wrong. He has no clear idea of the goals to be attained. A free-rein leader does not lead, but leaves the group entirely to itself. The leader avoids using power and interests the decision-making authority to his subordinates. He does not direct his subordinates and there is complete freedom for the subordinates. Group of members work themselves and provide their own motivation.

The manager exits as a contact man with outsiders to bring for his group the information and resources it needs to accomplish its job. This mode of direction can produce good and quick results if the subordinates are highly educated and brilliant people who have a will to go ahead and perform their responsibility.

Personal reflection: What type of leader are you? Would you like to change your style. If so, what would you prefer?

Activity-1: Role Play

Choose 6 to 7 members from the large group. Tell them to do a role play (30 mins). The situation is that a picnic needs to be organised and how each type of leader will handle the situation

a. First time, show how a laissez faire leader would behave followed by autocratic and demiocratic leader
b. Discuss in the large group on the nature of leadership required for success of the enterprise

Activity- 2: Minefield

Minefield is a leadership game that involves navigating through a passage while wearing a blindfold. You need to design an obstacle course around the office, different for each team. Here, one person wears a blindfold and tries to get past the course while the other shouts out directions. The team to do this in the least amount of time wins the game.

Activity-3: Shipwreck

This activity is a hypothetical situation to exercise critical approach, analytical thinking, and teamwork. Here, you give the teams a situation wherein they are on a lone island due to a shipwreck. Now, to survive on the island for a few things, teams must decide on the five things they'll need. Give the teams around 10 minutes to discuss among themselves and come up with their list. After this, every team must share their list with the group. Here, everyone must discuss the viability of the things on the list for survival. In this activity, you can also design different scenarios other than a deserted island.

11. Preparing for Business Pitch

What is the business pitch?

Business pitch is a presentation of a business idea to potential investors. It is one the ways to mobilize financial resources from investors, bank officers, and grant makers. One of the most important aspects of the pitch is to get into the matter as quickly as steadily as possible as the funders do not have much time to listen to the business idea. One of the most popular strategies to business pitch is to consider starting with elevator pitch. More details on the components of business pitch is available at following links:

https://articles.bplans.com/9-things-that-take-a-pitch-from-good-to-great/

https://www.entrepreneur.com/article/341609

Note: Facilitator to read this and explain the crux to participants

How to make an elevator pitch?

For this session, participants have to do an elevator pitch. It's so named because it should be short enough to deliver during a brief elevator ride of maximum 1 minute. This will prepare participants if they stumble across a brief opportunity to sell a business idea to a potential investor. The Harvard-MIT elevator pitch template is given below:

- State the Problem
- Present Your Solution
- Explain Why People Should Trust You
- Describe Your Value Proposition
- Offer a CTA (Call to Action)

Let's look at an example:

Problem: Women in the community are often frustrated by the effort it takes to get good quality drinking water.
Solution: (Your New Innovation/ Company) eliminates the need to walk several miles to get quality water [Customer's Old Solution] by offering home based water purification system"
Why You: "For [Duration], [Customer Type] have trusted [Your Company/ product] to provide the best solutions in water quality
Value: "With [Your New Solution], you can [spend less/make more] [time/money] [Action]."
CTA: "I wish to scale up the production and would like to discuss with you regarding angel investment possibilities (Get Contact Info). Thanks for your time."

Note: Facilitator gives a couple of examples, and then asks the participants to work in small groups to prepare elevator pitches. Each member of the group can take turns in presenting the pitch with the whole group, The facilitator and training assistants can help the participants prepare effective pitches.

Work Sheets

Annexure-1: Do a Self-Rating

Do you have the following traits?	Yes=1/ No= 0
Passion	
Self- confidence	
Opportunity focussed	
Hardworking	
Willing to take risk	
Creative	
Willing to learn from mistakes	
Team builder	
Effective communicator	
Ability to cope with failure	
Total (Maximum =10)	

Annexure -2: PEST Analysis

Political *Political or politically motivated factors that could impact the organization.*	***Economic*** *Overall economic forces that could impact on your success.*
Social *Social attitudes, behaviors, and trends that impact on your organization and target market.*	***Technological*** *Technology that can affect the way you make, distribute, and market your products and services.*

Annexure -3: SWOT Analysis

Strength What do you do well? What unique resources you can draw on? What do other see as your strength?	**Weakness** What could you improve?
Opportunities What opportunities are open to you? What trends can you take advantage of? How can you turn your strength into opportunities?	**Threat** What threats could harm you?

Annexure-4

Ash Maurya's Lean Canvas

<table>
<tr><td rowspan="2">Problem</td><td>Solution</td><td rowspan="2">Unique Value Proposition</td><td>Unfair Advantage</td><td rowspan="2">Customer Segment</td></tr>
<tr><td>Key Metrics</td><td>Channels</td></tr>
<tr><td colspan="3">Cost Structure</td><td colspan="2">Revenue Stream</td></tr>
</table>

Source:
https://leanstack.com/leancanvas#:~:text=Lean%20Canvas%20is%20a%201,a%20single%20page%20business%20model.

Annexure 5
Marketing Mix

1. What is the Product/ Service?

2. What is the Price of the Product/ Service?

3. Where/which place are you going to sell the Product/ Service?

4. How much percentage of earmarked promotion money are you going to put in these strategies?

- Email marketing:
- Advertisement:
- Sales promotions:
- Direct marketing:
- Public Relations:

5.How will you train your staff in customer service?

6. What is your Packaging strategy?

7. How will you create excellent brand awareness and customer satisfaction?