

e-READING MANUAL

AEX-311

ENTREPRENEURSHIP DEVELOPMENT

AND BUSINESS COMMUNICATION

2 (1+1)

B.Sc. (Hons.) Agriculture

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e-Reading Manual on
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DECLARATION

The E-Compendium on “**Entrepreneurship Development and Business Communication**” is prepared according to the syllabus recommended by the fifth dean committee report and offered in Under Graduate Programme of Department of Agricultural Extension, CoA, BUAT, Banda. This study material is prepared with the help of various textbook, online sources such as University websites, e-documents, e- books, e-data and other offline sources. The authors do not claim for originality of work. The purpose of this E-Course is only to provide the study material to students of Department of Agricultural Extension, CoA, BUAT, Banda as reference material for understanding of the course. This is not made for the commercial purpose. The multiplication and use of this compendium for commercial activity is prohibited.

AUTHORS

FOREWORD

I am pleased to learn that the Department of Agricultural Extension is bringing out the e-reading manual of AEX-311 **Entrepreneurship Development and Business Communication** for the students of B.Sc. (Hons.) Agriculture. The university has always been supportive for providing all sorts of help in facilitating the best teaching and learning environment. This e-reading manual will be helpful to improve students' understanding of the subject and easily accessible all the time. With this e-reading manual, the students will be able to develop their skills for better performance in academics and in the professional field as well.

I appreciate the tireless efforts of the faculty members of the Department of Agricultural Extension in developing and designing this manual. I am sure that this reading manual will be very useful to the students registered for the course of "Entrepreneurship Development and Business Communication". This manual will work as a ready reckoner for the students to help them in preparation of competitive examination for higher studies.

With best wishes,

(G.S. Panwar)

Dean

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PREFACE

Agricultural extension is a key to sustainable agricultural development. The global change in economic policies and advancement in technologies have brought a complete shift in extension approaches worldwide. It has introduced new trends such as market led extension, cyber extension and private extension to the discipline. In view of this, ICAR nominated the 5th Dean's Committee to suggest relevant modification and changes in the course curricula of all disciplines at UG level.

This e-reading manual on AEX-311 Entrepreneurship Development and Business Communication is designed as per the revised curricula of B.Sc. (Hons.) Agriculture programme recommended by the 5th Dean's Committee of ICAR. The new chapters were added as per the revision and incorporated in such a way that made it easily understandable to the students to make it more clear and attractive. Pictures, graphs, figures, etc. are used at appropriate places. This manual is a combined effort of all the faculty members of the Department of Agricultural Extension, for which I am thankful for my teammates.

On behalf of authors and as a Head of Department of Agricultural Extension, I acknowledge with thanks to Dr. N.P. Singh, Hon'ble Vice Chancellor, BUAT, Banda and Dr. G.S. Panwar, Dean, College of Agriculture, BUAT, Banda for encouraging us to bring out this e-reading manual.

With best wishes,

(B.P. Mishra)

Head

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AEX 311

Entrepreneurship Development and Business Communication 2 (1+1)

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CHAPTER - 1

CONCEPT OF ENTREPRENEUR, ENTREPRENEURSHIP, AGRIPRENEUR OR AGRIENTREPRENEURSHIP, BUSINESS, BUSINESSMAN AND ENTREPRENEURSHIP DEVELOPMENT

INTRODUCTION

An entrepreneur is an individual who creates a new business, bearing most of the risks and enjoying most of the rewards as an economic agent. The entrepreneur is commonly known as an innovator, as a creator, a source of new ideas, goods, services, and business/or procedures. As an economic agent entrepreneur plays a key role in the economic development of a country. The economic development of a country refers to sustained growth in the income levels. Entrepreneurs using the skills and initiative necessary to anticipate needs and bringing good new ideas in to market.

An Entrepreneur is an individual with knowledge, skills, initiative, drive and spirit of innovation who aims at achieving goals. An entrepreneur identifies opportunities and seizes opportunities for economic benefits. The process of setting up a business is known as entrepreneurship. Entrepreneurship is a dynamic activity which helps the entrepreneur to bring changes in the process of production, innovation in production, new usage of materials, creator of market etc. It is a mental attitude to foresee risk and uncertainty with a view to achieve certain strong motive. It also means doing something in a new and effective manner.

CONCEPT OF ENTREPRENEUR

- An Entrepreneur is an individual with knowledge, skills, initiative, drive and spirit of innovation who aims at achieving goals.
- An entrepreneur identifies opportunities and seizes opportunities for economic benefits.
- Entrepreneurs being an economic man aim to optimize his business profits through innovative means.
- According to Encyclopedia Britannica entrepreneur means an individual response for the operation of the business.
- An entrepreneur is someone who practice initiative by organizing a venture to take benefit of an opportunity and, as the decision maker, decides **what and how venture to be create, and what, how and how much** of a goods or service will be produced. An entrepreneur provides risk capital (venture capital) as a risk taker, and observes and controls the business activities which give profits.

The entrepreneur is usually a sole proprietor, or a partner, or the one who owns the majority of shares in an incorporated venture. If one desires to be an entrepreneur, the given equation is what describes, what an entrepreneur actually is.

Entrepreneur + Capital = Products + Customers = Business.

History of the term 'Entrepreneur'

Around 1700 A.D. the term was used for architects and contractor of public works. In many countries, the term entrepreneur is often associated with a person who starts his/her own new business.

The word "**Entrepreneur**" is derived from the **French** verb '**entrepredre**' and **German** word '**unternehan**' both means 'to undertake'. In the early 16th century the Frenchmen who organized and led military expeditions were referred as 'Entrepreneurs'. In the early 18th century French economist Richard Cantillon used the term entrepreneur to business. Since that time the word entrepreneur means one who takes the risk of starting a new organization or introducing a new idea, product or service to society. French economist Richard Cantillon was known as Father of Entrepreneurs world.

Definitions

Some of the **definitions** given by scientists to understand who an entrepreneur is;

According to **Oxford Dictionary** "An entrepreneur is a person who sets up a business or businesses, taking on financial risks in the hope of profit".

According to the **International Encyclopedia**, an entrepreneur is "An individual who bears the risk of operating a business in the face of uncertainty about the future conditions".

According to **J.B. Say**, "An Entrepreneur is the economic agent who unites all means of production, land of one, the labour of another and the capital of yet another and thus produces a product. By selling the product in the market the pays rent of land, wages to labour, interest on capital and what remains is his profit". Thus an Entrepreneur is an organizer who combines various factors of production to produce a socially viable product.

According to **Joseph Schumpeter**, "An entrepreneur in an advanced economy is an individual who introduces something new in the economy, a method of production not yet tested by experience in the branch of manufacture concerned, a product with which consumers are not yet familiar, a new source of raw material or of new market and the like".

According to **Richard Cantillon** "An entrepreneur is the agent who buys factors of production at certain prices in order to combine them into a product with a view to selling it at uncertain prices in future". To conclude an entrepreneur is the person who bears risk, unites various factors of production, to exploit the perceived opportunities in order to evoke demand, create wealth and employment.

According to **Anita Jhamtani (1996)** " Entrepreneurship refers to identify/ innovating ideas, products and services, mobilizing resources, organizing production/ services and finally marketing those covering the risk with constant strive for growth and excellence"

Entrepreneur as a person who has the ability to manage the resources and described him as a dynamic agent of change or the catalyst who transformed increasingly physical, natural and human resources into corresponding production possibilities.

CONCEPT OF ENTREPRENEURSHIP

The term 'entrepreneurship' is often used synonymously with the term 'Entrepreneur' though, they are two sides of the same coin, conceptually they are different. After realize the term and about the Entrepreneurs, now we understand the meaning of entrepreneurship. Entrepreneurship is the dynamic process of creating gradual wealth. This wealth is created by individuals who assume the major risks in terms of wealth, equity, time, and/or career commitment of providing value/ identity for some product or service in the market. In very short it can be said that entrepreneurship is kind of activities done by the individual as an entrepreneur. The product or service identify by them may or may not be new or unique but value must somehow be permeate by the entrepreneur by securing and allocating the necessary skills and resources.

Many of them have used innovation and creativity to build huge enterprises. Entrepreneurship is now regarded as "**Pioneer ship**" of business. The history of the early industrial development and trade and subsequent innovation in any country is largely the history of its entrepreneurs. **It describes people with the pioneering spirit, intuitive and inspiration and a willingness to work hard and take risks.** They are the energetic self-starters who make it their mission to meet business challenges, independently and are restless in working for someone else, for a salary. Whatever the specific activity they engage in, entrepreneurs in the twenty-first century are considered the heroes of free enterprise.

In short, the concept of entrepreneurship can be easily understood as under:

(i) **Entrepreneurship involves decision making**, innovation, implementation, forecasting of the future, independency, and success.

(ii) **Entrepreneurship is a dynamic** and risky process.

(iv) It involves a fusion of **capital, technology and human talent**.

(iii) **Entrepreneurship is a process**. It is not a combination of some stray incidents.

(iv) Entrepreneurship is equally **applicable to big and small businesses**, to economic and non-economic activities.

(v) Different entrepreneurs might have some **common traits** but all of them will have some different and unique qualities.

(vi) It is the **purposeful and organized activities for** change, conducted after systematic analysis of opportunities in the environment.

- (vii) Entrepreneurship is a **creative activity**.
- (viii) It is the **ability to create and build something** from practically nothing.
- (ix) It is a **knack of sensing opportunity** where others see chaos and confusion.
- (x) Entrepreneurship is the **attitude of mind to seek opportunities**, take calculated risks and derive benefits by setting up a venture.
- (xi) It is made up of **activities to conceive, create and run** an enterprise.
- (xii) Entrepreneurship is a **dynamic process of vision, change and creation**.

With these concepts of entrepreneurship it can be concluded that the-

Entrepreneurship is the indivisible process flourishes, when the interlinked dimensions of individual psychological entrepreneurship, entrepreneur traits, social encouragement, business opportunities, Government policies, availability of plenty of resources and opportunities coverage towards the common good, development of the society and economy.

Entrepreneurship is the process of identifying opportunities in the market place, arranging the resources required to pursue these opportunities and investing the resources to exploit the opportunities for long term gains. It involves creating wealth by bringing together resources in new ways to start and operate an enterprise.

Definitions

According to **Cole** “Entrepreneurship is the purposeful activity of an individual or a group of associated individuals undertaken to initiate, maintain and aggrandize profit by production or distribution of economic goods and services”.

According to **Higgins** “Entrepreneurship is meant the function of foreseeing investment and production opportunities, organizing an enterprise to undertake a new production process, raising capital, hiring labour, arranging the supply of raw materials, finding site, introducing a new technique, discovering new resources or raw materials and selecting top managers for day to day operations of the enterprise”.

According to Peter F. Drucker “Entrepreneurship is defined as a systematic innovation, which consists in the purposeful and organized search for changes, and it is the systematic analysis of the opportunities such changes might offer for economic and social innovation”.

According to Richard Cantillon “Entrepreneurship entails bearing the risk of buying at a certain price and selling at uncertain prices.”

According to Joseph A. Schumpeter “Entrepreneurship is any kind of innovative function that could have a bearing on the welfare of an entrepreneur.”

According to Robert K. Lamb “Entrepreneurship is that form of social decision making performed by economic innovators.”

The concept of Entrepreneurship has also been defined as “a special skill or ability to mobilize the factors of production – **Land, labour & capital** and use them to produce new goods and services”.

“Entrepreneurship is a purposeful activity in which the individual or a group of individuals with their own efforts utilizes the opportunity available through innovative ideas”

The above definitions highlights risk bearing, innovating and resource organizing aspects and an individual or group of people achieve goal through production or distribution of products or services. To conclude entrepreneurship is set of activities performed by an entrepreneur thus, entrepreneur proceeds entrepreneurship.

Concepts of Agripreneurs or Agripreneurs-

Agripreneurs or Agripreneurship is the **entrepreneurial process proceed in agriculture or in allied sectors**. It is the process of adopting new ideas, methods, processes, techniques in agriculture or in allied sectors of agriculture for better output and profit earnings.

This specialization will develop agri-preneurs with distinct traits and skills to exploit opportunities galore in the field of agriculture. Among the various strategies to promote planned growth in this sector, focus on promoting viable enterprises will certainly help exploit its operational efficiency to the hilt. Agriculture is the mainstay of the Indian economy because of its high share in employment and livelihood creation. It supports more than half a billion people providing employment to 52 per cent of the workforce. India has been considered an agrarian economy till today (Misra & Puri, 2005). There are several mechanisms worked in the Agripreneurship like forward and backward linkages with secondary and tertiary sectors i.e. manufacturing and service sectors. Amidst the changing paradigms and demanding global structure, India, In order to remain a front-runner needs to primarily focus on the agriculture sector, the backbone of the economy.

Opportunities in agriculture and allied sectors can be identified at different phases of agricultural process. Basically, the agripreneurial opportunities are at Input stage, Farming stage, Value chain, output processing and marketing stage and related services. Presently the scope and potential of Agripreneurial opportunities is increasing as a result of globalization and more interconnected world market. There are many potential opportunities for entrepreneurs. Agriculture process needs so many kinds of inputs like seeds, fertilizers, pesticides and innovative and localized farm technology. So above mentioned areas create agripreneurial opportunities in the areas of developing and producing these inputs.

It is also an important source of raw material and demand for many industrial products, particularly fertilizers, pesticides, agricultural implements

and a variety of consumer goods.

Definition of Agripreneurship-

It is defined as generally sustainable, community oriented, directly marketed agriculture. Sustainable agriculture denotes a holistic, systems oriented approach to farming that focuses on the interrelationships of social, economic and environmental process.

Concepts of Business and Businessman-

Business is derived from the word 'busyness' meaning engaged in an activity. In simplest terms, business means to get or purchase something at low cost and sell it at a higher cost, meanwhile, the margin produced between that is the profit. Business's only purpose is profit, it is driven by it. Business necessarily has to be economic activities. In a business if we plan on bringing and selling a product, it has to either manufacture that product or purchase it and add a profit margin to it and sell it further.

In other term we can say that "*Business is any occupation which includes all activities which are connected with production or procurement of goods for sale and adding a profit margin to those costs for further selling it to the customer for the satisfaction of their needs.*" Most importantly, the business aims at a profit but only through the satisfaction of the needs of the customers. The business includes every occupation in which people are busy in earning the income by the means of producing, purchasing, selling or exchanging goods or services to fulfill needs of other people with the objective of making a profit.

A business man is an individual who operate or start a business for his personal needs. The sole purpose of businessman is to earn money and maximization of profit from business. It steps into the market with the main objective of earning a profit. For the survival of business in a market, getting profit is extremely necessary. If a business can't produce profit, it is expected of it to go downhill financially. Therefore the businessman does all the possible tricks to maximize its profits by increasing the volume of sales or decreasing the costs.

CHAPTER - 2

CHARACTERISTICS OF ENTREPRENEURS, TYPES OF ENTREPRENEURS AND FUNCTIONS OF ENTREPRENEURS

CHARACTERISTICS OF ENTREPRENEUR

Entrepreneurs have many of the same character traits as leaders, similar to the **Great Man Theory of Leadership**. Entrepreneur is a key figure in economic progress. He is the person who introduces new things in the economy. He is considered as the business leader and not a simple owner of capital. He is a person with telescopic faculty, drive and talent who perceives business opportunities and promptly seizes them for exploitation. Entrepreneurs possess several qualities; but to be a successful an entrepreneur should have the following characteristic features some of those have been listed below.

- 1. Achiever or willing to achieve:** Entrepreneurs have got strong desire to achieve higher goals. Their inner self motivates their behaviour towards high achievement: most of the people dream of success but do not take any action towards achieving these dreams. Entrepreneurs with high n-Ach factor act continuously to achieve the goal and make their dreams come true. For them, winning is achievement.
- 2. Risk taker:** Entrepreneurs are the persons who take decisions under uncertainty and thus they are willing to take risk, but they never gamble with the results. They choose moderate risk rather than play wild gamble. They, therefore, undertake calculated risk which is high enough to be exciting, but with a fairly reasonable chance to win.
- 3. Independent and self-confident:** Most of the entrepreneurs start on their own because they dislike to work for others. They prefer to be their own boss and want to be responsible for their own decisions. Entrepreneurs must have self-confidence to accomplish the task effectively and efficiently. They must take decisions on their own in uncertain and risky situation and should stick to it confidently even if there occurs initial setbacks.
- 4. Opportunity grabber:** Entrepreneurs are always alert to opportunities. They are very much quick to see and grab opportunities. They exhibit an innovative turn of mind and convert the problems into viable opportunities. They plan intellectually and anticipate carefully how to achieve their goals in realizing an opportunity.
- 5. Innovators:** Successful entrepreneurs are innovators. They constantly put their efforts in introducing new products, new method of production, opening new markets and recognizing the enterprise.
- 6. Locus of control:** According to Rotter's locus of control theory, an individual perceives the outcome of an event as being either within or beyond his personal control. Entrepreneurs believe in their own ability to control the consequences of their endeavour by influencing their socio-economic environment rather than leave everything to luck.
- 7. Perseverance:** Entrepreneur has got the quality of sticking to job he decides to undertake. Once committed to a specific goal and course of action, entrepreneurs become absorbed to it. They personally solve the problems that come across their way while setting up the project. They also work sincerely until the whole project is successfully implemented.
- 8. Positive self-concept:** Entrepreneurs are always positive in their action. Being an achiever,

he directs his fantasies and dreams towards achievement of worthwhile goals and sets extraordinary standard of excellence in what he is doing. This is based upon his awareness of SWOT analysis, i.e. his strengths, weaknesses, opportunities and threats. He utilizes his positive knowledge to support his thinking. He never exhibits any negative attitude.

9. Hope of success: Hope of success is a significant quality of entrepreneurial personality. Entrepreneurs set their goals with a hope of success rather than fear of failure. This is because they set their goals on the basis of facts and their ability to maneuver them to their advantage.

10. Flexibility: Most of the successful entrepreneurs measure the pros and cons of a decision and tend to change if the situation demands. They never feel reluctant to revise their decisions. They are the persons with open mind without rigidity.

11. Analytical ability of mind: Entrepreneurs are unaffected by personal likes and dislikes. They stand beyond these types of prejudices as they are realistic in their approach. At the time of their need they select experts rather than friends and relatives to assist them. They usually avoid emotional and sensitive attitude towards their business or problem.

12. Sense of efficacy: Entrepreneurs are always oriented towards action for accomplishment of their goals. Being confident of their abilities, they find themselves as problem solvers rather than problem avoiders. They chalk out their goals for future and make planning to achieve them.

13. Learning from experience: Successful entrepreneurs like to have immediate feedback of their performance. They modify their plans on the basis of the feedback they receive from the environment around them. They learn from their experience and never get discouraged having received unfavorable information. On the contrary, they are stimulated by unfavorable information to involve themselves sincerely in their own tasks to reach their desired goals.

14. Optimistic: Successful entrepreneurs are always optimistic and take every odd as the opportunity. They maneuver their environment in such a way that the works get accomplished rationally. Thus, they win by the application of their extraordinary insight and skill.

15. Interpersonal skills: Entrepreneurs are always comfortable while dealing with people at all levels. They interact with raw material suppliers, customers, bankers, etc.. for different activities. As successful entrepreneurs, they should be persons who like working with others possessing the much needed quality of interpersonal skill to deal with people.

16. Need to influence others: Once the entrepreneurs set their goals, they have to play the roles of manager too. For influencing others (n Power), a low need to establish emotional relationship (low n Affiliation), and a high need to discipline one's own self (to inhibit over expression of their personality) are essential.

17. Stress takers: Entrepreneurs are capable of working for long hours and solving different complexities at the same time. As the captain of an industry or an enterprise, an entrepreneur faces a number of problems and in right moment he takes right decisions which may involve physical as well as mental stress. He can face these challenges if he has the capability to work for long hours and keep himself cool under monotony.

18. Time orientation: Entrepreneurs anticipate future trends basing upon their past experience and exposure. They stick to the time pragmatically while doing their jobs.

19. Business communication skill: In order to motivate others in the business entrepreneurs must possess good communication skill. Both written and oral communication skills are

necessary for the entrepreneurs for running enterprise efficiently.

20. Dynamic and visionary: Successful entrepreneurs always tend to think ahead. They have got telescopic faculties which make them think for the future. Future orientation makes them quite alert to the changing conditions of the time and they tend to produce goods and commodities as per the changing demands.

21. Leadership: Entrepreneurs should possess the quality of leadership. Leadership is the ability to exert interpersonal influence by means of communication towards the achievement of goals. Entrepreneurs as the leaders should provide the necessary spark to motivation by guiding, inspiring, assisting and directing the members of the group for achievement of unity of action, efforts and purpose. Hence, entrepreneurs by their own leadership styles and behaviour reduce the problems by proper handling of situations. Good administrative work depends upon effective leadership of the entrepreneur.

22. Systematic Business planner: Planning implies deciding in advance what, when and how to do a thing. Entrepreneurs should be equipped with skill and knowledge to prepare their business plan. A successful entrepreneur always follows the principles of management while planning for his business. The planning can act as a bridge between the present position and expected future shape of the enterprise. It provides a sense of vision to the entrepreneurs to cope with risky and uncertain situation.

23. Decision making: Decision-making skill is a fundamental characteristic of an entrepreneur. This implies the function of choosing a particular course of action at every stage of creation of an enterprise out of several alternative courses for the purpose of achieving specified goals. Hence, decision making is necessary at all times and mostly at conditions of uncertainty and risk.

24. Ability to mobilize resources: Entrepreneurs must have the ability to marshal all the inputs to obtain the end product. They have to mobilize 6Ms, i.e. Man, Money, Material, Machinery, Market and Method effectively to realize the final product as entrepreneurship is a function of gap filling and input completing.

TYPES OF ENTREPRENEURS

Depending upon the level of willingness to create innovative ideas and adopt the plan, there can be the following types of entrepreneurs on the basis of common characteristics.

A. Clarence Danhof Classification:

Clarence Danhof classifies entrepreneurs into four types.

- 1. Innovative:** Innovative entrepreneur is one who assembles and synthesis information and introduces new combinations of factors of production. They are characterized by the smell of innovativeness. These entrepreneurs sense the opportunities for introduction new ideas new technology, new markets and creating new organizations. Innovative entrepreneurs are very much helpful for their country because they bring about a transformation in life style.
- 2. Imitative/ Adoptive:** Imitative entrepreneur is also known as adoptive entrepreneur. He simply adopts successful innovation introduced by other

innovators. These entrepreneurs imitate the existing entrepreneurs and setup their enterprise in the same manner. Instead of innovating, they just imitate the technology and methods innovated by others. These entrepreneurs are very helpful in less developed countries as they contribute significantly in the growth of enterprise and entrepreneurial culture in these countries. Further by adopting the technology, which is already tested, they generate ample employment avenues for the youth and therefore they are treated as agent of economic development.

3. **Fabian:** The Fabian entrepreneur is timid and cautious. He imitates other innovations only if he is certain that failure to do so may damage his business. They are very much skeptical in their approach in adopting or innovating new technology in their enterprise. They are not adaptable to the changing environment. They love to remain in the existing business with the age-old techniques of production. They only adopt the new technology when they realize that failure to adopt will lead to loss or collapse of the enterprise.
4. **Drone:** These entrepreneurs are conservative or orthodox in outlook. They never like to get rid of their traditional business and traditional machinery or systems of the business. They always feel comfortable with their old fashioned technology of production even though the environment as well as the society have undergone considerable changes. Thus, drone entrepreneurs refuse to adopt the changes. They are laggards as they continue to operate in their traditional way and resist changes. His entrepreneurial activity may be restricted to just one or two innovations. They refuse to adopt changes in production even at the risk of reduced returns.

B. Arthur H. Cole Classification:

Arthur H. Cole classifies entrepreneurs as

1. **Empirical:** He is an entrepreneur hardly introduces anything revolutionary and follows the principle of rule of thumb.
2. **Rational:** The rational entrepreneur is well informed about the general economic conditions and introduces changes which look more revolutionary.
3. **Cognitive:** Cognitive entrepreneur is well informed, draws upon the advice and services of experts and introduces changes that reflect complete break from the existing scheme of enterprise.

C. Classification on the Basis of Ownership:

1. **Private:** In this category the entrepreneurs is motivated by profit they mainly focused on economical aspects of the activities and it would not enter those sectors of the economy in which possibility of monetary rewards are not very bright.
2. **Public:** In this category the entrepreneurs are motivated through the offers given

by the government department to develop the venture. In the underdeveloped countries government will take the initiative to share enterprises.

D. Classification Based on the Scale of Enterprise:

1.Small scale: This classification is especially popular in the underdeveloped countries. Small entrepreneurs do not possess the necessary talents and resources to initiate large scale production and introduce revolutionary technological changes.

2.Large scale: In the developed countries most entrepreneurs deal with large scale enterprises. They possess the financial and necessary enterprise to initiate and introduce new technical changes. The result is the developed countries are able to sustain and develop a high level of technical progress.

E. Classification Based on the outcome of Entrepreneurial Venture

In recent years, some new classifications have been made regarding entrepreneurs, which are based on the outcome of entrepreneurial venture discussed further.

1- Mobile Entrepreneurs- They are the person who leave the venture as soon as new venture is created. They are the true Schumpeterian Entrepreneurs as according to Schumpeter (1934). In this the entrepreneurial activity ends as soon as the venture is created.

Example- Mohan Engineers of Good Nigh,

Vikram Sarabhai (Father of Indian Space programme)

2- Managerial Entrepreneurs- They are the persons who prefer to continue in the same venture by transferring themselves to fit the changing demands.

Example- Mr. Henry Ford- Ford Motors USA

Pierre S.DuPont-

George Eastman- Kodak Film

KFC- Colonel Sanders, USA

3- Innovative Entrepreneurs- They are the persons who create the organization and remain engaged in their pursuits of innovation and creation of novel products and technology.

Example- 1-Walt Disney-

2- Ibuka and Akio Morita of Sony corporation.

3- Bill Gates of Microsoft.

4- Empire Builders- They are the person engaged in creating chain of new ventures having an ownership. They have quality of vast vision flair of innovation and managerial capacity to build an empire for themselves.

Example- J.N.Tata – TATA Group

2- Ghanshyam Birla – Birla Group

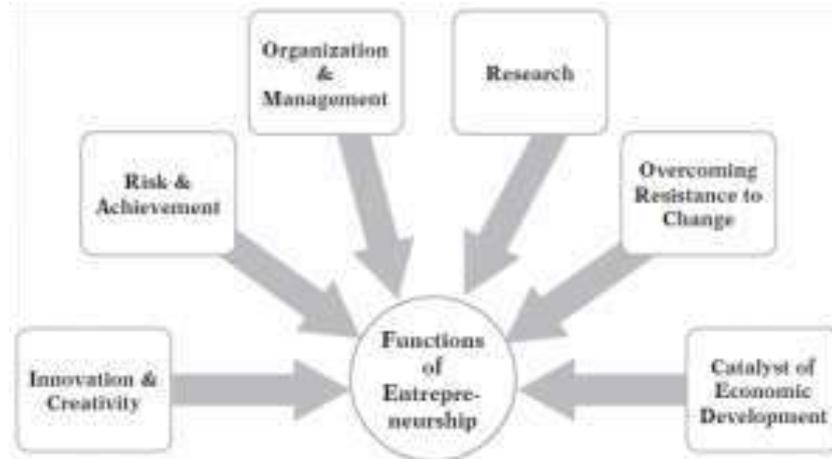
3- Ambani – Ambani family

4- Jhon D. Rockefeller of USA

5- Chung Ju Yung of Hyundai – South Korea

6- Kim Woo Chong- Daewoo motors

FUNCTIONS OF ENTREPRENEURS: The various functions of entrepreneurship are innovation and creativity, risk taking and achievement and organization and management, catalyst of economic development, overcoming resistance to change and research. These have been depicted, at a glance, with the help of the given Figure and are being discussed, in brief, below.



According to Bill Bernbach, co-founder of Doyle Dane Bernbach – “an idea can turn to dust or magic, depending on the talent that rubs against it”.

(i) Innovation and Creativity – Innovation generally refers to changing processes or creating more effective processes, products and ideas. For businesses, this could mean implementing new ideas, creating dynamic products or improving your existing services. **Creativity** is defined as “the tendency to generate or recognize ideas, alternatives, or possibilities that may be useful in solving problems, communicating with others. Creativity and innovation have always been recognized as a sure path to success. Entrepreneurs think **outside of the box** and explore new areas for cost-effective business solutions.

(ii) Risk taking and Achievement – Entrepreneurship is a process in which the entrepreneur establishes new jobs and firms, new Creative and growing organization which is associated with **risk**, new opportunities and achievement. It results in introducing a new product or service to society. In general, entrepreneurs accept four types of risks namely Financial Risk, Job Risk, Social & Family Risk & Mental & Health Risk, which are as follows:

(a) Financial Risk – Most of entrepreneurs begin by using their own savings and personal effects and if they fail, they have the fear of losing it. They take risk of failure.

(b) Job Risk – Entrepreneurs, not only follow the ideas as working situations, but also consider the current risks of giving up the job & starting a venture. Several entrepreneurs have the history of having a good job, but gave it up, as they thought that they were not cut out for a job.

(c) Social and Family Risk – The beginning of entrepreneurial job needs a high energy which is time consuming. Because of these undertakings, he/she may confront some social and family damages like family and marital problems resulting on account of absence from home and not being able to give adequate time to family.

(d) Mental Health Risk – Perhaps the biggest risk that an entrepreneur takes it is, the risk of mental health. The risk of money, home, spouse, child, and friends could be adjusted but mental tensions, stress, anxiety and the other mental factors have many destructive influences because of the beginning and continuing of entrepreneurial activity. This can even lead to depression, when faced with failure.

(iii) Organization and Management – The entrepreneurial organization is a simple organizational form that includes, one large operational unit, with one or a few individuals in top management. Entrepreneurial management means the skills necessary to successfully develop and manage a business enterprise. A small business start-up under an owner-manager is an example of an **entrepreneurial organization**. Here, the owner-manager generally maintains strict control over business operations. This includes directing the enterprise's core management functions. **According to Mintzberg**, these include the **interpersonal roles, informational roles and decision-making roles**. The smaller the organization, the more concentrated these roles are in the hands of the owner-manager. The entrepreneurial organization is generally unstructured.

(iv) Research – An entrepreneur is a practical dreamer and does a lot of ground-work before taking a leap in his/her ventures. In other words, an entrepreneur finalizes an idea only after considering a variety of options, analysing their strengths and weaknesses by applying analytical techniques, testing their applicability, supplementing them with empirical findings, and then choosing the best alternative. It is then that he/she applies the ideas in practice. The selection of an idea, thus, involves the application of research methodology.

(v) Overcoming Resistance to Change – New innovations are generally opposed by people because it makes them change their existing behaviour patterns. An entrepreneur always first tries new ideas at his/her level. It is only after the successful implementation of these ideas that an entrepreneur makes these ideas available to others for their benefit. His/her will power, enthusiasm and energy help him/her in overcoming the society's resistance to change.

(vi) Catalyst of Economic Development – An entrepreneur plays an important role in accelerating the pace of economic development of a country, by discovering new uses of available resources and maximizing their utilization. Today, when India is a fast developing economy, the contribution of entrepreneurs has increased multi-fold.

CHAPTER - 3

SWOT ANALYSIS, MOTIVATION, ACHIEVEMENT MOTIVATION & MOTIVATING FACTORS FOR ENTREPRENEURSHIP DEVELOPMENT

SWOT Analysis is the most renowned tool for audit and analysis of the overall strategic position of the business and its environment. Its key purpose is to identify the strategies that will create a firm specific business model that will best align an organization's resources and capabilities to the requirements of the environment in which the firm operates.

To innovate, an entrepreneur has to make a diagnosis of the current situation of market, firm, organization and so on. The diagnosis of the current situation is done by conducting an Internal and External Analysis.

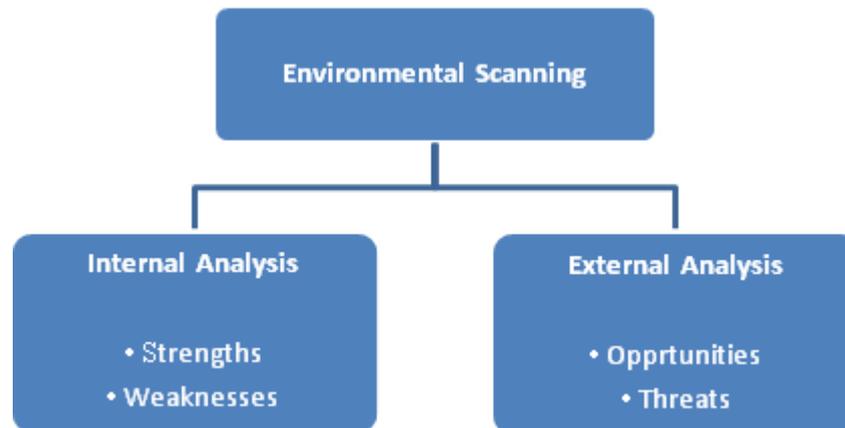
SWOT Analysis is a tool, often used by organizations in planning its future. Analysis of Internal and External Environment together is called SWOT Analysis. This tool can be explained in a simplified manner as follows S- strengths, W- weaknesses, O- opportunities and T- threats of an organization.

In other words, it is the foundation for evaluating the internal potential and limitations and the probable/likely opportunities and threats from the external environment. It views all positive and negative factors inside and outside the firm that affect the success. A consistent study of the environment in which the firm operates helps in forecasting/predicting the changing trends and also helps in including them in the decision-making process of the organization.

Internal Analysis- The Internal Analysis of the organization will cover the organizational position with respect to different functional areas like production, finance, marketing, R & Distribution and so on. More specifically, this may look into a company's sales volume, market share, profitability and so on. Strengths (S) and Weaknesses (W) are considered to be internal factors over which you have **some measure of control**.

External Analysis- The External Analysis will do the necessary scanning of the business environment to identify any threat and opportunities posed on the company, its products or services. More specifically, this will include the industry performance, competitive activity and a review of the growth and decline of the user industries. Opportunities (O) and Threats (T) are considered to be external factors over which you have **essentially no control**.

SWOT ANALYSIS FRAMEWORK



An overview of the four factors (Strengths, Weaknesses, Opportunities and Threats) is given below-

- 1. Strengths** - Strengths are the qualities that enable us to accomplish the organization's mission. These are the basis on which continued success can be made and continued/sustained. Strengths can be either tangible or intangible. These are what you are well-versed in or what you have expertise in, the traits and qualities your employees possess (individually and as a team) and the distinct features that give your organization its consistency.

Strengths are the beneficial aspects of the organization or the capabilities of an organization, which includes human competencies, process capabilities, financial resources, products and services, customer goodwill and brand loyalty. huge financial resources, broad product line, no debt, committed employees, etc.

Examples of organizational strengths are:

- a) Availability of necessary infrastructure
- b) Adequate production capacity
- c) Skilled manpower
- d) Good manufacturing practices, quality assurance and quality control
- e) Low cost of manufacture
- f) Facilities for product and process development
- g) Good location
- h) Wide distribution network

- i) Motivated staff
- j) Liquidity position
- k) Brand image
- l) Consistency in earning profits
- m) Good corporate image
- n) Efficient management
- o) Philosophy and human resource development

2. Weaknesses - Weaknesses are the qualities that prevent us from accomplishing our mission and achieving our full potential. These weaknesses deteriorate influences on the organizational success and growth. Weaknesses are the factors which do not meet the standards we feel they should meet.

Weaknesses are controllable. They must be minimized and eliminated. For instance - to overcome obsolete machinery, new machinery can be purchased.

Examples of organizational weaknesses are:

- a) Rising cost of operations
- b) Growing union pressures
- c) Low level of motivation of staff
 - d) Non-availability of raw material
 - e) Scarcity of capital
 - f) Weak credit worthiness
 - g) Problem of under utilization of capacity
 - h) Outdated technology
 - i) Poor project planning
 - j) Inadequate infrastructure
 - k) Shortage of trained technicians
 - l) Insufficient managerial expertise
- m) Unorganized nature of operations
- n) Lack of effective co-ordination
- o) Inadequate training in skills
- p) Feeble structure/poor organization

q) Problems of delegation of authority

- 3. Opportunities** - Opportunities are presented by the environment within which our organization operates. These arise when an organization can take benefit of conditions in its environment to plan and execute strategies that enable it to become more profitable. Organizations can gain competitive advantage by making use of opportunities.

Organization should be careful and recognize the opportunities and grasp them whenever they arise. Selecting the targets that will best serve the clients while getting desired results is a difficult task. Opportunities may arise from market, competition, industry/government and technology. Increasing demand for telecommunications accompanied by deregulation is a great opportunity for new firms to enter telecom sector and compete with existing firms for revenue.

Examples of organizational opportunities are:

- a) Growing population
- b) Increase in disposable income
- c) Good monsoon
- d) Easy availability of money
- e) Availability of appropriate technology
- f) Favorable government policies
- g) Availability of different task environment like market information, distribution outlets and media.
- h) Presence of favorable cultural environment.

- 4. Threats** - Threats arise when conditions in external environment jeopardize the reliability and profitability of the organization's business. They compound the vulnerability when they relate to the weaknesses. Threats are uncontrollable. When a threat comes, the stability and survival can be at stake. Examples of threats are - unrest among employees; ever changing technology; increasing competition leading to excess capacity, price wars and reducing industry profits; etc.

Examples of organizational threats are:

- a) Shortage of power, water, fuel
- b) Rejection by the market
- c) Recession

- d) Tough competition
- e) Political instability
- f) Fiscal policy resulting into increased taxes, duties, imports reservations, licensing
- g) Technological obsolescence
- h) Tight money market
- i) High cost of raising finance and cost of finance
- j) Resource crunch
- k) Difficulty in retaining technical experts
- l) Climatic changes
- m) Changing customer tastes and preferences
- n) Prolonged economic depressions

Advantages of SWOT Analysis

SWOT Analysis is instrumental in strategy formulation and selection. It is a strong tool, but it involves a great subjective element. It is best when used as a guide, and not as a prescription. Successful businesses build on their strengths, correct their weakness and protect against internal weaknesses and external threats. They also keep a watch on their overall business environment and recognize and exploit new opportunities faster than its competitors.

SWOT Analysis helps in strategic planning in following manner-

1. It is a source of information for strategic planning.
2. Builds organization's strengths.
3. Reverse its weaknesses.
4. Maximize its response to opportunities.
5. Overcome organization's threats.
6. It helps in identifying core competencies of the firm.
7. It helps in setting of objectives for strategic planning.
8. It helps in knowing past, present and future so that by using past and current data, future plans can be chalked out.

SWOT Analysis provide information that helps in synchronizing the firm's resources and capabilities with the competitive environment in which the firm operates.

Limitations of SWOT Analysis

SWOT Analysis is not free from its limitations. It may cause organizations to view circumstances as very simple because of which the organizations might overlook certain key strategic contact which may occur. Moreover, categorizing aspects as strengths,

weaknesses, opportunities and threats might be very subjective as there is great degree of uncertainty in market. SWOT Analysis does stress upon the significance of these four aspects, but it does not tell how an organization can identify these aspects for itself.

There are certain limitations of SWOT Analysis which are not in control of management. These include-

1. Price increase;
2. Inputs/raw materials;
3. Government legislation;
4. Economic environment;
5. Searching a new market for the product which is not having overseas market due to import restrictions; etc.

Internal limitations may include-

1. Insufficient research and development facilities;
2. Faulty products due to poor quality control;
3. Poor industrial relations;
4. Lack of skilled and efficient labour; etc.

MOTIVATION

The word motivation is derived from the Latin term '*movere*', which means 'to move'. Motivation is the process of initiating a conscious and purposeful action. Motive means an urge (drive or force) or combination of urges, to induce conscious or purposeful action. Motivation means movement or motion, an inner state that energizes, activates or moves and directs human behaviour towards goals. It is a need satisfying and goal seeking behaviour of human being.

Motivation can be defined as stimulating, inspiring, and inducing the employees to perform to their best capacity. It explains why people do the things they do. It influences a person to do a thing in a certain way. Motive is something (a need or desire) that causes a person to act. Motivation is a process of making subordinates to act in a desired manner to achieve organizational goal.

Definitions:

Motivation may be defined as goal seeking or goal directed behaviour or activity of the human being. Behaviour is a function of the person, which is interaction within a situation

Motivation is also defined as a stage of the organism in which bodily energy is mobilized and selectively directed towards parts of the environment

There are two types of motivation, Intrinsic and Extrinsic motivation.

A. Intrinsic Motivation

The act of being motivated by internal factors to perform certain actions and behaviour is called *Intrinsic Motivation*. Intrinsic motivation means that the individual's motivational

stimuli are coming from within. The individual has the desire to perform a specific task, because its results are in accordance with his belief system or fulfils a desire and therefore importance is attached to it.

Our deep-rooted desires have the highest motivational power. Below are some examples:

1. **Acceptance:** We all need to feel that we, as well as our decisions, are accepted by our co-workers.
2. **Curiosity:** We all have the desire to be in the know.
3. **Honors:** We all need to respect the rules and to be ethical.
4. **Independence:** We all need to feel we are unique.
5. **Order:** We all need to be organized.
6. **Power:** We all have the desire to be able to have influence.
7. **Social contact:** We all need to have some social interactions.
8. **Social Status:** We all have the desire to feel important.

B. Extrinsic Motivation

Extrinsic motivation means that the individual's motivational stimuli are coming from outside. In other words, our desires to perform a task are controlled by an outside source. Note that even though the stimuli are coming from outside, the result of performing the task will still be rewarding for the individual performing the task.

Extrinsic motivation is external in nature. The most well-known and the most debated motivation is money. Below are some other examples:

1. Employee of the month award
2. Benefit package
3. Bonuses
4. Organized activities

Importance of motivation

Motivation is an important factor in determining the efficiency of an organization; it develops a desire in the minds of the employees to achieve successfully the objectives of the enterprise. An enterprise may have the best of material, machines and other means of production but all these resources are meaningless so long as they are not utilized by properly motivated people. There was a time when the human resource of production was treated like other non-human resources and was not given any special importance. The old concept has lost all importance in this competitive age. Motivation leads to high enthusiasm among employees. Enthusiastic worker's productivity is miraculously

increased.

The importance or need of motivation is stressed as;

1. High level of performance.
2. Organizational changes.
3. High employee's turnover and reduction in absenteeism.
4. Good image of organization.
5. Good human relations.
6. Increase in morale.
7. Proper use of human resources.
8. Helpful in achieving goals.

The above review makes it clear that motivation is an important tool for the attainment of objectives of the economically and effectively. Motivation qualities of subordinates and control on wastages.

Process of motivation

The study of motivation primarily means an attempt to know from where it starts and where it ends. Koontz and O'Donnell have shown the process of motivation as 'Needs-Gap-Satisfaction' chain in the following way:

1. Need
2. Desire
3. Tension
4. Action
5. Satisfaction

In the first stage a man feels the need of something; a desire is born in his mind. When a need becomes powerful it gets changed into a want which means that he starts feeling that it should be satisfied.

When thoughts come to his mind, tension is created which makes him dissatisfied. The only way to get rid of tension is to do some work. Hence, the situation of action is created. When a man acts to remove the tension created by his needs, he feels satisfaction.

Employees are made to realize their needs through motivation and a feeling to achieve them is born in their mind. The managers make available all the facilities for work performance and, finally, the employees achieve their objective by satisfying their needs. After one need is satisfied, the other is born and the chain continues. It must be

made clear that the objective of motivation is not only to satisfy the needs of the employees but to achieve successfully the objectives of the organization.

A state if need is a motive, the action initiated or the drive behavior is known as motivated and attainment of needs and reduction of drive by the achievement of goal is known, as the 'process of motivation'. Motivation in general is an important determinant for entrepreneurial growth and development in society. However, under the broad spectrum of motivation, certain social motives have been found to be significantly related to entrepreneurial behavior such as the need for achievement, power, affiliation, dependency, extension, personal achievement, social achievement, influence etc. Among all these motives, three categories of social motives seem to be extensively explored. These are the need for (a) achievement, (c) power and (c) affiliation.

These categories of social motives differ with each other in terms of satisfaction derived in undertaking activities as well as in terms of thoughts, feelings and actions of the individual.

Entrepreneurial motivation therefore, may be viewed in terms of a set of motives of varying strength such as a high need to achieve, moderate need for power and low affiliation motive. Apart from the motivational profile, other behavioural dimensions like tolerance to ambiguity, problem solving, creativity, etc., adds in building entrepreneurial motivation in a larger perspective. Among these motives, the achievement motive acquires a strategic and important position, and for this reason it is often equated with entrepreneurial motivation which is quite close but is not the same.

People create enterprises in order to grow and fulfill themselves *i.e.*, for self fulfilment. Abraham Maslow has referred to this need as 'self-actualization', a need to maximize one's potential, whatever it may be. It is a desire to become what one is capable of becoming. A person normally does not become an entrepreneur for affiliation or recognition, but to achieve what he thinks he is capable of. This urge to self-actualization is common to all human beings.

Maslow went further and distinguished between 'special talent creativeness's' and 'self-actualizing creativeness's'. While special talent creativeness might be focused on, say, musical or artistic activities, self-actualizing creativeness can just as easily be displayed in innovative and entrepreneurial pursuits. Human beings are naturally creative and innovative. However, all successful innovators have to learn to overcome the emotional, perceptual and cultural barriers, which prevent them from testing and implementing their ideas.

Achievement motivation-

Achievement refers to competence (a condition or quality of effectiveness, ability, sufficiency, or success). Motivation refers to the energization (instigation) and direction (aim) of behavior.

Thus, achievement motivation may be defined as the energization and direction of competence-relevant behavior or why and how people strive toward competence (success) and away from incompetence (failure).

McClelland identified several motivating needs which are basic to entrepreneurs.

1. Need for achievement
2. Need for independence
3. Need for power

Need for achievement: The need to excel, known as achievement, is a critical factor in the personality of an entrepreneur. People with high need for achievement have desire for success in competition with others, or with a self-imposed standard of excellence. They try to accomplish challenging tasks. Entrepreneurs have been found to be people with a high drive, high activity level and goal orientation. They take external help whenever needed and feel happy on accomplishment of the task.

Need for independence: Studies conducted on entrepreneurs indicate that their need for independence is the prime characteristic that has driven them to start their own business. The entrepreneurs do not conform to routine jobs and practices. They set their own challenging goals and make efforts to achieve these goals. The entrepreneurs do not wait for directions from others and choose their own course of action. They are masters of their own activities and take full responsibility for the outcome of their actions. The independence provides opportunity for trying out new ideas and helping them to achieve their life goals.

Need for power: High need for achievement leads one into launching an enterprise but it may not be adequate to contribute to its success. Once an entrepreneur starts an enterprise and wants to manage successfully, he/she also needs to influence people, a drive which sells them his/her ideas and leads them in the process of establishing and expanding the organization. Ideas drive to influence people and to lead them to implement his/her ideas may be called as need for power. It implies controlling the actions and activities of other people. The entrepreneurs, especially in the initial stages, reflect moderate need for power. This helps them to become successful enterprise builders. However, they do not develop emotional bonds with people they work with; and their need for affiliation is low.

MASLOW'S' CLASSIFICATION OF NEEDS:

According to the famous psychologist **Abraham Maslow (1954)**, the needs in order of importance to individuals i.e. the fulfillment of needs starts from the first order and if first order needs are fulfilled the individual thinks of second order and so on as given below

- 1. Physiological needs:** These are called first order needs. These needs are

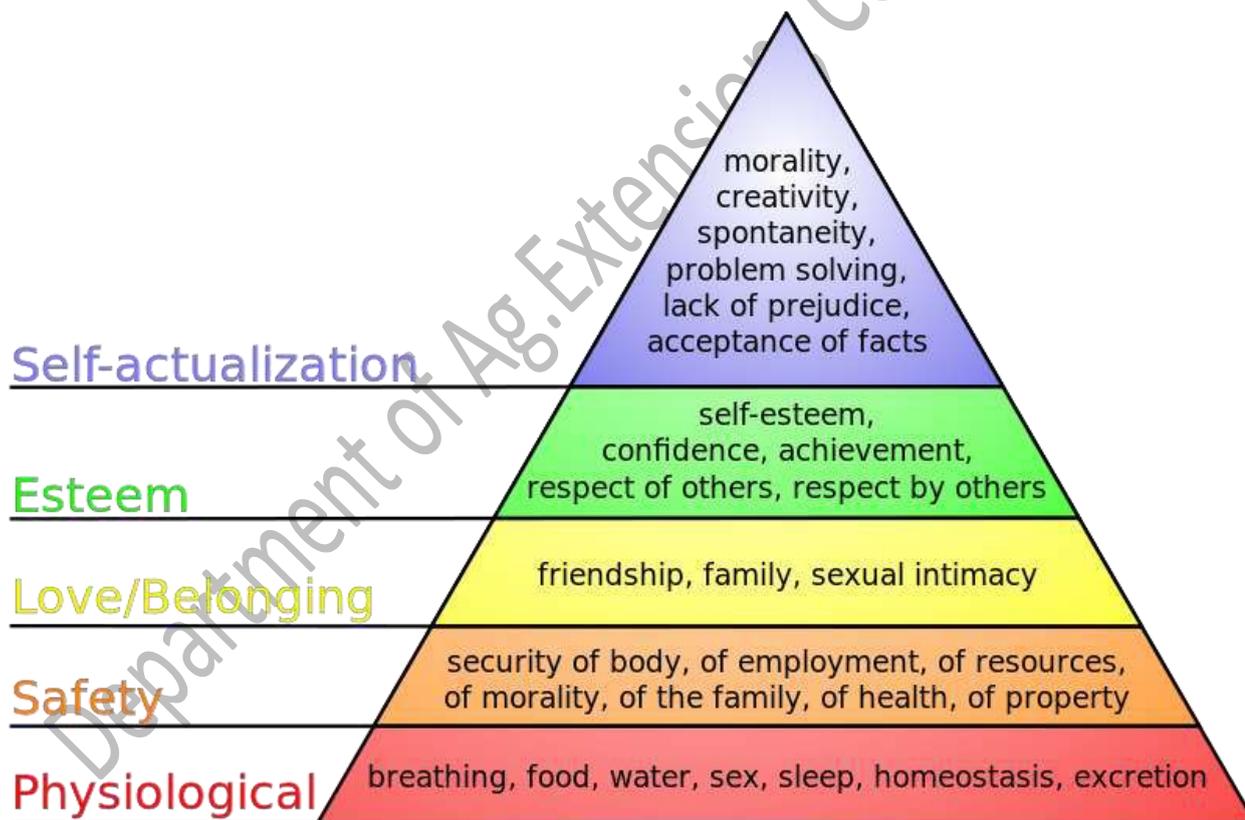
necessary for survival of the individual e.g. food, clothing, shelter, etc. these are most important, if these needs are fulfilled then only the individual steps in to second order needs

2. Safety needs: These are second order needs. These needs are for the security of the individual from physical, physiological, economic and social viewpoints e.g. protection from danger, threatening etc.

3. Social needs: These are third order needs. Man is a social animal and has an inherent desire to be with others in some form e.g. friendship, company etc. These are also called response needs.

4. Esteem needs: These are fourth order needs. The individual likes to get appreciation and recognition from others in the society e.g. power, status, prestige etc.

5. Self-actualization: These are called last order or fifth order or highest order needs. It is self-realization and knowing self or the ultimate purpose of human being e.g. what is human being, how he should live, what is his purpose of living etc.





Maslow's' Classification of Needs

Motivating factors for entrepreneurship development

The common man thinks that people go into business and become entrepreneurs solely to make money. The desire to earn money is no doubt an important motivating force. But entrepreneurs are not moved by profits alone. Many other factors inspire entrepreneurs to perform their job successfully. Several research studies have been conducted in India to identify the motivating factors that inspire entrepreneurs. Sharma (1987) identified the following internal and external motivating factors.

1. **Educational background:** Education equips an individual for solving problems of life. The educational background helps him in understanding the problems and finding solution to it. Education helps in doing things in a better way.
2. **Occupational experience:** Experiences help an individual by going through the situation. It provides him the learning experience.
3. **Desire to work independently:** This helps an individual in taking independent decisions and gain control over the situation. Success gives him confidence in performing the job in future.
4. **Desire to branch out to manufacturing:** The desire to do something new makes an individual to think differently. He may start a branch or section which is altogether different from the main firm. But mostly a complimentary branch is helpful to the main branch. Out of experience and study one can take such steps.
5. **Family background:** An entrepreneur born in an industrialist family

inherits certain social and cultural background which is conducive to his work.

6. **Assistance from government:** There are a large number of schemes to help the entrepreneurs in developing their enterprise. These helps motivate him to expand or start new business.
7. **Assistance from financial institutions:** The banks and other financial agencies provide assistance for the enterprise. These institutions give fund as per the project proposal submitted by the entrepreneur, which itself acts as a motivating force.
8. **Availability of technology and raw material:** The new technology is being evolved every day. Sometimes the raw material is available for the enterprise but there is no one to take advantage of this situation. The entrepreneur should organize the things in such a way that it will develop his enterprise. He is motivated by the opportunities in front of him.
9. **Other factors of production:** There may be many other factors of production like heavy demand for particular product, utilization of excess money earned from contractual estate business, started manufacturing to facilitate trading /distribution business, no chance for further promotion of present enterprise which may motivate an individual to start new enterprise.

The above nine factors are grouped into two major categories internal and external. The first five factors are termed as internal and the last four factors as external. The internal motivating factors like education, occupational experience, family background, the desire to do something independently together make the personality of the entrepreneur. These factors generate an inclination to start entrepreneurial activities.

The internal factors are important but they need to be supported by external factors like favourable governmental policies, financial assistance, technology and raw material and infrastructural facilities. These facilities or assistance are the external motivating factors and serve as a spark in the lightening of the entrepreneurial idea. These factors also provide a momentum to the entrepreneurial activities.

CHAPTER - 4

GOVERNMENT POLICY, PROGRAMMES AND INSTITUTIONS FOR ENTREPRENEURSHIP DEVELOPMENT

Government plays a very important role in developing entrepreneurship. Government develops industries in rural and backward areas by giving various facilities with the objective of balances regional development. The government set programmes to help entrepreneurs in the field of knowledge, technique, finance, market and entrepreneurial development so that they help to accelerate and adopt the changes in industrial development.

Government schemes of entrepreneurship

World over, micro and small enterprises (MSEs) are recognized as an important constituent of the national economies, contributing significantly to employment expansion and poverty alleviation. Recognizing the importance of micro and small enterprises, which constitute an important segment of Indian economy in terms of their contribution to country's industrial production, exports, employment and creation of entrepreneurial base, the Central and State Governments have been implementing several schemes and programmes for promotion and development of these enterprises.

1- PRIME MINISTER'S EMPLOYMENT GENERATION PROGRAMME (PMEGP)

Government of India has approved the introduction of a new credit linked subsidy programme called Prime Minister's Employment Generation Programme (PMEGP) by merging the two schemes that were in operation till 31.03.2008 namely Prime Minister's Rojgar Yojana (PMRY) and Rural Employment Generation Programme (REGP) for generation of employment opportunities through establishment of micro enterprises in rural as well as urban areas. PMEGP will be a central sector scheme to be administered by the Ministry of Micro, Small and Medium Enterprises (MoMSME). The Scheme will be implemented by Khadi and Village Industries Commission (KVIC), a statutory organization under the administrative control of the Ministry of MSME as the single nodal agency at the National level. At the State level, the Scheme will be implemented through State KVIC Directorates, State Khadi and Village Industries Boards (KVIBs) and District Industries Centres (DICs) and banks. The Government subsidy under the Scheme will be routed by KVIC through the identified Banks for eventual distribution to the beneficiaries / entrepreneurs in their Bank accounts.

1. MARKET DEVELOPMENT ASSISTANCE SCHEME FOR MICRO/ SMALL MANUFACTURING ENTERPRISES/ SMALL & MICRO EXPORTERS

The scheme offers funding for:

1. Participation by manufacturing Small & Micro Enterprises in International

Trade Fairs/Exhibitions under MSME India stall.

2. Sector specific market studies by Industry Associations/ Export Promotion Councils/Federation of Indian Export Organisation.
3. Initiating/ contesting anti-dumping cases by SSI Associations and
4. Reimbursement of 75% of one-time registration fee (w.e.f. 1st January 2002) and 75% of annual fees (recurring) (w.e.f. 1st June 2007) paid to GSI (Formerly EAN India) by Small & Micro units for the first three years for bar code.

2. SCHEME FOR ASSISTANCE TO TRAINING INSTITUTIONS

The Scheme envisages financial assistance for establishment of new institutions (EDIs), strengthening the infrastructure of the existing EDIs and for supporting entrepreneurship and skill development activities. The main objectives of the scheme are development of indigenous entrepreneurship from all walks of life for developing new micro and small enterprises, enlarging the entrepreneurial base and encouraging self-employment in rural as well as urban areas, by providing training to first generation entrepreneurs and assisting them in setting up of enterprises. The assistance shall be provided to these training institutes in the form of capital grant for creation/strengthening of infrastructure.

3. RAJIV GANDHI UDYAMI MITRA YOJANA

A Scheme of "Promotion and Handholding of Micro and Small Enterprises" There are still wide spread variations in the success rate, in terms of actual setting up and successful running of enterprises, by the EDP/SDP/ESDP trained entrepreneurs. It has been observed that new entrepreneurs generally face difficulties in – availing full benefits under available schemes of the Governments / financial institutions, completing and complying with various formalities and legal requirements under various laws/regulations, in selection of appropriate technology, tie-up with buyers and sellers etc. In order to bridge the gap between the aspirations of the potential entrepreneurs and the ground realities, there is a need to support and nurture the potential first generation entrepreneurs by giving them handholding support during the initial stages of setting up and managing their enterprises.

4. CREDIT LINK CAPITAL SUBSIDY SCHEME FOR TECHNOLOGY UPGRADATION

The Scheme was launched in October, 2000 and revised w.e.f. 29.09.2005. The revised scheme aims at facilitating Technology Upgradation of Micro and Small Enterprises by providing 15% capital subsidy (12% prior to 2005) on institutional finance availed by them for induction of well-established and improved technology in approved sub-sectors/products. The admissible capital subsidy under the revised scheme is calculated with reference to purchase price of Plant and Machinery. Maximum limit of eligible loan for calculation of subsidy under the revised scheme is also been raised Rs. 40 lakhs to Rs. 100 lakhs w.e.f. 29-09.2005. The scheme has been continued 10th five-year plan to 11th five year plan. Under the scheme approximately 7396 units have availed subsidy of Rs.

315.21 crore upto August, 2009.

5. MICRO&SMALL ENTERPRISES-CLUSTER DEVELOPMENT PROGRAMME(MSE-CDP)

Office of the Development Commissioner(MSME) launched Micro and Small Enterprises Cluster Development Programme (MSE-CDP) for holistic development for selected MSEs Clusters through value chain and supply chain management on cooperative

basis. Designed on need assessment, the major component of the scheme are Technology Upgradation, Quality Upgradation and Certification, Credit Facilitation, Marketing Support, including exposure to the global markets and Collective Capacity Building of the cluster units with a view to enabling them to ultimately operate as collectives of their own. Establishment and operation of Common Facility Centres (CFCs), organized procurement and marketing continuous skill and technology upgradation are the deliverables of any intervention under MSE-CDP. Recently, support for infrastructural upgradation for resurgence of the clusters has also been included in the MSE-CDP.

Institutions set up by Central Government

1. Small industries development organization (SIDO)

SIDO was established in October 1973 now under Ministry of Trade, Industry and Marketing. SIDO is an apex body at Central level for formulating policy for the development of Small Scale Industries in the country, headed by the Additional Secretary & Development Commissioner (Small Scale Industries) under Ministry of Small Scale Industries Govt. of India. SIDO is playing a very constructive role for strengthening this vital sector, which has proved to be one of the strong pillars of the economy of the country. SIDO also provides extended support through Comprehensive plan for promotion of rural entrepreneurship.

2. Management development Institute(MDI)

MDI is located at Gurgaon(Haryana). It was established in 1973 and is sponsored by Industrial Finance Corporation of India with objectives of improving managerial effectiveness in the industry. It conducts management development programs in various fields. It also includes the programmes for the officers of IAS, IES, BHEL, ONGC and many other leading PSU's.

3. Entrepreneurship development institute of India (EDI)

Entrepreneurship Development Institute of India (EDI), an autonomous and not-for-profit institute, set up in 1983, is sponsored by apex financial institutions – the IDBI Bank Ltd., IFCI Ltd., ICICI Bank Ltd. and the State Bank of India (SBI). EDI has helped set up twelve state-level exclusive entrepreneurship development centres and institutes.

One of the satisfying achievements, however, was taking entrepreneurship to a large number of schools, colleges, science and technology institutions and management schools in several states by including entrepreneurship inputs in their curricula. In the international arena, efforts to develop entrepreneurship by way of sharing resources and organizing training programmes, have helped EDI earn accolades and support from the World Bank, Commonwealth Secretariat, UNIDO, ILO, British Council, Ford Foundation, European Union, ASEAN Secretariat and several other renowned agencies. EDI has also set up Entrepreneurship Development Centre at Cambodia, Lao PDR, Myanmar and Vietnam and is in the process of setting up such centres at Uzbekistan and five African countries.

4. All India Small Scale Industries Board(AISSIB)

The Small Scale Industries Board (SSI Board) is the apex advisory body constituted to render advise to the Government on all issues pertaining to the small scale sector. It determines the policies and programmes for the development of small industries with a Central Government Minister as its president and the representatives of various organization i.e. Central Government, State Government, National Small Industries Corporations, State Financial Corporation, Reserve Bank of India, State Bank of India, Indian Small Industries Board, Non-government members such as Public Service Commission, Trade and Industries Members.

5. National Institution of Entrepreneurship and Small Business Development (NIESBUD), New Delhi

It was established in 1983 by the Government of India. It is an apex body to supervise the activities of various agencies in the entrepreneurial development programmes. It is a society under Government of India Society Act of 1860. The major activities of institute are:

- i) To make effective strategies and methods
- ii) To standardize model syllabus for training
- iii) To develop training aids, tools and manuals
- iv) To conduct workshops, seminars and conferences.
- v) To evaluate the benefits of EDPs and promote the process of Entrepreneurial development.
- vi) To help support government and other agencies in executing entrepreneur development programmes.
- vii) To undertake research and development in the field of EDPs.

6. National Institute of Small Industries Extension Training

It was established in 1960 with its headquarters at Hyderabad. The main objectives of national Institute of Small Industries Extension Training are:

- i) Directing and Coordinating syllabi for training of small entrepreneurs.

- ii) Advising managerial and technical aspects.
- iii) Organizing seminars for small entrepreneurs and managers.
- iv) Providing services regarding research and documentation.

7. National Small Industries Corporation Ltd. (NSIC)

The NSIC was established in 1995 by the Central Government with the objective of assisting the small industries in the Government purchase programmes. The corporation provides a vast-market for the products of small industries through its marketing network. It also assists the small units in exporting their products in foreign countries.

8. Risk Capital and Technology Finance Corporation Ltd. (RCTFC)

RCTFC was established in 1988 with an authorized capital of 15 crores rupees. The main objectives of RCTFC are provision of risk capital for the extension and expansion of entrepreneurial development and venture capital for the projects with high techniques for technology development and transfer.

9. National Research and development corporation (NRDC)

NRDC was established in 1953 under Department of Science and Industrial Research under Government of India. Its main objectives are:

- i) Providing assistance in technology transfer
- ii) Transfer of technology
- iii) Establishing relations with various technology institutions and collecting various indigenous techniques developed by them.

10. Indian Investment Centre

This is an autonomous organization established by Central Government. Its main objective is to assist in promoting foreign cooperation with Indian entrepreneurs and providing necessary information to foreign entrepreneurs.

11. Khadi and village industries Commission(KVIC)

Khadi and Village Industries Commission established by an Act of Parliament in 1956. It is a service organization engaged in promotion and development of Khadi and Village Industries in rural areas. Its main objectives are:

- i) Providing employment in rural areas.
- ii) Improvement of skills
- iii) Rural Industrialisation

- iv) Transfer of Technology
- v) Building strong rural community base and self-reliance among rural people.

12. Indian Institute of Entrepreneurship(IIE)

It was established by the Department of Small Scale Industries and Agro and Rural Industries in 1953. It is an autonomous organization with its headquarters at Guwahati. Its main objective is to undertake research, training and consultancy activities in the field of small industry and entrepreneurship.

GOVERNMENT POLICIES ON ENTREPRENEURSHIP

From the announcement of the first Industrial Policy Resolution (IPR) a step by step approach was followed & various policies were implemented during the past 5 decades.

- i) **IPR 1948** – Aimed at Post independent national reconstruction through industrialization. Envisaged the importance of cottage & small enterprises for employment creation and utilization of local resources and skills. The main thrust in the small scale sector was centred round Protection.
- ii) **IPR 1956** – Provided a clear emphatic policy and incentive support to small scale & cottage industries. It aimed at Protection plus Development of the small industrial sector.
- iii) **IPR 1977** – Establishment of DICs focusing on regional growth of industries & utilization of local resources and skill. IDBI & KVIB are established & small scale sector was given priority. This policy focused on promotion. Thus Protection, Development plus promotion became its focus.
- iv) **IPR 1980** - Thrust areas were Industrial infrastructure, higher productivity promotion of agro based industries, consumer protection & quality control. For generation of wage employment & development of entrepreneurial spirit among people small scale sector was again treated most important.
- v) **IPR 1990** - Policy of economic liberalization & Introduce simple procedures, formalities, rules & regulations. More emphasis to women & youth was given under entrepreneurship. SIDBI was established to assist entrepreneurs in the small scale sector.

NEW SMALL ENTERPRISE POLICY (NESP):

This was made to provide adequate support to tiny and micro enterprises. Thrust areas are

- i)** Inclusion of industry- Business & service related enterprises irrespective their location as small scale industries
- ii)** Widen scope of National Equity Fund, enlarge Single window scheme and associate commercial banks with provision of composite loan scheme
- iii)** Financial support to entrepreneurs by allowing equity participation up to 24% of share
- iv)** Setting up of technology development cell in SIDO
- v)** Setting up of Export development centre in SIDO
- vi)** Liberalization by limited partnership act
- vii)** Integrated infrastructure development system
- viii)** Technology development and equitable distribution of local & imported raw material on a priority to small & tiny sector
- ix)** Improvement in incentive delivery system.
- x)** Marketing, market promotion and export support modernization.
- xi)** Quality upgradation and procedural simplification.
- xii)** 12. Increase in investment limit from 2 to 5 lakhs for plant & machineries and tiny industrial units.

CHAPTER - 5

AGRIBUSINESS – MEANING - DEFINITION – STRUCTURE OF AGRIBUSINESS (INPUT SECTOR, FARM SECTOR AND PRODUCT SECTOR) – IMPORTANCE OF AGRIBUSINESS IN INDIAN ECONOMY.

AGRIBUSINESS:

Agri-business as a concept was born in Harvard University in 1957 with the publication of a book “A concept of Agri-business”, written by John David and A. Gold Berg. It was introduced in Philippines in early 1966, when the University of the Philippines offered an Agri-business Management (ABM) programme at the under-graduate level. In 1969, the first Advanced Agribusiness Management seminar was held in Manila.

Definition of Agri-business:

“Agri-business is the sum total of all operations involved in the manufacture and distribution of farm supplies, production activities on the farm, storage, processing and distribution of farm commodities and items made from them” (John David and Gold Berg)

Agri-business involves three sectors:

1. Input sector: It deals with the supply of inputs required by the farmers for raising crops, livestock and other allied enterprises. These include seeds, fertilizers, chemicals, machinery and fuel.
2. Farm sector: It aims at producing crops, livestock and other products.
3. Product sector: It deals with various aspects like storage, processing and marketing the finished products so as to meet the dynamic needs of consumers.

Therefore, Agribusiness is sum total of all operations or activities involved in the business of production and marketing of farm supplies and farm products for achieving the targeted objectives.

Importance of Agri-business:

1. It deals with agricultural sector and also with the portion of industrial sector, which is the major source of farm inputs like fertilizers, pesticides, machines, processing and post harvest technologies.
2. It suggests and directs the government and private sectors for development of sub sectors.
3. It contributes a good part of the national economy.

Dimensions of Agri-business:

1. It deals with different components of both agricultural and industrial sector, their interdependence and influence of one sector on other.
2. It deals with decision making process of farm either private or government in relation to production and selling aspects.
3. It deals with strengths and weaknesses of a project and thereby their viability in competing enterprises.
4. Agri-business is always market oriented.
5. Structure of Agri-business is generally vertical and it comprises the following
 - a. Govt. policies and programmes regarding raising of crops or taking enterprises etc.,
 - b. Research and extension programmes of the Govt.
 - c. Farm supplies or inputs
 - d. Agricultural production
 - e. Processing
 - f. Marketing of agricultural products

Scope of Agri-business:

1. Our daily requirements of food and fibre products at desired place at required form and time come from efficient and hardworking of many business personnel in input, farm and food production and also in marketing them. The entire system in brief is called Agribusiness.
2. Agribusiness, of late, is combining the diverse commercial enterprises, using heterogeneous combination of labour, materials, capital and technology.
3. It is a dynamic sector and continuously meets current demands of consumers in domestic and world markets.
4. Agri-business establishment leads to strengthening of infrastructural facilities in that area, expansion of credit, raw materials supply agencies, adoption of modern technology in production and marketing of agricultural products.
5. Agri-business provides crucial forward and backward linkages. (Backward linkage include supply of inputs, credit, production technologies, farm services etc., A forward linkage includes storage, processing, transportation and marketing aspects.)
6. Agri-business generates potential employment opportunities.
7. It adds value to products and thereby increases the net profits.

Structure of Agri-business:

As mentioned earlier agri-business sector provides crucial backward and

forward linkages. It involves two important sectors.

1. **Farm input sector:** It deals with agro-based industries providing seeds, fertilizers, feed, chemicals etc., The industries supplying machinery or equipment, implements and petroleum etc are also important in this regard.
2. **Farm product sector:** It deals with production and distribution of farm commodities. Large cooperative bodies also exist in Agri-business, but they are few in number, whereas small scaled agro industries are large in number. The vertical integration of a farm is very common in poultry, fruit and vegetable farms.

Horizontal integration: If one firm assumes the functions of other firm is called the horizontal integration Ex: Co-operative marketing societies, Co-operative farming societies.

Vertical integration: If one firm assumes other functions which are having close relationship.

- a. If one firm assumes other functions (succeeding) related to consumption function is called forward integration. Ex: A wholesaler firm assuming the function of a retailer.
- b. If one firm assumes the other functions (proceeding) related to the production function is called backward integration. Ex: A wholesaler firm assumes the functions such as assembling, processing, packing etc.,

Conglomerate integration: If one firm assumes several functions which do not have any relationship. Ex: Hindustan Lever Ltd.)

Distinctive Features of Agri-business Management:

The important distinctive features or the principle characteristics of agribusiness are as follows:

1. Management varies from business to business depending on the kind and type of business. It varies from basic producer to brokers, wholesalers, processors, packagers, manufacturers, storage proprietors, transporters, retailers etc.,
2. Agri-business is very large and evolved to handle the products through various marketing channels from producers to consumers.
3. Management varies with several millions of farmers who produce hundreds of food and livestock products
4. There is very large variation in the size of agri-business; some are very large, while many other are one person or one family organization.
5. Most of the Agri-business units are conservative and subsistence in nature and family oriented and deals with business that is run by family members.

6. The production of Agri-business is seasonal and depends on farm production. They deal with vagaries of nature.
7. Agri-business is always market oriented.
8. They are by far vertically integrated, but some are horizontally integrated and many are conglomerated.
9. There is direct impact of govt. programmes on the production and performance of Agribusiness.

People in many countries flock to the cities, complicating the problem of food, transportation, distribution and marketing. In the developing new nations, this marks the beginning of a shift from subsistence farming to commercial agriculture. The commercial agriculture cannot exist without the support of Agri-business and other industries.

The hungry countries are usually those with the highest percentage of their people in farming. This is because of their farmers are still close to subsistence farming. The role of agricultural economist is to advise farmers on the commodities to be produced and the most economical methods of combining resources so as to maximize profits from the farm

CHAPTER - 6

ENTREPRENEURSHIP DEVELOPMENT PROCES

Introduction

Entrepreneurship development depends upon the prevailing economic system. The existing socio-political set up and the prevailing economic policies of the Government determine the economic system. The entrepreneurship development is mainly due to the existence of such economic system. It is the entrepreneurship development that acts as a fillipto new, structure of the economy and economic reforms too. The economic system differs fromcountry to country and hence the process of entrepreneurship development differs.

The mixed economic system has been found in existence in all developing countries including India. Under this system both the Government and individual entrepreneurs play an equal role in the entrepreneurship development. The government undertakes those activities which are vital for further economic advancement.

In a mixed economy though there are ample opportunities for the entrepreneurship development with the help of the Government support, entrepreneurship development is hindered by the deep-rooted evils like religious conflicts, political instability and unethical practices like smuggling, corruption and adulteration. Entrepreneurship development is the means of enhancing the knowledge and skill of entrepreneurs through several classroom coaching and programs, and training. The main point of the development process is to strengthen and increase the number of entrepreneurs.

This entrepreneur development process helps new firms or ventures get better in achieving their goals, improve business and the nation's economy. Another essential factor of this process is to improve the capacity to manage, develop, and build a business enterprise keeping in mind the risks related to it. In simple words, the entrepreneurship development process is about supporting entrepreneurs to advance their skills with the help of training and coaching classes. It encourages them to make better judgments and take a sensible decision for all business activities.

Importance of Entrepreneurship Development

The need for entrepreneurship development was not felt by the classical economists like Adam Smith and David Ricardo. They thought that capital formation led to economic development.

But according to Schumpeter, the rate of economic growth depends upon the number of innovations introduced by the entrepreneurs and the extent with which the financial institutions come forward to finance the new venture businesses which are associated with high risks. He considered the fact that, the prevailing entrepreneurship development determines theeconomic growth and innovation itself is of no use unless it is made available to the public through new product and the activities involved in such processes are called as 'entrepreneurship'.

According to him innovative entrepreneurs are essential for industrialization, though imitative entrepreneurs are also equally playing their role in industrialization. Japan is the best example for industrialization with the imitative entrepreneurs.

The entrepreneurship development is needed on the following grounds

1. Optimum Utilization of Resources

Natural resources are getting depleted over a period of time. Some of the resources are almost scarce and it is the responsibility of the entrepreneurs to identify the alternative

sources of supply of resources and also to make use of the existing resources without doing much harm to the environment.

2. Improved Standard of Living

The living conditions of the people could be improved through planned entrepreneurship development programme. Entrepreneurs use the latest technology and manufacture those products which are essential to all people at the lowest cost and thereby try to improve the living standard of the people.

3. Ensure Industrialization

A country is said to be advanced if there is an existence of adequate industrial units of big and small in size. The existing entrepreneurship development programmes create a congenial atmosphere for the aspiring and young entrepreneurs to come forward to set up industrial units especially in the industrially backward regions.

4. Innovation is the gateway

Innovation takes place in all fields' activities. The application of computers enables businessmen and Government to expedite their business activities. Marked improvement has been taken place in the field of communication due to the application of innovative technology.

5. Allow Global Market Entry

Entrepreneurship' development enables the manufactures to manufacture products of international quality and thereby try to enter into the global market and compete with the products of other nations.

Strategy for Entrepreneurship Development

The existing large scale industrial undertakings shall meet at a common place and streamline their R & D efforts in such a way that would enable them to minimize the time and cost overrun incurred on R & D activities. There is a need for the setting up of entrepreneurial development institutions either at the District level or at the taluk level so that the 'would be' entrepreneurs may get more opportunities for acquiring skill for establishing new business units.

Managerial ability of the entrepreneurs shall be improved through conducting management training courses with the help of Institute of Management Studies.

Entrepreneurship development could be improved through the setting up of small scale industrial units especially in the backward regions. The existing unemployed graduates shall be given training as how to establish small scale industries and make use of the local men and materials. The Government should ensure that there is a stable foreign exchange rate and controlled inflation which is supposed as favorable climate for entrepreneurship development.

There is a need for the setting up Entrepreneurship information and Service Department so that the entrepreneurs could be able to fulfill all the formalities under one roof. This would enable them to safeguard their precious time and money.

Finance should not be a limiting factor for the emerging entrepreneurs. Venture capital firms shall be started at various places so that the entrepreneurs could get not only finance but also the rich experiences of the venture capital firms.

Stages in Entrepreneurial Process

The below-mentioned steps will illustrate how to build an effective entrepreneurship development program for an entrepreneur to organize and launch the new ventures.

Identify an opportunity
Establish vision
Persuade others
Gather resources
Create new venture, product or market
Change/ adapt with time

- 1- Identify an opportunity:** is a first step towards setting up an enterprise. Entrepreneur before identification of an opportunity should do proper market analysis about market situation, economic conditions and understand taste preference of customers.
- 2- Establish vision:** is second step towards establishing an enterprise. In the process entrepreneur is required to establish long term vision and accordingly plan in mission which will serve as roadmap to achieve company vision. Objectives established by entrepreneur should be flexible in nature to adjust according to changing situation.
- 3- Persuade others:** even though the idea of entrepreneurship is initiated by individual person, it requires team effort to convert an idea into reality. Entrepreneur is required to convince skilled employees to work on business plan, make investors and marketers understand credibility of business to enhance status and goodwill of company in business market.
- 4- Gather resources:** next step towards entrepreneurship requires gathering of required resources to start business.
Resources includes
 - a. Finance resources:** it refers to getting required capital through financial institutions, raising capital through general public by issue of shares, raising required finance through other resources such as self investment, finance through family and friends.
 - b. Operating resources:** refers to tangible and intangible resources which include machinery, raw material, company image, operating procedure, transportation etc.
 - c. Human resources:** refers to skilled labour force in organization and other

decision in relation to human resource such as training and development of employees, decision to hire permanent or temporary employees, amount of investment to be made of human resource in organization.

d. Information resources: it is very important on part of organization to collect information about competitors, customers taste and preference, recent development in area of business company will be operating. The company has to maintain valid and accurate management information system in order to suffice to the information needs of company.

5- Create new venture: once the entrepreneur has arranged in for resources mentioned above, next step involves creation and establishment of new venture. Which requires fulfillment of various legal formalities?

6-Change and adapt with time: initial plan developed by entrepreneur may not be suitable for long run. So business plan is required to be updated on regular basis to cope up with recent trends or updation in

Entrepreneurial Development Cycle

The entrepreneurial development cycle is the combination of all support activities and assistance that are conducted and provided continuously for the development of entrepreneurship. It generates entrepreneurial awareness in the community through well- planned publicity. It is a process of evolving one's skills in a systematic manner. Therefore, the same goes for the process of entrepreneurship development. There are basically three types of assistance for the entrepreneurs:

1. Stimulating assistance – To rouse to action or increased activity; excite a policy that stimulated people to protest; incentives to stimulate consumer spending.
2. Supportive assistance – To be supportive is to give help or assistance, or to hold something or someone up.
3. Sustaining assistance – Practices that enable or aid self-sustainability include autonomous building, sustainable agriculture, and renewable energy.



Finally, we can say that entrepreneurship development cycle is the combination of overall assistance that is provided for the development of entrepreneurship. It starts with an entrepreneur who perceives an opportunity, creates an organization to practice it, assembles the required resources,

implements a practical plan, and assumes the risks and the rewards, all in a timely manner for all involved.

Department of Ag. Extension, COA, BUAT, Banda

CHAPTER - 7

IMPACT AND IMPORTANCE OF ECONOMIC REFORMS ON AGRIBUSINESS/ AGRIENTERPRISES

In 1947 after gaining independence, India initiated a path of industrialization to achieve economic prosperity. India focused on developing the manufacturing base. Much of the country's development was done through the five year plans. Industries like iron and steel, oil refineries, cement and fertilizer were brought under the gamut of public sector enterprises. The decision makers then encouraged the development of small scale industries. They perceived that Indian small scale industries would play a vital role in the economic progress of the country and had immense potential for employment generation. Developing small scale sector would also result in decentralized industrial expansion, better distribution of wealth and to encourage investment and entrepreneurial talent.

Meaning and Concept of Economic Reforms-

Economic reforms denote the process in which a government prescribes declining role for state and expanding role for the private sector in an economy. "Reform is not the aim of economy, reforming the economy is the aim". Reform is a means towards the end.

Need for economic reforms-

High fiscal deficit more than 8%

- Acute situation of BOP
- Low forex reserve
- Gulf war and hike in oil price
- Poor performance of public sector

Process of Economic Reforms-

Since July, 1991 the country has taken a series of measures to structure the economy and improve the balance of payments position. The New Economic Policy (NEP-1991) introduced changes in the areas of trade policies, monetary & financial policies, fiscal & budgetary policies, and pricing & institutional reforms.

◀ The process of economic reform can be understood with LPG.

It stands for-

L-Liberalization (internal and external)

P-Privatization

G-Globalization

These 3 processes specify the characteristics of economic reforms initiated in 1991. They are regarded as direction, path and ultimate goal of the reform. The GATT Agreement signed in 1995 will fundamentally change the global trade picture in agricultural sector.

Liberalization (Setting the direction)-

Liberalization is opening up of monopoly markets to increase foreign and domestic competition. It is the process of decreasing traits of a state economy and increasing traits of market economy. In Indian case it is declining influence of planned economy and that of increasing for capital economy. Prior 1991, government had imposed several types of controls on Indian economy e.g. industrial licensing system, price control or financial control on goods, import license, foreign exchange control, restriction on investment by big business houses, etc. These controls lead to fall in economy growth.

Privatization (Moving through the path)-

Privatization means formation of jointly owned public private enterprises and sale of public sector enterprises. In other words it refers to introduction of private ownership in publicly owned enterprise. While in broader sense it implies private ownership, induction of private management and control in the private sector enterprise. The first major programme of privatization was adopted in U.K. by the conservative government of Margaret Thatcher during 1980s. It covers 3 sets of measures:

1. **Ownership:** joint venture, liquidation, management bye-out, complete handover
2. **Organizational:** leasing, holding a company structure, restructuring
3. **Operational:** autonomy in decision making, development of investment criteria, freedom in raising fund from capital

Globalization (Reaching the ultimate goal) –

Globalization means opening the Indian economy to foreign investment. It is the process of integrating various economies of the world without creating any hindrances in the free flow of goods, services, technology, and capital as well. The term became more familiar after WTO emerged by Marrakesh agreement of Uruguay round of negotiation 1994.

The salient features of NEP-1991 are

- (i) liberalization (internal and external),
- (ii) extending privatization,
- (iii) redirecting scarce Public Sector Resources to Areas where the private sector is unlikely to enter,
- (iv) globalization of economy, and
- (v) market friendly state.

Impact of Economic Reforms Process on Indian Agricultural Sector

Agricultural sector is the mainstay of the rural Indian economy around which socio-economic privileges and deprivations revolve, and any change in its structure is likely to have a corresponding impact on the existing pattern of social equality. No strategy of economic reform can succeed without sustained and broad based agricultural development, which is critical for

- Raising living standards,

- Alleviating poverty,
- Assuring food security,
- Generating buoyant market for expansion of industry and services, and
- Making substantial contribution to the national economic growth.

As such, the economic reforms of 1991 had a large impact on the Indian agricultural sector.

The neo-liberal and North-centric economic reforms have already devastatingly impacted on the Indian people and society. The new economic policies in India have directly brought about a serious crisis in Indian agriculture.

- ❖ Agricultural growth declined from 3.4% in the 1980s to 3% in the 1990s. What is significant is that in the post-reforms period it declined from 4.7% of the 8th plan period to 1.8% in the 9th plan period.
- ❖ The regulated markets for distribution of seeds were handed to private sector. This led to a substantial increase in the price of seeds and also an increase in the selling of spurious seeds.
- ❖ Poor peasants continued to remain outside the fold of the banking system in the post- reform period. In fact the growth rate of agricultural credit for small and marginal farmers declined in the 1990s as compared with the 1980s.
- ❖ As a result of accumulating debts on small farmers, which drove them into a debt trap, many of them committed suicide, with 221 deaths reported in the state of Andhra Pradesh alone in 1993-94, with nationwide deaths of close to 1,000.
- ❖ The food crop area and non-food crop area in India were 70.34 and 29.66 percent respectively in 1981-82. By 1998-99 food crops area got reduced to 65.44% and non- food crops area was enhanced to 34.56%.

CHAPTER - 8

BUSINESS LEADERSHIP SKILLS

‘The first responsibility of a leader is to define reality. The last is to say, “Thank you”.

In between, the leader is a servant.’ — **Max DePree.**

This brief guide looks at how to exercise good leadership in a small or medium-sized business. It is not about how to become a famous, charismatic leader or a future captain of industry, but simply how to be effective in leading your organization.

As the great business thinker Peter Drucker said, ‘No institution can possibly survive if it needs geniuses or supermen to manage it. It must be organized in such a way as to be able to get along under a leadership composed of average human beings.’ There is much discussion about the difference between leadership and management, and whether certain personality types are more suited to be leaders or managers, but from the point of view of running a smaller medium sized business, leadership should be regarded as part of management. Good leadership is not so much about who you are as what you do and how you do it. Anyone capable of managing a business is also capable of developing basic leadership skills.

Strong business leadership is a vital part of every successful company. A team with strong, skilled leadership is more likely to be productive than one without. If you are interested in being an effective leader, you will need to know what strong leadership looks like in the workplace.

What is Business leadership?

Business leadership refers to how individuals make decisions, set goals and provide direction in a professional environment. Business leadership can take many different forms, but usually involves a CEO or higher-level employees guiding and inspiring the rest of the team. The goal of business leadership is to find the leadership model that works best for a particular company and its team of employees. There is always a need for strong leaders in business. No matter what your job title is, you can be a business leader if you have the right skills. If you can show your competence as a leader and an affinity for leadership roles, you will likely be given opportunities to use those skills to lead a team or project. Growing in your understanding of business leadership and what it takes to be a good leader can help you become a more valuable asset in any workplace.

Top 10 Leadership Skills

Here are the top ten leadership skills that make a strong leader in the workplace.

1. Communication

As a leader, you need to be able to clearly and succinctly explain to your

employees everything from organizational goals to specific tasks. Leaders must master all forms of communication, including one-on-one, departmental, and full-staff conversations, as well as communication via the phone, email, video, chat, and social media.

Leaders should establish a steady flow of communication between themselves and their staff or team members, either through an open-door policy or regular conversations with workers.

A large part of communication involves listening. Leaders should make themselves regularly available to discuss issues and concerns with employees. Other skills related to communication include:

- Active listening
- Articulating
- Business storytelling
- Clarity
- Concision
- Correspondence
- Editing
- Explaining
- Expression
- Facilitating group conversations
- Nonverbal communication
- Presentation
- Public speaking
- Reading body language
- Reducing ambiguity
- Verbal communication
- Written communication

2. Motivation

Leaders need to inspire their workers to go the extra mile for their organizations; just paying a fair salary to employees is typically not enough inspiration (although it is important too). There are a number of ways to motivate your workers: you may build employee self-esteem through recognition and rewards, or by giving employees new responsibilities to increase their investment in the company.

Leaders must learn what motivators work best for their employees or team members to encourage productivity and passion. Skills related to effective motivation include:

- Allowing employee autonomy
- Asking for input
- Assessing the interests of staff
- Convincing
- Mentoring
- Open to employee concerns

- Persuasive
- Providing productive and challenging work
- Providing rewards
- Recognizing others
- Setting effective goals
- Team-building
- Thanking staff
- Understanding employee differences

3. Delegating

Leaders who try to take on too many tasks by themselves will struggle to get anything done. These leaders often fear that delegating tasks is a sign of weakness, when it actually can be a sign of a strong leader.

Therefore, you need to identify the skills of each of your employees, and assign duties to each employee based on his or her skill set. By delegating tasks to staff members, you can focus on other important tasks. Some skills that make a good delegator include:

- Accepting feedback from employees
- Allotting resources for employees
- Assessing employee strengths and weaknesses
- Defining expectations
- Evaluating employee performance
- Identifying measurable outcomes
- Matching the task to the right employee
- Prioritizing tasks
- Setting expectations
- Teamwork
- Time management
- Training
- Trust in employees

4. Positivity

A positive attitude can go a long way in an office. You should be able to laugh at yourself when something doesn't go quite as planned; this helps create a happy and healthy work environment, even during busy, stressful periods.

Simple acts like asking employees about their weekend or vacation plans will develop a positive atmosphere in the office, and raise morale among staff members.

If employees feel that they work in a positive environment, they will be more likely to want to be at work, and will therefore be more willing to put in the long hours when needed. Some skills that help make for a positive atmosphere in the workplace include:

- Caring

- Conflict management
- Developing rapport
- Diplomacy
- Encouraging
- Empathetic
- Friendliness
- Helping others
- Humor
- Interpersonal
- Positive reinforcement
- Respect
- Social

5. Trustworthiness

Employees need to be able to feel comfortable coming to their manager or leader with questions and concerns. It is important for you to demonstrate your integrity— employees will only trust leaders they respect.

By being open and honest, you will encourage the same sort of honesty in your employees. Here are some skills and qualities that will help you convey your trustworthiness as a leader:

- Ability to apologize
- Accountability
- Business ethics
- Confidentiality
- Conscientious
- Consistent in behavior towards employees
- Credibility
- Emotional intelligence
- Empathy
- Honesty
- Integrity
- Moral compass
- Reliability
- Respectfulness
- Standing up for what is right
- Thoughtful

6. Creativity

As a leader, you have to make a number of decisions that do not have a clear answer, so you need to be able to think outside of the box.

Learning to try nontraditional solutions, or approaching problems in nontraditional ways, will help you to solve an otherwise unsolvable problem.

Many employees will also be impressed and inspired by a leader who doesn't always choose the safe, conventional path. Here are some skills related to creative

thinking:

- Analytical
- Cognitive flexibility
- Conceptualization
- Critical thinking
- Curiosity
- Embracing different cultural perspectives
- Foresight
- Identifying patterns
- Imaginative
- Innovative
- Listening to others' ideas
- Making abstract connections
- Observation
- Open-mindedness
- Problem solving
- Sound judgment
- Synthesizing
- Vision

7. Feedback

Leaders should constantly look for opportunities to deliver useful information to team members about their performance. However, there is a fine line between offering employees advice and assistance, and micromanaging. By teaching employees how to improve their work and make their own decisions, you will feel more confident delegating tasks to your staff.

Employees will also respect a leader who provides feedback in a clear but empathetic way. Some skills for giving clear feedback include:

- Being open to receiving feedback
- Building confidence in employees
- Clarity
- Clearly laying out expectations
- Coaching
- Following up
- Frequent feedback
- Listening to employees' responses
- Mentoring
- Positive reinforcement
- Providing specific advice
- Respectful

8. Responsibility

A leader is responsible for both the successes and failures of his or her team. Therefore, you need to be willing to accept blame when something does not go correctly.

If your employees see their leader pointing fingers and blaming others, they will lose respect for you. Accept mistakes and failures, and then devise clear solutions for improvement. Here are some skills and qualities that help leaders convey their responsibility:

- Acknowledging mistakes
- Being open to customer feedback
- Evaluating best solutions
- Forecasting
- Learning from past mistakes
- Listening to feedback from employees and managers
- Project planning
- Reflectiveness
- Resolving problems
- Transparency
- Troubleshooting

9. Commitment

It is important for leaders to follow through with what they agree to do. You should be willing to put in the extra hours to complete an assignment; employees will see this commitment and follow your example.

Similarly, when you promise your staff a reward, such as an office party, you should always follow through. A leader cannot expect employees to commit to their jobs and their tasks if he or she cannot do the same. Some skills related to commitment in the workplace include:

- Applying feedback
- Commitment to company objectives
- Determination
- Embracing professional development
- Following through
- Keeping promises
- Passion
- Perseverance
- Prioritization
- Professionalism
- Team player
- Work ethic

10. Flexibility

Mishaps and last-minute changes always occur at work. Leaders need to be flexible, accepting whatever changes come their way. Employees will appreciate your ability to accept changes in stride and creatively problem solve.

Similarly, leaders must be open to suggestions and feedback. If your staff is dissatisfied with an aspect of the office environment, listen to their concern and be open to making necessary changes. Employees will appreciate a leader's

ability to accept appropriate feedback. Skills related to flexibility include:

- Ability to learn new skills
- Ability to respond to new problems or issues
- Adaptability
- Improvising
- Negotiating
- Open to feedback
- Recognizing individuals' strengths and skills
- Treating employees as individuals

THE ELEMENTS OF GOOD BUSINESS LEADERSHIP

The following is a list not of personality traits but of actions that characterize good leadership. They are useful criteria by which we can measure and improve our leadership skills.

FOCUS ON PEOPLE

Leaders lead people. Realizing that the greatest asset of any organization is its people, a leader will empower them and help them to realize their own potential within the organization. As Jack Welch famously said, 'Before you are a leader, success is all about growing yourself. When you become a leader, success is all about growing others.' Put another way, leaders create leaders.

VISION

To lead, you have to know where you are going; and to know where you are going you have to look ahead. Leadership means seeing future potential in the present and anticipating how it might unfold. Sometimes the potential looks good, sometimes bad, but either way a leader will be ahead of the game planning how to avert or mitigate potential dangers and how to seize and maximise potential opportunities.

KEEPING AN EYE ON THE BIG PICTURE

Leaders do not just look ahead; they also look around. It is all too easy when running a business to be so focused on your own operation that you do not see what is going on around you. And yet external factors such as the wider economy, technological innovation, market trends, competitor activity, and social developments can often have a significant impact on your operation. Keeping an eye on the big picture and adjusting your plans and activities accordingly is an important part of leadership.

SETTING THE DIRECTION

Probably most of us have heard the joke about the driver who stops to ask directions to a particular town only to be told, 'If that's where you want to go I wouldn't start from here.' But, of course, we always start from here! The art of leadership is not just having a vision of where you want to be in the future, but also understanding how to get there from where you are now. In other words, leadership is about understanding and

giving effective directions.

RISK MANAGEMENT

It is said that a leader's job is to take people where they have not been before. Leaders often have to take risks - leading their organisation into unfamiliar territory - but the risks are always calculated and the decisions always informed. Wanting always to play safe and not risk making any mistakes does not sit comfortably with good leadership. As Drucker says, 'People who don't take risks generally make about two big mistakes a year. People who do take risks generally make about two big mistakes a year.'

EFFECTIVE COMMUNICATION

However great a vision we might have, it is worth very little if we cannot effectively communicate it to others. Taking the time and trouble to share your vision and your values, allowing discussion of big ideas, and giving people an opportunity to adopt the vision as if it were their own are all essential qualities of good leadership.

TEAM BUILDING

Another essential function of leadership is encouraging team spirit. There is a saying that if you have a handful of dry grass you can use each individual blade to sweep a floor but it is much more effective to combine them into a brush. In the same way individual employees working alone, however motivated they might be, are nowhere as effective as when they work as a team.

INSPIRATION

Finally, perhaps the most important quality of a leader is his or her ability to inspire and motivate others. In some ways all of the above serve to do this, but the most inspiring quality of all is to practise what you preach. Leading by example is the most effective way to convey integrity, commitment, and vision - and to transmit enthusiasm and loyalty to others.

These are just some of the elements of good business leadership. The list is probably endless, and each person will want to compose it differently, but hopefully this guide will go some way to helping you develop and improve your own leadership potential.

The last word must go to the ancient Chinese philosopher, Lao-tsu, whose insights are so often pertinent to our situation today: 'To lead people; walk beside them. As for the best leaders, the people do not notice their existence. The next best, the people honour and praise; the next, they fear; and the next they hate. When the best leader's work is done the people say, "We did it ourselves!"'

CHAPTER - 9

DEVELOPING ORGANIZATIONAL SKILLS

Meaning:

In any business activity there is always a person who guides and controls its functions. He also co-ordinates and regulates all the factors which are employed in the business activity. Apart from monitoring it, he takes the responsibility of the outcome. We call such a person an entrepreneur (organizer) and the business activity which he is doing is called an enterprise or organization.

If management is seen as a body of knowledge, then the organization is skeleton or framework on which the management is built. Barnard referred to an organization as the activities of two or more persons were concisely coordinated towards a given objective. An organization structure is effective if it facilitates the contribution of individuals in the attainment of enterprise objectives.

Purpose:

The purpose of organization in an enterprise involves

1. The process of identification, classification and grouping up of required activities
2. Grouping of activities in light of resources and situations
3. Assigning these activities to positions
4. Delegation of the authority to different persons and
5. Horizontal and vertical co-ordination of the authority and information relationships to enable them to carry out these activities very effectively and efficiently towards achieving the objectives.

Organization brings co-operation, harmony and integrity among the people. As a part of the organization function, the agribusiness manager must see that each employee has a role that is clearly defined. The employees' work goals, the decision to place someone in charge, and the overall goals of the organization, coupled with the ways in which each person and department relate to each other, comprise the organizational plan. Such a plan allows management to establish accountability for the results achieved; it prevents buck passing and confusion as to who is responsible; and it details the nature and degree of authority that is given to each person as the activities of the firm are accomplished.

The process of organization starts with staffing and recruitment of persons. **Functions of organizer:**

1. To determine the jobs to be done by the staff (job description, selecting, allocating & training personnel)
2. Defining the line of activities of the staff.
3. Establishment of relationship among the staff.
4. Selecting and training of personnel in organization.

Organizational Skills

Organizational skills are a set of techniques used by an individual to facilitate the efficiency of future-oriented learning, problem-solving, and task completion. Organization requires the integration of several elements to reach a planned goal.

1. **Planning** – There never seems to be enough time in the day for business leaders. That is why planning is a critical part of being organized and taking advantage of every moment to get things done. Many leaders believe that using one calendar for the entire office can help keep things organized. Google Calendar and other online options can keep everyone on the same page and reduce overbooking a day.
2. **Office Management** – Many businesses have a designated person who keeps the office organized. For example, when the copier breaks down or the clients are running late, an employee should be a point person that can keep things running smoothly even in the absence of the owners or management.
3. **Goals** – While it is a great idea to have a planning calendar, often managers and owners can get bogged down by the day-to-day activities and not keep the ultimate goal in mind. Organized business leaders have regular meetings with key members of the team or office staff to check in on goals and see what the progress is for each goal. Be sure to set both realistic as well as long and short term goals. Prioritize them according to your company's needs.
4. **Clean Things Up** – At the end of each long work day it is tempting to leave for home and relax with your family. Take an extra ten minutes to tidy your desk and prep for the next day's meetings or activities. You won't believe how good it feels to come in the next day with a start on the day already.

Some of the important organizational skills should have in entrepreneurs. These are the direction, order and control which are discussed below-

Direction:

Direction is nothing but motivating, ordering, guiding, leading, executing and supervising the organization. It is an important management function making the people engaged in various positions to move towards the achievement of

goals and objectives.

Managers as directors know that the successful measure of the output / profits is due to sum of the performance or work output of all those who work under their control in the firm. Such managers recognize that no one or someone in the firm is completely satisfied. It is also true that all employees cannot be happy all the time. The good manager would always have good qualities of directing and building leadership that could help his staff to succeed in their work and derive job satisfaction in their work. Good directors always change their styles to bring about the desired changes.

He identifies the skills of the workers in the firm and assigns such job to execute. The function of directing is compared to HEART of body of management.

The direction function of management has the following works:

1. Assigning duties and responsibilities to personnel.
2. Establishing the results to be achieved.
3. Delegating the necessary authority
4. Creating a desire for success.
5. Supervising that the job is done properly by workers.

Orders:

Orders or instructions are the vehicles for messages with proper direction from top to bottom of an organization.

Features of orders:

1. Orders should be very clear and understandable
2. Generally orders are unidirectional and moves from top to bottom operating units
3. The timing of orders is crucial i.e. they must be issued when needed and should reach the gross root level workers in time.
4. To have a check whether the orders are converted into action, a feedback report should be the source of orders
5. Orders vary in form and details depending up on the degree of delegation practiced in the organization. Some of them are negative, which prohibit certain actions, whereas some orders are positive, prescribing the course of action towards the attainment of objectives.

A firm should be conditioned for effective direction. The manner in which it is organized could facilitate conditioning. Often, it is necessary to keep persons in the organization, both as individuals and as groups motivated for proper direction. The workers must also find meaning and purpose in the orders and in implementing the orders.

CONTROL:

Control function is complementary to other management functions and considered as NERVOUS SYSTEM of body of knowledge that reports the function of the parts of the body to the whole system. It measures the deviations from the desired course of action and thereby suggests for desired direction.

Definition: Controlling is the process of influencing the performance or executing the supervision, so that the results of organizational efforts will reach the expectations.

Massie stated four essential elements of control as follows:

1. A pre-determined criterion / goal / benchmark.
2. A means of measuring current activity quantitatively, if possible.
3. A means of comparing current activity with a prefixed criterion.
4. Some means or measures of correcting current activity to achieve desired criterion / goal.

Control does not mean restriction of power over subordinates. Control system sounds a warning when necessary for taking up remedies for problems. Workers in general make mistakes, so the plans finally could not be executed according to schedule. Then there will be great need for having control system to set right the things. Through proper controlling, managers would become aware of weak spots in organizational, directional and co-ordinating efforts and operations of the business.

Another important purpose is to evaluate the progress being made towards organizational goals. In the absence of control system employees cannot respect the programmes, disregard and in-accuracy are likely to result. The control programmes should be checked periodically and reviewed so that the irrelevant control programmes can be dropped. To be successful entrepreneur they must apply this functional knowledge and ability to each of four basic areas of agribusiness viz., financial management and planning, marketing and selling, production and operations, and personal and human dimension.

CHAPTER - 10

DEVELOPING MANAGERIAL SKILLS & BUSINESS LEADERSHIP

SKILLS

A good manager has all the skills and can implement those skills for running the organization properly. A manager's job is complex and multidimensional. It requires a range of skill to perform the duties and activities associated with it. Regardless of the level of management, managers must possess and seek to further develop many critical skills. A skill is an ability or proficiency in performing a particular task. Management skills are learned and developed.

An effective manager must possess the following skills to perform his job well. 5 managerial skills are technical skills, conceptual skills, interpersonal and communication skills, decision-making skills.

Managerial Skills

1- Technical Skill

Technical skill is knowledge of and proficiency in activities involving methods, processes, and procedures. Thus it involves working with tools and specific techniques. Technical skill also includes analytical ability and the competent use of tools and work equipment's to solve problems in that specific discipline. Technical skill is the ability to use the specialized knowledge, procedures, and techniques of a field of activities. Accountants, engineers, surgeons all have their technical skills necessary for their respective professions. Most managers, especially at the lower and middle levels, need technical skills for effective task performance. These skills become less important than human and conceptual skills as managers move up the hierarchy.

For example, mechanics work with tools, and their supervisors should have the ability to teach them how to use these tools. Similarly, accountants apply specific techniques in doing their job. This skill is most necessary and valuable at a supervisory level or first-level/first-level management.

2- Conceptual Skill

Conceptual skill is the ability to see the "big picture," to recognize significant elements in a situation and to understand the relationships among the elements. Conceptual skill is the ability to coordinate and integrates all of an organization's interests and activities. It requires having the ability to visualize the enterprise as a whole, to envision all the functions involved in a given situation or circumstance, to understand how its parts depend on one another and anticipate how a change in any of its parts will affect the whole.

A manager's ability to think in the abstract and to view the organization holistically is important. Suggesting a new product line for a company, introducing computer technology to the organization's operations, or entering the international market; for deciding this magnitude, a manager requires conceptual skill is his personality.

3- Interpersonal and Communication Skills

Communication skill for a manager is a must. The manager must be able to convey ideas and

information to others and receive information and ideas from others effectively. A manager's job is to control the subordinates and gives high-level managers or administrators information about what's going on. Communication skill enables a manager to perform them properly. Most of his time, a manager's job is to interact with people inside and outside of the organization.

Manager's ability to communication with individuals and groups, controlling and motivation they are what Interpersonal and Communication skill are. A manager requires having an effective Interpersonal and communication skill to keep the responsibilities given to him.

Types of Communication Skills and their Importance

There are the four types of communication skills that entrepreneurs must develop:

1. Writing Skills

Whether entrepreneurs are looking for an investor to invest in their new start-up or they want to form a partnership with other companies, they need to have outstanding and convincing writing skills. New entrepreneurs looking to raise capital can use their strong writing skills to develop impressive business plans and feasibility reports. It helps express business plans flawlessly and convince investors to select their business proposal for investment. Writing skills are as important for established entrepreneurs as they are for new entrepreneurs. It can help established entrepreneurs make partnerships with other companies and attract new clients. Furthermore, today entrepreneurs with strong writing skills can secure a business edge easily. As businesses are competing online, more communication is being done through writing as compared to any other form of communication. Using ones' strong writing skills, one can market his business more cleverly through his business website and send crisp, concise and convincing business emails to clients and capture more business.

2. Speaking Skills

To become a successful entrepreneur a person needs to brush up his speaking skills. If he is able to convince an investor to invest in his business on paper, the next step would be a meeting with the investor. If a person has poor speaking skills and he is unable to articulate his

business proposition and sell his idea in person as skilfully as he did on paper, the investor might change his/her idea of investing in his business. And he might lose a potential investor. In addition to this, entrepreneurs should also develop strong speaking skills because they have to give presentations to clients, run team meetings and deliver motivational speeches every now and then. If they can't speak and communicate proficiently in public, they can hurt their brand image. This skill is needed to bridge the gap between the business owner and employees. If a person has immaculate verbal skills, he can easily communicate business goals and his vision to his employees effectively. This helps increase employee productivity. It also comes in handy when entrepreneurs want to introduce new changes in the business. If he can communicate effectively with employees there will be less resistance to change and they will accept it readily.

3. Listening Skills

This skill is often neglected by entrepreneurs. If they don't listen to the people around, they will never be able to progress and grow. This is exactly why most businesses often come to a standstill or start to lose their customers.

a. Customer Perspective

If we take a look at successful entrepreneurs around us, we shall notice that they are open to feedback and suggestions. Here's how: Sometimes a businessman may be offering quality products to his customers but he may still be behind his competitor. In this scenario listening skills can really help. He can ask for customer feedback and product improvement suggestions. The user of his product can tell him its imperfections and how the product can become better. If he focus and listen to what the customer has to say, he can easily outrace his competitor by working on the areas where he lacks and developing a better product for his customers.

b. Employee Perspective:

Listening skills can clear the air inside the organization. If an entrepreneur only communicates his thoughts and ideas to employees and not listens to them, he will never be able to increase employee satisfaction and he will witness a high employee turnover. Successful entrepreneurs are those who listen to their employees. Employees can highlight the problems within the organization clearly and they can address the issues and resolve them easily. If they respond to the employees' problems in a timely manner, it will make them feel valued and they would want to work for their organization. This depicts, whether it's their customers or their employees; if they develop the ability to listen carefully to what they have to say, they can easily improve and grow their business.

4. Reading Skills:

Reading can help keep entrepreneurs abreast of current business scenarios and strategize accordingly. Entrepreneurs who don't have the habit of reading often fail to devise sound business and marketing strategies. Reading gives them exposure and powers their thinking ability. When they start reading they gain more information and get new ideas. Therefore,

entrepreneurs must work on developing their communication skills in order to run a successful organization and achieve business success. Becoming an entrepreneur can be one of the most rewarding decisions of one's life. Understanding how to separate oneself from the rest of the rat race and put oneself in control of one's own life is incredibly empowering. By choosing this path, entrepreneurs are giving themselves the ability to control their own destiny rather than simply choosing to work for someone else. The

downside of it is, however, that they will have no one but themselves to blame for their failures.

4- Decision-Making Skill

In simple words, a manager's job is to make decisions that will lead the organization to the attainment of its goals. Decision making skill is the skill that makes a manager able to recognize opportunities and threat and then select an appropriate course of action to tackle them efficiently so that the organization can benefit them. Managers are not always going to make the best decision. But a good manager most often makes a good decision and learns from the bad ones. Decision making is a skill that improves as managers gain more experience. Training or educating is also a good method to develop the Decision making the skill of a manager.

5- Diagnostic and Analytical Skills

A good manager has Diagnostic and Analytical skills in his bags. Diagnostic skill refers to the ability to visualize the best response to a situation. Analytical skill means, the ability to identify the key variables in a situation. Manager diagnostic skill and Analytical skill helps him to identify possible approaches to a situation. After that is also helps a manager to visualize the result or outcomes of these approaches. This skill sounds similar to the decision making skill, but it is the skill required to make the decision.

CHAPTER - 11

PROBLEM SOLVING SKILLS

Entrepreneurial problem solving is the process of using innovation and creative solutions to close that gap by resolving societal, business, or technological problems. The entrepreneur visualizes the prospect of filling the gap with an innovative solution that might entail the revision of a product or the creation of an entirely new product. In any case, the entrepreneur approaches the problem-solving process in various ways.

Decision making is different from problem solving. A decision is needed to continue or smooth a process affecting the operation of a firm. It can be intuitive or might require research and a long period of consideration. Problem solving, however, is more direct. It entails the solution of some problem where a gap exists between a current state and a desired state. Entrepreneurs are problem solvers who offer solutions using creativity or innovative ventures that exploit opportunities.

Two Problem Solving Models: Adaptive and Innovative

There are two prominent established problem-solving models: adaptive and innovative.

A renowned British psychologist, Michael Kirton, developed the Kirton Adaption-Innovation (KAI) Inventory to measure an individual's style of problem solving. Problem-solving preferences are dependent on the personality characteristics of originality, conformity, and efficiency, according to Kirton. The KAI inventory identifies an individual's problem-solving approach by measuring agreement with statements that align with characteristics, such as the ability to produce many novel ideas, to follow rules and get along in groups, and to systematically orient daily behaviour. The results categorize an individual as an innovator or an adaptor. Innovators are highly original, do not like to conform, and value efficiency less than adaptors.

The first and more conservative approach an entrepreneur may use to solve problems is the adaptive model. The **adaptive model** seeks solutions for problems in ways that are tested and known to be effective. An adaptive model accepts the problem definition and is concerned with resolving problems rather than finding them. This approach seeks greater efficiency while aiming at continuity and stability.

The second and more creative approach is the **innovative model** of entrepreneurial problem solving, which uses techniques that are unknown to the market and that bring advantage to an organization. An innovative problem-solving style challenges the problem definition, discovers problems and avenues for their solutions, and questions existing assumptions—in a nutshell, it does things differently. It uses outside-the-box thinking and searches for novel solutions. Novelty is a shared trait of creative entrepreneurship, and its why entrepreneurs gravitate toward this method of problem solving. According to Dr. Shaun M. Powell, a senior lecturer

at the University of Wollongong, Australia: "Creative entrepreneurs are notable for a

distinctive management style that is based on intuition, informality and rapid decision making, whereas the more conventional thinking styles are not in accord with the unique attributes of creative entrepreneurs.”

Problem-Solving Skills

While identifying problems is a necessary part of the origin of the entrepreneurial process, managing problems is an entirely different aspect once a venture is off the ground and running. An entrepreneur does not have the luxury of avoiding problems and is often responsible for all problem solving in a start-up or other form of business. There are certain skills that entrepreneurs possess that make them particularly good problem solvers.

Critical Thinking

Critical thinking is the complex analysis of a problem or issue with the goal of solving the problem or making a decision. The entrepreneur analyses and peels away the layers of a problem to find the core of an issue facing a business. The entrepreneur focuses on the heart of the problem and responds reasonably and openly to suggestions for solving it. Critical thinking is not only important for developing entrepreneurial ideas: it is a sought-after asset in education and employment.

Communication

Communication skills, the ability to communicate messages effectively to an intended recipient, are the skills entrepreneurs use to pool resources for the purposes of investigating solutions leading to innovative problem solving and competitive advantage. Good communication allows for the free association of ideas between entrepreneurs and businesses. It can illustrate a problem area or a shared vision, and seeks stakeholder buy-in from various constituencies. Networking and communication within an industry allow the entrepreneur to recognize the position of an enterprise in the market and work toward verbalizing solutions that move an organization beyond its current state. By “verbalizing,” we mean communication from and with the company/entity. Internal communications include company emails, newsletters, presentations, and reports that can set strategic goals and objectives, and report on what has been accomplished and what goals and objectives remain, so that employees within an organization are knowledgeable and can work on solving problems that remain within the organization. External communications could include press releases, blogs and websites, social media, public speeches, and presentations that explain the company’s solutions to problems. They could also be investor pitches complete with business plans and financial projections.

Decisiveness

Decisiveness is as it sounds the ability to make a quick, effective decision, not letting too much time go by in the process. Entrepreneurs must be productive, even in the face

of risk. They often rely on intuition as well as on hard facts in making a choice. They ask what problem needs to be solved, think about solutions, and then consider the means necessary to implement an idea.

Ability to Analyze Data

Data analysis is the process of analysing data and modeling it into a structure that leads to innovative conclusions. In entrepreneurship, analysing data can help with opportunity recognition, creation, and assessment by analysing data in a variety of ways. Entrepreneurs can explore and leverage different data sources to identify and compare “attractive” opportunities, since such analyses can describe what has happened, why it happened, and how likely it is to happen again in the future. In business in general, analytics is used to help managers/entrepreneurs gain improved insight about their business operations/emerging ventures and make better, fact-based decisions.

Analytics can be descriptive, predictive, or prescriptive. Descriptive analytics involves understanding what has happened and what is happening; predictive analytics uses data from past performance to estimate future performance; and prescriptive analytics uses the results of descriptive and predictive analytics to make decisions. Data analysis can be applied to manage customer relations, inform financial and marketing activities, make pricing decisions, manage the supply chain, and plan for human resource needs, among other functions of a venture. In addition to statistical analysis, quantitative methods, and computer models to aid decision-making, companies are also increasingly using artificial intelligence algorithms to analyze data and make quick decisions.

Understanding of Business and Industry

Entrepreneurs need sound understanding of markets and industries. Often times, they are already working in a large organization when they see growth opportunities or inefficiencies in a market. The employee gains a deep understanding of the industry at hand. If the employee considers a possible solution for a problem, this solution might become the basis for a new business.

Resourcefulness

Resourcefulness is the ability to discover clever solutions to obstacles. With a resourcefulness mindset you are driven to find a way. An attitude of resourcefulness inspires out-of-the-box thinking, the generation of new ideas, and the ability to visualize all the possible ways to achieve what you desire. Entrepreneurs start thinking about a business venture or start-ups by talking to people and procuring experts to help create, fund, and begin a business. Entrepreneurs are risk takers, passionate about new endeavours.

Creative Problem-Solving Process

Creativity can be an important trait of an entrepreneur. Creativity as the development of original ideas to solve an issue. The intent of being an entrepreneur is to break away from practical norms and use imagination to embrace quick and effective solutions to an existing problem, usually outside the corporate environment.

STEPS OF THE CREATIVE PROBLEM-SOLVING PROCESS-

Clarify \Rightarrow Ideate \Rightarrow Develop \Rightarrow Evaluate \Rightarrow Implement

1- Clarify

Clarify is the critical step of recognizing the existence of a gap between the current state and a desired state. This can also be thought of as having need awareness, which occurs when the entrepreneur notes a gap between societal or customer needs and actual circumstances. Clarifying the problem by speaking with clients and developing a detailed description of the problem brings the specifics of a problem to light. Failure to identify the specifics of a problem leaves the entrepreneur with the impossible task of solving a ghost problem, a problem that is fully unknown or unseen. To establish and maintain credibility, an entrepreneur must clarify the problem by focusing on solving the problem itself, rather than solving a symptom of the problem.

2- Ideate

Ideate is the step of the creative problem-solving process that involves generating and detailing ideas by the entrepreneur. After collecting all information relevant to the problem, the entrepreneur lists as many causes of the problem as possible. This is the step in which the largest variety of ideas are put forth. Each idea must be evaluated for feasibility and cost as a solution to the problem.

3- Develop

Develop is the step in which the entrepreneur takes the list of ideas generated and tests each solution for feasibility. The entrepreneur must consider the cost of each idea and the obstacles to implementation.

4- Implement

Implement is the step in which the solution to the problem is tested and evaluated. The entrepreneur walks through the planned implementation with the client and tests each part of the solution, if a service, or thoroughly tests a developed good. The entrepreneur implements the solution and goes through a structured system of follow-up to ensure the solution remains effective and viable.

5- Evaluate

Evaluate is the step in which the final solution is assessed. This is a very important step that entrepreneurs often overlook. Any fallacy in the implementation of the product or service is reassessed, and new solutions are implemented. A continual testing process may be needed to find the final solution.

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CHAPTER - 12

SUPPLY CHAIN MANAGEMENT & TOTAL QUALITY MANAGEMENT

SUPPLY CHAIN MANAGEMENT

Supply chain management (SCM) represents the management of the entire set of production, manufacturing/transformations, distribution and marketing activities by which a consumer is supplied with a desired product. The practice of SCM encompasses the disciplines of economics; marketing, logistics and organizational behaviour to study how supply chains are organized and how institutional arrangements influence industry efficiency, competitions and profitability.

SCM provides a means to conceptualize management of the changes required in the system to efficiently respond to consumer needs, based on integration and co-ordination of the efforts of all the business units involved in the production and delivery processes.

INPUT INDUSTRY → FARMER → TRADE → DISTRIBUTION CENTER → RETAILING

Managing supply chains requires an integral approach in which chain partners jointly plan and control the flow of goods, information, technology and capital from 'farm to fork', meaning from the suppliers of raw materials to the final consumers and vice versa. Supply chain management results in lower transaction costs and increased margins. Because of the many activities and aspects involved it demands a multidisciplinary approach and sustainable trade relations.

Advantages of supply chain management:

1. Reduction of product losses in transportation and storage.
2. Dissemination of technology, advanced techniques,
3. Capital and knowledge among the chain partners.
4. Better information about the flow of products, markets and technologies.
5. Transparency, Tracking & tracing to the source.
6. Better control of product safety and quality.
7. Large investments and risks are shared among partners in the chain.

Stages of Supply chain

In general, supply chain may involve a variety of stages. The supply chain stages include;
Customers
Retailers

Wholesalers/DistributorsManufacturers

Component / Raw material suppliers

Process of a supply chain

A supply chain is a sequence of processes and flows that take place within and between different stages and combine to fill a customer need for a product. There are two different ways to view the processes performed in a supply chain.

1. Cycle view: The processes in a supply chain are divided into a series of cycles, each performed at the interface between two successive stages of a supply chain.

2. Push/pull view: The processes in a supply chain are divided into two categories depending on whether they are executed in response to a customer order or in anticipation of customer orders. Pull processes are initiated by a customer order whereas push processes are initiated and performed in anticipation of customer orders.

Cycle view of supply chain processes

All supply chain processes can be broken down into the following four process cycles.

Customer order cycle: The customer order cycle occurs at the customer / retailer interface and includes all processes directly involved in receiving and filling the customer's order.

Typically, the customer initiates this cycle at a retailer site and the cycle primarily involves filling customer demand.

Replenishment cycle: The Replenishment cycle occurs at the retailer/distributor interface and includes all processes involved in replenishing retailer inventory. It is initiated when a retailer places an order to replenish inventories to meet future demand.

Manufacturing cycle: The manufacturing cycle typically occurs at the distributor/manufacturer (or retailer/manufacturer) interface and includes all processes involved in replenishing distributor (or retailer) inventory.

Procurement cycle: The procurement cycle occurs at the manufacturer/supplier interface and includes all processes necessary to ensure that materials are available for manufacturing to occur according to schedule. During the procurement cycle, the manufacturer order components from suppliers that replenish the component inventories.

Push / Pull View of Supply Chain Processes

Pull processes, execution is initiated in response to a customer order. With push processes, execution is initiated in anticipation of customer orders. Therefore, at the time of execution of a pull process, customer demand is known with certainty whereas at the time of execution of a push process, demand is not known and must be forecast. Pull processes may also be referred to as reactive processes because they react to customer demand. Push processes may also be referred to as speculative processes because they respond to speculated (or forecasted) rather than actual demand.

Drivers of supply chain performance-

Four key drivers of supply chain performance are facilities, inventory, transportation and information. These drivers not only determine the supply chain's performance in terms of responsiveness and efficiency, but also determine whether strategic fit is achieved across the supply chain.

Inventory

Inventory is nothing but raw materials, work in process and finished goods within a supply chain. Inventory is an important supply chain driver and it is one of the factors that decide the supply chain's efficiency and responsiveness.

Transportation

Transportation entails moving inventory from one point to another point in the supply chain. Transportation choices have a large impact on supply chain responsiveness and efficiency.

Facility

These are locations where raw materials, finished goods are stored or fabricated and distributed. The two major types of facilities are production sites and storage sites. Whatever the function of the facility, decisions regarding location, capacity and flexibility of facilities have a significant impact on the supply chain's performance.

Information

Information consists of data and analysis concerning facilities, inventory, transportation, and customers throughout the supply chain. Information is potentially the biggest driver of performance in the supply chain as it directly affects each of the other drivers.

Scope of Agri-supply chain management

At the farmer level a key preliminary step is often the development of relationships between individual farmers to create a trading entity with capacity to supply sufficient quantity and continuity to be a credible

supply chain member. This may be championed by a farmer, by another member of the chain, or by an external facilitator or manager. Hence the technical and professional issues in supporting the operation of supply chains may include facilitating:

- the development of relationships between farmers to allow their participation
- the development of relationships between members of the supply chain
- information flows between members of the supply chain
- establishing common standards between members of the supply chain
- Optimizing performance within each level of the supply chain and in the linkage processes.

Promotion activities needed in Agri-Chain Development

- Public private partnership is needed.
- Investing in transportation, communication and electricity.
- Subsidies or co-financing supply for high -risk investments.
- Ensure the availability of (production, price, industry) information and statistics to facilitate market activity and to monitor market progress.

Advantages of supply chain management:

1. Reduction of product losses in transportation and storage.
2. Dissemination of technology, advanced techniques,
3. Capital and knowledge among the chain partners.
4. Better information about the flow of products, markets and technologies.
5. Transparency, Tracking & tracing to the source.
6. Better control of product safety and quality.
7. Large investments and risks are shared among partners in the chain.

Total Quality Management

"TQM is a management approach for an organization, centred on quality, based on the participation of all its members and aiming at long-term success through customer satisfaction, and benefits to all members of the organization and to society."

TQM is composed of three paradigms:

Total: Organization wide

Quality: Quality has been the most exploited word but at the same time most misunderstood word. Quality is an off shoot of the work we do. It is a bi-product of an act. It shows the level of commitment in doing our activity.

The Quality is defined in many ways:

Quality is Excellence: When quality is defined as excellence, it loses its measurability. Each person understands to the level of his own excellence and involves in his work. It is often misunderstood that high cost is high quality. Judgmental in nature. Ex. (Rolex watches, BMW automobiles). Quality is

Value: With this definition the performance and features or the usefulness of the products are compared to only the cost of price of the product. Many a times the utility/ possession value is more than the value of the product. Ex: the features of the product are compared to the cost of the product.

Quality is Conformance to Requirements: This definition has a manufacturing orientation. It requires that the customer gives the specification and the products are manufactured to that requirement.

• **Management:** The system of managing with steps like Plan, Organize, Control, Lead, Staff, etc.

Basic Concepts: TQM requires six basic concepts

- 1. A committed and involved management:** TQM is a continual long term activity that must be imbibed in the culture of the organization. Everything begins with the long-term-top-to-bottom-organization support. Management must participate in the quality program, establish a council to develop clear vision, set goals and direct the programs.
- 2. An unwavering focus on the customer:** Customers are the very purpose of any organization. Key to an effective TQM is orienting all activities towards the need of the customer, both internally and externally.
- 3. Effective involvement and achievement of the entire work force:** Implementing TQM is everyone's responsibility. Employees are the future of any organization. All personnel must be trained in TQM, its tools. They must be empowered to perform processes in an optimal manner.
- 4. Continuous improvement of the business and production processes:** All employees must continually strive to improve all business and production systems.
- 5. Treating Suppliers as Partners:** 40 to 60 % of the product cost is outsourced. So all supplier organizations have to be treated as extension of one's organisations.
- 6. Establish Performance measures:** Measure and prosper. Measures should be available to note downtimes, nonconformities and satisfaction of customers, absenteeism etc.

Principles of Total Quality Management: The eight principles are:

1. Customer-Focused Organisation
2. Leadership
3. Involvement of People
4. Process Approach
5. System Approach to Management
6. Continual Improvement
7. Factual Approach to Decision Making and
8. Mutually Beneficial Supplier Relationships

Principle 1 - Customer-Focused Organization

"Organizations depend on their customers and therefore should understand current and future needs of the customer meet customer requirements and strive to exceed customer expectations".

Steps in application of this principle are:

1. Understand customer needs and expectations for products, delivery, price, dependability, etc.
2. Ensure a balanced approach among customers and other stake holders (owners, people, suppliers, local communities and society at large) needs and expectations.
3. Communicate these needs and expectations throughout the organization.
4. Measure customer satisfaction & act on results, and
5. Manage customer relationships.

Principle 2 - Leadership

"Leaders establish unity of purpose and direction of the organization. They should create and maintain the internal environment in which people can become fully involved in achieving the organization's objectives."

Steps in application of this principle are:

1. Be proactive and lead by example.
2. Understand and respond to changes in the external environment.
3. Consider the needs of all stake holders including customers, owners, people, suppliers, local communities and society at large.
4. Establish a clear vision of the organization's future.
5. Establish shared values and ethical role models at all levels of the organization.
6. Build trust and eliminate fear.
7. Provide people with the required resources and freedom to act with responsibility and accountability.
8. Inspire, encourage and recognize people's contributions.

9. Promote open and honest communication.
10. Educate, train and coach people.
11. Set challenging goals and targets, and
12. Implement a strategy to achieve these goals and targets.

Principle 3 - Involvement of People

"People at all levels are the essence of an organization and their full involvement enables their abilities to be used for the organization's benefit".

Steps in application of this principle are:

1. Accept ownership and responsibility to solve problems.
2. Actively seek opportunities to make improvements, and enhance competencies, knowledge and experience.
3. Freely share knowledge & experience in teams.
4. Focus on the creation of value for customers.
5. Be innovative in furthering the organization's objectives.
6. Improve the way of representing the organization to customers, local communities and society at large.
7. Help people derive satisfaction from their work, and 8. Make people enthusiastic and proud to be part of the organization.

Principle 4 - Process Approach

"A desired result is achieved more efficiently when related resources and activities are managed as a process."

Steps in application of this principle are:

1. Define the process to achieve the desired result.
2. Identify and measure the inputs and outputs of the process.
3. Identify the interfaces of the process with the functions of the organization.
4. Evaluate possible risks, consequences and impacts of processes on customers, suppliers and other stake holders of the process.
5. Establish clear responsibility, authority, and accountability for managing the process.
6. Identify internal and external customers, suppliers and other stake holders of the process, and
7. When designing processes, consider process steps, activities, flows, control measures, training needs, equipment, methods, information, materials and other resources to achieve the desired result.

Principle 5 - System Approach to Management

"Identifying, understanding and managing a system of interrelated processes for a given objective improve the organization's effectiveness and efficiency."

Steps in application of this principle are:

1. Define the system by identifying or developing the processes that affect a given objective.
2. Structure the system to achieve the objective in the most efficient way.
3. Understand the interdependencies among the processes of the system.
4. Continually improve the system through measurement and evaluation, and
5. Estimate the resource requirements and establish resource constraints prior to action.

Principle 6 - Continual Improvement

"Continual improvement should be a permanent objective of the organization." Steps in application of this principle are:

1. Make continual improvement of products, processes and systems an objective for every individual in the organization.
2. Apply the basic improvement concepts of incremental improvement and breakthrough improvement.
3. Use periodic assessments against established criteria of excellence to identify areas for potential improvement.
4. Continually improve the efficiency and effectiveness of all processes.
5. Promote prevention based activities.
6. Provide every member of the organization with appropriate education and training, on the methods and tools of continual improvement such as the Plan- Do-Check-Act cycle, problem solving, process re-engineering, and process innovation.
7. Establish measures and goals to guide and track improvements, and
8. Recognise improvements.

Principle 7 - Factual Approach to Decision Making

"Effective decisions are based on the analysis of data and information." Steps in application of this principle are:

1. Take measurements and collect data and information relevant to the objective.
2. Ensure that the data and information are sufficiently accurate, reliable and accessible.
3. Analyze the data and information using valid methods.
4. Understand the value of appropriate statistical techniques, and
5. Make decisions and take action based on the results of logical analysis balanced with experience and intuition.

Principle 8 - Mutually Beneficial Supplier Relationships

"An organization and its suppliers are interdependent, and a mutually beneficial relationship enhances the ability of both to create value."

Steps in application of this principle are:

1. Identify and select key suppliers.
2. Establish supplier relationships that balance short-term gains with long-term considerations for the organization and society at large.
3. Create clear and open communications.
4. Initiate joint development and improvement of products and processes.
5. Jointly establish a clear understanding of customers' needs.
6. Share information and future plans, and
7. Recognise supplier improvements and achievements

Benefits of TQM:

- | | |
|---|---|
| <input type="checkbox"/> Improved quality | <input type="checkbox"/> Employee participation |
| <input type="checkbox"/> Team work | <input type="checkbox"/> Working relationship |
| <input type="checkbox"/> Customer satisfaction | <input type="checkbox"/> Employee satisfaction |
| <input type="checkbox"/> Increased productivity | <input type="checkbox"/> Communication |
| <input type="checkbox"/> Profitability | <input type="checkbox"/> Increased market share |

CHAPTER - 13

PROJECT PLANNING, PROJECT FORMULATION AND FINANCE

Introduction

Effective management of projects is key to the progress of an economy because development itself is the outcome of a series successfully managed projects. This is why project management is receiving greater attention in developing countries like ours, so as to avoid project schedule slippages and cost overruns, a project needs to be meticulously planned, effectively implemented and professionally managed in order to accomplish the objectives of time, cost and performance. This demands fairly good understanding of nature and types of projects, project life cycle and concept of project management.

Nature of a project

The term 'project' has a wider meaning to include a set of activities. For example, construction of a house is a project. It includes many activities like digging of foundation pits, construction of foundations, construction of walls, construction of roof, fixing of doors and windows, fixing of sanitary fitting, wiring etc. Further, project is the non-routine nature of activities.

In fact, a project is an organized programme of pre-determined group of activities that are non-routine in nature and that must be completed within the given time limit. It is a non-routine, non-repetitive, one-off undertaking, normally with discrete time, financial and technical performance goals.

MEANING OF PROJECT REPORT

Formulation of project report./business plan is one of the first corner stones to be laid down in setting up an enterprise. Webster Dictionary defines a project as a scheme, design, a proposal of something intended or devised. In simple words, project report or business plan is a written statement of what an entrepreneur-proposes to take up. It is a kind of guide frost or course of action what the entrepreneur hopes to achieve in his business and how is he going to achieve it. In other words, project report serves like a kind of big mad map to reach the destination determined by the entrepreneur. Thus, a project report can best be defined as a well evolved course of-action devised to achieve the specified objective within a specified period of time. So to say, it is an operating document.

IMPORTANCE OR SIGNIFICANCE OF PROJECTREPORT

The preparation of a project report is of great significance for an entrepreneur.

The project report serves the two essential functions:

First and most important function is, it describes the direction the enterprise is going in, what its goals are, where it wants to be, and how it is going to get there. It also enables an entrepreneur to know that he is proceeding in the right direction.

The second function of the project report is to attract lenders and investors. The preparation of project report is beneficial for those small enterprises which apply for financial assistance from the financial institutions and the commercial banks. It is on the basis of project report that the financial institutions make appraisal if the enterprise requires financial assistance or not.

COMPONENTS OF A PROJECT REPORT

There is no substitute for a well-prepared business plan or project report and also there are no shortcuts to preparing it. The more concrete and complete the business plan, the more likely it is to earn the respect of outsiders and their support in making and running an enterprise. Therefore, the project report needs to be prepared with great care and consideration. A good project report should contain the following components.

- 1. General Information:** Information on product profile and product details.
- 2. Promoter:** His/her educational qualification, work experience, project related experience.
- 3. Location:** Exact location of the project, lease or freehold, locational advantages.
- 4. Land and building:** Land area, construction area, type of construction, cost of construction, detailed plan and estimate along with plant layout.
- 5. Plant and Machinery:** Details of machinery required, capacity, suppliers, cost, various alternatives available, cost of miscellaneous assets.
- 6. Production Process:** Description of production process, process chart, technical know how, technology alternatives available, production programme.
- 7. Utilities:** Water, power, steam, compressed air requirements, cost estimates, sources of utilities.
- 8. Transport and Communication:** Mode, possibility of getting, costs.
- 9. Raw Material:** List of raw material required by quality and quantity, sources of procurement, cost of raw material, tie-up arrangements, if any
- 10. Manpower:** Manpower requirement by skilled and semi-skilled, sources of manpower supply, cost of procurement, requirement for training. and its cost.
- 11. Products:** Product mix, estimated sales, distribution channels, competitions and their

capacities, product standard, input-output ratio, product substitute.

12. Market: End-users of product, distribution of market as local, national, international, trade practices, sales promotion devices, and proposed market research.

13. Requirement of Working Capital: Working capital required, sources of working capital, need for collateral security, nature and extent of credit facilities offered and available.

14. Requirement of Funds: Break-up of project cost in terms of costs of land, building, machinery, miscellaneous assets, preliminary expenses, contingencies and margin money for working capital, arrangements for meeting the cost of setting up of the project.

15. Cost of Production and Profitability of first ten years.

16. Break-Even Analysis

17. Schedule of Implementation

The distinguishing features of a project are:

Purpose: A project is usually a one-time activity with a well-defined set of desired end results. It can be divided into subtasks that must be accomplished in order to achieve the project goals. The project is complex enough that the subtasks require careful coordination and control in terms of timing, precedence, cost, and performance. The project itself must often be coordinated with other projects being carried out by the same parent organization.

Life Cycle: Like organic entities, projects have a life cycle. From a slow beginning they progress to a build-up of size, then peak, begin a decline, and finally must be terminated. (Also like other organic entities, they often resist termination.) Some projects end by being phased into the normal, ongoing operations of the parent organization.

Single Entity: A project is one entity and is normally entrusted in one responsibility centre while the participants in the project are many.

Interdependencies: Projects often interact with other projects carried out simultaneously by their parent organization; but projects always interact with the parent's standard, ongoing operations. While the functional departments of an organization (marketing, finance, manufacturing, and the like) interact with one another in regular, patterned ways, the patterns of interaction between projects and these departments tend to be changing. Marketing may be involved at the beginning and end of a project, but not in the middle. Manufacturing may have

major involvement throughout. Finance is often involved at the beginning and accounting (the controller) at the end, as well as at periodic reporting times. The project manager must keep all these interactions clear and maintain the appropriate interrelationships with all external groups.

Uniqueness: Every project has some elements that are unique. No two construction or R&D projects are precisely alike. Though it is clear that construction projects are usually

more routine than research and development projects, some degree of customization is a distinct feature of a project. In addition to the presence of risk, as noted above, a project may be unique in nature, which cannot be completely reduced to routine. The project manager's importance is emphasized because, as a devotee of management by exception, the manager will find there area great many exceptions to manage by.

Complexity: A rich project represents complex set of activities pertaining to diverse areas. Technology survey, choice of the appropriate technology, procuring the appropriate machinery and equipment, hiring the right kind of people, arranging the financial resources, execution of the projects in time by proper scheduling of various activities contribute to the complexity of the project.

Team Work: Successful completion of a project calls for teamwork. The team is constituted of members who are specialists in relevant fields.

Risk and Uncertainty: Risk and uncertainty are inherent in every project. However, degree of risk and uncertainty will depend on how a project passes through its various life cycle phases. Customer

Specific: A project has always to be customer specific so as to cater to the needs of customers. As such, the organization should go for projects that are suited to customers.

CLASSIFICATION OF PROJECTS

Much of what project will comprise and consequently its management depends essentially on the category it belongs to. Projects can be categorized according to type of activity, location, time, ownership, size and need.

According to Type of Activity: Under this category, projects can be classified as industrial and non-industrial projects. Industrial projects are set up for the production of some goods. Non-Industrial projects comprise health care projects, educational projects, irrigation projects, soil conservation projects, highway projects etc.

According to Location: Location wise, projects can be categorized as national and international projects. National projects are those set up in the national boundaries of a country, while international projects are set up by the government of private sector across the globe.

According to Completion Time: Projects under this category can be divided into two types, viz; normal and crash projects. In case of normal projects there is no time constraint. Crash projects are those which are to be completed within a stipulated time, even at the cost of ending up with a higher project cost.

According to Ownership: Projects under this category can be grouped into public, private and joint sector projects. Public sector projects are owned by the Government. In private sector projects ownership is in the hands of the project promoters and investors. Joint sector projects are those in which ownership is shared by the Government and private entrepreneurs.

According to Size: Based on size, there may be three categories of projects, viz; small, medium and large. As per the present guideline of the Government, projects with investment on plant and machinery upto Rs. 1 crore are classified as small and those with investment in plant and machinery above Rs. 100 crores are categorized as large scale projects. Those with investment limit between these groups are medium scale projects.

According to Need: Based on the need for the project, projects can be classified as new balancing, expansion, modernization, replacement, diversification, backward integration and forward integration projects.

PROJECT MANAGEMENT DEFINED

Project management is the process of identifying project opportunities, formulating profitable project profiles, procuring funds for project implementation, scheduling of project activities in such a way as to complete the project within the minimum possible time/cost, and monitoring of the project after its implementation.

Defining what is to be done and ensuring that it is done and performed as desired within time and cost budgets fixed for it through a modular work approach, using organizational and extra-organizational resources is what project management has to achieve.

Phase of Project Planning

The phase is a key to successful project management and focuses on developing a roadmap that everyone will follow. This phase typically begins with setting goals. Two of the more popular methods for setting goals are S.M.A.R.T. and CLEAR.



S.M.A.R.T. Goals – This method helps ensure that the goals have been thoroughly vetted. It also provides a way to clearly understand the implications of the goal-setting process.

Specific – To set specific goals, answer the following questions: who, what, where, when, which, and why.

Measurable – Create criteria that you can use to measure the success of a goal.

Attainable – Identify the most important goals and what it will take to achieve them.

Realistic – You should be willing and able to work toward a particular goal.

Timely – Create a timeframe to achieve the goal.

C.L.E.A.R. Goals – A newer method for setting goals that takes into consideration the environment of today’s fast-paced businesses.

Collaborative – The goal should encourage employees to work together.

Limited – They should be limited in scope and time to keep it manageable.

Emotional – Goals should tap into the passion of employees and be something they can form an emotional connection to. This can optimize the quality of work.

Appreciable – Break larger goals into smaller tasks that can be quickly achieved.

Refinable – As new situations arise, be flexible and refine goals as needed.

During this phase, the scope of the project is defined and a project management plan is developed. It involves identifying the cost, quality, available resources, and a realistic timetable. The project plans also include establishing baselines or performance measures. These are generated using the scope, schedule and cost of a project. A baseline is essential to determine if a project is on track.

At this time, roles and responsibilities are clearly defined, so everyone involved knows what they are accountable for.

1. **Scope Statement** – A document that clearly defines the business need, benefits of the project, objectives, deliverables, and key milestones. A scope statement may change during the project, but it shouldn’t be done without the approval of the project manager and the sponsor.
2. **Work Breakdown Schedule (WBS)** – This is a visual representation that breaks down the scope of the project into manageable sections for the team.
3. **Milestones** – Identify high-level goals that need to be met throughout the project and include them in the Gantt chart.
4. **Gantt Chart** – A visual timeline that you can use to plan out tasks and visualize your project timeline.
5. **Communication Plan** – This is of particular importance if your project involves outside stakeholders. Develop the proper messaging around the project and create a schedule of when to communicate with team members based on deliverables and milestones.

6. **Risk Management Plan** – Identify all foreseeable risks. Common risks include unrealistic time and cost estimates, customer review cycle, budget cuts, changing requirements, and lack of committed resources.

PROJECT FORMULATION

Concept

Project formulation is a step by step investigation and development of the project where each step is for further development of project idea. It is a control mechanism which provides for restricting expenditure on project development. So, it enables to control the expenditure and if at any step there are signs of anything going wrong or if weakness is observed in the project at any stage of investigation, the project may even be called off.

Project formulation is the systematic development of a project idea for the eventual objective of arriving at an investment decision. It has the built-in mechanism of ringing the danger bell at the earliest possible stage of resource utilization.

Need for Project Formulation

In the process of establishment of a new project, number of problems is faced by the entrepreneur. The resources are scarce and alternative uses are available for these. That is why step-by-step investigation and development of project idea are required. Following are some of the problems that make the entrepreneur to undergo a lot of harassment, frustration and disappointment. But a project formulation exercise undertaken at right time in a right manner mitigates the rigorosity as well as magnitude of these problems. The following are some of these key issues due to which the need for project formulation becomes inevitable.

1. Selection of Appropriate Technology: The project necessarily requires technology to be adopted. The entrepreneur faces great difficulty in the selection of appropriate technology for the project. The problem may be in relation with development of new technology or selection of suitable and adequate technology out of technologies available. In highly industrialized economies, modern technologies have been developed. But these may not be suitable for small and medium projects or in case of developing economies. There may be a case that good technology is available but resources are not adequate enough. Another problem may be the requirement of skilled manpower. This clearly indicates that the project needs to be thoroughly examined as regards these factors. It is not possible without project formulation.

2. Influence of External Economies: Any project cannot function in isolation and it requires the support of external economies. The dependency of the project in question on other projects or industry may be with respect to:

- a. Supply of raw material
- b. Requirements of power and its supply

- c. Supply of tools, spare parts
- d. Ancillary enterprises for supply of technical, financial or managerial services
- e. Complex network of communication and transport facilities. The direct costs are the basic costs of the project.

But, in the case of developing countries the above stated ancillary costs are also considered. In developed countries or advanced industrial environment, this basic cost is not required as it is contributed in terms of external economies.

3. Non-availability of Technical Manpower: The successful execution requires availability of appropriate and technically qualified personnel. The project formulation duly analyses this aspect of project so that a technically infeasible project may be abandoned at very initial stage.

4. Resource Mobilisation: The resource mobilization refers to the ability to gather various resources to accomplish the desired goals. The mobilization may be very easy and feasible at the very initial level of the project. But it is required continuously throughout the project. The project formulation takes into account this aspect also.

5. Legal Scenario: The Government policies require being adhered compulsorily. The basic problem, faced in most of the countries, is non-availability of consolidated and detailed information. In India “Ministry of Industrial Development” has issued a compendium in the name of “Guidelines for Industries”. This compendium covers the following aspects:

- a. Industrial Policy
- b. Licensing policy and procedures, if any
- c. Guidelines for foreign collaboration
- d. Import and export control orders
- e. Present status of capacities
- f. Possibility of further development

Significance of Project Formulation

The huge projects require assistance from the financial Institutions. The funding becomes hassle free in case of well-formulated projects. The most viable way of selling a project idea to financing agency requires allocation of resource constraints to various projects with due consideration of relative importance and viability. It can be made possible in an effective manner through project formulation. The project report, prepared after due project formulation, will be of great assistance.

Elements of Project Formulation

In order to take the most effective project decision, project formulation is required. This

exercise of project formulation usually contains the following elements:

1. Feasibility analysis
2. Techno-economic analysis
3. Project Design and Network analysis
4. Input analysis Financial analysis
5. Social Cost-benefit analysis
6. Project appraisal

Feasibility Analysis

Feasibility analysis is a process undertaken to determine whether the project idea is worth proceeding with or not. It evaluates the future of the project idea within the limitations imposed by the environment upon it and also the constraints of the implementing body. Generally, the outcome of the study can give a positive result under which the decision to proceed with the project is taken otherwise the project can be abandoned. Sometimes, the data is not sufficient to arrive at any decision and in that case further information is collected till a decision can be reached.

Techno-Economic Analysis

It is concerned with finding out the demand potential of the project and the right technology required attaining the objective of the project. It is important to analyse whether the economy will absorb the output. The technology would mean the project design, the methodology and the process required. Thus it is to be understood in a broader sense. This analysis consists of two important segments. The first segment is related with ascertainment of maximum project output whereas the purpose of second segment is the selection of optimal strategy to achieve the output.

Project Design and Network Analysis

It is related with the flow of various individual activities and their inter-relationship in order to complete the project. It identifies activities which can be started and also the activities which can be taken up simultaneously. It is generally depicted in the form of a network diagram.

Input Analysis

After all the analysis the next step is to find out all the resources that are required to complete the project. These resources form the inputs of the project. It also identifies all the different phases where the resources are required.

Financial Analysis

The estimates about the financial costs of the project and the revenue generated by it so as to determine whether it will be profitable to undertake the project or not is termed as financial analysis. The following norms are adopted by Financial Institutions in the examination of financial feasibility of project:

1. Cost estimates of the project are to be examined whether such costs are realistic an escalation is taken into account.
2. Time and cost over-runs should be considered.
3. Sources of finance i.e. debt-equity ratio, financing of fixed assets, financing of working capital, promoter's contribution towards share capital, etc. debt equity ratio of 2:1 should be maintained.
4. Financial viability i.e. profitability, sensitivity analysis, cash flow are to be examined thoroughly.
5. IRR should be worked out.
6. Interest coverage ratio should be calculated.
7. The level at which the project is likely to break-even is also examined.
8. Loan repayment schedule is drawn up as per financial projections. Repayment should be made out of internal resources.
9. In case of existing company, the impact of new project on the level of production, net earnings, borrowings, costs, etc. is to be seen.
10. Unsecured loans from promoters are allowed only in restricted circumstances and with a condition that they should not withdraw the amount without permission of the financial institutions.

Social Cost-benefit analysis

The concept of social cost–benefit analysis (SCBA) has been introduced by the French economist Jules Dupuit. Social Cost Benefit Analysis is a systematic evaluation technique for long-term decision making in capital projects appraisal. It is an analytical tool in decision making which enables a systematic comparison to be made between the social costs and related social benefits with due emphasis on technical and other feasibility studies but focusing more on social impact. In the context of planned economies, the social costs benefit analysis aids in evaluating individual projects within the planning framework.

Project Appraisal

The term project appraisal refers to the process of assessing whether to proceed with the project or nor in a systematic manner. It is related with calculating the feasibility and viability of the project. While appraising a project economic, technical, marketing and financial feasibility is generally checked. A feasibility report is then prepared based on which the decision is taken whether to proceed with the project or not. The types of appraisal can be

1. Technical
2. Commercial
3. Financial
4. Economic
5. Management

PROJECT REPORT

We will now discuss the various factors which should be presented in Project Report. However, these guidelines are meant for small scale industrial project only and hence will not include any sophisticated technique being used for preparing project reports of large scale enterprises. Within the small scale industries too, all the information may not be relevant for all units. The size and type of the unit will be the deciding factors for the amount and type of the information to be furnished in the project report.

It is necessary for a report to contain following details to be called a good report:

1. Information collected in the report must be relevant and focused to derive desired results. Pictorial and graphical presentation of data and related information help to understand the details easily. There is a possibility that the collected data in the report needs to be represented at many places in different formats to fulfill the report goals.
The ultimate goal is to determine all the issue and make suitable strategies to cope up with these issue or problems.
2. Report should follow the exact predefined goals and objectives. If there is any sort of divergence of related information which does not match the goals, then the results are of no use. In fact, there is a probability of landing up in making negative or out of focus strategies, which will be very dangerous.
3. The report should always contain the executive summary of the work. This is generally kept before the actual report starts as it shows the summary of the desired business plan.
4. Apart from the actual analysis the report should also depict the reasons of making this report and what advantages and profit it can provide after successful implementation of business plans described inside the report.
5. It should also contain the methodology of the research which shows the overall process adopted to create the report.
6. It is important that the report contains the possibility of errors in any of the module or process so that immediate measures could be taken to cope up with these errors.
7. The report should contain the description of the questionnaires used in analysis and the way it has been prepared.
8. The methodology used in the interviews should also be elaborated and what was achieved in this should also be described.
9. If the information show that some aspects needs to predict the future trends, then the reports should depict that prediction. This prediction should have scale of success so that the accuracy could be judged efficaciously. The report should also define each and every variable and element used in creating these predictive analyses.
10. The report should be flexible enough to be changed accordingly. The analytical information described inside the report should be maintained in such a way that there is no extra effort laboured if any strategy or process

it to be changed in future. It should necessarily mould the changes without changing the structure of the report.

The analytical report creation is very important phase of market research which acts as a blueprint of the business plan which is to be executed. By following the above guidelines while report generation process can be efficiently taken care of.

Finance

Financing is needed to start a business and ramp it up to profitability. There are several sources to consider when looking for start-up financing. But first you need to consider how much money you need and when you will need it.

Equity Financing

Equity financing means exchanging a portion of the ownership of the business for a financial investment in the business. The ownership stake resulting from an equity investment allows the investor to share in the company's profits. Equity involves a permanent investment in a company and is not repaid by the company at a later date. Represents the personal investment of the owner(s) in the business. Is called risk capital because investors assume the risk of losing their money if the business fails.

Personal Savings

The first place to look for money is your own savings or equity. Personal resources can include profit sharing or early retirement funds, real estate equity loans, or cash value insurance policies.

Life insurance policies

A standard feature of many life insurance policies is the owner's ability to borrow against the cash value of the policy. This does not include term insurance because it has no cash value. The money can be used for business needs. It takes about two years for a policy to accumulate sufficient cash value for borrowing. You may borrow most of the cash value of the policy. The loan will reduce the face value of the policy and, in the case of death, the loan has to be repaid before the beneficiaries of the policy receive any payment.

Friends and Relatives

Founders of a start-up business may look to private financing sources such as parents or friends. It may be in the form of equity financing in which the friend or relative receives an ownership interest in the business. However, these investments should be made with the same formality that would be used with outside investors.

Venture Capital

Venture capital refers to financing that comes from companies or individuals in the business of investing in young, privately held businesses. They provide capital to young businesses in exchange for an ownership share of the business. Venture capital firms

usually don't want to participate in the initial financing of a business unless the company has management with a proven track record. Generally, they prefer to invest in companies that have received significant equity investments from the founders and are already profitable.

Angel Investors

Angel investors are individuals and businesses that are interested in helping small businesses survive and grow. So their objective may be more than just focusing on economic returns. Although angel investors often have somewhat of a mission focus, they are still interested in profitability and security for their investment. So they may still make many of the same demands as a venture capitalist.

Debt Financing

Debt financing involves borrowing funds from creditors with the stipulation of repaying the borrowed funds plus interest at a specified future time. For the creditors (those lending the funds to the business), the reward for providing the debt financing is the interest on the amount lent to the borrower. Debt financing (loans) may be short term or long term in their repayment schedules. Generally, short term debt is used to finance current activities such as operations while long-term debt is used to finance assets such as buildings and equipment.

Banks and Other Commercial Lenders

Banks and other commercial lenders are popular sources of business financing. Most lenders require a solid business plan, positive track record, and plenty of collateral. These are usually hard to come by for a start-up business. Once the business is underway and profit and loss statements, cash flows budgets, and net worth statements are provided, the company may be able to borrow additional funds.

Commercial Finance Companies

Commercial finance companies may be considered when the business is unable to secure financing from other commercial sources. These companies may be more willing to rely on the quality of the collateral to repay the loan than the track record or profit projections of your business. If the business does not have substantial personal assets or collateral, a commercial finance company may not be the best place to secure financing. Also, the cost of finance company money is usually higher than other commercial lenders.

Government Programs

Federal, state, and local governments have programs designed to assist the financing of new ventures and small businesses. The assistance is often in the form of a government guarantee of the repayment of a loan from a conventional lender. The guarantee provides the lender repayment assurance for a loan to a business that may have limited assets available for collateral. The best known sources are the Small Business Administration and the USDA Rural Development programs.

CHAPTER - 14

AGRI-ENTREPRENEURSHIP & RURAL ENTREPRENEURSHIP

Agri-entrepreneurship in common language can be defined as sustainable, community-oriented, directly-marketed agriculture. Sustainable agriculture refers a system oriented approach to farming that put emphasis on the interrelationships of social, economic, and environmental processes.

Agriprenurship development has huge potential of creating new employment opportunities for rural youth. Agriprenurship helps in checking migration of rural youth from villages to urban centers and helps in improving living condition of farmers by providing alternative source of income.

NEED AND IMPORTANCE OF AGRI-ENTREPRENEURSHIP

Traditionally, farmers are ignorant of scientific agriculture and effective agri-management systems. Thus, they are unable to deal with delayed monsoons, drought, crop debts, fake seeds and shortage of fertilizer, as a result opt to commit suicide. Hence, the managerial, technical and innovative skills of entrepreneurship applied in the field of agriculture may build a well-trained Agri-entrepreneur who becomes a role model to all such depressed farmers. Agri-entrepreneurship has the prospect of social and economic development, for example, employment generation, poverty reduction, improvements in nutrition, health and overall food security in the national economy especially in rural areas. Inthe face of growing unemployment and poverty in rural areas, there is urgency of entrepreneurship in agriculture for more productivity and profitability. Agri-entrepreneurship can be used as chief remedy for the solution of this complexity such as lower the burden of agriculture, produce employment opportunities for rural youth, control migration from rural tourban areas, boost national income, sustain industrial development in rural areas and cut downthe pressure on urban cities.

Agri-entrepreneurship is important for national economy in following ways:

1. It helps in achieving productivity profit by small farmers and amalgamating them intolocal, national and international markets.
2. It helps in decrease in food costs, and provides high quality diets to the rural and urbanpoor in the country.
3. It accelerates growth, diversifying income and develops entrepreneurial opportunitiesin both rural and urban areas.

Opportunities for Agriprenurship development:

From very beginning to till now India has been considered an agrarian economy. Thereare several mechanisms worked in the Agriprenurship like forward and backward linkages with secondary and tertiary sectors i.e. manufacturing and service sectors. Opportunities in agriculture and allied sectors can be identified at different phases of agriculture process.

Basically, the agripreneurial opportunities are at Input stage, Farming stage, Value chain, output processing and marketing stage and related services. Presently the scope and potential of Agripreneurial opportunities is increasing as a result of globalization and more interconnected world market. There are many potential opportunities for entrepreneurs. Agriculture process needs so many kinds of inputs like seeds, fertilizers, pesticides and innovative and localized farm technology.

There are very promising opportunities for entrepreneurial process in the areas like bio- pesticides, bio-fertilizers, vermicomposting, testing and amending soil etc. The increasing focus on organic farming is opening still more opportunities. There is a lot of scope for R&D with respect to seed development. Even these varieties of seeds are expected to serve even in unfavourable climatic conditions. For realizing maximum revenue and improving living conditions of our farming community, productivity of the crops should be improved which is possible with good management practices along with good quality of inputs.

There is a gradual shift happening from the usage of chemical intensive fertilizers and pesticides to natural manure and pesticides. This gradual shift is again opening up huge potential and opportunities for production and marketing of bio-pesticides, eco-friendly agrochemicals and natural manures.

To specify, for agripreneurship development, there are opportunities in the areas of farming vegetables, fruits, food grains, pulses, oil seeds etc., developing greenhouse concept, herbal plantation, dairy and poultry development, animal husbandry, grading and packaging of agri products, establishing food processing units, establishing cold storages, sericulture, horticulture and many more.

Areas of agripreneurship:

Beekeeping: There is an immense scope of honey production and bee-keeping in the country due to its wide area of flora and fauna. This is such a growing venture where even as illiterate and resource poor men/women can start their own with no land required.

Animal Husbandry: India ranks 1st in milk and milk product production. Livestock management and cattle rearing has been the part of our day to day life. Rearing of improved breed and their proper's management can give a good return to the farmers.

Fruit and vegetable preservation: Another major small industry which can be started very easily is production of various fruits and vegetables preserved items viz., Potato chips, Potato fingers, Potato pappad, Mango and Litchi Squashes, Jam, Jelly Marmalade, Mixed vegetable, Tomato pickles, Tomato sauce, Ketchup etc.

Horticulture based enterprises: India is major producer of vegetables viz., Potato, Onion, Eggplant, and Cauliflower. Bihar is known for its Shahi Litchi, other fruits grow are Mango, Guava, Citrus, Banana, Papaya, Ber, Pineapple and Makhana. Flavour of its Spices, red Chilli and Coriander spreads all over the country.

Challenges for agripreneurship development:

Despite huge potential and prospects of agripreneurship development in the country there are some important challenges in the process of agripreneurship development which needs to be taken care very seriously and timely: They are as following:

Inadequate infrastructural facilities: For any kind of development, infrastructure is a pre requisite. In rural India, the infrastructural facilities are very poor and inadequate particularly with respect to the facilities like transportation, communication, power and marketing networks.

Lack of entrepreneurial culture among people: In India, in many areas very poor entrepreneurial culture has been identified. Lack of education and awareness is causing a gap in the development of entrepreneurial culture among rural people.

Migration of skilled and talented workforce from rural area to urban: People from rural area are migrating to urban area because of very poor infrastructure and facilities in rural areas. This migration is creating a gap in the rural talent. It is because of lack of employment, skill, specialization and platforms to use their talent. Even Skilled, educated and trained in some specific areas are seeking jobs with different areas in urban sector. Also, rural youth are attracted to urban lifestyle seeking better career opportunity.

Poor technologies and equipment: Information helps people to explore the opportunities analysing the situation and make appropriate decisions at right time. Lack of information is a big gap in agripreneurship development. Lack of Information Technology and knowledge on farm equipment and farm enterprise will have an adverse impact on the development of Agripreneurship. It happens due to poor technological facilities and equipment creating challenge for information support for agripreneurship development which is very critical for smooth growth of this sector.

Problems in marketing of agricultural products: Production has no value unless it is sold and consumed. Lack of proper transportation, warehousing facilities, lack of facility to promote the agri-products, lack of market information, destabilized prices for agriculture products, uneven demand, influence of local mediators and many more are creating a lot of trouble for farmers in the process of marketing their products.

Inadequate institutional measure and Government Policies: Though there are number of Govt. policies, the implementation is felt not appropriate because of the problems like corruption and bureaucracy. Because of illiteracy and ignorance, the rural people are unable to get the information of the policies of the Government and get the benefit. Critically speaking, the support from the Government in agriculture sector is much less than the support extended to industry and service sectors development.

Rural Entrepreneurship

Rural entrepreneurship is defined as entrepreneurship whose roots lie in the rural areas but has a lot of potential to drive various endeavours in business, industry, agriculture, etc. and contribute to the economic development of the country.

Types of Rural entrepreneurship

Rural industry or village industry can be broadly classified into the following categories:

1. Agro Based Enterprises

This category includes direct sale or processing of agro products such as jiggery, pickles, sugar industries, oil processing from oil seeds, dairy products, fruit juice, spices etc.

2. Forest Based Industries

These industries include wood products, coir industry, beedi making, honey making, bamboo products, etc.

3. Mineral Based Industry

These include stone crushing, cement industries, wall coating powders etc. These include weaving, colouring, spinning and bleaching.

4. Handicrafts

These include making of wooden or bamboo handicrafts that are local to that area, traditional decorative products, toys and all other forms of handicrafts typical to the region.

5. Engineering and services

These include agricultural equipment's, tractors and pump sets, repairs etc.

Opportunities of Rural Entrepreneurship:

Support & Motivation to local people: Rural entrepreneurs have a lot of support from the Rural people. Rural village people always encourage and give the motivation to the entrepreneurs.

Low establishment cost: When compared to the urban areas, rural entrepreneurs' business establishment cost is very low. There is no need to construct or facilities huge infrastructure and buildings.

Competitive advantages / Availability of labour: In India seventy percent of the people are living in the village. Majority of the rural people are depending on the agriculture. The agriculture work is not available throughout the year. That is the reason why rural entrepreneurs have the competitive advantage in easily acquiring unskilled and semiskilled labor.

Government policies and subsidies: The government of India is continuously monitoring and introducing the new policies for encouraging the rural entrepreneurship. These policies are very flexible, innovative, liberalized and giving continues support to rural entrepreneurs. At the same time government has also announced huge subsidies for promoting the rural entrepreneurship.

Availability of raw materials. Most of the times the rural entrepreneurs are depending upon the farm based products as raw materials, which are available through-out the year. These raw materials are available in the rural area that is the reason there is no transportation cost

and flotation cost.

Cost of production: Rural entrepreneurs cost of production is very low when compared to the urban industries. The factors of production are available with low cost, automatically the cost of production is also low. Because of this rural entrepreneur can sell their goods and services with cheaper cost.

Optimum utilisation of produces: Optimum utilisation of farm produces is only possible through the rural entrepreneurship only. Most of the rural entrepreneurs depend upon the farm produces as raw materials.

Employment generation for rural youth: Rural entrepreneurs are providing hundred percent jobs for rural youth. If the rural entrepreneurs are succeeding in this activity the migration of the people to urban from rural will be immediately stopped to a maximum extent.

Promotion cost: There is no promotion cost for rural entrepreneurs; in fact, the competition is very less. Particularly there is no need for advertising and other promotional activities for their products.

Potential customer: In this twenty-first century rural villagers are economically strong and also heavily populated. This heavy population can be converted as potential customers. That is the reason all the MNC's are concentrated in rural villages for their potentiality.

Building the goodwill: Rural entrepreneurs have a lot of scope building the goodwill. Most of the rural entrepreneurs have ethical values and also these people do not work for pure profits.

Problems of Rural entrepreneurship

Developing entrepreneurship especially rural entrepreneurship is not so easy. It is constrained by several problems. Some of the problems faced by rural entrepreneurs are as follows:

- 1. Lack of finance:** Most of the rural entrepreneurs are mainly struggling to raise the finance for their businesses. Non availability of adequate collateral security often mars the chances of rural youth in obtaining adequate funds in time to set up their own venture. Due to this, the entrepreneurs are forced to take credit from village money lenders who charge exorbitant rates of interest.
- 2. Lack of knowledge:** There is a distinct lack of adequate knowledge of entrepreneurial opportunities among the rural youth. The educated and trained youths mostly leave for urban destinations in search of jobs.
- 3. Lack of technical know-how:** On account of the faulty education system rural youth lack managerial, professional, technical know-how which is an impediment in developing the spirit of enterprise,

consequently not many people come forward to establish self-employment units.

4. **Absence of enterprising skill:** Most of the rural people in India lack risk bearing ability. Reluctant to involve oneself in business, inclination towards wage employment, lack of creative thinking are few reasons which have restricted the growth of self-employment in rural area.
5. **Lack of infrastructural facilities:** Rural areas are characterized by poor infrastructural facilities viz, roads, water, market, electricity, street lighting, roadtransport, storage and communication etc. which hamper the smooth movement of various industrial activities.
6. **Adverse social, cultural and industrial environment:** Social evils, caste systems, fatalism, religious superstitions, particularly in the country side, do not allow development of adventurous spirit. Lack of skill and expertise in labourers, their tendency to migrate to cities and consumer's habit to buy goods produced by big companies create many problems for new entrepreneurs.
7. **Low quality products:** Nowadays, the consumers are more sensitive to the quality of the products. But, rural entrepreneurs cannot produce quality products due to poor quality of raw materials and lack of standardized tools and equipment.
8. **Fear to invest in the business:** Rural entrepreneurs have low risk bearing ability due to lack of financial resources and external support. So, they restrict to invest in their businesses in rural areas.
9. **Competition:** Rural entrepreneurs are facing tough competition from urban entrepreneurs and larger scale organizations. They cannot compete with the urban entrepreneurs due to lack of standardization and branding of the products.
10. **Middleman:** Rural entrepreneurs mainly depend on middlemen for marketing their products. But they are betrayed by offering low prices to their goods.

CHAPTER - 15

MANAGEMENT OF AN ENTERPRISE

Launching of an enterprise is an important phase. However, one has to remember that efficient management of an enterprise is equally important which is not an easy task. Management involves a number of functions to be played by entrepreneur or a manager.

Planning

Planning is the process by which a manager looks to the future and discovers alternate courses of action. Planning describes the adoption of specific programme in order to achieve desired results. It means the selection from among alternatives of future courses of action for the enterprise as a whole and each department within it. It is determining goals, policies and courses of action and it involves the processes like work scheduling, budgeting, and setting up procedures, setting goals or standards, preparing agenda and programming.

In the body of management knowledge, Planning is the MUSCLE and it allows the other functions to move in the desired direction. Planning is not a forecast but an action oriented statement.

Definition: The forward thinking (looking ahead) about course of action or activity (developing alternatives) based on full understanding of all the related factors and directed at specified objectives.

Importance of planning:

1. Agri-business is a more complex activity.
2. Planning is essential for the business survival and development.
3. Planning reduces risks and safeguards against uncertainty.
4. It helps to achieve the objectives or goals and thereby move the things in a right direction.
5. It improves operational efficiency of resources
6. It is most basic function of management and a requisite to other functions.
7. Planning is an antecedent process. Planning process may be divided into different steps, such that a highest priority will be given to immediate need and later to the less priority needs.
8. After dividing the entire planning process in to different steps, the problems are stated and objectives are framed. These problems and objectives will serve as boundaries for thinking process to prepare a plan of action.
9. While stating problems and objectives certain assumptions should be made depending up on situation which may or may not be under the control of management. After stating the objectives and assumptions, the plan of action will be prepared to accomplish objectives and goals.

10. Planning necessitates faithfulness to objectives.

Types / Levels of planning: In agri-business planning may be of several types.

1. Financial planning
2. Industrial relations planning
3. Research and development planning
4. Physical facilities planning

Characteristics/ attributes / features of a sound (good) plan:

1. The plan should be flexible i.e. it can be suitably changed according to situations.
2. The plan should increase the resource use efficiency and should reduce wastage.
3. The objectives formulated in plan should be very clear without any confusion
4. The plan should carry various alternative courses of action with in available resources.
5. The plan should employ modern techniques in production and marketing of agricultural products.
6. Plan should stabilize the earnings of the firm.
7. Plan should avoid possible risks and uncertainties
8. Plan should give consideration for efficient marketing of products.
9. Plan should provide programme for obtaining usage and repayment of credit and loan.

Six steps involved in the planning process:

1. Gathering the facts and information that have a bearing on the situation. (Assessment of resources available with business firm)
2. Analyzing what the situation is and what problems are involved? (Analyzing the existing operations in business firm)
3. Forecasting the future developments (Identification of defects in existing plan of business firm)
4. Setting goals, the benchmark for achieving the objectives. (Discussions with specialists to examine possible improvements in existing plan)
5. Preparation of various alternative plans with in the existing level of resources under the guidance of specialists or scientists and selecting the most suitable one.
6. Developing a means of evaluating progress and readjusting one's sights as the planning process moves along.

TYPES OF PLANS or HIRARCHY OF PLANS:

It is very easy to see that a major programme, such as to built and equip a new factory, is a plan. But what is sometimes overlooked is that a number of other courses of future action are also plans. So a plan encompasses any course of future action, we can see that plans are varied. They are classified as Purposes or mission, objectives, strategies,

policies, procedures, rules, programmes, and budgets.

Purposes or Missions:

Every kind of organization should have a purpose of establishment or mission. Generally, many organizations may have a social purpose of producing and distribution of economic goods and services, it may accomplish this by fulfilling a mission of producing certain lines of products. The mission of Reliance Oil Company is to search, produce, refine, market and producing wide variety of petroleum products.

Every kind of enterprise in the society should know who its customers are and what they expect. It is sometimes thought that the mission of a business, as well as objective is to make profit, to survive and do the task society entrusted to it. But this basic objective is accomplished by undertaking activities, going in clear directions, achieving goals and accomplishing a mission.

Objectives or Goals:

The planning process starts with setting of objectives. Objectives or goals are the endstowards which the activity is aimed at. Objectives are the statements developed by the top management, board of directors, and chief executives to define what they believe to be the organizations mission. These are the shining stars that provide light to the path of subsequent planning and thinking. They are the targets towards which goals are aimed.

The enterprise objectives constitute the basic plan of the firm, while the departmental objectives are attained through fulfilling the assigned goal.

Strategies:

Strategies denote a general programme of action and an implied deployment of emphasis and resources to attain comprehensive objectives. According to Chandler, the Strategy is “the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary to carry out these goals”. Ex: Nano car from TATA is a strategy to capture the market of adjacent countries as well as to pose competition to the native manufacturers.

Policies:

Policies are used to guide one’s thinking process during the planning or decision-making stage. The formulation of policies allows everyone to consistently make decisions that are in line with organizational objectives. The policy sets boundaries within which an agribusiness employee can exert individual creativity.

Policies are not the objectives, although they are closely tied to objectives. Because they are not the objectives, policies should never be used to fence in managers as they make decisions about long-range, complex problem situations.

Procedure:

A procedure is a step-by-step guide to a specific activity or function. In many

cases, there is a definite need to set out just such a precise course of action. A procedure should not, in most cases, be applied to complex tasks of a long-range nature. If the business firm sought to implement its new purchasing policy, the procedure involved called for an employee to fill out a requisition form, submit it to the general manager for approval, then send it to the purchasing director. Procedures work best when they are applied to routine and recurring tasks of a relatively simple nature that require control.

Both policies and procedures are of tremendous value to the new employee who is learning on the job, majorly to prevent unauthorized actions.

Practices:

Practices represent what is actually done in the agribusiness, and they may conflict with policies and procedures. Managers have to be sure that policies make sense, are relevant, and are enforced, in order for them to become widespread practices.

A course of action that is established on a recurring basis becomes a practice, often by tradition or habit more than anything else. The status of practices can become as important as

that of either policies or procedures, and even more difficult to change, so the agribusiness manager must see to it that practices coincide with policies and procedures.

Rules:

Rules are frequently confused with the policies and procedures. A rule is that it reflects a managerial decision that certain action be taken or not be taken. A rule requires that a specific and definite action be taken or not taken with respect to a situation. As a matter of fact, a procedure could be looked up on as a sequence of rules.

Direction

Direction is nothing but motivating, ordering, guiding, leading, executing and supervising the organization. It is an important management function making the people engaged in various positions to move towards the achievement of goals and objectives.

Managers as directors know that the successful measure of the output / profits is due to sum of the performance or work output of all those who work under their control in the firm. Such managers recognize that no one or someone in the firm is completely satisfied. It is also true that all employers cannot be happy all the time. The good manager would always have good qualities of directing and building leadership that could help his staff to succeed in their work and derive job satisfaction in their work. Good directors always change their styles to bring about the desired changes.

He identifies the skills of the workers in the firm and assigns such job to execute. The function of directing is compared to HEART of body of management.

The direction function of management has the following works:

1. Assigning duties and responsibilities to personnel.

2. Establishing the results to be achieved.
3. Delegating the necessary authority
4. Creating a desire for success.
5. Supervising that the job is done properly by workers.

Co-ordination

Co-ordination is unifying and synchronizing action of group of people in the firm. It is considered as the BRAIN in the body of management skills.

Sound, good and command of management skills will keep the need for coordinating function at a minimum level. The good manager would always strive to co-ordinate operations, departments and individuals under their control and properly work for their integration to achieve the desired results.

In general coordination means working together by

1. Interpreting the programmes, plans, policies, proceeds and practices.
2. Providing for growth and development of employees.
3. Keeping in touch with the employees.
4. Conditioning the firm for its success.
5. Providing the free flow of information.

The manager must work hard for welfare of the employees. Efficient workers must be rewarded & promotion policies should be designed. Bonus distribution should be timely and adequate. Accommodation, transport, medical and education allowances, training facilities should be provided.

The good manager should identify the hidden talents of personnel by stimulating them through varied assignments that offer continuously increasing challenges and opportunities. He should have regular schedule of contacts with his staff. He should set himself as a good example to others. A good coordinator continuously and carefully seeks the participation of workers. His actions should always be result oriented. He should inspire confidence and motivate the staff with his skills.

Supervision

Supervision is defined as an overseeing and observing the activities of subordinates. Mainly supervisors supervise the subordinates. It is an important at all levels of management. Supervision is an activity of observation that helps to ensure that the work is being performed according to the requirement of the job. It can be defined as the function of leading, coordinating, directing the work that supports to achieve the pre-determined goals.

Supervision is a Latin word. Super means 'from the above' and vision means 'to see'.

In ordinary sense of the term, supervision means overseeing the activities of others.

Monitoring

It is regular systematic collection and analysis of information to track the progress of programme implementation against pre-set targets and objectives. It means to keep a careful check of project activities over a period of time. To work to its full potential, any kind of project needs to set out proposals and objectives. Then a monitoring system should be worked out to keep a check on all the various activities, including finances. This will help project staff to know how things are going, as well as giving early warning of possible problems and difficulties. It is performed while a project is being implemented, with the aim of improving the project design and functioning while in action. Monitoring gives information on where a policy, program or project is at any given time (or over time) relative to respective targets and outcomes. Monitoring focuses in particular on efficiency, and the use of resources.

1. Clarifies program objectives
2. Links activities and their resources to objectives
3. Translates objectives into performance indicators and sets targets
4. Routinely collects data on these indicators, compares actual results with targets
5. Reports progress to managers and alerts them to problems

Evaluation and Follow up

Evaluation is the process of determining the extent to which objectives have been attained. The word 'Evaluation' has its origin in the Latin word '*valerie*' which means to be strong or valiant.

It is an objective assessment of an ongoing or recently completed project, program or policy, its design, implementation and results. Evaluation deals with questions of cause and effect. It is assessing or estimating the value, worth or impact of an intervention and is typically done on a periodic basis –perhaps annually or at the end of a phase of a project or program. An evaluation studies the outcome of a project (changes in income, housing quality, benefits distribution, cost-effectiveness, etc.) with the aim of informing the design of future projects. Evaluation looks at the relevance, effectiveness, efficiency and sustainability of an intervention. It will provide evidence of why targets and outcomes are or are not being achieved and addresses issues of causality.

1. Analyses why intended results were or were not achieved
2. Assesses specific casual contributions of activities to results
3. Examines implementation process
4. Explores unintended results
5. Provides lessons, highlights significant accomplishments or program potential and offers recommendations for improvement

Follow-up is the action and review of the enterprise from time to time. It is not enough to plan the enterprise, it needs to be brought into practice as decided in the plan and manage it further on sustainable basis.

Follow-up is making an appraisal of the strength or worth of an enterprise by

collecting and analysing quantitative and qualitative data about its performance, and pursuing the initial effort by supplementary action.



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