Technological Innovation Management & Entrepreneurship

B.E., V Semester, Electronics & Communication Engineering

[As per Choice Based Credit System (CBCS) scheme]
[Subject code: 18ES51]

MODULE -5

a) Business Model

b) Financing and How to start a Business?

c) Project Design & Network Analysis

Module-5a

Business Model

Meaning:

The business model con be defined as:

A business model is essentially a blueprint of how the business will add value and make money in the existing market environment. Most business models can be separated into three distinct parts: planning and manufacture, sales and marketing, and revenue management.

OR

A business model is a company's core strategy for profitably doing business. Models generally include information like products or services the business plans to sell, target markets, and any anticipated expenses. The two levers of a business model are pricing and costs.

OR

The term business model refers to a company's plan for making a profit. It identifies the products or services the business plans to sell, its identified target market, and any anticipated expenses. Business models are important for both new and established businesses.

What Is a Business Model?

The term business model refers to a company's plan for making a profit. It identifies the products or services the business plans to sell, its identified target market, and any anticipated expenses. Business models are important for both new and established businesses. They help new, developing companies attract investment, recruit talent, and motivate management and staff. Established businesses should regularly update their business plans or they'll fail to anticipate trends and challenges ahead. Business plans help investors evaluate companies that interest them.

The important aspects of business model are:

- A business model is a company's core strategy for profitably doing business.
- Models generally include information like products or services the business plans to sell, target markets, and any anticipated expenses.
- The two levers of a business model are pricing and costs.
- When evaluating a business model as an investor, ask whether the idea makes sense and whether the numbers add up.

Understanding Business Models

A business model is a high-level plan for profitably operating a business in a specific marketplace. A primary component of the business model is the value proposition. This is a description of the goods or services that a company offers and why they are desirable to customers or clients, ideally stated in a way that differentiates the product or service from its competitors.

A new enterprise's business model should also cover projected startup costs and financing sources, the target customer base for the business, marketing strategy, a review of the competition, and projections of revenues and expenses. The plan may also define opportunities in which the business can partner with other established companies. For example, the business model for an advertising business may identify benefits from an arrangement for referrals to and from a printing company.

Successful businesses have business models that allow them to fulfill client needs at a competitive price and a sustainable cost. Over time, many businesses revise their business models from time to time to reflect changing business environments and market demands.

When evaluating a company as a possible investment, the investor should find out exactly how it makes its money. This means looking through the company's business model. Admittedly, the business model may not tell you everything about a company's prospects. But the investor who understands the business model can make better sense of the financial data.sound business plan. If expenses are out of control, the management team could be at fault, and the problems are correctable. As this suggests, many analysts believe that companies that run on the best business models can run themselves.

In their simplest forms, business models can be broken into three parts:

1. **Everything it takes to make something:** design, raw materials, manufacturing, labor, and so on.
2. **Everything it takes to sell that thing:** marketing, distribution, delivering a service, and processing the sale.
3. **How and what the customer pays:** pricing strategy, payment methods, payment timing, and so on.

As you can see, a business model is simply an exploration of what costs and expenses you have and how much you can charge for your product or service.

A successful business model just needs to collect more money from customers than it costs to make the product. This is your profit—simple as that.

New business models can refine and improve any of these three components. Maybe you can lower costs during design and manufacturing. Or, perhaps you can find more effective methods of marketing and sales. Or, maybe you can figure out an innovative way for customers to pay.

Keep in mind, though, that you don’t have to come up with a new business model to have an effective strategy. Instead, you could take an existing business model and offer it to different customers. For example, restaurants mostly operate on a standard business model but focus their strategy by targeting different kinds of customers.

Business Model Analysis

Analyzing your business model can help to determine whether a venture is, or will be, viable and valuable. After completing a Business Model Canvas for a current or future business model, designers often ask the following questions:

- ✓ Where are our revenues coming from?
- ✓ What value is delivered to which markets?
- ✓ What costs are involved in delivering that value?
- ✓ Are our perceived key activities and key resources as important for gaining revenue as we think they are?
- ✓ If we change our model in a specific way, what are the effects?

This requires insight into several elements of the business model, attributes of these elements and the relations between different elements. Analyzing these elements will provide the foundation for business model change and innovation in an organization. You can analyze a business model from several different perspectives. In our example, each possibility is analyzed from a different perspective, and answers a specific question.

Business Model Design

Business model design generally refers to the activity of designing a company's business model. It is part of the business development and business strategy process and involves design methods

The process of business model design is part of business strategy. Business model design and innovation refer to the way a firm (or a network of firms) defines its business logic at the strategic level. In contrast, firms implement their business model at the operational level, through their business operations.

A business model describes the value an Organization offers to its customers. It illustrates the capabilities and resources required to create, market and deliver this value, and to generate profitable, sustainable revenue streams.

An important misconception to point out, the product does not make a business. The product is often an essential part of the business, however the product does not encompass all of the business. There is always a tension between the business model and the product, as they constantly influence and rely on each other.

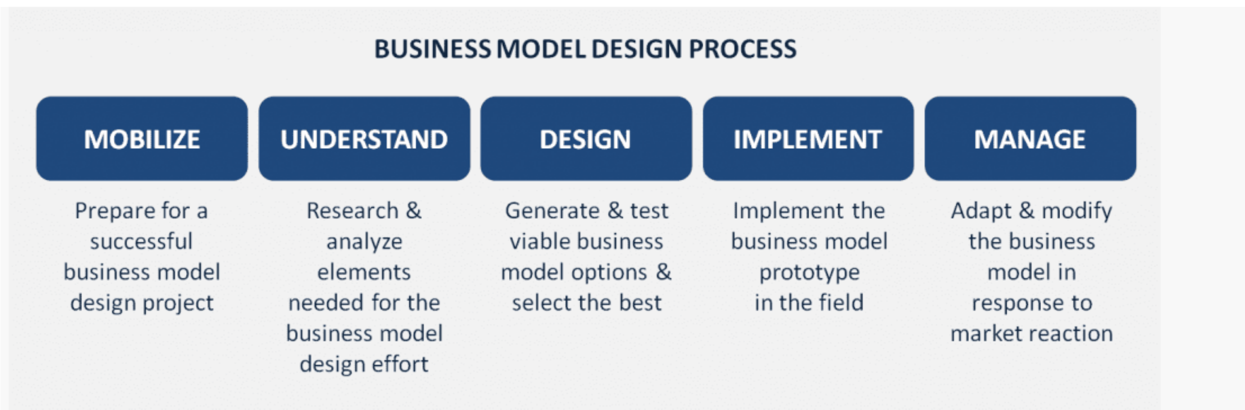
There is a common business model used for defining a company's business model, it is the Alexander Osterwalder's Business Model Canvas:

- ➢ **Value Propositions**: what you offer to a customer in a given segment, and the customer needs you satisfy.
- ➢ **Channels**: How you plan on reaching your various customer segments, and which group you would like to target most.
- ➢ **Customer Relationships**: You need to plan on maintaining customer relations effectively.

- **Revenue Streams**: what are your customers paying for? How much? How would they prefer to pay?
- **Key Resources**: what resources are essential to deliver your Value Propositions through the Channels and maintain our Customer Relationships?
- **Key Activities**: what are the most important things you must do to make your business work?
- **Key Partnerships**: who are our Key Partners and why? What Key Resources do they provide and what Key Activities do they carry out? What's in it for them? What relationship should we have?
- **Cost Structure**: what costs are implied by our Business Model? Which are largest? What is fixed and what is variable? What drives them?

All business model design projects are unique and present a challenge to the participants because there is no one formula or prediction for how they will evolve.

The process consists of five phases; mobilize, understand, design, implement, and manage. This process provides a framework which all businesses regardless of their industry or context can apply to themselves



Business Plans.

Introduction

A business plan is a roadmap and blueprint of the project. A business plan is a written document that describes in detail how a business is going to achieve its goals.

It is a document that explains, a business opportunity, identifies the market to be served, and provides details about how the entrepreneurial organization plans to pursue it.

Ideally, the business plan describes the unique qualifications that the management team brings to the effort explains the resources required for success, and provides a forecast of result, over a reasonable time horizon.

A business plan is based on estimates and explains the importance and purpose of business plan, provides the contents of a business plan, and gives the process of preparing and presenting a business plan. It includes two sample business plans and gives a step-by-step procedure for starting a business enterprise.

Scope and Need of Business Plan

A business plan is the written representation of an entrepreneur's vision for his/her business.
A business plan is a written document between 20-10 pages in length that describes where a business is beading and how it hopes to achieve its goals and objectives.

A workable business plan should determine the direction of the company; highlight the challenges in the path of the business: and formulate strategies and contingencies to keep the business on track in order to reach predetermined goals and objectives.
A business plan is not just for a start-up company but also for those which are growing. It prepares for a spin-off from a parent firm, or even for a project within an established organization. It can be used to establish realistic goals or targets to achieve, and to determine the current position.

A business plan is used to help make crucial start-up decisions, to reassure investors, to measure operational progress, to test planning and assumptions, to adjust forecasts, and to set the standard for good operational management.

The need for preparing a business plot arc given below:

- ✓ Entrepreneurs reap benefits from the planning activity itself.
- ✓ A business plan is used to get finance from banks or **to** get equity funding from angel investor, or venture capitalists.
- ✓ It can also be used to attract business partners and key employees or to make business alliances
- ✓ If the business plan is prepared within a large organization, then it enables the board of directors, to make capital investment decisions.
- ✓ The act of writing the plan will force the entrepreneur and his team to think through all the key elements of the business.
- ✓ The plan provides a basis for measuring actual performance against expected performance.
- ✓ The plan's financial projections can be used as a budget. Actual results that fall short of planed results will prompt the entrepreneur to investigate and take corrective action.

- ✓ The plan acts as a vehicle for communicating to others what the business is trying to accomplish.

Financial Plan

The financial plan is a critical section of the business plan as it translates all the other parts of the business into anticipated financial results. The financial plan section is the section that determines whether or not your business idea is viable, and is a key component in determining whether or on your business plan is going to be able to attract any investment in your business idea.

Basically, the financial plan section of the business plan consists of an analysis of

Financial statements such as

- The income statement,
- The cash flow projection,
- Projected balance sheet,
- Break-even charts,
- Cost of the project,
- Sources, and
- Uses of funds.

A financial plan is simply an overview of your current business financials and projections for growth. Think of any documents that represent your current monetary situation as a snapshot of the health of your business and the projections being your future expectations.

It helps you, as a business owner, set realistic expectations regarding the success of your business. You're less likely to be surprised by your current financial state and more prepared to manage a crisis or incredible growth, simply because you know your financials inside and out.

And aside from helping you better manage your business, a thorough financial plan also makes you more attractive to investors. It makes you less of a risk and shows that you have a firm plan and track record in place to grow your business.

Components of a successful financial plan:
All business plans, whether you're just starting a business or building an expansion plan for an existing business, should include the following:

1) Profit and loss statement
2) Cash flow statement
3) Balance sheet
4) Sales forecast
5) Personnel plan
6) Business ratios and break-even analysis

Marketing Plan

The term "market is often used to describe the various elements of the total business environment. The market is where the company's product or service will be sold. The marketing plan is written after conducting a market analysis. This section provides information on assessing the market's size and growth, defining the target market, and articulating the value proposition. The value proposition gives the unique set of benefits that the customers will get if they choose to purchase the company offerings over its competitor's offerings.

Stakeholders know that marketing is the activity most associated with success or failure. A company that is not able to connect with its customers will fail even if it offers attractive products or services. A sound and realistic marketing plan is the best guarantee that a solid customer connection will be made. The marketing plan should be supported with a solid market intelligence report forth, plan to be credible.

The plan should be clear about all aspects of marketing, including price, position, promotion, place, and customer value proposition. The marketing plan provides strategies to sell the company's product or service. The marketing plan should be a dynamic plan used to monitor the progress of the business.

9 Key Elements for an Entrepreneur to Create a Successful Business Marketing Plan

A Business Marketing plan is very important for any product or company, in order to achieve individual and organizational goals. A Business Marketing plan is a drafted document which gives the overall summary of the market. It clearly states how the firm plans to achieve its goals as planned. It also contains detailed guidelines regarding how the product will perform in each life cycle and the budget allocated for the same. And of course, it should be achievable and must be able to respond positively to changing market conditions.

1. Overall Summary of the Business Model

Without prior knowledge regarding what the business is supposed to do, an entrepreneur can't achieve his or her goals.

The executive summary should define the overall details of what the business is all about and the goals and objectives.

It should be clear with the core values and the positioning in the market. It must clearly explain how the brand will enter the local market followed by the international market – if ultimate ambitions stretch that far. This can be done by maintaining its equipment base, input/output process and the good quality of items. It further focuses on the generation of financial resources.

2. A Strategy That Must Be Followed

You should be clear with your product strategy, which must be based on consumer needs. He/she should survey the situation using various details of their customers.

A few of the elements that must be included are:

- Company or product mission
- Marketing and Financial objectives
- Resource availability
- Cash flow analysis
- Competitive analysis

3. Availability of Products and Services

Entrepreneurs should have a full understanding of how their products or services will reach their target audience.

Designing good products and services to customers is just one part of the whole plan, however. The aim must be making it available that too much in a cost-effective manner. And it should be the ultimate goal of an entrepreneur. It can be achieved by making the best use of the team, promotional activities used for sales, advertising methods and other tools that are being used for communication.

4. Pricing Strategy

The most important stage of any business model is its pricing. Price can be the maker or breaker of a product. It is the one element of the marketing mix that produces revenue. All other elements fall on the opposite side of the ledger. People should design their product or brand so that it commands a premium price and reaps big profits. It should also reflect a value that the consumers are willing to pay and a.nd a benefit

5. Awareness of the Product

Always plan how you intend to make your product or service known to your intended customer base. You could have the best offering in your industry or place, but if nobody has heard of it or you, you're as good as in trouble.

The time to plan your social media, content marketing and advertising campaigns is not when you are ready to go to market! that outweighs the cost

6. Who Will Benefit From Your Offering?

Segmentation, targeting and positioning are the essences of Marketing. Your target customer base will go some way to determining the price you can ultimately charge. It will also determine how you can best communicate your offering to them and where you will find them.

7. Short Term and Long Term Objectives

Entrepreneurs must have a clear vision of their mission, marketing and financial objectives. They need to be specific about how their brand will satisfy the target market. Nobody can expect immediate profit. But planning must include short, medium and long-term goals. You need to be clear regarding how your business will proceed as per the life cycle of whatever you are selling. And you need input from other areas of marketing. Nobody can think of or execute everything entailed in pushing an offering to market.

8. SWOT Analysis

Before designing a complete project, a pilot project needs to be designed and implemented. An entrepreneur should know everything – including any flaws that may become apparent. Also, the project strength, shortcomings, appropriate options for progressing and warnings can be tested in the pilot project itself for the successful completion or execution of the main project. For this, you need to do a thorough SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis.

9. PEST Analysis

SWOT Analysis will give you the inner view of the business model. However, it is very important to determine how a business will run in the changing economic scenario. Hence, a detailed PEST analysis needs to be done to know how your model will run in the changing Political, Economic, Social and Technological Environment.

Your Business Marketing plan can be the key to success in any field, no matter the offering. Inadequate planning almost guarantees failure.

A Business Marketing plan is a drafted document which gives the overall summary of the market. It clearly states how the firm plans to achieve...

Human resource planning

Human resource planning allows companies to *plan* ahead so they can maintain a steady supply of skilled employees. That's why it is also referred to as workforce *planning*. The process is used to help companies evaluate their needs and to *plan* ahead to meet those needs.

What Is Human Resource Planning (HRP)?
Human resource planning (HRP) is the continuous process of systematic planning ahead to achieve optimum use of an organization's most valuable asset—quality employees. Human resources planning ensures the best fit between employees and jobs while avoiding manpower shortages or surpluses.

There are four key steps to the HRP process. They include

- ✓ Analyzing present labor supply
- ✓ Forecasting labor demand,

- ✓ Balancing projected labor demand with supply, and
- ✓ Supporting organizational goals.

HRP is an important investment for any business as it allows companies to remain both productive and profitable.

Human resource planning needs to be flexible enough to meet short-term staffing challenges while adapting to changing conditions in the business environment over the longer term. HRP starts by assessing and auditing the current capacity of human resources.

The challenges to HRP include forces that are always changing, such as employees getting sick, getting promoted or going on vacation. HRP ensures there is the best fit between workers and jobs, avoiding shortages and surpluses in the employee pool.

To satisfy their objectives, HR managers have to make plans to do the following:

- Find and attract skilled employees.
- Select, train, and reward the best candidates.
- Cope with absences and deal with conflicts.
- Promote employees or let some of them go.

Investing in HRP is one of the most important decisions a company can make. After all, a company is only as good as its employees, and a high level of employee engagement can be essential for a company's success. If a company has the best employees and the best practices in place, it can mean the difference between sluggishness and productivity, helping to bring the company profitability.

production planning

Production plan serves as a guide for your company's production activities. It establishes and sequences activities which must be carried out to achieve a production target, so that all staff involved are aware of who needs to do what, when, where and how.

Production Planning in 5 Steps

Production planning is "the administrative process that takes place within a manufacturing business and that involves making sure that sufficient raw materials, staff and other necessary items are procured and ready to create finished products according to the schedule specified", as defined by the Business Dictionary.

A production plan serves as a guide for your company's production activities. It establishes and sequences activities which must be carried out to achieve a production target, so that all staff involved are aware of who needs to do what, when, where and how.

A production plan will help you meet product demand while minimizing production time and cost by improving process flow, reducing the waiting time between operations, and optimizing use of plant, equipment and inventory. In order to do this, you must align your production plan to your business strategy and business plan, and support production planning by coordinating with other departments, such as procurement, finance and marketing.

The diagram above shows the production planning and control process divided in five steps:

Key factors of a production plan

- ✓ Forecast market expectations. To **plan** effectively, you will **need to** estimate potential sales with some reliability. ...
- ✓ Inventory control. ...

- ✓ Availability of equipment and human resources. ...
- ✓ Standardized steps and time. ...
- ✓ Risk factors

Product and service plan

The *products and services* section of your *business plan* outlines your *product* or *service*, why it's needed by your market, and how it will compete with other...

The products and services section of your business plan is more than just a list of what your business is going to provide. Especially if you intend to use your business plan to get funding or find partners, your products and services section needs to showcase the quality, value, and benefits your business offers.

The products and services section of your business plan outlines your product or service, why it's needed by your market, and how it will compete with other businesses selling the same or similar products and services. Your product and services plan should include:

- ✓ A description of the products or services you are offering or plan to offer
- ✓ How your products and services will be priced
- ✓ A comparison of the products or services your competitors offer in relation to yours
- ✓ Sales literature you plan to use, including information about your marketing materials and the role your website will play in your sales efforts
- ✓ A paragraph or so on how orders from your customers will be processed or fulfilled
- ✓ Any needs you have in order to create or deliver your products, such as up-to-date computer equipment
- ✓ Any intellectual property, such as trademarks, or legal issues you need to address
- ✓ Future products or services you plan to offer

This is the part of your business plan where you will describe the specific products or services you're going to offer. You'll fully explain the concept for your business, along with all aspects of purchasing, manufacturing, packaging, and distribution.

Product Planning is the ongoing process of identifying and articulating market requirements that define a product's feature set. Product planning serves as the basis for decision-making about price, distribution and promotion. Product planning is the process of creating a product idea and following through on it until the product is introduced to the market. Additionally, a small company must have an exit strategy for its product in case the product does not sell. Product planning entails managing the product throughout its life using various marketing strategies, including product extensions or improvements, increased distribution, price changes and promotions.

The Business Plan Format

In reality there is no standard format for the presentation of a good business plan. Business plans vary in content and size of the business concerned and on the emphasis that is placed on certain critical areas as opposed to others.

THE CONTENTS

Every business plan should address a number of fundamental issues without which it would not be complete. These issues can be grouped under six major areas that are the pillars of every business activity whether large or small. These are:

- Sales and Marketing
- Operations
- Human Resources
- Finance
- Information & Communication Technologies (ICT)
- Information Management

Essential contents of a business plan in a simple format

The table below lists the important elements of a business plan and offers some simple points that need to be taken into consideration in regard to each section. It is worth noting that these points are by no means exhaustive and are meant to serve only as examples. The table is intended to provide you with a simple format upon which to base your business plan.

The format provides you with a framework for presenting your thoughts, ideas and strategies in a logical, consistent and coherent manner. In other words the business plan format helps you to clarify your own ideas and present them clearly to others.

Content of business plan format

SLN.O	CONTENT	REMARK
1	**Executive summary**	A snapshot of your business
2	**Company description**	Describes what you do.
3	**Market analysis**	Research on your industry, market, and competitors.
4	**Organisation and management**	Your business and management structure.
5	**Service or product**	The products or services you're offering.
6	**Marketing and sales**	How you'll market your business and your sales strategy.
7	**Funding request**	How much money you'll need for next 3 to 5 years.
8	**Financial projections**	Supply information like balance sheets.
9	**Appendix**	An optional section that includes résumés and permits.

Project Report preparation and presentation

A Project Report is a document which provides details on the overall picture of the proposed business. The project report gives an account of the project proposal to ascertain the prospects of the proposed plan/activity. ... It contains data on the basis of which the project has been appraised and found feasible.

The project report is an important document and should be prepared carefully. Banks and other financial institutions decide whether a loan should be granted, and If granted, the amount that should be sanctioned on the basis of this report. The project report is generally prepared to cover the following broad segments:

I .General information: The following information should be provided,

- Name of the unit and address.
- Name of product/service.
- Constitution of the unit.
- Name of the promoter.
- Educational qualification.
- Experience.

II. Details of the project: The following information should be provided.

- Product/service details.
- Details of machinery.
- Details of raw material.
- Utility.
- Manpower requirement.
- SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis.

III .Market survey: The market survey report should be enclosed.

VI.Cost of project: The following details should be provided.

- Fixed cost: Land/building, machinery, office equipment, miscellaneous items.
- Working capital: Stock in raw material, semi-finished goods, finished goods, bills receivable, working expenses.
- Total investment: Fixed capital, working capital, preliminary and preoperative expenses,interest during implementation, contingency.
- Means of finance: Term loan, working capital loan, own investment (with incentives).
- Profitability: Revenue, production cost, depreciation, administrative expenses, interest, maintenance, sales and advertisement, profit, annual income before tax, taxes, net profit.

V. Annexure:

Promoter's bio data, organizational chart, details of group units if any, statutory sanctions/approvals, project feasibility study report, project schedule, arrangement of land and building, statement of cost of plant, machinery and other equipment, details of orders and enquiries, process chart, financials for project and its analysis, financials of the company and its analysts, manpower planning, and financial statements.

Why some Business Plan fails

Like any other project, writing a business plan needs care full planning and systematic execution .Some business plan fails because of the following reasons

1) Failure to address the customer's problems and needs:

The business plan should address the customer's problems/needs/wants. It should clearly state how big the business opportunity is. The entrepreneur should document customer pain point before preparing the plan. Customer needs can be identified from direct experience, letters from customers, or from market research.

2) Unrealistic goals set by the promoters:

Setting goals requires the entrepreneur to be well informed about the type of business and the business environment. The goals set by the entrepreneur are based on data and the business plan is no good if it does not include a lot of data. The goals set by the entrepreneur should be Specific, Measurable, Achievable, Realistic, and Time-bound (SMART), the financial and market projections should be realistic, logical, and reasonable.

3) Lack of commitment to the business by the promoters:

The promoters must make a total commitment to the business in order to be able to meet the demands of new venture. Investors will not be interested in a venture that does not have committed promoters. Investors also expect the promoter to make a significant commitment to the business. It is also required to have complete focus on the business especially if it is a new venture and promoters should not be over enthusiastic in trying to do all things at once.

4) Lack of experience of the promoters:

A lack of experience will result in failure unless the entrepreneur can either attain the necessary knowledge or team up with others who already have experience in this area.

5) Lack of professionalism:

The business plan should be brief, clear, and nicely organized. It should highlight those points that can attract investors. The assumptions made in preparing the business plan should be realistic.

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MODULE -5

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b)Financing and How to start a Business?

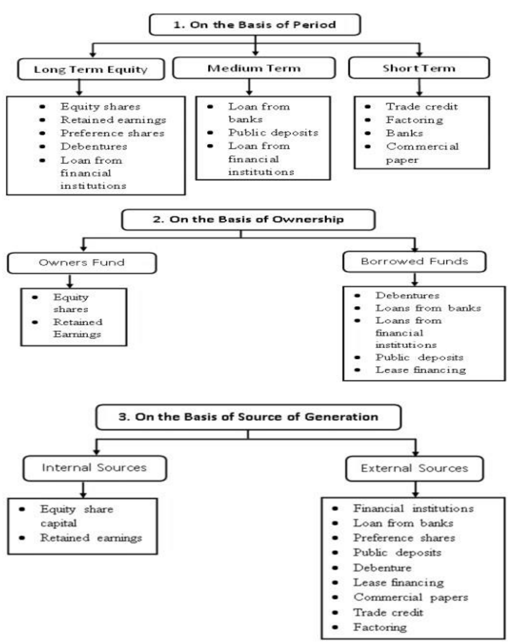
Financial opportunity identification

Putting all your eggs in one basket is never a good business strategy. This is especially true when it comes to financing your new business. Not only will diversifying your sources of financing allow your start-up to better weather potential downturns, but it will also improve your chances of getting the appropriate financing to meet your specific needs.

Whether you opt for a bank loan, an angel investor, a government grant or a business incubator, each of these sources of financing has specific advantages and disadvantages as well as criteria they will use to evaluate your business.

According to a recent study, over 94% of new businesses fail during first year of operation. Lack of funding turns to be one of the common reasons. Money is the bloodline of any business. The long painstaking yet exciting journey from the idea to revenue generating business needs a fuel named capital. That's why, at almost every stage of the business, entrepreneurs find themselves asking – *How do I finance my startup?*

Business simply cannot function without money, and the money required to make a business function is known as business funds. Throughout the life of business, money is required continuously. Sources of funds are used in activities of the business. They are classified based on time period, ownership and control, and their source of generation.



Sources of Financing Business

Non banking Sources

Funds can be raised from a variety of sources for financing a project. The two broad sources of finance available to a firm are equity financing und debt financing. The key factors in determining the debt - equity ratio for a project are the cost, nature of assets, business risk, norms of' lenders, control considerations, and market conditions. Equity and debt come in variety of forms and are raised in different ways.

1. Equity Financing

This is a shareholder's fund and it may be in the form of equity capital, preference, internal actual venture capital, and angel investing. Equity financing means exchanging partial ownership in a firm for funding. Equity shareholders enjoy the rewards as well as bear the risk of ownership. However, their liability, unlike the liability of the owner in n proprietary firm and the partners in a partnership concern, is limited to their capital contributions. The rights of equity share holders consist of the right to residual income; the right to control; the pre-emptive right to purchase additional equity shares issued by the firm; and the residual claim over assets in the event of liquidation.

a) EquityCapital

This represents ownership capital as equity shareholders collectively own the finn. When a company is fanned, it first issues equity shares to promoters and also, in most cases, raises loans from banks financial institutions and other sources.

As the need for financing increases, the company may issue shares and debentures privately to promoters' relatives, friends, business partners, employees, financial institutions, banks, mutual funds, venture capital funds, and others. Venture capital funds are likely to be an important source of finance for a nascent venture. Such investors are specific and small in number.

As the company grows, it may raise capital from the public. The first issue of equity shares to the public by an unlisted company is called the initial public offering (lPO). Subsequent offerings are called seasoned offerings. Apart from equity shares, a firn may issue preference shares and debentures to the general investing public through a public issue.

b) Preference Capital

This represents a hybrid form of financing. It has some characteristics of equity and some attributes of debentures. It is a special class of a company's shares, on which dividends are paid before the dividends on ordinary shares, and whose holders are repaid before others if the company goes bankrupt.

c) Internal Accruals

The internal accruals of a firm consist of depreciation charges and retained earnings. Depreciation represents the allocation of capital expenditure to various periods over which the capital expenditure is expected to benefit the firm. Even though the amount that may be available by way of internal accruals may be limited and the opportunity cost of retained earnings quite high, internal accruals are viewed favorably by most corporate management because internal accruals are readily available; the use of internal accruals in contrast to external equity eliminates issue costs and losses on account of under pricing; there is no dilution of control when a firm relies on internal accruals; and the stock market views internal accruals with a pessimistic approach.

d) Venture Capital [VC]

It is finance invested by professionals, called venture capitalists, in start- ups with growth potential. A venture capitalist provides guidance to the company and is a business partner sharing both risk and rewards. Venture capital is an important source of equity for start-up companies. Venture capital injects equity finance with a solid capital base for future growth. Venture capital firms provide equity for business and expect 20 to 40 per cent equity stake in a company and high returns on their investments within three to five years.

Venture capital firms in India invest the shareholders' money in start-ups. The Indian Venture Capital and Private Equity Association (IVCA) is the national-level organization for venture capital firms in India. The organization promotes and encourages the venture capital industry in the country and encourages member to invest in high-growth companies.

A few well-known venture capital firms in India are Sequoia Capital India, Ventureast, Intel Capital, Helion Venture Partners, DFL India, Nexus lntel Capital, Helion Ventures Partners, DFL India Ventures, Kleiner Perking, Norwest Venture Partners, Cannan Partners, Indo US Ventures, DG India Ventures and Inventus Capital Partners.

Stages of Venture Capital Financing

The requirements of funds vary with the life cycle stage of the enterprise. Depending upon the stage they finance, venture capitalists are called angel investors, venture capitalists, or private equity suppliers/investors. The venture capital investment process is different from normal project financing. In 1984, A.V.Bruno and T.T.Tyebjee of the School of Business, University of Santa Clara, California, formulated a model of venture capital investment activity which with some variations is commonly used today. As per this model, this activity *is* a five-step process as follows:

1. Deal organization.
2. Screening.
3. Evaluation or due diligence.
4. Deal structuring.
5. Post-investment activity and exit.

Tyebjee and Bruno identified six stages of venture capital financing, which arc given below:

a. **The seed money stage:** A small sum of money required to prove a concept or develop a product.
b. **Start-up:** Financing of firms that are less than one year old. The funds are primarily meant for marketing and product development.
c. **First-round financing:** Additional money needed to begin sales and manufacturing after the start-up funds are exhausted.
d. **Second-round financing:** Funds required for working capital for a firm that is selling its product but still losing money.
e. **Third-round financing:** Financing of a firm that has broken even and is planning an expansion. This is also called mezzanine financing.
f. **Fourth-round financing:** Financing of a firm that is expected to go public within six months. This is also called bridge financing.

II.Angel Investing

Angel investors are wealthy individuals who invest in entrepreneurial firms, usually during start-up. They provide cash to young investors and take equity in return. Angels are usually entrepreneurs who have successfully built companies, or have spent a part of their professional career in mentoring start-ups. Angels invest their own money and actively mentor the company. Angels usually expect a lower return on investment than venture capital firms.

Business angels are high-net-worth individuals, usually successful people or professionals, who provide early stage capital to start up businesses in the form of either debt, equity capital, or both. They are often self-made millionaires and are accustomed to taking calculated risks with their own money. They provide financing for start-up and early-stage firms that are too small to get the atten- tion of VC firms, often too limited in their revenue potential at maturity to interest VC firms, and too risky for bank loans and for most VC appetites.

An angel network is a unique concept, which brings together highly successful CEOs and entre- preneurs from India and around the world interested in investing in start-ups and have a potential of creating high-growth companies. The network provides equity finance along with high-quality mentoring. Some of the well-known angel investing networks in India arc Chennai Funds, the In- dian Angel Network, the Mumbai Angels, and the TiE Entrepreneurship Acceleration Programme.

III.Debt Financing

Debt financing is basically money that is borrowed to run the business. Debt financing refers to borrowing money from a source outside the company under certain terms and conditions relating to interest rates and the period of return of the principal amount, Most entrepreneurs prefer to start their

Operation with money borrowed from banks and financial institution when a firm raises money for working capital or capital expenditures by selling bonds, bills or notes to individual and /or institutional investors, this money is called a debt fund. In return for lending the money, the individuals or institutions become creditors and receive a promise that the principal and interest on the debt will be repaid. Term loans and debentures are two important ways of raising long-term debt.

Term Loans

Financial institutions and banks have traditionally been the primary source of long term debt for public and private firms. Term loans represent a source of debt finance, which is generally repayable in less than ten years.They are typically employed to finance the acquisition of fixed assets.Financial institutions give Indian rupee term loans as well as foreign currency term loans.Term loans represent secured borrowing. Usually assets, which are financed with the term loan, provide the prime security. In order to protect their interests, financial institutions impose restrictive covenants on the borrowers. Financial institutions such as SIDBI, IDBI, and ICICI fund entrepreneurial ventures

b)Debentures

For large firms, debentures are a viable alternative to term loans. Debentures are instruments forraising debt finance. Debentures often provide more flexibility than term loans as they offer greater choice with respect to maturity, interest rate, security, repayment, and special features.

IV.Miscellaneous Sources

Working capital advance by commercial banks represents the most important source for financing current assets. Apart from principal sources like equity, internal accruals, venture capital, term loans,debentures, and working capital advance, there are several other ways in which finance may be obtained. These include deferred credit. lease finance, hire purchase, unsecured loans and deposits. Special schemes of institutions, subsidies, sales tax deferments and exemptions, commercial paper, factoring, and securitization.

Government Schemes for funding Business

The objectives of the ministry of Micro, Small, and Medium Enterprises include supporting and developing existing MSME and creating new enterprise and providing support to Khadi village,and Coir industries. These objectives can be met by creating an ecosystem that supports entrepreneurship and skill development in MSME. The only registered members in MSME are eligible for these schemes.

India has more than 40 million registered and unregistered SMEs engaged in varied sectors including IT, manufacturing, packaging, and food processing. This sector is one of the key growth drivers of the country, contributing about 40% to India's GDP. Recognising the importance of this sector, the government has started the 'Make In India' initiative to encourage more SMEs to become a part of India's growth journey.

- ✓ Owing to their small size, SMEs and MSMEs, as compared to big firms, are burdened with many challenges that come in the way of their growth. The most important are accessing finance at the right cost and getting the support of labour at the right time. Here are some of the common challenges that this business sector has to deal with in order to increase their efficiency and output

- ✓ Trained talent migrates from SMEs to higher paying jobs as soon as a lucrative opportunity comes along, which undermines the firms' stability.

- ✓ In order to survive in the market and stay relevant, SMEs tend to drop the prices of their services and products below profitable levels. This shakes up the market prices for competitors too and leads to overdependence on existing clients.

- ✓ Unlike bigger firms, who have ready cash to fall back on, SMEs have to rely on their working capital to fund every need of the hour. Sometimes this is not enough given their recurring expenses. This is especially a challenge when it comes to investing in new technology to fuel their growth.

- ✓ Another bigger point of contention for start-ups is that they have to eye growth keeping their USP intact. Maintaining the same quality of goods and services while they grow into bigger firms is difficult for most start-ups as they don't enjoy the finances required for rapid expansion, be it hiring best-in-class talent or buying state-of-the-art equipment.

SMEs can deal with these challenges with adequate and timely funding, which government loans aim to provide to different sectors. As a business owner, here are the top government business loan options you can choose from.

India was recently termed as the only, truly emerging market in the world at the moment. A part of this growth is fueled by the micro, small and medium enterprises of the country. The SME sector contributes over 40% of the total GDP and remains a critical source of employment for the India's growing population. Recognizing the importance of SME growth in the post-demonetization era, the government has started some new business loan schemes and boosted other existing ones. Here are the top business loan schemes from the government of India that you can avail for small business finance.

MSME Business Loans

Perhaps the most talked about business loan scheme right now is the 'MSME Business Loans in 59 Minutes', a scheme first announced in September 2018. The loans under this scheme are given for financial assistance and encouragement of MSME growth in the country. Both new and existing business can utilize the scheme for a financial assistance up to ₹ 1 crore. The actual process takes 8-12 days to complete, while the approval or disapproval is granted within the first 59 minutes of application. It is a refinancing scheme, wherein five authorized public sector banks will grant the funds. The interest rate depends on the nature of your business and credit rating. No information has been given on subsidizing the principal amount or interest funding

To apply for business loan under this scheme, you need GST verifications, Income Tax verifications, bank account statements for the last 6-months, ownership related documentation, and KYC details. More information on application and approvals can be sought by visiting the SIDBI portal for this business loan.

MUDRA Loans

Micro-units Development and Refinance Agency (MUDRA) is an organisation established by the government of India to provide business finance to micro-business units. The loans under the scheme are given on the pretext of 'funding the unfunded'. Since small companies and startups are often left to their own devices for financing their venture, the government has created the concept of low-cost credit to such undertakings. MUDRA Loans are also a refinanced business loans, approved and disbursed through public sector banks, private sector banks, co-operative societies, small banks, scheduled commercial banks and rural banks that come under the scheme. The loans are generally given to micro or small businesses operating in the manufacturing, trading and services sector. The MUDRA Loans are structured as under,

- Sishu Loans up to Rs. 50,000/-
- Kishor Loans up to Rs. 5,00,000/-
- Tarun Loans up to Rs. 10,00,000/-

Credit Guarantee Trust for Micro and Small Enterprises (CGTMSE)

This scheme provides collateral-free financing to the MSME sector for both existing and new enterprises. The Ministry as well as the Small Industries Development Bank of India (SIDBI) established the Credit Guarantee Trust scheme in 2000- 200l for micro and small enterprises. The coverage of the loan under CGTMSE shall ensure that the financial institution gets the guaranteed amount without any time lag at a minimal cost.

National Small Industries Corporation Subsidy

The NSIC subsidy for small businesses offers two kinds of financial benefits – Raw Material Assistance and Marketing Assistance. Under the raw material assistance scheme of NSIC, both indigenous and imported raw materials are covered. Under the marketing support, funds are given to SMEs for enhancing their competitiveness and the market value of their products and services. The NSIC is mainly focused on funding small and medium enterprises who wish to improve / grow their manufacturing quality and quantity

Technology Upgradation Schemes

This scheme allows small businesses to upgrade their process by financing technological upgradation. The technological upgradation can be related to numerous processes within the organization, such as manufacturing, marketing, supply chain etc. Through the CLCSS scheme, the government aims to reduce the cost of production of goods and services for small and medium enterprises, thus allowing them to remain price competitive in local and international markets. The scheme is run by the Ministry of Small-Scale Industries.

SME need to gain competitive advantage in international markets by upgrading their technology. The various schemes provided by the government for technology upgrading are:

- **Credit Linked Capital Subsidy Scheme (CLCSS):**

  Through the CLCSS scheme, the government aims to reduce the cost of production of goods and services for small and medium enterprises, thus allowing them to remain price competitive in local and international markets. The scheme is run by the Ministry of Small-Scale Industries. This scheme aims at facilitating technology upgradation by providing capital subsidy for the modernization of production equipment and techniques.

- **Technology Upgradation Fund Scheme (TUFS):** This scheme is provided by the Ministry of Textiles. It provides interest subsidy, capital subsidy, or margin money subsidy on the basic value of the machinery.

Marketing Assistance Scheme

The Ministry of MSME, through the National Small Industries Corporation (NSIC), provides marketing support to MSME under the marketing assistance scheme. MSME can get subsidies to organize and participate in domestic and foreign trade exhibitions and also buyer-seller meets. This would help MSME to develop contacts and venture into international markets.

Certification Scheme

In order to enhance the competitive strength of MSME, to improve quality, environment, and safety standards, certification is needed. To promote this, the government provides incentives to MSME obtaining JSO 9001, ISO 14001,and Hazard Analysis and Critical Control Point (HACCP) certification. This scheme is administered by the development commissioner of MSME. The scheme envisages a one-time reimbursement of charges for acquiring ISO 9001/14001/HACCP certifica-tions to the extent of 75 per cent of the expenditure, subject to a maximum of Rs.75,000 in each case.

Credit Rating Scheme

The credit rating scheme for this sector has been formulated in consultation with the Indian Banks Association and rating agencies. The NSJC has been appointed as the nodal agency for the implementation of this scheme through various empanelled agencies. Eligible enterprises get a subsidy of up to 75 per cent for getting themselves rated by a credit rating agency under the Performance and Credit Rating Scheme of NSIC.

It has been predicted that growth in the MSME sector would cross the double-digit mark in the next five years.The key drivers would remain housing and infrastructure, white goods, and automobiles. The services would also continue to churn out employment in retail, transportation, education, telecommunications, entertainment, and recreation. MSME will continue to be an important link in India’s long journey to becoming a developed nation. The sector has the potential to create millions of employment opportunities

Product Launch,Pre launch and post launch Requirement

A product **launch** is when a company decides to **launch** a new product in the market. Product **launch** can be of an existing product which is already in the market or it can be a completely new innovative product which the company has made

A product launch is when a company decides to launch a new product in the market. Product launch can be of an existing product which is already in the market or it can be a completely new innovative product which the company has made.

Product launch involves various steps which involves understanding customer needs, product design, testing of the product, marketing & advertising and ensuring that the product reaches out to all its audience. A successful product launch provides a sales momentum for the company.

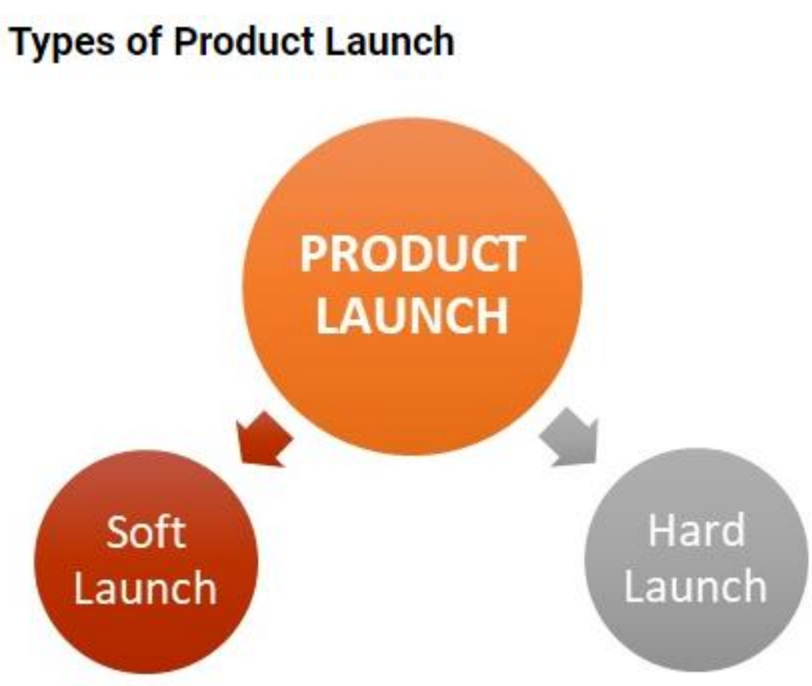
Importance of a Product Launch

When any new product or service is introduced in the market, it is called a Product Launch. An existing product can also be launched after further innovation or upgrades to the product. A Product launch passes through a number of steps known as the product launch process, starting from the ideation phase to development phase, testing phase, analyze phase to finally the launch of the product or service.

The market launch starts after the product or the service has been launched and encompasses the marketing plan and its implementation to ensure that the product reaches the target market. Brand launch is defined as the creation of a new brand in the marketplace and positioning it where none other exists. A good product launch helps in the following:

1. Create Awareness: Launching a product or brand through articles, events and promotional events ensure that the campaign gets noticed and people become aware of the product or brand. This, in turn, can increase the customer base and sales.

2. Planning and Staffing: The soft launch can give an idea of the strategies to be implemented, resources and staffs requirement and the training and preparation needed to take care once the product is released to the whole marketplace.



Furthermore, there are 2 approaches to launching a new product or service. They are:

1. **Soft Launch**
2. **Hard Launch**

A soft launch is when the approach towards the release is limited to a small set of the target audience or a limited demographics or geographic area and check if any changes are required before launching the product to the whole market

Whereas, a hard launch is when the product is released with full force marketing efforts from the very first day in order to spread awareness and excitement to customers and persuade them. These are the two types of product launch.

Elements for a Good Product Launch

The principles & key elements for a successful product launch are the following:

a) Relating Product Capabilities to Market Needs

b) Having a clear positioning and messaging tagline

c) Setting clear goals for launch

d) Having the power of leverage

e) Having a proper time of launch

Advantages & Disadvantages of Product Launch

Some merits of product launches for a company are:

1. Excitement and Attention: Once the product launch is communicated to the audience through a press release, articles, social media, and events, people get aware of the launch and it will create excitement in their minds.

2. Building Trust: If people are invited to try the products through free samples, it can build trust and customers can overcome their skepticism and accept the product. This also allows the promotion of a product through word-of-mouth, social media, and communities.

3. Training and Preparation: A soft product launch gives time to train and prepare employees to deal with the public appearance and customer queries once the product is launched to the whole market.

4. Increased Revenue Streams: New products can pave the path to unexplored revenue streams. Moreover, a new product or brand launch captures the interest of different business which allows expansion of the business and entering into new ventures.

Disadvantages of a product launch.

1. High Investment: Launching a new brand or product needs a lot of investment of time and resources for training employees, press releases, promotional activities and events. There is a risk of the product not getting successful and the launch getting failed.

2. Proper Approach to Launch: Different types of products need different approaches to launch, whether soft launch or hard launch. If the requirement is towards quick and more dramatic results, a hard product launch is preferred.

Post Launch / Pre Launch Requirements

Nearly 75 percent of startups fail within the first three years. The classic saying "prior planning prevents poor performance" applies directly to a startup. There needs to be an established audience presence beforehand to achieve this. It is crucial to look at the big picture and how you can build up excitement leading up to the big day. Here are some ways in which you can ensure a strong start for your business:

7 Ways to Build Hype Months Before Your Business Launches

1. Explain how your product or service changes lives. Think back to the reason you started a **business**. ...
2. Pinpoint interests of your target market. ...
3. Find the right influencers. ...
4. Create a webpage with a sign-up form. ...
5. Hold contests with giveaways. ...
6. Track and analyze everything. ...
7. Keep audience in suspense.

1. Explain how your product or service changes lives.

Think back to the reason you started a business. What makes your idea innovative? When you begin to lay the framework for promoting your new business, the preliminary advertising has to have a clear cut way of saying how you plan change the status quo. This will generate the proper interest to get the market buzzing about your startup. Make notes on what your target market's current mindset is and what you would like it to be after your business takes flight.

2. Pinpoint interests of your target market.

Knowing your target audience and everything about it is key to running a successful business. Being educated on your market can tell you which tools to use to make the biggest impact. What type of media channels is your target market most receptive to? Once you have determined this, you can create your brand's personality to fit the mold and speak the same language.

If your brand was a person, what would they be like? What do they stand for? How are they relatable? Having a firm understanding of the target market's interests and positioning your brand accordingly will get consumers on board early on to create a strong foundation.

3. Find the right influencers.

Once you have successfully pinpointed your target market and their interests, the challenge is reaching them on a level in which they will critically engage. To overcome this obstacle, it is crucial to find right the opinion leaders or influencers within the respective communities.

These influencers have the ability to make a profound impact on public perception for matters in which they are well known. These can be bloggers, politicians, educators, journalists or even other business owners. Getting key influencers on board early will do wonders in getting consumers excited to see your innovative idea take shape.

4. Create a webpage with a sign-up form.

As soon as your business launches, growth should be a top priority and should be carefully premeditated well before the big day. A great way to do this is to create a pre-launch webpage with a sign-up form. Not only will this help gauge consumer interest early on, it will take the pre-launch hype and generate it into customer leads.

It is important to make this page as quick and user-friendly as possible. Only collect information that is absolutely necessary as the user will likely give up if it is too time consuming. Be sure there is a clear call to action and the page is easy to share on social media. In the digital world, creating a strong pre-launch website is essential in creating hype for a startup.

5. Hold contests with giveaways.

A fun and effective way to build brand exposure before a launch is to have contests involving potential customers. Provide some motivation to sign up early. This will help build rapport with your target market while keeping costs relatively low. In order for a contest to be valuable to your business, it must have defined goals. Do you want to raise awareness? Generate more leads? Show social responsibility? Regardless of the end goal, the strategy needs to be clear from the start to be effective. Most importantly, make sure the giveaways are unique and meaningful. The prize should something that appeals to the entir e target demographic and will drive traffic your website.

6. Track and analyze everything.

Business results are becoming more and more data-driven. Tracking is critical in determining what works and what doesn’t. In the months leading up to your launch, you need to capture every element to ensure you are maximizing your online efforts. For your website, place an analysis code on every page to make sure each visit is being tracked. Keep of list of goals you want your website to accomplish. Once you have all the data, analyze what is working and what can be optimized.

7. Keep audience in suspense.

In months leading up to a launch, be careful not give away too many details about your product or service. Keep in mind, building hype before a business launch is not about what your product or service does, but what it might do. The more information you give out beforehand can kill anticipation, and the hype will not be as strong. However, you do want to give the public small hints of what is in store to draw attention. Think of how you can creatively hold out while advertising small tidbits leading up to launch day.

Procedure for getting License and Registration for business startup

One of the primary aspects of starting a business enterprise is registering the business. Primarily, the registration of business is filed with the state in which the business operates. Some types of businesses have to register with the federal government, but only if you operate businesses such as those pertaining to firearms, tobacco and alcohol. Registering your business with state entities helps you to start and run your business legally. The Small Business Administration (SBA) is a great resource that provides many tools to help with registering your business.

In order to set up an enterprise, the entrepreneur has to decide on the constitution of the unit at the initial stages of the project The various types of constitution of the enterprise are sole proprietor- ship, partnership, limited company (private/public), cooperative, and franchising.

Obtain Registration

The sole proprietor has no legal formalities. Usually MSME choose to register with the District Industries Centre for obtaining various facilities and incentives. Partnership firms are governed by the lndian Partnership Act, **1932.** The terms and conditions of partnership are contained in the partnership deed. Companies register with the registrar of companies and cooperatives register with the Registrar of cooperatives.

Obtain Clearances from Departments as Applicable

For setting up a new enterprise in India, a number of clearances and approvals are required from **concerted** authorities depending on the type of enterprise. The approvals and clearances that may be required from various departments are given in Table

Approvals and Clearances Required from Various Departments

Approvals/Clearances Required	Department to be Approached and Consulted
Incorporation of company	Registrar of Companies
Registration/IEM/ Industrial license	DIC for MSME/SIA for large and medium industries
Allotment of land	State DI/SIDC/Infrastructure Corporation /SSIDC
Permission for land use (in case industry is located outside an industrial area)	▪ State Directorate of Industries ▪ Dept. of Town and Country Planning Local Authority/District Collector
NoC and consent under Water and Air Pollution Control Acts	State Pollution Control Board
Approval of construction activity and building plan	▪ Town and country planning ▪ Municipal and local authorities ▪ Chief Inspector of Factories ▪ Pollution Control Board ▪ Electricity Board
Sanction of power	State Electricity Board
Use and storage of explosives	Chief Controller of Explosives
Boiler Inspection Certificate	Chief Inspector of Boilers
Finance	▪ SFC/SIDC for term loans ▪ For loans higher than ₹150 lakh, financial institutions like IDBI, ICICI, IFCI, etc.
Registration under States Sales Tax Act and Central and State Excise Act	▪ Sales Tax Department ▪ Central and State Excise Departments
Extraction of minerals	State Director of Mines and Geology
ISI Certificate	Regional Office of the Bureau of Indian Standards (BIS)
Quality Marking Certificate	Quality Marking Centre of the State Government
Weights and measures	Inspector of Weights and Measures
Code number for export and import	Regional Office of the Director General of Foreign Trade

Applications in the prescribed form is to be submitted along with the following documents,

- ✓ A copy of the Provisional Registration Certificate (PRC)
- ✓ A detailed Project Report,
- ✓ A Certified copies of educational qualification,experience and other categories as may be applicable,
- ✓ Applicable earnest money deposit

Challenges and Difficulties in starting an Enterprise

Entrepreneurs face many challenges in today's ultra-competitive business world; fortunately, contemporary times have also blessed entrepreneurs with more resources for tackling those problems than ever before.

The following lists the "Top 10" challenges faced by entrepreneurs today, defines why each problem exists

What are the biggest challenges entrepreneurs face when starting their own business? How do successful entrepreneurs handle and solve problems in business? Must an entrepreneur face these business challenges when starting a business?

1 Developing the Vision and Business Idea

Developing a business idea is usually the first challenge faced by every entrepreneur when starting a business from scratch. Finding the right business opportunity or creatively developing an idea is certainly not an easy task. I call "***Envisioning the idea***" the first true task of an entrepreneur. As an entrepreneur, you must possess the ability to see what others cannot see. While others see problems, you must see opportunities.

But seeing opportunities is just the beginning. The main business challenge is going to be your ability to forge that opportunity into a business idea. I see this as a business challenge because the process of transforming problems into business opportunities is like trying to turn lead into gold. I call it the entrepreneurial process of "***Creating Value out of nothing***"; a process that brings innovative products into existence.

An entrepreneur must always be ahead of his time or else he will lose his relevance. It is the duty of an entrepreneur to bring into the present what is yet to be. It is also the duty of an entrepreneur to bring solutions to other people's problems. Back in the days when cars were custom made and exclusively for the rich, Henry Ford envisioned affordable cars for the masses. That single vision made Henry Ford one of the richest men in history.

The Wright brothers envisioned a flying machine but they were massively opposed because the thought of humans flying was perceived as impossible. Today, the airplane is a common reality.
Developing the vision and idea is the first true task and challenge of being an entrepreneur.

2. Assembling a Business Team

The second business challenge you will face in the course of starting your business from scratch is assembling the right business management team "***strategic round table business team***" that will meet regularly to brainstorm on ways to grow your business.
The process of building a business team starts even before the issue of raising initial start-up capital arises

As an entrepreneur, you are bound to have strengths and weaknesses. That is the more reason you need a business team to cover up or compliment your weaknesses. A team is a necessity for building a successful business.

Your strategic business team should comprise your banker, your accountant, and any other seasoned entrepreneur that has the capability to be of tremendous impact to your business.

3. Raising Capital for your Business

After developing your idea, and getting your business team in place, the next challenge you are going to face when starting a business from scratch is that of raising capital

Trying to convince investors about something that doesn't exist yet is definitely a challenge, especially in this time of economic recession. Trying to make them understand that you are trustworthy and equal to the task is not child's play, especially when you are building your first business and have to prove the world that you are up to it.

Most brilliant business ideas never scale through the venture capital stage because the entrepreneur is either not prepared or lacks what it takes to raise the needed capital.

"The world is filled with brilliant ideas and excellent products but the world lacks seasoned entrepreneurs." – Robert Kiyosaki

To overcome the challenge of raising capital, you must develop the ability to sell your idea and vision to potential investors. When I say: "***sell your ideas***", I mean improving your communication skills and your manner of presentation. In the game of raising capital, you must have a good story to tell, backed by a strong business plan, a good business team and good persuasion skills. You must know how to pitch angel investors and venture capitalists alike.

4. Finding the Right Business Location

Is finding a good location a business challenge? Finding a good business location at the right price is definitely not easy. To get a location that has a rapidly growing population, good road network and other amenities at a good price? Not easy . Nowadays many office buildings are empty due to the financial crisis, and rents are negotiable. Try to find a location where there are more starting entrepreneurs to split costs and help each other with infrastructure.

5. Finding Good Employees

Business owners know how difficult it is to find a hardworking, trustworthy employee. Most employees want to work less and get paid more. Finding a good employee who will be passionate about delivering his or her services is quite difficult. Finding good employees is a minor task compared to the business challenge of forging your hired employees into a team. You may have great employees but if they can't act as a team, they are worthless and will yield nothing but stagnation. A football team may have great players but if they fail to play as a team, their combined possessed skills are utterly useless.

Employees are the representatives of your business to your customers and the outside world. They are a reflection of your business culture and ethics. If just one of your employees rude to just one of your customers, it is going to portray a bad image for your company. Remember: Bad news travels fast! So you must be very careful when hiring employees. Remember the golden rule of business; "***Hire slow and fire fast***."Teambuilding and hiring the right employees is a science.

6.Finding Good Customers

The sixth challenge you will face in the process of starting a small business from scratch is finding good customers. Note the keyword "good customers." In the process of building a business, you will come to find out that there are good customers as well as bad customers. You must be on guard for bad customers. Good customers are really hard to find. A good customer will be loyal to your company and will be willing to forgive you if you make a mistake and apologize. A good customer will try to do the right thing that will benefit both him/herself and your company mutually.

Bad customers will always look for loopholes in the company's policy to exploit and make a few gains. Bad customers will always try to exploit the company's goodwill and look for ways to rip off the company. Bad customers are responsible for bad debts.

Good customers build your business and bad customers will always try to liquidate your business. Just as you fire employees, you must also be prepared to fire bad customers without hesitation. Don't invest all your time and effort on customers that simply are not worth it! A beautiful saying goes like this: *"Don't get up on a dead horse and say: Giddy-up!"*

7.Dealing with Competition

Competition is the next challenge you will face when starting a business. Most individuals see competition as a plague but competition is a good challenge. Competition as a benchmark for creativity, the main engine that stimulates innovation and production of quality products at great prices. Without competition, there will be no innovation and without innovation, your business will become stagnant.

Competition keeps us on our toes and drives us to constantly improve our products and services.

Competition keeps us on our toes and drives us to constantly improve our products and services.

8. Unforeseen Business Challenges and Expenses

Just as a pilot is always on the watch for unpredictable bad weather, thunderstorms and technical failures, so a good entrepreneur must always be prepared for whatever may occur. Unexpected challenges can come in the form of:

- Not being able to make payroll
- Bad debts from customers
- Loss of market share
- Unpaid bills and taxes
- Inadequate stock or inventory
- Unexpected resignation of staff from sensitive positions
- Dwindling working capital

These business challenges, if not handled properly, can ruin your plan to build a successful business. Another challenge you must expect is an unforeseen increase in business expenses. If not handled properly, it might result in constant negative cash flow and eventually: business failure.

9. Keeping Up With Industrial Changes and Trends

Change in trends is a challenge you must be prepared for when starting a small business. Trends have made and broken lot of businesses. a lot of profitable businesses that have been wiped out by slight industrial changes and trends. A typical example is the Dotcom trend of the mid-nineties, where many established businesses were wiped out by emerging web based Dotcom companies.

Keeping eyes open to spot trends is really a challenge but the big task will be your ability to quickly use the trend to your advantage. These days, we can see the same thing happening in the retail business.

10. Exiting the Business

When building a business from scratch, you are going to face the challenge of determining your exit strategy. You have to plan your exit strategy before you even start the business. Most entrepreneurs run their business without any plans to exit and even if they have an exit strategy, they find it difficult to implement it.

Before starting a business, it is advisable to plan an exit. Lack of an exit plan is the primary reason why most businesses crumble after the death of the founder. An exit strategy is very important to the long-term survival of a business. Now how do you plan an exit strategy? There are benchmarks you can use to determine your exit from any business. Most smart entrepreneurs will use a certain benchmark as a target and once this specific target is reached, they exit the business. but always remember: “**your exit is more important than your entry.**”

As a final note, challenges come only to make you stronger; so don’t faint in the face of challenges. Stand tall; keep moving your business forward and see you at the top

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Technological Innovation

Management & Entrepreneurship

B.E., V Semester, Electronics & Communication Engineering

[As per Choice Based Credit System (CBCS) scheme]

[Subject code: 18ES51]

MODULE -5

a) Business Model

b) Financing and How to start a Business?

c) Project Design & Network Analysis

MODULE – 5c

PROJECT DESIGN AND NETWORK ANALYSIS

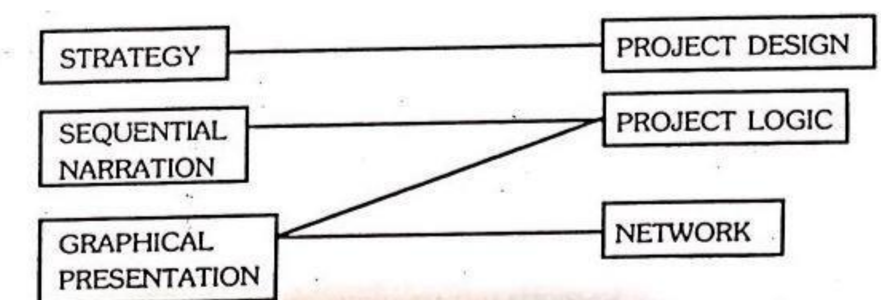
INTRODUCTION

The execution of a Project follows a definite path of planning, scheduling and controlling. The first and the foremost aspect of a project is the project design. It is in fact the heart of the project entity. It defines the individual activities which go into the corpus of the project and their interrelationship with each other. Project design enables to identify the flow of event which must take place for the successful implementation of the project.

Network techniques help the management of an organization in performing these functions efficiently and effectively. Together they stand concerned with the development of the project work plan and the duration time-estimate and evaluationof these in the light the constraints of the project situation.

The strategy selected as a result of the techno-economic analysis forms the initiation of the project design development. Briefly, project design is the framework of a project formulated with detailed sequences and develops an acceptable work plan for the project. It helps the entrepreneur to implement the project as scheduled without any hindrances.

The strategy is examined in detail and the details are utilized to compile the sequential nation of the constituent activities of the project. This compilation of the sequential narration is known as the Project Logic. When it is represented in the form of graphical pattern, it is known as a network.



Relation between Project Design and Network

IMPORTANCE OF NETWORK ANALYSIS

The network analysis has the potential of unfolding unknown snags involved in Project estimates which, when detected, may provide management not only to improve on the ongoing project estimates but also to take serious lesson for future application. This would, of course, require seriousness and sincere application of different facts of the technique of network analysis which require, among other things, that

(a) The whole project should be considered with reference to the sequence of activities and events. Sequence here is not a mere mathematical problem. It underlines activities that are to follow one after another leading to an event.

(b) This would also require that the events should be thought of in different steams of operations and their relationship understood clearly.

(c) The whole project may be put on one network while different segments of the project may be detailed out in separate networks for final integration in the overall network. This would imply that no important detail of any operation in the project, from beginning to end, would miss the attention of the management.

(d) The time estimates may be made taking into view two discrete aspects: one projects in which previous experience does not exist at all and time estimates would have to be based on probabilities and two, time estimates may be deterministic, being based on previous experience of similar types of operations in different other projects.

(e) Cost estimates would depend on the project time estimates and the changes in the prices of different factors of production. In this specific context, mere provision of escalation clauses would not be enough. Inflationary changes would have to be attempted so that management may know for certain what slippage in time would mean in terms of cost. This is apart from efficiency variations — both favorable and unfavorable — depending on circumstances not quite foreseen at the time the estimates were made.

(f) The physical progress of the projects, individuality and simultaneity of events, jobs farmed out snags in different areas of project work would all require adequate notice and application of correctives in proper time. It is also possible that management may think it appropriate and economical to speed up completion of projects by what is known as 'crashing.'

The concept of crashing is particularly relevant in view of the avoidance of huge constructive total loss that slippage, dilly-dallying or other factor may cause.

ORIGIN OF *PERT* AND *CPM*

Programme Evaluation and Review Techniques - *PERT* Critical Path Method - *CPM*

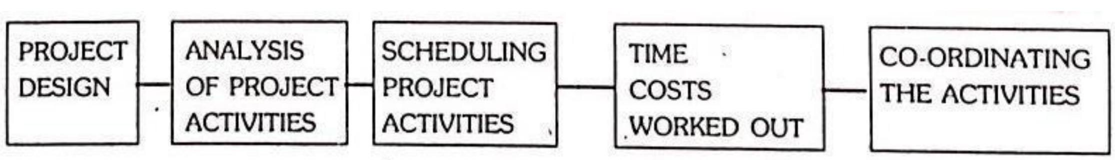
Incidentally, PERT, CPM and MOST are but three of some 40 different names given to network analysis. It is believed and underlined that network is a logical extension of the old Grant Bar Chart. PERT and CPM techniques were developed in the U.S. independently, while CPM came into focus about 1957 as an offshoot of collaboration between Du Pont and Remington Rand. While different distinctions are often ascribed to CPM and PERT, the basic distinction is perhaps that the emphasis of CPM is essentially on the activities themselves, the costs associated with completion of each activity and optimum plan for the project as a whole. PERT, which was developed in 1958 as a result of collaboration between the Operational Research Division of the United States Navy and a firm of business consultants, had for emphasis the events rather than the activities leading to events. Most of the distinctions have, however, dissolved while both PERT and CPM underwent different measures for attaining perfection through their application as tools.

PERT was applied to help solve problems of producing the Polaris Missile system to a very tight schedule. Application of PERT has been based on probability estimates covering those pessimistic, those optimistic and those considered formal. In unique types of projects like the Polaris Missile, since previous experience in similar types of activities do not exist, probability calculations have occupied a significant place. However, considering that all these techniques concerned with planning and control of projects have network analysis as a common denominator, it is relevant to point out that MOST emphasizes more on building up of Gantt type charts covering each activity, event, time, cost, projects farming out, employment of different classes of managers and workers, procurement of materials, deployment of materials relating to the completion of the project. Unlike PERT and CPM diagrams, MOST diagrams actually begin at the end of the project, working back towards the start of the activities. Instead of 'beginning to end' emphasis in PERT and CPM, in MOST the emphasis is on 'end to beginning.' One advantage of MOST diagrams is that it can be converted into PERT-CPM type diagram depending on the requirements of management.

<u>NETWORK</u>

A network comprises a set of exponents connected with each other in a sequential relationship with each step till the completion of a project.

Network analysis is a system which plans both large and small projects by analysing the project activities. Projects are broken down into simple activities, which are then arranged in a logical sequence. It is also decided as to which task will be performed simultaneously and which others sequentially. A network diagram constructed below presents the relationship between all the activities involved .Time, costs and other resources are allocated to different activities.



Network Design

NETWORK TECHNIQUES

In a project, there may be two categories of jobs or activities — which can be taken up concurrently and which can be taken up only after completing some other activities — either completely or partially. Hence, in a bar chart, some of the bars may run parallel or overlap each other time-wise while some may run serially. The scheduling of construction and identification of potential causes of delay form an important part of a project appraisal. Timing and sequencing of various activities involved in project implantation are reviewed, keeping in view the conditions regarding the availability of construction materials, labour, procurement and delivery periods of plant and machinery, erection and commission, start-up and trial-runs, training of staff, etc.

The implementation schedule also takes into account seasonal and other variations in working conditions which might interfere with the implementation of the project. Several techniques of project scheduling and control such as Bar Charts, Programme Evaluation and Review Techniques (PERT), Critical Path Method (CPM) etc. are used.

Of these CPM have come to be widely used in project management as they are very useful in the basic management functions of planning, scheduling and control. These techniques can be applied in diverse kinds of projects like construction of a building or a highway, planning and launching of new product, large maintenance projects, scheduling ship construction and repairs, end-of-the month closing of accounts, large, research projects, etc.

NEED FOR NETWORK.

Techniques Network analysis helps in designing, planning, coordinating, controlling and decision-making in order to accomplish the project economically in the minimum available time with the limited available resources. Network techniques were developed from the Milestone Chart and Bar Chart. These conventional planning methods, because of their inherent limitations, could not be utilized for planning large and complex projects.

They had the following disadvantages:

(a) A bar chart becomes too cumbersome while dealing with big and complex projects when the activities are to be considered in detail and their interaction or interdependencies are to be studies clearly.

(b) A bar chart does not point out-which tasks should be given priority as regards resources (i.e., men, money, materials and machinery).

(c) The effects of changes in schedule cannot be evaluated with the help of a bar chart.

(d) A bar chart neither satisfactorily tells the time at which the activities begin and end nor does it indicate tolerances in activity timings.

The functions of planning, organizing, directing and controlling are essential to very enterprise regardless of the type, size, purpose, or complexity of the operation. Techniques, of course, vary because they must be adapted to and appropriate for each individual firm and its own circumstances. PERT is one of the management techniques which is considerably more useful to some managers than to others. It is of the tested tools of management in industrially-developed countries.

It works a method of minimizing production delays, interruptions, and conflicts; of co-coordinating and synchronizing the various parts of the overall job; and of expediting the completion of projects towards scheduling and budgeting resources so as to accomplish a predetermined job. It is a communication facility in that it can report developments and keep the managers posted and informed.

PROGRAMME EVALUATION AND REVIEW TECHNIQUES - *PERT*

STEPS IN PERT

The first step in the development of a PERT network is the establishment of objectives. There will be a major objectives to be accomplished, linked by supporting objectives. When these are identified, they must be linked together so as to enable to planner to see the project in its true perspective and also see the relationships between and among all the steps.

The second step is to schedule work breakdown in great detail.

In the third step; both technical and managerial persons should begin to work together.

The fourth step is that each person who participates in the application of PERT to the control of the project should have some basic familiarity with the general nature of the work and with the ultimate objective desired.

Some authors have also indicated the following steps involved in PERT analysis:

1. Development of project network.

2. Time estimation.

3. Determination of critical path, event slacks, and activity floats.

4. Development of project schedule.

5. Calculation of variability duration and the probability of completion in a given time.

PERT deals with the problem of uncertain activity time by the application of statistical analysis to the determination of estimated time for each activity of the project. This technique, as a manager's tool, defines and coordinates what must be done to successfully accomplish the objectives of a project on time. It aids the decision-maker but does not make decisions for him.

In PERT, time is the basic measure. It is usually expressed in calendar weeks the project should be completed within the stipulated optimistic time. In order to arrive at the most reliable estimate of time, three time estimates are usually employed under this technique as given below:

(i)The optimistic time: It is the shortest time possible if everything goes perfectly well with no complications, the chance of this optimum actually occurring might be one in a hundred;

(ii) The pessimistic time: It is longest time conceivable; it includes time for unusual delay's and thus the chance of its happening might be only one in a hundred;

(iii) The most likely time: It would be the best estimate of what normally would occur. The differences in these three times give a measure of the relative uncertainty involved in the activity.

Advantages of PERT

(a) This technique gives the management the ability to plan the best possible use of resources to achieve a given goal within the overall time and cost limitations.

(b) It helps management to handle the uncertainties involved in programmes where no standard time data are available.

(c) It presses for the right action, at the right point, and at that right time in the organization.

Limitations of PERT

(a) The basic difficulty comes in the way of time estimates for the completion of activities because activities are of non-repetitive type.

(b) This technique does not consider resources required at various stages of the project.

(c) Use of this technique for active control of a project requires frequent updating and revising the PERT calculations and this proves quite a costly affair.

CRITICAL PATH METHOD (CPM)

Next to PERT, the CPM for planning and controlling projects has enjoyed the widest use among all the systems that follow the networking principles.

CPM was developed in 1956 at the E.I. Dupont Nemours & Co., U.S.A., in connection with the periodic overhauling and maintenance of a chemical plant. It resulted in reducing the shut-down period from 130 hours to 90 hours and saving hours and saving the company $1 million.

CPM has two time-cost estimates for each activity (one time-cost estimate for the normal situation and the other estimate for the crash situation) but does not incorporate any statistical analysis in determining such time estimates. CPM operates on the assumption that there is a precise known time that each activity in the project will take.

Advantages of CPM

Besides being applicable to schedule large and small projects it has some of the important advantages listed below:

(a) It helps in ascertaining the time schedule.

(b) With its aid, control by the management is made easy.

(c) It makes better and detailed planning possible.

(d) It provides a standard method for communicating project plans, schedules, time and cost performance.

(e) It identifies the most critical elements and thus more attention can be pa•,i to these activities.

Limitations of CPM

(a) CPM fails to incorporate statistical analysis in determining the time estimates.

(b) It operates on the assumption that there is a precise known time that each activity in the project will take but this may not be true in actual life.

(c) It is difficult to use CPM as a controlling device for the simple reason that one must repeat the entire evaluation of the project each time when changes are introduced into the network. It may be remembered that CPM was initially developed as a static

planning model and not as a dynamic controlling device.

DIFFERENCES BETWEEN PERT AND CPM

Though the fundamental network of PERT and CPM are identical, yet there are certain differences in details as listed in Chart.

CHART

	PERT	CPM
1.	The origin is military (naval).	The origin is industrial.
2.	It is an event-oriented approach.	It is an activity-oriented system.
3.	There is allowance for uncertainty.	No such allowance.
4.	It has three time estimates.	There is only one single estimate of time and the emphasis in on cost.
5.	It is probabilistic model with uncertainty in activity duration.	It is a deterministic model with well-known activity (single) time based upon past experience.
6.	It does not demarcate between critical and non-critical activities.	It marks critical activities.
7.	It is especially suitable when high precision is required in time estimates, e.g., defence projects.	It is suitable when reasonable precision is required, e.g., civil construction projects, industrial expansion schemes, etc.
8.	Time is averaged.	No averaging of time is involved.
9.	The concept of 'crashing' is not applied.	The concept of crashing is applied.
10.	It lays emphasis on reduction of the execution time of the project without too much cost implications. It is time-based.	It lay emphasis on the greatest reduction in completion time with the least increase in project cost. It is cost-based,

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