Entrepreneurship (OEC)
Module 01

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Meaning of Entrepreneur

The entrepreneur is defined as someone who has the ability and desire to establish, administer and succeed in a startup venture along with risk entitled to it, to make profits. The best example of entrepreneurship is the starting of a new business venture. The entrepreneurs are often known as a source of new ideas or innovators, and bring new ideas in the market by replacing old with a new invention.

It can be classified into small or home business to multinational companies. In economics, the profits that an entrepreneur makes are with a combination of land, natural resources, labor and capital.

What are the 4 Types of Entrepreneurship?

It is classified into the following types:

Small Business Entrepreneurship-

These businesses are a hairdresser, grocery store, travel agent, consultant, carpenter, plumber, electrician, etc. These people run or own their own business and hire family members or local employee. For them, the profit would be able to feed their family and not making 100 million business or taking over an industry. They fund their business by taking small business loans or loans from friends and family.

Scalable Startup Entrepreneurship-

This start-up entrepreneur starts a business knowing that their vision can change the world. They attract investors who think and encourage people who think out of the box. The research focuses on a scalable business and experimental models, so, they hire the best and the brightest employees. They require more venture capital to fuel and back their project or business.

Large Company Entrepreneurship-

These huge companies have defined life-cycle. Most of these companies grow and sustain by offering new and innovative products that revolve around their main products. The change in technology, customer preferences, new competition, etc., builds pressure for large companies to create an innovative product and sell it to the new set of customers in the new market. To cope with the rapid technological changes, the existing organizations either buy innovation enterprises or attempt to construct the product internally.

Social Entrepreneurship-

This type of entrepreneurship focuses on producing product and services that resolve social needs and problems. Their only motto and goal is to work for society and not make any profits.

Characteristics of Entrepreneurship:

Not all entrepreneurs are successful; there are definite characteristics that make entrepreneurship successful. A few of them are mentioned below:

- **Ability to take a risk-** Starting any new venture involves a considerable amount of failure risk. Therefore, an entrepreneur needs to be courageous and able to evaluate and take risks, which is an essential part of being an entrepreneur.
- **Innovation-** It should be highly innovative to generate new ideas, start a company and earn profits out of it. Change can be the launching of a new product that is new to the market or a process that does the same thing but in a more efficient and economical way.
- **Visionary and Leadership quality-** To be successful, the entrepreneur should have a clear vision of his new venture. However, to turn the idea into reality, a lot of resources and employees are required. Here, leadership quality is paramount because leaders impart and guide their employees towards the right path of success.
- **Open-Minded-** In a business, every circumstance can be an opportunity and used for the benefit of a company. For example, Paytm recognized the gravity of demonetization and acknowledged the need for online transactions would be more, so it utilized the situation and expanded massively during this time.
- **Flexible-** An entrepreneur should be flexible and open to change according to the situation. To be on the top, a businessperson should be equipped to embrace change in a product and service, as and when needed.
- **Know your Product-**A company owner should know the product offerings and also be aware of the latest trend in the market. It is essential to know if the available product or service meets the demands of the current market, or whether it is time to tweak it a little. Being able to be accountable and then alter as needed is a vital part of entrepreneurship.

Importance of Entrepreneurship:

- **Creation of Employment-** Entrepreneurship generates employment. It provides an entry-level job, required for gaining experience and training for unskilled workers.
- **Innovation-** It is the hub of innovation that provides new product ventures, market, technology and quality of goods, etc., and increases the standard of living of people.
- **Impact on Society and Community Development-** A society becomes greater if the employment base is large and diversified. It brings about changes in society and promotes facilities like higher expenditure on education, better sanitation, fewer slums, a higher level of homeownership. Therefore, entrepreneurship assists the organization towards a more stable and high quality of community life.
- **Increase Standard of Living-** Entrepreneurship helps to improve the standard of living of a person by increasing the income. The standard of living means, increase in the consumption of various goods and services by a household for a particular period.
- **Supports research and development-** New products and services need to be researched and tested before launching in the market. Therefore, an entrepreneur also dispenses finance for research and development with research institutions and universities. This promotes research, general construction, and development in the economy.

7 Steps to Becoming an Entrepreneur

1. Build Your Skill Set and Knowledge Base

No matter what, you want to start and stay curious. There's a lot out there to learn, more than you'll ever have time to master and any entrepreneur needs to be adaptable and open to new information. That can seem daunting, but there are a few things you can do to simplify the process of continual learning.

Take a "first principles" approach to problems – as Elon Musk has said, first principles is a "good framework for thinking… boil things down to their fundamental truths and reason up from there, as opposed to reasoning by analogy."

Get comfortable with research – subscribe to trade publications to see what's trending within an industry. Research the market you're interested in exploring. Get out and meet people who are doing the things you want to do; not only can they provide good advice, they'll be an invaluable part of your network.

Focus your attention on what matters – while some serial entrepreneurs have a reputation of being jacks-of-all-trades as they jump around from industry to industry, you can likely find more success by focusing on an area of interest and specialization. Pursue a degree or program that teaches entrepreneurial skills and knowledge specific to the industry that you want to get into.

2. Build Your Network

No one ever succeeded alone. Every successful entrepreneur has benefited from their own network of mentors, partners, employees and investors. Once you've found a mentor or advisor who can assist you, it's important to reach out and find other systems of support.

Unsure of how to go it alone? Partner with a cofounder or small team that will offer complementary skills to your own. Being part of a larger whole provides additional skills and expertise, plus it can make it easier to secure funding.

Talk to friends and family about your venture. Not only are they the surest way to secure additional support, some might be sources of possible "seed" funds or low/no interest loans.

Get professional help! Research and vet professionals like financial advisors and lawyers that you feel comfortable trusting and relying on – you're going to need them.

3. State Your Idea, Claim Your Niche

If you don't already have a solid idea, then it's time to consider what type of product or service you're able to offer and – more importantly – what's going to set you apart from everyone else.

Start exploring solutions for every-day problems or frustrations experienced by friends and family and your target markets. As Entrepreneur magazine explains, the most innovative startups are often simple solutions to common problems.

Determine if you're going to meet an underserved demand or improve on an existing service. The former is a way to claim a space within a market and differentiate yourself from competitors. The latter is more disruptive, where you can position your business as a new way of doing things.

As always, you'll want to do your research on the categories and fields you're thinking of entering and start asking questions about how a new product/service can exist within that space. If you're unsure of how to do the legwork, or need to dedicate time to other aspects of your startup, consider hiring a marketing researcher for assistance.

4. Find and Understand a Market

The best product in the world isn't going to succeed if there isn't a market interested in buying it**.** Starting broad may seem like a good idea, after all that's the highest possible number of buyers, but trying to sell to everyone means that you're really selling to no one. To get a better idea of what your market is going to be, you'll need to develop an understanding of what people are looking for.

Who are the people most likely to buy from you or would be most interested in your service?

Develop profiles of your potential buyers – what jobs do they have? What lifestyles do they lead? What needs do they have? What pain points do they experience?

Narrow your list down to the best opportunities and select the one that you want to start with first.

Set up interviews or surveys with people who fit that profile to continue refining that initial understanding. Which pain points are most urgent for them? Would they prioritize convenience over price? What benefits of your product/service might excite them the most?

5. Design Your Business and Idea

Once you've settled on what you want to do, then you're going to have to outline your business structure and develop your product to show that it's viable. That's the only way you're going to be able to win over investors.

It's time to start laying out exactly how your business will be moving forward. You'll want to create a business model, aka a business plan, that details how your business will be organized, a prospective budget for the future, details on how your business will make money. If you're looking for models to follow, consider these business plan templates from Score and from Hub spot.

Plan out the sales process that you'll use to acquire new customers. What's your marketing strategy – are you using certain social media accounts? Are you attempting a viral marketing campaign?

What sales materials will you need? Most importantly, what's the process by which you'll convert those who express interest into actual sales?

It's time to truly show what your business is about and build out a proof of concept, or what's also known as a minimum viable product (MVP). The MVP, whether it's software, a service or a physical product, should be capable of executing the basic and most important functions of your idea.

6. Secure Finding

You have a plan and you have a product, now it's time to secure the funding that you'll actually need to start up your business and get it running. Depending on your product and market, you have several options available.

You can attempt to start with securing initial funding or loans from friends and family. Trust levels are high and you might even be able to receive the funds without having to pay interest or offer too much of a share in your company. Of course, this entirely depends on the level of wealth and assets of the people you know.

A far more likely scenario is that you'll have to make a pitch to secure funding from venture capital (VC) firms or angel investors. Both are able to provide large amounts of initial funding for startups with the promise of even larger returns through owning stakes in the company. Start by looking at organizations that connect entrepreneurs with funders, such as the National Venture Capital Association and Angel Investment Network.

There's also the opportunity to secure small business grants and loans. These investments differ from VCs and angel investors by offering (generally) smaller amounts of initial capital and having specific requirements: loans will need to be repaid with interest over time, while grants are reserved for meeting certain conditions – such as assisting minority or underprivileged communities. Read more about business grants and business loans at the SBA

Rather than trying to secure a few large amounts of funding, you could attempt to crowd fund your business through hundreds, or thousands, of smaller donations. With modern digital technology, there are several options for running a crowd funding campaign, through platforms

7. Build Your Business

Once you've gotten this far, now the real work begins. Time to put that funding into place, build out your first real product, and get it out to your target market.

You will need to establish a location for your business, whether you're renting out an office space for your team to work in or you're leasing a building in a downtown location. Or, perhaps your business is entirely online and all your employees are expected to work from home. At the very least you'll need to claim a website to both promote your business and allow customers to learn about your product and contact your business.

You'll need to consider the actual structure of your organization and what your plans are for incorporating your business. At the very least you should consider the option of registering as a limited liability company (LLC) to both builds the credibility of your business and protect your personal finances.

Keep working on promoting and marketing your business! After the initial buzz dies off you'll still need to find ways to reach out to new, prospective customers and announce the latest updates and developments of your product. Review the metrics of your campaigns and social media channels to determine what's working, and what's not, and what you should be doing to effectively advertise.

What is the Business Enabling Environment?

The business enabling environment (BEE) includes norms and customs, laws, regulations, policies, international trade agreements and public infrastructure that either facilitate or hinder the movement of a product or service along its value chain. At one end of the spectrum, conventions, treaties, agreements and market standards shape the global business enabling environment. Trade agreements, such as the Lomé Convention or AGOA, can open opportunities for firms; simultaneously, complying with international standards such as GLOBALGAP and USDA's APHIS program can be expensive for small firms, precluding them from being competitive. The business enabling environment at the national and local level encompasses policies, administrative procedures, enacted regulations and the state of public infrastructure. Analysis of the BEE at these levels may need to be further broken down in terms of firm size since there may be constraints and opportunities distinctly facing micro- and small enterprises (MSEs).

In addition to these more formal factors, social norms, business culture and local expectations can be powerful aspects of the business enabling environment. Understanding these unwritten rules of society is essential if practitioners are to understand why value chain actors behave the way they do, and reasonably predict how they will behave in response to value chain interventions

Why Does the Business Enabling Environment Matter?

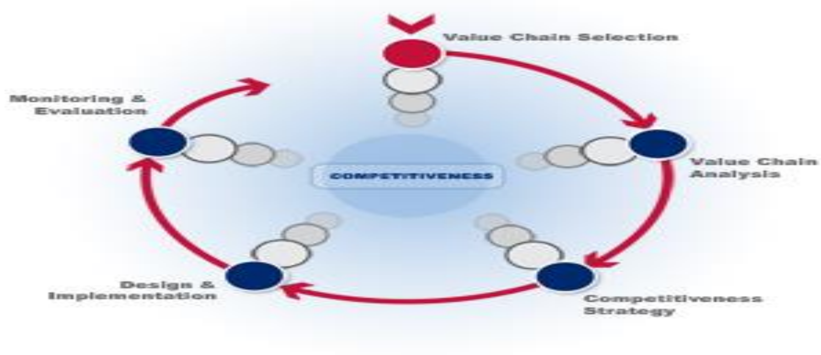
Every day an entrepreneur spends filling out paperwork or in line at a government office is a day not making sales or finding new customers. Burdensome and unpredictable regulation is costly both in terms of the time and money required for compliance as well as in opportunity cost. In many countries, these costs are substantial. In Brazil, for example, not only is the tax rate nearly 70 percent, but the procedures are so complicated that the average amount of time required to prepare, file and pay taxes is estimated to be 325 days.

A growth-oriented small businessperson faces a choice: comply with regulations and incur costs so high that they jeopardize the business's viability or try to survive in the informal sector without bank credit or enforceable contracts and at constant risk of harassment from authorities. Approximately 60 percent of urban businesses in Africa, 40-60 percent in Asia and 58 percent in

Latin America remain outside the formal sector. They are limited in their ability to grow, attract investment and hire more workers. The workers they do employ have no legal protections. Without informal enterprises' tax contributions, government is limited in its ability to provide services and the tax burden on registered businesses is greater than it should be.

Reform of the BEE can result in substantial benefits for an economy including faster growth, less unemployment, more gains from trade, greater formalization, reduced poverty, less corruption and lower budget deficits.

BEE and the Value Chain Project Cycle



Value Chain Selection

BEE opportunities for specific value chains to become more competitive or achieve significant impact may influence the selection of value chains targeted for development. Conversely, if specific value chains face BEE constraints that cannot be addressed by a project, implementers may decide to select alternative value chains. Click here for special considerations in post-conflict situations.

Value Chain Analysis

An analysis of policy constraints and opportunities, which is integral to value chain analysis, can be used during the development of a competitiveness strategy to identify where and how to compete in target markets. While benchmarking reports and diagnostic tools can facilitate an economy-wide view of business environment constraints or opportunities, most of them do not include sector- or industry-specific indicators; this may limit their utility in identifying value chain-specific constraints. Additionally, by relying solely on broadly-focused reports or diagnostics, program designers may waste time considering reforms that are not relevant to their targeted value chains. Some more specific tools can help focus analysis of the enabling environment:

USAID's Competitiveness Impacts of Business Environment Reforms (CIBER) tool aims to engage value chain actors in a participatory assessment process to identify high-priority reforms and develop a plan of action.

The Climate, Legal, and Institutional Reform (CLIR) tools offer a data-rich assessment of a country's business environment to help governments and donors gain a comprehensive understanding of the barriers to private-sector growth.

International ranking and benchmarking reports are often a good starting point for obtaining a snapshot or overview of a country's business climate.

The International Finance Corporation BEE Toolkits provide step-by-step guides to both diagnosing and facilitating business environment reforms.

Design and Implementation

Activities leading to policy reform are often a key component during implementation. Two popular and complementary types of approaches for reforming the business environment are referred to as "top-down"--national-level and/or public sector-driven--and "bottom-up"--local-level and/or private-sector driven. However, it is difficult sometimes to draw a clear line to distinguish a "top-down" approach from a "bottom-up" one. Oftentimes, elements of both types of approaches are combined to form an effective reform strategy.

Monitoring and Evaluation

Monitoring of progress in the area of reform may lead to a reassessment of the choice of value chain should BEE constraints be so binding as to prohibit or severely limit the return on investment. Monitoring and evaluation is complex in any private-sector development project, but BEE reforms present special challenges that should be considered.

Idea Generation in Entrepreneurship

Entrepreneurship is being able to create and run a business. In entrepreneurship, idea generation is one of the main factors that lead to its success.

The idea thought of here should be able to solve a problem. And along with being unique, the idea should also be easy to execute. For example, let’s suppose you feel a lot of people have a problem understanding legal jargon and legal proceedings.

So, in this case, your entrepreneurial idea could be setting up a platform that caters to all the legal needs of people and helps them understand it easily.

Idea Generation Process

The process may be different for different organizations and different people. But there are three main steps in the process. It starts with the identification of the question or the problem we need to solve.

After which we need to come up with ideas and probable solutions. Finally, in the third stage, we select the most suitable idea and execute it. For example, let’s suppose you are opening up a restaurant.

So firstly, you need to identify what question you need to answer. Let’s assume you want to decide upon a name for the restaurant. Now you will use different techniques (brainstorming, mind mapping, etc) to come up with ideas for names.

In the last step, you will choose the most appropriate name from the different names you came up with within the second step.

Idea Generation Techniques

Mind Mapping

It is a technique of presenting information. Here we show the links between the different elements or the pieces of information. The links or connection is usually shown with the help of lines and arrows. It’s a visual way of presenting the information.

Reverse Thinking

As is very clear from the name itself this technique asks us to think oppositely. Instead of working on the problem in front of us, we work on the exact opposite of it.

For example, let us assume you want to know ‘how to increase your followers on social media platforms. According to this technique, you will instead think of ‘how will I not increase my followers on social media platform’.

To this question, you will get answers like, by not posting regularly, or posting low quality content, etc. Now you just have to reverse your answers.

So, to increase followers on a social media platform you should post high-quality content regularly. This idea generation technique works on the concept that it’s easier to come up with negative suggestions.

Brainstorming

This technique is quantitative meaning that you come up with a large number of ideas. Here a group comes up with a different probable solution to the problem.

For example, if you along with some of your colleagues are trying to come up with a tagline for your product. And each one of you gives your ideas, then that is called brainstorming.

Synectic

George M. Prince and Willian J. J. Gordon developed this technique. In this technique, we take apart a thing and then put it back together. This helps us get a better understanding of how things work.

Role-Playing

In this technique, the participants take up roles to play. These roles are different from the ones they usually play. It adds an element of fun and helps get innovative ideas.

For example, you could take up the roles of customers and discuss your expectations and what you want from products. This could lead you to stumble upon some good ideas.

Brain writing

In this technique, a group of people writes their ideas on a piece of paper. After the designated time for writing is over the paper is given to a different person.

Now this person reads the ideas on the paper they got and adds their ideas on the paper. This continues until everyone has put their ideas on all the papers. And following this, there is a discussion on each idea.

Collaboration

This technique is self-explanatory. Here you collaborate with others to come up with ideas. If you collaborate with a diverse group of people your ideas will be more unique.

This happens because every person brings a different perspective. For example, if you want to increase the sale of a particular product you might want to collaborate with industry experts, specialists, or people working in domains other than sales.

The 5 W's

Who, What, Where, When, and Why are the five W's. Answering these five W's helps us achieve a very holistic view of the topic under discussion. And it is an efficient way to come up with solutions and ideas.

For example, suppose you want to create a new product or a service. You can do so by asking questions like, who would use the product, why would people buy it, what would it do, etc.

Listening

People prove to be a very good resource when you are trying to generate ideas. Even those who aren’t your employees and customers can be very resourceful.

So, you must always go beyond your immediate circle and invest in listening. Socializing with people in your immediate social circle and even those beyond it can be very effective.

How to evaluate a business idea

Once you have a business idea, use these steps to evaluate it and make sure it's a sustainable idea to help you be successful:

1. Determine a target market

A target market is a group of people who are likely to purchase a company's products or services. They're the consumers you believe can benefit most from your business idea. It's important to learn what you can about this group so you can better form your idea and later market to them successfully. When you understand your consumers, you can anticipate their needs and serve them appropriately, which can make a major difference in your success.

As you evaluate your business idea, learn more about your target market's wants, needs, motivations, spending habits and challenges. You can collect this information by performing preliminary research, asking different people questions about your business idea and observing shoppers. Begin to define your ideal customer by considering the following demographics:

1. Age
2. Gender
3. Geographic location
4. Income level
5. Profession
6. Marital status
7. Education level

2. Create a buyer persona

As you gather information about your target market's demographics, you can establish buyer personas, which are characters who represent the members of your target audience. Rather than being real customers, personas are fictional customers you create to help guide your business decisions. Personas are important because if you can view each persona as an actual customer, you're more likely to understand and empathize with them.

Create a buyer persona to represent the target market you've identified for your business idea. Consider the persona's background, motivations, values and buying factors. Ask yourself a series of questions about the persona's characteristics and write down the answers. Some questions to help you create a buyer persona may include:

1. What are their personal beliefs or values?
2. What challenges are they seeking to resolve?
3. How do they learn about products or services in the marketplace?
4. What other types of products or services do they buy regularly?

5. How does cost factor into their purchasing decisions?

3. Conduct a market analysis

A market analysis is an assessment of market factors, which may include economic details, consumer buying patterns, trends, forecasting and the competition in a market. Research various companies in your industry to determine whether a demand exists for the new product or service. You can also further understand the market and your target audience through efforts such as focus groups, interviews and surveys. Once you've gathered sufficient data, analyze the information carefully to help you determine the viability of your business idea.

4. Analyze your competitors

It's important to know more about potential competitors so you can see what they've done to find success and make sure you can supply a unique or higher-quality product or service. To analyze your competition, gather information about the company and its offerings and write an observational list of its strengths and weaknesses. Search online to read reviews about the company's products, pricing and customer service.

Once you know more about the competition, you can identify ways to distinguish your business idea. Think about why a customer might purchase from you instead of a competing business. You can even write a unique value proposition that tells customers what you offer, how it differs from the competition and why it meets their needs.

5. Understand your finances

Part of evaluating a business idea is being able to understand the finances associated with its launch. Even if your idea doesn't require a lot of overhead costs to get started, this analysis can help you gauge your financial outlook. You can use this knowledge to help you work on securing investments, marketing your idea and planning for future expenses. As you consider your finances, ask yourself these questions:

1. How can I get the necessary funds to start my business idea?
2. How much money do I plan to invest in the beginning?
3. What are my projected income and expenses?
4. What's my total earning potential in the first month? Three months? One year?
5. How can I realize sustained profits?

6. Get feedback

Once you've completed the other steps, you likely have an effective understanding of your business idea's feasibility. At this stage, it can still be helpful to get feedback from others who can provide insights or ask questions you may not have considered. Ask your friends, family, professional contacts or company stakeholders what they think of your idea. Share your preliminary research to explain why you've developed your idea in a certain direction. Collect their feedback and use it to further evaluate your business idea and determine whether you want to take the next steps.

Preparation of a Business Model

There is no "one size fits all" when making a business model. Different professionals may suggest taking different steps when creating a business and planning your business model. Here are some broad steps one can take to create their plan:

Identify your audience. Most business model plans will start with either defining the problem or identifying your audience and target market. A strong business model will understand who you are trying to target so you can craft your product, messaging, and approach to connecting with that audience.

Define the problem. In addition to understanding your audience, you must know what problem you are trying to solve. A hardware company sells products for home repairs. A restaurant feeds the community. Without a problem or a need, your business may struggle to find its footing if there isn't a demand for your services or products.

Understand your offerings. With your audience and problem in mind, consider what you are able to offer. What products are you interested in selling, and how does your expertise match that product? In this stage of the business model, the product is tweaked to adapt to what the market needs and what you're able to provide.

Document your needs. With your product selected, consider the hurdles your company will face. This includes product-specific challenges as well as operational difficulties. Make sure to document each of these needs to assess whether you are ready to launch in the future.

Find key partners. Most businesses will leverage other partners in driving company success. For example, a wedding planner may forge relationships with venues, caterers, florists, and tailors to enhance their offering. For manufacturers, consider who will provide your materials and how critical your relationship with that provider will be.

Set monetization **solutions.** Until now, we haven't talked about how your company will make money. A business model isn't complete until it identifies how it will make money. This includes selecting the strategy or strategies above in determining your business model type. This might have been a type you had in mind but after reviewing your clients needs, a different type might now make more sense.

Test your model. When your full plan is in place, perform test surveys or soft launches. Ask how people would feel paying your prices for your services. Offer discounts to new customers in exchange for reviews and feedback. You can always adjust your business model, but you should always consider leveraging direct feedback from the market when doing so.