

Internal Assessment Test - I

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| Sub:  | ENTREPRENEURSHIP DEVELOPMENT |           |         |            |    | Code: | 17MBA26 |         |     |
| Date: | 24/03/2018                   | Duration: | 90 mins | Max Marks: | 40 | Sem:  | II      | Branch: | MBA |

**Part A - Answer Any Two Full Questions (16\*02=32 Marks)**

1 (a) Define the term “Entrepreneur” state any two benefits of being an entrepreneur.

Ans - Frank Knight (1921): Entrepreneurs attempt to predict and act upon change within markets. Knight emphasizes the entrepreneur's role in bearing the uncertainty of market dynamics. Entrepreneurs are required to perform such fundamental managerial functions as direction and control.

Benefits – Autonomy, financial control

(b) Explain the functions of an Entrepreneur.

Ans-

- (1) Searching for and identify business opportunities:
- (2) Preparation of business plans and project report:
- (3) Risk-taking:
- (4) Resource allocation:
- (5) Performance of managerial functions:
- (6) Innovation

(c) Describe the evolution of Entrepreneurship.

Ans – Various scholars have written extensively on the origin of entrepreneurship. What is interesting is that most of the scholars who wrote about the origin of entrepreneurship are either economists or historians. Basically, the concept entrepreneur is derived from the French concept “entreprendre” which literarily is equivalent to the English concept “to undertake”. From the business point of view, to undertake simply means to start a business.

Entrepreneurship is one of the four mainstream economic factors, viz, land, labor, capital and entrepreneurship.

- The word itself has been derived from the French word entrepreneur in the 17th century, which means the person who under takes the risk of new enterprise. The persons would undertake the work of a contractor and bear the risk of profit or loss. Early references to the entrepreneur can be traced out in the 14th century when the term indicated about tax contractors who paid a fixed sum of money to a government for obtaining the license to collect taxes in their region.
- Thereafter, entrepreneurship was a common topic in economic essays in the 18th and 19th centuries.

2 (a) What is a Business Plan?

Ans - A business plan is a formal statement of business goals, reasons they are attainable, and plans for reaching them. It may also contain background information about the organization or team attempting to reach those goals.

(b) Summarize the advantages and disadvantages of Entrepreneurship.

Answer –

Advantages

Control. You choose the work you like to do and that makes the most of your strengths and skills. The result can be more job satisfaction.

Excitement. Entrepreneurship can be exciting and many entrepreneurs consider their work highly enjoyable. Each day is filled with new opportunities to challenge your abilities, skills, and determination.

Flexibility. Entrepreneurs can schedule their work hours around other commitments, including spending quality time with their families.

Freedom. Freedom to work whenever they want, wherever they want, and however they want draws many to entrepreneurship. Most entrepreneurs don't consider their work actual work because they are doing something they love.

Rational Salary. As an entrepreneur, your income is directly related to your efforts and the success of your business.

Disadvantages –

Administration. While making all the decisions can be a benefit, it can also be a burden. Being an entrepreneur comes with a lot of paperwork that can take up time and energy.

Competition. Staying competitive is critical as a small business owner. You will need to differentiate your business from others like yours in order to build a solid customer base and be profitable.

Loneliness. It can be lonely and scary to be completely responsible for the success or failure of your business.

No Regular Salary. Being an entrepreneur often means giving up the security of a regular paycheck. If business slows down, your personal income can be at risk.

Work Schedule. The work schedule of an entrepreneur can be unpredictable. A major disadvantage to being an entrepreneur is that it requires more work and longer hours than being an employee.

(c) Briefly explain the features of a business plan

Ans –

### **Features of a Business Plan**

A business plan is a document outlining the goals of a business and the strategies to achieve these goals. It is mainly prepared by new businesses or by ones making major changes.

**Executive Summary**

The Executive Summary is a synopsis of the full business plan. It presents the salient points of the plan. It contains information on the purpose of the business, its methods of operation and future expectations.

### **History of the business**

This section gives full details on previous operations of a business. For a new business it will explain where the idea came from and the reasons for starting the business.

### **Mission Statement**

The Mission Statement gives the overall goal of a business as well as its values. It serves as a guide to the operation of the business. For example: providing the highest quality goods and services.

### **Business goals and objectives**

The firms' short-term, medium-term and long-term goals and the time in which these are to be achieved is outlined in this section.

### **Organization**

The business must state the ownership structure and give details of the management team.

### **SWOT Analysis**

Looks at the strength and weaknesses of the business

E.g. Strengths – strategic location, years of experience

Weakness – Loans at affordable interest rates,

### **Industry Analysis**

How has the industry changed in the past few years and who are the other firms in the industry.

### **Product /Service Description**

Describe clearly the product or service that you will be offering.

### **Market Analysis**

Describe your target market and your competitors.

### **Marketing Strategy**

Explain the various promotional, pricing and distribution strategies.

### **Operations**

Explain how the business will function on a day-to-day basis. For example: Procurement of raw materials, the use of technology and operating methods.

### **Sales Forecast**

What amount of sales the business expects to make on a monthly basis.

### **Start –up Cost**

The total amount needed to start the new business, giving a detailed description of what the money will be used for.

### **Operating costs**

E.g. fixed Costs (rent, insurance and salary) and variable costs (utilities and wages)

### **Projected Cash Flow**

An estimate of how much you expect to earn periodically once you start operating.

### **Acquisition of Funds**

Information on how funds will be obtained e.g. personal savings, borrowing from friends and family, borrowing from financial institutions or by selling shares

3 (a) Who is a Fabian entrepreneur?

Ans –

**Fabian Entrepreneurs:** Fabian entrepreneurs are characterized by very great caution and skepticism in monitoring, any change in their enterprises. They imitate only when it becomes perfectly clear that failure to do so would result in a loss of the relative position in the enterprise.

(b) Discuss marketing aspects of a Business plan.

Ans – Focus on the uniqueness of your product or service and how the customer will benefit from using the products or services you're offering. Use these questions to write a paragraph summarizing these aspects for your marketing plan:

- What are the features of your product or service?
- Describe the physical attributes of your product or service, and any other relevant features such as what it does or how your product or service differs from competitors' products or services.
- How will your product or service benefit the customer?
  
- Remember that benefits can be intangible as well as tangible; for instance, if you're selling a cleaning product, your customers will benefit by having a cleaner house, but they may also benefit by enjoying better health. Brainstorm as many benefits as possible to begin with and then choose to emphasize the benefits that your targeted customers will most appreciate in your marketing plan.
  
- What is it that sets your product or service apart from all the rest? In other words, what is your unique selling propositions, the message you want your customers to receive about your product or service that is the heart of your marketing? Marketing plans are all about communicating this central message to your customers.

- **Pricing Strategy.**

The pricing strategy portion of the marketing plan involves determining how you will price your product or service; the price you charge has to be competitive but still allow you to make a reasonable profit.

Being "reasonable" is key; you can charge any price you want to, but for every product or service there's a limit to how much the consumer is willing to pay. Your pricing strategy needs to take this consumer threshold into account.

- **Sales and Distribution Plan.**

Remember, the primary goal of the marketing plan is to get people to buy your products or services. Here's where you detail how this is going to happen.

Traditionally there are three parts to the Sales and Distribution section, although all three parts may not apply to your business.

(c) Explain the stages in Entrepreneurial process

Ans - **STAGES IN ENTREPRENEURIAL PROCESS**

1. Identify and Evaluate the Opportunity
2. Develop a business plan
3. Determine the resource required
4. Manage the Enterprise

### **Identify and Evaluate the Opportunity**

Most good business opportunities do not suddenly appear, but rather result from an entrepreneur's alertness to possibilities or, in some cases, the establishment of mechanisms that identify potential opportunities. For example one entrepreneur asks at every cocktail party if anyone is using a product that does not adequately fulfill its intended purpose. This person is constantly looking for a need and an opportunity to create a better product. Although most entrepreneurs do not have formal mechanisms for identifying business opportunities, some sources are often fruitful: Consumers and business associates, members of the distribution system and technical people.

### **Develop a business plan**

A good business plan must be developed in order to exploit the defined opportunity. This is perhaps the most difficult phase of the entrepreneurial process. An entrepreneur usually has not prepared a business plan before and does not have the resources available to do a good job. A good business plan is not only important in developing the opportunity but also essential in determining the resources required, obtaining those resources and successfully managing the resulting ventures.

### **Determine the resource required**

Acquiring the needed resources in a timely manner while giving up as little control as possible is the next step in the entrepreneurial process. Care must be taken not to underestimate the amount and variety of resources needed but also the risks associated with insufficient or inappropriate resources should also be assessed.

### **Manage the Enterprise**

After resource are acquired, the entrepreneur must employ them through the implementation of the business plan. The operational problems of the growing enterprise must also be examined. This involves implementing a management style and structure, as well as determining the key variables for success. A control system must be identified so that any problem areas can be carefully monitored. Some entrepreneurs have difficulty managing and growing the venture they created. This is one difference between entrepreneurial and managerial decision making.

## Part B - Compulsory (01\*08=08 marks)

4

### THE ART OF DELIGHTING CUSTOMERS

In the context of Total Quality, serving customers does not simply mean satisfying customers. Satisfied customers are not necessarily loyal customers nor repeat customers. Why is this so? Customer satisfaction implies satisfying their needs and conformance to their requirements, and specifications have to be stated explicitly by customers to be satisfied. What can go wrong with this seemingly logical process?

Firstly, you may not be asking customers all their needs, or worse you may be expecting customers to volunteer this information.

Secondly, even after you have asked customers all the right questions, they may not tell you everything they need.

Thirdly, even if they tell you everything they need and answer all your questions, your competitors can do the same thing to your customers and satisfy them similarly. In short, your customers could switch to your competitor without warning, remorse, or second thoughts -- and they all the right to do so.

Loyal customers are delighted - not just satisfied - customers. To delight means to cater even to unstated customer needs, by anticipating them, by taking a proactive rather than a reactive posture, and by thinking like a customer. Delighting also means defining quality from the customer's point of view.

The highest form of customer service is what I call surprising customers. It means going out of your way to exceed customer expectations and needs, stated or unstated, at no extra cost or delay to him. Surprised customers are not just loyal customers; they also become your most dedicated and effective salespersons and advertisers. It would be extremely difficult for your competitors to steal your delighted and surprised customers. Let us take one concrete example.

If you dropped your cash-filled wallet in an airline seat, your natural expectation is that it is gone forever. You would be satisfied if the ground staff would handle your report promptly with a promise, even without guarantees, that they would try their best to retrieve the wallet. You would be annoyed and extremely dissatisfied if you encounter red tape and staff indifference when you file the report. You would be delighted if the airline in no time finds your wallet and notifies you that you may get your wallet with all the cash intact at the airline airport counter in your next destination. You would be surprised if an airline staff hand carries your wallet to your home. As a delighted and surprised customer, you write an unsolicited letter of compliment to the airline management. You also become a loyal frequent flyer, telling the whole world about your wonderful experience with the airline.

When a customer orders a product, all written documentation-purchase order, contracts and blueprints- contain nothing but specifications, delivery dates, terms of payment, and prices. Customers will not put in writing the service they expect before, during, and after the sales; but these unstated needs are just as real and important to them as those indicated in the purchase order. Lousy service accompanying an excellent product results in a bad sale the customer would never forget. In short, he may not come back, and that was your last sale. Customers are always judging the quality of their total experience with the company- in terms of both product and service.

In summary, Total Quality customer service means to satisfy, delight, and then surprise all customers.

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|  | <p>(a) What key aspects regarding customer service should be focused from a startup company from the above case.</p> <p>Ans – Patience, Attentiveness, Clear Communication skills,<br/>Knowledge of the product, Ability to use positive knowledge,<br/>Acting skills, Time Management Skills, Ability to read customers,<br/>A Calming presence, Goal oriented focus, Ability to handle surprises,<br/>Persuasion skills, Tenacity, closing ability, empathy, willingness to learn</p> | [04] |
|  | <p>(b) List out the impacts on a business which fails to deliver quality service to its customers.</p> <p>Ans – A Damaged Reputation, Leads don't convert,<br/>Customer lifetime value drops, lose your best employees,<br/>You enter a profit sucking cycle.</p>   | [04] |
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