

--	--	--	--	--	--	--	--	--	--

Internal Assessment Test – III

Sub:	TECHNOLOGICAL INNOVATION MANAGEMENT AND ENTREPRENEURSHIP			Sec:	ECE 'C'			Code:	18ES51
Date:	10 / 12 / 20	Duration:	90 mins	Max Marks:	50	Sem:	V	Branch:	ECE

ANSWER ANY FIVE FULL QUESTIONS

MARKS

	OBE	
	CO	RBT

1	Define Entrepreneur. Discuss the importance and concept of Entrepreneurship.	[10]	C01	L1
2	Discuss the Entrepreneurial Development Models.	[10]	C02	L2
3	Write short notes on problems faced by entrepreneurs.	[10]	C02	L2
4	Explain the Role and Importance of Family Business.	[10]	C03	L1
5	Explain the various stages of development of a family business and also identify the characteristics of a family owned business in India.	[10]	C03	L1
6	Discuss the various methods used for generating the business ideas	[10]	C03	L1
7	Write short notes on Marketing Feasibility, Financial Feasibilities, Political Feasibilities, Economic Feasibility; Social and Legal Feasibilities.	[10]	C03	L1

--	--	--	--	--	--	--	--	--	--

Internal Assessment Test – III Solutions

Sub:	TECHNOLOGICAL INNOVATION MANAGEMENT AND ENTREPRENEURSHIP			Sec:	ECE 'C'			Code:	18ES51
Date:	10 / 12 /20	Duration:	90 mins	Max Marks:	50	Sem:	V	Branch:	ECE

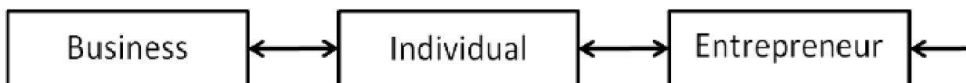
ANSWER ANY FIVE FULL QUESTIONS

MAR  
KS      OBE  
CO      RB  
          T

- 1 Define Entrepreneur. Discuss the importance and concept of Entrepreneurship. [10] CO 1 L1

Entrepreneur is a person who discovers new ideas and business opportunities, brings together funds to establish a business, organise and manage its operation in order to provide economic goods and services.

Entrepreneur has strong conviction, self motivation, and the will to grow and also courage to go bankrupt if they fail in their venture.



Entrepreneurship is a dynamic activity which helps the entrepreneur to bring changes in the process of production, innovations in business, new ideas and usage of resources, establishing new markets etc.

## IMPORTANCE OF ENTREPRENEURSHIP

Entrepreneurial development today has assumed special significance to economic development. The objectives of industrial growth, and employment generation depend upon entrepreneurs. Entrepreneurs are, thus the seeds of industrial development. The objectives of industrial development are greater employment opportunities, increase in per capita income, higher standard of living, savings, revenue to the government in the form of income tax, import duties, and balanced regional development.

In practice, entrepreneurs have historically altered the economies, industries, or markets. They have invented new organisations and the means of production to bring them into existence. They have introduced quantum leaps in technology and more productivity. They have effected the reallocation of resources away from existing users to new users. Many innovations have transformed the society and the way of living, and many services have been introduced to alter the structure of industries.

India needs entrepreneurs. It needs them for two reasons: to create employment opportunities and to create wealth and new jobs. A recent Nasscom report estimates that India needs at least 8,000 new IT jobs per year to meet its target of building a \$ 87, billion IT sector by 2008. Some 100 million Indian citizens will be searching for jobs, including 50 million for their first jobs; that seven times Australia's population. The disguised unemployment of over 50 per cent among the rural India. Since traditional large employers—including the government and economy players—may find it difficult to sustain this level of employment in the future, it is entrepreneurs who will create these new jobs and

Fortunately, today's knowledge-based economy is fertile ground for entrepreneurs in India. The success stories of businesses built on a great idea executed by a team have great appeal in India, where access to capital is scarce and regulations often created barriers to success. And young Indians have a dream: to be like Sabeer Bhatia of India. Estimates indicate that several thousand "new economy" businesses were launched in India. This is not just a "big-town" phenomenon. For example, when McKinsey & Company launched India Venture 2000, a business plan competition to catalyse entrepreneurship in India, many of the 4,500 teams that participated were from small towns such as Meerut, Siliguri, Warangal, and

## CONCEPTS OF ENTREPRENEURSHIP

“Entrepreneur” is a person who creates an enterprise. It is called as “entrepreneurship”. The word “entrepreneur” has its origin where it was originally meant to designate an organiser of an entertainment.

The word “entrepreneur” is derived from the French verb *entreprendre* which means ‘to undertake’. This refers to those who “undertook enterprises”. In the earlier part of the 16<sup>th</sup> century, the French military expeditions were referred to as entrepreneurs. Free entrepreneur as a person translating a profitable idea into a business. During the year 1700, the architects and contractors of public works were called entrepreneurs. Quensnay recognised a rich farmer as an entrepreneur who makes his business profitable by his intelligence and wealth.

2 Discuss the Entrepreneurial Development Models.

[10] CO L2  
2

### Entrepreneurial Development Process

Entrepreneurial development can be explained in five stages. Stage 1 Perceiving, identifying and evaluating an opportunity Stage 2 Drawing up a business plan

Stage 3 Marshalling resources Stage 4 Creating the enterprise

Stage 5 Consolidation and management

Ideas can come from various sources. The opportunities should be evaluated carefully. The identification of project is followed by assessing the resource position. Once the enterprise is established, entrepreneur should always look for indefinite future, growth, development or atleast continuation.

### Entrepreneur as an innovator

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

According to him the functions of entrepreneur are

1. Introduction of new product
2. Introduction of new methods of production
3. Developing new markets and fresh sources of raw materials.
4. Make changes

### Entrepreneur as Risk-Bearer

According to Richard Cantillon “An Entrepreneur is defined as an agent who buys factors of production at certain prices in order to combine them into a product with view to selling it at uncertain prices in future”

### Entrepreneur as Organiser

According to Jean-Baptiste Say “An Entrepreneur is one who combines the land of one, the labour of other and capital of yet another and thus,

produces a product”

By selling the product, he pays interest on Capital, rent on Land, Wages to Labourers and what remains is his Profit.

Hence an entrepreneur can be defined as a person who tries to create something new, organizes production and undertakes risks and handles economic uncertainty involved in enterprise.

## **ENTREPRENEURIAL DEVELOPMENT MODELS**

1 Psychological models

2, Sociological models

3. Integrated models

### **1. Psychological models**

- McClelland gave significant lead in identification of determinants of entrepreneurship.

He founds that identifying achievement orientation as the key variable in the development of entrepreneurship.

He also suggests motivation training programme as a policy measure make entrepreneur willing and eager to exploit the opportunity.

- Everett Hagen’s theory of social change emphasis on “creative personality” and explains the casual sequence of entrepreneurial behavior
- John Kunkel suggest “Behaviourist model” and he also suggest that entrepreneurial behavior is a function of surrounding social structure. Kunkel model is based upon the experimental psychology.

### **2. Sociological model**

- Frank W Young’s theory of entrepreneurship is a theory of change based upon the society’s incorporation of relative sub-groups.

The relativeness of sub-group with low status in a larger society will lead to entrepreneurial behavior if the group has better institutional resources than others in the society at the same level.

### **3. Integrated Models**

- T V Rao in “Entrepreneurial disposition” has included following factors.
  - (a) Need to motive for the prospective entrepreneur has a greatest possibility of achieving the goals.
  - (b) Long term involvement either at thinking level or activity level in entrepreneurial activity.
  - (c) Personal, social and material resources are related to entry and success in entrepreneurial activity.
  - (d) Socio-political system to be perceived as suitable for establishment and development of his enterprise.

3 Write short notes on problems faced by entrepreneurs.

[10] CO L2  
2

**Solutions:**

## **Problem faced by entrepreneurs**

A large number of entrepreneurs particularly in the small enterprises fail due to several problems and barriers. Karl. H. Vesper has identified the following barriers:

- i. Lack of a viable concept
- ii. Lack of market knowledge
- iii. Lack of technical skills
- iv. Lack of seed capital
- v. Lack of business know how
- vi. Lack of motivation
- vii. Social stigma
- viii. Monopoly and protectionism
- ix. Inhibitions due to patent
- x. Government regulations.
- xi. Globalization and entry of foreign goods.

Problems can be broadly divided into INTERNAL and EXTERNAL problems INTERNAL Problem

### **1. Planning**

#### **(a) Technical feasibility**

- Inadequate technical know-how
- Locational disadvantage
- Outdated production process

#### **(b) Economic viability**

- High cost of inputs
- Break-even point too high
- Uneconomic size of project
- Choice of idea
- Feeble structure
- Faulty planning
- Lack of strategies, motivation and vision

- Overestimation of demand

## 2. Implementation

## 3. Production

- (a) Production management
- (b) Labour management
- (c) Marketing management
- (d) Financial management
- (e) Administrative management

## EXTERNAL problems of entrepreneur

- Infrastructural
- Financial
- Marketing
- Marketing
- Taxation
- Rawmaterial
- Industrial and financial regulations
- Inspection
- Technology
- Lack of direction
- Competitive and volatile environment

## Other management problems

1. Managerial deficiency
2. Finance
3. Manufacturing and technical problems
4. Product Planning
5. Selection of equipment, plant, machinery
6. Human resource development
7. Technical know-how
8. Preparation of project report

4 Explain the Role and Importance of Family Business.

[10] CO L1  
3

### **Solution:**

### **Role and Importance of Family Business:**

Families are vital and supportive environments for entrepreneurial behaviour.

Some of the world's largest family-owned firms are

- Samsung,
- Wal-Mart Stores, Inc.,
- Ford Motor Company,
- The Fiat Group,
- L'Oréal, IKEA,
- The Tata Group,
- Havells, and
- McCain Foods.

It has been observed that family support and the presence of self-employed parents are important influences in venture initiation and business ownership.

Families rule the world of business.

About a third of all Fortune 500 companies are family businesses.

Family businesses account for over half of the United State's GDP and about 78 per cent of all new job creation there.

In India, around 95 per cent of the registered firms are family businesses while over 90 per cent of the registered firms in Pakistan are estimated to be family businesses.

Business groups like the Tata, Birla, and Godrej Groups have dominated the private sector in India ever since the British regime. As a result, many affiliated firms have been established under these groups, headed by a family member.

Family businesses from every trade imaginable have been around for centuries—from shoemakers and confectioners to farmers, some of the world's oldest firms are family owned.

Did you know that the world's oldest documented continuing family business is Hoshi Ryokan, a Japanese hotel Set up in 717AD, spanning 46 generations of family ownership?

Some of the world's largest businesses, such as Wal-Mart Stores, Inc., are also family owned.

Family businesses range in size from small to large businesses in terms of employees and turnover and can be placed in two different categories.

The first category comprises businesses having only family members as its stakeholders, such as Birlas, Kirloskars, Wadias, etc.

The second category comprises businesses in which the family has a majority stake and controls the company, such as Wal-Mart Stores, Nestlé, Ferrari, Fiat, Ford, Hyundai, Nike, the Virgin Group, the Reliance Group, Wipro, and Havells.

Belonging to a single family culture and having a strong set of values, family businesses have certain inherent strengths, such as the ability to withstand economic shocks, make quick decisions, maintain good business relations, and ensure leaders with time-proven leadership qualities.

Often, long-term strategic thinking resulting in prudent business decisions enables family businesses to become sustainable.

In an ever-changing business world with constant technological advancements, new business approaches, new managerial practices, and



emerging market trends,, family businesses generally remain flexible, adaptable, and innovative.

In India, family-owned businesses have played and will continue to play a central role in the growth and development of the country.

Indian business firms such as Havells India, the Aditya Birla Corporation, and Tata Sons are making acquisitions abroad and expanding their businesses globally.

Individual associations and relationships can complicate the management and negatively affect the objectives of the family business.

The issue of succession can cause immense strain within a family business. It is not surprising then that, on an average, only three out of ten family businesses survive to the second generation and only one to the third generation.

As more and more family businesses are handed down from one generation to the next, more and more family legacies are lost due to lack of planned transitions.

Most commercial enterprises are born as family-owned and family-managed businesses. Many remain this way, while a smaller number need access to public equity capital and in the process can no longer remain in the ownership of the family. Still others could remain family-owned but professionally managed either due to the family's lack of interest or practical necessity.

Unfortunately, there is no clear distinction in India between a business that is owned and managed by the family and a business that isn't so.

For the sake of simplicity, let us assume that a firm where members of one or more particular families exert significant influence over the firm's strategy and its destiny is family-owned and firms where family members unless professionally qualified-do not hold executive positions are professionally managed.

Box 4.1 discusses the story of Kongō Gumi, the Jananese temple-building company that was the world's oldest continuously operating family business until its assets were purchased by Takamatsu Corporation in 2006.

Family businesses have certain advantages over other businesses.

Some of these are listed below: The family culture is a source of great pride for family and non-family employees alike.

There is a long-term orientation in business objectives as the continuity of the firm is of great concern to the family.

A family firm functions in a less bureaucratic manner and is not impersonal in dealing with employees and customers.

A family firm shows greater willingness to whether bad times by ploughing back profits. It is structured to impart training to the members of the family from a young age.

- 5 Explain the various stages of development of a family business and also identify the characteristics of a family owned business in India. [10] CO L1  
3

**Solution:**

## **Stages of Development of a Family Business**

While strategic, operational, and financial transformation is a given for any corporation that hopes to survive the trauma of competing in the post-liberalization marketplace, India's business houses have started rewriting the role of the family in business. The typical family business goes through four stages in its development.

1. Entrepreneurial: In this phase, someone in the family starts a business after having identified business opportunity. At this stage, the business is customer-centric. The entrepreneurial vision develops and a mission is set for the organization.

2. Functionally specialized: This is the growth phase for the family business. In this phase, the organization is divided into various functions and priority is given to growth and increasing the scale of operation. The organization becomes more flexible during this phase and the use of control measures is limited.

3. Process-driven: In the process-driven phase, a family business is system-oriented and processes are set. The greatest attention is given to core competencies and to competing with other businesses in achieving customer satisfaction.

4. Market-driven: During this phase, the family business matures and is completely driven by market forces. The business enters various markets and crosses geographical boundaries by strategic alliances.

## **Characteristics of a Family-Owned Business In India**

Indian business is overwhelmingly owned and managed by the Bania families of the traditional trading Castes. Characteristics of family-owned businesses in India are:

"Importance of family relationship: Family relationship is the most important factor in determining the position a person holds in the business.

"Composition of the board of directors: Family members, including those who are neither contributing nor involved in the business, are on the board of directors.

"Loyalty: Members of the extended family and relatives have a very strong sense of loyalty to the family and this, by default, translates into loyalty to the business.

"Dedication of family members: As the family's fortunes are usually tied to that of the family business, the owning family shows great dedication and single-mindedness in ensuring the continued survival and success of the business.

Male-dominated: Sons and male members are more likely to hold higher positions and succeed as the CEO of the company. The role of women is often that of a facilitator and a mother figure to family members and employees.

Dominance of certain trading communities: Some communities have been very successful in

business and are synonymous with family-owned businesses in India.

6 Discuss the various methods used for generating the business ideas

[10] CO L1  
3

**Solutions:**

Having business ideas is central to the task of identifying business opportunities. Let's discuss some ways to generate business ideas.

**Brainstorming:** Brainstorming is a technique used to quickly generate a large number of ideas and solutions to problems. The brainstorming session is conducted to generate ideas that might represent business opportunities. Brainstorming works well individually as well as with a varied group of people. A group brainstorming session requires a facilitator, white board, and space to accommodate the participating people. Brainstorming works well with 8-12 people and should be performed in a relaxed environment. Participants are encouraged to share every idea that enters their mind with the assurance that there is no right or wrong answer. The brainstorming session usually starts with the facilitator broadly stating the problem and setting the time limit (such as, say, 30 minutes) for the session. The facilitator clearly sets down the rules, discouraging criticism of any kind and encouraging freewheeling approach, the voicing of as many ideas as possible, and a collective and constructive effort towards the improvement of ideas. Once the session starts, participants can informally present their ideas for possible solutions. The facilitator writes each idea down for everyone to see. Once time is up the best ideas are selected, based on a few criteria decided upon in advance (such as say, cost-effectiveness). The selection must be made on the basis of a consensus from everyone in the group. Next, a score (say, zero to ten points) is given to each idea depending on how well it meets the criteria. The idea with the highest score may be used to solve the problem. However it is advisable for the facilitator to keep a record of the best ideas in case the chosen best idea does not work. The facilitator should make the session fun for everybody, with no one dominating or inhibiting the discussion.

**Survey Method:** The survey method is used to collect information by, direct observation of a phenomenon or systematic gathering of data from a set of people. The survey method involves gathering information from representative sample population gathering information from a representative sample population, that is, a fraction of the whole population under study that presents an accurate proportional representation of that population. Surveys generate new products, services, and business ideas because they ask specific questions and get specific answers. For example, Hindustan Unilever Limited undertook a market survey to explore the possibility of penetrating rural markets in India, and this helped the market research team to identify the idea of introducing shampoo sachets, which became an instant hit with people who would not buy an entire bottle of shampoo. Surveys may be of different types, such as general and specific surveys, regular and ad hoc surveys, preliminary and final surveys, and census and sample surveys.

**Reverse Brainstorming:** This is a method that is similar to brainstorming, with the exception that criticism is allowed. It is, therefore, also called "negative brainstorming." In this technique, the focus is on the negative aspects of every idea that has been generated through brainstorming. Also called the "sifting" process, this process most often involves the identification of everything that is wrong with an idea, followed by a discussion of ways to overcome these problems.

**The Gordon Method:** This is a creative technique developed by A. F. Osborn in his book *L'arte della Creativity* to develop new ideas. This method is similar to brainstorming. Collective discussion addresses every aspect of the planned product in an uninhibited solution-oriented way. For example, to devise a new pen-holder, the group discusses the "holding" theme and examines all possible meanings of this word and all possible examples of "holding"(such as items, nature, etc.). The group will later sit and study each idea to see if any of them may be useful for the planning of a new pen-holder. This discussion encourages a fresh, creative, and unusual approach to developing a new product.

- 7 Write short notes on Marketing Feasibility, Financial Feasibilities, Political Feasibilities, Economic Feasibility; Social and Legal Feasibilities. [10] CO L1  
3

### **MARKET ANALYSIS**

This mainly deals with determining the potential market and the market share for the proposed project. Market analysis is concerned with forecasting the demand for the product/service under consideration. It requires finding a variety of information on consumption trends, cost structures, structures of the competition, the elasticity of demand, consumer behaviour, and exports and imports.

### **TECHNICAL ANALYSIS**

This principally deals with determining the technical viability for successful commissioning of the proposed project and for ascertaining whether sensible choices have been made with respect to location, size, process, etc. Technical analysis requires finding a variety of information on the availability of raw material and various other inputs; the type of technology to be adopted; choosing a suitable layout for the site, building and plant; and choosing the appropriate plant, machinery, and process.

### **FINANCIAL ANALYSIS**

This mainly deals with determining the risk and return for the proposed project. Financial analysis seeks to ascertain whether the proposed project will be financially viable. It requires finding a variety of information on the cost of the project and the means of finance; the cost of capital; the projected profitability; cash flows of the project; the break-even point; the level of risk; the investment outlay and worthiness; and projected financial position.

### **ECONOMIC ANALYSIS**

This is also called social-cost benefit analysis and is mainly concerned with judging a project from the social point of view. The focus is on the social costs and benefits of the proposed project. It deals with determining benefits and costs in terms of shadow prices and other social impacts. Economic analysis requires finding a variety of information on economic costs and benefits measured in terms of the efficiency (shadow) prices; employment to be generated by the project; impact of the project on the distribution of income in society; and the impact of the project on the level of savings and investment in society.

### **ECOLOGICAL ANALYSIS**

This mainly deals with determining the quantum of damage likely to be caused by the proposed project to the environment, and the cost of restoration measures required to be undertaken to ensure that the damage to the environment is within acceptable limits.