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Name of Faculty : Hitesh Sharma

Solved Question Paper I internal Exam

Q.1 Examine the Entrepreneurial Core Competencies that help initialize a business idea, help lead the business to its growth profile and lead the enterprise to go global

Ans Entrepreneurial Core Competencies that help initialize a business idea can be classified into four categories:

- Personal characteristics.
- Interpersonal skills.
- Critical and creative thinking skills.
- Practical skills.

We'll now examine each category in more detail, and look at some of the questions you will need to ask yourself if you want to become a successful entrepreneur.

Personal Characteristics:First, examine your personal characteristics, values, and beliefs. Do you have the mindset that's typical of successful entrepreneurs?

Optimism: Are you an optimistic thinker?: Optimism is truly an asset, and it will help get you through the tough times that many entrepreneurs experience as they find a business model that works for them.

Vision: Can you easily see where things can be improved? Can you quickly grasp the "big picture," and explain this to others? And can you create a compelling vision of the future, and then inspire other people to engage with that vision?

Initiative: Do you have initiative, and instinctively start problem-solving or business improvement projects?

Desire for Control: Do you enjoy being in charge and making decisions? Are you motivated to lead others?

Drive and Persistence: Are you self-motivated and energetic? And are you prepared to work hard, for a very long time, to realize your goals?

Risk Tolerance: Are you able to take risks, and make decisions when facts are uncertain?

Resilience: Are you resilient, so that you can pick yourself up when things don't go as planned? And do you learn and grow from your mistakes and failures? (If you avoid taking action because you're afraid of failing, our article on Overcoming Fear of Failure can help you face your fears and move forward.)

Interpersonal Skills: As a successful entrepreneur, you'll have to work closely with people – this is where it is critical to be able to build great relationships with your team, customers, suppliers, shareholders, investors, and more. Some people are more gifted in this area than others,

but, fortunately, you can learn and improve these skills. The types of interpersonal skills you'll need include:

Leadership and Motivation: Can you lead and motivate others to follow you and deliver your vision? And are you able to delegate work to others? As a successful entrepreneur, you'll have to depend on others to get beyond a very early stage in your business – there's just too much to do all on your own!

Communication Skills: Are you competent with all types of communication. You need to be able to communicate well to sell your vision of the future to investors, potential clients, team members, and more.

Listening: Do you hear what others are telling you? Your ability to listen can make or break you as an entrepreneur. Make sure that you're skilled at active listening and empathetic listening.

Personal Relations: Are you emotionally intelligent. The higher your EI, the easier it will be for you to work with others. The good news is that you can improve your emotional intelligence!

Negotiation: Are you a good negotiator. Not only do you need to negotiate keen prices, you also need to be able to resolve differences between people in a positive, mutually beneficial way.

Ethics: Do you deal with people based on respect, integrity, fairness, and truthfulness? Can you lead ethically? You'll find it hard to build a happy, committed team if you deal with people – staff, customers or suppliers – in a shabby way.

Critical and Creative Thinking Skills: As an entrepreneur, you also need to come up with fresh ideas, and make good decisions about opportunities and potential projects.

Many people think that you're either born creative or you're not. However, creativity is a skill that you can develop if you invest the time and effort.

Creative Thinking: Are you able to see situations from a variety of perspectives and come up with original ideas? (There are many creativity tools that will help you do this.)

Problem Solving: How good are you at coming up with sound solutions to the problems you're facing? Tools such as Cause & Effect Analysis, the 5 Whys Technique, and CATWOE are just some of the problem-solving tools that you'll need to be familiar with.

Recognizing Opportunities: Do you recognize opportunities when they present themselves? Can you spot a trend? And are you able to create a plan to take advantage of the opportunities you identify?

Practical Skills:

You also need the practical skills and knowledge needed to produce goods or services effectively, and run a company.

□ **Goal Setting:** Do you regularly set goals , create a plan to achieve them, and then carry out that plan?

□ **Planning and Organizing:** Do you have the talents, skills, and abilities necessary to achieve your goals? Can you coordinate people to achieve these efficiently and effectively? (Here, effective project management skills are important, as are basic organization skills.) And do you know how to develop a coherent, well thought-through business plan, including developing and learning from appropriate financial forecasts

□ **Decision Making:** How good are you at making decisions? Do you make them based on relevant information and by weighing the potential consequences? And are you confident in the decisions that you make? Core decision-making tools include Decision Tree Analysis, Grid Analysis, and Six Thinking Hats

You need **knowledge** in several areas when starting or running a business. For instance:

- **Business Knowledge:** Do you have a good general knowledge of the main functional areas of a business (sales, marketing, finance, and operations), and are you able to operate or manage others in these areas with a reasonable degree of competence?
- **Entrepreneurial Knowledge:** Do you understand how entrepreneurs raise capital? And do you understand the sheer amount of experimentation and hard work that may be needed to find a business model that works for you?
- **Opportunity-Specific Knowledge:** Do you understand the market you're attempting to enter, and do you know what you need to do to bring your product or service to market?
- **Venture-Specific Knowledge:** Do you know what you need to do to make this type of business successful? And do you understand the specifics of the business that you want to start? (This is where it's often useful to work for a short time in a similar business.)

Q.2 The path of entrepreneurship is normally, filled with challenges. Discuss the various external and internal challenges faced by small – scale enterprises at various phases.

Ans. Entrepreneurship comes with a host of challenges. Rewarding challenges, but harsh challenges nonetheless. Experienced entrepreneurs have to deal with this no matter how long they've been in business -- trying to establish a brand, adjust to match or exceed the competition and keep your business profitable is a challenge no matter how many years you've been in business.

Entrepreneurs face a number of problems in the promotion of units and during production,marketing,distribution,procurement of raw material,and availing of incentives offered by the State government.

The problems of entrepreneurs may be divided into two groups-external and internal.External problems are those, which result from factors beyond the control of entrepreneurs while internal problems are those, which are not influenced by external factors.

I. Internal Problems of Entrepreneurs

1. Planning

a) Technical feasibility

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

b) Economic viability

- High cost of input.
- Break-even point too high
- Uneconomic size of project
- Choice of idea
- Feeble structure
- Faulty planning
- Poor project implementation
- Lack of strategies
- Lack of vision
- Inadequate connections
- Lack of motivation
- Underestimation of financial requirements
- Unduly large investment in fixed assets
- Overestimation of demand

2. Implementation

Cost over-runs resulting from delays in getting licenses, sanctions and so on and inadequate mobilization of finance.

3. Production

a) Production management

- Inappropriate product mix
- Poor quality control
- Poor capacity utilization
- High cost of production
- Poor inventory maintenance and replacement
- Lack of timely and adequate modernization and so on
- High wastage
- Poor production

b) Labour management

- Excising high wage structure
- Inefficient handling of labour problems
- Excessive manpower
- Poor Labour productivity
- Poor labour relations
- Lack of trained skilled labour or technically competent personnel

c) Marketing Management

- Dependence on a single customer or a limited number of customers/single or a limited number of products.
- Poor sales realization
- Defective pricing policy
- Booking of large orders at fixed prices in an inflationary market
- Weak market organization
- Lack of market feed back and market research
- Unscrupulous sale purchase practices

d) Financial management

- Poor resource management and financial planning
- Faulty costing
- Dividend policy
- General financial indiscipline and application of funds for unauthorized purposes
- Deficiency of funds
- Over trading
- Unfavourable gearing or keeping adverse debt equity ratio
- Inadequate working capital
- Absence of cost consciousness
- Lack of effective collection machinery

e) Administrative management

- Over centralization
- Lack of professionalism
- Lack of feedback to management (management Information System)
- Lack of timely diversification
- Excessive expenditure on R&D

II. External Problems of Entrepreneurs

a) Infrastructure

- Location
- Power
- Water
- Post Office and so on
- Communication
- Non-availability or irregular supply of critical raw materials or other inputs
- Transport bottlenecks

(b) Financial

- Capital
- Working capital
- Long term funds
- Recovery
- Marketing Taxation
- Raw material

- Industrial and financial regulations
- Inspections
- Technology
- Government policy Administrative hurdles
- Rampant corruption
- Lack of direction
- Competitive and volatile environment

Q.3 Elaborate on the role of entrepreneurship in the economic development at the regional level and at the National level giving suitable examples.

Ans. The Role of an Entrepreneur in Economic Development:

The entrepreneur who is a business leader looks for ideas and puts them into effect in fostering economic growth and development. Entrepreneurship is one of the most important input in the economic development of a country. The entrepreneur acts as a trigger head to give spark to economic activities by his entrepreneurial decisions. He plays a pivotal role not only in the development of industrial sector of a country but also in the development of farm and service sector. The major roles played by an entrepreneur in the economic development of an economy is discussed in a systematic and orderly manner as follows.

(1) Promotes Capital Formation:

Entrepreneurs promote capital formation by mobilising the idle savings of public. They employ their own as well as borrowed resources for setting up their enterprises. Such type of entrepreneurial activities lead to value addition and creation of wealth, which is very essential for the industrial and economic development of the country.

(2) Creates Large-Scale Employment Opportunities:

Entrepreneurs provide immediate large-scale employment to the unemployed which is a chronic problem of underdeveloped nations. With the setting up of more and more units by entrepreneurs, both on small and large-scale numerous job opportunities are created for others. As time passes, these enterprises grow, providing direct and indirect employment opportunities to many more. In this way, entrepreneurs play an effective role in reducing the problem of unemployment in the country which in turn clears the path towards economic development of the nation.

(3) Promotes Balanced Regional Development:

Entrepreneurs help to remove regional disparities through setting up of industries in less developed and backward areas. The growth of industries and business in these areas lead to a large number of public benefits like road transport, health, education, entertainment, etc. Setting up of more industries lead to more development of backward regions and thereby promotes balanced regional development.

(4) Reduces Concentration of Economic Power:

Economic power is the natural outcome of industrial and business activity. Industrial development normally lead to concentration of economic power in the hands of a few individuals which results in the growth of monopolies. In order to redress this problem a large number of

entrepreneurs need to be developed, which will help reduce the concentration of economic power amongst the population.

(5) Wealth Creation and Distribution:

It stimulates equitable redistribution of wealth and income in the interest of the country to more people and geographic areas, thus giving benefit to larger sections of the society. Entrepreneurial activities also generate more activities and give a multiplier effect in the economy.

(6) Increasing Gross National Product and Per Capita Income:

Entrepreneurs are always on the look out for opportunities. They explore and exploit opportunities,, encourage effective resource mobilisation of capital and skill, bring in new products and services and develops markets for growth of the economy. In this way, they help increasing gross national product as well as per capita income of the people in a country. Increase in gross national product and per capita income of the people in a country, is a sign of economic growth.

(6) Improvement in the Standard of Living:

Increase in the standard of living of the people is a characteristic feature of economic development of the country. Entrepreneurs play a key role in increasing the standard of living of the people by adopting latest innovations in the production of wide variety of goods and services in large scale that too at a lower cost. This enables the people to avail better quality goods at lower prices which results in the improvement of their standard of living.

(7) Promotes Country's Export Trade:

Entrepreneurs help in promoting a country's export-trade, which is an important ingredient of economic development. They produce goods and services in large scale for the purpose earning huge amount of foreign exchange from export in order to combat the import dues requirement. Hence import substitution and export promotion ensure economic independence and development.

(8) Induces Backward and Forward Linkages:

Entrepreneurs like to work in an environment of change and try to maximise profits by innovation. When an enterprise is established in accordance with the changing technology, it induces backward and forward linkages which stimulate the process of economic development in the country.

(9) Facilitates Overall Development:Entrepreneurs act as catalytic agent for change which results in chain reaction. Once an enterprise is established, the process of industrialisation is set in motion. This unit will generate demand for various types of units required by it and there will be so many other units which require the output of this unit. This leads to overall development of an area due to increase in demand and setting up of more and more units. In this way, the entrepreneurs multiply their entrepreneurial activities, thus creating an environment of enthusiasm and conveying an impetus for overall development of the area.

Entrepreneurship and the state:

It is expected that entrepreneurship will, in light of the above, contribute to growth and employment creation in advanced, emerging and least developed economies alike. This is a reasonable expectation –one that is supported by recent findings of historians, economists and

management scientists. —With too many businessmen, levels of aspirations in a country may rise - it is well-known that with increasing material wealth (or opportunities) people's aspirations increase.¶

There are two major caveats however. The first is that for businessmen to play an appropriate role, the role of the state remains important, if not more so than before. Strong states, as regulators and gatekeepers, play a particularly vital role. In the absence of appropriate 'rules of the game', entrepreneurship may result in undesirable social outcomes, including corruption, crime, speculation and financial crises, and may worsen the vulnerabilities of people during natural disasters, as we have argued elsewhere.

The second is that while entrepreneurship may raise economic growth and material welfare, it may not always result in improvements in non-material welfare (or happiness). Promotion of happiness is increasingly seen as an essential goal. The recent Commission on the Measurement of Economic Performance and Social Progress recommended that —the time is ripe for our measurement system to shift emphasis from measuring economic production to measuring people's well-being'.

Entrepreneurship and national happiness

Do businessmen contribute to national happiness? The answer is both yes and no. We found that there exists an inverted U-shaped relationship between national happiness and entrepreneurship: up to a certain level an increase in entrepreneurship will be associated with an increase in national level happiness, after which it would be associated with a declining level of happiness.

Why would an increase in entrepreneurship at first lead to an increase in national happiness?

Businessmen create jobs – and we know that unemployment is a major and significant cause of unhappiness. We also know that the goods that businessmen provide, such as health and experiential activities, raise happiness levels. Moreover there is now a robust body of evidence that businessmen experience higher levels of job satisfaction than non-businessman and businessmen happiness can rub off on the happiness of non-businessmen.

But more businessmen may also be associated with lower national happiness. This could be when most businessmen are not so by choice, but by necessity. When people turn to entrepreneurship by necessity, they essentially lose their 'agency' or free will as far as their employment is concerned, and this is experienced as a loss of happiness. Evidence from the EU seems to support this: there is a robust negative relationship between the business ownership rate and businessmen's average job satisfaction across EU nations. This graph below illustrates how job satisfaction scores for businessmen and business ownership rates vary across the EU. Clearly, job satisfaction amongst businessmen is much higher when fewer of them need to be self-employed.