

MGT602

Theme 1

KEYPOINTS -

- ① Entrepreneurship is process of finding solution to problems)
 ∴ Entrepreneurship is buzzword (fashionable at particular time)
 ∴ It's about doing business, creating profits, work force to econⁿ
- ② Entrepreneurs (who's solution provider) are genius, super-smart people and risk takers.
 ∴ Successful business is not a coincidence.
 ∴ It help new graduates learn business theory and help business does to handle things like marketing, money.
 ∴ It is a great source of creating jobs and establish a balance between job creators and job seekers.
 ∴ Entrepreneurship is nature of mankind → enterprising
 ∴ Word "entrepreneurs" — French word which means "entre" → between, "prendre" → to take
 "who take on the risk between buyer/seller)

definition -

- ∴ "Entrepreneur is a person, with foresight and confidence, operate in condition where cost maybe known but rewards are uncertain".
 ∴ entrepreneurs Just care about money (myth)
- ③ BIC (Business Incubation Center) - a place that help startup companies to develop and grow → by giving money, place to work or advice. → are like spring-board to new business.

④ Reasons to become entrepreneur → ① Being creative. ② Wanting to be their own boss ③ Want to learn new things ④ to make money.

(any 5)
⑤ Benefits of being entrepreneur —
- decide your own path — Being creative — Can be entrepreneur at any age — motivating because you take a lot responsibility — help society and economy — you make big impact on world — financially rewarding — flexibility in schedule — Work with people you like — way to learn and share what you know

(Aur phir sbh Khushi Khushi rehny lghy) ∴
∴ Ik wari PPT slides ya article prh laiyo.
ye bs key-points.

(Full) Theme 2

2-dec-23

(Ready any 5)

⑥ Drawbacks of being entrepreneur —
- Uncertain income — Risk of losing entire investment — long hours hard work — lower quality of life until business gets establish — high level stress — can't blame anyone else — initial failure and discourage — multitasking — family / social risk — sacrificing personal capital or debt burden

① Source of motivation -

(i) Economic factors -

- Purchasing power (know what people can afford)
(Inflation/deflation)
- Watch how changing prices can affect buying behaviour
- Loan rates - (consider how loan cost affect business)
- Industry growth - (look for growing business areas)
- Tax rates/global ties (chk for tax benefits/global connections)

(ii) Demographic factors -

- Age group ^(young entrepreneurs) (make things for different ages)
- Minority entrepreneurs (specific needs for diverse group)
- Woman entrepreneurs (Notice rise of women starting business)
- Urbanization (turn city problems into business chances)
- Co-preneurs → (working-couples) → (help by couples with your ideas)
- Part-time entrepreneurs (online services for business)
- Home-based entrepreneurs (think about social media to grow business)

(iii) Entrepreneurial education - (university offer degrees in entrepreneurship → motivate ^{youngsters} to start their own business)

(iv) Incubation centres → (also a motivation as they help initially)

(v) Shift to service economy - ^(emphasizing service) (business shift online)

(vi) Technical advancement - (like robots)

(vii) E-Commerce and world wide web - (crucial use of internet)

(viii) Personal reason - (another reason)

(ix) self accomplishment / gratification - (feel good about your work)

∴ (Just read once to get idea)

⑥ How to become entrepreneur?

- Some imp concepts
- (i) Academic spinout: Graduates leave studies to try business
 - (ii) Inside-out approach (students - gets inspired by teachers or videos and start their own videos.)
 - (iii) Outside-In approach (employers inspired get to think about their own business and BICs help them)

There are multiple ways to become entrepreneurs.

- Establish new business
- Buying existing one
- Family entrepreneurship
- Franchising.

2nd, 3rd, 4th theme on these points

(A) Establish New Business

- Starting business from scratch
- Require time, risk, finance, uncertainty
- Issues and challenges -
 - BICs help in overcoming challenges.
 - Networks helps through industry gatherings
 - Lack market knowledge
 - Limited finance
 - Lack of skilled workers
 - Product development

- Stages of new Venture Creation - (imp)

- cultural/market ^① awareness • Lack of info, so seek
- strong ^② determination needed • Idea ^④ of product/service
- Pre-start ^⑤ preparation • start-up ^⑥ challenge
- Growth/expansion ^⑦ • Networking ^⑧ • Training ^⑨

- Key points to consider - (any 5)

- Economic factors • exciting aspects of entrepreneurship
- your business plan • Resources (difficult to obtain)
- info seeking, researches • Investors • product development • Competitors • Entrepreneurship myopia (like wearing glasses that only see favorite part (success) and leave hard and tricky parts of other entrepreneurs' success stories)
- Daisy foody people only know taste of tasty foods, forget weight gaining thing
- Just like me :)

(B) Buy Existing Business

- Preparation and Knowledge

- Know about business you intend to buy
- Relevant experience! is beneficial • Market and target segment • Price/payment method
- Business liability • Brand

- Advantages - (any 5)

- successful existing business • Already have best location • Product quality already known
- save time, energy and cost
- Established employees and suppliers

- Disadvantages

- It's a loser
- Negative brand image
- Partnership problems
- existing employees may leave
- Unsatisfactory location.

- Find out, why business is for sale?

- Owner's old age or illness
- owner moving to different location or country
- Better option of accepting other company's position
- Business no longer profitable
- Mature industry but lack growth

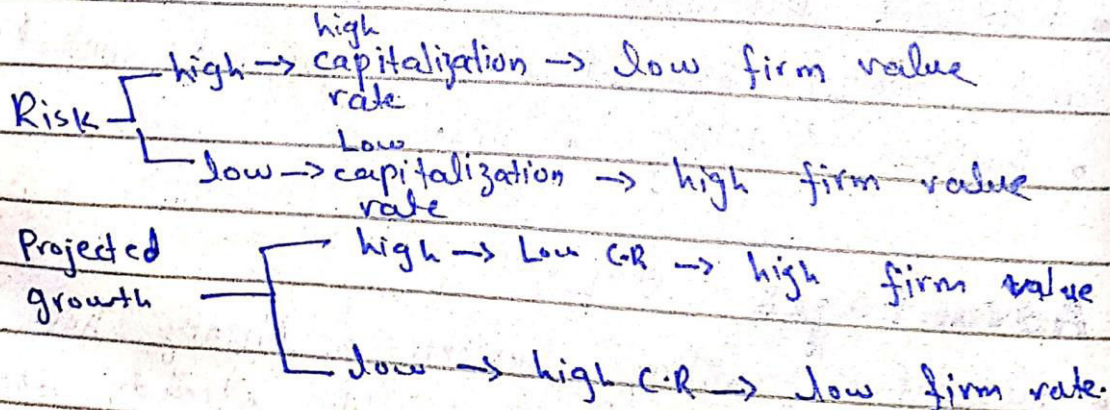
- Financial data examination

- Review financial statement for 5 years
- Be aware of misleading data
- Adjust ^(Price) ~~assets~~ ^{Valuation} ~~(things)~~ to reflect true state of business

- Investing / evaluating Business

- Avoid hasty decisions
- consider professional service
- Use valuation approaches

- Determination of Firm's Capitalization rate



- Factors to consider in valuing business

(Non-quantitative factors)

- Competition (Community Impact)
- Market development
- Buildings
- Future community development
- Product prices
- goodwill
- customer base

- Closing the deal

• Terms of Purchase

- choose whether to buy whole business or just stuff
- add protection against possible issues (Indemnification clause)
- Decide to pay once or in installments

• Closing the sale

- Make things easier by involvement of third party ^{lawyer}
- Use Bill of sale to write all imp stuff
- Get right tax papers for smooth handover
- Be clear about how/when you are paying the seller.

> 30 to 40 % must paid in advance / other in 3 to 4 installments

Theme 3

2-Dec-23

(C) Family Business

- Ownership controlled by Family members (not limited to blood relations but other family members ^{too})
- If business successful → transfer to next generations
- Business owned controlled by more than two family members called family business.
- overlapping roles of individual, family, business is also a plus point.

- Characteristics (any 5)

- shared vision, values and goals
- have proper plan
- Well-written procedures
- Expectations
- Guidelines for succession (transferring ownership of family business to next generation)
- Family time / union
- Professional management
- pre-planned responsibilities
- Proper governance structures
- family wisdom with outside advisors.

- Challenges (Any 5)

- Family competition
- glass ceiling (difficult for female family members to take over business when no-male member in family)
- Role conflict (Parents / professional roles, diff management styles of parents and childrens; financial accountability → don't want to track financial spending as they are family)
- Too much family involvement
- Succession delay (because of fear of death, hesitation of losing power (control), inability to chose among children, fear of retirement, Jealousy etc)
- Successful business → succession → not longer success → make bussiness blur
- Lack of interest in family business

- Family concerns

- Care of family members
- Providing jobs in business
- Family loyalty

Business concerns

- Goods/services production
- Professional management
- Work smooth (business)

- Research facts about family business

- 80% family business out of all businesses
- No more than 30% family business transfer to next generations
- 10 to 15% usually transferred to 3rd generation
- 2 to 4% transferred to 4th generation.

- Advantages (Any 5)

- Strength of family relationships during challenges in business
- Financial sacrifices for sometimes to bring firm work on normal condition
- Distinguishes firm from competitors as firm business is owned by family.
- Researchers shows → Family business show high level concern for community and contribute more in social work.
- Better quality and values.
- Capability to plan and prepare for long run

- Family business unique attributes

- Business founder's values shape business culture
- Common values (non-family members in family business also exhibit these values)
- Four kinds of commitments affect

family business: (COND)

- Cost • Obligation • Need • Desired-based commitment
- lacking in any commitment may lead to turnover

- Professional management of family firm

- New thinking must be encouraged - avoid inertia
- take input from non-family members to update your perspective
- Hire excellent managers other than family.
- Organization's environment must be creative/flexible
- Create and conserve capital
- keep unique advantage of family to exploit.

- Family Roles and Relationship

(Successful Succession)

- Evaluate child's temperament, education, capabilities
- Prevent business to damage family relationship
- Avoid favoritism developing in child.
- timetable → when to include them or train.

• Family conflict → avoid conflicts, then

Away from discussing business in family gathering and make family business council. and discuss conflicts resolve it.

- Take guidance from constitution → (statement of principals intended to guide family firm through times of crisis and change)

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Boring

## - Condition that make family business's Succession easy.

- Sound and profitable business
- Stable healthy family relationships
- Advanced planning of succession
- Positive family leadership
- Presentation of career opportunities without pressure.

## - Stages of Succession

- Pre-Business involvement • Small tasks
- proper education • proof of competence
- Declaration.

## - Transfer of ownership → things to kept in mind

who will? when? what about shares?  
ownership transfer gradually or at once?  
tax consideration? wealth and assets

## - Family business teams

- Husband - wife → opportunities of working together in business
- Siblings → deals tricky stuff together, build shared family bonds
- In-laws → disagreement → so set rules
- son - daughters -

## Routes to entrepreneurship

### (D) Franchising

- Forth business route
- Taking limited rights of doing business for an existing enterprice to start your work
- Popular mode - Least risky business
- more reward.
- This is kind of marketing system in which strong and existing business holder (Franchiser) gives rights of business to franchisee (limited rights taker) for operating its business based on Franchise agreement (terms and conditions)
- " It's basically two party system)

#### - Pluses / minutes (any 5)

- Positive aspects — you don't enter alone, as support of franchiser remains with you.
- Risk is less - Business training - Financial help - Proven marketing methods (from other experienced franchisers) - Management support
- Startup time is less.
- overall failure rate is less.

- negative aspects - Not cheap (you've to invest alot)
- You've to give part of your business earning to franchiser on regular basis
  - Growth of franchisee remain restricted
  - Can't sell or expand business - operations monitored by franchiser - Every franchiser have willingness of termination (winding-up of business - an advantage to franchiser but not to franchisee)

## - Franchising Concepts

- Franchiser → one who give right of business to other party based on term/conditions of agreement
- Franchisee → who take/buy rights to do business

## - Methods of Franchising (imp)

- ① Product and trade name franchising :-  
(right of using brand name, not to produce but sell only)
- ② Business format franchising :- (similar system to operate as that of franchiser) - "franchisee is copy of franchiser"  
∴ all fast-food restaurants work on this method
- ③ Piggyback franchising :- (neither franchisee uses brand name nor deal with product. Just use location like canteens in college)
- ④ Area developer :- (rights of having franchiser's outlet in city)
- ⑤ Multiunit ownership :- (single franchisee owns more than one unit of same franchiser)

## - Franchising costs - of four types

- ① Initial franchise fee: (non-refundable, commercial use of franchiser's name by franchisee)
- ② Cash investment: (for development of physical infrastructure of business)
- ③ Royalty payment: (Part of franchisee's earning to franchiser on regular basis - range from 5 to 25%)
- ④ Advertising expense: (cost of advertising from franchiser)

## - Controls franchiser have

- ① Franchisee offer only approved product / services by franchiser
- ② Appearance of outlet as per guidelines regarding design, layout of brand's style - (same design, layout, logo)
- ③ stick to specific areas assigned by franchiser
- ④ Follow set operating hours and approved franchising advertising methods by franchiser

## - Evaluate Franchise opportunities - by 3 ways

- ① By personal observation
- ② By advertisement
- ③ By investigation

## - Franchiser - Franchisee relationship (any 5)

- Should be productive - responsible - show empathy
- understanding - Communication - Give/take relationship
- hope about future - open-mindedness - Franchiser has upper hand but he must not spoil franchisee business as (Joss apna ee hona)

⇒ Married couple also need these characteristics -



## - Co-entrepreneurship

- "Co." means "two" people working together.
- Two people work together on entrepreneurial project
- No restriction of age, gender, cost etc.
- **How to become one?** Three ways
  - ① Co-founder (two people founder of venture)
  - ② Advisor (good advisor of establishing business)
  - ③ Investor (Invest capital on venture establishment)
- **Issues — (Any 8)**
  - ① Personality conflicts
  - ② Risk taking behavior
  - ③ Personal life and commitments
  - ④ Team conflicts
  - ⑤ Financial matters
  - ⑥ Profit sharing
  - ⑦ Partnership dissolution
  - ⑧ Scale up issues

## - Minority and senior entrepreneurs

- Minority means a group of people who are less in number — face disadvantages in society
- Minority can be gender based, language, ethnicity, Race, religion, disability
- **Issues —**
  - ① Discrimination (unjustice)
  - ② Access of finance (like loan from bank)
  - ③ Mis-use of language, emotions, religion.
- **Senior entrepreneurship** — fastest growing group of entrepreneurs — start after 50 age, near retirement

## • motives to become one? (my r)

- ① To get more knowledge / experience
- ② Corporate layoffs (large company notice)
- ③ Personal fulfillments
- ④ self-actualization
- ⑤ Need of additional income
- ⑥ spending quality time.

## - Part time and home based entrepreneurs

• Full time entrepreneurs - has to bear the cost and associated risk of business only for single business commitment

• Part-time entrepreneurs - is not main source of income for entrepreneur

• additional job after office hours

• motives - can be financial or non-financial

- ① lesser income
- ② to just develop idea to start own business
- ③ social pressure

• demand time and social life

• have to manage both risk with good balance

• Home-based entrepreneurship - at home

• common in rural areas • also called

micro or nano business • Skill-based business

• Mostly females engaged • not mature business as no scale-up • Finance issue

• Work-life balance

## Social entrepreneurs

- Doing business for social cause
- Social entrepreneurs solve community issues
- willing to take risk for true change in society (not only for profit but for good change too)
- Business model + NGOs = social entrepreneurship
- also called socio-economic business model
- Issues —
  - ① Financial Sustainability (money)
  - ② Operational self-sufficiency (independence)
  - ③ Business Sustainability (success)

## Wanpreneurs (ang s)

- people who make unrealistic desires to start business (money)
  - risk-averse (risk avoiders)
  - Day-dreaming
  - Big-plans
  - following passion of others
  - easily get discourage
  - complains about failure
  - don't take responsibility of their wrong doings
  - Difference b/w entrepreneur and wanpreneur
- Today ————— Tomorrow
- (opportunity → idea → Business plan → startup) ideal
- Today ————— Tomorrow
- opportunity → idea → confusion → idea) flop

yeah!!!

this is me!!!

ü

## - Pitfalls - entrepreneurial advices

| Pitfalls                         | (any 5) | Avoid them                       |
|----------------------------------|---------|----------------------------------|
| ① Lack of managerial-skills      |         | ① self-awareness                 |
| ② Lack of experience             |         | ② knowledge indepth              |
| ③ poor financial control         |         | ③ solid business plan            |
| ④ Weak marketing effort          |         | ④ manage financial resources     |
| ⑤ failure to make strategic plan |         | ⑤ understand financial statement |
| ⑥ Uncontrolled growth            |         | ⑥ learn to manage people         |
| ⑦ poor location                  |         | ⑦ keep in tune with urself       |
| ⑧ incorrect pricing              |         | ⑧ research about marketing       |
| ⑨ No entrepreneurial qualities   |         | ⑨ networking                     |
| ⑩ Networking?                    |         | ⑩ expert advice                  |

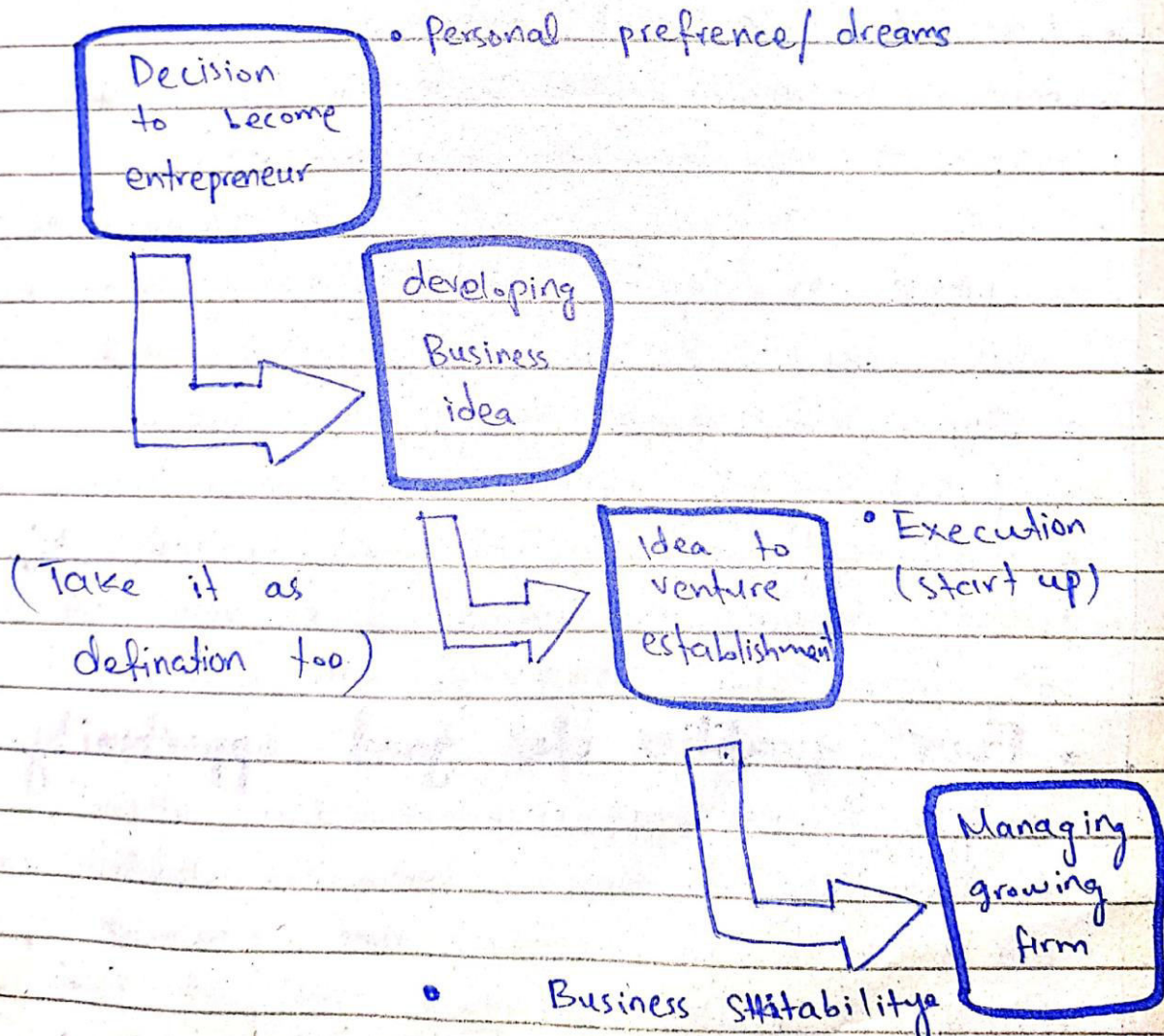
## - Successfull entrepreneurs

| Characteristics                                       | (any 5) | Key skills               |
|-------------------------------------------------------|---------|--------------------------|
| ① self starter                                        |         | ① Goal setting           |
| ② Discipline                                          |         | ② Learning               |
| ③ extra-ordinary intelligence                         |         | ③ Efficiency             |
| ④ strong work ethics                                  |         | ④ opportunity seeking    |
| ⑤ Empathy                                             |         | ⑤ Info seeking           |
| ⑥ vision                                              |         | ⑥ financial intelligence |
| ⑦ Creative                                            |         | ⑦ Quality assurance      |
| ⑧ open minded                                         |         | ⑧ communication skills   |
| ⑨ self-assurance                                      |         | ⑨ Networking             |
| ⑩ Tenacity despite failure<br>(strong grip even with) |         | ⑩ Digital marketing      |

# Entrepreneurial Process

- Include all functions action, activities that are part of opportunity recognition and creating organization to pursue them
- It's long term process and require ① hard work, smart work ② Personal commitment ③ Consistency and persistence

• Process →



## • Entrepreneurial traits



## Entrepreneurial Process

- ① Knowledge/inspiration → idea
- ② Dream/desire/Inventiveness → venture development
- ③ Determination/trial/error/Productivity/efficiency → Production and operation
- ④ Leadership/Networking → Managing/Growth

## • Business Opportunity

- "It is a favorable set of circumstances that create need for new product/service/business".
- filling the gap
- Can be external (external opportunity means entrepreneur ~~start~~ to decide to start business → look for opportunity → start)
- Can be internal (means entrepreneur sees a problem or gap → opportunity → creat business to fill gap)
- Opportunities are tough to locate
- possibility to fill a large need successfully
- misperception that it must be unique X
- start business on demand of customer not on what you want to sell.

## • Four qualities of good opportunity.

- ① Attractiveness (preference, financially attainable)  
Timeliness
- ② Durability (on time in which it's needed, ~~sustainable~~)
- ③ Durability (no for short time, sustainable)
- ④ Value proposition (product must add value for buyer)

- For entrepreneur, opportunity window should be opened.

• **Idea** is thought, picture in mind, imagination. It may / may not meet criteria of opportunity.

• **Opportunity** must possess all four qualities  
 ① attractive ② durable ③ timely ④ value full

• **Three major ways to identify one-**

① Observing trends:

- (a) Green trend (sustainable, recycle, <sup>use</sup> no plastic, waste)
- (b) Clean energy trend and global warming (like solar)
- (c) Organic orientation trend (human friendly organic <sup>use</sup>)
- (d) fitness/health trends (yoga-work out equipments)
- (e) Social networking trend (advisor, marketing, idea)
- (f) Traveling / adventure (tourist firms etc)
- (g) Bloggers / vloggers / virtual communicates

② Solving problem ③ Finding gap in market place

• Other factors to identify opportunity.

① **Demography and social forces** — means statistical structure of populations

- (a) age — (diff age brackets have diff demands)
- (b) Working couples (c) single parents
- (d) Region / ethnic grps (e) diversity of workforce

② **Economic / Technological forces** — plays imp role in identification of opportunities — must understand type of economies

(a) **Economic factors** —

- (i) Command economic system or planned economic system  
 (controll by government)

(ii) Market economic system — Free market  
(control by market instead of government)

(iii) Mixed economic system — mix of command and market economy — market is free but govt. still involved in certain regulations

This is mostly used economy — also called modern economic system — co-existence of private and public sector

• (economic indicators → GDP (annual growth rate, per capita), inflation, deflation rate, balance of trade, corporate tax rate, price index CPI, foreign exchange reserves)

(b) **Technological forces** — play imp role.

(i) Big data (large complex data — can't be handled traditionally)

(ii) cloud computing (using internet for managing data)

(iii) Artificial intelligence (AI) like Chat GPT

(iv) Machine learning (v) Robot using automation

• **Social innovation?** "Creating and implementing new ideas or solutions to address social issues and improve the well being of communities."

**Social entrepreneur** — who recognize problem in society and solve it

• A business but solving social problems

For example (cure disease → pharmaceutical company → business — earn profit → solve social problem)

This is entrepreneur and social

## • Gap in market Idea - attributes ③

- ① It's something new and original
- ② Improve something already exist
- ③ already exist but find new market.

• For this → entrepreneur must know 3 things

- ① market research ② market intelligence ③ industry analysis

## • Techniques of idea generation

- ① Brainstorming → gather people cz its group technique → generate ideas by discussing (no negative comments, wild ideas, more the ideas more good, Think out of box)
- ② Brain Writing → reverse brain storming → give paper to all participants and every one will write down their ideas.
- ③ Problem inventory analysis → method of obtaining new ideas and solution by focusing on existing problem → Problem's list provided in beginning of discussion to every person.
- ④ Mind mapping → central idea is written → the every one ask to come up with idea that branch out from central idea → graphical representation of ideas.

## Sources — (any 5)

- ① Library (source of info) ② Habit of reading
- ③ magazines ④ Journals ⑤ industry reports ⑥ Govt. report
- ⑦ Internet ⑧ Incubation centres ⑨ family and friends
- ⑩ Expert opinion ⑪ Database

**Intuition** → entrepreneur's ability → ability to know something without any info or proof

😊 ∴ Aur phir sbk khushi khushi rehne lgey