

ENTREPRENEURIAL OPPORTUNITIES AND ENTERPRISE CREATION

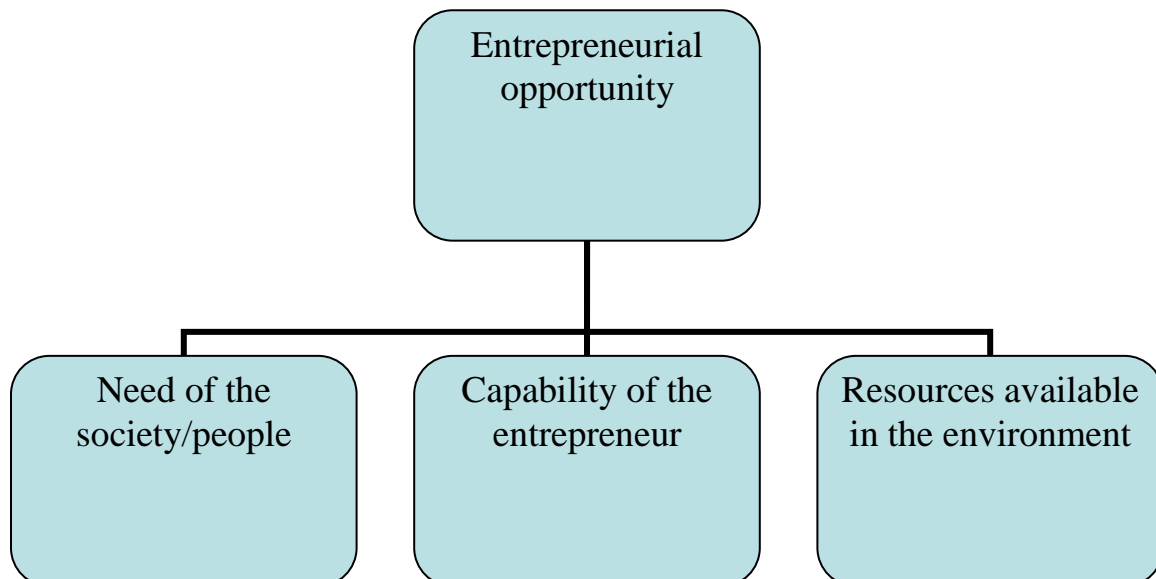
SENSING ENTREPRENEURIAL OPPORTUNITIES

Opportunities:- Opportunities means an attractive project idea which an entrepreneur accepts as a basis for his investment decision. The business entrepreneurs have to face major problems such as identification of entrepreneurial opportunities etc. and this identification helps in finding out possibilities for industry or business unit.

“Opportunities never knock on the door, you have to knock on opportunities door and they are all around.”

By Thomas Watson

Sensing entrepreneurial Opportunities:-



Entrepreneurial Opportunities:- An entrepreneur is an opportunity seeker in practice. He should identify, explore and choose the best and viable business opportunities. There are two main criteria which helps him to make a possibility as an entrepreneurial opportunity:-

- Demand is more than the supply in the market.
- Adequate rate or return.

The sensing of entrepreneurial opportunities includes (as per the diagram):-

1) Need of the society for people: An idea may be very good but for converting it into an entrepreneurial opportunity, public (people) must feel its need. If the need has not been felt, the idea will remain dormant till efforts are made to convert this need into a feeling (felt), desirable and achievable need in the society.

2) Capability of the entrepreneur: Prospective self – employed persons may possess a variety of capabilities, exposures and potential due to different family background previous experience, exposures and personality traits. These varied capabilities make an entrepreneur more suitable for certain projects and less capable for others.

3) Resources available in the environment: In order to convert ideas into business opportunities, certain resources are required. These resources may be in terms of Financer, Raw-material, technology, infrastructure Facilities, Physical features, climate and skills. For final identification of the project, It is necessary to list the types of resources required and also the type of resources available in the present environment and which can be procured.

Aims and objectives of Entrepreneurial opportunities:-

Following are the aims and objectives of entrepreneurial opportunities:-

- Size of industrial possibilities.
- Develop and use of resources.
- Scope for other industry.
- Balanced economic growth.
- Economic consideration.

- Overall impact.

1) Size of industrial possibilities: Identification of entrepreneurial opportunities helps in evaluating the small, medium and large scale industrial possibilities keeping in mind the requirement of specific area and nation as a whole.

2) Develop and use of resources: The prime objective of identification of entrepreneurial opportunities is to study the possibilities of developing and using the available physical resources of a particular region.

3) Scope for other industries: One of the main objectives of identification of entrepreneurial opportunity is that it assists in recommending the usefulness of other possible suited industries for the area.

4) Balanced economic growth: It recommends an effective programmes for balanced economic growth of the concerned area by studying the short and long term possibilities of the area with regard to agriculture, irrigation, forestry, fisheries, etc.

5) Economic consideration: It also assists in establishes the industries which are not suited to local resources but they are important for the future requirement of the area or country.

6) Overall impact: It studies the impact of achievement in financial resources, production, employment and initial requirement of capital of a capital on industrial development process.

ENVIRONMENT SCANNING

Meaning: The word environment refers to the surroundings that exists around us. Similarly, a business does not exist in vaccum. Different tastes, conditions, policies, etc. of the customers and governments have different effects in the business environment. That's why, environments scanning is most important for each and every business entrepreneur.

The process by which different organizations monitor their environment to identify the various threats as well as opportunities affecting the business is known as environments scanning.

In other words, environmental scanning is the careful study of various factors affecting in the business environment.

“Environmental scanning is the process by which strategies monitor the environmental factors to determine opportunities for threats to their firms, Environmental factors also consists of managerial decisions made by assessing the significance of the data to the environment scanning.

By Jauch and Glueck.

Need and importance of environment scanning: Following are the needs of environment scanning:

1) Analysis of the environment: A clear cut picture is provided by environment scanning about the existing environment. The change in customer’s tastes and preference, moves of competitors, new innovations, etc. cannot be predicted without environment.

2) Identification of threats and opportunities: Environment scanning can assists the entrepreneur to identify the threats and opportunities,.

3) Future prediction: One of the most important functions and skills of eh entrepreneurs is predicting the future. Entrepreneur can perform their function in a better way by scanning entrepreneurs.

4) Maximum utilization of resources: The success of business depends upon the effective use of company resources,. Environmental scanning helps in evaluating the strengths and weaknesses of company in the light of environmental threats and opportunities.

Environmental scanning process: The process of environmental scanning is as follow:

1) Economy:

- Economic growth rate.
- Gross Domestic Product (GDP)
- Per capita income.
- Unemployment level.
- Inflation rate.
- Trade balances.
- Currency exchange rate.

- Balance of payments (BOP)
- Future trends.

2) *Government:*

- Government debts.
- Import tariffs and quotas.
- Export restrictions.
- Political risks and stability,
- Political climate.
- Budget surplus.

3) *Legal/ environment*

- Environmental protection laws.
- Consumer protection laws.
- Employee protection laws.
- Business laws.
- Foreign trade and investment laws.

4) *Technology*

- New manufacturing processes.
- Industrial productivity,
- Infrastructure efficiency.
- New product and services of competitions.]
- Cost and accessibility of electrical and other sources of power.]

5) *Socio-cultural environment*

- Population size and distribution.
- Education levels.
- Income levels.
- Age distribution.
- Ethnic origins.
- Consumerism.
- Role of family.
- Religious obligations.

- Environmentalism.
- Importance of work.

6) Stake holders

- Shareholders.
- Partners,
- Socio-economic environment.
- Political environment.
- Employees.
- Public.

7) Potential suppliers

- Labour
- Material
- Services.

Approaches to environmental scanning: Following are the approaches to environmental scanning:

1) Systematic approach: Under this approach, the information is gathered for environmental scanning relating to market and customers, government policies statements, changes in legislations, etc. The information is collected in a very systematic manner in a continuous basis. In this way,

- Information for environmental scanning is collected in a very systematic manner.
- Regular updating of such information is essential for performing various operational activities,
- Information about the business and industry is also collected regularly so that by change can be made.

2) Adhoc approach: Adhoc approach is used only for special surveys and studies to take the special issues and studies to take the special issues into considerations. Such approach is not used continuously in this.

- Organisms may conduct special survey and studies to deal with specific environmental issue from time to time.

- Any changes and unforeseen developments may also be investigated with the help of this approach.

3) Processed form approach: This approach requires processed data collected from different sources i.e. both internal as well as external. The information is supplied by the government agencies or private institutions and is used in a processed form.

MARKET ASSESSMENT

Market: Market is a place where the buyers and sellers exchange their goods and services. Basically the “market” used is derived from the word “Marcatus” which means trade, tariff, merchandise or a place where business is conducted.

In broader sense, market is the whole of any area in which buyers and sellers are brought to contact with one another.

“Market includes activities involved in the flow of goods and services from production to consumption.”

By Converse

“The market, in economics is simply the network of dealing in any factor or product between the buyers and the sellers.”

By Carin Cross

Market Assessment:- As we all know that the market composed of large numbers of customers who are of different backgrounds with different education, tastes, incomes, preferences, likes and dislikes, etc. so, in order to meet the requirements, wants and needs of different customers and the enterprise will do it, is known as market assessment.

The producers or manufacturers use various changing techniques to create the needs or wants among the varied customers from time to time. The generated or created wants of the customers is known as “marketing” and the techniques or methods applied for doing so is called as “market assessment”

Steps or Techniques of Market Assessment: Following are the techniques of market assessment:-

1) Market demand or demand forecasting analysis: Market demand for a product is the total volume that would be bought by a defined customer group in

a defined geographical area in a defined period of time in a defined marketing environment under a defined programmed. While estimating about the meaning of market demand the following eight variables should be taken into consideration:

- 1) Product
- 2) Total volume.
- 3) Bought.
- 4) Customer group.
- 5) Geographical area.
- 6) Time period.
- 7) Marketing environment.
- 8) Marketing programme.

2) Competitive situation analysis: Competitive is a situation in which two or more parties are having the same thing. The competitive situation analysis is the process of identifying the key competitors and assessing their objectives, strategies strengths and weaknesses, patterns also selecting those competitors who should be attached or avoided.

3) Trade Practice analysis: After assessing the market demand of the product, the next important thing to be studied and analysis is how to make the product analysis available to the consumers who are located far flung places. In this analysis the product can be made available to the consumer either directly by the manufacture or through intermediates known as middleman which trade process should be applied by the manufacturer involves serious thinking to the consumers directly by the manufacture may not be feasible or may not be desirable.

Therefore a proper understanding of the following questions will help the entrepreneur to formulate policies that are in tune wit the market requirements.

1. What are the different trade practices available?
2. What are the costs involved in availing them?
3. What are the infrastructure facilities available and what are the required ones?
4. What kind of product features the intermediaries are looking for?

5. What prices are offered by the trade members to buy the product with different features?

IDENTIFICATION OF ENTREPRENEURIAL OPPORTUNITIES:

Factors affecting the identification of entrepreneurial opportunities:

1) Demand of the product: Usually higher the income level, higher will be the demand of the product. So the various aspects like level of national income per capita income, size of population etc, have a great effect on the demand of the product.

2) Availability of raw - material: The easy, regular and proper supply of raw-material helps in smooth production and thus motivate the entrepreneur to take constructive steps to set up an enterprise.

3) Availability of seed capital: Availability of seed capital and personal connections motivated the entrepreneur to undertake the entrepreneurial activities properly.

4) Collecting information about the industrial development: A good and new entrepreneur should always make a critical study about the nature of product, form and expansion etc, of a particular industry. So the he can give a final shape to a particular proposal.

5) Level of risk in the business: Various types of risk like economical risks, technical risks, social risks, environmental risks etc are involved in a particular business. Therefore an entrepreneur should assess the impact of the business at the time of identification.

6) To study the performance of existing unit: When a new entrepreneur is going to start an enterprise, he / she have to study all the performance to other units i.e. weaknesses of the units, strengths, level of income, etc, After studying all this he will get the information that how to start an enterprise and how to minimize

- **Sole proprietorship:** Sole trader is that type of business which is started and managed by one person is responsible for profits and losses. Since the

person take risks alone. Therefore, all profits in business as well as losses are borne by him. Sole trader is known as sole proprietor. Sole trader business at small scale.

Small trader is an ancient and simple form of organization. Historically this form of organization took birth in some shape, it is said that this organization was evolved at the time when man started living in families.

“Sole trading business is owned, managed and control by individual as one who is responsible for its management.”

By L.H. Hanlay

“Sole proprietorship is a business entitles an operated by one individual who carries all financial and administrative employing such persons as many as necessary.”

By Edward.

Features of sole tradership: Following are the main features of sole tradership:

1) Individual proprietorship: In this organization the control of business is in hands of one person and he himself is responsible for all affairs of business.

2) Unlimited liability: The liabilities of sole trader are unlimited. He is alone liable for all risks and securities of business and his liability is personal. In other words business debts can be paid out private property of business.

3) Legal formalities:- There are no legal formalities for establishing sole trader business. This type of business can be started as well as discontinued at any time without any hurdle.

4) Limited area of operation:- Sole trader has very limited area of operation. This is due to limited resources available to him. Eg. Limit capital, limit management ability, etc.

5) Monopoly on profits:- In some tradership, sole trader lone bear all risks of business, therefore he is alone responsible for profits.

6) **Freedom in selection of trade:-** Sole trader has freedom to select the business of his choice. He does not have to conduct with any person while selecting the business.

Merits:- Following are the merits of sole trader:-

1) **Easy formation:-** It is very easy to start business under this form of organization. There are no legal formalities.

2) **Prompt decision:-** Since sole traders are alone responsible for business matters and he has not to consult any other for taking decision. Therefore, he is able to take quick decision.

3) **Secrecy:-** Sole trader is owner and manager of his business. Therefore he is able to keep secrecy of business matters.

4) **Ease to dissolution:-** It is very easy to dissolve a sole tradership organization. Sole trader has to take this decision at his own and he does not have to need to justify his decision.

5) **Incentive for hard work:-** The more sole trader work hard, the more he got benefited out of its work. Therefore, a sole trader works hard so that he can maximize his profits otherwise he himself has to bear losses.

6) **Limited capital:-** Sole trader business can be established with limited resources. No huge capital has to bear losses.

7) **Flexibility:-** There is need for exchange in business organization, then sole trader is able to do so without any delay. He can change his policies with the change in circumstances.

Demerits: Following are the demerits of sole trader.

1) **Limited resources:** In this modern age, those industries can survive which have the ability to produce at large scale. Big industries require more capital, the sole trader has limited capital resources. He runs a business with this own money from friends relatives and banks as and when needed.

2) **Limited managerial ability:** Sole trader has limited managerial abilities. In today's world, business complexities have increased to extent that trader has

to act consciously. The market changes in day-to-day basis and same is with loss.

3) One man control can prove fatal: One man ability and decision can be proves fatal for an organization.

4) Loss by absence: Success of business depends upon the proper management looking after and presence of owner. If due to some reasons the trader remain absent form business, he has to depend upon his employees.

5) Lack of expansion: Sole trader has limited resources, management ability, capital and responsibility, therefore, he can expand the business only to a specific limit.

PARTNERSHIP: Partnership is an association of two or more persons in which they enter into contract with their independently will for mutual benefits by using money properly.

Partnership is a relation between persons who have agreed to share profits of business cattles on by all of any of them acting for all.

India partnership act 1932,” A partnership firm as it is often called a group of men who join capital or services for prosecution of a small enterprise.

“Two or more individuals may form a partnership by making a written or oral management that they will jointly assume full responsibility for the conduct of business.”

By John A. Shubin.

“The relationship between person to carry on a business in common with a view to private gain.”

By L.H. Hanley.

Features of partnership: Following are the features of partnership:

1) Plurality of persons: There must be at least two persons. Without that partnership cannot be formed. If any point of them, the number decrease below to partnership ends automatically,. In partnership, maximum number of persons

can be up to 20 but in case of partnership, doing banking business number should not increase 10.

2) Existence of business: There must be existence of business in partnership in association made for non-business activities will not be considered partnership. It includes all commercial and professional activities to learn.

3) Constructional relationship: Partnership originated from mutual contract among partners. This contract is made through their mutual relationship, Any person who cannot enter into contract became a partner of their firm.

4) Profits motive and sharing of profits: The main aim of partners is to earn profits. Profit and losses of the partnership are divided among partners in their predetermined profit sharing ratio.

5) Relationship of principle and agent: In partnership is that of principal and agent. This type of business is run either by all the partner or by one on behalf of all other partners for acts done by him.

Merits:

1) Easy information: There is no complications legal procedure to start partnership. It does not take much expenditure to start partnership.

2) Balanced decision: Decisions are taken jointly by consulting each other. Therefore, there partnership is able to take balanced decision.

3) Sufficient capital: Partnership has more capital resources as compared to sole trader. It can even get larger amounts of loans from other institutions on easy terms.

4) Combined resources: In partnership, energy, knowledge, experiences etc are put jointly and effectively.

5) Advantages of limited liability: Liabilities of partners of a firm is limited, Therefore, they take most care in discharging their duties.

Disadvantages'/Demerits:

1) Difficulty in transfer of interests: No partners can transfer his interest without consent of all partners. Due to this limitation, lots of people hesitate of invest money in partnership.

2) **Delay in decision:** Decision making in partnership requires consent of all partners so it results in delayed decision.

3) **Instability:** Partnership has uncertain future. Death of partners, insolvency etc the partnership.

4) **Unlimited liability:** Liability of partnership is limited even the personal assets of partners cannot be used for firm's debts.

5) **More expenses:** Since burden of expenditure is born by all not by an individual, therefore, partners spend lavishly.

6) **Limited resources of capital:** Partnership has larger resources as compared to sole trader but with expansion of business, their resources insufficient.

STEPS IN SETTING UP AN ENTERPRISE:

An entrepreneur has to follow certain procedure to set up his unit. A large number of environmental factors such as economic factors, political factor, legal factors etc. The following steps are to be taken in setting up an enterprise as under:

1) **Idea of self-employment:** As we know the unemployment is a biggest problem in a developing country like 'INDIA'. One of the major solutions to this alarming problem is to motivate the unemployed educated youth to take decision to own a small scale industry through various self-employment programs. The following factors must be considered while taking decision regarding self-employed:

- Presence of knowledge, skills, experiences and entrepreneurial aptitude.
- Easily availability of inputs.
- Incentives/subsidies provided by government.
- Assistance from banks and financial institutions.
- Financial resources etc.

2) **Analysis of entrepreneurial environment:** The potential entrepreneur should properly analyse the entrepreneurial environment after taking the decision to be self-employed. Entrepreneurial environment is greatly influenced by administrative factors and legal factors. The potential entrepreneur should study

the opportunities and various programs initiated by small scale industries association like Development Commissioner of small scale industries, NSIC, SIDBI, etc. along incentives and concessions provided by governmental agencies.

3) Project Identification; It is very crucial decision to be taken by potential entrepreneur. Selection of right type of project makes a great contribution in the success of enterprise. It refers to identify and analysis of profitable opportunities for investment. It provided a frame work for future pattern activities to be done by an enterprise.

4) Selection of the product: The selection of right type of product is also a important step in setting up of small industry. Selection of product should be based on market condition. The knowledge, skill, experience and creativeness of an entrepreneur plays an important role in selection of the right choice of product.

5) Selection of organization: The potential entrepreneur has to select the right type of organization or entrepreneurial unit. The selection of organization structure depends upon the available resources i.e. men, money, material and methods. The entrepreneur has the option to choose organization structure inform of sole proprietorship, partnership firm, co-Operative society or a joint stock company.

6) Preparation of project report:- Potential entrepreneur has to prepare a project report comprising all important information relating to proposed project. The project report should cover the aspects relating to introducing of proposed project. View of entrepreneur to set up product, manufacturing process, plant capacity, etc to be used, total land required methods of financing etc.

7) Location of enterprise:- The working and future expansion of the unit depends upon the right types of location of an unit. A large number of factors such as easy availability of raw material, power nearness the market, availability of transportation, warehousing and communication facilities supply of skilled labour, government incentives and complementary industries, land prices, climate etc play an important role in the choice of location of unit.

8) Arrangement of finance:- Finance is the life blood of every type of entrepreneurial activity. No entrepreneurial activity can be conducted without adequate finance. The entrepreneur has to roughly analyse the financial requirement i.e. fixed capital requirement and working capital requirement. Entrepreneur should take all necessary steps to relating the financial resources.

9) Provisional Registration:- It enable the entrepreneur to convert his ideas into reality. The entrepreneur has to submit application of provisional registration to the district industries centre. The application form for provisional registration will accompany various other documents like stamps, fee, 3- passport size photo of entrepreneur copy of project report, photocopy of ration card etc. This centre issue the certificate of provisional registration to entrepreneur within the 7 days of the receipt of application.

10) Acquiring machinery and technology:- The entrepreneur has to supply the needs and requirements of different types of technology, tools, techniques to be used in the manufacturing activity.

11) Apply for power and water connection:- The small entrepreneur has to apply to respected authority of obtain the power and water connection for the unit. The required formalities are completed according to the terms and conditions laid down by the departments.

12) Recruitment and training of workers:- One of the most important steps in start up process of small scale unit is the careful recruitment and selection of right types of employee, at right time, in right quantity and quality and the right place.

13) Commencement of manufacturing:- The entrepreneur should frame a suitable production policy which assist in the smooth running or producing activity. The needs, requirement taste and preference of customers should be given due weightage before designing the product.

14) Marketing:- Is the process of creating new customers for goods produced in industrial by entrepreneur. The volume of sale directly depends upon the marketing activities initiated by entrepreneur to make popular the produced products.

15) Profit generation:- Is the basis of objectives of every type of entrepreneur activity. Profit is the essential for the future growth and survival of an unit. Profit helps the entrepreneur to repay the loans of various banks, and financial institution. Efforts should be made to element the wastage of men, material and money.

OPPORTUNITY SELECTION

Or

What is the meaning of zeroing the process? Discuss the process with example involved in project identification

Opportunity or project selection starts from where project identification ends. After having generated and identified some project ideas, these are analysed in the light of existing economic conditions. The government policy and so on. A tool generally used or this purpose is, what is called in the managerial jargon, SWOT analysis. The entrepreneur analyses his/ her strengths and weakness as well as opportunities / competitive advantage and threats/ challenges offered by each of the project ideas. On the basis of this analysis, the most suitable idea is finally selected to convey into an enterprise. The process involves in selecting a project out of some project this also describe as the **“Zeroing in process”**

From above analysis is that there is a time interval involved in between project identification and project selection. But exception are here also. In some cases, there may be almost no time gaps between project identification and project selection. The following anecdotes as illustrative once, exemplifies it

In SWOT analysis, while S(strength) and W(weakness) relate to the entrepreneur concerns, O(opportunities) and T(threats) relate to the environment t. The former is internal and later is external to entrepreneur.

OPPORTUNITY/PROJECT IDENTIFICATION

After going this process, one might have been able to genet5ate some idea that cane be considered to be proceed as once business enterprise some one have generated the five ideas as opportunities:-

1) Nut and Bolt manufacturing (industry).

- 2) Lakhani shoes (industry).
- 3) Photo copying unit (service based industry).
- 4) Electro typewriter serving (service based industry).
- 5) Polythene bags for textile industry (ancillary industry)

An entrepreneur cannot start all above five type enterprise due to small in size in terms of capital, capabilities and other resources. Hence he / she need to be finally select one idea which he/she things the most suitable to be pursued as an enterprise.

ENVIRONMENTAL APPRAISAL;-

Having finalised the sources of data collection for environment scanning than comes to actually appraise a given a environment. Environmental appraisal begins with buy becoming aware of the factor that effect environmental appraisal, Identifying the environmental factors, and structuring the outcomes the environmental factors. Now these are discussed one by one.

FACTORS AFFECTING ENVIRONMENTAL APPRAISAL:

Just like the two managers do not apply a similar approach to solve the same problem, no two organizations would appraise the same environment in a similar manner or approach. All these factors are classified into three basis categories, namely, strategist- related, organization- related and environment- related factors. Let us discussed in some detail:

1) Strategist-related factors: The strategists formulate business strategy of an organization. His/her individual characteristics such as age, education, experience, motivation level, and so on bear n impact on their to appraise the business environment, besides individual characteristics of strategists, group characteristics such as inter-personal relationship among the people, team spirit equations of power and politics operating among the organizational members also have impact on environmental appraisal.

2) Organization-related factors: The characteristics of an organizations, like those of the strategist, also affect the process of environmental appraisal. The organizational characteristics such as the nature of business the organization is

in its age, size the nature and size of its market, its product and services have impact on environmental appraisal.

3) Environment-related factors; The business environment varies from context to context and from time to time mainly because of its characteristics. The environment is characterized by complexity, volatility, or turbulence, hostility, and diversity and these characteristics affect environmental appraisal.

IDENTIFYING THE ENVIRONMENTAL FACTORS:-

Since there are various factors operating in a given environment at any point of time, these need to be properly identified and comprehended to know their impact on the environment. For the convenience of appraisal the impact of various factors on environment can be classified based on the intensity of their impact on a given environment. Given below is an illustrative one to identify the environmental factors.

STRUCTURAL ENVIRONMENTAL APPRAISAL

Having identified the environmental factors or issues, these need to be structured and the classified into need categories for making environmental appraisal. There are many techniques available to structured the environmental appraisal. One commonly used techniques is that of preparing 'environmental threat and opportunities profile' (ETOP) for a given business organization.

The preparation of comprehensives ETOP requires sub dividing each environmental into sub sectors and then the impact of organization is describe in the form of statements.

“IDENTIFICATION IS THE KEY OF AN ENTREPRISE”. DISCUSS

OR

“IDENTIFICATION OF BUSINESS OPPORTUNITY”

In general sense, the terms opportunity implies a good chance or a favourable situation to do something offered by several circumstances. In the same vein, business opportunity means a good or favourable change available to run a specific business in a given environment at a given point of time. The term “opportunity” also covers a product or project. Hence the identification of an opportunity or product or project is identical and therefore, all these three terms

are used as synonyms. The Government of India's "look east policy" through North East is an example of "opportunity" to do business in items like tea, handicrafts, herbals, turmeric etc.

Opportunity identification and selection are like corner stones of business enterprise. Better the former, better is the latter. In a sense, identification and selection is half suitable business opportunity serves as the trite saying "Well begun is half done. But, it is like better said than done. The processes at times create a situation, or say, dilemma resembling.

Q. Define SWOT analysis.

Ans. Opportunities identified are analysed individually through a tool generally used is called SWOTR analysis. Based on SWOT analysis, the most suitable opportunity or project is finally selected to start enterprise.

YOUR

IDEAS

ARE

YOUR

ASSETS

By Deepika Abrol