



## MODULE-V

### **EVOLUTION OF CONCEPT OF ENTREPRENEUR**

The word 'entrepreneur' is derived from French word 'Entreprendre' which was used to designate an organizer of musical or other entertainments. Later in 16<sup>th</sup> century it was used for army leaders. It was extended to cover civil engineering activities such as construction in 17<sup>th</sup> century. But it was Richard Cantillon, an Irishman living in France who first used the term entrepreneur to refer to economic activities. According to Cantillon "An entrepreneur is a person who buys factor services at certain prices with a view to selling its product at uncertain prices". Entrepreneur, according to Cantillon, an entrepreneur is a bearer of risk, which is non-insurable. Schumpeter gave a central position to the entrepreneur who believed that an entrepreneur was a dynamic agent of change; that an entrepreneur was a catalyst who transformed increasingly physical, natural and human resources into correspondingly production possibilities. Since then the term entrepreneur is used in various ways and various views.

### **CONCEPT OF ENTREPRENEUR**

As said above entrepreneur is used in various ways and various views. These views are broadly classified into three groups, namely risk bearer, organizer and innovator.

**Entrepreneur as risk bearer:** Richard Cantillon defined entrepreneur as an agent who buys factors as production at certain prices in order to combine them into a product with a view to selling it at uncertain prices in future. He illustrated a farmer who pays contractual incomes, which are certain to land owners and labourers, and sells at prices that are 'uncertain'. He includes merchants also who make certain payments in expectation of uncertain receipts. Hence both of them are risk-bearing agents of production.

**Entrepreneur as an organizer:** According to J Baptist Say "an entrepreneur is one who combines the land of one, the labour of another and capital of yet another, and thus produces a product. By selling the product in the market, he pays interest on capital, rent on land and wages to labourers and what remains is his/her profit". Say made distinction between the role of capitalist as a financier and the entrepreneur as an organizer. This concept of entrepreneur is associated with the functions of coordination, organisation and supervision.

**Entrepreneur as an innovator:** Joseph A Schumpeter in 1934 assigned a crucial role of 'innovation' to the entrepreneur. He considered economic development as a dynamic change brought by entrepreneur by instituting new combinations of factors of production, i.e.

innovations. The introduction of new combination according to him may occur in any of the following forms.

- (a) Introduction of new product in the market.
- (b) Use of new method of production, which is not yet tested.
- (c) Opening of new market.
- (d) Discovery of new source of raw materials.
- (e) Bringing out of new form of organisation.

### CHARACTERISTICS OF ENTREPRENEUR

Entrepreneur is a person of telescopic faculty drive and talent who perceives business opportunities and promptly seizes them for exploitation. Entrepreneur needs to possess competencies to perform entrepreneur activities. Table. Gives core competencies.

	Core competencies	Entrepreneurial activities
1.	Initiative	Does things before asked for or forced to by events and acts to extend the business to new areas, products or services.
2.	Perceiving opportunities	Identifies business opportunities and mobilizes necessary resources to make good an opportunity.
3.	Persistence	Takes repeated or different actions to overcome obstacles.
4.	Information gathering	Consults experts for business and technical advice. Seeks information of client or supplier's needs. Personally undertakes market research and make use of personal contacts or information networks to obtain useful information.



5.	Concern for quality work	States desire to produce or sell a better quality product or service. Compares his performance favorably with that of others.
6.	Commitment to contractual obligations	Makes a personal sacrifice or expands extraordinary effort to complete a job, accepts full responsibility in completing a job contract on schedule, pitches in with workers or work in their place to get the job done and shows utmost concern to satisfy the customer.
7.	Efficiency orientation	Finds ways and means to do things faster, better and economically.
8.	Planning	Various inter-related jobs are synchronized according to plan.
9.	Problem solving	Conceives new ideas and finds innovative solutions.
10.	Self-confidence	Makes decisions on his own and sticks to it in spite of initial setbacks.
11.	Experience	Possesses technical expertise in areas of business, finance, marketing, etc.
12.	Self-critical	Aware of personal limitations but tries to improve upon by learning from his past mistakes or experiences of others and is never complacent with success.
13.	Persuasion	Persuades customers and financiers to patronize his business.
14.	Use of influence strategies.	Develops business contacts, retains influential people as agents and restricts dissemination of information in his possession.
15.	Assertiveness	Instructs, reprimands or disciplines for failing to perform.
16.	Monitoring	Develops a reporting system to ensure that work is completed and quality norms.
17.	Credibility	Demonstrates honesty in dealing with employees, suppliers and customers even if it means a loss of business.

### **DISTINCTION BETWEEN ENTREPRENEUR AND MANAGER**

Often the two terms namely entrepreneur and manager are considered as synonym. However the two give different meaning. The major points of distinction between the two are presented in table.

Points	Entrepreneur	Manager
1. Motive	The main motive of an entrepreneur is to start a venture for his personal gratification.	Main motive of a manager is to render services in an enterprise already set by someone else.
2. Status	Owner	Servant
3. Risk	Assumes risk and uncertainty	Manager does not bear any risk involved in enterprise.
4. Rewards	Profits, which are highly uncertain and not fixed.	Salary which is certain and fixed.
5. Innovation	Entrepreneur himself thinks over what and how to produce goods to meet the changing needs of the customers. Hence he acts as innovator / change agent.	A manager simply executes plans prepared by the entrepreneur.
6. Qualification	An entrepreneur needs to possess qualities and qualifications like high achievement motive, originality in thinking, foresight, risk-bearing ability etc.	A manager needs to possess distinct qualifications in terms of sound knowledge in management theory and practice.

### **FUNCTIONS OF AN ENTREPRENEUR**

An Entrepreneur has to perform a number of functions right from the generation of idea up to the establishment of an enterprise. He also has to perform functions for successful running of his enterprise. Entrepreneur has to perceive business opportunities and mobilize resources like man, money, machines, materials and methods. The following are the main functions of an Entrepreneur.

- 1. Idea generation:** The first and the most important function of an Entrepreneur is idea generation. Idea generation implies product selection and project identification. Idea generation is possible through vision, insight, keen observation, education, experience and exposure. This needs scanning of business environment and market survey.
- 2. Determination of business objectives:** Entrepreneur has to state and lay down the business objectives. Objectives should be spelt out in clear terms. The Entrepreneur must be clear about the nature and type of business, i.e. whether manufacturing concern or service oriented unit or a trading business so that he can very well carry on the venture in accordance with the objectives determined by him.
- 3. Rising of funds:** All the activities of the business depend upon the finance and hence fund rising is an important function of an Entrepreneur. An Entrepreneur can raise the fund from internal source as well as external source. He should be aware of different sources of funds. He should also have complete knowledge of government sponsored schemes such as PMRY, SASY, REAP etc. in which he can get government assistance in the form of seed capital, fixed and working capital for his business.
- 4. Procurement of machines and materials:** Another important function of an Entrepreneur is to procure raw materials and machines. Entrepreneur has to identify cheap and regular sources of raw materials which will help him to reduce the cost of production and face competition boldly. While procuring machineries he should specify the technical details and the capacity. He should consider the warranty, after sales service facilities etc before procuring machineries.
- 5. Market research:** Market research is the systematic collection of data regarding the product which the Entrepreneur wants to manufacture. Entrepreneur has to undertake market research persistently to know the details of the intending product, i.e. the demand for the



product, size of the market/customers, the supply of the product, competition, the price of the product etc.

**6. Determining form of enterprise:** Entrepreneur has to determine form of enterprise depending upon the nature of the product, volume of investment etc. The forms of ownership are sole proprietorship, partnership, Joint Stock Company, co-operative society etc. Determination of ownership right is essential on the part of the entrepreneur to acquire legal title to assets.

**7. Recruitment of manpower:** To carry out this function an Entrepreneur has to perform the following activities.

- (a) Estimating man power requirement for short term and long term.
- (b) Laying down the selection procedure.
- (c) Designing scheme of compensation.
- (d) Laying down the service rules.
- (e) Designing mechanism for training and development.



**8. Implementation of the project:** Entrepreneur has to develop schedule and action plan for the implementation of the project. The project must be implemented in a time bound manner. All the activities from the conception stage to the commissioning stage are to be accomplished by him in accordance with the implementation schedule to avoid cost and time overrun. He has to organize various resources and coordinate various activities. This implementation of the project is an important function of the Entrepreneur. All the above functions of the Entrepreneur can precisely be put into three categories of innovation, risk bearing, and organizing and managing functions.

### **TYPES OF ENTREPRENEUR**

Today various types of Entrepreneurs are found engaged in different types of activities, not only in industrial activities but also in agriculture and commercial activities. Today we can recognize Entrepreneur in industry, service and business sectors which are technically called as ISB sectors. Entrepreneurs are classified in a number of ways as discussed below.

1. According to the type of business
2. According to the use of technology
3. According to the motivation
4. According to the growth
5. According to the area
6. According to the gender & age
7. According to the sale of operation

### **According to the type of business**

Business Entrepreneur: individuals who conceive an idea for a new product or service & then create a business to materialize their idea.

1. **Trading Entrepreneur:** Is one who undertakes trading activities & is not concerned with the manufacturing work.
2. **Industrial Entrepreneur:** a manufacturer who identifies the potential needs of customers & tailors a product to meet the marketing needs.
3. **Corporate Entrepreneur:** Is a person who demonstrates his innovative skill in organizing & managing corporate undertaking.
4. **Agricultural Entrepreneur:** Is one who under take agricultural activities as raising & marketing of crops, fertilizers & other input.
5. **Retail Entrepreneur**
6. **Service Entrepreneur**

### **Use of Technology**

1. **Technical Entrepreneur** (he demonstrates his innovative capabilities in matter of production of goods & rendering services)
2. **Non- Technical Entrepreneur** (concerned only with developing alternatives marketing & distribution strategies to promote their business)
3. **Professional Entrepreneur** (a person who is interested in establishing the business but does not have interest in managing it once)

### According to Motivation

1. **Pure Entrepreneur** (an individual who is motivated by psychological & economic rewards)
2. **Induced Entrepreneur** (is one who induced to take up entrepreneurial task due to the policy measures of the Govt.)
3. **Motivated Entrepreneur** (they are motivated by the desire of self fulfilment)
4. **Spontaneous Entrepreneur** (those who start their business there by natural talents (inborn abilities))

### According to area

1. Urban Entrepreneur
2. Rural Entrepreneur

### According to gender & age

1. Men Entrepreneur
2. Women Entrepreneur

### According to sale of operation

1. Small scale Entrepreneur
2. Large scale Entrepreneur

## Steps in the Entrepreneurial Process

Entrepreneurship is a process of comprising several distinct stages as follows.

1. **Discovery**
  2. **Concept Development**
  3. **Resourcing**
  4. **Actualization**
  5. **Harvesting**
1. **Discovery:** The stage in which the entrepreneur generates ideas, recognizes opportunities, and studies the market.
  2. **Concept Development:** Develop a **business plan:** a detailed proposal describing the business idea.
    - Choose business location
    - Will a patent or trademark be required?
  3. **Resourcing:** The stage in which the entrepreneur identifies and acquires the financial, human, and capital resources needed for the venture start-up, etc

4. **Actualization:** The stage in which the entrepreneur operates the business and utilizes resources to achieve its goals/objectives.
5. **Harvesting:** The stage in which the entrepreneur decides on venture's future growth, development, or demise.

### **BARRIERS TO ENTREPRENEURSHIP**

A large number of entrepreneurs particularly in the small enterprises fail due to several problems and barriers. The greatest barrier to entrepreneurship is the failure of success has identified the following entrepreneurship barriers:

1. Lack of a viable concept
2. Lack of market knowledge
3. Lack of technical skills
4. Lack of seed capital
5. Lack of business know how
6. Complacency—lack of motivation
7. Social stigma
8. Time presence and distractions
9. Legal constraints and regulations
10. Monopoly and protectionism
11. Inhibitions due to patents

### **Sources of start-up financing**

Here's an overview of seven typical sources of financing for start-ups.

1. Personal investment
2. Love money
3. Venture capital
4. Angels
5. Business incubators
6. Government grants and subsidies
7. Bank loans

**1. Personal investment:** When starting a business, your first investor should be yourself—either with your own cash or with collateral on your assets. This proves to



investors and bankers that you have a long-term commitment to your project and that you are ready to take risks.

2. **Love money:** This is money loaned by a spouse, parents, family or friends. Investors and bankers consider this as "patient capital", which is money that will be repaid later as your business profits increase.

When borrowing love money, you should be aware that:

- Family and friends rarely have much capital.
- They may want to have equity in your business.
- A business relationship with family or friends should never be taken lightly.

3. **Venture capital:** The first thing to keep in mind is that venture capital is not necessarily for all entrepreneurs. Right from the start, you should be aware that venture capitalists are looking for technology-driven businesses and companies with high-growth potential in sectors such as information technology, communications and biotechnology.

Venture capitalists take an equity position in the company to help it carry out a promising but higher risk project. This involves giving up some ownership or equity in your business to an external party. Venture capitalists also expect a healthy return on their investment, often generated when the business starts selling shares to the public. Be sure to look for investors who bring relevant experience and knowledge to your business.

BDC has a venture capital team that supports leading-edge companies strategically positioned in a promising market. Like most other venture capital companies, it gets involved in start-ups with high-growth potential, preferring to focus on major interventions when a company needs a large amount of financing to get established in its market.

4. **Angels:** are generally wealthy individuals or retired company executives who invest directly in small firms owned by others. They are often leaders in their own field who not only contribute their experience and network of contacts but also their technical and/or management knowledge.

In exchange for risking their money, they reserve the right to supervise the company's management practices. In concrete terms, this often involves a seat on the board of directors and an assurance of transparency.

5. **Business incubators:** Business incubators (or "accelerators") generally focus on the high-tech sector by providing support for new businesses in various stages of development.

However, there are also local economic development incubators, which are focused on areas such as job creation, revitalization and hosting and sharing services.

Commonly, incubators will invite future businesses and other fledgling companies to share their premises, as well as their administrative, logistical and technical resources. For example, an incubator might share the use of its laboratories so that a new business can develop and test its products more cheaply before beginning production.

**6. Government grants and subsidies:** Government agencies provide financing such as grants and subsidies that may be available to your business.

**7. Bank loans:** Bank loans are the most commonly used source of funding for small and medium-sized businesses. Consider the fact that all banks offer different advantages, whether it's personalized service or customized repayment. It's a good idea to shop around and find the bank that meets your specific needs.

In general, you should know bankers are looking for companies with a sound track record and that have excellent credit. A good idea is not enough; it has to be backed up with a solid business plan. Start-up loans will also typically require a personal guarantee from the entrepreneurs.

### **Micro, Small and Medium Enterprises (MSME's) Act, 2006**



- Small & medium Enterprises are the back bone of Industrial Development.
- Ministry of Micro Small & Medium Enterprises Contributes Nearly 8% in GDP, 40% in manufacturing output & 45% in Exports.
- They provide the largest share of employment after agriculture.
- They have emerged as a dynamic and vibrant sector of economy.
- They are widely dispersed across the country and produce a diverse range of product and service.
- It helps in the growth of a country.

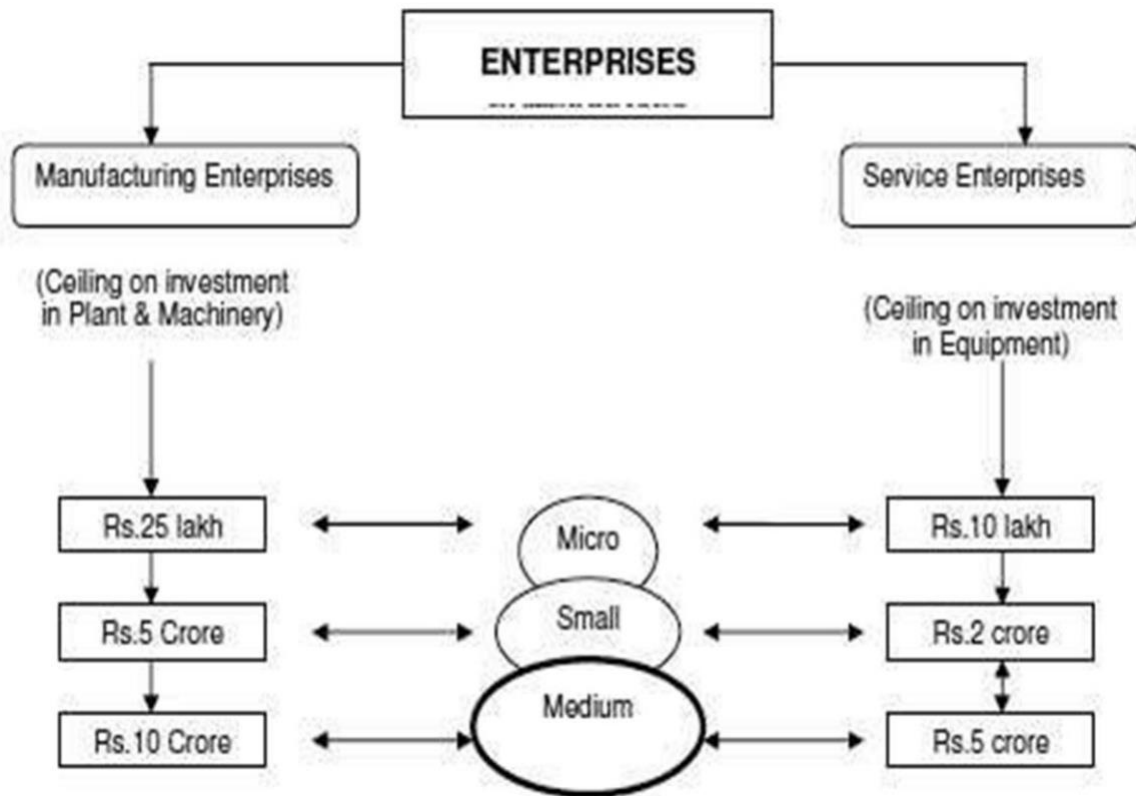
- They are the nursery for entrepreneurship and innovation.
- The scenario of small scale sector changed with industrial policy establishment in 1991
- Liberalization came into existence
- It was the post liberalization era (1991 to 2006)
- This reflected the growth of SSI's
- In 1991 the growth rate of SSI was almost 3 times of the total industrial sector from 1992 to 1995.
- However in 1995 the growth rate was slightly lower but again it increased in 1996.

### **Definition of Micro, Small and Medium Enterprises:**

In accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified in two Classes:

- 1. Manufacturing Enterprises-**he enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and regulation) Act, 1951) or employing plant and machinery in the process of value addition to the final product having a distinct name or character or use. The Manufacturing Enterprise is defined in terms of investment in Plant & Machinery.
- 2. Service Enterprises:-**The enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment.

**Types of Micro, Small and Medium Enterprises**



<b>Manufacturing Sector</b>	
<b>Enterprises</b>	<b>Investment in plant &amp; machinery</b>
Micro Enterprises	Does not exceed twenty five lakh rupees
Small Enterprises	More than twenty five lakh rupees but does not exceed five crore rupees
Medium Enterprises	More than five crore rupees but does not exceed ten crore rupees
<b>Service Sector</b>	
<b>Enterprises</b>	<b>Investment in equipments</b>
Micro Enterprises	Does not exceed ten lakh rupees:
Small Enterprises	More than ten lakh rupees but does not exceed two crore rupees
Medium Enterprises	More than two crore rupees but does not exceed five core rupees

## **MANUFACTURING ENTERPRISES**

### **MICRO ENTERPRISE**

- Micro enterprise generally refers to a small business employing 10 people or less
- It is an enterprise in which investments in plant and machinery is between 5lakh to 25 lakh.
- These enterprises works and operates not by choice but out of necessity

### **SMALL ENTERPRISE**

- Small enterprise generally refers to a business employing 50 persons or less
- It is an enterprise in which investments in plant and machinery is between 25 lakh to 5 crores.
- This enterprise works and operates to earn a small amount of profit.

### **MEDIUM ENTERPRISE**

- Medium enterprise refers to a business employing maximum to 250 employees
- It is an enterprise in which investment in plant and machinery is between 5 crores to 10 crores
- These enterprises work and operate to earn a fair amount of profits to increase their standard of living.

## **SERVICE ENTERPRISES**

### **MICRO ENTERPRISE**

- An enterprise in which investment in plant and machinery is up to 10 lakhs

### **SMALL ENTERPRISE**

- An enterprise in which investment in plant and machinery is from 10 lakhs to 2 crores

### **MEDIUM ENTERPRISE**

- An enterprise in which investment in plant and machinery is from 2crores to 5 crores.

### **CHARACTERISTICS OF MSME'S**

- Low cost of production
- High capacity to innovate exports
- High employment generation.
- Reduction of regional imbalance.
- Greater flexibility.

### **ROLE OF MSME'S IN INDIA**

- Employment Generation
- Production
- Export Contribution
- Utilising Resource Optimally
- Increase GDP

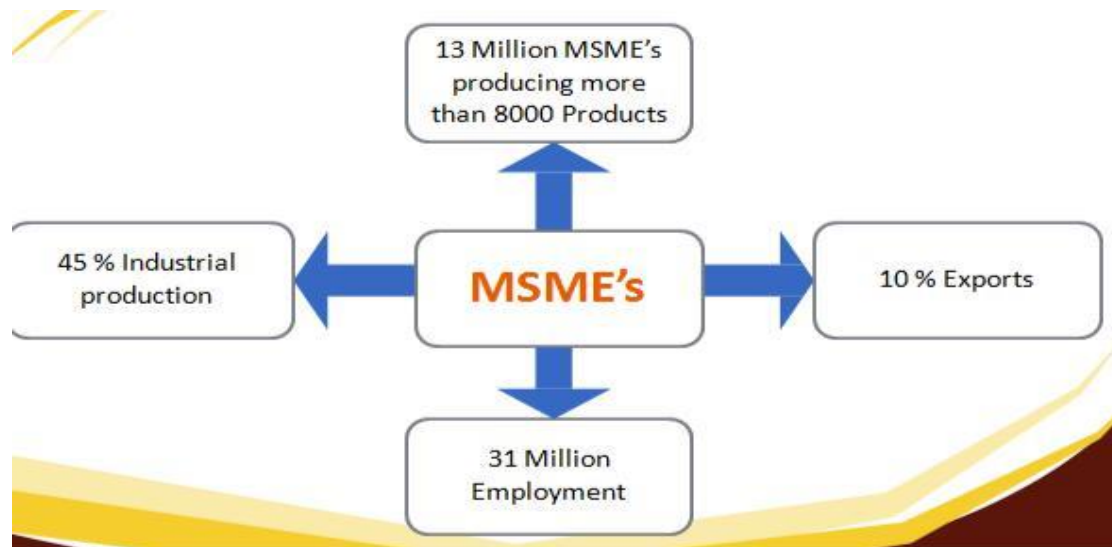
### **PROBLEMS OF MSME's**

- Financial Problem- Credit facility only up to 30%
- Raw material improper
- Technological problem – Less Advertisement
- Managerial problem of MSME

### **SUGGESTIONS FOR IMPROVEMENT**

- Supply of technology
- Conduct of survey
- Awareness creation
- Involvement of stakeholders
- Venture capital
- Interaction with research and development sector
- Incrimination vehicle

## CONTRIBUTION & PERFORMANCE OF MSME'S



### Production

The small-scale industries sector plays a vital role in the growth of the country. It contributes almost 40% of the gross industrial value added in the Indian economy.

It has been estimated that a million Rs. of investment in fixed assets in the small scale sector produces 4.62 million worth of goods or services with an approximate value addition of ten percentage points.

The small-scale sector has grown rapidly over the years. The growth rates during the various plan periods have been very impressive. The number of small-scale units has increased from an estimated 0.87 million units in the year 1980-81 to over 3 million in the year 2000.

When the performance of this sector is viewed against the growth in the manufacturing and the industry sector as a whole, it instills confidence in the resilience of the small-scale sector.

### Employment

SSI Sector in India creates largest employment opportunities for the Indian populace, next only to Agriculture. It has been estimated that 100,000 rupees of investment in fixed assets in the small-scale sector generates employment for four persons.

### **Urban**

As for urban areas, Food Products and Metal Products almost equally shared 22.8% of employment. Machinery parts except electrical, Non-metallic mineral products, and Chemicals & chemical products between them accounted for 26.2% of employment.

In metropolitan areas the leading industries were Metal products, Machinery and parts except electrical and Paper products & printing (total share being 33.6%).

### **Export**

SSI Sector plays a major role in India's present export performance. 45%-50% of the Indian Exports is contributed by SSI Sector. Direct exports from the SSI Sector account for nearly 35% of total exports. Besides direct exports, it is estimated that small-scale industrial units contribute around 15% to exports indirectly. This takes place through merchant exporters, trading houses and export houses. They may also be in the form of export orders from large units or the production of parts and components for use for finished exportable goods.

It would surprise many to know that non-traditional products account for more than 95% of the SSI exports.

The exports from SSI sector have been clocking excellent growth rates in this decade. It has been mostly fuelled by the performance of garments, leather and gems and jewellery units from this sector.

The product groups where the SSI sector dominates in exports are sports goods, readymade garments, woollen garments and knitwear, plastic products, processed food and leather products.

The SSI sector is reorienting its export strategy towards the new trade regime being ushered in by the WTO.

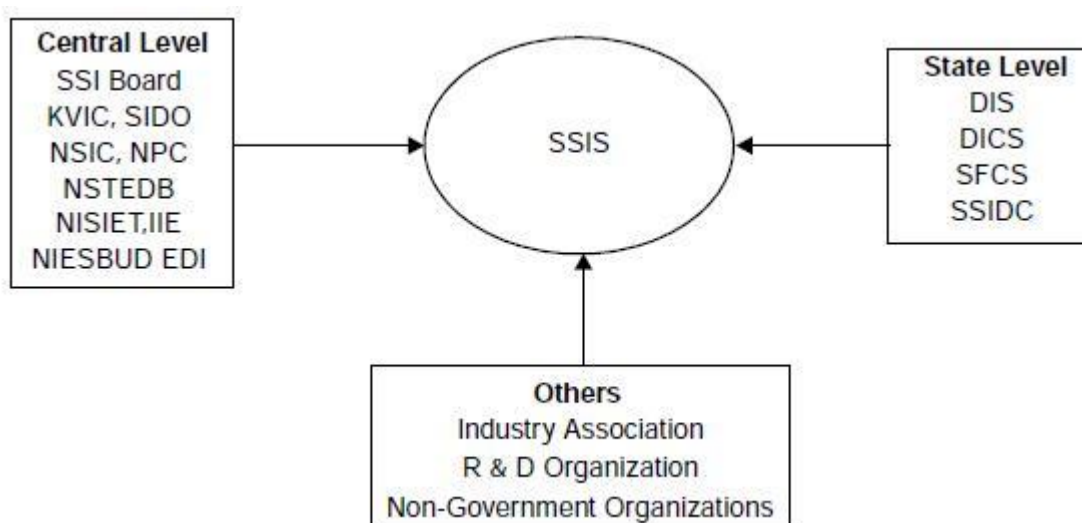


## AGENCIES OF GOVERNMENT FOR SSI

The ministry of small scale industries is the administrative ministry in the Government of India for all matters relating to small scale and village industries which designs and implements policies and programmes for promotion and growth of small industries. The Department of small-scale industries was created in 1991, in the Ministry of Industry to exclusively formulate the policy framework for promoting and developing small-scale industries in the country. It initiates appropriate policy measures, programmes and schemes for promotion of SSI. The policy measures include setting up of a network of institutions to render assistance and to provide a comprehensive range of services and common facilities for SSIs. The range of services cover consultancy in techno-economic and managerial aspects, training, testing facilities, and marketing assistance through the agencies created for the specified functions. These activities are supported by a host of other central/state government departments, promotional agencies, autonomous institutions, non-government organizations and so on.

The implementation of policies, programmes and schemes for providing infrastructure and support services to small enterprises is undertaken through its attached office, namely Small Industries Development Organization (SIDO), Khadi Village and Industry Commission (KVIC) and Coir Board, National Small Industry Corporation (NSIC) and various training institutes. The institutional network can be broadly classified as under and is shown in fig.

- (1) Central level institutions/agencies
- (2) State level institutions/agencies
- (3) Other agencies



## **INSTITUTIONAL SUPPORT**

The list of various State and Central Government agencies supporting small-scale industries is given in previous chapter. Their activities and functions are discussed in the following sections.

### **NATIONAL SMALL INDUSTRIES CORPORATION (NSIC)**

The National Small Industries Corporation (NSIC), an enterprise under the union ministry of industries was set up in 1955 in New Delhi to promote aid and facilitate the growth of small scale industries in the country. NSIC offers a package of assistance for the benefit of small-scale enterprises.

1. **Single point registration:** Registration under this scheme for participating in government and public sector undertaking tenders.
2. **Information service:** NSIC continuously gets updated with the latest specific information on business leads, technology and policy issues.
3. **Raw material assistance:** NSIC fulfils raw material requirements of small-scale industries and provides raw material on convenient and flexible terms.
4. **Meeting credit needs of SSI:** NSIC facilitate sanctions of term loan and working capital credit limit of small enterprise from banks.
5. **Performance and credit rating:** NSIC gives credit rating by international agencies subsidized for small enterprises up to 75% to get better credit terms from banks and export orders from foreign buyers.
6. **Marketing assistance programme:** NSIC participates in government tenders on behalf of small enterprises to procure orders for them.

### **SMALL INDUSTRIES SERVICE INSTITUTES (SISI)**

The small industries service institutes have been set up in state capitals and other places all over the country to provide consultancy and training to small entrepreneurs both existing and prospective.

#### **The main functions of SISI include:**

- (1) To serve as interface between central and state government.
- (2) To render technical support services.
- (3) To conduct entrepreneurship development programmes.
- (4) To initiate promotional programmes.

### **The SISIs also render assistance in the following areas:**

- (1) Economic consultancy/information/EDP consultancy.
- (2) Trade and market information.
- (3) Project profiles.
- (4) State industrial potential surveys.
- (5) District industrial potential surveys.
- (6) Modernization and in plant studies.
- (7) Workshop facilities.
- (8) Training in various trade/activities.

### **DISTRICT INDUSTRIES CENTERS (DIC)**

The District Industries Centers (DIC's) programme was started in 1978 with a view to provide integrated administrative framework at the district level for promotion of small scale industries in rural areas. The DIC's are envisaged as a single window interacting agency at the district level providing service and support to small entrepreneurs under a single roof. DIC's are the implementing arm of the central and state governments of the various schemes and programmes. Registration of small industries is done at the district industries centre and PMRY (Pradhan Mantri Rojgar Yojana) is also implemented by DIC. The organizational structure of DICS consists of General Manager, Functional Managers and Project Managers to provide technical services in the areas relevant to the needs of the district concerned. Management of DIC is done by the state government.

The main functions of DIC are:

1. To prepare and keep model project profiles for reference of the entrepreneurs.
2. To prepare action plan to implement the schemes effectively already identified.
3. To undertake industrial potential survey and to identify the types of feasible ventures which can be taken up in ISB sector, i.e., industrial sector, service sector and business sector.
4. To guide entrepreneurs in matters relating to selecting the most appropriate machinery and equipment, sources of its supply and procedure for importing machineries.
5. To provide guidance for appropriate loan amount and documentation.
6. To assist entrepreneurs for availing land and shed equipment and tools, furniture and fixtures.

7. To appraise the worthness of the project-proposals received from entrepreneurs.
8. To help the entrepreneurs in obtaining required licenses/permits/clearance.
9. To assist the entrepreneurs in marketing their products and assess the possibilities of ancillarization.
10. To conduct product development work appropriate to small industry.
11. To help the entrepreneurs in clarifying their doubts about the matters of operation of bank accounts, submission of monthly, quarterly and annual returns to government departments.
12. To conduct artisan training programme.
13. To act as the nodal agency for the district for implementing PMRY (Prime Minister Rojgar Yojana).
14. To function as the technical consultant of DRDA in administering IRDP and TRYSEM programme.
15. To help the specialized training organizations to conduct Entrepreneur development programmes.

In fine DIC's function as the torch-bearer to the beneficiaries/entrepreneurs in setting up and running the business enterprise right from the concept to commissioning. So the role of DIC's in enterprise building and developing small scale sector is of much significance.

### **TECHNICAL CONSULTANCY SERVICES ORGANIZATION OF KARNATAKA (TECSOK).**

TECSOK is a professional industrial technical and management consultancy organization promoted by the government of Karnataka and other state level development institutions way back in 1976. It is a leading investor-friendly professional consultancy organization in Karnataka. Its various activities are investment advice, procedural guidance, management consulting, mergers and acquisition, process reengineering studies, valuation of assets for takeovers, impact assessment of socio-economic schemes, critical infrastructure balancing; IT related studies, detailed feasibility studies and reports.

TECSOK with its pool of expertise in varied areas can work with new entrepreneur to identify a product or project. In addition to this TECSOK sharpens the project ideas through feasibility studies, project reports, market surveys, and sources of finance, selection of machinery, technology, costing and also providing turnkey assistance. To help entrepreneurs

to face the global competition TECSOK facilitates global exposures, updated technology, market strategies, financial restructuring and growth to improve profitability of an industry.

TECSOK can identify sickness in existing industry and facilitate its turn around. TECSOK has expertise in rehabilitation of sick industries by availing rehabilitation packages offered by the government and financial institutions. In addition it offers expert professional services to various institutions and departments of the state and central government.

TECSOK undertake the assignment in the field of

- Technical and market appraisal of projects.
- Industrial potential surveys.
- Fact-finding and opinion reports.
- Corporate planning.
- Collection and collation of information.
- Impact assessment.
- Evaluation of schemes and programmes.
- Asset evaluation.
- Infrastructure development project proposal.
- Event management and publicity campaigns, and
- Organizing seminar and workshops.

### **SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA (SIDBI)**

For ensuring larger flow of financial and non-financial assistance to the small scale sector, the government of India set up the Small Industries Development Bank of India (SIDBI) under Special Act of Parliament in 1989 as a wholly owned subsidiary of the IDBI. The SIDBI has taken over the outstanding portfolio of the IDBI relating to the small scale sector. The important functions of IDBI are as follows:

1. To initiate steps for technological up gradation and modernization of existing units.
2. To expand the channels for marketing the products of SSI sector in domestic and international markets.
3. To promote employment oriented industries especially in semi-urban areas to create more employment opportunities and thereby checking migration of people to urban areas.

The SIDBI's financial assistance to SSIs is channelled through existing credit delivery system comprising state financial corporations, state industrial development corporations, commercial banks

and regional rural banks. In 1992-93 it has introduced two new schemes. The first is equipment finance scheme for providing direct finance to existing well-run small-scale units taking up technology up gradation/modernization and refinance for resettlement of voluntarily retired workers of NTC. The other new scheme was venture capital fund exclusively for small-scale units, with an initial corpus of Rs 10 crores. SIDBI also provides financial support to national small industries corporation

(NSIC) for providing leasing, hire-purchase and marketing support to the industrial units in the small scale sector.

### **KARNATAKA INDUSTRIAL AREAS DEVELOPMENT BOARD (KIADB)**

The Karnataka industrial areas development board is statutory board constituted under the Karnataka industrial area development act of 1996. Since then it is in the business of apportioning land for industries and gearing up facilities to carryout operations. The KIADB now acquires and provides developed land suited for industrialization, by drawing up well laid-out plots of varying sizes to suit different industries with requisite infrastructure facilities. The facilities include roads, drainage, water supply etc. The amenities such as banks, post offices, fire stations, police outposts, ESI dispensaries etc are also provided. It also plans to initiate the provision of common effluent treatment plants wherever necessary.

KIADB has acquired a land of 39,297 acres out of which 21,987 acres had been developed till March 1996. Developed industrial plots had been allotted to 7882 units.

Application forms for the allotment of land may be obtained from the executive member, KIADB Bangalore or general manager DIC of concerned district or from the Zonal office of KIADB located at Mysore, Mangalore, Dharwad, Gulbarga, Bidar, Hassan and Belgaum. Applications duly filled must be accompanied by:

- i. A brief project report.
- ii. Details of constitution of the company
- iii. Provisional registration certificate
- iv. EMD of Rs 500/- per acre, subject to a maximum of Rs 10,000/- along with 20%, 15% and 5% of the land cost for various districts.

On receipt of applications for all districts other than Bangalore, a discussion with the promoters regarding the project will be held in the concerned district headquarters. The district level allotment committee will take a decision on allotment of land to the SSI units.

### **KARNATAKA STATE FINANCIAL CORPORATION (KSFC)**

The KSFC was established by the government of Karnataka in 1956 under the state financial corporation act 1951 for extending financial assistance to set up tiny, small and medium scale industrial units in Karnataka. Since 1956 it is working as a regional industrial development bank of Karnataka. KSFC has a branch office in each district; some districts have more than one branch.

KSFC extends lease financial assistance and hire purchase assistance for acquisition of machinery/equipment/transport vehicles. KSFC has merchant banking department which takes up the management of public issues underwriting at shores, project report preparation, deferred payment guarantee, and syndication of loans, bill discounting and similar tasks.

KSFC give preference to the projects which are

- Promoted by technician entrepreneur.
- In the small-scale sector.
- Located in growth centers and developing areas of the state;
- Promoted by entrepreneurs belonging to scheduled castes and scheduled tribes, backward classes and other weaker sections of society.
- Characterized by high employment potential.
- Capable of utilizing local resources; and
- In tune with the declared national priorities.

The eligible industrial concerns for financial assistance from KSFC are those engaged/to be engaged in manufacture, preservation, processing of goods, mining, power generation transport, industrial estate, hotels, R & D of any product or process of industrial concern, weigh bridge facilities, power laundries, photocopying, hiring of heavy material handling equipment, cranes and other earth moving equipments, hospitals, nursing homes, medical stores, computers, tourism related activities, construction of roads, tissue and horticulture software development, software parks, block board vehicles, office construction, go down and warehouse construction, mobile canteens, commercial complexes, training institutes, office automation and so on.

### **STATE SMALL INDUSTRIES DEVELOPMENT CORPORATIONS**

**(SSIDC) (Karnataka State Small Industries Development Authority KSSIDC in Karnataka State)**

The State Small Industries Development Corporations (SSIDC) were sets up in various states under the companies' act 1956, as state government undertakings to cater to the primary developmental needs of the small tiny and village industries in the state/union territories under their jurisdiction. Incorporation under the companies act has provided SSIDCs with

greater operational flexibility and wider scope for undertaking a variety of activities for the benefit of the small sector.

The important functions performed by the SSIDCs include:

1. To procure and distribute scarce raw materials.
2. To supply machinery on hire purchase system.
3. To provide assistance for marketing of the products of small-scale industries.
4. To construct industrial estates/sheds, providing allied infrastructure facilities and their maintenance.
5. To extend seed capital assistance on behalf of the state government concerned provide management assistance to production units.

## **BUSINESS PLANNING PROCESS**

### **BUSINESS PLAN**

Business plan is a written document prepared by entrepreneur that describes all the relevant external and internal elements involved in starting new venture. It is an integration of functional plans such as marketing, finance, manufacturing and human resource plan.

A business plan is a blue print of step by step process that would be followed to convert business idea into successful business venture.

### **OBJECTIVE OR IMPORTANCE OF BUSINESS PLAN**

- ❖ To give direction to the vision formulated by the entrepreneur.
- ❖ To monitor the progress after implementing business plan.
- ❖ To persuade others to join business.
- ❖ To seek loans from financial institutions.
- ❖ To visualize concept in terms of market availability, organizational, operational, and financial feasibility.
- ❖ To guide entrepreneur in actual implementation of plan.
- ❖ To identify actual strength and weakness of plan.
- ❖ To identify challenges in terms of opportunities and threats from the external markets.
- ❖ To clarify ideas and identify gaps in management information about their business, competitors and market.
- ❖ To identify the resources that would be required to implement the plan



- ❖ To document ownership arrangements, future prospectus and projected growth of the business venture.

### **BUSINESS PLAN PROCESS**



- ❖ **Idea generation:** is the first step in the business planning process. This step differentiates entrepreneur from usual business. An entrepreneur may come up with new business idea or may bring in value addition to existing product in the market. Sources of new idea for entrepreneurs are :
  - Consumers/ customers
  - Existing companies
  - Research and development
  - Employees
  - Dealers, retailers
- ❖ **Environmental scanning:** once the entrepreneur is through the idea generation stage, next entrepreneur is required to conduct environmental scanning which includes analyzing external and internal environment that affects business idea.
  1. **External environment comprises of:**

- Socio cultural appraisal:** it gives brief overview about the culture and tradition existing in society. It is comprised of values and beliefs of people which determine the acceptance of product by customer in the market.
- Technological appraisal:** it assesses various technological options available to convert an idea to product. It also provides a brief overview about technological updating.
- Economic appraisal:** it assesses the status of the society in terms of economic development, per capita income, national income, consumption pattern in the business.
- Demographic appraisal:** it assesses the population pattern of given geographic area. This includes sex, age profile, distribution etc.
- Economic appraisal:** it assesses the status of the society in terms of economic development, per capita income, national income, consumption pattern in the business.
- Demographic appraisal:** it assesses the population pattern of given geographic area. This includes sex, age profile, distribution etc.
- Government appraisal:** it assesses the various legislation, policies, incentives formulated for particular industry. Flexibility of these rules determine ease for entrepreneur in terms of opening venture in particular area.

### 2. Internal environment:

- Raw material:** it refers to in terms of availability of raw material required for the process of production. If the material availability is at distance place and is very expensive then entrepreneur should give second thought to the same.
- Production/ operation:** it assesses the availability of various machineries, equipments, tools and techniques that would be required for production.
- Finance:** it studies total requirement of finance in terms of start up expenses, fixed expenses, running expenses etc.
- Market:** refers to study on potential customer and target customers in market.
- Human resource:** refers to demand and supply of required human resource in market and estimation of expenses to be incurred on human resource.
- Feasibility analysis:** refers to conducting detailed analysis in relation to every aspect relevant to business and determining credibility of business.

- ❑ **Market analysis:** is conducted to estimate the demand and market share for proposed product and service in future. Demand and market analysis is based on factors like consumption pattern, availability of substitute goods and services etc.
- ❑ **Technical and operational analysis:** is to assess operational ability of proposed business enterprise. Technical or operational analysis collects data on following parameters :
  - ✦ Material availability
  - ✦ Material requirement planning
  - ✦ Plant location
  - ✦ Plant capacity
  - ✦ Machinery and equipment.
- ❑ **Marketing plan:** lays down the strategies of marketing which can lead to success of business plan. Strategies are in terms of marketing mix which includes (product, price, place, promotion) which determines the potential demand of customers for product in the market.
- ❑ **Production plan / operational plan:** production plan is drafted for manufacturing sector where as operation plan is designed for business into service sector. It comprises of strategies on parameters such as location layout, cost, availability of material, human resource etc.
- ❑ **Organizational plan:** defines type of ownership pattern in company, sole trading concern, family business, private or public limited company etc.
- ❑ **Financial plan:** financial plan indicates the requirement of proposed business enterprise. Which includes fund flow, cash flow statement, breakeven point, projected ratio, and projected balance sheet?
- ❑ **Project report preparation:** project report is a written document that describes step by step strategies involved in starting and running business.
- ❑ **Evaluation, control and review:** as company operates in dynamic environment company has to monitor and review strategies and policies to stay in line with competition existing in market.

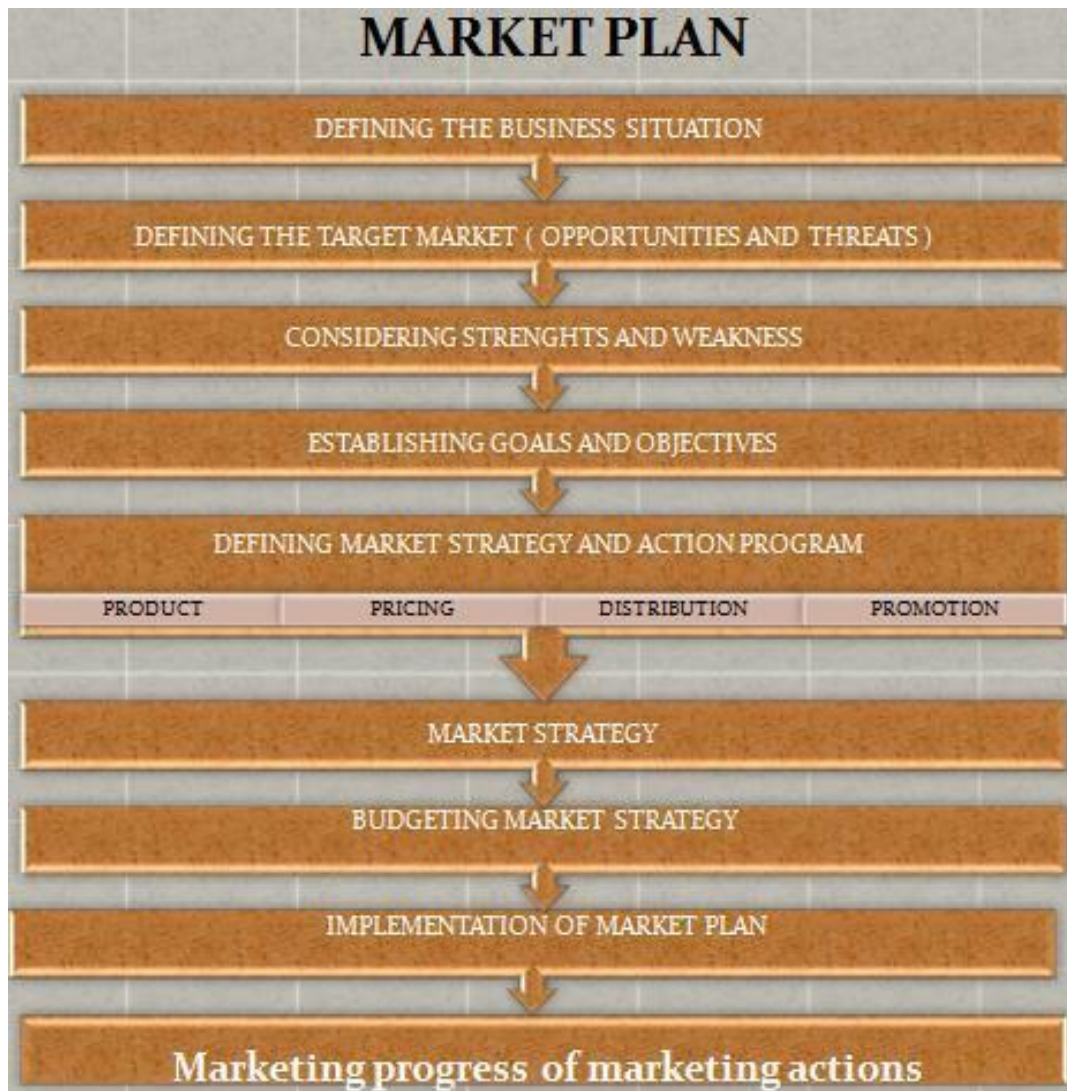
## MARKET PLAN

**Market plan** refers to plan that describes market condition and strategy related to how products and services will be distributed, priced and promoted in market.

**INDUSTRY ANALYSIS:** prior to preparation of market plan entrepreneur are required to conduct industry analysis section of the business plan. Industry analysis provides information about national and local market that affection marketing operation of company. Industry analysis also involves collecting information about competitors which is available in form of secondary data by news papers, article, websites, catalogs, promotions, interview with distributors, customers etc.

### **CHARACTERISTICS/ IMPORTANCE OF MARKET PLAN**

- ✚ It should provide strategy for accomplishing the company mission and goal.
- ✚ It must provide for the use of existing resources and allocation of all equipment, financial resources, and human resources in company.
- ✚ It should provide for continuity so that each annual marketing plan can successfully meet long term goals and objectives of company.
- ✚ It should be simple and specific in nature so as to provide appropriate road may in terms of planning market strategy for company.
- ✚ It should focus on criteria to be evaluated to assess market success of the company.



### STEPS IN PREPARING MARKET PLAN

1. **Defining business situation** refers to understand past and present business achievements of new venture. It gives basic insight about scenario persisting in market, response of customers to new venture in market, and helps in predicting customer acceptance of company product in market.
2. **Defining target market:** target market refers to group of potential customers towards which venture aims its market plan. Knowledge of target market will provide basis for determining appropriate market action strategy to meet needs of customers. Target market also includes market segmentation which involves process of dividing market into definable and measurable groups for purpose of targeting market strategy.
3. **Considering strength and weakness:** strength of business refers to core areas which company is specialized in which may be abundance experience of company in similar

area of business and weakness may be in terms of production capability, or layout which permits limited space for equipment and operation.

4. **Establishing goals and objectives:** marketing goals of the company should be clear and specific in nature as it has to clearly indicate about nature of product, target customers, sales promotion, advertising support etc.
5. **Defining market strategy and action program:** it refers to specific activities outlined to meet the venture, business plan objectives and goals.
6. **Budgeting marketing strategy:** after drafting marketing plan entrepreneur is required to estimate total expenses to be incurred in process of implementing market plan. Expense of marketing plan should be in line with planned expense of entrepreneur.
7. **Implementation of market plan:** market plan should be implemented in the company, should be informed to the workforce involved in marketing activity, it acts as guiding element to direct on strategies which will make marketing process effective.
8. **Marketing progress of marketing actions:** marketing of plan involves tracking specific results of marketing effort. Sales data of product, data gathered by market survey are few methods of monitoring progress of market plan.

## **FINANCIAL PLAN**

It studies total requirement of finance in terms of start up expenses, fixed expenses, running expenses etc. Financial plan indicates the requirement of proposed business enterprise. Which includes fund flow, cash flow statement, breakeven point, projected ratio, and projected balance sheet?



- ❖ **Operating and capital budget:** before developing pro forma income statement, entrepreneur should prepare operating and capital budgets. If entrepreneur is running sole trading concern then he is responsible for budgeting decision and if it is partnership or other form of legal concern then budgeting decisions are to be taken by assigned member of business.
- ❖ **Pro forma of income statement:** refers to projected net profit calculated from projected revenues minus projected costs and expenses. It should comprise of sales on monthly basis, insight on operating expenses, salaries and wages should highlight on total number of employees employed in company.
- ❖ **Pro forma of cash flow:** refers to projected cash available calculated from projected cash accumulation minus projected cash dismemberment. It is result of difference between actual cash receipts and cash payments. Cash flow takes place in company only when payments are made or received.
- ❖ **Pro forma of balance sheet:** summarizes the projected assets, liabilities, and net worth of new venture. Balance sheet represents the position of the business at end of year. Assets represent the items that are owned or available to be used in venture operation.

- ❖ **Break even analysis:** entrepreneur in initial stage is required to know when profit may be achieved which will help him understand financial potential of start up business. BEA is useful technique to analyze how many units have been sold or how much sales order has to be achieved in order to break even. Break even is volume of sales where venture neither makes profit nor loss.
- ❖ **Performance for sources and application of funds:** summarizes projected source of fund available to the venture and how these funds will be distributed.

### **CONTENTS OF PROJECT REPORT**

1. **Cover page:** page of the project report should contain the title of the project, name, address so that the readers of the report can easily contact entrepreneur relating to queries of report.
2. **Table of contents:** table of content are compiled after the main body of the project report is finalized. Topics covered in the project report along with the page number should be mentioned in the project report.
3. **Executive summary:** should be written after the completion of project report as it gives brief gist of project. Length of the executive summary should not exceed more than two pages.
4. **Company information and industry:** here they should explain the ownership form of the company, which should contain the reason for venturing into the proposed business plan, how you plan to satisfy the needs and expectation of the potential customers and existing competitors in industry. It should also include SWOT analysis of company.
5. **Technical plan:** in this part of the report the key aspect analyzed during the technical feasibility of the report should be highlighted. The choice of the product and service to be offered should be justified. Report should be able to explain how the product of the company is creative and innovative from the existing product in the market.
6. **Marketing plan:** this aspect of the product should focus on the industry and market feasibility conducted at earlier stage. It should describe about the pricing policy, findings of market research, how large is the market for the product to be offered by the company, details about marketing strategy adopted by the company to promote the product, target Customers Company is focusing on.



7. **Operations plan:** it describes about the manufacturing and service delivery process to be utilized for production of chosen product and service. It should explain about the innovation brought in the process of production which makes it better when compared to existing competitors. It should also focus on the location, availability of resources required for production.
8. **Organizational plan:** it gives information about the management team who are part of the company. It focuses on the management and technical skills possessed by the employees in company and how it will prove to be beneficial for the work process to be carried in the company. It should highlight as though why even after possessing such efficient skills they preferred joining your organization.
9. **Project timeline:** this chapter explain about the network diagram which explains about the time duration required for the project. Diagram explains about the various activities in the project, which are sequentially organized and the time duration required for the execution of the project is arrived by estimating time required for completion of every activity for the formation and later process of the company.
10. **Critical risk and assumption:** it explain about the various assumption made during the formation of the company E.g. rather than considering the previous sales forecast for similar product to be offered by the company, the organization may have gone in for expert advise, their may be various risks related to the product and kind of service company is planning to offer in the market all these details should be highlighted in this part of the report.
11. **Social plan :** it explains about how company project will benefit the society. It should highlight how company will generate employment opportunities, lead to skill development of local people, provision of goods and services to be provided to the local people, utilization of local resources etc. It should also include various help provided by the financial agencies and government to start SSI in country.
12. **Exit strategy :** this is the negative aspect of the business but the company should explain how they would close down the business if the company is not able to earn the expected profitability, the investors will be keen to know as though how their investment can be recovered in such situation.

13. **Financial plan:** it is important part of the report which will contain brief content all the sections with numbers in monetary terms. It explain about the financial composition of the company, various sources through which company has raised required finance, total expenditure incurred by the company which will be effectively explained through the means of break even analysis and ratio analysis in the company financial report.
14. **Conclusion:** this summarizes the key aspect of the report in concise manner. It should end the report on a positive note so that the readers develop positive image about the report.
15. **Appendices:** it contains conclusion part of the report and supplement data which is important part for the report but cannot be included in the initial topics of the report.

### **INTERNATIONAL ENTREPRENEURSHIP**

International entrepreneurship is the process of an entrepreneur **conducting business activity across the national boundaries**. It may consist of exporting, licensing, opening sales office in another country etc.

International entrepreneurship is defined as **development of international new ventures** or start ups that from their inception engage in international business, thus viewing their operation domain as international from the initial stages of international operations.

### **IMPORTANCE OF INTERNATIONAL ENTREPRENEURSHIP**

International entrepreneurship is beneficial as if sales of company are declining in domestic market, they can sell products in international market considering demand for product in other country market customers.

- ✚ Entrepreneur can sell their products in foreign market which have reached the maturity stage of their life cycle in domestic markets and earn profit by their sales.
- ✚ Companies which are incurring high level of fixed costs can lower their manufacturing costs by spreading these fixed costs over long number of units by selling their products in global market.
- ✚ Entrepreneur can improve their **entrepreneurial competitiveness** and **enhance reputation**.
- ✚ Entrepreneur in process of satisfying foreign customers have to produce product as per their quality expectation by which entrepreneur will not only **produce quality product** in international market but also in **national market**.

- ✚ Internationalization of business will teach entrepreneurs how to cultivate habit of **customer relation management ( CRM )**
- ✚ Being global will make the entrepreneur sensitive towards their customers – domestic, adopt more respectful attitude towards foreign habits and customers.
- ✚ Entrepreneurs can hire motivated, multi lingual employees; learn constantly about the foreign markets. They will think globally and start developing an outlook from a global prospective.

### **IMPORTANCE OF INTERNATIONAL ENTREPRENEURSHIP TO FIRM**

1. **Increased sales and profit:** when the entrepreneurs are not able to earn profit or demand for their product decreases in local market they can sell their products in foreign market where life cycle of product is in favourable condition. E.g. Apple earned more profits from international business than in local market US in the year 1994. ( \$ 390 million foreign market / \$ 310 in Indian market.
2. **Lower manufacturing cost:** if the company manufacturing cost increases by manufacturing product in home country, than company can opt in for production process in host country, on the contrary if the company is in no profit or no loss situation than company can choose in any option. E.g Mc Donald's.
3. **Advantage of cheap labour:** quantity and quality of labour is one of the major challenge for every business, if the labour is cheap in foreign countries than company can outsource required labour if organization is into foreign operations. E.g increasing cost of labour in china has forced companies to search in for other options for outsourcing company activity to other countries were cost of labour is less.
4. **Utilization of talent and managerial competence:** when business is not able to get required talented work force in country, they can get the activity outsourced or hire host country employee which has given birth to concept of expatriation.
5. **Growth opportunity:** An entrepreneur whose core business strategy is expansion and diversification of business, international business is one of the primary platforms to achieve these objectives.
6. **Expansion of domestic market:** international business causes domestic market to expand beyond national boundaries. When the domestic market has been fully tapped than company can go in for expansion of business to market their products in international market. E.g Sony

7. **Globalization of customers:** it refers to when customers in country prefer purchasing foreign brand products than domestic companies have to go in for internationalization of business to keep in pace with competition to attract customers. Tata international begin to operate in international market after entry of foreign competitors in Indian market like ford.
8. **Globalization of competitors:** international business increases the opportunity not only for the survival and growth but also motivates companies to face competition from global entrants in market, which in turn leads to growth of market, pursuing global scale efficiencies etc.
9. **Pay offs of international business:** international business improves image of the company in domestic market and attracts more customers in domestic market due to internationalization of business. E.g Ranbaxy

### **INTERNATIONAL VS DOMESTIC ENTREPRENEURSHIP**

International entrepreneurial decisions are more complex due to uncontrollable factors such as the following;

#### **Economics**

- ❖ A domestic business strategy is designed under a single economic system
- ❖ Creating a business strategy for multiple countries means dealing with different levels of economic development and different distribution systems

#### **Political-Legal Environment**

- ❖ Multiple political and legal environments are opening some opportunities while eliminating others
- ❖ Differences in Value added-tax
- ❖ Differences in Advertising campaign
- ❖ Differences in labelling, ingredients, packaging
- ❖ Laws governing business arrangements also vary greatly in the 150 different legal systems and sets of national laws

#### **Cultural Environment**

- ❖ Understanding the local culture is necessary when developing worldwide plans
- ❖ Language barrier
- ❖ Bribes and corruption culture

### Technological Environment

- ❖ Technology varies significantly across countries
- ❖ New products in a country are created based on the conditions and infrastructure of that country

Example of cars based on roads and price of gasoline

## ENTREPRENEURIAL ENTRY INTO INTERNATIONAL BUSINESS

The modes of entering an international business are divided into three categories;

1. Exporting
2. Non-equity arrangements
3. Direct foreign investment

**1. Exporting:** selling goods made in one country to another

**Indirect exporting** involves using a foreign purchaser (or export management firm) in a local market or selling goods to another country through a person in the entrepreneur's home market

**Direct exporting** uses independent distributors or selling goods to another country by taking care of the transaction

**2. Non-equity arrangement:** Doing international business through an arrangement that does not involve any investment

- **Licensing:** Allowing someone else to use something of the Company's
  - ✓ Entrepreneur who is a manufacturer (Licensee) giving a foreign manufacturer (licensor) the right to use a patent, trademark, technology, production process or product in return for the payment of royalty
- **Turn-Key Projects:** Developing and operationalizing something in a foreign country
- **Management Contracts:** A method for doing a specific international task
  - ✓ Management techniques & skills
  - ✓ acquiring foreign expertise without giving ownership of resources to foreigner

**3. Direct Foreign Investment:** the percentage of ownership is related to the amount of money invested, the nature of the industry, and the rules of the host government

- ✓ **Minority interests:** Having less than 50% ownership position
- ✓ **Majority Interest:** having more than 50% ownership position

## Construction management and Entrepreneurship

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- ✓ **Joint Venture:** Two companies forming a third company
- ✓ **Mergers:** An entrepreneur can obtain 100% ownership.

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