



ENTREPRENEUR

An entrepreneur is a person who is responsible for setting up a business or an enterprise. An entrepreneur is a person who organizes and manages business undertaking and assumes a risk for the sake of profit.

The entrepreneur is a critical factor in the socio-economic change. He is the key person who envisages new opportunities, new techniques, new lines of production, new products and co-ordinates all other activities.

WHO IS AN ENTREPRENEUR?

- He is a person who develops and owns his own enterprise
- He is a moderate risk taker and works under uncertainty for achieving goal.
- He is innovative
- Reflects strong urge to do something better
- Dissatisfied with routine activities
- Exhibits sense of leadership
- Takes personal responsibilities
- Oriented towards the future

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 16th century it was used for army leaders. It was extended to cover civil engineering activities such as construction in 17th 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.

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



CHARACTERISTICS OF ENTREPRENEUR

- A good entrepreneur should be action oriented enthusiastic & energetic & ready to take risk at all
- Levels to achieve the goal.
- Should have determination & commitment.
- Creativeness & result oriented, hard working
- Accepts responsibilities with enthusiasm,
- Self-confident determined & self-disciplined
- Both thinker & doer planner & worker,
- Future vision intelligent, imaginative & self-directed

FUNCTIONS OF AN ENTREPRENEUR

1. Planning of the project: He is the organizer to conceive the idea of launching the project and to program to structure of the business.
2. Management: The entrepreneur is also responsible to the management of business. He tries to have a least cost combination of factors of production.
3. To face risks: He faces uncertainty and bears risks in his business. He also faces the risks of other procedures which enters the market.
4. Distribution of rewards: He is responsible of distributing the rewards to all factors of production. He pays the reward in the shape of rent, wage, and interest and bears the risk of profit or loss himself.
5. Sales of products: An entrepreneur is also responsible of marketing, advertising. He wants to maximize his profits by selling his product in the market.
6. Sales of production: He decides the sale of business in accordance with the provision of capital. Then, he takes the decision of what where and how to produce goods.
7. Joint stock organization: In a partnership, the entrepreneurial functions are divided between the partners. But in public limited company, the board of directors takes this responsibility with nationalized enterprise, the entrepreneurial decisions are left to the government or a body to which government has delegated its powers.

CONCEPT OF ENTREPRENEURSHIP



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It is a process undertaken by entrepreneur to augment his business interests. It is defined as an indivisible process flourishes, when the interlinked dimensions of individual psychological entrepreneurship, entrepreneur traits, social encouragement, business opportunities government policies, availability of resources, opportunities coverage towards the common good, development of society & economy.

Entrepreneurship in today's context in the product of teamwork & ability to crate, build & work as team. It is also a process of identifying opportunities in the market place, arranging the resources required to pursue these opportunities & inverting the resources to exploit the opportunities for better gains.

Higgins defines the function of foreseeing investment & production opportunities, organizing an enterprise to undertake a new production process, raising capital hiring labour, arranging the supply of raw materials, finding site, introducing new technique, discover age new sources of raw materials & selecting top managers for day to day operation.

Cole's explains the purposeful activity of an individual or a group of associated individuals undertaken to initiate, maintain or organize profit by production or distributing of economic goods & services.

All the above definitions highlight risk bearing, introversion & resource organizing achieving goal their of goods or services.

CHARACTERISTICS OF ENTREPRENEURSHIP

1. **Innovation** - Entrepreneurship involves innovation of new things to effect dynamic changes & good success in economy. It should create conditions for growth of economy.
2. **Risk** – taking Risk is an inbuilt element of any business. Entrepreneurship should be risk bearing to the uncertainty of future.
3. **Skilful management** - Entrepreneurship hinges together various functions of the management planning organizing staffing directing controlling & leading.
4. **Organization** - It being together various facilities of production for an efficient & economical use.
5. **Decision-making** - Decision-making is very vital. Taking decision at all levels & stages of entrepreneurship is a routine task.
6. **Making the enterprise a success** - It is mainly an economic activity as it deals with creating & b operating an enterprise. It involves in satisfying the needs of customers with the help of production and distribution of goods & services. This makes the enterprise a success.



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STAGES IN THE ENTREPRENEURIAL PROCESS

1. Identification of opportunity
2. Evaluation of opportunity
3. Preparation of business plan
4. Determination & organizing the resources
5. Management of enterprise.

Identification of opportunity – This is the first step in the entrepreneurial process. This may be from his own idea or from external sources like consumers & business association, members of distribution system, independent technical organizations, consultants, government organizations and R and D centers.

Evaluation of opportunity – Opportunity identified must be carefully screened and evaluated. This evaluation is the most critical element of the entrepreneurial process. The evaluation process involves looking at the length of opportunity, its real and perceived value, its risk and return, it's fit with personal skills and goals of the entrepreneur and its uniqueness or differential advantage in its competitive environment. SWOT (Strength, Weakness, Opportunities and Threats) Analysis is one of the useful analysis tool

Evaluation of opportunity includes,

- Description of product
- Agreement of opportunity
- Assessment of the entrepreneur
- Resources needed
- Amount & sources of capital
- Profit expected

Development of a business plan – To achieve the proposed business opportunity, a well-defined business plan need to be developed. A good business plan is very essential to develop the opportunity and determine the resources received, pooling up the resources for successful managing of the proposed venture. A business plan should contain,

- Title of project, table of contents & executive summary
- Description of business & industry.
- Technology plan



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- Financial plan
- Organization plan
- Production & operation plan
- Marketing & distribution plan
- Summary

Determination and organising the resources – This process begins with the assessment of present resources. Enough care must be taken not to underestimate the amount and nature of resources required. The risk involved with insufficient and incorrect resources should be calculated.

Management of enterprise – After resources are acquired, the entrepreneur must use them to implement the business plan. The operational problems of the growing enterprise must also be examined.

BARRIERS TO ENTREPRENEURSHIP

- 1. Salary:** Starting your own business means that you must be willing to give up the security of a regular pay check.
- 2. Work schedule:** The work schedule of a entrepreneur is never predictable, an emergency can come up in a matter of a second and late hours may become the norm.
- 3. Administration:** All the decisions of the business must be made on his/her own; there is no one ranked higher on the chain of command in such a business, and the fear of a wrong decision can have its own effect.
- 4. Incompetent Staff:** Most of the time, the entrepreneurs will find themselves working with employees who ‘don’t know the ropes’ as well as they do, due to lack of experience.

Few other barriers of entrepreneurship are:

- Lack of capital
- Lack of technical knowledge
- Economic business cycles
- Non-availability of raw materials and resources
- Government regulations
- Globalization and entry of foreign goods
- Risk



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- Unstable and unpredictable markets
- Obsolesce of technology or idea

SUPPORTING AGENCIES OF GOVERNMENT

The Central Government through its ministry of Small-Scale Industries and all the State Governments have started a number of agencies – both at Central and State level – to provide infrastructure and support services to small enterprises. A classification of all such agencies are:

- 1) Central Level Institutions
- 2) State Level Institutions
- 3) Other Agencies

CENTRAL LEVEL INSTITUTIONS

- **SSI BOARD:** Small Scale Industries Board. It is the apex advisory board to the central government in matters related to small scale sector in the country.
- **KVIC:** Khadi and Village Industries Commission. It promotes development of Khadi and other village industries.
- **SIDO:** Small Industries Development Organization: It mainly acts as a nodal agency and an interface between Central and State Governments. It also gives wide ranging technical and consultancy services.
- **NSIC:** National Small Industries Corporation Ltd.,
- **NSTEDB:** National Science and Technology Entrepreneurship Development Board. This agency promotes usage of science and technology in SSI sectors.
- **NPC:** National Productivity Council. This agency suggests various ways of improving productivity.
- **NISIET:** National Institute for Small Industry Extension and Training. It imparts high quality training to budding as well as existing entrepreneurs. It is located in Hyderabad.
- **NIESBUD:** National Institute for Entrepreneurship and Small Business Development. It co-ordinates the efforts of various agencies involved in entrepreneurship development. It is located in New Delhi
- **IIE:** Indian Institute of Entrepreneurship. It aims to carry out research and development activities in entrepreneurship studies. It is located in Guwahati.



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- **EDII:** Entrepreneurship Development Institute of India. It is an autonomous body sponsored by financial institutions like IDBI, ICICI etc., and engaged in spearheading and inspiring entrepreneurship movement in India. It is located in Ahmedabad.

STATE LEVEL INSTITUTIONS

- **DI:** Directorate of Industries. It is involved in promotion of small scale sector at the state level.
- **DIC:** District Industries Centre
- **SFC:** State Financial Corporation. It provides financial support for starting SSI's
- **SIDC:** State Industrial Development Corporation. It promotes infrastructure facilities
- **SSIDC:** State Small Industrial Development Corporation. It helps small and tiny units in procurement of scarce raw materials. It also gives other services.

OTHER AGENCIES:

There are a number of other agencies – both Central and State level – which directly or indirectly help the cause of Small Scale sector in India, mainly in financial and industrial domain. They are:

- **SIDBI:** Small Industries Development Bank of India
- **NABARD:** National Bank for Agricultural and Rural Development
- **HUDCO:** Housing and Urban Development Corporation Ltd.,
- **NGO's:** Non-Governmental Organizations
- **EPC:** Export Promotion Council
- **CII:** Confederation of Indian Industries
- **FICCI:** Federation of Indian Chambers of Commerce and Industry
- **ASSOCHAM:** Associated Chamber of Commerce and Industry of India
- **WASME:** World Association for Small and Medium Enterprise
- **LUB:** Laghu Udyog Bharati
- **ICSI:** Indian Council of Small Industries
- **CSIR:** Council of Industrial and Scientific Research.

MSME – MICRO, SMALL AND MEDIUM ENTERPRISE(MSME)



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Definition

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:

- **Manufacturing Enterprises**-The enterprises engaged in the manufacture or production of goods and are **defined in terms of investment in Plant & Machinery.**
- **Service Enterprises**:-The enterprises engaged in providing or rendering of services and are **defined in terms of investment in equipment.**

Categorization of activities under

Manufacturing Enterprises – Printing, Medical Equipment, Ayurvedic Product, Cigarette and other tobacco products manufacturing, generation of electricity through windmill etc

Service Enterprises – hospitals, hotels, restaurant, hotels, education, training, software services etc. MSME plays an important role for the economic development of the country. The major advantage of the sector is its employment potential at low capital cost. The labour intensity of the MSME sector is much higher than that of the large enterprise.

CHARACTERISTICS OF MSME/SSI

- MSME/SSI have special features, which distinguish them from large-scale industries. The different characteristics of MSME/SSI are:
- It's a One-man-show at most SSI's
- Capital investment is low.
- Most SSI's are fairly labour intensive with comparatively smaller capital investment.
- They can also be found in rural and semi-urban areas
- They are generally involved in the production of light consumer goods, specific industrial components, and simple-to-process food items.

OBJECTIVES OF MSME/SSI

The main objectives of developing Micro, Small & Medium Enterprises/ Small Scale Industries in



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India is as follows:

- To generate immediate and large scale employment opportunities in all parts of the country with relatively low investment.
- To reduce the unemployment and underemployment problems in the country.
- To encourage setting up of industries in small towns and villages thus improving local economy.
- To bring poor and backward areas to the mainstream of national development.
- To ensure a better and equitable distribution of national income and wealth.
- To mobilize the country's untapped capital and human resources.
- To generally improve the standard of living in our country.
- To encourage small entrepreneurs and help them grow and realize their dreams.

SCOPE OF MSME/SSI

'Scope of MSME/ SSI' generally means the range of activities and the type of products that come under the SSI sectors. Some of the important activities that SSI's are normally involved in are:

- Manufacturing activities
- Construction activities
- Public utilities
- Service/Repairing activities
- Financial activities
- Retailing activities
- Wholesale business

In India, the Small Scale Sector is provided by the Government, by the way of reservation. This means that the Indian Government has made a list of 114 items which are reserved for exclusive production in small sector. No large scale industry may produce any of these items reserved in favour of SSI's. The main objective of this reservation policy is to insulate the small sector from unequal competition with large industrial establishments. Although this policy has some negative effects, by and large it has helped SSI.

Some of the items in the reserved list of 114 as it stands today are:

Leather products, Cotton hosiery, Rubber products, Scientific instruments, Natural essential oils, Auto ancillary, Boat making, Electrical goods, Tricycles and perambulators, Printing presses, Stationery items,



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Wooden furniture, Sports goods, Flour mills, Ceramics, Foundaries, Electro plating, Ice creams, Food processing, Pickles and Chutneys, Lock making, Khadi products.

ROLE OF MSME/ SSI IN ECONOMIC DEVELOPMENT

Small Scale Industries play a vital role in the development of Indian economy in the following ways:

- **Providing Employment:** Since SSI's are more labour intensive and less sophisticated technologically, they provide employment on large scale. Since India has a large number of semi-skilled and unskilled labour, this helps the cause of development. In fact, SSI accounts for 75% of total employment in the industrial sector and about 20 million people are currently employed in SSI in India.
- **Mobilization of local resources:** SSI uses local resources with respect to raw materials, labour, talent, savings etc., thus improving local economy, SSI also helps in promotion of traditional family skills and handicrafts and therefore facilitates the identification and growth of local entrepreneurs.
- **Feeding large scale industries:** Small scale industries complement the large scale industries by providing them parts, components, sub-assemblies, accessories, services etc.
- **Promotion of exports:** SSIs help improve India's balance of payments in two ways:

First, they do not require importing of sophisticated equipment thus saving foreign exchange. Second, they export their goods and earn foreign exchange. In recent years, there has been a substantial increase in exports from Indian SSI's which accounts for around 25% of India's total exports.

- **Equitable distribution of wealth:** SSI's help an equitable distribution of India's income and wealth by creating more small business than large business.
- **Promoting Regional Development:** Since SSI's can be set up in rural and semi-urban areas of the country, they help promoting a balanced regional development. This also reduces congestion in cities, migration of villagers to cities, pollution in cities etc.
- **Capital Optimization:** Small Scale Units requires less capital per unit of output produced. They also provide quick return on investments due to shorter gestation period (time taken to start an industry and produce goods). Both these factors help capital optimization and profitability.



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- Inspiring new entrepreneurs: Existing and successful small scale industries inspire many more entrepreneurs to start on their own which proves quality and competition which in turn helps the cause of Indian economy.

Advantages of MSME/ SSI

The Micro, Small & Medium Enterprises/ Small Scale Sector has several distinct advantages-both economic and social over large-scale sectors. Some of them are:

- Small Scale Industries provide self-employment opportunities with relatively low investments.
- Most units do not require high-end technology.
- These industries can be located anywhere.
- They use local resources and local manpower thus improving local economy.
- Time taken from conceptual stage to production stage (gestation period) is less.
- They help earn and save foreign exchange.
- Small firm are viewed favorably by the society because wealth is not concentrated in few hands.
- They make use of large semi-skilled and unskilled labour that is available in our country.
- They introduce to the world local craftsmanship and handicrafts.
- Small firms require simple technology and low managerial skills.

Weaknesses of SSI

The following issues may be generally considered as weaknesses of SSI sector:

- Raw Material: The problem with respect to raw material could be in shape of

Absolute scarcity

Poor quality

High costs.

□ Finance: The problem of finance in small sector is mainly due to two reasons Firstly, it could be partly due to scarcity of capital in the country as a whole. Secondly it is due to weak creditworthiness of small units in the country.

- Marketing: SSI units may lack professional marketing executives as employed by large sectors. Hence marketing can be a weakness.
- Capacity under-utilization: Studies have shown that capacity in SSI is not fully utilized leading to lower optimization and profitability.



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- Outdated Technology: Continued usage of old technology and no up gradation brings down their efficiency.
- Over protection: Most SSI units do not have desire to grow to medium and large scale because of the benefits of protection and reservation given to them.
- Inefficient Entrepreneurs: Entrepreneurs who are young, and lack industrial experience, and also whose financial background is weak and those who are stressed out, are all likely to fail faster.
- Zero R&D: Small Scale sectors hardly invest in R&D which prevents them from introducing any innovation into the market.
- Lack of Successors: When many entrepreneurs who run SSI units become old
 - They may transfer the responsibility to their children who might be inefficient, or
 - They may have children who are unwilling to continue family business.
 - Due to both these reasons the unit may die a slow death.

INTRODUCTION TO DIFFERENT SCHEMES

TECSOK: TECHNICAL CONSULTANCY SERVICES OF KARNATAKA

It was established in 1976 by the government of Karnataka. It is located in Basava Bhavan, Basaveshwara Circle, Bangalore.

Nature of support: Multi-disciplinary technical, industrial and management consultancy.

Objectives:

- To provide reliable consultancy support for entrepreneurs to startup self-employment ventures in Karnataka.
- To provide consultancy services to the various Departments and Agencies of state and Central Governments.

Functions:

- To identify investment opportunities which are location specific.



DEPARTMENT OF CIVIL ENGINEERING

MODULE-5

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- To assist entrepreneurs in obtaining statutory and procedural clearances.
- To carry out feasibility studies and environmental impact studies.
- To assist preparation of detailed project reports as per investment norms and financial norm.
- To carry out market survey and research specific to industry needs.
- To assist in project implementation and extend turnkey assistance.
- To help in reorganization and restructuring of employees.
- To diagnose sick units and suggest rehabilitation measures
- To provide consultancy in valuation of assets, manpower, planning and budgetary control system
- To promote consultancy for merges and take overs.

Types of help:

Since its inception TECSOK has catalyzed a large number of industries throughout Karnataka.

KIADB: KARNATAKA INDUSTRIAL AREA DEVELOPMENT BOARD

This is a statutory body established in 1966 by government of Karnataka. Headquarters is at Bangalore with 9 zonal offices all over Karnataka.

Objectives:

- To establish Industrial areas and promote rapid and orderly establishment of industries in the state of Karnataka
- To provide infrastructural facilities and amenities to SSIs
- To assist in implementation of government policies
- To function on 'No profit – No loss' basis.

Functions:

- To acquire lands for industrial activity at identified and notified locations and form industrial area with all infrastructure facilities like - Road - Electricity power - Water supply
- To acquire lands in favour of single unit.



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- To acquire lands for single unit complexes for government organizations and to facilitate government projects
- To provide all the infrastructure facilities to such industrial areas.
- To maintain the infrastructural facilities during the contractual project.

Types of help:

Till date KIADB has found 95 industrial areas spread all over the state and acquired land for nearly 290 single unit complexes.

KSSIDC: KARNATAKA STATE SMALL INDUSTRIES DEVELOPMENT CORPORATION LTD

Established in 1960 by Government of Karnataka.

Nature of support: Infrastructure and industrial inputs.

Objectives:

- To assist small scale industries in the procurement of raw materials
- To take up any activity aimed at rapid development of small scale industry

Functions:

- To establish and manage industrial estates
- To procure and distribute scarce and rare raw materials to various SSIs
- To provide assistance towards marketing of products from various SSIs
- To organize national level and international level exhibition and facilitate exchange of information
- To supply machinery under hire purchase scheme
- To provide technical library facilities in coordination with Indian Standard Institution.

Types of help

- KSSIDC has promoted establishment of ancillary units to help PSU's like BEL, ITI, HAL, NGEF, BEML etc.
- It has constructed 86 plots exclusively for SC/ST entrepreneurs.

SINGLE WINDOW AGENCY

DIC: DISTRICT INDUSTRIES CENTRE



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Launched in 1978 in all districts of each state. There are about 400 DIC's in India.

Nature of support: Information and Consultancy Services. Industrial Inputs.

Objectives:

- To effectively promote cottage and small-scale industries in rural areas and small towns.
- To act as a Single Window Agency to help the entrepreneur with all the information under one roof.
- To serve as an integrated administrative frame work at the district level for industrial development.

Functions:

- Surveys: To carry out surveys to assess the potential of a district with respect to industrial development taking into account availability of raw material, manpower, infrastructure, demand for a product etc. This survey provides a basis for advising budding entrepreneurs.
- Action Plan: To prepare an action plan for the industrial development of the district.
- Appraisal: To appraise various investment proposals received from entrepreneurs.
- Guidance: To guide entrepreneurs in selecting appropriate machinery and equipment.
- Marketing: To assist entrepreneurs in marketing their products and assess the possibility of export promotion.
- R&D: To link R&D institutes with entrepreneurial activities for product innovation.
- Training: To conduct artisan training programs.

SISI: SMALL INDUSTRIES SERVICE INSTITUTE

There are 58 SISIs all over the country including one in each State Capital.

Nature of support: Entrepreneurship development, consultancy and training.

Objectives:

- To provide consultancy and training to small entrepreneurs – both existing and prospective.
- To serve as an interface between Central and State governments.



DEPARTMENT OF CIVIL ENGINEERING

MODULE-5

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- To initiate entrepreneurial promotion programs

Functions:

- To render technical support services.
- To conduct Entrepreneurship development programs
- To collect Trade and Market information and share it with entrepreneurs.
- To carry out modernization and in plant studies.
- To conduct State and District industrial potential surveys.
- To provide consultancy services.
- To provide training in various trade/activities.

NSIC: NATIONAL SMALL INDUSTRIES CORPORATION LTD.

This is one of the oldest agencies set by the central government in 1955 and is the forefront of industrial development in the country.

Nature of support: Wide ranging industrial inputs.

Objectives:

- To promote, aid and foster the growth of SSI's in the country with a focus on commercial aspects.
- To enable the Small Scale Industries to gain competitive advantage and to contribute effectively to the development of the country.
- To evolve special schemes to meet the needs of handicapped, scheduled castes and scheduled tribe entrepreneurs.

Functions:

- To provide machinery on hire-purchase scheme to SSI's
- To procure government orders for small scale units
- To develop small-scale units as ancillaries to large industries.
- To import and distribute scarce and rare raw materials among actual users in the small-scale sector



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- To undertake the construction of industrial estates
- To help exporting products of SSIs
- To develop prototype of machines and equipment's and pass on the know how to SSIs
- To set up SSI in other developing countries.

SIDBI: SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

It was established in 1990 under Act of Indian Parliament as a principal financial institution. It is a subsidiary of IDBI. Its head office is in Luck now. SIDBI is among the top 25 development banks in the world.

Nature of support: Financial services and other support services

Objectives:

- To promote, finance and develop small-scale sector in India.
- To co-ordinate the functions of other institutes engaged in similar activities.
- To finance industrial infrastructure projects.

Functions:

- To provide finance assistance to - new projects - expansion/diversification projects - modernization projects
- To initiate steps for technological up gradation and modernization of existing units.
- To promote rural industrialization
- To provide channels for marketing SSI products in India and abroad.
- To foster Human Resource Development to suit the SSI sector needs
- To disseminate appropriate information to budding and existing entrepreneurs.

Types of help

- SIDBI has so far disbursed more than 50,000 crores as financial assistance.

KSFC: KARNATAKA STATE FINANCIAL CORPORATION

It was established in 1951 through a State Financial Corp. Act-1951.



Objectives:

- To cater to financial requirements of small-scale units.
- To extend medium and long term credits to units which fall outside the preview of Industrial

Finance Corporation and Public Sector Banks.

Functions:

- To provide long-term finance to small and medium industrial units organized on different ownership basis such as proprietorship, partnership, co-operative, public or private company concern.
- To provide finance to service-oriented enterprises such as travel agencies, car rental agencies, hotels, tourism-related activities, hospitals and nursing homes etc.
- To take over sick SSI units and auction them to entrepreneurs willing to rebuild.

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 objectively evaluate the prospectus of business
- To monitor the progress after implementing business plan
- To persuade others to join business
- To seek loans from financial institutions



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- 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

BUSINESS PLANNING PROCESS

Business planning process consists of following steps:

- 1) **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

- 2) **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 determines the acceptance of product by customer in the market.
- Technological appraisal: it assess various technological options available to convert an idea to product. It also provides a brief overview about technological updating.
- Economic appraisal: it assess the status of the society in terms of economic development, per capita income, national income, consumption pattern in the business.



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- Demographic appraisal: it assess the population pattern of given geographic area. Which includes sex, age profile, distribution etc.

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 assess 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.

3) **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:

1. Material availability
2. Material requirement planning
3. Plant location
4. Plant capacity
5. Machinery and equipment



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- **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.
- 4) **Project report preparation:** project report is a written document that describes step by step strategies involved in starting and running business.
 - 5) **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.

STEPS IN MARKETING RESEARCH

- **Defining the purpose or objective :** it refers to entrepreneur should be clear nature of information required by the business, sources through which required data will be collected, whether required data will be from primary or secondary source of information.
- **Gathering data from secondary sources:** secondary source of information refers to data available about competitor's strategy and their position in the market. Required information on competitors is available through magazines, new papers, libraries etc
- **Gathering information from primary source:** primary data required for market research is collected through methods such as observation, networking, interviewing, focus group, exhibition etc.



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- Analyzing and interpreting results: results should be evaluated and interpreted depending on the objective of research process. Summarizing results will provide in preliminary insights about competitors market position and their image in competitive environment.

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 give 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.



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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.

a. **Product and service:** indicates description of product or service to be marketed in the new venture.

b. **Pricing:** refers to price to be charged for product in market before which company is required to consider various aspects such as cost, margin, competition etc.

c. **Distribution:** refers to means through which product will be made available to customer in market which involves decision relating to nature of product, distribution channel, middlemen etc.

d. **Promotion:** refers to various channels through which entrepreneur will advertise company product to customers in market.

6. **Marketing strategy:** it involves understanding the nature of product and accordingly planning in for marketing product. Entrepreneur may market consumer product directly to customers while manufacturing products are to be sold to business than customers in market. Dell computers markets its products both to customers as well as business people.

7. **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.

8. **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.

9. **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.



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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, projected balance sheet.

Components of financial plan:

1. Operating and capital budget
2. Pro forma of income statement
3. Pro forma of cash flow
4. Pro forma of balance sheet
5. Break even Analysis
6. Pro forma for sources and application of funds

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 do 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.



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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 advice, there 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.



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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 breakeven 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.

FEASIBILITY STUDY

Feasibility study is a systematic method to find out the possibility and practicability of starting a project or a business. An entrepreneur with limited financial resources before venturing in to a business has to study whether it is feasible or not. Feasibility study analyses availability of materials, skills and expertise, capital market, etc. Feasibility study contains fairly specific estimates of project cost, means of financing, sales revenue, production costs, financial and social profitability.

Uses of feasibility study:

- It helps entrepreneur in making investment decisions.
- It helps the agencies and organizations the viability of the project.
- It helps to work out the economics of production and expected profitability of the venture or enterprise.

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 startups 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 is 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.

DIFFERENCE BETWEEN INTERNATIONAL AND DOMESTIC ENTREPRENEURSHIP

Economic system: when an entrepreneur is operating in national level he is required to understand economic conditions within country, but at international level he should be having information about economic system of countries he running business which includes currency rate, phase of business cycle etc.

Stage of economic development: when entrepreneur is operating at domestic level he should focus on development state of domestic country, on the contrary when he is operating on international scale he has to view country from developed, developing and underdeveloped perspective and accordingly plan in business strategies in economy.

ENTREPRENEURIAL ENTRY INTO NEW BUSINESS

- **Exporting:** means selling goods made in one country to another country. Exporting normally involves the sale and of products manufactured in one country to the customer located in another country. shipping
 - **Direct exporting:** implies where company takes full responsibility for making its goods available in the target market by selling directly to end users normally through its own agents.
 - **Indirect exporting:** when the exporting company does not possess the necessary infrastructure to involve itself in direct exporting, indirect exporting takes place. It takes place when the export company sells it's to intermediaries who in turn sell the same products to the end users in foreign markets.



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- **Licensing:** involves an entrepreneur who a manufacturer (license) is giving a foreign manufacturer (licensor) the right to use patent, trade mark, technology, production process, or product in return for the payment of loyalty.

Foreign direct investment (FDI) is direct investment into one country by a company in production located in another country either by buying a company in the country or by expanding operations of an existing business in the country

Minority interest :a company having interest or ownership of less than 50 percent in another company is known as minority interest/ A significant but no controlling ownership of less than 50% of a company's voting shares by either an investor or another company.

Majority interest: majority interest is an ownership interest greater than fifty percent (50%) of the voting interest in a business enterprise.

Joint venture (JV) is a business agreement in which parties agree to develop, for a finite time, a new entity and new assets by contributing equity. They exercise control over the enterprise and consequently share revenues, expenses and assets. A joint venture takes place when two parties come together to take on one project. In a joint venture, both parties are equally invested in the project in terms of money, time, and effort to build on the original concept.

BARRIERS TO INTERNATIONAL TRADE

1. Attitude of entrepreneur
2. Lack of network influences
3. Financing problems
4. Tariff barriers
5. Non-tariff barriers
6. Technical barriers
7. Political barriers
8. Human resources
9. Cultural barriers.

VENTURE CAPITAL



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Venture capital is the source of finance committed to an enterprise that has risk and adventure. It is a fund made available for financing of new business ventures from scratch. Venture capital is arranged to the entrepreneurs through the private equity market for supporting profitable, but risky ventures.

Venture capital is the money obtained through private investments or public investment funds directed to high risk and high potential enterprises

EXPECTED QUESTIONS:

- 1) Explain in brief the concept and evolution of entrepreneur.
- 2) Define entrepreneur and functions of entrepreneur.
- 3) Explain in brief the role of entrepreneurship in economic development.
- 4) Explain in brief the stages of entrepreneurship in economic development.
- 5) What do you mean by small scale industry? List the characteristics of small scale industries.
- 6) Discuss the scope of MSME. Explain the role of MSME in economic development.
- 7) Write a short notes on
 - a) TECKSOK b) KIADB c) SID
- 8) Explain in brief business planning process.
- 9) What are the guidelines for preparation of model project report for starting a new venture.
- 10) Write a short note on
 - I. International entrepreneurship opportunities.
 - II. Exporting
 - III. Direct foreign investment
 - IV. Venture capital.



DEPARTMENT OF CIVIL ENGINEERING

MODULE-5

COURSE TITLE: CONSTRUCTION MANAGEMENT AND ENTERPRENEURSHIP-21CV61

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