Semester V

		L	T	P	C
17BAU504A	**GE-1 ENTREPRENEURSHIP DEVELOPMENT**	6	2	-	6

SCOPE

Entrepreneurship Development represents the concepts of entrepreneurship, various financial institutions, family business and venture capital. It gives a brief understanding of functions of entrepreneur and financial Institutions.

OBJECTIVES

- To create awareness among the students about the concepts of Entrepreneurship.
- To impart students knowledge about the financial Institutions.

UNIT I

Entrepreneurial Management **-** The evolution of the concept of entrepreneurship - John Kao's Model on Entrepreneurship - Idea Generation - Identifying opportunities and Evaluation - Building the Team / Leadership - Strategic planning for business - Steps in strategic planning - Forms of ownerships - Sole proprietorship - Partnership - Limited liability partnership and corporation form of ownership - Advantages/Disadvantages - Franchising - Advantages/ Disadvantages of franchising - Types of franchise arrangements - Franchise contracts - Franchise evaluation checklist - Financing entrepreneurial ventures - Managing growth - Valuation of a new company - Harvesting and Exit Strategies - Corporate Entrepreneurship.

UNIT II

Entrepreneurship - Creativity and Innovation **-** Stimulating Creativity - Organisational actions that enhance/hinder creativity - Managerial responsibilities - Creative Teams - Sources of Innovation in Business - Managing Organizations for Innovation and Positive Creativity.

UNIT III

Social Entrepreneurship **-** Introduction to Social Entrepreneurship - Characteristics and Role of Social Entrepreneurs - Innovation and Entrepreneurship in a Social Context - Start-Up and Early Stage Venture Issues in creating and Sustaining a Non-profit Organization - Financing and Risks; Business Strategies and Scaling up.

UNIT IV

Family Business and Entrepreneurship **-** The Entrepreneur - Role and personality - Family Business: Concept - Structure and kinds of family firms - Culture and evolution of family firm - Managing Business - Family and shareholder relationships - Conflict and conflict resolution in family firms - Managing Leadership - Succession and continuity - Women's issues in the family business - Encouraging change in the family business system.

UNIT V

Financing the Entrepreneurial Business **-** Arrangement of funds - Traditional sources of financing - Loan syndication - Consortium finance - Role played by commercial banks - Appraisal of loan applications by financial institutions - Venture capital - MSMED Act.

SUGGESTED READINGS:

TEXT BOOKS

1. Vasant Desai. (2013). *Dynamics of Entrepreneurial Development and Management*.

   Mumbai: Himalaya Publishing House.

REFERENCES

1. Burns, P. (2011). *Entrepreneurship and Small Business* (4th ed.). Chennai: New Jersey: Palgrave.
2. Drucker, P. F. (2007). *Innovation and entrepreneurship: Practice and Principles*. Gurgoan: USA: Elsevier.
3. Hisrich, R., & Peters, M. (2002). *Entrepreneurship*. New Delhi: Tata McGraw Hill .
4. Holt, D. H. (2008). *Entrepreneurship new venture creation*. New Delhi: Prentice Hall of India.
5. Kaplan, J. (2009). *Patterns of entrepreneurship* (3rd ed.). New Delhi: John Wiley and Sons.
6. Khandwalla, P. (2003). *Corporate creativity*. New Delhi. Tata McGraw Hill .
7. Mullins, J. (2014). *New business Road Test* (4th ed.). New Delhi. Prentice Hall.
8. Nicholls, A. (2006). *Social Entrepreneurship New Models of Sustainable Social Change*. New Delhi: Oxford University Press.
9. Prahalad, C. K. (2014). *Fortune at the bottom of the Pyramid*: *Eradicating Poverty through Profits* (5th ed.). New Delhi: Pearson Education.
10. Scarborough, & Zimmerer, (2011). *Effective Small Business Management* (10th ed.). New Delhi: Pearson Education.
11. Stevenson, H. (2007). *Perspective on Entrepreneurship*. Mumbai: Boston: Harvard Business Press.
12. Khanka, S.S. (2012). *Entrepreneurial Development*. New Delhi: Sultan Chand and Sons.
13. Gupta, C.B., & Srinivasan, N.P. (2007). *Entrepreneurial Development*. New Delhi: Sultan Chand and sons.
14. Saravanavel, P. (2001). *Entrepreneurial Development*. Madras: Ess Pee Kay Publishing House.
15. Gangadhara Rao, M. (2001).Entrepreneurship and Entrepreneurial Development. New Delhi. Kanishka publishing house.

KARPAGAM ACADEMY OF HIGHER EDUCATION

(Deemed to be University)

(Established Under Section 3 of UGC Act 1956)

Coimbatore – 641 021.

LECTURE PLAN
DEPARTMENT OF MANAGEMENT

STAFF NAME: SUMATHI G
SUBJECT NAME: ENTREPRENEURSHIP DEVELOPMENT
SUB.CODE: 17BAU504A
SEMESTER: V
CLASS: III BBA

UNIT-1

S. No.	LECTURE DURATION (Periods)	TOPICS TO BE COVERED	SUPPORT MATERIALS
1.	1	Introduction about entrepreneurship	R1-1.1
2.	1	Meaning, elements of entrepreneurship	R1-2.13
3.	1	Determinants of entrepreneurship	R1-2.01
4.	1	Determinants of entrepreneurship	R1-2.01
5.	1	Importance of entrepreneurship and creative behaviour	R1-P.2.2
6.	1	Entrepreneurship and creative response to the society problems	R1-P.4.5
7.	1	Entrepreneurship and creative response at work	R1-P.2.1
8.	1	Dimensions of entrepreneurship	W1
9.	1	Intrapreneurship	W3
10.	1	Technopreneurship	W4
11.	1	Cultural and international entrepreneurship	W4
12.	1	Netpreneurship and ecopreneurship	W2
13.	1	Social entrepreneurship	W4
14.	1	Recapitulation and discussion of important questions	
		Total no. of hours planned for unit-1	**14 hours**

UNIT-2

S. No.	LECTURE DURATION (Periods)	TOPICS TO BE COVERED	SUPPORT MATERIALS
1.	1	Introduction about MSME	W1
2.	1	Small enterprises	R1-7.18
3.	1	Medium enterprises	R1-7.19
4.	1	Concept of business groups	R1-22.1
5.	1	Role of business houses and family business in India	R1-21.26
6.	1	Role of entrepreneur in economic development	W1
7.	1	Contemporary role models of Indian business- their values	R1-21.20
8.	1	Contemporary role models of Indian business- their values	R1-21.20
9.	1	Business philosophy	W1
10.	1	Behavioural orientation	W1
11.	1	Conflict in family business	R1-22.2
12.	1	Conflict in family business	R1-22.2
13.	1	Resolution to conflicts	R1-22.3
14.	1	Recapitulation and discussion of important questions	-
		Total no. of hours planned for unit-2	**14 hours**

UNIT-3

S. No.	LECTURE DURATION (Periods)	TOPICS TO BE COVERED	SUPPORT MATERIALS
1.	1	Public and Private System of Stimulation	W5
2.	1	Support and Sustainability of Entrepreneurship	W5
3.	1	Requirement - availability -Access to Finance	R2 - P143-151
4.	1	Requirement - availability -Access to Finance	R2 - P143-151
5.	1	Marketing Assistance - Introduction	R2 - p253-263
6.	1	Technology	R2 - P160-170
7.	1	Industrial Accommodation	R2 - P236
8.	1	Role of Industries-Entrepreneur's Associations and Self-Help groups	W6
9.	1	The concept, Role and Functions of Business Incubators	W7
10.	1	Angel Investors	R3 - P262
11.	1	Angel Investors	R3 - P262
12.	1	Venture Capital	R3 - P256
13.	1	Venture Capital and Private Equity Fund	R3 - P256
14.	1	Recapitulation and discussion of important questions	-
		Total no. of hours planned for unit-3	**14 Hours**

UNIT-4

S. No.	LECTURE DURATION (Periods)	TOPICS TO BE COVERED	SUPPORT MATERIALS
1.	1	Significance of Writing the Business plan	R2 – P88
2.	1	Project Proposal	W8
3.	1	Project Proposal	W8
4.	1	Contents Of Business Plan/ Project Proposal	R2 - P89
5.	1	Designing Business Processes	R2 – P90
6.	1	Designing Business Processes	R2 – P90
7.	1	Location – Layout - Operation, Planning & Control	W9
8.	1	Preparation Of Project Report	R3- 116
9.	1	Preparation Of Project Report	R3- 116
10.	1	Project Submission/ Presentation	W10
11.	1	Project Submission/ Presentation	W10
12.	1	Appraisal Thereof By External Agencies	W11
13.	1	Financial/Non-Financial Institutions	R2- P108-124
14.	1	Financial/Non-Financial Institutions	R2- P108-124
15.	1	Recapitulation and discussion of important questions	-
		Total no. of hours planned for unit-4	**15 Hours**

UNIT-5

S.No	LECTURE DURATION (Periods)	TOPICS TO BE COVERED	SUPPORT MATERIALS
1	1	Mobilizing Resources for Start-up	R3 - P155
2	1	Mobilizing Resources for Start-up	R3 - P155
3	1	Accommodation and Utilities	R3 - P178
4	1	Accommodation and Utilities	R3 - P178
5	1	Preliminary Contracts with the Vendors	R2 - P152
6	1	Preliminary Contracts with the Vendors	R2 - P152
7.	1	Suppliers	W12
8.	1	Bankers	R2 - p144
9.	1	Principal Customers	R3 - P336
10.	1	Contract Management	W13
11.	1	Basic start-up Problems	R2 - p29
12.	1	Recapitulation and discussion of important Questions	-
13.	1	Revision: Discussion of Previous ESE Question papers	-
14.	1	Discussion of Previous ESE Question papers	-
15	1	Discussion of Previous ESE Question papers	-
		Total no. of hours planned for unit-5 & Question Paper Discussion	**15 hours**

SUPPORT MATERIALS

Reference Book:

R1: Jayshree Suresh, Entrepreneurial development , Margham publications.
R2: Entrepreneurship Development – Dr. SS. Khanka, SS Chand Publication
R3: Entrepreneurship Management Text and Cases – Bholanath Dutta – Excel Book publication

Website Reference

W1 : www.yourarticlelibrary.com
W2 : www.businessmanagementideas.com
W3 : www.businessdictionary.com
W4 : www.hbs.edu
W5: http://developmentconnectltd.com
W6: http://shodhganga.inflibnet.ac.in

W7: https://smallbusiness.chron.com

W8: www.ilo.org

W9: :www.wisdomjobs.com
W10: www.nstedb.com
W11: www.icsi.edu

W12: www.infoentrepreneurs.org

W13: www.quora.com

Assignment / Seminar Topics:

Unit – I	: Different Kinds of Entrepreneurship
Unit – II	: Contemporary Role Models
Unit – III	: Angel Investors and Venture Capitalists
Unit – IV	: Preparation of Project Report
Unit – V	: Mobilizing resources for Startup

UNIT I

Entrepreneurial Management - The evolution of the concept of entrepreneurship - John Kao's Model on Entrepreneurship - Idea Generation - Identifying opportunities and Evaluation - Building the Team / Leadership - Strategic planning for business - Steps in strategic planning - Forms of ownerships - Sole proprietorship - Partnership - Limited liability partnership and corporation form of ownership - Advantages/Disadvantages - Franchising - Advantages/ Disadvantages of franchising - Types of franchise arrangements - Franchise contracts - Franchise evaluation checklist - Financing entrepreneurial ventures - Managing growth - Valuation of a new company - Harvesting and Exit Strategies - Corporate Entrepreneurship

ENTREPRENEURIAL MANAGEMENT

Peter Drucker remarked that for the existing large company, the controlling word in the phrase "entrepreneurial management" is "entrepreneurial." In any new business venture, the controlling word is "management." Therefore, for the purposes of our discussions we lean toward "management" as a discipline for entrepreneurs. We define entrepreneurial management as the practice of taking entrepreneurial knowledge and utilizing it for increasing the effectiveness of new business venturing as well as small- and medium-sized businesses.

The heart of entrepreneurial management is continually juggling these vital management issues:

- What is this venture about? (mission and values statement)
- Where should it go? (goals and objectives)

- How will it get there? (growth strategy)
- What does it need to get there? (people and resources)
- What structure is best? (organizational capabilities)
- How much money does it need and when? (financing strategy)
- How will it recognize the final destination? (vision of success)

EVOLUTION OF THE CONCEPT OF ENTREPRENEUR

The word 'entrepreneur' is derived from the French word entrepreneur. It means 'to undertake'. Thus, entrepreneur is the person who undertakes the risk of new enterprise. Its evolution is as follows.

EARLY PERIOD: The earliest definition of the entrepreneur as a go-between is Marco Polo. He tried to establish trade route to the far East. He used to sign a contract with a venture capitalist to sell his goods. The capitalist was the risk bearer. The merchant adventurer took the role of trading. After his successful selling of goods and completing his trips, the profits were shared by the capitalist and the merchant.

MIDDLE AGES: The term entrepreneur was referred to a person who was managing large projects. He was not taking any risk but was managing the projects using the resources provided. An example is the cleric who is in charge of great architectural works such as castles, public buildings, cathedrals etc.

17th CENTURY: An entrepreneur was a person who entered into a contractual arrangement with the Govt. to perform a service or to supply some goods. The profit was taken (or loss was borne) by the entrepreneur.

18^{th} CENTURY: It was Richard Cantillon, French Economist, who applied the term entrepreneur to business for the first time. He is regarded by some as the founder of the term. He defined an entrepreneur as a person who buys factor services at certain prices with a view to sell them at uncertain prices in the future

19^{th} CENTURY: The entrepreneurs were not distinguished from managers. They were viewed mostly from the economic perspective. He takes risk, contributes his own initiative and skills. He plans, organizes and leads his enterprise.

20^{th} CENTURY: During the early 20^{th} century Dewing equated the entrepreneur with business promoter and viewed the promoter as one who transformed ideas into a profitable business. It was Joseph Schumpeter who described an entrepreneur as an innovator. According to him an entrepreneur is an innovator who develops untried technology.

21th CENTURY: Research Scientists live De Bone pointed out that it is not always important that an individual comes up with an entirely new idea to be called an entrepreneur, but if he is adding incremental value to the current product or service, he can rightly be called an entrepreneur.

MEANING AND DEFINITION OF ENTREPRENEUR

An entrepreneur is ordinarily called a businessman. He is a person who combines capital and labour for the purpose of production. He organizes and manages a business unit assuming the risk for profit. He is the artist of the business world.

In the words of J.B. Say, "An entrepreneur is one who brings together the factors of production and combines them into a product". He made a clear distinction between a capitalist and an entrepreneur. Capitalist is only a financier. Entrepreneur is the coordinator and organizer of a business enterprise. Joseph A Schumpeter defines an entrepreneur as " one who innovates, raises money, assembles inputs and sets the organization going with the ability to identify them and opportunities, which others are not able to fulfill such economic opportunities". He further said, "An entrepreneur is an innovator playing the role of a dynamic businessman adding material growth to economic development".

DEFINITION

In the words of Stevenson and others, "Entrepreneurship is the process of creating value by bringing together a unique package of resources to exploit an opportunity." According to A.H. Cole, "Entrepreneurship is the purposeful activities of an individual or a group of associated individuals undertaken to initiate, maintain or organize a profit oriented business unit for the production or distribution of economic goods and services". All activities undertaken by an entrepreneur to bring a business unit into existence are collectively known as entrepreneurship. It is the process of changing ideas into commercial opportunities and creating values. In short, entrepreneurship is the process of creating a business enterprise.

"The entrepreneur in an advanced economy is an individual who introduces something new in the economy – a method of production not yet tasted by experience concerned, a product with which consumers are not yet familiar, a new source of raw material or of new markets and the like"

- Joseph A. Schumpeter

CONCEPT OF ENTREPRENEURSHIP

Entrepreneur → Entrepreneurship → Enterprise

↓ ↓ ↓

Person Process of Action Object

Entrepreneurship is a composite skill, the resultant of a miz of many qualities and traits. These include tangible and intangible factors.

CHARACTERISTICS OF AN ENTREPRENEUR

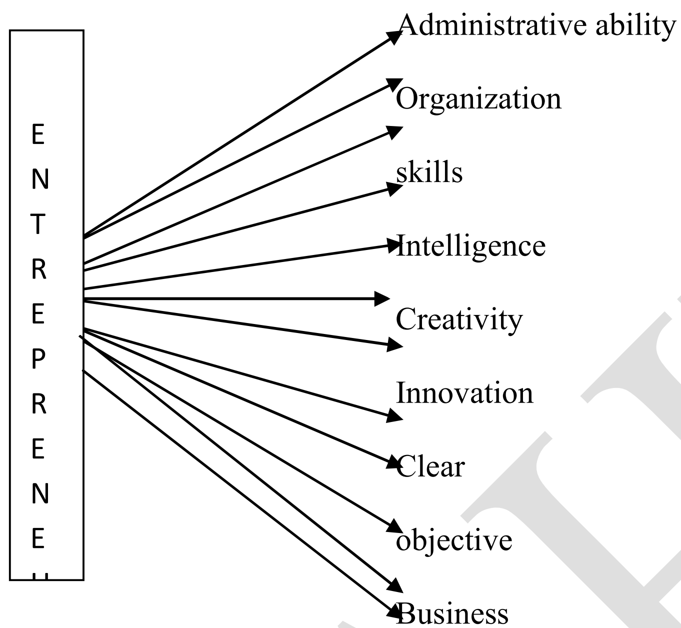
An entrepreneur is a highly achievement oriented, enthusiastic and energetic individual. He is a business leader. He has the following characteristic:

1) An entrepreneur brings about change in the society. He is a catalyst of change.
2) Entrepreneur is action-oriented, highly motivated individual who takes risk to achieve goals.

3) Entrepreneur accepts responsibilities with enthusiasm and endurance.
4) Entrepreneur is thinker and doer, planner and worker.
5) Entrepreneur can foresee the future, seize market with a salesman's persuasiveness, manipulate funds with financial talent and smell error, frauds and deficiencies with an auditor's precisions.
6) Entrepreneur undertakes venture not for his personal gain alone but for the benefit of consumers, government and the society as well.
7) Entrepreneur builds new enterprises. He possesses intense level of determination and a desire to overcome hurdles and solves the problem and completes the job.
8) Entrepreneur finds the resources required to exploit opportunities.
9) Entrepreneur does extraordinary things as a function of vision, hard work, and passion. He challenges assumptions and breaks rules.
10) Although many people come up with great business ideas, most of them never act on their ideas.

The characteristics of an entrepreneur that contribute to success are the result of his achievement motivation. The above can be explained in the following diagrame.

CHARACTERISTICS OF AN ENTREPRENEUR



FUNCTIONS OF AN ENTREPRENEUR

Kilby has classified the functions into four groups

1. Exchange relationship
2. Political Administration
3. Management Control
4. Technology

TYPES OF ENTREPRENEURS

Entrepreneurs may be classified in a number of ways.

A. ON THE BASIS OF TYPE OF BUSINESS.

Entrepreneurs are classified into different types. They are

1) Business Entrepreneur: He is an individual who discovers an idea to start a business and then builds a business to give birth to his idea.

2).Trading Entrepreneur: He is an entrepreneur who undertakes trading activity i.e; buying and selling manufactured goods.

3) Industrial Entrepreneur: He is an entrepreneur who undertakes manufacturing activities.

4) Corporate Entrepreneur: He is a person who demonstrates his innovative skill in organizing and managing a corporate undertaking.

5) Agricultural Entrepreneur: They are entrepreneurs who undertake agricultural activities such as raising and marketing of crops, fertilizers and other inputs of agriculture. They are called agricultural entrepreneur

B. ON THE BASIS OF USE OF TECHNOLOGY: Entrepreneurs are of the following types. **1) Technical Entrepreneur**: They are extremely task oriented. They are of craftsman type. They develop new and improved quality goods because of their craftsmanship. They concentrate more on production than on marketing.

2) Non-Technical Entrepreneur: These entrepreneurs are not concerned with the technical aspects of the product. They develop marketing techniques and distribution strategies to promote their business. Thus they concentrate more on marketing aspects.

3) Professional Entrepreneur: He is an entrepreneur who starts a business unit but does not carry on the business for long period. He sells out the running business and starts another venture.

C. ON THE BASIS OF MOTIVATION:

Entrepreneurs are of the following types:

1) Pure Entrepreneur: They believe in their own performance while undertaking business activities. They undertake business ventures for their personal satisfaction, status and ego. They are guided by the motive of profit. For example, Dhirubhai Ambani of Reliance Group.

2) Induced Entrepreneur: He is induced to take up an entrepreneurial activity with a view to avail some benefits from the government. These benefits are in the form of assistance, incentives, subsidies, concessions and infrastructures.

3) Motivated Entrepreneur: These entrepreneurs are motivated by the desire to make use of their technical and professional expertise and skills. They are motivated by the desire for self-fulfillment.

4) Spontaneous Entrepreneur: They are motivated by their desire for self-employment and to achieve or prove their excellence in job performance. They are natural entrepreneurs.

D. ON THE BASIS OF STAGES OF DEVELOPMENT: They may be classified into;

1) First Generation Entrepreneur: He is one who starts an industrial unit by means of his own innovative ideas and skills. He is essentially an innovator. He is also called new entrepreneur.

2) Modern Entrepreneur: He is an entrepreneur who undertakes those ventures which suit the modern marketing needs.

3) Classical Entrepreneur: He is one who develops a self supporting venture for the satisfaction of customers' needs. He is a stereo type or traditional entrepreneur.

E. CLASSIFICATION ON THE BASIS OF ENTREPRENEURIAL ACTIVITY: They are classified as follows:

1) Novice: A novice is someone who has started his/her first entrepreneurial venture.

2) Serial Entrepreneur: A serial entrepreneur is someone who is devoted to one venture at a time but ultimately starts many. He repeatedly starts businesses and grows them to a sustainable size and then sells them off.

3) Portfolio Entrepreneurs: A portfolio entrepreneur starts and runs a number of businesses at the same time. It may be a strategy of spreading risk or it may be that the entrepreneur is simultaneously excited by a variety of opportunities.

F. CLASSIFICATION BY CLARENCE DANHOF: Clarence Danhof, On the basis of American agriculture, classified entrepreneurs in the following categories:

1) Innovative Entrepreneurs: They are generally aggressive on experimentation and cleverly put attractive possibilities into practice. An innovative entrepreneur, introduces new goods, inaugurates new methods of production, discovers new markets and reorganizes the enterprise. Innovative entrepreneurs bring about a transformation in lifestyle and are always interested in introducing innovations.

2) **Adoptive Or Imitative Entrepreneurs**: Imitative entrepreneurs do not innovate the changes themselves, they only imitate techniques and technology innovated by others. They copy and learn from the innovating entrepreneurs. While innovating entrepreneurs are creative, imitative entrepreneurs are adoptive.

3) **Fabian Entrepreneurs**: These entrepreneurs are traditionally bounded. They would be cautious. They neither introduce new changes nor adopt new methods innovated by others entrepreneurs. They are shy and lazy. They try to follow the footsteps of their predecessors. They follow old customs, traditions, sentiments etc. They take up new projects only when it is necessary to do so.

4) **Drone Entrepreneurs**: Drone entrepreneurs are those who refuse to adopt and use opportunities to make changes in production. They would not change the method of production already introduced. They follow the traditional method of production. They may even suffer losses but they are not ready to make changes in their existing production methods.

There is another classification of entrepreneurs. According to this, entrepreneurs may be broadly classified into commercial entrepreneurs and social entrepreneurs.

Commercial Entrepreneurs: They are those entrepreneurs who start business enterprises for their personal gain. They undertake business ventures for the purpose of generating sales and profits. Most of the entrepreneurs belong to this category.

Social Entrepreneurs: They are those who identify, evaluate and exploit opportunities that create social values and not personal wealth. Social values refer to the basic long standing needs of society. They focus on the disadvantaged sections of the society. They play the role of change agents in the society. In short, social entrepreneurs are those who start ventures not for making profits but for providing social welfare.

JOHN KAO'S MODEL ON ENTREPRENEURSHIP

John Kao (born 1950) is an author and strategic advisor based in San Francisco. His work concentrates on issues of innovation and organizational transformation.

Kao was born in 1950 to Chinese immigrant parents. An accomplished jazz pianist, he spent the summer of 1969 playing keyboards for Frank Zappa.[1] Kao studied philosophy at Yale College, received an MD from Yale Medical School, and an MBA from Harvard Business School. He taught at Harvard Business School from 1982 to 1996, where he specialized in innovation and entrepreneurship. He has also held faculty appointments at the Massachusetts Institute of Technology Media Lab, Yale College, and the Naval Postgraduate School.

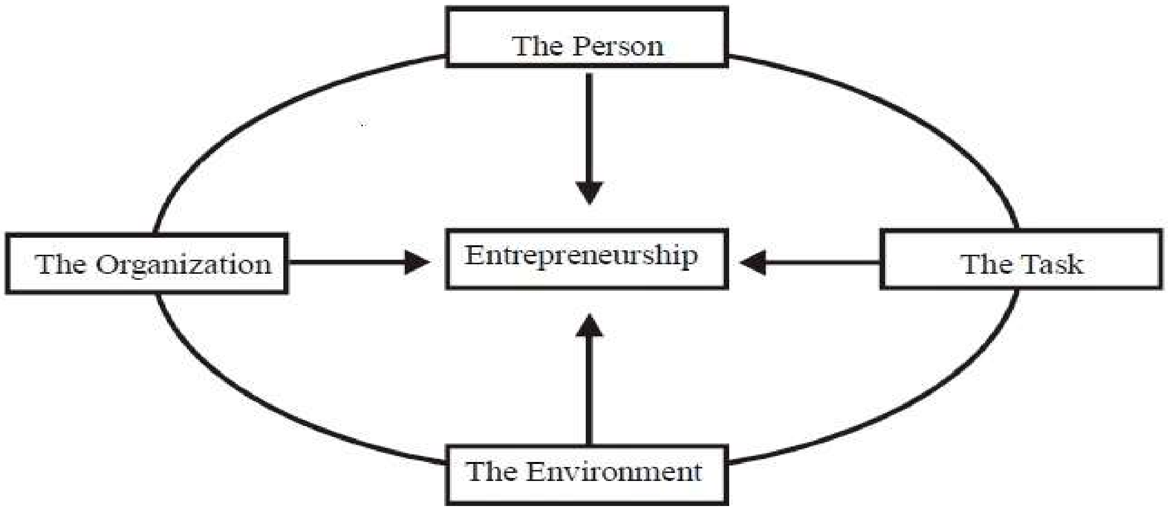


Figure 1.2 : A Conceptual Model of Entrepreneurship

STRATEGIC PLANNING FOR BUSINESS

Strategic planning is a review and planning process that is undertaken to make thoughtful decisions about an organization's future in order to ensure its success. Strategy is a framework of plans or methods that help and organisation to achievement of the main objective. It is a course of actions that is designed to reach smaller goals thus leading to the main aim of the company. Originally, the word strategy has been derived from Greek word, 'strategos' which means general ship.

A strategic plan helps executives understand the direction in which their company is headed by reviewing past progress and making changes to improve and grow. The plan is an organizational tool that helps to keep a company on track to meet growth and financial objectives.

STRATEGIC PLANNING PROCESS

1. **Getting prepared.**

   Decide on the team who will be involved in the planning process , gather all needed information ensuring all information is up to date and as accurate as possible which is very important to ensure sound decisions results from this whole process. Identify any specific issues that needs to be addressed.

2. **Clarify the mission and vision statements.**

3. **Identify your current and future market position. (Perform a SWOT analysis)**

Gather up-to-date information on internal strengths and weaknesses and external opportunities and threats so you can develop an understanding of all critical issues. Use the SWOT tool to organize your information

4.Agree on priorities.

As in any planning process, all priorities need to be set and agreed as well as broad strategies for handling critical issues and what outcomes are to be sought. It is important that you and your planning team agree on all major and key priorities.

FORMS OF OWNERSHIP

SOLE PROPRIETORSHIPS

The vast majority of small business start out as sole proprietorships. These firms are owned by one person, usually the individual who has day-to-day responsibility for running the business. Sole proprietors own all the assets of the business and the profits generated by it. They also assume complete responsibility for any of its liabilities or debts. In the eyes of the law and the public, you are one in the same with the business.

Advantages of a Sole Proprietorship

- Easiest and least expensive form of ownership to organize.
- Sole proprietors are in complete control, and within the parameters of the law, may make decisions as they see fit.
- Sole proprietors receive all income generated by the business to keep or reinvest.
- Profits from the business flow-through directly to the owner's personal tax return.
- The business is easy to dissolve, if desired.

Disadvantages of a Sole Proprietorship

Sole proprietors have unlimited liability and are legally responsible for all debts against the business. Their business and personal assets are at risk.

- May be at a disadvantage in raising funds and are often limited to using funds from personal savings or consumer loans.
- May have a hard time attracting high-caliber employees, or those that are motivated by the opportunity to own a part of the business.
- Some employee benefits such as owner's medical insurance premiums are not directly deductible from business income (only partially deductible as an adjustment to income).

Federal tax forms for Sole Proprietorship (only a partial list and some may not apply)

- Form 1040: Individual Income Tax Return
- Schedule C: Profit or Loss from Business (or Schedule C-EZ)
- Schedule SE: Self-Employment Tax
- Form 1040-ES: Estimated Tax for Individuals
- Form 4562: Depreciation and Amortization
- Form 8829: Expenses for Business Use of your Home
- Employment Tax Forms

PARTNERSHIPS

In a Partnership, two or more people share ownership of a single business. Like proprietorships, the law does not distinguish between the business and its owners. The Partners should have a legal agreement that sets forth how decisions will be made, profits will be shared, disputes will be resolved, how future partners will be admitted to the partnership, how partners can be bought out, or what steps will be taken to dissolve the partnership when needed;Yes, its hard to think about a "break-up" when the business is just getting started, but many partnerships split up at crisis times and unless there is a defined process, there will be even greater problems. They also must decide up front how much time and capital each will contribute, etc.

Advantages of a Partnership

- Partnerships are relatively easy to establish; however time should be invested in developing the partnership agreement.

- With more than one owner, the ability to raise funds may be increased.
- The profits from the business flow directly through to the partners' personal tax returns.
- Prospective employees may be attracted to the business if given the incentive to become a partner.
- The business usually will benefit from partners who have complementary skills.

Disadvantages of a Partnership

- Partners are jointly and individually liable for the actions of the other partners.
- Profits must be shared with others.
- Since decisions are shared, disagreements can occur.
- Some employee benefits are not deductible from business income on tax returns.
- The partnership may have a limited life; it may end upon the withdrawal or death of a partner.

JOINT VENTURE

Acts like a general partnership, but is clearly for a limited period of time or a single project. If the partners in a joint venture repeat the activity, they will be recognized as an ongoing partnership and will have to file as such, and distribute accumulated partnership assets upon dissolution of the entity.

CORPORATIONS

A corporation, chartered by the state in which it is headquartered, is considered by law to be a unique entity, separate and apart from those who own it. A corporation can be taxed; it can be sued; it can enter into contractual agreements. The owners of a corporation are its shareholders. The shareholders elect a board of directors to oversee the major policies and decisions. The corporation has a life of its own and does not dissolve when ownership changes.

Advantages of a Corporation

- Shareholders have limited liability for the corporation's debts or judgments against the corporations.
- Generally, shareholders can only be held accountable for their investment in stock of the company. (Note however, that officers can be held personally liable for their actions, such as the failure to withhold and pay employment taxes.)
- Corporations can raise additional funds through the sale of stock.
- A corporation may deduct the cost of benefits it provides to officers and employees.
- Can elect S corporation status if certain requirements are met. This election enables company to be taxed similar to a partnership.

Disadvantages of a Corporation

- The process of incorporation requires more time and money than other forms of organization.
- Corporations are monitored by federal, state and some local agencies, and as a result may have more paperwork to comply with regulations.
- Incorporating may result in higher overall taxes. Dividends paid to shareholders are not deductible form business income, thus this income can be taxed twice.

LIMITED LIABILITY COMPANY (LLC)

The LLC is a relatively new type of hybrid business structure that is now permissible in most states. It is designed to provide the limited liability features of a corporation and the tax efficiencies and operational flexibility of a partnership. Formation is more complex and formal than that of a general partnership.

FRANCHISING

Franchising is a form of business by which the owner (**franchisor**) of a product, service or method obtains distribution through affiliated dealers (franchisees). If buying an existing business doesn't sound right for you but starting from scratch sounds a bit intimidating, you could be suited for franchise ownership.

Definition*:* A continuing relationship in which a franchisor provides a licensed privilege to the franchisee to do business and offers assistance in organizing, training, merchandising, marketing and managing in return for a monetary consideration. Franchising is a form of business by which the owner (franchisor) of a product, service or method obtains distribution through affiliated dealers (franchisees).

In franchising, the firm that grants a license is called franchiser, and the individual or entity to whom the right is conferred is franchisee. The franchisee acquires franchise by paying initial startup and annual licensing fees to the franchiser, who in return provides training and assistance to the franchisee at regular intervals.

Franchising Agreement is a special agreement between both the parties, under which rights are given, and also the terms and conditions relating to franchising are stated clearly.

1. **Marketing support and technology**: Franchisee is supplied with continuous market support and technology, by the franchiser, to undertake business, in the manner stated in the franchising agreement.
2. **Training**: Complete training and assistance are provided to the personnel working in the franchisee's enterprise.
3. **Royalty**: For making use of a well-known business model, the franchisee pays the royalty to the franchiser.
4. **Limited period**: Franchisee is allowed to use the business know-how and brand name for a specified period, as mentioned in the franchise agreement. Although, the agreement can be renewed further.

Franchising is a most common practice of **expanding the business**, through a licensing relationship, wherein the owner provides training, equipment, ingredients, and marketing support to the other entity.

Importance of Franchising

- It allows franchiser to augment his distribution chain in minimum time.
- It provides feedback to the franchiser regarding the product popularity, needs and choices of customers, etc.
- It expands the network of franchiser which helps in increasing goodwill.

- As the business is already established, the franchisee need not make efforts in promoting the product.

Characteristics of Franchising

Franchising, the firm that grants a license is called franchiser, and the individual or entity to whom the right is conferred is franchisee. The franchisee acquires franchise by paying initial startup and annual licensing fees to the franchiser, who in return provides training and assistance to the franchisee at regular intervals.

FRANCHISING AGREEMENT

Franchising Agreement is a special agreement between both the parties, under which rights are given, and also the terms and conditions relating to franchising are stated clearly.

5. **License**: The franchisee gets the right to use, franchiser's trademark under a license.
6. **Policies**: The franchisee must follow the policies concerning the mode of conducting business, as stated in the agreement.
   - Franchisee get sole rights in providing the product or service

Franchising is a great alternative to developing chain stores, to provide goods and services to the customers and avoid investment. But there are certain demerits attached to it such as there is always a fear that franchisee may open the same business with a different name, after the expiry of the said term. The franchiser's brand name and reputation will suffer if the franchisee does not provide quality service to the target audience. Besides this, as there is a certain restriction due to which the franchisee lacks freedom in conducting business.

Advantages and disadvantages of franchising

Buying a franchise can be a quick way to set up your own business without starting from scratch. There are many benefits of franchising but there are also a number of drawbacks to consider.

Advantages of franchising

- The risk of business failure is reduced by franchising. Your business is based on a proven idea. You can check how successful other franchises are before committing yourself.
- Products and services will have already established a market share. Therefore there will be no need for market testing.

- You can use a recognised brand name and trade mark. You benefit from any advertising or promotion by the owner of the franchise - the 'franchisor'.
- The franchisor gives you support - usually as a complete package including training, help setting up the business, a manual telling you how to run the business and ongoing advice.
- No prior experience is needed as the training received from the franchisor should ensure the franchisee establishes the skills required to operate the franchise.
- A franchise enables a small business to compete with big businesses, more so than an independent small business, due to the pool of support from the franchisor and network of other franchisees.
- You usually have exclusive rights in your territory. The franchisor won't sell any other franchises in the same territory.
- Financing the business may be easier. Banks are sometimes more likely to lend money to buy a franchise with a good reputation.
- You can benefit from communicating and sharing ideas with, and receiving support from, other franchisees in the network.
- Relationships with suppliers have already been established.

Disadvantages of franchising

- Costs may be higher than you expect. As well as the initial costs of buying the franchise, you pay continuing management service fees and you may have to agree to buy products from the franchisor.

- The franchise agreement usually includes restrictions on how you can run the business. You might not be able to make changes to suit your local market.
- You may find that after some time, ongoing franchisor monitoring becomes intrusive.
- The franchisor might go out of business.
- Other franchisees could give the brand a bad reputation, so the recruitment process needs to be thorough.
- You may find it difficult to sell your franchise - you can only sell it to someone approved by the franchisor.
- All profits (a percentage of sales) are usually shared with the franchisor.
- The inflexible nature of a franchise may restrict your ability to introduce changes to the business to respond to the market or make the business grow.

FRANCHISE AGREEMENT

The Franchise Agreement is a legally binding agreement which outlines the franchisor's terms and conditions for the franchisee. It also outlines the obligations of the franchisor and the obligations of the franchisee. The franchise agreement is signed at the time an individual makes the decision to enter the franchise system.

franchise agreement. A legal contract in which a well established business consents to provide its brand, operational model and required support to another party for them to set up and run a similar business in exchange for a fee and some share of the income generated.

1. The franchisee's business is substantially associated with the franchisor's brand. In franchising, the franchisor and each of its franchisees are sharing a common brand.
2. The franchisor exercises control or provides significant assistance to the franchisee in how they use the franchisor's brand in conducting their business. Since the franchisee is an independent contractor and not a joint employer, generally those controls are over brand standards and do not extend to the human resources of the franchisee, nor do they extend to how the franchisee manages their business – subject to meeting the requirements of the brand standards – on a day-to-day basis.

1. The franchisor receives from the franchisee a fee for the right to enter into the relationship and to operate their business using the franchisor's trademarks. The fee can be an initial fee, or it may be a continuing fee in excess of $500 (adjusted annually) with certain exemptions provided under the law.

Several states have also passed laws defining "what is a franchise" and those laws can capture into the definition of a franchise some relationships that do not meet the FTC Rule.

It's a Formal and Complicated Long-Term Business Relationship

It's not a partnership, it's not a joint-venture or cooperative (although it could be), and it's not a joint-employer relationship (although it could be that also). It's a license that establishes the rights and obligations of the licensor and the licensee. Regardless of how the parties refer to the relationship, every franchise is governed by the terms of a contract (generally a written agreement) between the licensor (the franchisor) and a licensee (the franchisee), and that document is called a Franchise Agreement.

The types of franchise arrangements include:

Single-unit franchising

With this arrangement the franchise buys the right to run just ONE franchise unit. They may at a later stage be offered to buy additional units from the franchisor, this is called multi-unit franchising.

Multi-unit franchising

This is when a franchisor owns more than one unit in the same franchise network. E.g. many food franchises only look for those with the money to buy more than one unit. They may initially only start with one but as time goes on they will be required to develop the business into a multi-unit operation.

Area developer

An area developer franchisee is granted the exclusive rights to develop the franchise system in a defined territory e.g. city, state, within a specific time frame. They do not sell franchises.

Master franchising

A master franchisee is given the rights to open and develop franchises in a defined territory, and is also allowed to sell franchises within that area. They sell them to sub-franchisees. Master franchisees may hold the rights for regions, states and the US as a whole if the franchise is from outside of the US. The master franchisee becomes technical the franchisor for their territory, i.e. they do the recruiting, training, marketing etc.

FINANCING ENTREPRENEURIAL VENTURES

"Financing Entrepreneurial Ventures" introduces students to the key issues involved in the financing of entrepreneurial enterprises. ... Students learn about the different types of equity investors-including angels, VCs, and strategic investors-and follow an entrepreneurial venture's path through the financing stages.

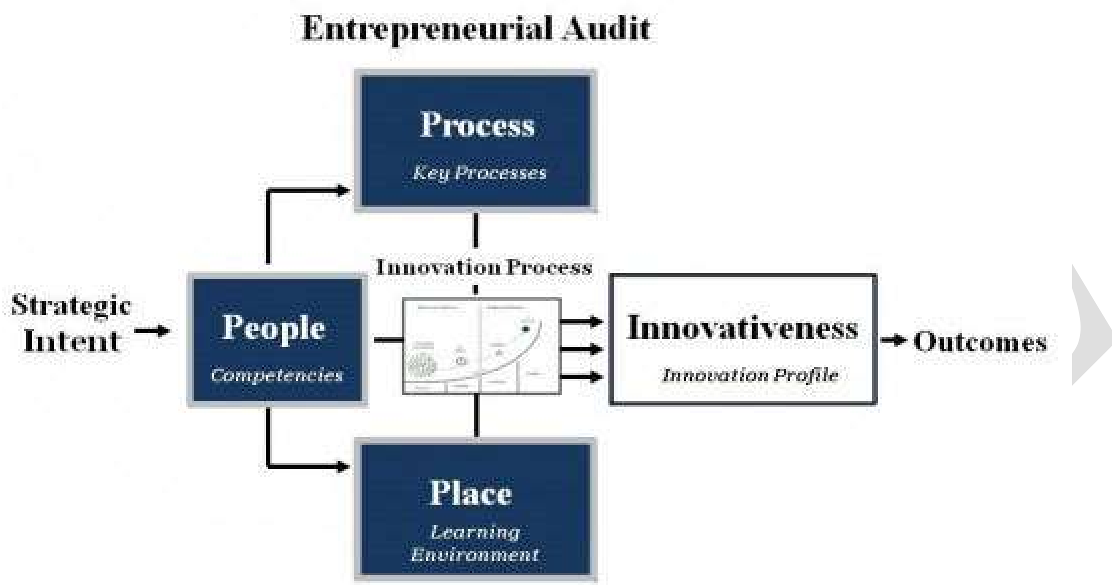
CORPORATE ENTREPRENEURSHIP

Corporate Entrepreneurship is a process used to develop new businesses, products, services or processes inside of an existing organization to create value and generate new revenue growth through entrepreneurial thought and action. Corporate entrepreneurship sets the context for innovation and growth.

Entrepreneurship inside of established organizations is called Corporate Entrepreneurship or Intrapreneurship.

All companies want organic growth but few organizations have a process in place to support and sustain growth over time. An innovation process alone is not enough. Organizations need to build a framework to support innovation and new business growth.

Corporate entrepreneurship is seen as the answer to this issue:



Corporate Entrepreneurship is a process used to develop new businesses, products, services or processes inside of an existing organization to create value and generate new revenue growth through entrepreneurial thought and action.

Corporate entrepreneurship sets the context for innovation and growth. It provides a systems view of the resources, processes and environment that are needed to support, motivate and engage the organization in entrepreneurial thinking and action. .

Organizations with strong entrepreneurial orientations statistically perform better. They achieve higher levels of productivity, innovation, growth and financial returns.

Although business growth is the overall end game, corporate entrepreneurship is difficult to achieve. It challenges traditional organizational practices. Many of the things needed to support the core business are just the opposite of what you need to do to build a new business.

There is no perfect way to implement corporate entrepreneurship. There are however three components that enable corporate entrepreneurship; people, process and place.

- People – leaders that possess a core set of action oriented competencies and behaviors
- Process – systems and processes that support entrepreneurial thinking and action
- Place – an environment conducive to entrepreneurship, learning and growth

PART B QUESTIONS

1. Define entrepreneurship
2. List out the forms of ownership
3. What is meant by franchising
4. Define leasing
5. Give the meaning of corporate entrepreneurship
6. Write a short note on franchise contract
7. State the concept of franchise checklist.

PART C QUESTIONS

1. Briefly explain the scope of entrepreneurship
2. Discuss the entrepreneurial process with suitable chart.
3. Explain the John Kao’s Model on Entrepreneurship
4. Discuss the advantages and disadvantages of franchising
5. Discuss the different forms of ownership

KARPAGAM ACADEMY OF HIGHER EDUCATION

DEPATRTMENT OF MANAGEMENT (UG)

III BBA - V SEMESTER

PART A - MULTIPLE CHOICE QUESTIONS (Each questions carries ONE Mark)

UNIT I

S. No.	Questions	Option 1	Option 2	Option 3	Option 4	Answers
1	Entrepreneurs are	High Risk Takers	Takers	Small risk Takers	Never Mind	Takers
2	The entrepreneurial process is comprised of each of the following steps EXCEPT:	Deciding to be an Entrepreneur	Inventing a new product / process	Managing and growing the entrepreneurial firm	Taking idea to business	Inventing a new product / process
3	Generation tool	Brainstorming	Mindmapping	Brainwriting	Crowdfunding	Crowdfunding
4	the SWOT analysis stand for	Work life balance	Worth	Wedge	Weakness	Weakness
5	Angel investors	Demand collateral	provide fund for ideas	Heavenly creatures	invest only in successful ventures	provide fund for ideas
6	Brainstorming is	An idea Generation Tool	Surgery on Brain	Damage of Brain	Brain Disease	An idea Generation Tool
7	Which of the following are considered sources of business idea	Work experiences, skill, abilities	familiar and unfamiliar products and	Personal Interest or hobbies	All of the Above	All of the Above
8	new for the first time, is a highly driven individual motivated by his / her own work and personal ideas	Inventor	Entrepreneur	Innovator	None of the above	Inventor
9	new	Invention	Business venture	Industry	None of the above	Business venture
10	The internet as a source of information can provide the entrepreneur with:	Information on negative attitudes from people	Information regarding new developments in products and services	Information on difficult steps for entrepreneurs	No Information at all	Information regarding new developments in products and services

11	phases; which of the following is not a phase -	Strategy Performance	Strategy Formation	Strategy Implementation	Strategy Evaluation	Strategy Performance
12	Which of the following characteristics that are not found in an entrepreneur?	Independent Minded	Self Confident	Follower	Perceptive	Follower
13	Which of the following are risks for an entrepreneur in a small business?	Psychological Stress	Interference with personal life	Social and Family Pressure	All of the Above	All of the Above
14	According to theory, which of the following is the function least well done?	Planning	Organising	Scheduling	Controlling	Planning
15	Which of the following is not a common motivation of an entrepreneur?	Desire for independence.	Search for personal and professional growth.	Desire to maintain the status quo.	Search for more rewarding work.	Desire to maintain the status quo.
16	People who work for someone else?	Entrepreneur	Employee	Entrepreneurship	Aptitude	Employee
17	Which one is not the method in problem solving?	Ignore the Problem	Gather Information	Identify the problem	Provide solution	Ignore the Problem
18	Entrepreneurship contribute to	Economic Growth	Job Creation	Career Opportunities for Women and Minorities	All of the Above	All of the Above
19	__________ is an activity that generate business ideas	Brainstorming	Dreaming	Physical Exercise	Examinations	Brainstorming
20	Which is the type of finance that an entrepreneur operates with the resources he poses	Crowd funding	Boot strapping	Bank	IPO	Boot strapping
21	What are the sources of entrepreneurial motivation	Internal	External	Both internal and external	Neither internal nor external	Both internal and external

22	What are the two biggest challenges for graduate entrepreneurs?	Lack of Business skill and access to finance	Loosing contact with the college and forget what is learned	Multiple Job Offers and high salaries	Support system and team	Lack of Business skill and access to finance
23	What is the need of entrepreneurship	To fill the gap in growth	For Healthy Competition	To Amass wealth	None of the above	To fill the gap in growth
24	A voluntary association of two or more people to act as co owners of a business and share profit	Friends	Partners	Sole propreitorship	Banks	Partners
25	A Business owned by a single person	Private Limited Company	Limited Liability Partnership	Corporation	Solepropreitorship	Solepropreitorship
26	A company that grants license to market the product or services	Corporation	Public Limited Company	Franchisor	Solepropreitorship	Franchisor
27	The amount paid by the Franchisee to Franchisor	Bribe	salary	Tuition Fee	Franchise Fee	Franchise Fee
28	____________ is the process of finding the economic value of the company	Crowd funding	Valuation	Franchising	Examinations	Valuation
29	Which is NOT an exit Strategy?	Merge	Acquisition	Debt Equity Exchange	Brainstorming	Brainstorming
30	Which is the obligations of a franchisee	Paying the Franchise fee	Making Minimum Investment	Maintain Quality Standards	All of the Above	All of the Above
31	Two or more franchised businesses that share space to offer a more comprehensive product or service to customers.	Piggyback	Area Franchising	Single Unit	Sub Franchising	Piggyback

32	The right to use a specific business name and sell its goods or services in a specific place	Franchisor	Franchisee	Franchise	Dealer	Franchise
33	A ______________ is a mid and long range planning	Strategic Plan	Value	Belief	Philosophy	Strategic Plan
34	Have a shared entrepreneurial vision, shared passion for creation of innovative customer value and shared commitment to the new venture.	Invesotrs	Entrepreneurial Team	Managers	Sports Team	Entrepreneurial Team
35	Which is NOT the theory of entrepreneurship	Economic	Sociological	Anthropological	Clinical	Clinical
36	The simplest form of Business Ownership	Partnership	Corporation	Sole Propreitorship	Cooperative	Sole Propreitorship
37	Which of the following is the advantage of Sole Propreitorship	Ease to start and wind up	Pride of Ownership	Ones own boss	All of the Above	All of the Above
38	The most effective form of business organization for raising capital is the:	Partnership	Corporation	Sole propreitorship	Joint Venture	Corporation
39	The major advantage of a franchise is:	Training and Management Assistance	Personal Ownership	Recognised name	All of the Above	All of the Above
40	The main disadvantage of a partnership firm is	Unlimited liability on the partners	Shared Management	Disagreement among partners	Difficulty of termination	Unlimited liability on the partners
41	The form of business that has largest sales volume	Partnership	Corporation	Cooperative	Sole Propreitorship	Corporation
42	Which of the following is among the requirements to be a successful franchisee?	Willing to work long hours	Willing to make personal sacrifice	Be an organised man	All of the Above	All of the Above
43	The most important single element for the prospective franchisee to investigate is:	Site Selection Assistance	Startup Cost	Franchisor	Franchise Fee	Franchisor

44	The different forms of Franchising	Business Format	Piggyback	Single Unit	All of the Above	All of the Above
45	Which business is not an example of Franchising	McDonald	KFC	Ibaco	Southern Railway	Southern Railway
46	What is the best valuation method to be adopted for a quickly growing business	Net Present Value	Future Earnings	Book Value	Market Based	Future Earnings
47	When should you spell out your exit strategy for investors?	in your annual report to investors once the business is up and running	in your business plan	Once the business starts showing net profit	when there is a loss	in your business plan
48	The best definition of a sole trader form of business organisation is:	Single person is employed	Single person is the owner	Single Customer	Single firm	Single person is the owner
49	Which of the following is NOT a feature of a private limited company?	Shares can be issued to raise Capital	Limited Liability for share holders	Business continues after the death of Share holder	Shares can be bought and sold on stock exchange	Shares can be bought and sold on stock exchange
50	One of the major drawback of a public limited company	There can be a loss of control to the original owners as additional shares are sold	Firms in the public sector are less efficient	If company fails shareholders will loose all their assets	Workers have to be consulted before any major decisions	There can be a loss of control to the original owners as additional shares are sold
51	Which of the statement is best applied to the Public Limited Company	Easy to Start and WindUp	It is owned by shareholders who can sell their shares in stock exchanges	Its accounts can be kept private	It is owned by the Government	It is owned by shareholders who can sell their shares in stock exchanges

52	A form of business organization that is authorized to act as a legal entity regardless of the number of owners.	Corporation	Partnership	Distributor	Dealer	Corporation
53	Nike, IBM, Google are examples of	Partnership	Franchisee	Corporation	Distributor	Corporation
54	Which of the following is NOT an example of a business organisation?	Partnership	Sole Trader	Employee	Corporation	Employee
55	A company or individual who pays for the legal right to use the product, service, or format of another is called a:	Franchisor	Intrapreneur	Franchisee	Lunatic	Franchisee
56	When deciding which franchise to purchase, which of the following aspects should be considered?	Potential Growth of the Business	Profitability of the Business	Whether you enjoy the line of business	All of the Above	All of the Above
57	Franchisees that have the right to run franchise on territorial basis	Single Unit Franchise	Area Franchising	Piggyback	Lunatic	Area Franchising
58	Which is not financing of entrepreneurial ventures	Bootstrapping	Crowdfunding	Angel Investors	Trainers	Trainers
59	An investor that provides**capital** to firms exhibiting high growth potential in exchange for an equity stake.	Banks	Venture Capitalists	Franchisee	Dealer	Venture Capitalists
60	Small Loans	Micro Credit	IPO	Equity	Inventory	Micro Credit

KARPAGAM ACADEMY OF HIGHER EDUCATION

DEPATRTMENT OF MANAGEMENT (UG)

III BBA - V SEMESTER

PART A - MULTIPLE CHOICE QUESTIONS (Each questions carries ONE Mark)

UNIT I

S. No.	Questions	Option 1	Option 2	Option 3	Option 4	Answers
1	Entrepreneurs are	High Risk Takers	Takers	Small risk Takers	Never Mind	Takers
2	The entrepreneurial process is comprised of each of the following steps EXCEPT:	Deciding to be an Entrepreneur	Inventing a new product / process	Managing and growing the entrepreneurial firm	Taking idea to business	Inventing a new product / process
3	Generation tool	Brainstorming	Mindmapping	Brainwriting	Crowdfunding	Crowdfunding
4	the SWOT analysis stand for	Work life balance	Worth	Wedge	Weakness	Weakness
5	Angel investors	Demand collateral	provide fund for ideas	Heavenly creatures	invest only in successful ventures	provide fund for ideas
6	Brainstorming is	An idea Generation Tool	Surgery on Brain	Damage of Brain	Brain Disease	An idea Generation Tool
7	Which of the following are considered sources of business idea	Work experiences, skill, abilities	familiar and unfamiliar products and	Personal Interest or hobbies	All of the Above	All of the Above
8	new for the first time, is a highly driven individual motivated by his / her own work and personal ideas	Inventor	Entrepreneur	Innovator	None of the above	Inventor
9	new	Invention	Business venture	Industry	None of the above	Business venture
10	The internet as a source of information can provide the entrepreneur with:	Information on negative attitudes from people	Information regarding new developments in products and services	Information on difficult steps for entrepreneurs	No Information at all	Information regarding new developments in products and services

11	phases; which of the following is not a phase -	Strategy Performance	Strategy Formation	Strategy Implementation	Strategy Evaluation	Strategy Performance
12	Which of the following characteristics that are not found in an entrepreneur?	Independent Minded	Self Confident	Follower	Perceptive	Follower
13	Which of the following are risks for an entrepreneur in a small business?	Psychological Stress	Interference with personal life	Social and Family Pressure	All of the Above	All of the Above
14	According to theory, which of the following is the function least well done?	Planning	Organising	Scheduling	Controlling	Planning
15	Which of the following is not a common motivation of an entrepreneur?	Desire for independence.	Search for personal and professional growth.	Desire to maintain the status quo.	Search for more rewarding work.	Desire to maintain the status quo.
16	People who work for someone else?	Entrepreneur	Employee	Entrepreneurship	Aptitude	Employee
17	Which one is not the method in problem solving?	Ignore the Problem	Gather Information	Identify the problem	Provide solution	Ignore the Problem
18	Entrepreneurship contribute to	Economic Growth	Job Creation	Career Opportunities for Women and Minorities	All of the Above	All of the Above
19	___________ is an activity that generate business ideas	Brainstorming	Dreaming	Physical Exercise	Examinations	Brainstorming
20	Which is the type of finance that an entrepreneur operates with the resources he poses	Crowd funding	Boot strapping	Bank	IPO	Boot strapping
21	What are the sources of entrepreneurial motivation	Internal	External	Both internal and external	Neither internal nor external	Both internal and external

22	What are the two biggest challenges for graduate entrepreneurs?	Lack of Business skill and access to finance	Loosing contact with the college and forget what is learned	Multiple Job Offers and high salaries	Support system and team	Lack of Business skill and access to finance
23	What is the need of entrepreneurship	To fill the gap in growth	For Healthy Competition	To Amass wealth	None of the above	To fill the gap in growth
24	A voluntary association of two or more people to act as co owners of a business and share profit	Friends	Partners	Sole propreitorship	Banks	Partners
25	A Business owned by a single person	Private Limited Company	Limited Liability Partnership	Corporation	Solepropreitorship	Solepropreitorship
26	A company that grants license to market the product or services	Corporation	Public Limited Company	Franchisor	Solepropreitorship	Franchisor
27	The amount paid by the Franchisee to Franchisor	Bribe	salary	Tuition Fee	Franchise Fee	Franchise Fee
28	____________ is the process of finding the economic value of the company	Crowd funding	Valuation	Franchising	Examinations	Valuation
29	Which is NOT an exit Strategy?	Merge	Acquisition	Debt Equity Exchange	Brainstorming	Brainstorming
30	Which is the obligations of a franchisee	Paying the Franchise fee	Making Minimum Investment	Maintain Quality Standards	All of the Above	All of the Above
31	Two or more franchised businesses that share space to offer a more comprehensive product or service to customers.	Piggyback	Area Franchising	Single Unit	Sub Franchising	Piggyback

32	The right to use a specific business name and sell its goods or services in a specific place	Franchisor	Franchisee	Franchise	Dealer	Franchise
33	A ______________ is a mid and long range planning	Strategic Plan	Value	Belief	Philosophy	Strategic Plan
34	Have a shared entrepreneurial vision, shared passion for creation of innovative customer value and shared commitment to the new venture.	Invesotrs	Entrepreneurial Team	Managers	Sports Team	Entrepreneurial Team
35	Which is NOT the theory of entrepreneurship	Economic	Sociological	Anthropological	Clinical	Clinical
36	The simplest form of Business Ownership	Partnership	Corporation	Sole Propreitorship	Cooperative	Sole Propreitorship
37	Which of the following is the advantage of Sole Propreitorship	Ease to start and wind up	Pride of Ownership	Ones own boss	All of the Above	All of the Above
38	The most effective form of business organization for raising capital is the:	Partnership	Corporation	Sole propreitorship	Joint Venture	Corporation
39	The major advantage of a franchise is:	Training and Management Assistance	Personal Ownership	Recognised name	All of the Above	All of the Above
40	The main disadvantage of a partnership firm is	Unlimited liability on the partners	Shared Management	Disagreement among partners	Difficulty of termination	Unlimited liability on the partners
41	The form of business that has largest sales volume	Partnership	Corporation	Cooperative	Sole Propreitorship	Corporation
42	Which of the following is among the requirements to be a successful franchisee?	Willing to work long hours	Willing to make personal sacrifice	Be an organised man	All of the Above	All of the Above
43	The most important single element for the prospective franchisee to investigate is:	Site Selection Assistance	Startup Cost	Franchisor	Franchise Fee	Franchisor

44	The different forms of Franchising	Business Format	Piggyback	Single Unit	All of the Above	All of the Above
45	Which business is not an example of Franchising	McDonald	KFC	Ibaco	Southern Railway	Southern Railway
46	What is the best valuation method to be adopted for a quickly growing business	Net Present Value	Future Earnings	Book Value	Market Based	Future Earnings
47	When should you spell out your exit strategy for investors?	in your annual report to investors once the business is up and running	in your business plan	Once the business starts showing net profit	when there is a loss	in your business plan
48	The best definition of a sole trader form of business organisation is:	Single person is employed	Single person is the owner	Single Customer	Single firm	Single person is the owner
49	Which of the following is NOT a feature of a private limited company?	Shares can be issued to raise Capital	Limited Liability for share holders	Business continues after the death of Share holder	Shares can be bought and sold on stock exchange	Shares can be bought and sold on stock exchange
50	One of the major drawback of a public limited company	There can be a loss of control to the original owners as additional shares are sold	Firms in the public sector are less efficient	If company fails shareholders will loose all their assets	Workers have to be consulted before any major decisions	There can be a loss of control to the original owners as additional shares are sold
51	Which of the statement is best applied to the Public Limited Company	Easy to Start and WindUp	It is owned by shareholders who can sell their shares in stock exchanges	Its accounts can be kept private	It is owned by the Government	It is owned by shareholders who can sell their shares in stock exchanges

52	A form of business organization that is authorized to act as a legal entity regardless of the number of owners.	Corporation	Partnership	Distributor	Dealer	Corporation
53	Nike, IBM, Google are examples of	Partnership	Franchisee	Corporation	Distributor	Corporation
54	Which of the following is NOT an example of a business organisation?	Partnership	Sole Trader	Employee	Corporation	Employee
55	A company or individual who pays for the legal right to use the product, service, or format of another is called a:	Franchisor	Intrapreneur	Franchisee	Lunatic	Franchisee
56	When deciding which franchise to purchase, which of the following aspects should be considered?	Potential Growth of the Business	Profitability of the Business	Whether you enjoy the line of business	All of the Above	All of the Above
57	Franchisees that have the right to run franchise on territorial basis	Single Unit Franchise	Area Franchising	Piggyback	Lunatic	Area Franchising
58	Which is not financing of entrepreneurial ventures	Bootstrapping	Crowdfunding	Angel Investors	Trainers	Trainers
59	An investor that provides**capital** to firms exhibiting high growth potential in exchange for an equity stake.	Banks	Venture Capitalists	Franchisee	Dealer	Venture Capitalists
60	Small Loans	Micro Credit	IPO	Equity	Inventory	Micro Credit

UNIT II

Entrepreneurship - Creativity and Innovation - Stimulating Creativity - Organisational actions that enhance/hinder creativity - Managerial responsibilities - Creative Teams - Sources of Innovation in Business - Managing Organizations for Innovation and Positive Creativity.

CREATIVITY, INNOVATION AND ENTREPRENEURS

Creativity is the ability to develop new ideas and to discover new ways of looking at problems and opportunities. Innovation is the ability to apply creative solutions to those problems and opportunities in order to enhance people"s lives or to enrich society.

Creativity is the capability or act of conceiving something original or unusual. Innovation is the implementation of something new. Invention is the creation of something that has never been made before and is recognized as the product of some unique insight.

DEFINITION OF CREATIVITY

Creativity is the characteristic of a person to generate new ideas, alternatives, solutions, and possibilities in a unique and different way.

Creativity is the ability to conceive something unpredictable, original and unique. It must be expressive, exciting and imaginative. It is the mirror of how beautifully a person can think in any given circumstance.

It is not genetic but can be developed if someone keeps on learning and comprehending things with a rare and exclusive perception. Creativity is a brainstorming and mind-blogging activity in which a person has to think beyond his imagination for bringing something worthwhile. It is an activity of unveiling something which was previously hidden.

DEFINITION OF INNOVATION

Innovation is an act of application of new ideas to which creates some value for the business organization, government, and society as well. Better and smarter way of doing anything is innovation. It could be the introduction of:

- New technology.
- New product line or segment.
- A new method of production.
- An improvement in the existing product.

Innovation is closely tied to creativity i.e. putting creative ideas into action is an innovation, whose consequences should be positive. It is the process of doing something better for the first time, which was not previously done by any entity. It can also be termed as a change which can bring a new edge to the performance and productivity of the company. It is of two types i.e. evolutionary and revolutionary.

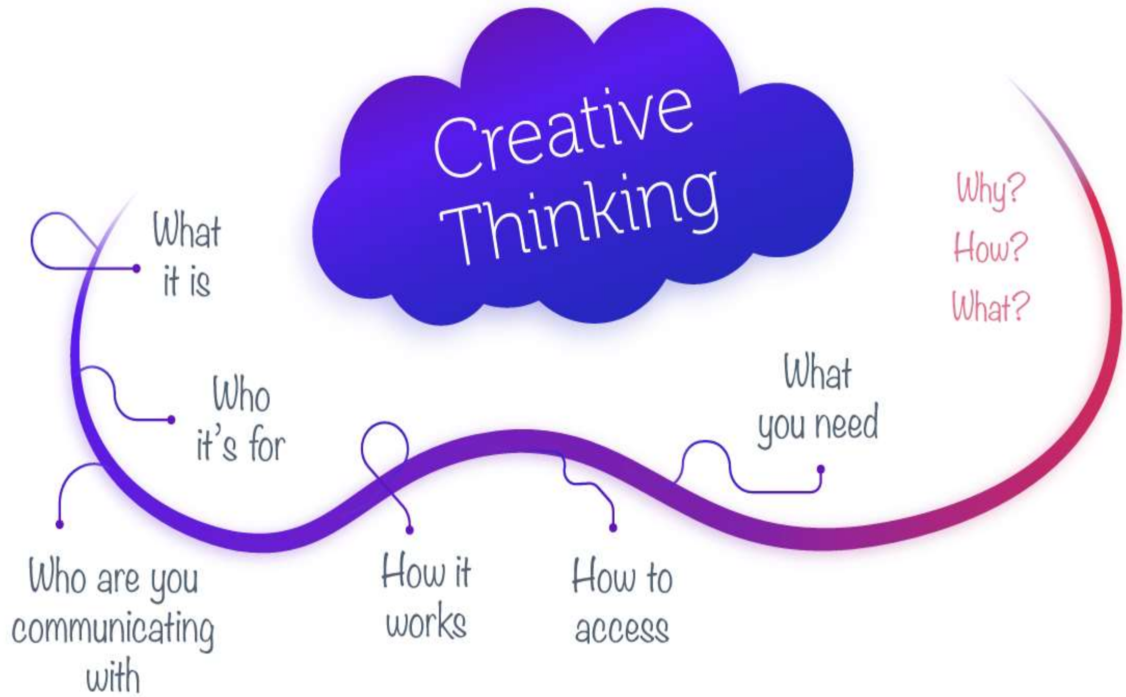
Key Differences Between Creativity and Innovation

The following are the major differences between Creativity and Innovation:

1. The quality of thinking new ideas and putting them into reality is creativity. The act of executing the creative ideas into practice is innovation.
2. Creativity is an imaginative process as opposed to innovation is a productive process.
3. Creativity can never be measured, but Innovation can be measured.
4. Creativity is related to the generation of ideas which are new and unique. Conversely, Innovation is related to introduce something better into the market.
5. Creativity does not require money. On the other hand, innovation requires money.
6. There is no risk involved in creativity, whereas the risk is always attached to innovation.

STIMULATING CREATIVITY

Creativity is the bringing into being of something which did not exist before, either as product, a process or a thought.



CREATIVE THINKING USES THREE AREAS OF THE BRAIN

1. Attentional Control Network

This is what helps us focus. Basically, it's an individual's capacity to choose what they pay attention to.

2. The Imagination Network

This is what we use when we imagine situations based on personal experience, such as when we remember things that happened in the past, or when we think about our future. Even when we consider alternative scenarios for present. The imagination network is at work when we try to consider what someone else is thinking.

3. The Attentional Flexibility Network

This area monitors both external and internal thoughts, tapping into whatever information is most salient to solving the task at hand. This also brings the mental ability to swap between thinking about two or more different concepts simultaneously.

However, none of these creativity networks are located exclusively on the left or right side of the brain. Imagination, innovation and creating something requires the entire mind and these take both creative and analytical skills.

The process of producing ideas

We can definitely say that ideas are made from finding relationship or connections between existing elements, we need to keep a mental inventory of these elements before we start connecting them.

To prepare our brain for producing ideas, needs great time and effort for this process of making new connections. Hence, for our brains to have something to work with, we need to get into the habit of collecting information that's around us.

INCREASE CREATIVITY

1. A Tired brain can do better creative work

Unlike in the case of solving analytic problems, creative insights generally come when we let our minds wander; let it go into seemingly unrelated areas. Many of us call ourselves morning or night persons, and accordingly work on our most difficult tasks at particular times of the day. But, a research suggests creative thinking actually works at non-optimal times. So, if you call yourself a morning person, your brain might work better at night to find you better creative insights, i.e. when you are tired. The reason for this is that when your brain is tired it struggles to focus on one thing and has to filter out distractions. You are more likely to wander off to another area. This might seem like a really bad idea when working, but creative thinking actually benefits from distraction. We actually "think out of the box" at our non-optimal times.

2. Creativity is better with ambient noise

Generally silence is thought to be the best sound for creative thinking, but as it turns out some ambient sound levels might help. It's proven that ambient noise level are perfect for improving creative thinking. But this doesn't mean to surround yourself with loud music or pin-drop silence.

3. Dim lights might set our brain free

This study came as a surprise to me. I love a lot of natural light in my workspace, and it's frustrating in dark rooms when I have to focus. However, this particular research proved that dim lights actually improve creative performance. The six studies done by the researches, showed that dim lighting increased creativity. That the participants were more creative even without noticing that there was a difference in visibility. They attributed this from the subconscious feeling of getting the freedom to explore.

HOW TO ENHANCE CREATIVITY AND COLLABORATION IN TEAMS

1. **Talent.** It's crucial to have the right people on your team capable of adding their brilliance to the project. Collaboration works best when team members have complementary skill sets required to complete the project. To create innovation that your customers actually want, consider collaborating with them, as well as with experts within your organization, including tech, design, marketing, and finance. This will help you access collective intelligence and make informed decisions.
2. **Healthy relationships are at the heart of collaboration.** Appreciating others, engaging in purposeful conversations and the ability to resolve conflicts are essential ingredients for collaboration. Find ways for the team to get to know each other not just as professionals, but as human beings, to build trust and provide occasions for informal social interaction. The easiest way to do this is to share meals together.

3. **A guiding vision and clarity of purpose are key to collaboration**. Warren Bennis said "Great Groups think they are on a mission from God… Their clear, collective purpose makes everything they do seem meaningful and valuable." Use storytelling and imagery to engage the hearts and minds of your team.
4. **Provide a clear mission objective.** Team members jointly prepare a written purpose statement for their collaboration and define rules of engagement which include goals, roles, responsibilities, and deliverables. Communicate how decisions are made.
5. **Connect the project with big picture company objectives.** Create meaning and value for the organization and customers.
6. **Create an atmosphere of safety, trust and respect.** Encourage multiple perspectives, diverse viewpoints, and creativity. Keep members energised through stimulating, quality discussions around cutting-edge issues.
7. **Make your ideas visible and tangible** by building prototypes, or drawing diagrams so everyone can see what you mean.
8. **Provide an infrastructure and resources** that enable learning, communication and collaboration. Address cultural issues that defeat collaboration.
9. **Provide great leadership.** Nurture the brilliance of your people and do everything you can to remove barriers to high performance. Avoid being too autocratic and allow time for the team to weigh in on decisions. Help build team connections across the

organization. Give credit where credit is due and recognize team performance as well as individuals.

10. **Use coaching to reinforce a collaborative culture.** Coaching for improved teamwork, emotional intelligence, and navigating difficult conversations can produce dramatic improvements to the group. Ask open-ended questions like Why? What if? What else? and How might we? to open up dialogue and tap into creativity.
11. **Add zest factors.** (Hargrove) Make collaboration fun, and celebrate completions before moving on.
12. **Capture best practices and mistakes to learn from**. Publish on your intranet or wiki to give everyone access to your wisdom.

CHALLENGES HINDERING INNOVATION

Innovation is fast becoming one of the most important factors for an organization's success and growth. As such, cultivating innovation in your company should be a critical organizational initiative. Despite that, many organizations face internal challenges which hinder the progress of innovation. Here are nine of these common challenges and how to solve them:

1. Employees aren't empowered to innovate

Many managers fear that innovation will distract employees from their day-to-day roles. As a result, around 37% of employees do not feel empowered to take risks or try new ideas. Internal innovation requires the support of leadership and managers to take hold across the organization.

2. Employees aren't motivated to innovate

Once employees are empowered, they must also feel motivation to innovate. Motivation initiatives like inventor incentive programs, contests, or even unstructured time can help encourage employees to spend time innovating.

3. You're missing an innovation strategy

Like any organizational initiative, developing a concise innovation strategy is crucial. An innovation strategy dictates the direction of innovation and its operational implementation. Without one, innovation efforts risk misalignment.

4. Innovation is centralized to one functional group

In many organizations, innovation is the responsibility of solely one functional group, like R&D or product development. The myth that one functional group is more suited to innovate than others is a severe hindrance to the pace of innovation; each department provides a unique perspective on the problems of customers which can be critical for driving successful innovation.

5. Lack of collaboration

Collaboration is the key to innovation. While many organizations understand the importance of collaboration internally, collaboration externally can be equally important. Innovation ecosystems bring together industry partners, customers, and even competitors to drive innovation in the industry forward.

6. Lack of diversity

Hiring for innovation and subsequently building diverse teams can provide the organization's innovation initiatives with a wealth of ideas generated from different perspectives.

7. Current product offerings are successful

Many organizations risk complacency once their current product offerings have reached success. The fear of pulling investment, resources or customer attention from existing offerings can be one of the biggest hindrances to future innovation. However, constant innovation is the key to sustained success long-term.

8. Missed connections with customers

Deep customer empathy is the key to understanding changes in demand and staying abreast of future trends; it provides the organization with a roadmap for what problems to solve next.

Utilizing customer feedback sessions regularly can help keep your organization tuned in to the needs of your customers.

9. You're measuring innovation incorrectly

Measuring and benchmarking innovation is core to constantly improving its success. However, traditional KPIs, like sales volume or revenue, may not give your organization the best insight into success. Instead, try measuring on the amount of new ideas generated, percent of time spent on innovation, or the investment value of innovation-related initiatives.

THE SEVEN PRINCIPLES OF MANAGING FOR CREATIVITY

Nurture diversity

When teams connect ideas from entirely different contexts, they innovate. The role of a Creativity Manager is to build a diverse team and then nurture its diversity, so the individuals learn to value their originality and gain the confidence to bring their unique perspectives to the table. A Creativity Manager always supports the individualism of her team members and is able to facilitate diverging opinions.

Create Markets

When you nurture diversity amongst teams and workers and let them explore new ideas and concepts, you’re cultivating a networked organization. Networked organizations are structured on the belief, that every individual has the ability and right to collaborate, innovate and solve the problems of an organization. Creativity Managers motivate teams and individuals to work together, but also to succeed on individual merit.

Rely on Merits

Creativity Managers use various methods to recognise individual achievements and offer regular feedback to their teams of intrapreneurs. They understand that recognition isn't always the most effective when it flows from the top down. In fact, we appreciate the recognition from our peers more than we do recognition from a management team, who has taken little or no part in the project.

Make no predictions

In a world where the only certainty is uncertainty, distributed organizations must plan for a future without making concrete predictions about what that future might look like, or how they are going to get there.

Strategy planning should allow for multiple scenarios. Creativity Managers who nurture diversity, empower teams to explore scenarios and present multiple solutions to reach the organizational goals.

Update the workplace

The work environment has a considerable impact on creativity. Creating a workspace that doesn't feel like work, but imitates life outside of the office, can inspire employees and play a big role in the innovation of new products and services.

The more space, colour and flexibility you introduce in the workplace, the more likely your creative workers are to feel stimulated and motivated to succeed.

Some companies spend millions of dollars on reinventing their office spaces. You don't have to go crazy, but there are some fundamental design elements that will go a long way to making your team feel at home:

Open Boundaries

The more freedom you allow your employees, the more likely they are to adopt a learning mindset. Good Creativity Managers believe in the value of knowledge sharing, networking and collaboration. Those that fear openness will end up repressing creativity. When organizations open up boundaries, they enjoy an inflow of great ideas.

Team Members

A creative team is made up of several key members, starting with a creative director, and including copywriters, editors, graphic designers and artists, and web developers. In short, it's the group of people that comes up with the advertising ideas and brings those ideas into being.

1. Diversity

If you wanted to come up with some creative dessert ideas, you wouldn't fill up a creative team with a dozen chocolate cake experts, would you? You would bring in experts in cakes, ice cream, candy, cookies, bread and probably some expert eaters as well.

Likewise, when you want a creative team to work on new marketing ideas, don't limit its population to marketing people. Bring in people from different divisions. A greater diversity of team members provides a wider range of experience, skills and thinking patterns and that results in a higher level of creativity.

2. Reward the team, not the individual

If you offer the entire team a reward for its creative ideas, they are motivated work together as a team to devise and develop creative ideas – and win rewards. When you reward individuals within the team for their creative ideas, they are motivated to act selfishly in order to win rewards. At best, that would probably include hiding information from fellow team members. At worst it might include stealing ideas and deception. Almost certainly, it will result in bad feelings when people see team-mates rewarded while they are not.

3. Teams are not forever

Over time, team members learn to understand each other. They "share common language and a common set of unspoken understandings", which psychologists call "tacit knowledge." This tacit knowledge facilitates easy communication flow and – provided the right impetus is there – makes it easy to be creative. Likewise, the team develops an identity and hence pride in their performance.

After about two years or so, however, team members get to know each other too well. And with over-familiarization comes predictability and possibly even boredom. Thus, it is good to give teams time to jell, but bad to keep them together for too long. Ideally, you should mix and match team members every 18 to 24 months.

4. Establish processes for inter-team communication

Teams can learn from each other. Someone outside the team may see something in a problem that team members fail to see, simply because they are too close to the issue at hand. Alternatively, team A may look at an innovation challenge from a different perspective than team B and so be able to suggest alternative paths of problem solving. Hence, it is important to bring teams together and encourage inter-team communication. Nevertheless, it is also critical to ensure that teams do not get bogged down in inter-team meetings or report writing that detracts from creative problem solving. That said, I recommend periodic grand brainstorming meetings where teams summarize their work and other teams can provide suggestions.

5. Encourage good-humored rivalry

Many managers pit teams together in highly competitive situations hoping to motivate team members to push themselves harder. I am not sure that is a good thing. Excess stress has been shown not to be conducive to creativity – and heavy competition often results in heavy stress. On the other hand, good humor competition or even rivalry between teams adds a competitive edge with minimal stress. Moreover, friendly rivalry can make things more fun. And fun is almost always conducive to creativity.

6. Train team leaders in the basics of group creativity

In order to ensure teams extract the maximum creative potential from their teams, it is important that team leaders understand the basics of group creativity. This should include an understanding of creative problem solving methodology, motivating team members to be creative, keeping criticism in check (until the appropriate time), idea generation methods, and evaluation methods. A highly critical team leader can destroy a large team's creative potential very quickly. On the other hand, a motivating team leader can push people to think more creatively than ever.

7. Solve relationship problems quickly

If two team members have problems with each other, the team leader or a senior manager (particularly if the team leader is part of the problem) needs to solve the conflict quickly. In-group fighting between two or more members can destroy group dynamics, cause team members to take sides and eat up time that should be devoted to creativity and innovation. If worse comes to worst, move one of the conflictees to another team.

8. Break down hierarchies (as much as you can)

Hierarchies can cause problems in teams – particularly in hierarchical or bureaucratic organizations. Team members will always look to their superiors for approval and this tends to result in generating ideas to please superiors rather than generating ideas that are truly creative. There are two alternatives. You can either build teams of people who are at similar levels within the hierarchy, or you can establish basic team rules to discourage playing to the hierarchy. Better still, do both!

9. Provide team resources

Conference rooms with beanbag chairs, toys, lots of paper, pens and the like are far more inspirational than the usual bland table and chairs. Lego, building blocks and other toys can be used for creating models of material products as well as of processes and methods. As a result, they can be used for visual brainstorming – which can be far more effective than spoken brainstorming. Even a small library of books, journals and other literature is highly useful.

10. Results oriented rather than method oriented

Teams should be given goals to pursue and be allowed to establish their own paths to achieve those goals. Moreover, they should be encouraged to get away from the office and explore external creative stimuli. Spending a couple of hours in an art gallery, brainstorming in a science museum or going for a group walk in the woods can all help clear minds and inspire thinking. Very little corporate creativity blossoms in cubicles or stuffy conference rooms.

Innovation has become the buzzword of the industry in the 21st century. From business to other areas everywhere innovation is being talked of. Several emerging businesses have proved that innovation can be the way to the top. From Amazon to Google and Facebook, all have proved it. Many times people use the terms innovation and improvement interchangeably.

However, the two terms vary in their meaning. The difference between improvement and innovation is the same as that between evolution and revolution. Improvement is like making improvements to an existing product or service to help it better respond to the market demand.

However, such improvements are not always revolutionary. Improvement is just a small part of innovation. Innovation is a much bigger term that encompasses several more things. Innovation includes differentiation. It also means superior returns as well as improbability of imitation. While improvements can provide a competitive advantage in the short term, there is the danger of their being imitated by the competitors.

An innovation is a far deeper process than simply improvement and the change it brings is also far long lasting and full of impact. However, several times the question has been asked that where does innovation emerge from. There can be several answers to the question since there can be several sources of innovation. Peter F Drucker has provided seven sources which are discussed below:

SOURCES OF INNOVATION.

- Unexpected
- Incongruity
- Market Structure
- Necessity

- Demographics
- Changing perception
- New Knowledge

The unexpected:

Innovations can take place unexpectedly. They can happen by chance. Someone might just stumble upon a new idea or product. There is a long list of unexpected innovations in human history. Even fire is considered an unexpected innovation that humans stumbled upon. Another example is the dynamite. However, an interesting thing to note is that several important innovations in our history have happened unexpectedly. Many times while scientists are looking for something, they stumble upon something else.

Incongruities:

When the need is incongruent with the supply, innovation might be born. In an attempt to resolve the existing incongruities people might innovate. For example as the population of cars grew there was a shortage of parking area. In an attempt to solve the incongruity between parking area and parking shortage, the smart car was born. Smart car is a small car that can fit in small spaces. Incongruities can be an important source of innovation. It is basically in the human nature to try to fill the incongruities he sees around him.

Market structure:

An existing market structure can also give rise to chances for innovation. This is how Google was born. Google shaped the search engine market. Before Google the search engines were not as perfect and Google brought all of it in order. There was so much information scattered over the World Wide Web. Google made this information searchable. Thus, the World Wide Web gave rise to a market structure where a search engine like Google could flourish. the world wide web paved way for interconnection. Google created a search engine that was linked to all the searchable data.

Necessity:

Necessity is the mother of invention but it is also the mother of innovation. Let us say Microscope. It was born out of the need to delve deeper into the microbial world. Needs always set us thinking. Innovation is based upon bright ideas. the human mind thinks of new things that can better fulfill an existing need. In this process he thinks of filling his needs in new ways and by devising new products and mechanisms.

Demographics:

Our lifestyles can also be a source of innovation. We all have our lifestyle needs. For example we feel the need to smoke. However, since smoking is dangerous, we made e-cigarettes to satisfy the urge. Lifestyle needs are not small needs and their fulfilment and important requirement for us. This is where innovators sometimes find major opportunities.

Changing perception:

Changing perception regarding things can also give birth to innovation. Earlier, the overweight people were seen as healthier than the leaner ones. However, the social perception of healthy has undergone a big change where fat people are seen as obese and unhealthy. People feel the need to remain leaner and healthier. Based upon this changed perception, a flood of healthy and low calorie foods came to the market.

New knowledge:

New knowledge can also be a source of innovation. Whether it is nano-technology, biotechnology or even artificial intelligence, new knowledge in any area is a source of innovation. the science keeps progressing. Every year new areas are discovered and much gets added to the existing base of human knowledge.

INTEGRATING CREATIVITY AND STRATEGIC BUSINESS PRACTICES IN ENTREPRENEURSHIP

Imagination is essential to starting a business, whether coming up with exciting new products and services or using modern forms of target-market analysis and engagement. However, this should not solely be the role of the singular entrepreneur, small business owner or any specific employee. The most productive businesses are those that embrace creativity and inspire innovation. Incentivizing creative product and strategy development can help propel a business, with all employees actively seeking opportunities for further growth and innovation.

In general, entrepreneurs excel at recognizing and pursuing opportunities, whereas large, established companies excel at making use of opportunities and appropriating their value. For small businesses to succeed in today's competitive markets they need to find opportunities and take advantage of them. They should emphasize the importance of creativity and imagination while valuing and employing the strategic business practices necessary to implement new ideas effectively.

Ingenuity is at the core of modern entrepreneurship, which has become an important part of keeping well-developed economies growing. Whether launching a new social media platform, starting a digital marketing company or releasing the next big thing in tech gadgetry, entrepreneurs need to constantly push the boundaries of current trends, using new ideas and creative approaches. With the knowledge of business strategy and practice available in a master's degree of business administration with a focus on entrepreneurship program, degree candidates can learn how to turn their creativity into innovation.

PART B QUESTIONS

1. State the concept of creativity in entrepreneurship
2. What is meant by innovation?
3. State the sources of innovation in business
4. Give the meaning of Stimulating Creativity
5. Write a short note on Creative Teams

PART C QUESTIONS

1. "Creativity has nothing to do with business" – Comment
2. Explain in detail the Managerial Responsibilities of an Entrepreneur.
3. Enumerate the sources of innovation in business with suitable examples
4. Briefly explain the factors that hinder creativity in an organisation and what should be done to increase positive creativity.
5. "Creativity and Innovation are essential for the success of a startup" – Comment
6. Define Creativity and narrate the aspects that stimulate creativity in an organization.

KARPAGAM ACADEMY OF HIGHER EDUCATION

DEPATRTMENT OF MANAGEMENT (UG)

III BBA - V SEMESTER

PART A - MULTIPLE CHOICE QUESTIONS (Each questions carries ONE Mark)

UNIT II

S.No.	Question	Option 1	Option 2	Option 3	Option 4	Answer
1	It is the act of Conceiving something new	Innovation	Creativity	Flexibility	Strategy	Creativity
2	It is the process of execution or implementation of ideas	Creativity	Invention	Innovation	Philosophy	Innovation
3	Which of the following doesnot stimulate creativity in an organisation	Creative work environment	Donot Penalise	Donot encourage innovation	Creative Team	Donot encourage innovation
4	Process Innovation refers to	Development of a new service	Development of a new Product	Implementation of a new or improved production method	Development of new product or services	Implementation of a new or improved production method
5	A person who combined Creativity with Managerial and Commercial skill	Inventor	Innovator	Creator	Manager	Innovator
6	Idea that maynot develop into a some commercial product	Innovation	Invention	Production	None of the Above	Invention
7	Idea that develops into a new product and adds customer value	Invention	Innovation	Production	None of the Above	Innovation
8	A person whose key aptitude is creativity	Inventor	Innovator	Manager	Analyst	Inventor
9	About one in five product ideas are technically viable and, of these, fewer than one in twenty achieve market success.	TRUE	FALSE	Partially False	Undefined	TRUE

10	Innovation is a mjor factor in competition because it can	be patented to protect the investment of the developers	enable firms to make competitors' products obsolete	guarantee the monopoly position of innovative firms	reduce research and development costs for firms	enable firms to make competitors' products obsolete
11	The major difference between entrepreneurs and other innovators is	innovators work in teams, but entrepreneurs do not	innovators manage start-ups, but entrepreneurs do not	entrepreneurs bear personal financial risk, but innovators do not	entrepreneurs invent new products and processes, but innovators do no	entrepreneurs bear personal financial risk, but innovators do not
12	Product innovation tends to increase the profit of firms primarily by	decreasing the firm's average costs	increasing the firm's total revenue	decreasing marginal utility per Rupee spent	increasing the success of R&D spending	increasing the firm's total revenue
13	Consumers will buy a new product only if	it has a lower marginal utility per dollar spent than another product	there is a substantial budget for promotion and marketing	it can be sold at a lower price than that for a competing product	it increases the total utility they obtain from their limited income	it increases the total utility they obtain from their limited income
14	Which statement would best describe the concept of creative destruction	Innovation would lead to monopoly power and thus destroy the economy.	The creation of new products and production methods would destroy the market for existing products.	The creation of new products and production methods would destroy the market for existing products.	Firms are being creative with learning by doing, but this spirit is destroyed by the inability of firms to finance R&D expenditures.	The creation of new products and production methods would destroy the market for existing products.
15	Which one of the following is the process of entrepreneurs developing new products that over time make current products obsolete?	Creative Destruction	Anomatization	Strategy	None of the Above	Creative Destruction

16	Which of the following is alternatively called corporate Entrepreneurship?	Intrapreneurship	Venturing	Offering new products by an existing company	Ecopreneurship	Intrapreneurship
17	Which one of the following is an important source of idea generation due to their familiarity with the needs of market?	Consumers	Distribution Channels	Government	Existing Product	Distribution Channels
18	Members of distribution channels are excellent sources for new ideas because:	They earn a handsome profit from new business	They are familiar with the needs of the market	They do not bother if entrepreneur bears a loss	They have well-developed sales force	They are familiar with the needs of the market
19	A corporate manager who starts a new initiative for their company which entails setting up a new distinct business unit and board of directors can be regarded as?	Technopreneur	Ecopreneur	Intrapreneur	Entrepreneur	Intrapreneur
20	Who of these is an entrepreneur?	Barack Obama	Jack Ma	Donald Trump	Theresa May	Jack Ma
21	A____________ is a diagram to visually organise information	Mind Map	Routemap	Blind map	roadmap	Mind Map
22	What are the three interpersonal roles of a Manager	Communicator, organiser, spokesperson	Director, coordinator, disseminator	Figurehead, leader and liaison	Spokesperson, leader, coordinator	Figurehead, leader and liaison
23	Which one is not a recognised key skill of management?	Writing Skill	Conceptual Skill	Technical Skill	Human Skill	Writing Skill
24	Disseminating means	Collecting information and passing it to subordinates	Distancing from employees	Cementing his place	None of the Above	Collecting information and passing it to subordinates
25	The Managerial role by virtue of its position held	Team Lead	Figure Head	Head Master	Leader	Figure Head

26	If an Organisation tolerates mistakes, it will	increase mistakes	spoil the culture	enhance creativity	hurt the feelings of the management	enhance creativity
27	Positive creativity will be stimulated in an organisation if the information is	controlled by the manager	free flowing	curtailed	restricted	free flowing
28	The three managerial roles of en entrepreneur are	Informational, Interpersonal, Decision making	International, Informational, Indigenious	Institutional, Demanding, Lethargic	Legendary, Technical, Dictator	Informational, Interpersonal, Decision making
29	Encouraging diversity in an organisation will	stop creativity	stimulate creativity	shut down the copany	stop growth	stimulate creativity
30	Which of the following is NOT a source of Innovation	Demographics	Changes in Perception	Unexpected	Routine	Routine
31	Statistical data relating to population and particular groups within it	Mean	Demographics	Computer Graphics	Perception	Demographics
32	Traditional Managers	dislikes the system and tries to manipulate it	is willing to make mistakes and learn	tries to avoid mistakes and surprises	admits mistakes and moves on	tries to avoid mistakes and surprises
33	Entrepreneurrial Managers	admits mistakes and moves on	tries to avoid mistakes and surprises	wants to please top management	works out problem working within the system	admits mistakes and moves on
34	_______________ involves such thing as writing, oral presentation, technical know-how etc.	Interpersonal skill	Technical Skill	Decision Making Skill	Informational Skill	Technical Skill
35	A set of responsibilities organised to get specific outputs related to a specific position or function	Roll	Role	Rule	Job	Role
36	In _____________, the death of an entrepreneur results in termination of business	Corporation	Limited Company	Limited Partnership	Proprietorship	Proprietorship

37	The _______________ of a business venture is that the company has experience in related field.	Strength	Opportunity	Weakness	Threat	Strength
38	The reward for an entrepreneur could be in the form of	wages	Profit	Freight	loan	Profit
39	The process of maintaining relationship with other agencies/units	Resource Allocation	Dissemination	Liasoning	Monitoring	Liasoning
40	The role that makes the entrepreneur to represent his unit in forums	Spokesperson	Figure Head	Monitor	Disseminator	Spokesperson
41	The Knowledge and ability that enables a person to do a job very well	Attitude	Role	Skill	work	Skill
42	The ability of a person to work effectively in a team	Technical Skill	Human Skill	Conceptual Skill	None of the Above	Human Skill
43	Which Skill is required for an entrepreneur	Conceptual skill only	Human skill only	Technical skill only	Combination of all the three skills	Combination of all the three skills
44	The Creative ability to meet complex demands of an organisation	Competency	Knowledge	Attitude	Skill	Competency
45	In a Creative environment of an organisation employees get motivated if their ideas are	implemented	ignored	penalised	not heard	implemented
46	If innovation is centralised in an organisation, then it	enhances creativity	hinders creativity	supports creativity	boosts creativity	hinders creativity
47	In an organisation that enhances positive creativity risk taking is	allowed	penalised	not permitted	not encouraged	allowed
48	Missing of an innovation strategy	hinders creativity	stimulate creativity	no impact	None of the Above	hinders creativity
49	In a team, cross fertilise means	stereotype thinking	exchange of diversified ideas	using natural fertiliser	dictatorship	exchange of diversified ideas

50	The success of an organisation largely depends on its	support to creativity	rigid strategies	oneman show	None of the Above	support to creativity
51	The way of using ones imagination to bring positive result	Positive Charge	Pessimistic approach	Profit Making	Positive Creativity	Positive Creativity
52	Innovative organisations normally	doesn't copy	copy	follows only one	follows many	doesn't copy
53	Out of the box thinking means	Putting all products outside the box	Standing outside the box and thinking	Think differently	Conventional Thinking	Think differently
54	Which of the following describes a process where employees write down their ideas on slips of paper with no identification, exchange the slips and attempt to build on each other's ideas?	Brainstorming	Mindmap	Brainwriting	Story Boarding	Brainwriting
55	Which of the following is not a recommended approach to encourage creativity?	tolerating failures.	offering recognition for good effort and performance.	restricting on-the-job interaction in order encourage individual excellence.	encouraging experimentation among employees.	restricting on-the-job interaction in order encourage individual excellence.
56	Venture capital is concerned with:	New Project having high potential for profit	New Project having high potential for technology	New project Having High risk	All of the above	New Project having high potential for profit
57	How should management respond to unusable ideas in an effort to foster creativity in the workplace?	Fire the employee	Implement it anyway	Explain how the idea is not right for the situation	Express Anger	Explain how the idea is not right for the situation

58	What is team-building in terms of staff members?	Gathering workers from around the world to make the perfect team	Creating a greater sense of trust and support among staff	Selecting the plays of your fantasy cricket team	None ot the Above	Creating a greater sense of trust and support among staff
59	Which Company is responsible for inventing the world's first smartphone?	Samsung	IBM	Apple	Nokia	IBM
60	Which of the following is NOT an approach to innovation?	Invention of a new product or service.	Imitation of an existing product or service.	Creative replication of existing concept.	Combination of existing concepts in a new way.	Imitation of an existing product or service.

KARPAGAM ACADEMY OF HIGHER EDUCATION
DEPATRTMENT OF MANAGEMENT (UG)
III BBA - V SEMESTER
PART A - MULTIPLE CHOICE QUESTIONS (Each questions carries ONE Mark)
UNIT III

S.No.	Question	Option 1	Option 2	Option 3	Option 4	Answer
1	Which of the following challenges cannot be addressed by social innovations?	Millions of children dying from vaccine-preventable diseases	One billion people live in extreme poverty	Low attendance of girls in school	Bugs of a computer program	Bugs of a computer program
2	In social innovation, which element is most likely to come first?	Develop the financial model	Understand the barriers to success	Identify the social challenge or problem	Devise and validate a workable solution	Identify the social challenge or problem
3	organizations that apply market-based strategies to achieve a social purpose, often referred to as the triple bottom line. What does the "triple bottom line" stand for?	People, planet, profit	Price, place, promotion	People, planet, price	Profit, expenses, donation	People, planet, profit
4	Among the choices below, the most appropriate definition for a “social entrepreneur” is	An entrepreneur with a very outgoing personality.	Someone who develops an innovative answer to a social problem	An entrepreneur that depends on social media such as Facebook or Twitter to advertise his product or service	An entrepreneur that works with other business partners.	Someone who develops an innovative answer to a social problem
5	. Successful social entrepreneurs have ideas and solutions that:	Tackle major social issues	Do Non Ethical issues	Non-userfriendly	Random Problems	Tackle major social issues

6	Among the choices given below, which is the best reason that describes why a multinational company would engage in social innovation:	To raise their profits.	To meet both business and social goals in communities and/or markets.	To clean up the environmental damage they have caused.	To appease stakeholders they have upset.	To meet both business and social goals in communities and/or markets.
7	If you are the owner and manager of a social enterprise you would be able to:	Work for free	Work for free and expect your staff to volunteer too	Have the flexibility to earn and pay salaries to your staff.	Do Social Service	Have the flexibility to earn and pay salaries to your staff.
8	Some of the skills a social entrepreneur needs in order to succeed are	Willing to take risk	Never Negotiate	No need to write business plan	Innovation is not primary	Willing to take risk
9	Environmental sustainability is	Non renewable resource	Development that meets the needs of the present without compromising the ability of future generations to meet their own needs	Not part of UN Millenium Development Goals	None of the above	Development that meets the needs of the present without compromising the ability of future generations to meet their own needs
10	Which of the following examples below is an example of an environmental social innovation?	Providing access to clean drinking water	Deforestation	Msand	Cell Towers	Providing access to clean drinking water

11	Which of the following statements is true?	A carbon footprint is defined as the total set of greenhouse gas (GHG) emissions caused by an organization, event, product or person.	There is no restriction on Carbon emission	Carbon di oxide is not a Green House gas	Deforestation is the order of the day	A carbon footprint is defined as the total set of greenhouse gas (GHG) emissions caused by an organization, event, product or person.
12	A social business is a	Company that pays dividends to its shareholders	Company that focuses only on short-term profit	Non-dividend company with a short life-cycle	Non-dividend company with the objective of solving a social problem	Non-dividend company with the objective of solving a social problem
13	Which of the following statements is CORRECT when talking about a social enterprise?	Usually it is not financially sustainable	Employees are not payed, they work with volunteering contracts	A social business can't expand its activities to other countries	Although the social business is pioneering in its social goals, it is traditional in its management	Although the social business is pioneering in its social goals, it is traditional in its management
14	Please indicate which of following statements is MOST LIKELY correct. Social Entrepreneur	Is a good team member	Has a high position in the hierarchy of a company	Is focused on generating great profits for the shareholders	Is an agent for change: a front-runner for social change in society	Is an agent for change: a front-runner for social change in society
15	An organization that uses profit to achieve its goals instead of distributing it to shareholders is…	A profit organization	A public organization	A social business	A Social Service	A social business

16	Health education programs for preventing communicable diseases. This is a Solution to a	Social Challenge	Medical Treatment	Techo problem	Electomagnetic problem	Social Challenge
17	If an organisation charges a fee for its products or services then they can be considered as	Social Service	Non-Profit Organisation	Non-sustainable business	Nuisance	Non-Profit Organisation
18	A new activities and services that are motivated by the goal of meeting a social need, addressing challenges and problems in the society such as in education, health, employment or the environment are known as	Technovision	Social Innovation	Netpreneur	Cultural Entrepreneurshi p	Social Innovation
19	Innovative use of technology in the sectors, including education, health, entrepreneurship, and the environment is capable of achieving______________	Sustantial Social Impact	Global Warming	Cultural Change	Nothing	Sustantial Social Impact
20	Which of the following applications or uses of ICTs are examples of social innovations?	Lakshmi Machine Works	Indian Oil Corporation	Twitter	India Post	Twitter
21	By definition, a for-profit enterprise cannot be considered a socially-innovative enterprise.	Partly True	TRUE	Not Sure	FALSE	FALSE
22	An innovation motivated by profit maximization is	Global innovation	Social innovation	Business Innovation	Not an innovation at all	Business Innovation
23	An innovation motivated by the goal of meeting a social need is	Global innovation	Social innovation	Business Innovation	Not an innovation at all	Social innovation
24	Which is the most important skill for a social entrepreneur	Arrogance	Empathy	Aggresion	Lethargic	Empathy
25	Which skill is NOT required for a social entrepreneur	ICT Skills	Marketing Skills	Financial skills	Arrogance	Arrogance

26	A recycling project for old electronics. This is an example of	Environmental social innovation	creativity	Design Project	Electronics	Environmental social innovation
27	Social innovation can be promoted and achieved through public private partnerships.	TRUE	FALSE	Neutral	Not sure	TRUE
28	Which of the following statements is False?	A carbon footprint is defined as the total set of greenhouse gas (GHG) emissions caused by an organization, event, product or person.	Carbon offsetting projects, such as solar or wind energy or reforestation, can be developed to reduce our carbon footprint.	Carbon dioxide and water vapour are examples of greenhouse gases.	Social Entrepreneurs never generate revenue	Social Entrepreneurs never generate revenue
29	Identify which of the educational activities below cannot bring social innovation in education	Training teachers on how to teach core subjects such as science and math	Delivering lessons to students in the classroom and at home	Restricting students to collaborate with students of other locations	Measuring and assessing learning outcomes of students	Restricting students to collaborate with students of other locations
30	A plan to eradicate illiteracy and poverty in India by providing educational services to lowincome children. This isan example for_____________	Social Innovation	Technical Innovation	Technological Innovation	Business Innovation	Social Innovation
31	Which is NOT an example of Social Entrepreneurship	Grameen Bank	Amul	Aravind Eye Hospital	Reliance Industries Ltd.	Reliance Industries Ltd.
32	Grameen Bank was initiated in which country?	India	Bangladesh	Pakisthan	Sri Lanka	Bangladesh
33	A Social Enterprise operates as a business	TRUE	FALSE	Partly False	Neutral	TRUE

34	Surplus moneys from the business are reinvested in the business or community.	TRUE	FALSE	No Clarity	Neutral	TRUE
35	____________________ can be defined as the determination of long term goals and objectives of an enterprise	Strategy	Business Level	Tactics	Strategic Dimension	Strategy
36	SWOT analysis may be of greatest value when it is used to:	Promote strengths and reduce weaknesses	Formulate future strategies in addition to analysing the current situation	Minimise threats and maximize opportunities	it is too vague to be of any real use	Formulate future strategies in addition to analysing the current situation
37	In Goal setting, What R stand for in a SMART Objective	Representative	Responsible	Relevant	Rejunevating	Relevant
38	Which is NOT part of the Business Strategy	Vision	Mission	Objective	Culture	Culture
39	Which is NOT a Scaling up Process	Build Collaborations	Commit to Grow	Identify Core Competency	Stay within your limits	Stay within your limits
40	The Search for Repeatable and Scalble business Model	Startup	Scaleup	Shutup	Shootup	Startup
41	Exponential Growth and Market Development	Startup	Scaleup	Shutup	Shootup	Scaleup
42	A development-stage business, specific to high-technology markets, that is looking to grow in terms of market access, revenues, and number of employees, adding value by identifying and realizing win-win opportunities for collaboration with established companies is called as ___________________	Startup	Scaleup	Shutup	Shootup	Scaleup
43	The risk of Social Entrepreneurship funding is	Very High	Low	No Risk at all	Moderately low	Very High
44	Social Entrepreneurs should evaluate ______________	Financial Risk only	Market Risk only	Managerial Risk only	Risks in all forms	Risks in all forms

45	To Make the potential of a Risk a reality the social entrepreneur has to	evaluate potential reward and position their own resources effectively	borrow high interest loans from third party	drop the idea of entrepreneurship	look for heavy investments	evaluate potential reward and position their own resources effectively
46	The financing risk for traditional funding and social entrepreneurship funding are	same	Different	Common	irrelevant	Different
47	Understanding the high risk involved why do investors opt for social entrepreneurship	Potential Impact	High Profit	Making loss is a habit	No Idea about the project	Potential Impact
48	Investors on Social entrepreneurship DOESNOT have the following	Stay Ahead of the Curve	Continued Growth	Social Impact	Risk	Continued Growth
49	When Compared with traditional entrepreneurs, the performance indicators of social entrepreneurs are	Simple	Complex	Clumsy	Explicit	Complex
50	Is Social Entrepreneurship sustainable	Yes	NO	Impossible	Chanceless	Yes
51	Social Entrepreneurship is	Revenue only	Impact Only	Revenue + Impact	No Revenue only Impact	Revenue + Impact
52	Exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created. This is a Phenomenon of______________	Social Entrepreneur	Traditional Entrepreneur	Intrapreneur	Economist	Social Entrepreneur
53	The biggest threat for a Social entrepreneur is	Responsibility	Sustainability	Copability	Capacity	Sustainability
54	For sustainability of a social enterprise the investors should	be integral part of the organisation	never care about their money	loose interest in business	worry about the business	be integral part of the organisation
55	The ability to maintain at a certain level	Sustainability	Scalability	Capacity	Utility	Sustainability
56	The Social Entrepreneurs largely depend upon	Full time employees	Highly paid Professionals	Volunteers	Bonded Labourers	Volunteers

57	One among the common aspect that causes business failure in social entrepreneurship is due to non clarity in	Mission	Probation	Ambition	Installation	Mission
58	Retaining a voluteer is	not a problem at all	a concern	very easy	simple	a concern
59	Communication with the donors is	not essential	extremely important	not possible	of no use	extremely important
60	Social entrepreneurs ______________ about the environment	hates	forgets	cares	hears	cares

UNIT IV

Family Business and Entrepreneurship - The Entrepreneur - Role and personality - Family Business: Concept - Structure and kinds of family firms - Culture and evolution of family firm - Managing Business - Family and shareholder relationships - Conflict and conflict resolution in family firms - Managing Leadership - Succession and continuity - Women's issues in the family business - Encouraging change in the family business system.

FAMILY BUSINESS

Family business has been as common in the Indian economy like elsewhere in the world, it is perceived in a common sense. Various terms like 'family-owned,' family controlled,' 'family managed,' 'business houses,' and 'industrial houses' are used to refer to family business. Thus, the term family business conjures up different meanings to different people. While some view it as traditional business, others consider it as community business, and still others mean it as home-based business.

A family business is a commercial organization in which decision-making is influenced by multiple generations of a family, related by blood or marriage or adoption, who has both the ability to influence the vision of the business and the willingness to use this ability to pursue distinctive goals.

Structured Definitions:

These definitions are given based on ownership and/ or management of family business. A few such definitions are "Ownership control by the members of a single family." — Barry "Majority ownership by a single family and direct involvement by at least two members in its operation." — Rosenblatt, de Mik, Anderson, and Johnson.

"Single family effectively controls firm through the ownership of greater than 50 per cent of the voting shares; a significant portion of the firm's senior management is drawn from the same family." — Leach et al.

Process Definitions:

These definitions are based on how the family is involved in the business.

"Family business is a firm which has been closely identified with at least two generations of a family and when this link has had a mutual influence on company policy and on the interests and objectives of the family." — R. G. Donnelley

CHARACTERISTICS

The definitions of family business given above indicate the following characteristics of family business:

a. A group of people belonging to one or more families run one business enterprise.

b. Position in family business is influenced by the relationship the family members enjoy among themselves.

c. Family exercises control over business in the form of ownership or in the form of management of the firm where family members are employed on key positions.

d. Family exercises the influence on the firm's policy direction in the mutual interest of family and business.

e. The succession of family business goes to the next generation.

f. Family business in India is largely caste-related.

g. Every caste enjoys a dominant culture which gets duly reflected in their family businesses also.

TYPES OF FAMILY BUSINESS

Financial return. Family members need a financial return as an acknowledgment from the company that their assets are invested in an enterprise with a long time horizon.

• **Emotional return.** Family members need to feel connected to the company -- its history, its products, its relationship to the community, its loyalty to employees or its philanthropic activities.

• **Relationship return.** Family members need to feel good about being business partners together. Getting together must be a fun, rewarding and fulfilling experience; every family interaction should not engender a feeling of dread or fear of conflict.

Family Business Structures

Structures are tangible "things" that aid professionalisation and best practice processes by providing more clarity, substance, formality, authority and discipline to business operations.

We establish, guide and facilitate all of the following structures to suit individual families and businesses.

Like Family Structures, Business Structures come in two forms: (1) Bodies; and (2) Strategies, Plans & Agreements.

Family Business Structures

Board of Directors

The Board of Directors of a company is its supreme governance and strategic decision-making body. It's primarily responsible for strategic thinking, corporate governance, risk management, reputational protection and executive / operational supervision.

External Directors are invited onto a company's Board to increase its depth and breadth of experience, to boost business 'nous', to widen business networks, and to provide more sophisticated strategic and independent thinking. A good director makes themselves an investment, rather than an overhead, by increasing sales and/or productivity and/or profitability and/or value.

Advisory Board

This is a Clayton's Board – the Board of Directors that isn't. Members of an Advisory Board are selected for their expertise, which should be appropriate to the needs of the business at that point in time. Members often includes professional advisers, who may not wish to sit on a real board, for liability reasons.

Advisory Boards are widely used in family businesses that aren't ready for full-blown Boards of Directors, or that can't get people to accept formal Board positions, for various reasons. They do the work of a normal Board – strategic inputs and guidance, performance supervision, reviews of business results and special projects.

Senior Executive Team ("SET")

Some families and businesses like to have a small inner circle of one or more highly trusted senior executives who are usually well informed about sensitive family and business issues.

The SET is used by business owners as a sounding board and as a rapid response team for urgent and delicate issues they don't want to share with the broader management team.

Executive Management Team ("EMT")

Family Businesses are notoriously autocratic – although owners especially are often shocked to discover that is how they're perceived. For all their charm, a lot of decisions are made on an individual, or family-only basis, and are simply imposed upon staff, including (nominal) senior managers.

There may be little two-way communication on strategic issues, which is shown to be a sad waste of opportunity when staff are invited to participate in strategy planning and business improvement talks, and then produce great ideas they've secretly harboured for years, feeling they weren't entitled to express them!

ADVANTAGES OF FAMILY BUSINESSES

1. **Common values** - you and your family are likely to share the same ethos and beliefs on how things should be done. This will give you an extra sense of purpose and pride - and a competitive edge for your business.
2. **Strong commitment** - building a lasting family enterprise means you're more likely to put in the extra hours and effort needed to make it a success. Your family is more likely to understand that you need to take a more flexible approach to your working hours.
3. **Loyalty** - strong personal bonds mean you and family members are likely to stick together in hard times and show the determination needed for business success.
4. **Stability** - knowing you're building for future generations encourages the long-term thinking needed for growth and success - though it can also produce a potentially damaging inability to react to change.
5. **Decreased costs** - family members may be more willing to make financial sacrifices for the sake of the business. For example, accepting lower pay than they would get elsewhere to help the business in the longer term, or deferring wages during a cashflow crisis. You may also find you don't need employers' liability insurance if you only employ close family members.

DISADVANTAGES OF FAMILY BUSINESSES

1. **Lack of skills or experience** – some family businesses will appoint family members into roles that they do not have the skills or training for. This can have a negative effect on the success of the business and lead to a stressful working environment.

2. **Family conflict** – conflict can arise in any business, but it's important to consider that disputes within a family business can become personal as the staff are working with the people closest to them. Bad feelings and resentment could destabilise the business' operations and put your family relations at risk.
3. **Favouritism** - can you be objective when promoting staff and only promote the best person for the job whether they are a relative or not? It is important to make business decisions for business reasons, rather than personal ones. This can sometimes be difficult if family members are involved.
4. **Succession planning** – many family business owners may find it difficult to decide who will be in charge of the business if they were to step down. The leader must determine objectively who can best take the business forward and aim to reduce the potential for future conflict - this can be a daunting decision.

MANAGING FAMILY BUSINESS

Running a family business is similar to running any small business. However, there are certain issues that are specific to operating a family owned business.

Some common problems that can occur in a family owned business include:

- Arguments over daily operations
- Differences in opinion about dividing and spending the business's profit
- High turnover rate among non-family employees

FAMILY TENSION

Different opinions do not always produce disagreements, but the emotional relationships between family members can make it hard to make objective decisions.

Some ways to handle family tension in your business include:

- Agreeing on a process for settling disputes before they occur
- Hiring a mediator

MANAGING THE BUSINESS

If a member of the family is in charge of operations, he or she should be able to negotiate between family members to make the best decisions for the business. In some cases, you can achieve more objective control and oversight in a family-owned business by hiring a manager who is not a family member.

With either option, the roles and responsibilities for all employees, including family members, should be clear, and the manager's authority to suspend or discharge any staff member that violates company rules should also be clear. Fairness is very important in a family company, and management will be ineffective if special allowances are made.

SUCCESSION PLANNING

Succession planning is an important issue to consider for any small business. Consider who will take over if something happens to the family member who owns or manages the business. A strong succession plan can guide your business through a change in management, and can help you avoid conflict.

HIRING RELATIVES

One of the most common issues in a family business is the pressure to hire a relative. The emotional aspect of family relationships can make it difficult to refuse the request. Try to make the decision based on what is best for the business and not on emotional connections.

If you do hire a family member it should not affect the relationship that you have with other members of your staff. Hold relatives to the same standard as non-family employees.

PRESENTING NEW IDEAS

When presenting new ideas for business improvement, particularly where spending is involved, base your information on facts to provide an objective perspective of what is best for the company. Family members can then make an informed decision based on concrete information.

You can also hire a business advisor. Relatives will sometimes accept the credibility of advisors - such as bankers, accountants or lawyers - when they won't accept your judgment.

Paid consultants can also help confirm the value of expenditures for the business, and can devote additional time and effort to specialized projects that could require further research.

DIVIDING PROFITS

Paying family members and dividing profits among them can be a difficult task. Many people feel that they are underpaid, but what do you do when relatives are unhappy with their share of the profits?

If the business is a small corporation, certain equalizing factors can be accomplished by using stock dividends, or recapitalizing the company.

Providing competitive salaries is another way to ensure that profits are being divided fairly. Find out what local salary ranges are for various jobs and use these ranges as a guide for paying both family and non-family personnel.

Benefits like deferred profit sharing plans, pension plans, and insurance programs can also be used to divide profit. Providing benefits can satisfy family members and help them build their personal assets.

After you decide on a method for dividing your business profits you may want to consider writing it in a formal agreement. The document will help:

- record what was decided
- set expectations
- make the process easier in the future

STAFF TURNOVER

Some family-owned companies have trouble with high turnover among their non-family employees. An exit interview gives departing employees the chance to explain why they are leaving, which can help you understand why turnover is happening. Once you know what factors are affecting turnover, you can take steps to address them.

PROBLEMS IN FAMILY BUSINESS

- Working with family can be a blessing and a curse. These are a few challenges common in family-owned businesses.
- At one time, family-owned businesses were commonplace.

- Shop owners ran their storefronts for decades, then passed them on to their children when they retired.
- Today's business owners don't include family members nearly as often, especially if the businesses weren't passed on to them from their parents.
- However, family-owned businesses still exist. In fact, many locally-owned stores and restaurants are run by families, especially in smaller towns.
- These businesses can bring families closer, allowing them to spend time working side by side all day, every day.
- Unfortunately, they also present many issues. Here are a few challenges common in family-owned businesses

HOW TO MANAGE FAMILY BUSINESS

1. Play to each family member's strengths. Calcango says establishing boundaries and having clearly defined roles, responsibilities and authority can determine whether a family business will succeed or fail. "In a family business, order is even more important than it is in any other kind of business because you have two things that pull at you constantly," she says.

While Shelasky handles the design and client acquisition side of the business, her father handles the bookkeeping and runs Hollywood Uniforms, the parent company of Hollywood Fourth. "I work with a lot of very hip companies like food trucks and cookie companies," says Shelasky, while her father makes uniforms for doormen and church robes -- work Shelasky calls "the boring stuff."

2. Keep personal matters out of the business. Family members typically have insight into each other's personality and thought process that non-related business partners wouldn't have, making crossing the professional line into personal terrain tempting. While lashing out at a co-worker wouldn't have been thinkable in her corporate positions, Shelasky admits it's easier to lose your cool when there's a personal relationship involved. "You say things to your parents that you wouldn't say to anyone else," she says. Leave your emotions at the door and remember your family members are your co-workers when you're at the office.

3. Be understanding of the generational divide. While Shelasky and her father have a great relationship, both agree the generation gap can create some tensions. "My father still uses a 1950s typewriter to print invoices, so sometimes he has to do it five times because he misses a letter and I ask 'why don't you just do it on the computer?'," says a frustrated Shelasky.

The generational differences can create some challenges, but Shelasky appreciates the wisdom her father brings to the business and says the old and new ways of doing things create a balance that clients find appealing.

5. **Separate personal from professional time.** While ideally acting as a family at home and professionals at work, most family-run businesses operate on both levels at all times. "The business has to be run in a different way than the family is run," says Calcango, who recommends setting time limits on business discussions at the dinner table to allow everyone involved a break from their respective jobs.

MANAGING LEADERSHIP IN FAMILY BUSINESS

In the context of family business, leadership assumes a little different meaning than what is generally understood. We can define family leadership as the art of making people believe in and act on a shared vision in the multiple contexts of family, business and ownership.

The job of a family business leader differs from other business leaders as it is not confined to the business system alone. Management of family and ownership are also important. The task of the family leader is much more complex than that of leaders of non-family owned businesses. Moreover, family firms pass through a complex series of developmental transitions from start-up, through expansion and growth, to maturity. The qualities of leadership required for each phase of business development are obviously different Leaders of family businesses have to deal with many dilemmas like: To change or to preserve Equality or competence (in management/ownership succession) Business-first or family-first (in decision orientation) Family managed or professionally managed Remain private or go public Weed out or groom/correct (incompetent family members) Over-crowding vs. independence (if youngsters pursue outside careers) Straightforwardness or tactfulness Community vs. individuality Love or discipline Midway or fair way (in conflict resolution)

Family business leaders have to be expert in dealing with complexity and in handling paradoxical situations. While being very strong and rigid about values, they should otherwise be flexible in changing their leadership style as the situation and the context change.

"Family businesses need leaders who are fair, loving and tough-minded, all at a time."

Qualities

A family business leader needs to have the following qualities:

1. The leader should ideally follow a delegating, empowering, and participative leadership style. As the organization and the family grow, the biggest challenge that the family business leader faces is to subdue the aggression usually associated with founders without losing his enterprising nature. He must discard his hands-on management style. The ability to share power and develop a team is critical to manage the family firm through various transitions like professionalizing the firm and leadership succession.

2. Similarly, he should learn to curb his ego and be brave enough to accept the help of others. Many family leaders walk around feeling they should be super-people, totally competent, absolutely perfect. Asking for help is considered an admission of helplessness. We were never meant to struggle alone. Asking for help is a gift that we give to our close people.

3. He should be visionary since he has to always think about sustainable growth over a very long time horizon. He needs to secure the legacy and ensure the continuity of the productive life of the business for generations to come.

4. While dealing with the conflicts between business and family, he should usually have a business-first approach.

5. As mentioned earlier, given the highly complex world of family businesses, he must have the ability to deal with ambiguity and should switch over fast into various roles as boss, father, husband, son etc. Family provides stability.

6. He should be fair and consistent in his behavior with all family members. He must focus not only in being fair and consistent but should also be perceived as such by the family members.

7. A family business leader needs to master communication and inter-personal skills. He must be a good listener.

8. Five factors are important for achieving a high level of emotional intelligence: high self-awareness; mood management, selfmotivation, interpersonal expertise; and emotional mentoring. He should not fall prey to emotional exploitations and should not be over-stressed in adverse or emotion-ridden situations.

9. A family business leader serves a long tenure and witnesses many transformations on different dimensions. The number of family members keeps on increasing as new generations join the business. The size of business also undergoes change. The industry can also move from the nascent stage to a matured level. The business organization may change from proprietorship to public limited companies.

SUCCESSION & CONTINUITY PLANNING

Building Structures for Success for Future Generations

Families worldwide enjoy the pride, connection, strategic advantage and the financial reward of having a successful family business. How do you protect what your family has worked so hard to build?

Many family businesses look to succession planning as the solution for ensuring the viability of the family business. However, many business owners look at succession as an event – a day in the life of their business when they hand the reins to their children, neices and nephews.

We believe that succession planning is an ongoing process that includes critical decisions as well as careful planning and preparation in order to successfully transition ownership, leadership and management of the business and the family's assets to successive generations.

Continuity planning is the term that we use to look at the whole of the family and the business and design a custom plan that aligns with the family’s values, builds a strong foundation for future business success, prepares successors for increased leadership and ownership responsibilities, and creates a seamless transition to the next generation and beyond. Successful continuity planning can foresee the unique challenges faced by sibling teams, cousin teams, and larger groups of owners/shareholders and puts in place the structures to ensure strong leadership and effective decision making, all while protecting family relationships.

Our extensive experience serving the unique issues and needs of thousands of family businesses worldwide has made The Family Business Consulting Group, Inc. an indispensable partner for family enterprises concerned with creating the strongest possible future for both business and family.

ENCOURAGING CHANGE IN THE FAMILY BUSINESS SYSTEM

- Natural change, or that which is inevitable, such as the departure of senior-generation members and the rise of next-generation as owners and leaders
- Planned/intentional change, purposely initiated changes such as adding independent directors to the board or transitioning from family managing the business to owning it (nose in, fingers out)

In the sections below, we discuss both types of change along with providing a change management perspective, tactical advice, and examples for thoughtfully and effectively dealing with change in your family enterprise.

The Challenge of Change

Change involves both situational and psychological dimensions, or what can be thought of as external and internal aspects. The external components of change, which are easy to observe, may happen quickly, such as the installation of a new board of directors or the passing of an influential senior-generation member. However, the internal psychological dimensions are more subtle and take much longer to accept and adapt to, such as the negative feelings among family members who have reluctantly given up governance roles to new independent directors or mourning the loss of a family leader. So it’s critical to deal with change in both dimensions, especially the harder, more psychological ones.

Not surprisingly, some families adapt to change more easily, while others are more rigid and less accepting of change and more resistant to its implications. Take, for example, the arrival of a new spouse into the family. This event causes hardly a ripple in some families, but can be highly turbulent in others, regardless of the personality or intentions of the new family member.

While many families struggle with change, it can be even more challenging and complex in business families because of the interrelatedness of family, business and ownership. Change in any one of the three systems will inevitably result in shifts, often unexpected, in the other two.

The earlier example of the president changing his brother-in-law's location in the business and the impact in the family a generation later points to the importance of understanding change in its full context, including anticipating and addressing resistance to change.

Understand Resistance to Address Resistance

Resistance can be seen as a natural reaction to any significant transition. William Bridges describes transition as involving three stages: an ending, a neutral zone, and a new beginning.[1] Most people focus on the ending and new beginning, but not the middle, failing to understand the challenges of this neutral zone, where the past situation is in the rear-view mirror but the new one hasn't yet taken hold. Most humans aren't comfortable with ambiguity, so this middle zone can be a place of concern and confusion, leading naturally to resistance (though it can also be a period that facilitates creativity and innovation). Placing change in this context can help you understand and accept resistance on your part or that of others, and develop thoughtful, strategic tactics for addressing the challenge of change.

A change manager tries to understand resistance, learn from it and take active steps to address it. It's not healthy, nor useful, to simply wish it away or label it as someone else's problem. Resistance is usually an important source of information. Business owners resist adding independent directors for several reasons; a common one is because of a perceived loss of control. By understanding this source of resistance, more attention can be given to specific ways the owners can influence and benefit the business even if they don't all hold positions on the board. Addressing resistance as a positive will lead to better transition management for the business family.

Tactics and Mechanisms for Addressing Change

Below are several tactics and mechanisms for addressing change effectively:

- Involvement: Get more of the family involved, listen to what they have to say and engage them in understanding and managing the change.
- Education: Provide education for all family members about the change in question and its purpose and broader context.
- Compelling purpose: Communicate the change in the context of the overall compelling purpose of the family and make it relevant for all individuals and groups affected before the change happens.
- Task force or pilot group: Create a small group of family members and others to lead the change, or pilot it within a smaller part of the organization before implementing it more widely.

- Champion model: Harness the abilities of an individual or group of family members who are passionate about a change.
- Parallel planning: Plan for both the business and family simultaneously with attention to understanding how change on one dimension affects the other.
- Skill development: Use the change as a motivation to gain new capabilities, whether related to management, governance, or other areas.
- Consultant: Retain an outside consultant to help formulate, communicate and implement challenging change.
- Trimming the tree: Create opportunities for family members to gracefully exit as owners if they do not want to be included in changes desired by the majority.
- Generation skipping: Shift the family unity and continuity focus of attention from the generation of the family members who have experienced long periods of unresolved conflict to their children and in so doing bypass a deadlock.
- Lay the groundwork: Put in place policies and fair practices early before they are needed so that unpopular family role changes in the business will be perceived as fair and not personal – as in the case of the President and his brother-in-law described above, the detailed performance evaluation of any individual working in the business cannot be made available to a spouse or his children, but the steps followed in a fair process can be fully communicated.

PART B QUESTIONS

1. What is succession in family business?
2. Write short note on Family Business
3. Write a note on conflict in family business
4. Give the meaning of Succession and continuity
5. State the Family and shareholder relationships

PART C QUESTIONS

1. Briefly explain the succession and continuity in family business.
2. List down three family business in India and give a brief about each.
3. Differentiate between Family Business and Entrepreneurship. How the process of succession has to be carried out in a family business.
4. What is conflict in a family business? Explain in detail the resolution of conflict in family business
5. What do you think are the issues faced by women entrepreneurs?
6. Write in brief about the problems faced by women entrepreneurs in India
7. What do you mean by Conflict in Family Business? Explain the techniques of conflict resolution
8. "Family Business forms the strength of Indian Economy" – Comment with suitable examples.
9. Briefly explain the succession and continuity in family business.

KARPAGAM ACADEMY OF HIGHER EDUCATION
DEPATRTMENT OF MANAGEMENT (UG)
III BBA - V SEMESTER
PART A - MULTIPLE CHOICE QUESTIONS (Each questions carries ONE Mark)
UNIT IV

S.No.	Question	Option 1	Option 2	Option 3	Option 4	Answer
1	Family businesses have a unique set of pro	the success of a family and the success of a business are based on different criteria.	family members usually prefer to work for a large corporation.	family members have different goals	family members don’t know business	the success of a family and the success of a business are based on different criteria.
2	In order for entrepreneurial couples to avoid problems with power and decision making, it is best to:	work different hours in the business.	assign specific areas of responsibility.	designate one person as the legal owner of the company	work in different locations	assign specific areas of responsibility.
3	businesses that are successfully transferred to the second generation is approximately:	100%	two third	one-third	50%	one-third
4	The process of transferring leadership to the next generation is known as:	Succession	Continuity	Power Sharing	natural division of responsibility	Succession
5	family members or transfer ownership while still alive.	Possible	Not Possible	can be considered	legally not allowed	Possible
6	owned company, and is made up of family members as well as non-family members is called:	Team	An advisory Board	Family counsil	Helpers	An advisory Board
7	In a business plan, the succession plan becomes more of a concern for bankers and investors:	when there are more than three children involved	as the entrepreneur ages.	when the entrepreneur has no children	if a family council exists	as the entrepreneur ages.

8	The difference between an entrepreneurial	They work more and take less pay	they work less and take more pay	they don’t work	they don’t take pay	They work more and take less pay
9	The low-entry strategy recommends that children should not be paid much when working in a family business.	TRUE	FALSE	Irrelevant	may be	FALSE
10	Family business always interested to handover the change of his business to:	IAS Officer	Professional Manager	Next Generation	Doctor	Next Generation
11	A commercial organization in which decision-making is influenced by multiple generations of a family	Global Business	Generation Business	Innovative Business	Family Business	Family Business
12	Which of the following is not related to far	Business House	Family Owned	Family Controlled	Solar Family	Solar Family
13	Multiple roles is a kind of ________________ in a family business	Succession	Conflict	Profession		Conflict
14	Adani, Reliance and TATA are examples of	Business Group	Mafia Group	Partnership firms	All of the Above	Business Group
15	______________ of family members ensures survival of family business through toughest times.	Single Minded Dedication	Diverse thinking	conflict	Non - Commital	Single Minded Dedication
16	Philanthropy	not in the agenda of Family Business	an important aspect of family business	doesnot care about the society	Not Applicable to entrepreneurs	an important aspect of family business
17	In Family Business the decision making is	fast	slow	cumbersome	difficult	fast
18	The Pitfall of Family Business	Quick decision making	Lack of Professionalism	Economic Development	Lowers transaction cost	Lack of Professionalism

19	Name the approach in which family members negotiate and resolve conflict and agree on common terms	Coping Approach	Arbitrary Approach	Managed Approach	Conflict Approach	Coping Approach
20	Arbitrary Approach is	an approach to solve conflict in family business	an approach where youngsters resolve conflict	Noway connected to entrepreneurs hip	Perfect solution for conflict resolution	an approach to solve conflict in family business
21	Business environment is always	Static	Stable	Dynamic	Constant	Dynamic
22	Replenishing Entrepreneurship refers to	Closure of Business	Expasion of buiness	Continuing routine business	None of the Above	Expasion of buiness
23	The conflic resolving approach by which a lead person who can understand and manage the business with good interpersonal skill is called as	Coping Approach	Arbitrary Approach	Managed Approach	None of the Above	Managed Approach
24	Inculcating Professionalism in family business doesnot include	proper documentation of business transaction	planning and implementation of efficient strategies for success of business	retaining of effective talent in company	Biased Behaviour	Biased Behaviour
25	Companies that does business in different markets under common administrative or financial control	Dealer	Wholesaler	Business Group	None of the Above	Business Group
26	Having a Good Strategic Plan will	increase conflict	resolve conflict	increase misunderstan ding	not provide clarity	resolve conflict
27	In family business the strategies	can be renewed regularly	Cannot be changed	doesnot help to compete in the market	are meant only for family members	can be renewed regularly

28	The advantages of family business are	Lack of professionalism	conflict between siblings	Inability to separate personal and business interests	Decision Making is Quick	Decision Making is Quick
29	In most family businesses the values of the business are the value of the	Currency	Family	Money	Product	Family
30	Which of the following is NOT a conflict resolving approach	Coping Approach	Dubious Approach	Arbitrary Approach	Managed Approach	Dubious Approach
31	Family Business means	The employees are all family members	The founders are family members	business is done within a family only	Buyers are from one family	The founders are family members
32	Which of the following is NOT part of TATA group	Indian Hotels	TITAN	NANO CAR	Wipro	Wipro
33	Reliance Industries Limited was founded by	Mukesh Ambani	Anil Ambani	Dhirubhai Ambani	Rakesh Reliance	Dhirubhai Ambani
34	Charismatic leadership has which of the following characteristics?	Seeks to pick up the mood of the audience	Employs a clear chain of command	Takes the view that rewards and punishment motivate staff	Seeks to involve staff in the decision making process	Seeks to pick up the mood of the audience
35	A democratic leadership style has which of the following characteristics?	Autocratic	A dictatorial leader.	Split power	Genuine	Split power
36	Transactional leadership has which of the following characteristics?	Seeks to involve staff in the decision making process.	Takes the view that rewards and punishment motivate staff.	Seeks to ensure staff understand issues facing the organisation	Believe success arises from leaders and staff working together	Takes the view that rewards and punishment motivate staff.

37	______________ is the oldest form of business	Technopreneurship	Netpreneurship	Family Business	Rocket science	Family Business
38	The issues in Family Business may be due to	Qualification, Succession and Compensation	Nature of Business, Revenue, size of business	No. of family members, country of business	No issues	Qualification, Succession and Compensation
39	The key to avoid conflict in succession of Family Business is by having a	aggressive approach	autocratic leadership	well defined plan	road to closure	well defined plan
40	All family members involved in the business must understand that their rights and responsibilities are different at home and at work.	TRUE	FALSE	Insignificant	Irrelevant	TRUE
41	A Special meeting to solve Conflicy in Family Business is called	Family Court	Family Council	Family Restaurant	Family Marriage	Family Council
42	Treatment of family members working and not working in the business can be decided in	Family Court	Family Council	Family Restaurant	Family Marriage	Family Council
43	The process to decide who will lead the company in the future is known as	Succession Planning	Project Planning	Internal Planning	Growth Plan	Succession Planning
44	The best practices in succession planning is done	abruptly	in phases	idefinitely	no longer	in phases
45	The board which gives guidance in family business is known as	Panel Board	Black Board	Advisory Board	No Name	Advisory Board
46	The family owned business have	only Challenges	Challeneges and rewards	only rewards	nothing	Challeneges and rewards
47	When the Parent and Child has different management styles, there is a possibility of	Conflict	Growth	harmony	agreement	Conflict
48	For smooth succession of family business, Family members should	Refrain from business	get exposure in that business	be employed in other companies	do nothing	get exposure in that business

49	Women owned family business are tend to	be more likely to plan succession	have more debt than male owned	have more attrition rate	fail	be more likely to plan succession
50	In Family Business, adhrence to core principle	is not possible	is possible	will never happen	is a distant dream	is possible
51	Family Business culture is	internally group oriented	oriented towards market	oriented towards global issues	oriented towards issues	internally group oriented
52	In the traditional family business, who has the final say	youngest member	eldest member	infants	any member	eldest member
53	Family owned business are the ______________ of the economies of many countries	hinderances	troublemakers	killers	Back bone	Back bone
54	Women have vital qualities for succession of business	TRUE	FALSE	Insignificant	Irrelevant	TRUE
55	The traditional mental conviction about the women are; they are born to be	Leaders	Managers	Mother and Housewives	Entrepreneur s	Mother and Housewives
56	The nature of women in balancing in the career is______________	work life balance	personality balance	mental balance	no balance	work life balance
57	The investors are tend to prefer_______________________ ventures	male entrepreneurial	Female entrepreneurial	Social entrepreneurs hip	no	male entrepreneurial
58	Kiran Mazumdar Shaw is ____________________	an athlete	an actor	Entrepreneur	a princess	Entrepreneur
59	Which is NOT a mechanism for addressing change in family business	No Compelling Purpose	Parallel planning	Skill Development	Task force	No Compelling Purpose
60	Transition from one generation to the next generation is called	Planned Change	Natural Change	Artificial Change	No Change	Natural Change

UNIT V

Financing the Entrepreneurial Business - Arrangement of funds - Traditional sources of financing - Loan syndication - Consortium finance - Role played by commercial banks - Appraisal of loan applications by financial institutions - Venture capital - MSMED Act.

FINANCING AND ENTREPRENEURIAL BUSINESS

Sources of Financing for small business or startup can be divided into two parts: Equity Financing and Debt Financing. Some common source of financing business is Personal investment, business angels, assistant of government, commercial bank loans, financial bootstrapping, buyouts. Let us discuss the sources of financing business in greater detail.

SOURCES OF FINANCING BUSINESS

Best Common Sources of Financing Your Business or Startup are:

1. Personal Investment or Personal Savings
2. Venture Capital
3. Business Angels
4. Assistant of Government
5. Commercial Bank Loans and Overdraft
6. Financial Bootstrapping
7. Buyouts

Financial Bootstrapping

Here the goal remains to build a sustainable business comprising of committed employees as well as a growing customer community without having to seek out the assistance of a bank loan.

Various examples of financial bootstrapping are sweat equity, owner financing, joint utilization, minimization of accounts payable, delaying payment, minimization of inventory, subsidy finance etc.

Buyouts

This form of corporate finance can alter the form of a company's ownership. After the company attains a private status by being freed from the regulatory burdens of operating as a public firm, the ultimate goal of buyout remains to build its value.

Selling off non-core assets, refocusing on the mission of the company, streamlining processes, freshening product lines and replacing existing management might thus serve as essential parts of the buyout drive.

Business Angels

These are the professional investors who invest either just a part or their entire wealth as well as time in the growth of innovative companies.

As per estimations, the quantum of angel investment is equivalent to three times the venture capital.

Frederick Terman, the "Father of Silicon Valley" can be accredited with the introduction of business angels. He invested $500 which in turn fuelled the growth of Bill Hewlett and Fred Packard.

Venture Capital

Under this form of corporate financing, the financial investor participates in the fresh business in exchange for strategic advice and cash.

Venture capitalists are thus on the lookout for companies having high growth potential, top-performing management teams and low leverage capacity. You can look at the table to gain insights into the top VC firms in India. It also lists the businesses being funded.

Loans & Overdraft

Bank loans serve as a long-term mode of financing entrepreneurial business. Overdraft facility is for a short-term span. Under a bank loan, the financial institution shall specify the loan tenure.

As well as the timing, amount of repayments and interest rate. The entrepreneur gives some collateral in exchange for the bank loan. It serves as the ideal choice for financing fixed asset investments.

They offer a lower interest rate compared to a bank overdraft. However, they do not rank high in the department of flexibility.

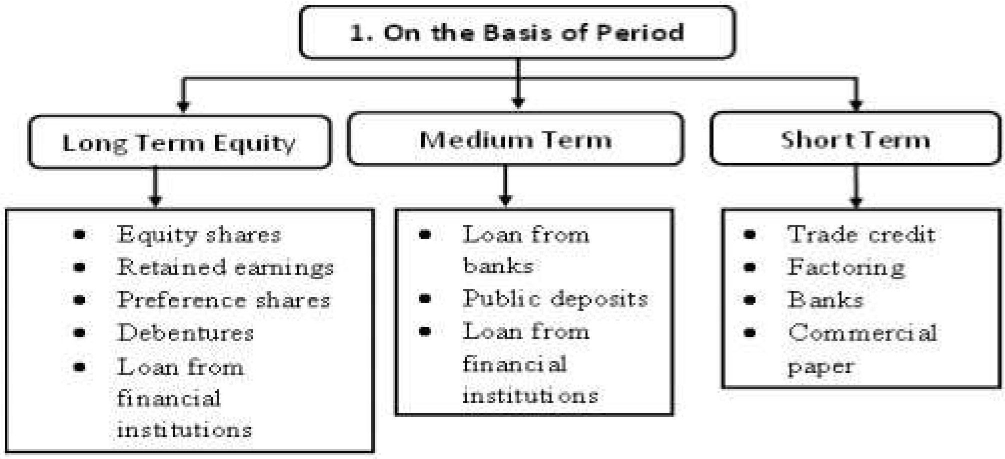
A bank overdraft can be of assistance when the bank balance of entrepreneurs fall below the minimum level. And they can borrow some money from the bank itself in exchange of a high-interest rate. They are thus ideal for dealing with seasonal cash flow fluctuations or when the business faces a short-term liquidity crisis.

Things which can limit the inclination of an investor for financing business

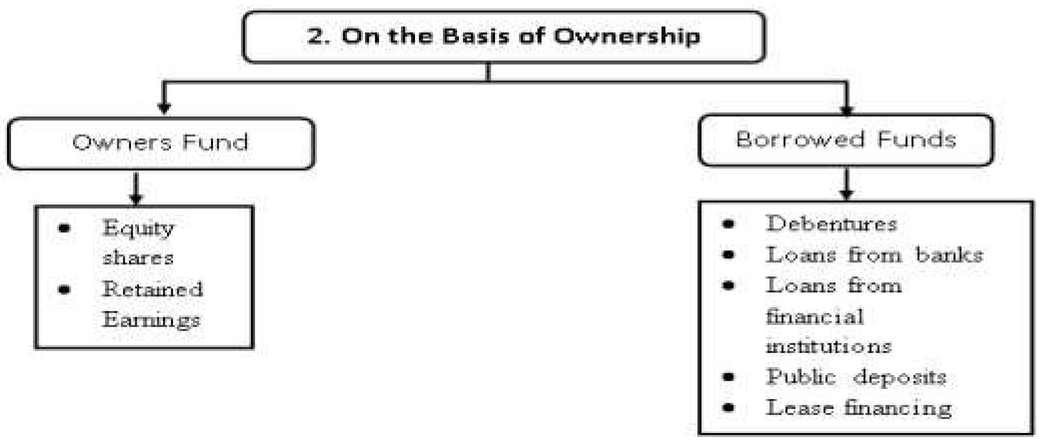
- Market and industry trends.
- Development possibilities of start-ups as the distribution of possible outcomes, increase coupled with the venture's uncertainty.
- Soft assets are spreading over markets thus making lenders less willing to provide adequate credit against the same.
- Information gap pertaining to what different players know about the investment decisions of a company.
- The volatility of market which can affect the current value of the venture as well as its potential profitability.

Traditional sources of financing

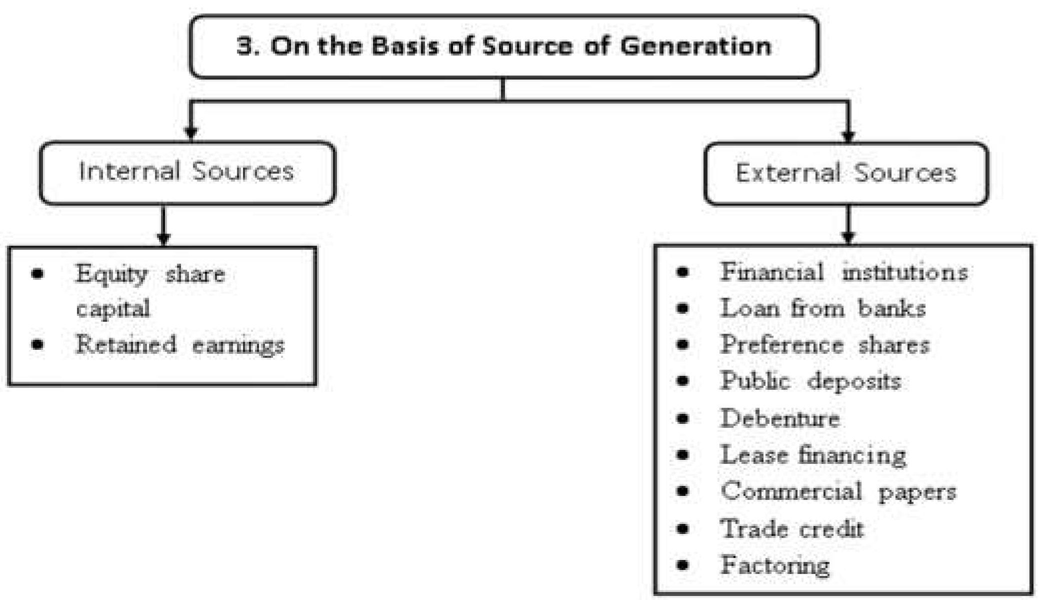
Business simply cannot function without money, and the money required to make a business function is known as business funds. Throughout the life of business, money is required continuously. Sources of funds are used in activities of the business. They are classified based on time period, ownership and control, and their source of generation.



1. On the Basis of Period
Long Term Equity
Medium Term
Short Term
Equity shares
Retained earnings
Preference shares
Debentures
Loan from financial institutions
Loan from banks
Public deposits
Loan from financial institutions
Trade credit
Factoring
Banks
Commercial paper



2. On the Basis of Ownership
Owners Fund
Borrowed Funds
Equity shares
Retained Earnings
Debentures
Loans from banks
Loans from financial institutions
Public deposits
Lease financing



3. On the Basis of Source of Generation
Internal Sources
External Sources
Equity share capital
Retained earnings
Financial institutions
Loan from banks
Preference shares
Public deposits
Debenture
Lease financing
Commercial papers
Trade credit
Factoring

PERIOD BASIS SOURCES

On the basis of the period, the different sources of funds can be classified into three parts. Which are:

- **Long-term source**s fulfil the financial requirements of a business for a period more than 5 years. It includes various other sources such as shares and debentures, long-term borrowings and loans from financial institutions. Such financing is generally required for the procurement of fixed assets such as plant, equipment, machinery etc.
- **Medium-term sources** are the sources where the funds are required for a period of more than one year but less than five years. The sources of the medium term include borrowings from commercial banks, public deposits, lease financing and loans from financial institutions.
- **Short-term sources:** Funds which are required for a period not exceeding one year are called short-term sources. Trade credit, loans from commercial banks and commercial papers are the examples of the sources that provide funds for short duration.

Short-term financing is very common for the financing of present assets such as inventories and account receivables. Seasonal businesses that must build inventories in terms of future prospects of selling requirements often need short-term financing for the interim period between seasons. Wholesalers and manufacturers with a major portion of their assets used in inventories or receivables also require a large number of funds for a short period.

OWNERSHIP BASIS SOURCES

On the basis of ownership, the sources can be classified into Owner's funds and Borrowed funds. Owner's funds mean funds which are procured by the owners of a business, which may be a sole entrepreneur or partners or shareholders of a business. It also includes profits which are reinvested in the business. The owner's capital remains invested in the business for a longer duration and is not required to be refunded during the life period of the business.

This capital forms the base on which owners gain their right of control of management in the business. Some entrepreneurs may not like to dilute their ownership rights in the business and others may believe in sharing the risk. Equity shares and retained earnings are the two important sources from where owner's funds can be obtained.

BORROWED FUNDS

Borrowed funds refer to the funds raised with the help of loans or borrowings. This is the most common type of source of funds and is used the majority of the time. The sources for raising borrowed funds include loans from commercial banks, loans from financial institutions, issue of debentures, public deposits and trade credit.

These sources provide funds for a specific period, on certain terms and conditions and have to repay the loan after the expiry of that period with interest. A fixed rate of interest is paid by the borrowers on such loans. Often it does put a lot of burden on the business as payment of interest is to be made even when the earnings are low or when the loss is incurred. These institutions don't take into consideration the activities of business after the loan is given. Generally, borrowed funds are provided on the security of some assets of the borrower.

GENERATION BASIS SOURCES

The way of classifying the sources of funds is whether the funds are generated from within the organization or from external sources of the organization. Internal sources of funds are those that are generated inside the business. A business, for example, can generate funds internally by speeding collection of receivables, disposing of surplus inventories and increasing its profit. The internal sources of funds can fulfil only limited needs of the business.

Whereas, External sources of funds are the sources that lie outside an organization, such as suppliers, lenders, and investors. When a large amount of money is needed to be raised, it is generally done through the external sources. External funds may be costly as compared to those raised through internal sources

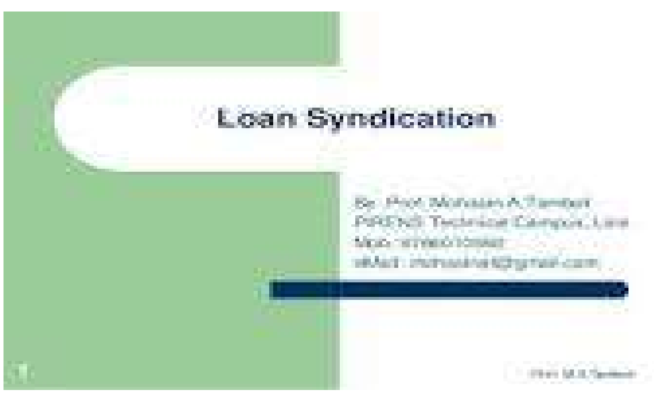
LOAN SYNDICATION

Loan syndication most often occurs when a borrower requires an amount too large for a single lender to provide or when the loan is outside the scope of a lender's risk-exposure levels. Thus, multiple lenders form a syndicate to provide the borrower with the requested capital.

A syndicated loan is one that is provided by a group of lenders and is structured, arranged, and administered by one or several commercial banks or investment banks known as lead arrangers.

The syndicated loan market is the dominant way for large corporations in the U.S. and Europe to receive loans from banks and other institutional financial capital providers. Financial law often regulates the industry. The U.S. market originated with the large leveraged buyout loans of the mid-1980s,[1]:23 and Europe's market blossomed with the launch of the euro in 1999.

At the most basic level, arrangers serve the investment-banking role of raising investor funding for an issuer in need of capital. The issuer pays the arranger a fee for this service, and this fee increases with the complexity and risk factors of the loan. As a result, the most profitable loans are those to leveraged borrowers—issuers whose credit ratings are speculative grade and who are paying spreads (premiums or margins above the relevant LIBOR in the U.S. and UK, Euribor in Europe or another base rate) sufficient to attract the interest of non-bank term loan investors. Though, this threshold moves up and down depending on market conditions.



Underwritten deal

An underwritten deal is one for which the arrangers guarantee the entire commitment, then syndicate the loan. If the arrangers cannot fully subscribe the loan, they are forced to absorb the difference, which they may later try to sell to investors. This is easy, of course, if market conditions, or the credit's fundamentals, improve. If not, the arranger may be forced to sell at a discount and, potentially, even take a loss on the paper. Or the arranger may just be left above its desired hold level of the credit.

Arrangers underwrite loans for several reasons. First, offering an underwritten loan can be a competitive tool to win mandates. Second, underwritten loans usually require more lucrative fees because the agent is on the hook if potential lenders balk. Of course, with flex-language now common, underwriting a deal does not carry the same risk it once did when the pricing was set in stone prior to syndication.

Best-efforts syndication

A best-efforts syndication is one for which the arranger group commits to underwrite less than or equal to the entire amount of the loan, leaving the credit to the vicissitudes of the market. If the loan is undersubscribed, the credit may not close—or may need significant adjustments to its interest rate or credit rating to clear the market. Traditionally, best-efforts syndications were used for risky borrowers or for complex transactions. Since the late 1990s, however, the rapid acceptance of market-flex language has made best-efforts loans the rule even for investment-grade transactions.

Club deal

A club deal is a smaller loan—usually \$25–100 million, but as high as \$150 million—that is premarketed to a group of relationship lenders. The arranger is generally a first among equals, and each lender gets a full cut, or nearly a full cut, of the fees.

The syndication process

As a syndicated loan is a collection of bilateral loans between a borrower and several banks, the structure of the transaction is to isolate each bank's interest whilst maximising the collective efficiency of monitoring and enforcement of a single lender. The essence is to make loans on similar terms to make a bundle of loans into a single agreement. This draws upon Loan Market Association documents. Correspondingly, three key actors operate within a syndicated lending:

- **Arranger**
- **Agent**
- **Trustee**

These actors utilise two core legal concepts to overcome the difficulty of large-cap lending, those being Agency and Trusts. A single bank may not on its own be willing or able to advance the whole amount. The essence of syndication is that two or more banks agree to make loans to a borrower on common terms governed by a single agreement. This agreement not only regulates the relationship between the lenders and the borrower but importantly between lenders. Most loans are documented using LMA precedents, in England, this will not be on the lenders' 'written standard terms of business' for the purposes of UCTA 1977.

The distinction in the lending agreements, and use of the three aforementioned actors is primarily to avoid the creation of a partnership, avoid lenders from inadvertently acting as guarantors to one another - or to prevent Set-off.[5] The borrower is sometimes given a "Yank the bank" power to force a transfer of a lenders interest in repayment (a chose in action) if the lender does not consent to a waiver or amendment. Lenders are traditionally limited in their decision-making by overlapping clauses requiring voting and collective decision-making. This acts as a disincentive for individual lenders to act in their own interests over the collective group. It has been suggested that the historical cooperation within the London loan market helped produce efficiency insolvency work-outs through the London Approach.

Lending Terms

There are several common types of lending terms, including implied terms in syndicated lending that affect the operation and coordination of lending behaviour.

- Snooze-you-lose provision where lenders are required to submit their votes, these are contractual discretions which allow. These were found within several cases which regard terms relating to contractual discretions which must be exercised for the purposes which they are conferred.
- Good Faith

Participants

Within the banking sector, the role of setting up syndicated loans differ from deal to deal but generally a handful of key actors are consistent. These were the aforementioned key actors of the arranging bank, the agent, and the trustee.

Arranging Bank

The arranging bank acts as a salesman, and may be cannot exclude liability in its role of representing the agreement; either through misrepresentation, negligence, or breach of fiduciary duty. It may also be liable if it fails to do its best endeavours to acquire lending parties, these vary depending on the law of representation and fiduciary duty within national law.

Syndication is generally initiated by the grant of a mandate by the borrower to the arranging bank(s) or 'lead managers' setting out the financial terms of the proposed loan. The financial terms are set out in a "term sheet"'which states the amount, term of the loan, repayment schedule, interest margin, fees any special terms, and a general statement that the loan will contain representations and warranties. This might include terms which relate to when the loan is to finance a company acquisition or a large infrastructure project, conferring interests in the lenders. Often term sheets are made to be expressly non-binding. However, in Maple Leaf Macro Volatility Master Fund v Rouvroy (2009) a loan term sheet was held to create a contract.

Agent

The core function of the Agent is to act as a conduit between the borrowers and the lenders. The agent owes contractual duties both to the borrower AND to the lenders. In TORRE ASSET FUNDING v RBS (2013) the mezzanine lenders alleged it was the Agent's duty to inform them of when an event of default occurred. The relationship of the agent tends not to be a fiduciary one.[7] The essence of a fiduciary relationship is that they may be reasonably expected to subordinate their own commercial interests to that of their beneficiary, in English law, this is not representative of a banking relationship. They are;

- Not fiduciaries
- No advisory duty as agent bank's duties are 'solely mechanical and administrative in nature'.

The agent bank's express duty, is to provide information designed to enable lenders to consider how to exercise their right under various facility agreements in relation to accelerating the debt, not to assist with 'exit' or liability for misstatements.' As set out in Torre, the agent is typically a conduit between borrowers and lenders. They are typically described as solely technical and owe no fiduciary. They hold no duty to advise and are not liable for negligence.

Trustee

Security will usually be held by a trustee, as is common within Bond issuances on behalf of the lenders. This makes taking security easier, since there is a single chargee which is unlikely to change through the duration of the loan (through the secondary market). In jurisdictions where the trust is not recognised, it is often addressed by parallel debt provisions stating that the amount outstanding is deemed to be owing to the security trustee but will be reduced by any amounts actually received by the syndicate members.

- Duty to enforce security under an event of default, or instruction by lenders
- valuation and described as solely technical. They are fiduciary for lenders but not necessarily all lenders.

Trustee duties cannot be fully excluded, core of that is fiduciary. Some discretion and good faith is sufficient. Statutory regulation is not desired, as doing so will likely limit the number willing trustees.

Syndication may be termed as Secondary Intermediation between the borrower and other

Advantages

1. Allows the borrower to access from diverse group of financial institutions.
2. Saves funds. The interest rates, other terms and conditions are agreed upon by one bank that has to approach the pool of banks for the loan; this process saves money and time on part of the borrower.
3. Raise substantial financingfacilities on pre-agreed terms which would exceed the capacity of any single bank

Disadvantages

1. Each bank has to come to an understanding about business and how its financial activities take place.
2. Comfort level must be arrived at, that requires time and effort.
3. Negotiating the documents and other terms with one bank takes days. Here the borrower has to negotiate with numerous banks and is time consuming.

CONSORTIUM

There arise cases where a borrower approaches a bank for huge loans; this high amount means high risk to a single lender. In such cases banks resort to a lending mechanism known as Consortium to reduce the risk involved in the Loan Process. A consortium is successful where it is not possible for a single bank to finance the loan amount to the borrower; it has nothing to do with international transactions unlike Loan Syndication, simply the loan amount is too large or risky for a single lender to provide. Consortium financing occurs for transactions that might not take place with a single lender. Here when a borrower approaches a bank for loan, several banks club together to supervise the said loan amount.

A common appraisal, documentation, joint supervision and follow-up play the key role.

These banks have a common agreement between them. Sometimes the participating banks form a new consortium bank to look after the process of funding of loan, leveraging assets from each institution and ultimately disbanding after completion of the project. The lender who has taken the highest risk (by giving the highest amount of loan) acts act as a leader and administers all the transactions, agreements etc. between the consortium and the borrower. The consortium agreement is a crucial document and not easy to draft. It must be clear on the rights and obligations of the parties, which need to be focused firmly on the purpose of the consortium.

Advantages of consortium

1. No capital is required to create a consortium.
2. Ease of formation, no formal procedures need to be followed.
3. It is easy to terminate because it can be set to expiry on a particular date and happening of an event without any formal requirements.
4. It is easy to terminate, can be set to expiry on a given date or on the occurrence of certain events without the formal requirements needed in the case of dissolution of a corporation.
5. The individual members are subject to tax and not the consortium.

Disadvantages of consortium

1. A consortium member can't restrict or limit its liability. Members may even become liable to third parties for the non-performance of other members of the consortium or the debts of such members incurred in undertaking the common project.
2. Third parties often find it difficult to enter into contract with a non-legal entity like a consortium. Because it is a non-legal entity funding is also normally only available to the individual members and not the consortium itself. So it becomes difficult to maintain External relationship and funding.
3. The lack of a permanent structure makes it difficult for a consortium to establish long-term business relationships with third parties.

Role of Lead Bank in Consortium

1. Conducting consortium meetings.
2. Obtaining of necessary documents, clarification etc. from the borrower.
3. Making arrangements for joint appraisal of loan proposal by all member Banks. Preparation of joint appraisal report and sending the same to all member Banks and finalization of decision after discussions.
4. Fixing and Deciding of Loan limit.
5. Custody, Verification of documents, securities etc., on behalf of itself and consortium Banks.

6. To maintain mutual interest between consortium Banks and term loan lending institutions, making correspondence with National/State level Financial Institutions.
7. Obtaining stock statement and other legal obligations every month and ensuring maintenance of adequate stock for the loan.
8. Passing on recoveries on pro rata basis to the entire consortium Banks.
9. Ensuring of all transactions by borrower through Cash Credit A/c maintained with the Lead Bank and that the utilization of the loan advanced is only for production activities.

Role of Consortium Banks

1. Participating in consortium meetings and using their expertise in the general interest of consortium.
2. Authorizing the Lead Bank to take decision in the interest of consortium Banks.
3. The Consortium Banks are not supposed to demand the loss incurred and change their lending share without obtaining prior approval from the consortium members.
4. Act in accordance with the terms and conditions agreed upon between the Lead Bank and other banks.

Commercial Banks and Financial Institutions

Banks are a very important part of our economy. They are the center of finance. People keep money in the banks because it is a safe and secure way to store the money. In the line with this, let's learn further what are Commercial Banks and Financial Institutions.

Commercial Banks

Banks have immense monetary assets and subsequently are dominant players in all sectors of financial markets like credit, cash, securities, foreign exchange and derivatives. Commercial banks have a critical part in the general financial position of the economy as they give assets to various purposes and additionally for various durations. A rate of premium is charged by banks for the loan.

Commercial banks give loans to organizations in either cash credits, overdrafts, term loans, purchase/discounting of bills, or issue of letter of credit. Banks help enterprises by providing loans to produce goods and contribute towards industrial growth and generate employment opportunities. Technically, loans given by banks cannot be a permanent source of funds for the organizations as it has an interest rate and loan must be repaid within a specific period allotted. Before a loan is sanctioned by a bank, the borrowing party must provide some security. Banks also provide other services like merchant banking, corporate advisory services, portfolio management services etc.

Merits of Commercial Banks

Every coin has two sides, similarly raising a loan from a bank has a sunny side as follows:

- Banks are flexible sources of finance as the amount to be received is decided by the borrowing party and can be increased and decreased according to business needs. Loans can be repaid in advance when funds are not required.
- Banks keep the borrower's information confidential and secure.
- Banks provide assistance in time of need to businesses by providing funds.

Limitations of Commercial Banks

Certain limitations occur while raising funds from commercial banks. The limitations of raising funds from commercial banks are as follows:

- Banks are notorious for making a detailed investigation of the company's background and affairs, financial structure, plan etc., and also to ask for the security of assets and personal sureties. This makes the procedure of getting funds difficult;
- Funds are generally available for short periods and renewal is uncertain and difficult;
- Banks put forth difficult terms and conditions before providing a loan.

Financial Institutions

The economic development of any country depends on the growth of the business sector. The well developed financial system helps the business to achieve growth by making funds available to them. For which, the government has established financial institutions all over the country to provide finance to businesses.

These institutions aim at promoting the industrial development of a country and are called 'development banks'. The main role of a financial institution is to transfer financial resources from those who save it to those who are in need of financial resources for economic activity.

Central and state governments set up Financial Institutions. They provide both owned capital and loan capital for long and medium-term and supplement the traditional financial agencies like commercial banks. Financial institutions give technical assistance and managerial services to organisations. These institutions give large funds for a longer duration.

Merits OF Financial Institutions

The merits of raising funds from financial institutions are as follows:

- Here, finance is available even during periods of depression, when no other source of finance is available in the market.
- Besides providing funds, many of these institutions provide financial, managerial and technical advice and consultancy to business firms.
- For long-term business funds requirements, financial institutions are preferable as they provide long-term finance, which is not provided by commercial banks.

Limitations of Financial Institutions

The limitations of raising funds from financial institutions are as follows:

- Restriction on dividend payment imposed on the powers of the borrowing company by the financial institutions.
- As these institutions come under government criteria, they follow rigid rules for granting loans. Too many formalities make the procedure time-consuming
- Financial institutions may have their nominees on the Board of Directors of the borrowing company thereby restricting the powers of the company.

SPECIAL FINANCIAL INSTITUTIONS

1. Industrial Finance Corporation of India (IFCI)

IFCI set up as a statutory organization under the Industrial Finance Corporation Act 1948. Its main objectives were to provide help towards supporting the local advancement and urging new business visionaries to go into the urgent and needful sectors of the economy.

2. State Financial Corporations (SFC)

The State Financial Corporations Act, 1951 made the State Governments build up State Financial Corporations in their particular areas for giving medium and short-term funds to businesses which are outside the extent of the IFCI.

3. Industrial Credit and Investment Corporation of India (ICICI)

This foundation formed in 1955 as a public organization under the Companies Act. ICICI helps the creation, development and modernisation of industrial endeavours solely in the private sector.

4. Industrial Development Bank of India (IDBI)

In 1964, it was set up under the Industrial Development Bank of India Act, 1964 with a target to facilitate the working of other financial institutions including commercial banks.

5. Industrial Investment Bank of India Ltd.

It was set up as an essential institution for the restoration of sick units and was known as Industrial Reconstruction Corporation of India. It was reconstituted and renamed as the Industrial Reconstruction Bank of India in 1985 and again in 1997, its name was changed to Industrial Investment Bank of India.

CREDIT APPRAISAL OF TERM LOANS BY FINANCIAL INSTITUTIONS LIKE BANKS

Credit appraisal of a term loan denotes evaluating the proposal of the loan to find out repayment capacity of the borrower. The primary objective is to ensure the safety of the money of the bank and its customers. The process involves an appraisal of market, management, technical, and financial.

Getting term loans from a financial institution is not so easy. The corporate asking for the term loan has to go through several tests. The bank follows an extensive process of credit appraisal before sanctioning any loan. It analyses the loan proposal from all angles. The primary objective of credit appraisal is to ensure that the money is given in the right hands and the capital and interest income of the bank is relatively secured.

While appraising term loans, a financial institution would focus on evaluating the credit-worthiness of the company and future expected stream of cash flow with the amount of risk attached to them. Creditworthiness is assessed with parameters such as the willingness of promoters to pay the money back and repayment capacity of the borrower.

MARKET APPRAISAL

As part of the market appraisal, the very first thing a financial institution would look at is the gap between demand and supply. Bigger the demand-supply gap, higher is the chances of the flourishing of that business. The demand versus the proposed supply by the borrower should have a wide difference in demand of 50000 units against the proposed supply of 10000 units.

Another most important parameter is marketing efforts and infrastructure. This is the factor which converts a demand into sales for a business. The marketing side of the company needs to be very strong as it is very critical to the success of the venture.

MANAGEMENT APPRAISAL

Management of the company needs to be appraised for their intentions, knowledge, and dedication towards the project. By intention, it is meant to evaluate the willingness of the promoters of the company to pay the money back. It needs to evaluate the real objective of borrowing.

Only good intentions would not generate cash flows to honor the installments of the loan. The management needs to be strong in terms of their knowledge about business, commitment towards achieving the set goals, etc.

TECHNICAL APPRAISAL

A technical appraisal is subject to the kind of business and industry of the borrower. If it's a manufacturing concern, all those parameters like project site, availability of raw material and labor, capacity utilization, vicinity to selling market, transportation, etc would be examined. A project needs to be technically very sound to be able to sustain all business cycles.

FINANCIAL APPRAISAL

After all the other kinds of appraisal, everything boils down to financial appraisal. This probably is the most important part of credit appraisal of business loans. The reason is that it expresses everything in terms of money.

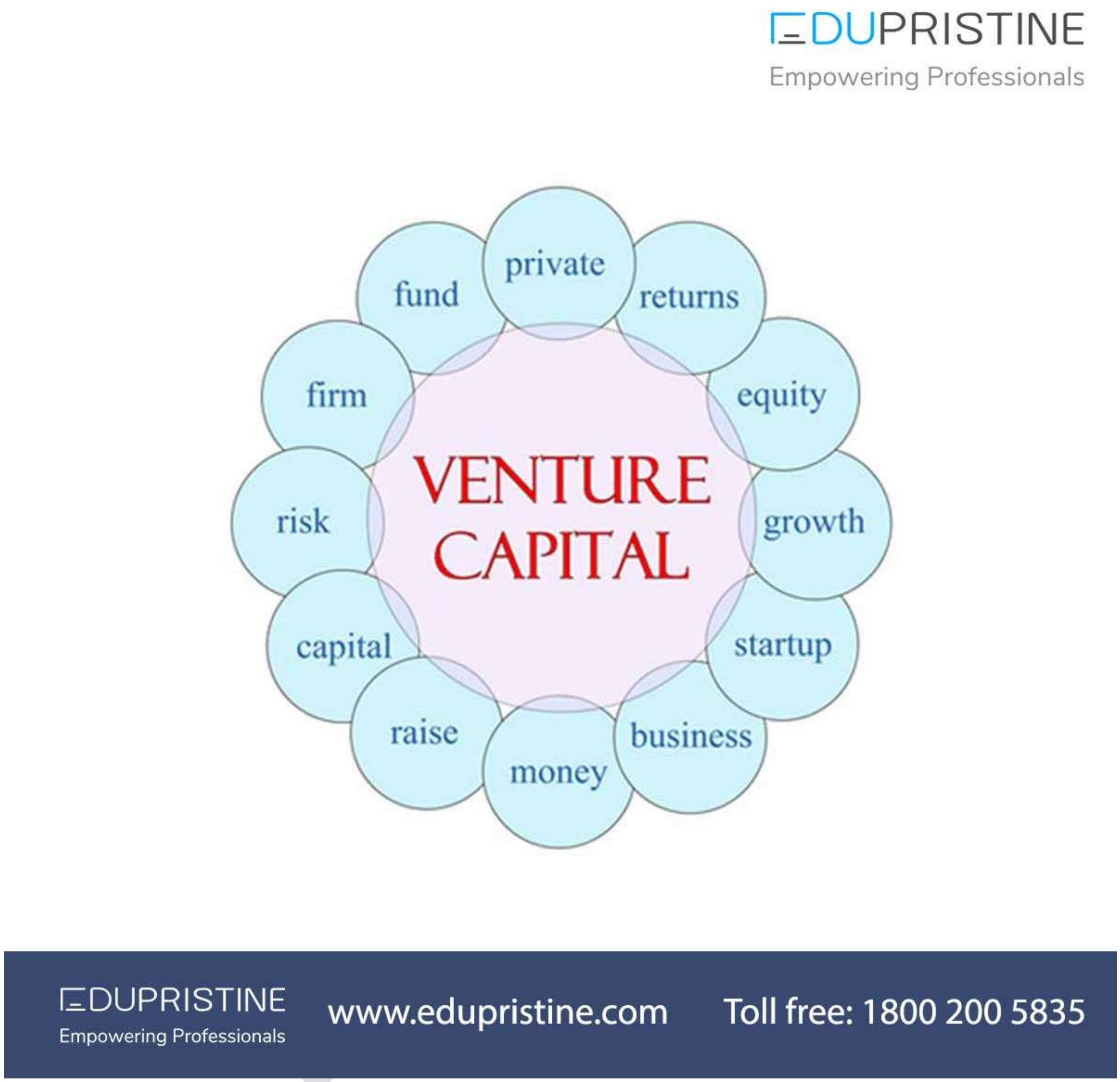
Financial appraisal tries to assess the correctness or reasonability of the estimates of costs and expenses and also the projected revenues. These may include the estimation of the selling price, cost of machinery, the overall cost of the project and the means of financing.

Financial appraisal involves extensive financial modeling in excel. It takes the financial statements of previous periods and forecasts the future financial position for at least till the loan matures. From that, the cash flows of each year are compared with the installment of loan because ultimately the cash flows are going to honor the payments of the bank.

Feasibility of the project is evaluated in terms of the debt servicing capacity of the firm. Debt service coverage ratio is a key ratio which is calculated for each future financial period and if that ratio is satisfying the norms accepted by the bank, the loan would get another green signal.

VENTURE CAPITAL

Venture capital is a type of funding for a new or growing business. It usually comes from venture capital firms that specialize in building high risk financial portfolios. With venture capital, the venture capital firm gives funding to the startup company in exchange for equity in the startup.



Venture capital is financing that investors provide to startup companies and small businesses that are believed to have long-term growth potential. Venture capital generally comes from well-off investors, investment banks and any other financial institutions. However, it does not always take a monetary form; it can also be provided in the form of technical or managerial expertise.

Though it can be risky for investors who put up funds, the potential for above-average returns is an attractive payoff. For new companies or ventures that have a limited operating history (under two years), venture capital funding is increasingly becoming a popular – even essential – source for raising capital, especially if they lack access to capital markets, bank loans or other debt instruments. The main downside is that the investors usually get equity in the company, and, thus, a say in company decisions.

Basics of Venture Capital

In a venture capital deal, large ownership chunks of a company are created and sold to a few investors through independent limited partnerships that are established by venture capital firms. Sometimes these partnerships consist of a pool of several similar enterprises. One important difference between venture capital and other private equity deals, however, is that venture capital tends to focus on emerging companies seeking substantial funds for the first time, while private equity tends to fund larger, more established companies that are seeking an equity infusion or a chance for company founders to transfer some of their ownership stakes

Features of Venture Capital investments

- High Risk
- Lack of Liquidity
- Long term horizon

- Equity participation and capital gains
- Venture capital investments are made in innovative projects
- Suppliers of venture capital participate in the management of the company

Methods of Venture capital financing

- Equity
- participating debentures
- conditional loan

THE FUNDING PROCESS

Approaching a Venture Capital for funding as a Company

The venture capital funding process typically involves four phases in the company's development:

- Idea generation
- Start-up
- Ramp up
- Exit

Step 1: Idea generation and submission of the Business Plan

The initial step in approaching a Venture Capital is to submit a business plan. The plan should include the below points:

- There should be an executive summary of the business proposal
- Description of the opportunity and the market potential and size

- Review on the existing and expected competitive scenario
- Detailed financial projections
- Details of the management of the company

There is detailed analysis done of the submitted plan, by the Venture Capital to decide whether to take up the project or no.

Step 2: Introductory Meeting

Once the preliminary study is done by the VC and they find the project as per their preferences, there is a one-to-one meeting that is called for discussing the project in detail. After the meeting the VC finally decides whether or not to move forward to the due diligence stage of the process.

Step 3: Due Diligence

The due diligence phase varies depending upon the nature of the business proposal. This process involves solving of queries related to customer references, product and business strategy evaluations, management interviews, and other such exchanges of information during this time period.

Step 4: Term Sheets and Funding

If the due diligence phase is satisfactory, the VC offers a term sheet, which is a non-binding document explaining the basic terms and conditions of the investment agreement. The term sheet is generally negotiable and must be agreed upon by all parties, after which on completion of legal documents and legal due diligence, funds are made available.

TYPES OF VENTURE CAPITAL FUNDING

The various types of venture capital are classified as per their applications at various stages of a business. The three principal types of venture capital are early stage financing, expansion financing and acquisition/buyout financing.

The venture capital funding procedure gets complete in six stages of financing corresponding to the periods of a company's development

- Seed money: Low level financing for proving and fructifying a new idea
- Start-up: New firms needing funds for expenses related with marketingand product development
- First-Round: Manufacturing and early sales funding
- Second-Round: Operational capital given for early stage companies which are selling products, but not returning a profit
- Third-Round: Also known as Mezzanine financing, this is the money for expanding a newly beneficial company
- Fourth-Round: Also calledbridge financing, 4th round is proposed for financing the "going public" process

A) Early Stage Financing:

Early stage financing has three sub divisions seed financing, start up financing and first stage financing.

- Seed financing is defined as a small amount that an entrepreneur receives for the purpose of being eligible for a start up loan.
- Start up financing is given to companies for the purpose of finishing the development of products and services.
- First Stage financing: Companies that have spent all their starting capital and need finance for beginning business activities at the full-scale are the major beneficiaries of the First Stage Financing.

B) Expansion Financing:

Expansion financing may be categorized into second-stage financing, bridge financing and third stage financing or mezzanine financing.

Second-stage financing is provided to companies for the purpose of beginning their expansion. It is also known as mezzanine financing. It is provided for the purpose of assisting a particular company to expand in a major way. Bridge financing may be provided as a short term interest only finance option as well as a form of monetary assistance to companies that employ the Initial Public Offers as a major business strategy.

C) Acquisition or Buyout Financing:

Acquisition or buyout financing is categorized into acquisition finance and management or leveraged buyout financing. Acquisition financing assists a company to acquire certain parts or an entire company. Management or leveraged buyout financing helps a particular management group to obtain a particular product of another company.

Advantages of Venture Capital

- They bring wealth and expertise to the company
- Large sum of equity finance can be provided
- The business does not stand the obligation to repay the money
- In addition to capital, it provides valuable information, resources, technical assistance to make a business successful

Disadvantages of Venture Capital

- As the investors become part owners, the autonomy and control of the founder is lost
- It is a lengthy and complex process
- It is an uncertain form of financing
- Benefit from such financing can be realized in long run only

Exit route

There are various exit options for Venture Capital to cash out their investment:

- IPO
- Promoter buyback
- Mergers and Acquisitions
- Sale to other strategic investor

MSMED ACT

Definitions of Micro, Small & 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 are **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..**

The limit for investment in plant and machinery / equipment for manufacturing / service enterprises, as notified,vide S.O. 1642(E) dtd.29-09-2006 are as under

Manufacturing Sector	
Enterprises	**Investment in plant & machinery**
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
Service Sector	
Enterprises	**Investment in equipments**
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 crore rupees

PART B QUESTIONS

1. Define Loan Syndication
2. Write short note on Consortium finance
3. Define Venture Capital
4. Write a short note on MSMED Act.
5. List out the Role played by commercial banks

PART C QUESTIONS

1. How do startups arrange for funds? Explain in detail the process of arrangement
2. What are the stages of startup financing?
3. Briefly explain the roles played by commercial banks in India towards entrepreneurship financing.
4. Enumerate in detail the MSME Act by categorizing the units as explained in the act.
5. "There are only limited options for financing a business"- Comment.
6. Discuss in detail the MSMED Act. Give the exact figures about classification.
7. Throw some light on the traditional sources of financing.
8. What are the stages of startup Financing. Explain each in detail
9. "Commercial Banks are the lone source of financing for Entrepreneurs" – Critically Examine and comment.

KARPAGAM ACADEMY OF HIGHER EDUCATION
DEPATRTMENT OF MANAGEMENT (UG)
III BBA - V SEMESTER
PART A - MULTIPLE CHOICE QUESTIONS (Each questions carries ONE Mark)
UNIT V

S.no	Questions	Option 1	Option 2	Option 3	Option 4	Answer
1	The practice of funding a project or venture by raising many small amounts of money from a large number of people, typically via the Internet:	Crowd Funding	Crowfunding	People funding	collection	Crowd Funding
2	Raising finance against recievables is called	Gift	Factoring	Donation	Capital	Factoring
3	Funding for an innovative idea will be made by	Angel investors	Banks	FMCG	NBFC	Angel investors
4	First stage of funding in a small business	Venture Capital	Bank Loan	Friends and Family	Publishers	Friends and Family
5	A Small loan given without collateral security	Micro Finance	Term Loan	Factoring	Consortium	Micro Finance
6	Two or more banks come together to finance the big projects requiring huge amount of money	Venture Capital	Consortium Financing	Joint venture	Merger	Consortium Financing
7	The process of involving a group of lenders to fund various portions of a loan for a single borrower.	Joint venture	Merger	Donation	Loan Syndication	Loan Syndication
8	Banks are the only source of financing	TRUE	FALSE	Vague	Insignificant	FALSE
9	The capital they provide can be a one-time injection to transform the idea to prototype	Root Fund	Stem Fund	Leaf fund	Seed Fund	Seed Fund
10	Business plan competitions are	Source of financing	Idea Generation	human resource activity	Accounting procedure	Source of financing
11	Programs that are designed to support the successful development of startups through a variety of business support resources and services.	Crowd Funding	Factoring	Business Incubation	Joint Venture	Business Incubation
12	__________________is money provided by investors to startup firms and small businesses with perceived long-term growth potential	Seed fund	Venture Capital	Micro Credit	Consortium	Venture Capital
13	Lending that allows a business owner to borrow and lend money with their peers in the business space	Bank Loan	Peer to Peer Lending	Term Loan	Factoring	Peer to Peer Lending

14	SBI, IOB and IB are examples of	MNC	NBFC	Commercial Banks	FII	Commercial Banks
15	This is most important for investor pitch	Business Plan	Route Map	Layout Plan	Globe	Business Plan
16	It typically entails high risk for the investor, but it has the potential for above-average returns.	Seed fund	Venture Capital	Micro Credit	Consortium	Venture Capital
17	something pledged as security for repayment of a loan, to be forfeited in the event of a defaul	Collateral	Working Capital	Micro Credit	Interest	Collateral
18	A written estimate of the value of real or personal property prepared by a qualified appraiser.	Appraisal	Document	Plan	Collateral	Appraisal
19	The medium or long-term loans are popularly known as	Seed fund	EMI	Interest free loans	Term Loan	Term Loan
20	financing current asset, viz, working capital, which is being financed by commercial banks to a great extent is known as	Short term financing	Long Term financing	Term Loan	Micro finance	Short term financing
21	Estimates form part and parcel of Bank loan proposals	TRUE	FALSE	Insignificant	vague	TRUE
22	The evaluation of requirements of the actual production process	Plant and equipment	Technical Feasibility	Software Development	Analytical Thinking	Technical Feasibility
23	The observation of people at work that would reveal the one best way to do a task is known as human	scientific management	classical management	relations management	creative management	scientific management
24	The everyday tasks of management include:	planning and c	planning and leading	publicity and loss adjustment	plotting and leading	planning and leading
25	Entrepreneurs need_____________	Knowledge	Training	Lateral	Courtesy	Training
26	__________ is needed to motivate people.	TDE	EDP	DEP	PDE	EDP
27	Loans are provided by the commercial banks to the entrepreneurs at low ________rate	Real	Cash Normal	Installment	Interest	Interest
28	An________ bears uncertainty.	Manager	Entrepreneur	Inventor	Investor	Entrepreneur

29	An entrepreneur is the___________ of an enterprise	Servant	Slave	Owner	Employee	Owner
30	The resistance of employees in an organization against flexibility, growth, and diversification can be overcome by developing:	Managerial Domain	Administartive Domain	Entrepreneursh ip	Intrapreneurshi p	Intrapreneurship
31	__________Entrepreneurs are those women who start a business	Single	Women	Men	Drone	Women
32	_________are not raised by intrapreneurs	Funds	Person	Manager	Talent	Funds
33	Entrepreneurs will be_________	Caustious	Weak	Pessimistic	Optimistic	Optimistic
34	A person owning and running a small firm is known as	Owner Manager	An enterprise	Worker	Employee	Owner Manager
35	Someone who improves an existing business can be called _______.	A Professor	An Intrapreneur	A Worker	A Co-Worker	A Worker
36	______presupposes commitment to tasks to be performed with well-defined objectives, schedules and budget	Project	Plan	Promote	Select	Project
37	EDPs are conducted by	Specialized Organisations	An Intrapreneur	A Worker	A Co-Worker	Specialized Organisations
38	_____________ gives assistance to small Entrepreneurs	Private	Government Companies	Commercial Banks	Public Companies	Commercial Banks
39	Industrial estates promote__________________.	Estates	People	Industrialisatio n	Capital	Industrialisation
40	Seed capital assistance	Purchase of seed	a short-term assistance.	long term assistance	initial assistance	initial assistance
41	The process of involving a group of lenders to fund various portions of a loan for a single borrower.	Loan Syndication	Term Loan	Part Loan	Home Loan	Loan Syndication
42	Syndiacte Loan is given by	Government	Banks	Individuals	Advisors	Banks
43	MSMED Act was formulated in the year	1990	2016	2006	2002	2006
44	What does S in MSME stand for	Super	Simple	Select	Small	Small

45	In Manufaturing Industry the classificqtion for MSME is based on investment in	Sales	Plant and Machinery	HR	Office	Plant and Machinery
46	In service sector the classification is based on investment in	Sales	Equipment	HR	Office	Equipment
47	A business where a Pump is manufactured comes under which category	Service	Manufacturing	tools	office	Manufacturing
48	If I invest 5 lakh in plant and pachinery to what category does that belong	Micro	Small	Medium	Large	Micro
49	Does a large enterprise covered under MSME Act	Cant be defined	Yes	No	may be	No
50	If a person invests 100 Crores then it is a	Micro	Small	Medium	Large	Large
51	Micro and Small are the same	Cant be defined	Yes	No	May be	No
52	what does E in MSME stand for	English	Entrepreneurship	Enterprise	Enough	Enterprise
53	In service sector, a medium enterprise is one whose investment in equipment is	Less than 10 L	More than 10 Lakhs but less than 2 Crore	More than 2 Crore but Less than 5 Crore	More than 5 Crore	More than 2 Crore but Less than 5 Crore
54	What does MSME stand for	Mumbai Stock Market Enterprise	Micro, Small Medium Enterprise	Mini Sales Meet Engagement	Mini Standard Market Enterprise	Micro, Small Medium Enterprise
55	A small enterprise is an enterprise where the investment in plant and machinery is	more than Rs. 25 lakh but does not exceed Rs. 5 crore	less than 25 Lakhs	More than10 Crore	More than 5 Crore	more than Rs. 25 lakh but does not exceed Rs. 5 crore
56	The definition of MSME is given by the following act	MSMED ACT, 1990	MSMED ACT, 2016	MSMED ACT 2006	MSMED Act 2002	MSMED ACT 2006
57	The Classification for MSME is based on	Investment	Expenditure	Capital	People	Investment

58	An educationl institue is an example for__________	Service Industry	Manufacturing Industry	HR	Office	Service Industry
59	A Medium enterprise is one whose investment in Plant & Machinery	Less than 25 Lakhs	25 Lakhs to 5 Crore	5 Crore to 10 Crore	More than10 Crore	5 Crore to 10 Crore
60	For Enterprise providing Service, If the investment in Equipment is less than 10 Lakhs	Micro	Medium	Small	Large	Micro

Register No.: ……….

[17BAU504A]

KARPAGAM ACADEMY OF HIGHER EDUCATION

(Deemed to be University)

(Established Under Section 3 of UGC Act, 1956)

COIMBATORE – 641021

(For the candidates admitted from 2017 onwards)

CONTINUOUS INTERNAL ASSESSMENTIA – I - July 2019

III BBA

FIFTH SEMESTER

ENTREPRENEURSHIP DEVELOPMENT

Time: 2 Hours

Date: **Maximum: 50 Marks**

PART – A (20 x 1 = 20 Marks)

ANSWER ALL THE QUESTIONS

1. Entrepreneurs are ___________________________
   a. High Risk Takers b. Moderate Risk Takers
   c. Small risk Takers d. Never Mind
2. Brainstorming is
   a. An idea Generation Tool b. Surgery on Brain
   c. Damage of Brain d. Brain Disease
3. Which one is NOT the method in problem solving?
   a. Ignore the Problem b. Gather Information
   c. Identify the problem d. Provide solution
4. Which is the type of finance that an entrepreneur operates with the resources he poses
   a. Crowd funding b. Boot strapping
   c. Bank Loan d. IPO
5. What are the two biggest challenges for graduate entrepreneurs?
   a. Lack of Business skill and access to finance b. Support System and Team
   c.Multiple Job Offers and high salaries d. Loosing contact with the college and forget what is learned

6. A voluntary association of two or more people to act as co-owners of a business and share profit
    a. Friends   b. Partners
    c. Sole proprietorship   d. Banks
7. A company that grants license to market the product or services
    a. Corporation   b. Public Limited Company
    c. Franchisor   d. Sole proprietorship
8. A _____________ is a mid and long range planning
    a. Strategic Plan   b. Value
    c. Belief   d. Philosophy
9. Two or more franchised businesses that share space to offer a more comprehensive product or service to customers.
    a. Piggyback   b. Area Franchising
    c. Single Unit   d. Sub Franchising
10. Which of the following is NOT an example of a business organization?
    a. Partnership   b. Sole Trader
    c. Employee   d. Corporation
11. Franchisees that have the right to run franchise on territorial basis
    a. Single Unit Franchise   b. Area Franchising
    c. Piggyback   d. Lunatic
12. The simplest form of Business Ownership
    a. Partnership   b. Corporation
    c. Sole Proprietorship   d. Cooperative
13. ____________ is the process of finding the economic value of the company
    a. Crowd funding   b. Valuation
    c. Franchising   d. Examinations
14. It is the act of Conceiving something new
    a. Innovation   b. Creativity
    c. Flexibility   d. Strategy
15. A person who combined Creativity with Managerial and Commercial skill
    a. Inventor   b. Innovator
    c. Creator   d. Manager

16. About one in five product ideas are technically viable and, of these, fewer than one in twenty achieve market success.

   a. TRUE b. FALSE

17. A corporate manager who starts a new initiative for their company which entails setting up a new distinct business unit and board of directors can be regarded as?

   a. Technopreneur b. Ecopreneur

   c. Intrapreneur d. Entrepreneur

18. Have a shared entrepreneurial vision, shared passion for creation of innovative customer value and shared commitment to the new venture.

   a. Investors b. Entrepreneurial Team

   c. Managers d. Sports Team

19. The amount paid by the Franchisee to Franchisor

   a. Bribe b. Salary

   c. Tuition Fee d. Franchise Fee

20. Which is NOT an exit Strategy?

   a. Merge b. Acquisition

   c. Debt Equity Exchange d. Brainstorming

Part – B(3x2 = 6 Marks)

Answer All the Questions

21. What is Valuation of a company?
22. Differentiate Creativity and Innovation.
23. What are the advantages of Corporation?

Part – C(3x8 = 24 Marks)

Answer All the Questions

24. a)What is franchising? Explain in detail the types of Franchising with examples.

(OR)

b) Discuss in detail John Kao's Model on Entrepreneurship.

25. a) What is meant by Sole proprietorship? Describe in detail with the characteristics, advantages and disadvantages of Sole proprietorship.

(OR)

b) Differentiate Partnership and Limited Liability Partnership. Explain the Advantages and Disadvantages of Partnership firm.

26. a)Define Creativity and narrate the aspects that stimulate creativity in an organization.

(OR)

b) Elaborate the Managerial responsibilities of an Entrepreneur.

Register No.: ……….

[17BAU504A]

KARPAGAM ACADEMY OF HIGHER EDUCATION
(Deemed to be University)
(Established Under Section 3 of UGC Act, 1956)
COIMBATORE – 641021
(For the candidates admitted from 2017 onwards)
II INTERNAL EXAMINATION – AUGUST 2019
FIFTH SEMESTER

III BBA
ENTREPRENEURSHIP DEVELOPMENT

Date: .08.2019 **Maximum: 50 Marks**
Session : **Time: 2 Hours**

PART – A (20 X 1 = 20 Marks)
Answer All the Questions

1. A spirit of entrepreneurs must be________________
   a) Ethically influenced b) Managerial c) Voluntary d) Personal
2. The companies use the technology to make itself ________________
   a) Faster and Flexible b) Faster and Stiff
   b) Inflexible d) Rigid
3. A _____________ is a professional money manager who makes risk investment from a pool of equity capital to obtain a high rate of return on investments
   a) venture capitalist b) entrepreneur c) businessman d) buyer
4. In the __________century, the notion of an entrepreneur as an innovator was established.
   a) 17th century b) late 19th century c) middle of the 20th century d) 18th century
5. ____________ of the following skills is needed by an entrepreneur
   a) technicalb) business management c) personal entrepreneurial d) All of the above
6. ___________ Process of creating incremental wealth is called Entrepreneurship.
   a) Dynamic b) Static c) Continues d) Systematic
7. Most important factor in forming a new business is __________
   a) Finance b) Marketing c) Govt Support d) Family Support
8. ________ of the following is the first step in the entrepreneurial process.
   a) Developing successful business ideas b) Deciding to become an entrepreneur
   c) Growing the entrepreneurial firm d) Moving from an idea to an entrepreneurial

9. The resistance of employees in an organization against flexibility, growth, anddiversification can be overcome by developing __________

a) Entrepreneurship b) Intrapreneurship

c) Managerial domain d) Administrative domain

10. _________of the following factors does not affect a person for being an entrepreneur.

a) Family background b) Education c) Personal Values d) Gender

11. Inner control , risk taking, innovativeness, change oriented personality are _________

a) Business management skills b) Technical skills

c) Personal entrepreneurial skills d) Social skills

12. Entrepreneurs view change as __________

a) An opportunity b) An inevitable situation c) A problem d) A skill

13. Most of the innovations are __________

a) Iterative Synthesis b) Ordinary Innovation

c) Technological innovations d) Breakthrough innovations

14. ______________ following factors has allowed small companies to act like they are big ones.

a) Competition b) Economic development c) Technology d) Customers

15. The startups which rarely go public are called ___________________

a) Life style b) Foundation Company c) Small company d) High potential venture

16. ______________ shows the process of creating something new.

a) Innovation b) Business model c) Modeling d) Creative flexibility

17. Entrepreneurial success has been significant because of the culture and the political and economic systems in _______.

a) European countries b) Asian countriesc) Transition economies d) Middle East

18. The difference in the entrepreneurial and managerial domains has contributed towards an increase interest in __________

a) Forming new firms b) Partnership c) Intrapreneurship d) Private firms

19. ___________ support the social and cultural goal of the organization.

a) Social entrepreneurs b) intrapreneursc) Incubatorsd) Technical entrepreneurs

20. _______________ actions by an entrepreneur is most likely to contribute to creative destruction.

a) Development of a existing product b) Take-over of a competitor

c) Issuing shares d) Development of a new product

PART – B (3 X 2 = 6 Marks)

Answer All the Questions

21. Write a short note on social entrepreneurship

22. State any two difference between commercial and social entrepreneur

23. Give the meaning of business strategy

PART – C (3 X 8 = 24 Marks)

Answer All the Questions

24. a) Explain the various sources of innovation in business

(or)

b) Discuss the importance of creativity in organization

25. a) Describe the process and characteristics of social entrepreneurship

(or)

b) Discuss the challenges faced by social entrepreneurs?

26. a) Discuss the concept of non-profit organization and its operating rules?

(or)

b) Explain the risks in social enterprise. What are the strategies to be followed to scaling up the risk?

Register No.: ……….

[17BAU504A]

KARPAGAM ACADEMY OF HIGHER EDUCATION
(Deemed to be University)
(Established Under Section 3 of UGC Act, 1956)
COIMBATORE – 641021
(For the candidates admitted from 2017 onwards)
III INTERNAL EXAMINATION – OCTOBER 2019
FIFTH SEMESTER
III BBA
ENTREPRENEURSHIP DEVELOPMENT

Date: 15 .10.2019 **Maximum: 50 Marks**
Session : AN **Time: 2 Hours**

PART – A (20 X 1 = 20 Marks)
Answer All the Questions

1. Family business always interested to handover the change of his business to:
   a. IAS Officer c. Professional Manager
   b. Next Generation d. Doctor
2. Multiple roles is a kind of ________________ in a family business
   a. Succession c. Conflict
   b. Profession d. Resource
3. Have a shared entrepreneurial vision, shared passion for creation of innovative customer value and shared commitment to the new venture.
   a. Investors c. Entrepreneurial Team
   b. Managers d. Sports Team
4. This is most important for investors______
   a. Business Plan c. Road Map
   b. Route Map d. Global map
5. Adani, Reliance and TATA are examples of_________
   a. Business Group c. Political Party
   b. Partnership firms d. Mafia Group
6. ______________ of family members ensures survival of family business through toughest times
   a. Diverse Thinking c. Non Committal
   b. Single minded dedication d. Conflict
7. Raising finance against receivables is called__________
   a. Factoring c. Donation
   b. Gift d. Capital
8. A written estimate of the value of real or personal property prepared by a qualified appraiser ____________
   a. Appraisal c. Document
   b. Plan d. Collateral
9. In the Service sector of MSME the enterprises are classified based on the investment in
   a. Fee c. Equipment
   b. Land d. Human Resource

10. A group that gives advice to a family owned company, and is made up of family members as well as non family members is called_________
   a. Team b. an advisory board
   b. Family council d. helpers
11. Boot Strapping works for___________
   a. Small Enterprise c. Large Enterprise
   b. MNCs d. Multi Crore Projects
12. The medium or long-term loans are popularly known as____
   a. EMI c. Interest Free loans
   b. Term Loans d. Seed fund
13. The loan that is designed to traverse one full cycle of revenue generation _______
   a. Revenue c. Working Capital
   b. Profit d. Surplus
14. The process of transferring leadership to the next generation is known as ______
   a. Succession c. Continuity
   b. Power Sharing d. Natural Division of Responsibility
15. When the Parent and Child has different management styles, there is a possibility of____
   a. Conflict c. Growth
   b. Harmony d. Agreement
16. Participating in Business Pitch competitions are a source of_________
   a. Entertainment c. Fun
   b. Enjoyment d. Funding
17. The definition of MSME is given by the following act_____________
   a. MSMED Act, 1990 c. MSMED Act, 2020
   b. MSMED Act, 1810 d. MSMED Act, 2006
18. The Pitfall of Family Business is ______
   a. Quick Decision Making c. Lack of Professionalism
   b. Economic Development d. Lowers transaction cost
19. It is the act of Conceiving something new__________
   a. Innovation c. Creativity
   b. Flexibility d. Strategy
20. Kiran Mazumdar Shaw is __________
   a. An Athlete c. An Actor
   b. Entrepreneur d. Princess

PART – B (3 X 2 = 6 Marks)

Answer All the Questions

21. Define Family Business.
22. Write short note on Consortium finance
23. What is meant by Venture Capital?

PART – C (3 X 8 = 24 Marks)
Answer All the Questions

24. a. Explain the types and importance of family business in India

(Or)

b. What is conflict in a family business? Explain in detail the resolution of conflict in family business

25. a. Discuss the challenges faced by women entrepreneurs in India

(Or)

b. Describe the stages of startup financing with suitable chart

26. a. Briefly explain the roles played by commercial banks in India towards entrepreneurship financing.

(Or)

b. Discuss the advantages and disadvantages of venture capital