

Decisions an Entrepreneur Takes

Entrepreneurship refers to the decisions he takes in setting up and running a new enterprise.

It is an individual who takes a decision to start or not to start an enterprise. And it is 'HE' or 'SHE' who strives to make it a success. Entrepreneurship involves a few major decisions. They can be identified as follows:

- 1) Decision to become an entrepreneur
- 2) Identification and selection of an opportunity
- 3) Business plan formulation and its implementation
- 4) Entrepreneurial continuum

Decision to Becoming an Entrepreneur:

Decision to be on his own in the first major step. The motivational factor, hence, should be considered crucial to entrepreneurship. The inner urge of the individual to do something new, to be on his own has been found to be an important factor. This may new reinforced by one or more of the following:

- To prove oneself
- To be independent
- To do something unique
- To utilize skills
- To acquire greater economic reward
- To excel

MAJOR MOTIVES THAT INFLUENCE ENTREPRENEURS

- To Be Independent
- To Utilise Talent / Skill
- To Prove Oneself
- To Acquire Greater Economic Rewards
- To Do something Unique
- To Excel

Finding an Opportunity

- For effective coping with his inner desire to be an entrepreneur, the entrepreneur starts searching for an ‘opportunity’, the focus of his entrepreneurial desires.
- He looks around for different possibilities of business, reads about them, and meets people who could give ideas and inspiration, and collects information on several possibilities.

PROJECT IDENTIFICATION

- What are the chances for diversification later on?
- What is the technology level?
- What are my strengths and weaknesses for the product?
- What is the life of my product?
- What industry group should I select?
- Engineering?
- Electronics?
- How much money can I invest?
- How attractive is the Opportunity?

Making a Project Plan:

- The next stage marks the movements in the direction of project detailing.
- The entrepreneur efforts are directed towards visualizing the establishment of the enterprise.
- The entrepreneur needs to study the feasibility and profitability of the project, which involves all the factors mentioned in the following chart.
- The entrepreneur takes crucial decisions at each stage.

Entrepreneurial Continuum:

Once the entrepreneur establishes the enterprise, he will have to manage it well by translating problems into opportunities, and must endeavour to mobilize relevant production factors such as capital and human resources.

The entrepreneurial continuum can be achieved through a series of entrepreneurial decision and actions directed towards following factors:

ENTREPRENEURIAL CONTINUUM

Perception of Expanding or Contracting Opportunities

Fund Generation and Allocation towards Growth and Expansion

Response To Change As Deletion Of Activities And Modifications In Working And In Strategy

New Product Development

Product Diversification Or Expansion

Research And Development

Strategic Changes For Price, Marketing Etc. New Client etc

Changes In Product Design Specification Qualities

These then are major decisions involved in entrepreneurial activity. They call for right attitude and requisite knowledge and skills.

- . 1) Good market scope i.e., gap between present or likely demand and supply;
- . 2) An attractive/acceptable return on investment.

Apart from these two criteria, a business opportunity needs to be analyzed from other view points for its viability such as

- Technical
- Production
- Commercial
- Managerial

These criteria are interlinked and a decision about one, affects others.

READ THE FOLLOWING CASE

For entrepreneurs the process may appear to be like a merry – go – around. He may be confused as to where to start and where to end. It is worthwhile here to quote an interesting example.

When I was traveling with a successful entrepreneur, I was tempted to ask, ‘How do you select your project?’ His reply came. “It is very simple. I select a project where raw materials are not easily available.” Surprised by the answer I asked for an explanation. He replied.

“Once I have found out how to procure the raw materials I am not worried about the market, because it will always be good as not many people will go in this line on account of the scarcity of raw materials.” And I learnt he had his own strength in procuring raw materials! Hence the “availability” of raw material was the starting point of the project idea for him.

The case is a classic example of an entrepreneurial decision-making for selecting a product. What it indicates is that out of many criteria one has to select only those where one’s strengths become highly relevant. And secondly, one may not get an idea, which is attractive on all counts. If the market is very good, technology may be complicated or if returns are very good, investments may be high, and so on.

The Process of Selection:

The process of selection of product and the stages, through which an entrepreneur has to pass before reaching the final definition, needs to be carefully understood.

Selection of right business opportunity demands:

- a) Understanding of one's own capabilities, strengths, limitations and preferences;
- b) Exploring all possible and suitable opportunities available within existing (given) conditions and environment; and
- c) Taking final decisions about product, after comparative analysis of opportunities available; consistent with entrepreneurial capabilities and their relative benefits.

Whether a business opportunity is for manufacturing a product or for providing services, one generally begins by concentrating on one line of activity.

The ideas about projects may be generated by:

- (i) Thinking of new product/services not existing in the town, area/country.

Exploring Opportunities

The process of identifying opportunities requires intensive efforts and specialized skills. However, certain indicators or guidelines may help to identify as also assess opportunities.

- . (i) Environment
 - Basic features of an area and its resources inventory
 - Population, its composition, occupational pattern, socio-economic background etc.
- . (ii) Current Business Scene:
 - Present pattern of trading and business activities in the area with references to inter-regional flow of commodities; local consumption and needs for industrial goods as also services.
 - Emerging trends and patterns of trading and business activities in terms of new demands for consumption of goods and services in the area.
- . (iii) Technology Change:
 - Anticipating new opportunities because of technology change like electric engines, computers etc.

To help in identifying business opportunities some of the idea sources are short-listed below:

a. Resources based ideas:

- . i) Industries based on mineral, agricultural, marine and forest resources
- . ii) Waste-based products such as agro-waste, wood-waste, metal-waste etc.

b. Linkage related ideas:

- . i) Industries arising out of various types of linkages such as backward and forward integration from existing lines of manufacture
- . ii) Ancillary development projects

ii) Industries based on substitution i.e. products which are either obtained from outside the region or the country at large.

Export/Import related ideas:

- . i) Export oriented activity
- . ii) Import substitution

d. Market shift or growth related ideas:

Consumers and industrial products that have growth potential as a result of increased population or changes in composition of population, purchasing power, changes in living style etc.

e. Special product ideas:

- . i) Research and Invention-based products
- . ii) Skill/knowledge based products
- . iii) Products based on Institutional/Government purchases, Hospital/Schools etc.
- . iv) Foreign collaboration

f. Service sectors ideas:

Household repair and maintenance, service facilities/workshops/establishments to cater to industrial and households needs.

g. Government policies, priorities and plans:

By exploring these sources, the entrepreneur will have an inventory of various project ideas. It will be possible to identify such business opportunities on the basis of readily available data/information. The initial process would involve collecting and co-ordinating relevant information from the right sources.

Taking a Decision

Having explored the ideas, the decision process may involve following steps:

Step: 1: Understanding the Broad Industry Group

(1) What type of industry you would like to go in Engineering/Plastic/Chemicals etc?

(2) Should you select-

Consumer Products OR Intermediate Goods OR Capital Goods

(Being used and consumed (Goods used to manufacture Regularly and directly) other products: printing M/c., components, etc.)

(Goods, which need further processing by e.g. detergent, cloth etc.) others to get final product chemicals, bright bars etc.)

(3) What is the present environment and industrial climate?

(4) What kind of flexibility and possibilities of diversifying in future do you want?

(5) What are your preferences, technical capabilities and familiarity or possibility of support by others?

On the basis of the above factors, entrepreneurs may select broad industry group like plastics, engineering, chemicals.

Step: 2: Selection of Specific Project

Having decided the industry group, the next is to select a specific project. The suggested process is as follows:

1) Decide the size of the project

Depending upon your own investment capacity and possibilities of getting financial assistance, overall investment size of the project must be decided

e.g. if an entrepreneur wants to invest Rs.10, 000/- and there is scheme of financial assistance giving 90% loans, the maximum size of the project that entrepreneur can think of is up to Rs.1, 00,000/-.

2) Check Government Policy

Before finalizing your project it is very essential to check:

- i) What types of special permissions and licenses are required and whether they will be available easily:
- ii) What regulations and controls exist for required material, price of end product and how it will affect operation of the unit; and
- iii) Whether the proposed project is in the discouraged or banned list of government?

While selecting the project,

- Entrepreneurs will have to continuously assess his own strengths and capabilities to undertake the specific project.
- An easy way to make decision is a 'go or no -go' decision.
- Decide what is not suitable, by eliminating unwanted projects, which will give you, more desirable products.

3) Own strength & limitations:

While selecting the project, the entrepreneur will have to continuously assess his own strengths and capabilities to undertake the specific project. An easy way to make decision is a “go or no-go” decision. Decide what is not suitable, by eliminating unwanted projects, which will give you, more desirable products.

4) Comparing relative advantages & disadvantages:

The assessment of prospects means your general assessment about future scope and feasibility of undertaking the projects. This would include:

- . i) Complexity of Technology
- . ii) Return on Investment
- . iii) Market Potentiality

As such detailed techno-economic feasibility alone could help in making the final decision, but at this stage these three criteria can help in arriving at a tentative selection, to be subsequently followed by detailed feasibility study.

Thus, at the end of this stage, the entrepreneur will have two or three projects which are worth considering for investment.

Step 3: Final Selection of Project

The final selection would involve assessment of all major criteria of viability, namely technical, financial, market and commercial. These have been discussed in detail in the section on feasibility study.

It is important to note that this stage wise process enables entrepreneurs to avoid unnecessary, wasteful and frustrating efforts in exploiting projects that may later on be found unsuitable.

A WORD OF CAUTION

- 1) Do not plunge into a project only because someone else is doing well or someone has assured you to buy products. Someone's assurance may be a good reason to start, but not good enough to survive.
- 2) It is important to generate product ideas, but one must accept a good number of these product ideas may be found incapable of developing into a saleable product.
- 3) By all means consult experts and other people, but remember that you are making the decision, and hence it is your shirt that may be lost in the bargain.
- 4) It is advisable to start with a common product, rather than go for a very specialized product.
- 5) It is advisable to check if many similar projects are coming up.
- 6) Think of future and long-term possibilities of success and select the project which has some flexibility for diversification.