

# **Entrepreneurship Development and Business Communication**

## **Practical Manual**

**Course Code: CC-AGP 540 Credits 2(1+1)**



**Prepared By**

**Dr. Abhishek Ghosh**

**Department of Agricultural Extension and communication**

**School of Agriculture and Allied Sciences**

**The Neotia University**

**Jhinger Pole, Diamond Harbour Rd, Sarisha, West Bengal 743368**

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## **Practical 1: Assessing entrepreneurial traits**

Entrepreneurial success has been conceptualised as a multidimensional construct made up of micro and macro level factors. Entrepreneurial success is measured at the macro-level using venture innovation, and venture profitability as metrics. The reason for selecting macro-level metrics is that they overcome the subjectivity that micro-level analysis factors, thus allowing entrepreneurs across multiple industries and countries to be compared.

Entrepreneurial competency is defined as components deeply rooted in a person's background and those acquired from experience. The antecedent traits are by no means exhaustive but are critical in the realisation of venture innovation, growth and profitability. While there is no true holistic recipe of characteristics that will guarantee success in business, the aim is to achieve is to isolate key ingredients to better specify the link between entrepreneurial traits and entrepreneurial success.

Entrepreneurial traits rarely affect behaviours in isolation however certain traits are more influential than others in achieving different success metrics. An entrepreneurial orientation (EO) is conceptualised as proactivity, innovativeness and risk taking propensity, all of which significantly influence both entrepreneurial innovation and business growth.

### VENTURE INNOVATION

A firm's innovation has a causal relationship with growth and profitability. A firm's innovativeness is defined as its capability to harness the creativity of employees towards improving processes and products. Successful entrepreneurs transmit their innovative traits to the organisational DNA to instil a culture of innovation. If small and medium enterprises (SME) can adopt their founder's traits they will improve their ability to harness the creative capabilities of its workforce. Innovation stems from an entrepreneur's ability to recognise an opportunity coupled with the self-efficacy to pursue it. This ability to 'connect the dots' and the conviction to follow through on their ideas is what makes many entrepreneurial firms innovative.

### OPPORTUNITY RECOGNITION

There is debate in the literature with regard to the nature of entrepreneurial opportunity recognition; the two viewpoints that arise are the discovery and creation of opportunities. The discovery view posits that opportunities lay dormant and independent of the entrepreneur and are discovered through innate skill or a cognitive searching process. The alternative perspective is that entrepreneurial opportunity recognition is a cognitive process where ideas are internally evaluated on the feasibility and potential economic value.

### SELF-EFFICACY

Simply recognising an opportunity does not immediately generate an innovative solution, entrepreneurs must have the self-efficacy to pursue it. Entrepreneurial self-efficacy refers to the extent that individuals believe they have the sufficient capabilities to perform various tasks of entrepreneurship. Entrepreneurial self-efficacy plays a major role in the development of innovation both at the inception of an SME and during its existence. By moderating the relationship between opportunity recognition and innovation self-efficacy influences the production of both radical and incremental innovations. This makes self-efficacy an

entrepreneurial trait that constantly influences the innovative capability of an organisation regardless of its stage in the life cycle.

### VENTURE GROWTH

In order to compete in the marketplace firms must grow to some extent; firm growth has become a key metric of success within entrepreneurship research as it shows the extent of reward resulting from the entrepreneurial behaviour. Venture growth validates the identified market opportunity and accompanying innovative solution thus reaffirming the first success metric. However there is also a causal relationship between an entrepreneur's growth motivation and the growth of their firm. Entrepreneurs have a wide variety of reasons for starting a venture. The reasons for forming their venture will strongly impact their growth motivation. Entrepreneurial growth motivation is heavily influenced by the entrepreneur's need for achievement, risk tolerance, and opportunity recognition. The need for achievement and tolerance of risk of an entrepreneur determine the extent of scale an opportunity is taken to, in other words: a venture's growth.

### NEED FOR ACHIEVEMENT

Entrepreneurs are characterised by the continuous need for achievement. McClelland posed that individuals with a high achievement orientation would pursue careers that allowed them control over outcomes, more direct feedback on performance, and offered moderate levels of risk (McClelland, 1961). He then went on to describe entrepreneurial environments as those most likely to fulfil these requirements and consolidated the need for achievement as a definitive trait that an entrepreneur exhibits, separating him from non-entrepreneurs. The need for achievement is what drives entrepreneurs to scale their ventures beyond their original markets.

### TOLERANCE OF RISK

The link between high need for achievement and high tolerance of risk is ubiquitous. An entrepreneur's drive for success will lead them to take on significant risk in order to achieve high growth. Entrepreneurial risk is operationalized as the venturing into unknown markets and investment into ventures with high risk. While entrepreneurs embrace risk, managers prefer to avoid uncertainty that could result in failure instead opting for contractual employment.

### VENTURE PROFITABILITY

No matter the growth orientation or level of innovativeness of an entrepreneur their business must eventually be profitable in order for the entrepreneurial behaviour to be deemed successful. That being said there is a causal relationship between previous success metrics identified and firm profitability. It is therefore difficult to identify entrepreneurial traits that contribute directly to firm profitability without restating those traits that influence its antecedent elements. While EO has a direct relationship with firm growth and innovation it does not influence firm profitability without the mediation of LO. As such LO will be the entrepreneurial trait used as a critical determinant of the final success metric.

### LEARNING ORIENTATION

An entrepreneur's learning orientation is defined as the development and utilisation of knowledge which supports key entrepreneurial activities. Firms must balance the two orientations (MO & LO) as too much exploration of new opportunities will lead to minimal returns on investment and too much exploitation of opportunities will lead to suffering from obsolescence. An entrepreneur's learning orientation therefore is what allows them to capitalise on their recognised opportunity by constantly learning how to create efficiency and maximise profitability.

## Practical 2: PROBLEM SOLVING SKILLS

Interpersonal relationships and businesses fail because of poor problem solving. This is often due to either problems not being recognised or being recognised but not being dealt with appropriately.

Problem solving skills are highly sought after by employers as many companies rely on their employees to identify and solve problems.

A lot of the work in problem solving involves understanding what the underlying issues of the problem really are - not the symptoms. Dealing with a customer complaint may be seen as a problem that needs to be solved, and it's almost certainly a good idea to do so. The employee dealing with the complaint should be asking what has caused the customer to complain in the first place, if the cause of the complaint can be eliminated then the problem is solved.

In order to be effective at problem solving you are likely to need some other key skills, which include:

**Creativity**. Problems are usually solved either intuitively or systematically. Intuition is used when no new knowledge is needed - you know enough to be able to make a quick decision and solve the problem, or you use common sense or experience to solve the problem. More complex problems or problems that you have not experienced before will likely require a more systematic and logical approach to solve, and for these you will need to use creative thinking. See our page on Creative Thinking for more information.

**ResearchingSkills**. Defining and solving problems often requires you to do some research: this may be a simple Google search or a more rigorous research project. See our Research Methods section for ideas on how to conduct effective research.

**Team Working**. Many problems are best defined and solved with the input of other people. Team working may sound like a 'work thing' but it is just as important at home and school as well as in the workplace. See our Team-Working page for more.

**Emotional Intelligence**. It is worth considering the impact that a problem and/or its solution has on you and other people. Emotional intelligence, the ability to recognise the emotions of yourself and others, will help guide you to an appropriate solution. See our Emotional Intelligence pages for more.

**Risk Management**. Solving a problem involves a certain amount of risk - this risk needs to be weighed up against not solving the problem. You may find our Risk Management page useful.

**Decision Making**. Problem solving and decision making are closely related skills, and making a decision is an important part of the problem solving process as you will often be faced with various options and alternatives.

### **PROBLEMS and PROBLEM SOLVING:**

The measure of success is not whether you have a tough problem to deal with, but whether it is the same problem you had last year.

We are constantly exposed to opportunities in life, at work, at school and at home. However many opportunities are missed or not taken full advantage of. Often we are unsure how to take advantage of an opportunity and create barriers - reasons why we can't take advantage. These barriers can turn a potentially positive situation into a negative one, a problem.

Are we missing the 'big problem'? It is human nature to notice and focus on small, easy to solve problems but much harder to work on the big problems that may be causing some of the smaller ones.

It's useful to consider the following questions when faced with a problem.

- Is the problem real or perceived?
- Is this problem really an opportunity?
- Does the problem need solving?

All problems have two features in common: goals and barriers.

### Goals

Problems involve setting out to achieve some objective or desired state of affairs and can include avoiding a situation or event.

Goals can be anything that you wish to achieve, or where you want to be. If you are hungry then your goal is probably to eat something. If you are the head of an organisation (CEO), then your main goal may be to maximise profits and this main goal may need to be split into numerous sub-goals in order to fulfil the ultimate aim of increasing profits.

### Barriers

If there were no barriers in the way of achieving a goal, then there would be no problem. Problem solving involves overcoming the barriers or obstacles that prevent the immediate achievement of goals.

Following our examples above, if you feel hungry then your goal is to eat. A barrier to this may be that you have no food available - so you take a trip to the supermarket and buy some food, removing the barrier and thus solving the problem. Of course for the CEO wanting to increase profits there may be many more barriers preventing the goal from being reached. The CEO needs to attempt to recognise these barriers and remove them or find other ways to achieve the goals of the organisation.

## STAGES OF PROBLEM SOLVING

Effective problem solving usually involves working through a number of steps or stages, such as those outlined below.

### 1. Problem Identification:

This stage involves: detecting and recognising that there is a problem; identifying the nature of the problem; defining the problem.

The first phase of problem solving may sound obvious but often requires more thought and analysis. Identifying a problem can be a difficult task in itself. Is there a problem at all? What is the nature of the problem, are there in fact numerous problems? How can the problem be

best defined? By spending some time defining the problem you will not only understand it more clearly yourself but be able to communicate its nature to others, which leads to the second phase.

## 2. Structuring the Problem:

This stage involves: a period of observation, careful inspection, fact-finding and developing a clear picture of the problem.

Following on from problem identification, structuring the problem is all about gaining more information about the problem and increasing understanding. This phase is all about fact finding and analysis, building a more comprehensive picture of both the goal(s) and the barrier(s). This stage may not be necessary for very simple problems but is essential for problems of a more complex nature.

## 3. Looking for Possible Solutions:

During this stage you will generate a range of possible courses of action, but with little attempt to evaluate them at this stage.

From the information gathered in the first two phases of the problem solving framework it is now time to start thinking about possible solutions to the identified problem. In a group situation this stage is often carried out as a brain-storming session, letting each person in the group express their views on possible solutions (or part solutions). In organisations different people will have different expertise in different areas and it is useful, therefore, to hear the views of each concerned party.

## 4. Making a Decision:

This stage involves careful analysis of the different possible courses of action and then selecting the best solution for implementation.

This is perhaps the most complex part of the problem solving process. Following on from the previous step it is now time to look at each potential solution and carefully analyse it. Some solutions may not be possible, due to other problems like time constraints or budgets. It is important at this stage to also consider what might happen if nothing was done to solve the problem - sometimes trying to solve a problem that leads to many more problems requires some very creative thinking and innovative ideas.

Finally, make a decision on which course of action to take - decision making is an important skill in itself and we recommend that you see our pages on decision making.

## 5. Implementation:

This stage involves accepting and carrying out the chosen course of action.

Implementation means acting on the chosen solution. During implementation more problems may arise especially if identification or structuring of the original problem was not carried out fully.

## 6. Monitoring/Seeking Feedback:



The last stage is about reviewing the outcomes of problem solving over a period of time, including seeking feedback as to the success of the outcomes of the chosen solution.

The final stage of problem solving is concerned with checking that the process was successful. This can be achieved by monitoring and gaining feedback from people affected by any changes that occurred. It is good practice to keep a record of outcomes and any additional problems that occurred.

## **Practical 3: Managerial skills and achievement motivation**

### **MANAGERIAL SKILLS**

There are two types of skills you need to excel in your career: hard skills and soft skills. To be a successful manager, one needs to develop both.

Hard skills are technical, teachable abilities learned through school, training and job experience. As a manager, it's important to develop these abilities so you can effectively lead others in honing the same skills.

On the other hand, soft skills are applicable in any role or industry and are often even more important for management than technical proficiencies. Generally, soft skills are developed over time by managing your responsibilities and interacting with others. Problem-solving, time management and verbal communication are all examples of important soft skills.

While hard skills are key when completing specific tasks, soft skills are essential when directing people, overseeing projects and making informed decisions.

### **KEY MANAGEMENT SKILLS**

The most effective management skills you should develop, regardless of your department or industry, can be grouped into five primary categories:

1. Leadership
2. Planning
3. Strategy
4. Communication
5. Organization

#### 1. Leadership

A manager, will likely be responsible for overseeing the work of others and motivating a team toward a common goal. He might also be responsible for leading meetings, assigning workloads and supporting collaboration across teams and departments. Well-developed leadership skills will help coordinate tasks and direct all parties to ensure work is completed according to plan and finished on time.

These are also the skills needed to adequately handle leadership duties such as employee evaluations and professional development.

Leadership skills examples:

- Decisiveness
- Team building
- Empathy
- Dependability
- Constructive criticism
- Delegating tasks
- Empowerment
- Integrity
- Mentoring

- Motivating others
- Patience
- Relationship management

## 2. Planning

Whether managing people, projects or a combination of the two, the ability to prepare a vision for the future and strategize solutions is essential to good management. Planning skills help when setting goals and determining the most efficient path to meet objectives.

- Planning skills examples:
- Cognitive skills
- Adaptability
- Business development
- Critical thinking
- Flexibility
- Logical reasoning

## 3. Strategy

A strategic manager is someone who can spot inefficiencies and quickly identify solutions to challenges. They can also recognize the steps each team member should take to overcome obstacles and complete projects.

Strategy skills examples:

- Strategic thinking
- Problem-solving
- Conflict resolution
- Creativity
- Analytical thinking

## 4. Communication

To effectively lead people and projects, you must be able to understand the needs and goals of the business and convey this information to others through simple and straightforward instruction. Well-developed communication skills will ensure you're able to translate the most accurate information to the right people at the right time. Great communicators actively listen, retain information well and pass it on efficiently to others.

Communication skills examples:

- Active listening
- Collaboration
- Interpersonal communication
- Negotiation
- Persuasion
- Public speaking
- Verbal communication
- Written communication

- Interviewing
- Building relationships

## 5. Organization

Excellent organizational skills will help you stay on top of your work, reduce stress, prevent you and your team from missing critical dates and ensure you can find information when you need it most. Staying organized will improve your workflow and ensure you're able to complete tasks as efficiently as possible. It will also set a great example for any employees who may report to you.

Organizational skills examples:

- Goal setting
- Administrative skills
- Project management
- Time management
- Deadline management
- Event coordination
- Recordkeeping
- Scheduling

## ACHIEVEMENT MOTIVATION

Achievement motivation or Need for achievement (N-Ach) is an individual's desire for significant accomplishment, mastering of skills, control, or high standards. The term was first used by Henry Murray and associated with a range of actions. These include: "intense, prolonged and repeated efforts to accomplish something difficult. To work with singleness of purpose towards a high and distant goal. To have the determination to win". The concept of N-Ach was subsequently popularized by the psychologist David McClelland.

## CHARACTERISTICS

This personality trait is characterized by an enduring and consistent concern with setting and meeting high standards of achievement. This need is influenced by internal drive for action (intrinsic motivation), and the pressure exerted by the expectations of others (extrinsic motivation). Measured with the Thematic Apperception Test (TAT), need for achievement motivates an individual to succeed in competition, and to excel in activities important to them.

Need for Achievement is related to the difficulty of tasks people choose to undertake. Those with low N-Ach may choose very easy tasks, in order to minimize risk of failure, or highly difficult tasks, such that a failure would not be embarrassing. Those with high N-Ach tend to choose moderately difficult tasks, feeling that they are challenging, but within reach.

People high in N-Ach are characterized by a tendency to seek challenges and a high degree of independence. Their most satisfying reward is the recognition of their achievements. Sources of high N-Ach include:

- Parents who encouraged independence in childhood
- Praise and rewards for success

- Association of achievement with positive feelings
- Association of achievement with one's own competence and effort, not luck
- A desire to be effective or challenged
- Intrapersonal Strength
- Desirability
- Feasibility
- Goal Setting Abilities

### MEASUREMENT

The techniques McClelland and his collaborators developed to measure N-Ach, N-Affil and N-Pow (see McClelland et al., 1958) can be viewed as a radical break with the dominant psychometric tradition.

McClelland's research led him to formulate psychological characteristics of persons with strong need for achievement. According to McClelland and David Winter (Motivating Economic Achievement), the following features accompany high level of achievement motivation:

- Moderate risk propensity;
- Undertaking innovative and engaging tasks;
- Internal locus of control and responsibility for own decisions and behaviours;
- Need for precise goal setting.

## **Practical 4: Exercise in creativity**

### **THE MARBLE GAME BY JAMES HART**

In The Marble Game, students learn to consistently trade up in value. They begin with essentially nothing (a virtually worthless object) and proceed to amass as much value as they can over three weeks' time.

**Keywords:** Marble Game, Arts Entrepreneurship Games, Hart

**Subject Area:** Pitching, Sales Techniques, Asset Acquisition, Experiential Learning, Games for the Classroom

**Subject Topic:** Asset Acquisition, Pitching, Experiential Learning

**Student Level:** Undergraduate

**Time Required:** Students begin The Marble Game with forty minutes of class time to trade-- for one 50-minute class. This is then followed by ten minutes of group discussion about their discoveries. Students then spend three weeks' time competing.

**Recommended Number of Students:** Four or more with no maximum number

#### **Learning Outcomes:**

- Development of sales techniques
- Experience in pitching and leveraging one's personal story and passion
- Knowledge of how to inspire others
- Understanding the relativity of value
- Experience in asset acquisition
- An experiential knowledge of the value of bartering
- Experience in competition
- Experience for students in utilizing their personal network
- Experience in the redistribution of assets
- Experience in creating significant value from virtually nothing

#### **How to Play:**

For most, a marble has no significant value—outside of possibly stimulating a childhood memory of play or it may attract one's eye as a shiny object. What is important about the use of marble is that it is common and virtually worthless. It is the objective of the students to consistently trade up in value from essentially nothing to a significant amount of value.

Students are divided into pairs and, working together, take a full class-time period to begin the process of trading up. They leave the classroom and begin their process in the college or university building/s. With ten minutes to spare, before the end of class, students return and share with the class what they have acquired and how they did it.

Some of the objects that students have returned with after this class-time period have included textbooks, pens and other school supplies, a pre-paid Visa card, a cigar, a Starbucks gift card and other random objects.

Students are told they have three weeks to work consistently as a pair, in competition with classmates, to amass as much value as possible. At the end of three weeks, the class, as a whole will assess and vote upon the value of what each pair has been able to acquire, and the winning couple is awarded:

1. The title of “Champion of the Day” and
2. An automatic score of 100 on their next quiz.

## **Practical 5: Time audit through planning, monitoring and supervision**

### MONITORING

Monitoring is a periodic assessment of the progress of a project towards achievement of its planned activities and results. It starts with the implementation of the first activity, and continues as long as all activities are accomplished.

Monitoring needs a systematic planning. It is conducted through some methods and techniques. During planning of monitoring, the project management sets some standards for the performance of inputs, processes, and results. During monitoring data are collected and analyzed, for comparing the actual performance of inputs, processes, and results with the set standards. Thus the monitoring results show the project management the deviations from the standards.

The project management considers the deviations, finds out reasons of deviations, and takes necessary decision to fill the gaps and to improve performance. So, monitoring identifies the positive and negative performance of a project, and helps the management to take good and timely decisions to correct the negative performances.

### EVALUATION

Evaluation is the assessment at one point in time of the impact of a program/project or of a work and the extent to which stated objectives have been achieved.

Evaluation is defined as the retrospective analysis of experience to assess the stated objective of a project\program was achieved and to determine how and why the objectives were and were not achieved.

An evaluation is usually more formal and systematic, since it concentrates specifically on whether the objectives of the program/project or a piece of work have been achieved, and what impact has made.

### SUPERVISION

It is difficult to formulate an overall definition that takes into account all the different organizational contexts and types of work for which supervision is required. In the development profession terms such as assessment, monitoring, and appraisal add to the confusion, since supervision can encompass much of these. Literally, to supervise means to "oversee the actions or work of (a person)."

Good supervision is based on clearly defining the role of supervisors in your organization, and ensuring supervisors have the requisite competencies to carry out their role effectively. Supervision is a management function. Therefore, the delivery of supervision should be a key part of an organization's safety management system.

□ Supervision is a managerial activity to influence supervisees so that they become more positively motivated and contribute fully towards the achievement of the objectives of the organization.



□ Supervision is a process or course of activities through which the supervisor administers and controls the subordinates so that they manage their tasks efficiently in order to achieve desired program goal.

### AUDITING

An audit is an evaluation of an organization, system, process, project or product.

#### Purpose of Auditing

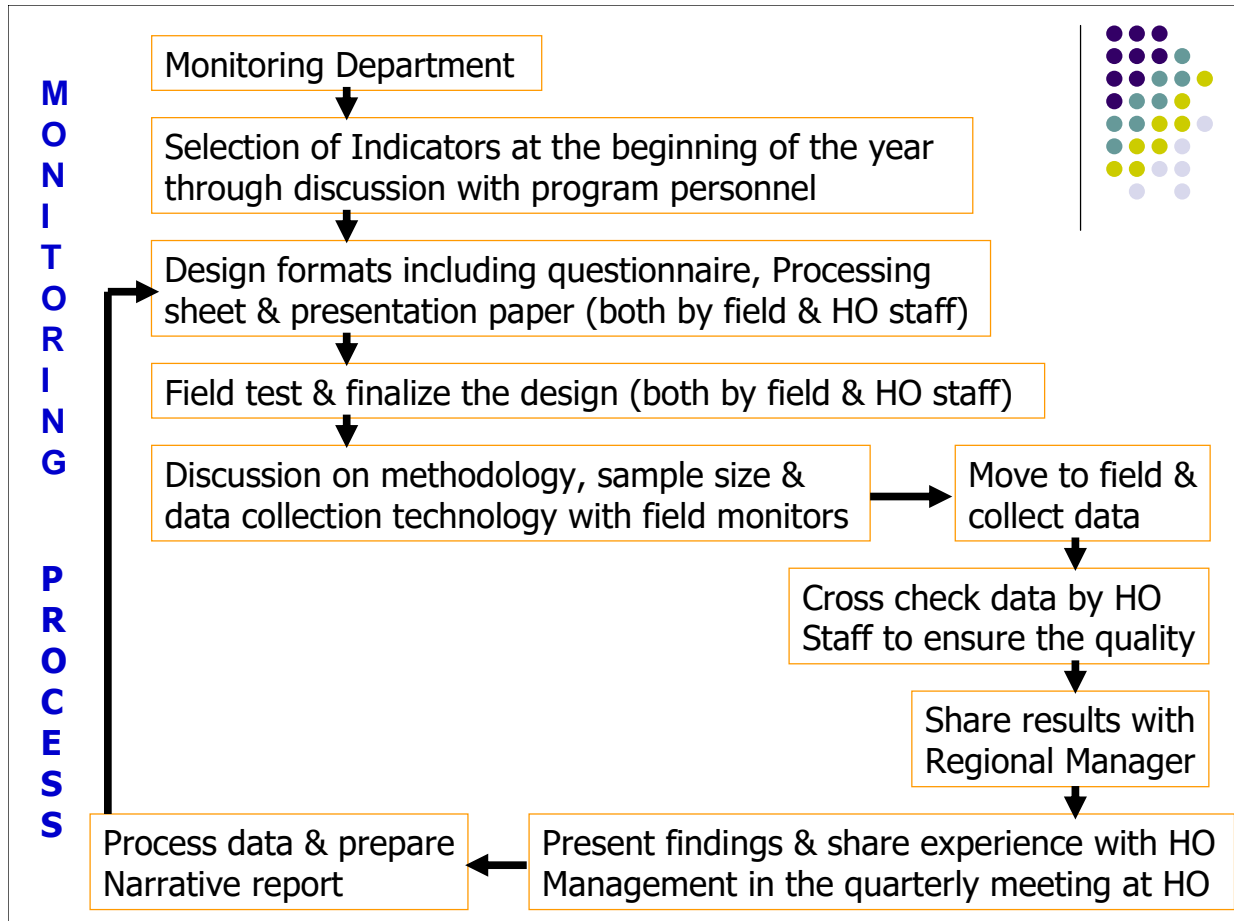
□ To make an independent assessment based on management's representation of their financial condition (through their financial statements).

□ To ensure the operating effectiveness of the internal accounting system is in accordance with approved and accepted accounting standards, statutes, regulations, or practices.

### AUDIT PLANNING

Audit planning involves developing an overall strategy for the expected conduct and scope of the audit. The nature, extent, and timing of planning vary with the size and complexity of the entity, experience with the entity, and knowledge of the entity's business. In planning the audit, the auditor should consider, among other matters:

- Matters relating to the entity's business and the industry in which it operates.
- The entity's accounting policies and procedures.
- The methods used by the entity to process significant accounting information, including the use of service organizations, such as outside service centers.
- Planned assessed level of control risk.
- Preliminary judgment about materiality levels for audit purposes.
- Financial statement items likely to require adjustment.
- Conditions that may require extension or modification of audit tests, such as the risk of material error or fraud or the existence of related party transactions.
- The nature of reports expected to be rendered



## **Practical 6: Identification and selection of business idea**

### **GENERATING A BUSINESS IDEA**

Every business comes out of an idea. Businesses are started by men and women who see that people want to buy a particular product or service. When you have first vague thought about a business opportunity you need to develop it into a business idea. A good business idea is essential, or even a prerequisite, for a successful business venture.

However, good business ideas do not usually just occur to an entrepreneur. Rather, they are the result of hard work and effort on the part of the entrepreneur in generating, identifying and evaluating opportunities.

A business idea is the response of a person or persons, or an organization to solving an identified problem or to meeting perceived needs in the environment (markets, community, etc). Finding a good idea is the first step in transforming the entrepreneur's desire and creativity into a business opportunity.

Creativity, as used here, refers to the ability of enterprising individuals or potentially enterprising individuals to design, form, make or do something in a new or different way.

The ability to come up with creative solutions to needs/problems and to market them often marks the difference between success and failure in business. It also distinguishes high-growth or dynamic businesses from ordinary, average firms.

Two things should, however, be noted;

- (a) although it is a prerequisite, a business idea is only a tool;
- (b) an idea by itself, however good, is not sufficient for success.

In other words, notwithstanding its importance, an idea is only a tool that needs to be developed and transformed into a viable business opportunity.

In other words, a business idea is a short and precise description of the basic operations of the business. Your business idea will tell you:

- What product or service your business will sell.
- Who your business is going to sell to.
- How your business is going to sell its products or services.
- Which need your business will fulfill for the customers.

### **What?**

What product or service will your business sell? Your business idea should be based on what you are good at. Maybe you have experience in a specific line of business or have been trained in a skill. The business idea will help you to focus on what you could do.

**Who?**

Who will buy your product or service? Your customers can be individual or other businesses. They may all be within a small area or they can be spread over a large area, maybe the whole country. Will you only try to sell to a specific type of customer or to everyone in an area? It is important to be clear who you intend to sell to.

**How?**

How are you going to sell your product or service? If you plan to open a shop this is clear, but a manufacturer or service operator can sell in many different ways. A manufacturer can, for example, sell either directly to customers or to retailers.

**Which?**

Which need will your product or service fulfill for customers? Your business idea should always have the customer and the customer's needs in mind. It is important to find out what the customers want and to listen to your future customers when you work out your business idea.

It is difficult to attract customers to a new business. Your products or services must offer something "special" for the customers to come to your new business.

**MEANING OF PROJECT REPORT/ BUSINESS PLAN**

Formulation of project report/business plan is one of the first corner stones to be laid down in setting up an enterprise. Webster Dictionary defines a project as a scheme, design, a proposal of something intended or devised. In simple words, project report or business plan is a written statement of what an entrepreneur-proposes to take up. It is a kind of guide frost or course of action what the entrepreneur hopes to achieve in his business and how is he going to achieve it. In other words, project report serves like a kind of big mad map to reach the destination determined by the entrepreneur. Thus, a project report can best be defined as a well evolved course of-action devised to achieve the specified objective within a specified period of time. So to say, it is an operating document.

**IMPORTANCE OR SIGNIFICANCE OF PROJECTREPORT**

The preparation of a project report is of great significance for an entrepreneur. The project report serves the two essential functions: First and most important function is, it describes the direction the enterprise is going in, what its goals are, where it wants to be, and how it is going to get there. It also enables an entrepreneur to know that he is proceeding in the right direction. The second function of the project report is to attract lenders and investors. The preparation of project report is beneficial for those small enterprises which apply for financial assistance from the financial institutions and the commercial banks. It is on the basis of project report that the financial institutions make appraisal if the enterprise requires financial assistance or not.

**COMPONENTS OF A PROJECT REPORT**

A good project report should contain the following components.

1. General Information: Information on product profile and product details.

2. Promoter: His/her educational qualification, work experience, project related experience.
3. Location: Exact location of the project, lease or freehold, locational advantages.
4. Land and building: Land area, construction area, type of construction, cost of construction, detailed plan and estimate along with plant layout.
5. Plant and Machinery: Details of machinery required, capacity, suppliers, cost, various alternatives available, cost of miscellaneous assets.
6. Production Process: Description of production process, process chart, technical know-how, technology alternatives available, production programme.
7. Utilities: Water, power, steam, compressed air requirements, cost estimates, sources of utilities.
8. Transport and Communication: Mode, possibility of getting, costs.
9. Raw Material: List of raw material required by quality and quantity, sources of procurement, cost of raw material, tie-up arrangements, if any
10. Manpower: Manpower requirement by skilled and semi-skilled, sources of manpower supply, cost of procurement, requirement for training and its cost.
11. Products: Product mix, estimated sales, distribution channels, competitions and their capacities, product standard, input-output ratio, product substitute.
12. Market: End-users of product, distribution of market as local, national, international, trade practices, sales promotion devices, and proposed market research.
13. Requirement of Working Capital: Working capital required, sources of working capital, need for collateral security, nature and extent of credit facilities offered and available.
14. Requirement of Funds: Break-up of project cost in terms of costs of land, building, machinery, miscellaneous assets, preliminary expenses, contingencies and margin money for working capital, arrangements for meeting the cost of setting up of the project.
15. Cost of Production and Profitability of first ten years.
16. Break-Even Analysis
17. Schedule of Implementation

## **Practical 7: Preparation of business plan and proposal writing**

### PREPARATION OR FORMULATION OF A PROJECT REPORT

There is no substitute for a well-prepared business plan or project report and also there are no shortcuts to preparing it. The more concrete and complete the business plan, the more likely it is to earn the respect of outsiders and their support in making and running an enterprise. Therefore, the project report needs to be prepared with great care and consideration. The process of Project formulation can be divided in to eight distinct and sequential stages. These stages are:

1. General Information.
2. Project Description.
3. Market Potential.
4. Capital Costs and Sources of Finance.
5. Assessment of Working Capital Requirements.
6. Other Financial Aspects.
7. Economic and Social Variables.
8. Project Implementation.

The nature of information to be collected under each one of these stages has been given below.

#### 1. GENERAL INFORMATION:

The information of general nature given in the project report include the following:

- a) Bio-data of Promoter/s: Name and address of entrepreneur/s; the qualifications, experience and other capabilities of the entrepreneur/s;
- b) Industry Profile: A reference of analysis of industry to which the project belongs, e.g., past performance; present status, its organization, its problems etc.
- c) Constitution and Organization; The constitution and organizational structure of the enterprise; in case of Partnership firm, its registration with the Registrar of Firms; application for getting Registration Certificate from the Directorate of Industries/District Industry Centre.
- d) Product Details: Product utility, product range, product design; advantages to be offered by the product over its substitutes, if any.'

#### 2. PROJECT DESCRIPTION

A brief description of the project covering the following aspects is given in the project report.

- a) Site: Location of enterprise; owned or leasehold land; industrial area; No Objection Certificate from the Municipal Authorities if the enterprise location falls in the residential area.

b) **Physical Infrastructure:** Availability of the following items of infrastructure should be mentioned in the project report:

i) **Raw Material:** Requirement of raw material, whether inland or imported, sources of raw material supply.

ii) **Skilled Labour:** Availability of skilled labour in the area, arrangements for training labourers in various skills.

c) **Utilities:** These include:

(i) **Power:** Requirement for power, load sanctioned, availability of power.

(ii) **Fuel:** Requirement for fuel items such as coal, coke, oil or gas, state their availability.

(iii) **Water:** The sources and quality of water should be clearly stated -in the project report.

d) **Pollution Control:** The aspects like scope of dumps, sewage system and sewage treatment plant should be clearly stated in case of industries producing emissions.

e) **Communication System:** Availability of communication facilities, e.g., telephone, telex etc. should be stated in the project report.

f) **Transport Facilities:** Requirements for transport, mode of transport, potential means of transport, distances to be covered, bottlenecks etc., should be stated in the business plan.

g) **Other Common Facilities:** Availability of common facilities like machine shops, welding shops and electrical repair shops etc., should be stated in the report.

h) **Production Process:** A mention should be made for process involved in production and period of conversion from raw material into finished goods.

i) **Machinery and Equipment:** A complete list of items of machinery and equipment required indicating their size, type, cost and sources of their supply should be enclosed with the project report.

j) **Capacity of the Plant:** The installed licensed capacity of the plant along with the shifts should also be mentioned in the project report,

k) **Technology Selected:** The selection of technology, arrangements made for acquiring it should be mentioned in the business plan.

l) **Research and Development:** A mention should be made in the project report regarding proposed research and development activities to be undertaken in future.

### 3. MARKET POTENTIAL

While preparing a project report, the following aspects relating to market potential of the product should be stated in the report

i) **Demand and Supply Position-**State the total expected demand for the product and present supply position. This should also be mentioned how much of the gap will be filled up by the proposed unit.

ii) Expected Price-An expected price of the product to be realized should be mentioned in the project report.

Marketing Strategy-Arrangements made for selling the product should be clearly stated in the project report.

After-Sales Service-Depending upon the nature of the product, provisions made for after-sales service should normally be stated in the project report.

Transportation- Requirement for transportation means indicating whether put transport or entrepreneur's own transport should be mentioned in. the project report.

#### 4. CAPITAL COSTS AND SOURCES OF FINANCE

An estimate of the various components of capital items like land and buildings, plant and machinery, installation costs, preliminary expenses, margin for working capital should be given in the project report. The present probable sources of finance should also, be stated in the project report. The sources should indicate the owner's funds together with funds raised from financial institutions and banks.

#### 5. ASSESSMENT OF WORKING CAPITAL REQUIREMENTS

The requirement for working capital and its sources of supply should be carefully and clearly mentioned in the project report. It is always better to prepare working capital requirements in the prescribed formats designed by limits of requirement. It will minimize objections from the banker's side.

#### 6. OTHER FINANCIAL ASPECTS

In order to adjudge the profitability of the project to be set up, a projected Profit and Loss Account indicating likely sales revenue, cost of production, allied cost and profit should be prepared. A projected Balance Sheet and Cash Flow Statement should also prepared to indicate the financial position and requirements at various stages of the project.

In addition to, above, the Break-Even Analysis should also be presented in the project report. Break-even point is the level of production/sales where the industrial enterprise shall earn neither profit nor incur loss. In fact, it will just break even.

Break-even level indicates the gestation period and the likely moratorium required for repayment of loan. Break-even point (BEP) is calculated as follows:

$$\text{BEP} = \frac{F}{(S-V)} \times 100$$

Where, F= Fixed Cost

S= Sales Projected

V= Variable Costs

Thus, the break-even point so calculated will indicate at what percentage of sales, the enterprise will break even.

#### 7. ECONOMIC AND SOCIAL VARIABLES



In view of the social responsibility of business, the abatement costs, i.e., the costs for controlling the environmental damage should be stated in the project. Arrangement made for treating the effluents and emissions should also be mentioned in the report. Besides, the socio-economic benefits expected to accrue from the project should also be stated in the report itself. Following are the examples of socio-economic benefits.

I. Employment Generation.

II. Import Substitution.

III. Ancillarisation.

IV. Exports.

V. Local Resource Utilization.

VI. Development of the-Area.

## 8. PROJECT IMPLEMENTATION

Last but no means the least, every entrepreneur should draw an implementation scheme or a time-table for his project to ensure the timely completion of all activities involved in setting up an enterprise. Timely implementation is important because if there is a delay, it causes, among other things, a project cost overrun. Delay in project implementation jeopardizes the financial viability of the project, on the one hand, and props up the entrepreneur to drop the idea to set up an enterprise, on the other. Hence, there is a need to draw up an implementation schedule for the project and then to adhere to it.

## **Practical 8: Visit to entrepreneurship development institute and entrepreneurs**

Entrepreneurship is a vital tool that facilitates inclusive growth of society. Entrepreneurship education, training and counselling can hasten the emergence of progressive entrepreneurs. Entrepreneurship encourages youth to seek innovation and challenges thus leading to optimal utilization of resources and wealth creation. Entrepreneurship Development Institute of India (EDII), an autonomous and not-for-profit institute, set up in 1983, is sponsored by apex financial institutions - the IDBI Bank Ltd., IFCI Ltd., ICICI Bank Ltd. and the State Bank of India (SBI). The Government of Gujarat pledged 23 acres of land on which stands the majestic and sprawling EDII campus.

To pursue its mission, EDII has helped set up 12 state-level exclusive Entrepreneurship Development Centres and Institutes. One of the satisfying achievements, however, was taking entrepreneurship to a large number of schools, colleges, science and technology institutions and management schools in several states by including entrepreneurship inputs in their curricula. In view of EDII's expertise in entrepreneurship, the University Grants Commission had also assigned EDII the task of developing curriculum on entrepreneurship and the Gujarat Textbook Board assigned to it the task of developing textbooks on entrepreneurship for 11th and 12th standards.

In order to broaden the frontiers of Entrepreneurship Research, EDII has established a Centre for Research in Entrepreneurship Education and Development (CREED), to investigate into a range of issues surrounding small and medium enterprise sector, and establish a network of researchers and trainers by conducting a biennial seminar on entrepreneurship education and research.

In the international arena, efforts to develop entrepreneurship by way of sharing resources and organising training programmes, have helped EDII earn accolades and support from the World Bank, Commonwealth Secretariat, UNIDO, ILO, FNSt, British Council, Ford Foundation, European Union, ASEAN Secretariat and several other renowned agencies.

### **MISSION AND BELIEFS**

The following is the mission of the Entrepreneurship Development Institute of India/ EDII.

**“To become a catalyst to facilitate the emergence of competent first-generation entrepreneurs and transition of existing SMEs into various growth-oriented enterprises through entrepreneurship education, training, research and institution building.”**

The following are the beliefs by which the Entrepreneurship Development Institute of India/ EDII functions in.

- Entrepreneurship is an essential tool that facilitates the inclusive growth of the society.
- Entrepreneurship education, training and counselling can be helpful in finding progressive entrepreneurs.
- Entrepreneurship encourages the youth of the country to seek innovations and challenges. Thus, leading to optimal utilisation of resources and wealth creation.

- Increased rate of entrepreneurship is an indicator of the overall national economic growth.
- The country, by unleashing the EDII's enormous growth potential, may be placed on a high growth trajectory.

EDI has been spearheading entrepreneurship movement throughout the nation with a belief that entrepreneurs need not necessarily be born, but can be developed through well-conceived and well-directed activities.

In consonance with this belief, EDI aims at:

- Creating a multiplier effect on opportunities for self-employment,
- Augmenting the supply of competent entrepreneurs through training,
- Augmenting the supply of entrepreneur trainer-motivators,
- Participating in institution building efforts,
- Inculcating the spirit of 'Entrepreneurship' in youth,
- Promoting micro enterprises at rural level,
- Developing and disseminating new knowledge and insights in entrepreneurial theory and practice through research,
- Facilitating corporate excellence through creating intrapreneurs (entrepreneurial managers),
- Improving managerial capabilities of small scale industries,
- Sensitizing the support system to facilitate potential and existing entrepreneurs establish and manage their enterprises,
- Collaborating with similar organisations in India and other developing countries to accomplish the above objectives.