Evolution of Entrepreneurship?

Various scholars have written extensively on the origin of entrepreneurship. What is interesting is that most of the scholars who wrote about the origin of entrepreneurship are either economists or historians. Basically, the concept entrepreneur is derived from the French concept "entreprendre" which literarily is equivalent to the English concept "to undertake". From the business point of view, to undertake simply means to start a business
(QuickMBA, 2010). From the historical point of view, Schumpeter (1951) opined that the French economist Richard Cantillon, was the first to introduce the concept "entrepreneur" in his work in 1755. He viewed the entrepreneur as a risk taker (Burnett, 2000). However, some scholars contend that it was an economist, Jean-Baptiste Say, who analysed the concept in an advanced way in his work in 1821 where he identified entrepreneur as new economic phenomenon (Wikipedia, 2010). Given the foregoing, we can infer that the concept "entrepreneur" is almost as old as the formal discipline of economics itself (Schumpeter, 1951) especially given the fact that it was economists such as Adam Smith, David Ricardo, and John Stuart Mill who have written extensively on it, albeit referring to it as "business management". However, unlike Smith and Ricardo, Mill stressed the significance of entrepreneurship for economic growth. Another renowned economist, Alfred Marshall buttressed Mill's view by formally recognizing entrepreneurship as an important factor of production in 1890; he viewed entrepreneurship as organization creation and
believed that entrepreneurship is the driving element behind organization (Schumpeter,
1951; Burnett, 2000).

Concept of Entrepreneurship.

Entrepreneurship has traditionally been defined as the process of designing, launching and running a new business, which typically begins as a small business, such as a startup company, offering a product, process or service for sale or hire. It has been defined as the "...capacity and willingness to develop, organize, and manage a business venture along with any of its risks in order to make a profit."While definitions of entrepreneurship typically focus on the launching and running of businesses, due to the high risks involved in launching a start-up, a significant proportion of businesses have to close, due to a "...lack of funding, bad business decisions, an economic crisis -- or a combination of all of these" or due to lack of market demand. In the 2000s, the definition of "entrepreneurship" has been expanded to explain how and why individuals (or teams) identify opportunities, evaluate them as viable, and then decide to exploit them. we can summarize by concluding that entrepreneurship is a function which involves the exploitation of opportunities which exist within a market.

What is Entrepreneurship?

Entrepreneurship has traditionally been defined as the process of designing, launching and running a new business, which typically begins as a small business, such as a startup company, offering a product, process or service for sale or hire.[1] It has been defined as the "...capacity and willingness to develop, organize, and manage a business venture along with any of its risks in order to make a profit."[2] While definitions of entrepreneurship typically focus on the launching and running of businesses, due to the high risks involved in launching a start-up, a significant proportion of businesses have to close, due to a "...lack of funding, bad business decisions, an economic crisis -- or a combination of all

of these"[3] or due to lack of market demand. In the 2000s, the definition of "entrepreneurship" has been expanded to explain how and why some individuals (or teams) identify opportunities, evaluate them as viable, and then decide to exploit them, whereas others do not,[4] and, in turn, how entrepreneurs use these opportunities to develop new products or services, launch new firms or even new industries and create wealth.[5]

What is Idea Generation?

Idea generation is the creative process or procedure that a company uses in order to figure out solutions to any number of difficult challenges. It involves coming up with many ideas in a group discussion, selecting the best idea or ideas, working to create a plan to implement the idea, and then actually taking that idea and putting it into practice. The idea can be tangible, something you can touch or see, or intangible, something symbolic or cultural.

Sources of ideas

1. **Consumers:No business enterprise can be thought of without consumers. Consumers demand for products and services to satisfy their wants. Also, consumers' wants in terms of preferences, tastes and liking keep on changing. Hence, an entrepreneur needs to know what the consumers actually want so that he/she can offer the product or service accordingly. Consumers' wants can be known through their feedback about the products and services they have been using and would want to use in future.**
2. **Existing Products and Services:One way to have an enterprise idea may be to monitor the existing products and services already available in the market and make a competitive analysis of them to identify their shortcomings and then, based on it, decide what and how a better product and service can be offered to the**

consumers. Many enterprises are established mainly to offer better products and services over the existing ones.

3. **Distribution Channels:Distribution channels called, market intermediaries, also serves as a very effective source for new ideas for entrepreneurs. The reason is that they ultimately deal with the ultimate consumers and, hence, better know the consumers' wants.As such, the channel members such as wholesalers and retailers can provide ideas for new product development and modification in the existing product. For example, an entrepreneur came to know from a salesman in a departmental store that the reason his hosiery was not selling was its dark shade while most of the young customers want hosiery with light shade. The entrepreneur paid heed to this feedback and accordingly changed the shade of his hosiery to light shade. Entrepreneur found his hosiery enjoying increasing demand just within a month.**
4. **Government:At times, the Government can also be a source of new product ideas in various ways. For example, government from time to time issues regulations on product production and consumption. Many a times, these regulations become excellent sources for new ideas for enterprise formation.For example, government's regulations on ban on polythene bags have given new idea to manufacture jute bags for marketing convenience of the sellers and buyers. A prospective entrepreneur can also get enterprise idea from the publications of patents available for license or sale.**
5. **Research and Development:**
   The last but no means the least source of new ideas is research and development (R&D) activity. R&D can be carried out in-house or outside the organization. R&D activity suggests what and how a new or modified product can be produced to meet the customers' requirements.
   Available evidences indicate that many new product development, or say, new enterprise establishments have been

the outcome of R&D activity. For example, one research scientist in a Fortune 500 company developed a new plastic resin that became the basis of a new product, a plastic molded modular cup pallet. Most of the product diversifications have stemmed from the organization's R&D activity.

Teams

Team: definition and typology

As defined by Daft (1997), a team is a unit of two or more people who interact and coordinate their work to accomplish a specific goal. A team could also be seen as a group of people with some common identity. Each of whom possesses particular aptitudes, knowledge and skills. In addition, personality factors such as cultural experience, values, needs for affiliation and achievement, along with levels of self-awareness and interpersonal comfort, who come together to share their perspectives, bias and expertise, to resolve
conflict as well as provide support and recognition through task involvement, social interaction and emotional expression for a particular mission, along with short and long term goals and objectives. Members of an effective team usually possess complementary skills, to achieve common goal.

The implication of this definition is that a team consists of interdependent individuals who share responsibility for specific outcomes. Thus, at a minimum, there must be shared responsibilities and interdependence-role, goal interdependence and outcome interdependence (Giese et al, 2001; Daft, 1997).

Typology of Teams

Many types of teams can exist within an organization, whatever the type of team that an entrepreneur chooses to have in his enterprise, the goal must be to increase the work of the organization through effective and efficient actualization of the

set goals of the enterprise. One of the ways to classify teams as proposed by Daft (1997), is in terms of those created as part of the organization's formal structure (formal team) and those created to increase
employee participation (self-directed teams or self regulatory teams).

1. **Formal teams** are basically created by the organization as part of the formal organization structure. Three common types of teams exist: vertical, horizontal and special purpose teams.
(a) **A vertical team** is composed of a manager and his or her subordinates in the organization's formal chain of command. A vertical team could also be called a functional or command team.
(b) A horizontal team is composed of employees from about the same hierarchical level but from different areas of expertise. Task forces and committees are the two most common types of horizontal teams.
(c) The third, special-purpose team is created outside the formal organization to undertake a project of special importance or creativity.
2. Self-directed teams are designed to increase the participation of low level workers in decision making in the conduct of their jobs with the goal of improving performance. Its types are problem-solving teams and self-directed teams.
• Problem-solving teams on the other hand consist of 5 to 20 multi-skilled
workers who rotate jobs to produce an entire product or service, often supervised by an elected member. The rationale is that the combined skills of
the employees are sufficient to perform a major task of the organization.
• Self-directed teams possess special skills and knowledge that may free them from critical supervision from the entrepreneur. They are capable of

performing jobs from different areas of the enterprise and are thus, in collaboration, able to see to the development of a product or service with
little or no supervision. The entrepreneur must have clear facts about the skills, knowledge and abilities of subordinates in order to be able to ascertain the type of team that best fits the types of goals he is seeking to achieve. It is with this knowledge that the entrepreneur can then build the type(s) of teams that will be relevant to the effective and efficient actualization of the goals of the enterprise.

Team Building

Team building, as earlier noted, is the process of creating team features in a group in order to make them more effective. Team building exercises are very important in the development of teams that will work together for an extended period of time on a complex project or series of activities (Darwyn, 2000). Team formation or process is made up of five stages namely:

Forming :where members find out what the task is, what the rules are and what methods are appropriate.

Stormy: emotional resistance to demands of task.

Norming: open exchange of views and feelings, cooperation develops

Performing: emergence of solutions to problems, constructive attempts at task completion.

Adjusting: modifications made in the light of feedbacks (Ogundele 2011).

Several authors (Barto et al; 2001; Daft 1997 Roberts et al 2001 Darwyn 2000) have identified the following as the relevant issues in team building.

Cohesiveness: This is the extent to which membership of a team is positively valued and
members are drawn toward the team. Team building ensures that the social (interpersonal attraction) as well as task cohesiveness is built into the team.

Roles and Norms: All teams develop set roles and norms over time. Norms are rules that govern the behaviorur of team members while roles define the part that team members play in the team. The use of explicitly defined roles enables the team to cope effectively with the requirement of task. Team building ensures that these norms and roles are discussed and accepted.

Communication: Effective communication is vital to the smooth functioning of any team. Team building thus, would include facilitating the learning of effective communication through skill development and communication network design.

Goal Specification: It is very important for team members to have common goals for teamachievement, as well as to communicate clearly about individual goals they may have. A simple but useful team building task is to assign a newly formed team the task of producing a mission and goal statement.

Interdependent: This entails the issue of how each team member's success is determined, at least in part, by the success of the other members. Thus, the structure of the cooperative learning task should be such that it requires positive interdependence, that is, a feeling of "sink or swim" together.

Characteristics of an Effective and Efficient Team

For a team to be effective, it must possess certain characteristics. These characteristics, where absent or deficiently present, will naturally result in poor team performance.

These characteristics are:

Shared vision or goal: There must be a vision or goal to which every member of the team subscribes to. This vision or goal must be understood and shared by all.

Strong team identity: Members must strongly identify with the team. They must feel themselves as actively belonging to a team.

Results driven structure – The structure of the team should be such that it will facilitate the achievement of set goals.

Competent team members: The composition of the team is very important. Care should be taken to ensure that members have task relevant skills, knowledge and attitude that will ensure goal attainment.

Strong commitment to the team: There is high social and task cohesiveness. The former ensures good interpersonal relations, while the latter results in feeling of fulfillment arising from goal achievement.

Clearly defined roles and responsibilities: Every team member knows what his or her role and an expectation are, and directs his or her energy towards performing them.

Mutual trust: Members trust and believe in one another in other words, there is reciprocity of trust among members. Mutual thrust ensures smooth interpersonal relations.

Small team size: The size of a team has implications for its performance. Large teams tend to have disagreements and differences of opinions which may impede goal attainment.

High levels of empowerment: Requisite power and authority is given to team members. This will enable them get their jobs done without much reference to higher authority.

Effective communication: Information necessary for achieving team goals is freely shared among members to enhance performance.

Independence among team members: The task of the team is such that there is interdependency among members. That success of the team is determined, at least in part, by the success of other members. Strategies that may be adopted by entrepreneurs in team building, the desire for organizational effectiveness requires that team perform optimally.

The following are best practices for fostering high performance in teams:

- As a leader, act as a model for expected behaviors
- Find ways to create early success

- Continually introduce new facts and information
- Make sure team members spend lots of time together
- Give positive feedback and reward high performance
- Communicate high performance standard
- Set the tone in 1st meeting
- Create sense of urgency
- Ensure members have right skills
- Establish clear rules and team behavior

Strategic business plan and it's steps?

Strategic business plan is a step-by-step guide a business puts in writing to achieve its business goals and objectives. The five primary elements of the plan are the company vision, mission statement, critical success factors, strategies and actions for objectives, and a prioritized implementation timeline.

1. Getting Ready/Determine the Strategic Intent:
In order to start the strategic planning process in the organisation, the basic concept of strategic planning has to be understood by the organization itself, while a number of issues must be addressed in assessing readiness, the determination essentially comes down to whether an organisation's leaders are truly committed to the effort, and whether they are able to devote the necessary attention and resources.
This may also be referred as the strategic intent that would determine what an organisation ultimately wants to be and do. An organisation that, determined, it is indeed ready to begin strategic planning process.

2. Define Organisational Mission:A mission statement defines the core purpose the organisation-why it exists. The mission examines the "raison d'etre" for the organisation beyond simply increasing shareholder wealth, and reflects employees'

motivation for engaging in the company's work. Effective missions are inspiring by nature.
A mission statement is like an introductory paragraph that lets the reader know where the writer is going. Hence a mission statement must communicate the essence of an organisation to the reader. An organisation's ability to articulate its mission indicates its focus and purposefulness.
Mission and vision should not be confused as the mission statement summarizes the what, how, and why of an organisation's work, a vision statement presents and image of what success will look like.
Within mission and vision statements in hand an organisation takes an important step towards creating a shared, coherent idea of what it is strategically planning for. Many people mistake vision statement for mission statement. Mission statement defines the purpose or broader goal for being in existence or in the business. It serves as a guide in time of uncertainty, vagueness. It is like guiding light.
It has no time frame. The mission can remain the same for decades if crafted correctly. While vision is more specific in terms of objective and time frame of its achievement. Vision is related to some form of achievement if successful.

3. Assessing the Situation/Analysing Environment:Once an organisation has committed to why it exists and what it does, it must take a clear-eyed look at its current situation. Part of strategic planning, thinking and management is an awareness of resources and an eye to the future environment, so that an organization can successfully respond to changes in the environment.Situation assessment, therefore, means obtaining current information about the organisation's strengths, weaknesses, and performance, information that will highlight the critical issues that the organisation faces and that its strategic plan must address.

4. Developing Strategies, Goals and Objectives/Strategy Formulation:Once an organisation's mission has been affirmed and its critical issues identified, it is time to figure out what to do about them, the broad approaches to be taken (strategies), and the general and specific results to be sought (the goals and objective).
Strategies, goals, and objectives may come from individual inspiration, group discussion, formal decision-making techniques, and so on but the bottom line is that, in the end, the leadership agrees on how to address these critical issues.

5. Implement Plans/Strategy Implementation:Once the strategies have been formulated the next step would be to implement these strategies in order to find out the desired outcome of these strategies

6. Strategy Evaluation/Monitoring Outcomes:This is the final step in the strategic planning process that generates the required feedback about the outcomes of the strategy that was implemented. If the required end results are not obtained then this step suggests the alternative strategy to meet the end results.

Forms of ownerships?

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).
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.

Types of Partnerships that should be considered:

General Partnership

Partners divide responsibility for management and liability, as well as the shares of profit or loss according to their internal agreement. Equal shares are assumed unless there is a written agreement that states differently.

LIMITED PARTNERSHIPANDPARTNERSHIPWITH LIMITED LIABLITY

“Limited” means that most of the partners have limited liability (to the extent of their investment) as well as limited input regarding management decisions, which generally encourages investors for short term projects, or for investing in capital assets. This form of ownership is not often used for operating retail or service businesses. Forming a limited partnership is more complex and formal than that of a general partnership.

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.
Other forms as needed for capital gains, sale of assets, alternative minimum tax, etc.

Franchising advantages and disasvantages?

Advantages of buying a franchise
Franchises offer the independence of small business ownership supported by the benefits of a big business network.
You don't necessarily need business experience to run a franchise. Franchisors usually provide the training you need to operate their business model.
Franchises have a higher rate of success than start-up businesses.
You may find it easier to secure finance for a franchise. It may cost less to buy a franchise than start your own business of the same type.

Franchises often have an established reputation and image, proven management and work practices, access to national advertising and ongoing support.

Disadvantages of buying a franchise

Buying a franchise means entering into a formal agreement with your franchisor.

Franchise agreements dictate how you run the business, so there may be little room for creativity.

There are usually restrictions on where you operate, the products you sell and the suppliers you use.

Bad performances by other franchisees may affect your franchise's reputation.

Buying a franchise means ongoing sharing of profit with the franchisor.

Franchisors do not have to renew an agreement at the end of the franchise term.

Types of franchise agreement?

Single-unit Franchises

A single-unit franchisee has the right to operate one franchise unit. Most franchisees enter the world of franchising by owning one unit. It is an excellent way to gain an understanding of the franchise system before considering additional units.

Territory: The single-unit franchisee may have a small radius of exclusive territory to operate within. If it is a retail store, it may be a two or three mile radius around the store. If it is a home-based business, it may be a few specific zip codes.

Level of participation: The single-unit franchisee is very involved with almost all operations. Because of this level of involvement, these franchisees are also known as owner-operators.

Multi-unit Franchises

The franchisee acquires more than one unit of the franchise usually at reduced initial franchise fees. A good sign of the health of a franchise organization is that many of the franchisees are multi-unit owners.

Territory: There is usually no exclusive territory where the franchises must be opened. The franchisee may have one unit in one part of town with a surrounding radius of exclusivity and another unit in another part of town 15 miles away or even in another county with its exclusive radius of operation.

Level of participation: The franchisee is less involved with each unit's operations but is managing multiple operations and will need to have some level of supervision in each unit. The franchisee acts as a general manager. If many units are opened, a general manager and additional administrative and training staff may be needed.

Area Development Franchises

This license usually grants the franchisee the right to open a certain number of franchises in a given area. There is usually a production schedule where the area development franchisee must open a certain number of franchises during a certain period. As long as the area development franchisee stays on track in opening franchises in the area, he/she has an exclusive area where no other franchisees are allowed to open a franchise. Area development franchisees also typically pay reduced franchise and royalty fees.

Territory: The area development franchisee maintains an exclusive geographic territory as long as the opening schedule is maintained. The territories range from a small city to parts or all of a larger city.

Level of participation: The area development franchisee will be very involved in the opening of the first store to ensure its success. Another important function will be to look for qualified real estate to open the next few locations. Once several locations

are open, the area development franchisee will need assistance to manage the units

.

Master Franchises

Sometimes called a regional developer, a master franchisee has all the rights of an area developer and usually assumes a larger area. The main difference is that the master franchisee, in addition to opening franchises at reduced franchise and royalty fees, can also sell unit franchises, multi-unit franchises and area development franchises, and profit from those sales. The master franchisee usually receives a part of the ongoing royalties paid by each franchisee. There may be additional income available from distribution of products through the franchisees in the area and possibly some real estate interests in franchisee locations.

Territory: Usually is a large metropolitan area, an entire state, or even several states or country. It is an exclusive area and will remain exclusive as long as the master franchisee meets the development schedule of franchises in the territory.

Level of participation: The master franchisee will usually open at least one unit and use a manager to manage it while selling other "sub-franchises" and helping them to operate properly. Very rarely is a master franchisee "hands on" in a unit franchise. They generally spend more of their time operating as a business consultant or coach to their franchisees to help them become successful.

What is a franchise contract?

A franchise contract is a long-term arrangement that sets forth the rights and obligations of franchisee and franchisor in the operation of a franchised business. A prospect need not pay great attention to its terms until proper due diligence investigating an opportunity has been done. At a minimum, this includes studying the Franchise Disclosure Document (FDD) which (hopefully) contains helpful financial performance information, speaking at

length with existing and former franchisees and discussing all aspects of the deal with trusted advisors. After that, assuming the prospect wants to proceed with the deal, the next step is to study carefully the offer contained in the franchise agreement with guidance from knowledgeable franchise counsel.

Franchise evaluation checklist?

Legalities - Prepare a standard disclosure document. At minimum, the FTC requires every franchise to have a Franchise Disclosure Document (FDD) before offering franchises for sale in the U.S. Some states have additional registration requirements and peculiarities of their own to consider. Put it this way: expect to think about your business inside and out, and have literally hundreds of business issues spelled out in print.
Financials - Prepare audited financial statements. This is actually a required part of the FDD, so until your statements are audited, you won't be able to legally proceed with franchising. You'll need an accountant with experience in producing these audited statements.
Systems - This is the heart and soul of any successful franchise company. Every aspect of your business must be developed to the point where it can be easily described, standardized, and replicated. Then every detail must be documented.
Training - You will need a training program, plus qualified people to provide the training. The better your training program, the more successful your new franchisees will be.
Marketing - Formalize your marketing plan. You'll need two sales systems: one for your franchisees to follow that will drive customers into their units and one for you to use to recruit those new franchisees and generate revenue (from franchise fees and, hopefully, ongoing royalties) as a franchisor. Prepare marketing materials that can be easily understood and duplicated.

Quality Control - Create checklists, policies, procedures and tactics to ensure your systems are uniformly enforced.
Attitude - This is perhaps the most important item of all. You must be focused, positive, flexible, and dynamic -- all at once and all at the same time. In practice this means expecting a challenge and stepping up to overcome any obstacles in your way

Financing startups?

Friends and Family : – The best option for a startup is friends and family. you can raise the funds from them easily for giving equity stake in the company. if you know anyone your friends who want to join your startup or want to invest then just give them equity and raise the funds. soits also good way to raise money for startup in India.
Startupcompetitions :- These days due to lot of competitions many colleges and startup incubators or accelerators launch startup competitions. in that you can won the prize money for your startup so its a best way to fund your startup Resources and Information. its also good way to raise money for startup in India.
CrowdFundingWebsites :- These days culture of crowdfunding website is also on treading. if you need small amount of money and you wanna use for a your NGO Project and some nicely project which helps to people to solving any major problem then you can take the help from crowd funding websites throughout the running a campaign. even some big projects is funded by crowdfunding website. soits also good way to raise money for startup in India.
Must Read :CrowdFunding Website List in India
High Networth Individual person or businessman :- There are lot of High networth individual persons in India who want to invest in new venture and expected the high rate of return for their investment. its not a angel investors but you can called these persons for your startup. soits a best way to find any individual

who’s interested in your idea and want to given money for your startup Resources and Information. its also good way to raise money for startup in India.
Impact Investors :- There is are lot of impact investors also in India. these type investor are incorporate a origination who’s invest in social entrepreneurship venture and expected very low return from the investment. soitsa best way to raise the money for your startup in India. villgro is the best example in India.
Accelerators :- Accelerators is like a teacher which guide to you on your startup so its like a college university which provide you mentorship , funding and there are lot of things. they have fixed tenure and terms. Startups have to give a small equity to these accelerators from 2 % to 10%

Harvesting and Exit strategies

Harvest strategy:-A harvest strategy is a business plan for reducing or altogether eliminating investment in a particular product, brand or line of business due to a company’s management determining the required expense to attempt to boost sales any further would not be justified by likely future revenues from the product or brand line. A harvest strategy typically results when a product or brand line has reached cash cow status, the stage of product maturity beyond which a product is unlikely to show any significant sales growth from continued investments in sales and marketing. The term "harvest strategy" describes the process whereby a company intends to harvest the profits from a cash cow in order to fund investment in development or sales and marketing efforts for other products with more promising sales growth potential.

Exit strategy:-The method by which a venture capitalist or business owner intends to get out of an investment that he or she has made in the past. In other words, the exit strategy is a way of "cashing out" an investment. Examples include an initial public offering (IPO) or being bought out by a larger player in the industry.

Corporateentreprenuership?

Though its definition is somewhat contentious, the concept of corporate entrepreneurship is generally believed to refer to the development of new ideas and opportunities within large or established businesses, directly leading to the improvement of organizational profitability and an enhancement of competitive position or the strategic renewal of an existing business.

Within that system, the notion of innovation is at the very core of corporate entrepreneurship - the two inseparably bound together and responsible for driving calculated and beneficial risk-taking. Taking it one step further, corporate entrepreneurship may even significantly alter the balance of competition within an industry or create entirely new industries through this act of internal innovation.Corporate entrepreneurship is especially crucial for large companies, enabling these organizations - that are traditionally averse to risk-taking - to innovate, driving leaders and teams toward an increased level of corporate enterprising.

In addition to the obvious benefits obtained through innovation, this approach also provides the organizational benefit of setting the stage for leadership continuity.

In a simpler view, corporate entrepreneurship can also be considered a means of organizational renewal. For in addition to its focus on innovation, there also exists an equal drive toward venturing. These two work in unison as the company undertakes innovations across the entire organizational spectrum, from product and process to technology and administration. In addition, venturing is a primary component in the process,

pushing larger companies to enhance their overall competitiveness in the marketplace by taking bigger risks.
Examples of these risks, as seen in a large-scale organization, may include: redefinition of the business concept, reorganization, and the introduction of system-wide changes for innovation

PENDING *Identifying opportunities and evaluation ,jhonkao's model on ent, managing growth, valuation of a new company *

Creativity definition and managing?

Defining the Creativity?

Creativity is the mental and social process used to generate ideas, concepts and associations that lead to the exploitation of new ideas or to put it simply: innovation. Through the creative process, employees are tasked with exploring the profitable outcome of an existing or potential endeavour, which typically involves generating and applying alternative options to a company's products, services and procedures through the use of conscious or unconscious insight. This creative insight is the

direct result of the diversity of the team - specifically, individuals who possess different attributes and perspectives.
It's important to note that innovation is usually not a naturally-occurring phenomenon. Like a plant, it requires the proper nutrients to flourish, including effective strategies and frameworks that promote divergent levels of thinking.
For example, by supporting an open exchange of ideas among employees at all levels, organizations are able to inspire personnel and maintain innovative workplaces.
Therefore supervisors must manage for the creative process and not attempt to manage the creativity itself, as creativity typically does not occur exclusively in an individual's head but is the result of interaction with a social context where it's codified, interpreted and assimilated into something new. Within this system, incentives are paramount - ranging from tangible rewards such as monetary compensation to the intangible, including personal satisfaction and social entrepreneurship.

Obstacles that hinder creativity?

1. Lack Of Direction:- The first obstacle to creative thinking is the lack of clear goals and objectives, written down, accompanied by detailed, written plans of action. When you become crystal clear about what you want, and how you are going to achieve it, your creative mindsprings to life. You immediately begin to sparkle with ideas and insights that help you to move forward and improve your problem solving skills for business success.

2. Fear of Failure:- The second major obstacle to creative thinking is the fear of failure or loss. It is the fear of being wrong, of making a mistake, or of losing money or time. As it happens, it is not the experience of failure that holds you back. You have failed countless times in life and it hasn't done you any permanent damage. It is the possibility of failure, the anticipation of failure

that paralyses action and becomes the primary reason for failure and ineffective problem solving.

3. Fear Of Criticism:- The third major obstacle to creative thinking is the fear of criticism, or the fear of ridicule, scorn or rejection. It is the fear of sounding dumb or looking foolish. This is triggered by the desire to be liked and approved of by others, even people you don't know or care about. As a result, you decide that, "If you want to get along, you have to go along."

It is amazing how many people live lives of underachievement and mediocrity because they are afraid to attempt to sell themselves or their ideas for business success. They are afraid to ask someone to buy or try their product or service. As a result of these fears of rejection and criticism, they play it safe and settle for far less than they are truly capable of earning.

4. Striving For Constancy:- A major obstacle to creative thinking is called "homeostasis." This is a deep subconscious desire to remain consistent with what you have done or said in the past. It is the fear of doing or saying something new or different from what you did before. This homeostatic impulse holds people back from becoming all they are capable of becoming and from achieving business success.

5. Passive Vs. Proactive Thinking:- The fifth obstacle to creative thinking for business success is passivity. If you do not continually stimulate your mind with new ideas and information, it loses its vitality and energy, very much like a muscle that is not exercised. Instead of thinking proactively and creatively, your thinking becomes passive and automatic.

A major cause of passive thinking is routine. Most people get up at the same time each morning, follow the same routine at their jobs, socialize with the same people in the evenings, and watch the same television programs. As a result of not continually

challenging their minds, they become dull and complacent. If someone suggests or proposes a new idea or way of doing things, they usually react with negativity and discouragement. They very soon begin to feel threatened by any suggestion of change from the way things have been done in the past.

6: Rationalizing And Justifying:- The sixth obstacle to creative thinking for business success is rationalizing. We know that human beings are rational creatures, but what does that mean? Being rational means that we continually use our minds to explain the world to ourselves, so we can understand it better and feel more secure. In other words, whatever you decide to do, or not do, you very quickly come up with a good reason for your decision. By constantly rationalizing your decisions, you cannot learn to improve performance for business success.

Enhancing creativity?

1. Reward Creativity:- If you want to get employees to think out-of-the-box, you need to motivate them with some form of rewards. Moreover, suggestions have to be taken seriously so that employees are willing to come up with more creative ways of improving the workplace. Otherwise, everyone will think it's a waste of time to squeeze out creative juices for suggestions that won't be implemented anyway.
To kick-start things up, you can set goals for your employees to think up of some ways of making work processes more efficient. Perhaps each employee can be tasked to provide one suggestion by the end of each week and you'll assess which idea is the best. This will be followed with a reward for the employee and equally important, implementation. The reward can be tangible ones like giving monetary incentives, or intangible ones like recognition from the organization by announcing the winner to the rest.

2. Anonymity & Confidentiality:- Your employees may already be motivated to be creative but have no outlets to voice out their wonderful ideas. While the outspoken ones can always speak to the management about some suggestions they have in mind, others may be too shy or afraid to do so in this manner. Providing a suggestion box or anything similar would grant these employees the anonymity and confidentiality they crave, thereby inspiring the creative spirit that you wish to instill as part of the organization culture.

However, some of the most creative ideas are born out of brainstorming sessions where a group of people discuss and debate about possible solutions to a problem. Having such a private channel for employees to contribute ideas may thus hinder the creative process. Moreover, those who provide the effective ideas won’t get identified and get the recognition they need. It will be wise to balance both private and public mediums for employees to propose their suggestions.

3. Innovation Teams:- A more systematic way of promoting creativity in the workplace is to set up innovation teams. Each innovation team will be tasked to come up with ideas on how to improve the work process of a particular aspect. Deadlines are to be set to ensure that the teams present their ideas and be rewarded if they are excellent. When done properly, this will signal to everyone that the organization values work-related creativity.

One catch is that such innovation teams may be seen as too â€˜deliberate’ to some employees. Creativity is supposed to be spontaneous; ideas arising from the strokes of genius. Having such teams may make it seem like an extra chore for those assigned to them, and the systematic approach (i.e. the focus on a single topic) may come across as too rigid for creativity to flourish.

4. Support Creativity:- Employees may be unwilling to take risks because they do not know whether the organization supports creativity. This is when you need to guide the organization in the right direction, and show that creativity is highly valued. This has a lot to do with how receptive you are to their ideas, and how you make known your intention to be a more creative company.One reason why employees are not thinking out-of-the-box or coming up with solution that are vastly different from how things used to be done is that they may be afraid of the repercussions of making mistakes. Risk-taking has to be encouraged and be seen as a norm in the organization. Developing a creative culture takes time, but it starts off with management being more open-minded and less judgmental to the suggestions by employees.

5. Diversity Among Employees:- How can different ideas exchange if everyone thinks in a similar manner? Employees with comparable backgrounds, qualifications, experience, etc creates a homogeneous working environment. Perhaps having such homogeneity between the employees will facilitate team-bonding and such, but when it comes to workplace creativity, a uniform and agreeable crowd leaves little room for ideas to flourish.
Rather than setting stringent recruitment prerequisites, you might consider giving more allowance in your criteria. Hire staffs from different knowledge and background and get them to mingle around in projects and even company events. Organize more informal settings between employees with dissimilar profiles for the interchanging of thoughts.

6. Positive Working Environment:- Sometimes, too serious a mindset can hinder creativity. Having fun during work allows one to be relaxed and that's where one tends to get inspired with wonderful ideas. Needless to say, a stressful or even depressing work environment doesn't give one the mood to think of doing

things differently. The employee would only look forward to the end of the day.
Psychological studies have revealed that positive mood can spur creativity. The idea is that positive mood awards us with greater flexibility in thinking because our perspectives are widened. We become more open-minded in that sense and are willing to explore alternatives. Knowing such findings now, incorporating fun into the work through team-bonding activities or retreats every once in a while can be a crucial element in injecting creativity in the workplace.

Source of innovation?

7 sources of innovation written by Peter Drucker. Every innovator and business should keep these in mind.

1.First off is The Unexpected. The Unexpected is exactly what it sounds like, you have to expect the Unexpected if you want to have a successful business. The unexpected could mean failure, success, surprised, ECT. You must be ready for anything. The whole market could change dramatically by peoples unexpected decisions. A good hypothetical example of this would be if the whole electron market was down really bad in the stock market for some random reason. If you are a electronic company like say Best Buy you must adjust.

2. Second is something called Incongruities. Incongruities is basically thinking differently. Not only thinking differently from your competitors, but also thinking differently from society. What I mean by this is you must find a creative idea to sell, and you can only do this by thinking differently to discover a new invention or idea. When I think of thinking differently Steve Jobs comes to mind and all of his inventions. A good example of this would be how Steve Jobs and apple created the Iphone it was one of a kind at

the time, no one else combined both music and a cell phone in one. Manoj Bhargava

3.Third on the list is an idea called Process need. Process need is similar to Incongruities in that you must think differently than the everyone else. If there is a glitch or something missing in society or in a business you must find a innovative way to fix it. For example the creator of 5 hour energy Manoj Bhargava noticed that more people were consumming caffinated drinks. And in turn more people had to wait in line at stores that supplied coffee. Manoj Bhargava was innovator in that he created something that you can drink right away and did not take a while to drink nor did you have to wait in line to get the drink.

4. Fourth is called Changes in Industry and Market Structures. This topic is related to the "Unexpected" if you are a business owner you must expect the unexpected in your industry or market. Other business's from within or even from with out your market could change your market. To make things simple I will stick with the 5 hour energy example. When Manoj Bhargava created 5 hour energy the whole caffeine market was changed, more and more people were now buying small less expensive energy drinks rather than coffee. This meant that Starbucks, Dunkin Donuts and other coffee industries had to adjust because of change in the market.

5. Demographics is esstiannly the change in population. For example the change in amount of kids riding bikes, change in amount of men over 50, change in amount of African Americans in America, ECT. These changes in Demographics change the way innovators run their business. A hypothetical example of this would be if we annexed mexico then the hispianic population in the U.S. would rise. If spanish people consume a lot of coffe then the coffe market would change, and in turn it would also effect other markets for example the bagel market would be affected

because if more people buy coffe more and more people might stop by to get a bagel as well.

6. Sixth on the list is Changes in Perception. Perception is the way people perceive something. In the business world the general public might perceive a industry a certain way that could be good or bad. Perception changes over time. For example 50 years ago people did not know the affects of tobacco. So now more and more people are staying away from cigarettes so there is less advertising.

7. Last but not least is New knowledge. New knowledge of technology both scientific and non scientific. Business owners must be in touch with todays technology to run their business. There are new discoveries all the time that could affect your business. For example if the U.S. discovered they have a bunch somewhere in the U.S.! Oil companies would start digging to get the oil.

Managing organization for Innovation?

Establishing a creative environment takes more than just turning your employees loose and giving them free reign in the hope they'll hit on something valuable.
As with any other system, the process of creativity requires the proper framework to operate effectively, which also enables management to evaluate the profitability of the results.
Popular approaches to fostering innovation through creativity include:
Create a stimulating environment. Offices that include stimulating objects such as journals, art, games and other items - some of which may not even be directly related to your business - serve as sources of inspiration. In addition, structuring the work area by

removing physical barriers between people will improve communication and promote creative interaction.
Reward efforts through positive psychological reinforcement. Encourage your employees to take risks, rewarding them for creative ideas and not penalizing them when they fail. In doing so, you'll enable people to more readily take on assignments that stretch their potential (and that of your organization), discussing in advance any foreseeable risks and creating the necessary contingency plan.
Encourage employees at all levels to contribute suggestions for improving current business operations.

Social entrepreneurship?

Social entrepreneurship is the use of the techniques that start up companies and other entrepreneurs to develop, fund and implement solutions to social, cultural, or environmental issues. This concept may be applied to a variety of organizations with different sizes, aims, and beliefs. He is a person who pursues an innovative idea with the potential to solve a community problem. These individuals are willing to take on the risk and effort to create positive changes in society through their initiatives.

Characteristics of social entrepreneur?

1.Willingness to Self-Correct:- Elnor Rozenrot of Innosight Ventures told us in the very first interview for this blog that 90% of successful ventures start out with the wrong business plan. The ones that succeed, therefore, must alter course. "It takes a combination of hard-headedness, humility, and courage to stop and say, 'This isn't working' or 'Our assumptions were wrong,' particularly when your funding is contingent on carrying out a preauthorized plan. However, the entrepreneur's inclination to

self-correct stems from the attachment to a goal rather than to a particular approach or plan" (p. 234).

2.Willingness to Share Credit:- "There is no limit to what you can achieve if you don't care who gets the credit," explains Bornstein. One of the best examples comes from Ashoka Fellow of the Year David Kuria of Kenya, Founder of IkoToilet. Kuria built hygienic and affordable toilets for the 1 million slumdwellers of Kibera (a district of Nairobi, Kenya) but found that government regulations would make it difficult to expand his efforts. So he put the City Council of Nairobi's logo on all Ikotoilets he constructed, which made people feel like the government was responding to their needs. The government was happy to take the credit and became very supportive of Kuria's Ikotoilet, lifting barriers for expansion. In fact, to give my teammates here at the Unreasonable Institute an opportunity to be excellent, I routinely take credit for their work.

3.Willingness to Break Free of Established Structure:- The word "entrepreneur" comes from French, originally meaning "to take into one's own hands." Excellent social entrepreneurs, therefore, do not depend on traditional avenues for creating social impact (e.g. government, religious institutions) and blaze their own paths for creating impact.

4.Willingness to Cross Disciplinary Boundaries:- Highly successful social entrepreneurs not only escape established structures, they also combine thinking and resources from different disciplines to achieve their intended goal. "Indeed," explains Bornstein, "one of the primary functions of the social entrepreneur is to serve as a kind of social alchemist: to create new social compounds; to gather people's ideas, experiences, skills, and resources in configurations that society is not naturally aligned to produce" (p. 236).

5.Willingness to Work Quietly:- Many social entrepreneurs are recognized only after working for years on their ideas in relative obscurity. Bornstein cites a a thought from Jean Monnet, who orchestrated the European Unification: there are those who want to “do something” and those who want to “be someone.” Those few who create deep impact more often fall into the former category.

6.Strong Ethical Impetus:- Highly-successful Social entrepreneurs aren’t fueled by a drive to become famous or build a fortune, but a desire to restore justice in society, to address social problems. And this motivation comes down to a clear sense of what is right and what is wrong. This “ethical impetus” is not only evident in the work of successful social entrepreneurs, but also in how they live their lives

Scaling up?

1.People make the organization:- Harnish advises leaders to think of the company in terms of who, not what -- and he’s right. People determine a company’s success, and it is believed that hiring the right people is critical. Hiring a team of A-players will solve most of the problems a company has.Invest time and money into the hiring process to find the best professionals to take the company to the next level. Screen candidates not only for their skills and knowledge, but also for their personality and how well they fit the mission, values and culture.After hiring the best talent, treat employees well to keep them around and motivate them to do their best work. Communicate openly, recognize and reward their achievements, and give them the tools and training they need to succeed.People are the backbone of the business, so invest in their growth and development. Enroll employees in online courses to expand their skills and send them to conferences and industry events to keep them informed and connected. Show employees the potential career paths and the opportunities available within the company to keep them motivated and working toward new goals. When people grow and develop, so does the business.

2.Follow a simple strategy:- In the words of Albert Einstein, "Everything should be made as simple as possible -- but not simpler." Businesses need a strategy to succeed, but it shouldn't be complicated. Create a one-page strategic plan. Harnish has a great template on his website. Everything the business needs to succeed should fit on one piece of paper. The strategy should include the strengths, weaknesses, opportunities and threats of the business, the company's core values and mission. Set goals for each quarter, year and targets for a few years down the road. Include a short analysis of the market and a short pitch for investors.
Find coaches to help draft and develop the strategy. Talk to experts in scaling up, contacts who have done it before, consultants and other colleagues to give advice, feedback and input. I've found outside perspectives and advice to be critical to success.
Lay out the simple strategy and stick to it. Focus on the plan to keep the business on track and moving toward the goal.

3.Execute efficiently to see the forest:- A business will never grow without looking at the big picture, but leaders can't see the big picture if they're wrapped up in the day-to-day activities of running the business. Harnish says execution should be drama-free, and I agree -- leaders should lead, not micro-manage.Leave the everyday tasks to the team, and focus instead on scaling up. Spend time interacting with customers, researching market trends and networking with professionals who can offer an outside perspective. Spend time improving the business,

perfecting existing products and services and developing new ones, expanding the vision of the company and growing to new markets. Take a step outside everyday activities and the inner-workings of the business to see the forest through the trees.
Look beyond the present to see where the business is going and where it can grow in the future.

4.Stash extra cash:- When unexpected storms come, a cash reserve can keep the company afloat. No cash is expendable, and every purchase should be considered thoroughly. Harnish emphasizes the need to create a sustainable flow of cash, but it also comes down to saving and spending money wisely.Even after Microsoft became extremely successful, the company didn't spend money on anything unnecessary like luxury trips or untested strategies. Instead, the company saved the money and built up a large cash reserve.

Funding for NGO?

Let us examine the various sources of funding available for NGOs both at the conventional as well as non-conventional level. Conventional sources are those that are mostly existing and donor –based and non-conventional sources of funding are those that also include alternative fundraising for organizations. The bilateral and multilateral aid is one of the biggest sources of funding we have seen over the past fifty and more years. These originate either from the foreign offices of the developed countries or from the multilateral organizations set up by different countries such as the United Nations, the World Bank, the Asian Development Bank. These organizations have been created to extend international support for alleviating poverty and reducing the socio-economic gap between the developed and the developing countries. But their agendas are far more complex

and they are not necessarily focused upon injecting funds into NGOs, but definitely a small part of their massive programs does include funding support for NGOs in developing countries. The second important source of funding is the private charities/foundations/international organizations that are more privately handled and have a better focus on equipping local NGOs not just financially but also technically. In countries where there is some economic growth recorded with a presence of a wealthy private sector, NGOs can also look upon the corporate agencies as another major source of funding for them. There are also international corporate groups that have Corporate Social Responsibility (CSR) agenda for enhancing equity, social justice and development. Besides, in the present times, the corporate agencies are also partnering with NGOs for joint profit-oriented projects. In some countries, the local governments are also a major source of funding as they have different community welfare and development schemes which NGOs can apply and raise resources and implement projects. Donations and gifts, mostly from individuals or informal groups are also sources of funding for NGOs. Finally, the non-conventional resources include the micro-enterprises, microfinance and micro-insurance.

Issues faced by NGO’s?

1.During the start-up:
Get the contributions and input of the board in developing the mission and business plan. It’s critical that the board be invested in both.

Be careful of drafting a specific purpose statement in the articles of incorporation that is too narrow to allow for a natural evolution of the organization without requiring an amendment.

Consider working with a lawyer to draft your bylaws, which will be the principal instruction manual of how the organization will be governed. Make the bylaws best fit your needs without falling into traps that will cause future disputes that can handcuff the organization.

Take great care in coordinating your business plan with the issues raised in your federal tax-exemption application eg:- family and business relationships among directors and officers and potential conflicts of interest.

Remember your state may require separate filings for state tax-exemption.

Be aware that states in which you fundraise generally require state registration.

2.During the early-stage management:
Periodically review your governing documents (articles of incorporation and bylaws) and make sure you are operating consistent with those documents and that they remain compliant with applicable laws (which change over time).

Ensure that you are nurturing the development of the board (continual recruitment and retention practices can be critically important).

Be knowledgeable about your ongoing filing requirements (e.g.,CA Statement of Information).
Talk with an insurance agent about your organization's insurance needs (consider minimally some type of general liability insurance and policy for directors and officers).

Make absolutely sure that you have compliant employment practices (employee-related liabilities may be your greatest risk exposure).

Understand other applicable laws that your organization must comply with, including those related to executive compensation, lobbying, electioneering, and intellectual property (e.g., copyright, trademark).

Delegate tasks with reasonable care, both in the selection of the right people and in the provision of ample resources to such people to accomplish those tasks.

Develop and adopt sound policies (e.g., document retention/destruction, whistleblower, executive compensation, expense reimbursement, gift acceptance).

Contents not included * managerial responsibilities, role of social entrepreneurs, innovation and entrepreneurship in a social context*

Startup or growth equity capital or loan capital provided by private investors (the venture capitalists) or specialized financial institutions (development finance houses or venture capital firms). Also called risk 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. This is most commonly found in high growth technology industries like biotech and software.

A person who deals in venture capital is a venture capitalist, and usually works for a venture capital firm.

The firm typically has one or more investment portfolios that are owned by a limited partnership. The venture capitalist is often a general partner in the portfolio, and individual investors or other institutions (particularly university endowments and pension funds) are limited partners in the limited partnership.

Venture Capital vs Loans

Although loans and venture capital are both common methods for funding businesses, venture capital is very different from a loan.

With a loan, a lender gives a company money, and the company has a contractual obligation to pay back that amount plus interest over some period of time. Sometimes the loan is backed by assets (like equipment or inventory) or receivables. In the case of many small businesses, the loan is backed by a personal guarantee from the business owner. This backing allows the lender to recoup some of its investment in case the lendee defaults (fails to make payments)

With venture capital, the startup company issues private shares in exchange for money.
The venture capitalist's partnership fund actually becomes a partial owner of the startup. Additionally, venture capital is usually only used with high growth industries, where risk is much higher. In these cases, there are little or no assets to back the loan in the event of default so the likelihood of obtaining a loan is much lower, and the potential payouts must be drastically higher to result in a successful investment.

Venture Capital vs Crowdfunding

The primary difference between venture capital and crowdfunding is simply equity. Venture capitalists acquire equity in the startup. Crowdfunders do not. Instead, crowdfunding is much more like a high-risk pre-order platform, where there's a reasonable probability that the startup may fail to deliver the pre-order.

Role played by commercial banks

A commercial bank makes money by lending to individuals and businesses. It gets the money to lend from deposits consumers make in the bank. An investment bank, on the other hand, can hold stocks and bonds and may offer those to investors in the marketplace. Small businesses rely on commercial banks for a variety of services that make it easier to do business and grow a company.Loans

To get a loan from a commercial bank for a small business, you will need to have a track record. You must show sales growth, assets and some reasonable sales projections for your company. According to the website Reference for Business, small businesses are the fastest-growing part of the economy, as of publication. Commercial banks will compete for your business by offering a variety of interest rates and loan lengths and by reducing the amount of collateral they require to secure a loan. According to the Wall Street Journal, small-business banking is not merely a matter of hard numbers but depends heavily on the relationship between the loan officer and the business owner. In short, the role of commercial banks with small businesses has become increasingly personal and relationship-oriented.

Investment Services

One way to grow a small business is to invest profits for additional income or growth. Commercial banks typically have an investment department that can guide you in the selection of stocks, bonds, money market accounts and real estate. Having this strong relationship with the investment department can strengthen your relationship with the loan department.

Corporate Credit Cards

You can get credit cards in the name of your company from a commercial bank. This will help you keep track of all business purchases because they will all be on one statement. A commercial bank will count a credit card as an unsecured loan, meaning you will not have to put up any collateral. You can issue credit cards to company officers and instruct them to use them to make all purchases. This places the commercial bank in the role of organizing and tracking your expenses.

Bookkeeping

Commercial banks will help a small business with its bookkeeping. This help begins with bank statements that categorize expenses. However, commercial banks will also help a small business create profit-and-loss statements. These banks have increasingly taken on the role of helping business owners create financial reports and other essential records for their companies. These essential records include tax documents that show the deductible expenses, taxable income and exempt income for a small business.

In a very general sense, a consortium is any group of individuals or entities that decides to pool resources toward a given objective. A consortium is usually governed by a legal contract that delegates responsibilities among its members. In the financial world, a consortium refers to several lending institutions that group together to jointly finance a single borrower. These multiple banking arrangements are very similar to a loan syndication, although there are structural and operational differences between the two.

Loan Syndication

While a loan syndication also involves multiple lenders and a single borrower, the term is generally reserved for loans that involve international transactions, different currencies and a necessary banking cooperation to guarantee payments and reduce exposure. A loan syndication is headed by a managing bank that is approached by the borrower to arrange credit. The managing bank is generally responsible for negotiating conditions and arranging the syndicate. In return, the borrower generally pays the bank a fee.

The managing bank in a loan syndication is not necessarily the majority lender, or "lead" bank. Any of the participating banks may act as lead or assume the responsibilities of the managing bank depending on how the credit agreement is drawn up.

Consortium

Like a loan syndication, consortium financing occurs for transactions that might not take place with a single lender. Several banks may agree to jointly supervise a single borrower with a common appraisal, documentation and follow-up. Consortiums are not built to handle international transactions such as a syndication loan; instead, a consortium may arise because the size of the project at hand is simply too large or too risky for any single lender to assume. Sometimes the participating banks form a new consortium bank that functions by leveraging assets from each institution and disbands after the project is complete.

Sources of Finance for Small Scale Industries: Traditional and Modern Source!

While some of the above-mentioned sources also provide funds for small-scale industries it may be useful to make a separate mention of their sources of funds, as these industries differ from large-scale industries in such important matters as organisation, scale of production, collateral/security etc. sources are both traditional and modern and both are important.

(A) Traditional Sources:

An important traditional source of finance is the moneylender. He predominates in the rural areas, and is of some significance in urban areas also.

However, in urban areas it is the indigenous banker who does much of the financing of small industries. Considerable finance flows from these sources.

These sources are also important because these often come to the aid of these industries at critical times and that too with little fuss. Their relations with small industrialists are very close indeed.

But the financing from these sources has not been of much help in ensuring a proper use of funds or in promoting productive activities along healthy lines. Interest charges are normally very high. Repayment Conditions too are stiff. New and risky ventures get very little from these sources. As a result many of the industries depending on them have not done well.

(B) Modern Sources:

As for modem sources are concerned, there are several institutions in the field. To begin, with one may mention those almost exclusively meant for small industries (and also medium Industries). These are e.g., the State Financial Corporation, set up in several states and in operation since 1951.

At the state level there are also Industrial Development Corporations for financing small industries in then- respective states. In addition, there are several institutions and schemes of All-India level. There is, for instance the credit Guarantee Scheme (started in July 1960)

and later replaced (in April 1981) by the Deposit-Insurance and Credit-Guarantee Corporation.

These are meant to ensure guarantee-support for finance of the weaker sections. There are then commercial banks offering mostly short-term credit. They have also been helpful in setting up of industrial estates.

Since these banks are largely urban-oriented oriented in their working, government established Regional Rural Banks to meet the credit needs o village industries and craftsmen. Other All-India Institutions which also provide finances to the small industries are the Industrial Development Bank, Industrial Finance Corporation, as also Industrial Credit and Investment Corporation.

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 corporations in the U.S. and Europe to receive loans from banksand other institutional financial capital providers. The U.S. market originated with the large leveraged buyout loans of the mid-1980s, 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 arespeculative 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.

In the U.S., corporate borrowers and private equity sponsors fairly even-handedly drive debt issuance. Europe, however, has far less corporate activity and its issuance is dominated by private equity sponsors, who, in turn, determine many of the standards and practices of loan syndication.

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 a term loan 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 right hands and the capital and interest income of the bank is relatively secured.

While appraising a term loan, 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. Credit worthiness is assessed with parameters such as the willingness of promoters to pay the money back and repayment capacity of the borrower.

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While appraising a term loan, 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. Credit worthiness is assessed with parameters such as the willingness of promoters to pay the money ba and repayment capacity of the borrower.

Four broad areas of appraisal by banks are a market, management, technical and management.

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. Basically, 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 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.

It is difficult to explain the process of appraisal in an article or even a set of articles. It is a very extensive work being done at financial institutions. They have a separate team of professionals for conducting such project appraisals.

UNIT :3rd

The Entrepreneur; Role and personality

Starting and growing your own business requires many skills to be successful. Take a look at the business personality types and find out what you need to succeed. Are you Bill Gates, a Visionary, or an Improver like Body Shop founder, Anita Roddick?

Your business personality type are the traits and characteristics of your personality that blend with the needs of the business. If you better understand your business personality, then you can give your company the best part of you.

The 9 Personality Types of Entrepreneurs

1. The Improver: If you operate your business predominately in the improver mode, you are focused on using your company as a means to improve the world. Your overarching motto

is: morally correct companies will be rewarded working on a noble cause. Improvers have an unwavering ability to run their business with high integrity and ethics.

Personality Alert: Be aware of your tendency to be a perfectionist and over-critical of employees and customers.

Entrepreneur example: Anita Roddick, Founder of The Body Shop.

2. The Advisor: This business personality type will provide an extremely high level of assistance and advice to customers. The advisor's motto is: the customer is right and we must do everything to please them. Companies built by advisors become customer focused.

Personality Alert: Advisors can become totally focused on the needs of their business and customers that they may ignore their own needs and ultimately burn out.

Entrepreneur example: John W. Nordstrom, Founder Nordstrom.

3. The Superstar: Here the business is centered around the charisma and high energy of the Superstar CEO. This personality often will cause you to build your business around your own personal brand.

Personality Alert: Can be too competitive and workaholics.

Entrepreneur example: Donald Trump, CEO of Trump Hotels & Casino Resorts.

4. The Artist: This business personality is the reserved but highly creative type. Often found in businesses demanding creativity such as web design and ad agencies. As an artist type you'll tend to build your business around the unique talents and creativities you have.

Personality Alert: You may be overly sensitive to your customer's responses even if the feedback is constructive. Let go the negative self-image.

Entrepreneur example: Scott Adams, Creator of Dilbert.

5. The Visionary: A business built by a Visionary will often be based on the future vision and thoughts of the founder. You will have a high degree of curiosity to understand the world around you and will set-up plans to avoid the landmines.

Personality Alert: Visionaries can be too focused on the dream with little focus on reality. Action must proceed vision.

Entrepreneurial example: Bill Gates, Founder of MicroSoft Inc.

6. The Analyst: If you run a business as an Analyst, your company is focus on fixing problems in a systematic way. Often the basis for science, engineering or computer firms, Analyst companies excel at problem solving.

Personality Alert: Be aware of analysis paralysis. Work on trusting others.

Entrepreneurial example: Intel Founder, Gordon Moore.

7. The Fireball: A business owned and operated by a Fireball is full of life, energy and optimism. Your company is life-energizing and makes customers feel the company has a get it done attitude in a fun playful manner.

Personality Alert: You may over commit your teams and act to impulsively. Balance your impulsiveness with business planning.

Entrepreneurial example: Malcolm Forbes, Publisher, Forbes Magazine.

8. The Hero: You have an incredible will and ability to lead the world and your business through any challenge. You are the essence of entrepreneurship and can assemble great companies.

Personality Alert: Over promising and using force full tactics to get your way will not work long term. To be successful, trust your leadership skills to help others find their way.

Entrepreneurial example: Jack Welch, CEO GE.

9. The Healer: If you are a Healer, you provide nurturing and harmony to your business. You have an uncanny ability to survive and persist with an inner calm.

Personality Alert: Because of your caring, healing attitude toward your business, you may avoid outside realities and use wishful thinking. Use scenario planning to prepare for turmoil.

Entrepreneurial example: Ben Cohen, Co-Founder Of Ben & Jerry's Ice Cream.

Each business personality type can succeed in the business environment if you stay true to your character. Knowing firmly what your strong traits are can act as a compass for your small business. If you are building a team, this insight is invaluable. For the solo business owners, understand that you may need outside help to balance your business personality.

Encouraging change in the family business system

The governance of an organization defines and maintains the basic direction of the organization through certain processes, structures, plans and policies, rules and agreements. The term governance, in fact, derives from a Latin word that has to do with steering. Successful or effective governance of an organization focuses on (1) creating and encouraging a suitable identity for the organization and its members, (2) setting a sensible and motivating direction for the organization, and (3) maintaining the organization's discipline to achieve these ends. We normally think of governance concerning a business, but all types of organizations—for-profits, not-for-profits, governmental organizations,

schools, social clubs and families—benefit from having a healthy identity, a motivating direction and strong discipline.

It's helpful to think of governance as a necessary ingredient in a well-functioning organization, but not a sufficient one. Even when these three governance tasks are done well, they are generally not sufficient to keep an organization pointed in the "right" direction and performing strongly. Competent management, inspiring leadership, and having organization members with the right skills and values also contribute. Good governance of an organization complements these other organizational resources.

This note introduces a series of papers on the governance of the family business system, which includes the business organization, the business family (the family that owns the business), and the ownership group for the family business.1 Here we will review the fundamentals of good governance and introduce the processes (activities), structures (decision-making and discussion groups), plans, and policies, rules and agreements that help to steer the business, family and ownership group, as well as the entire family business system.

The following key terms are used in our discussion of governance for an organization:

Governance objectives are the achievement of a suitable identity, a sensible and motivating direction, and the organization discipline to achieve these ends.

Governance processes are activities and practices—such as goal setting, planning, performance monitoring, developing organization members, culture building, meetings, conversations and decision-making—used (more or less effectively) to achieve the above objectives.

Governance structures are the decision-making groups and discussion forums—such as the senior management group, board of directors, shareholders meeting, family leaders, and family council—that (more or less effectively) lead and encourage governance processes.

Governance plans help define (more or less effectively) the future direction of the organization.

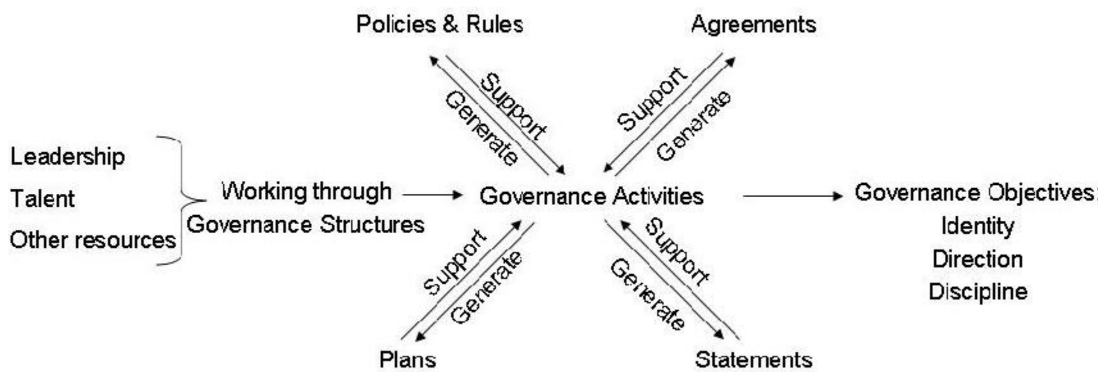
Governance statements, policies and rules help define (more or less effectively) guideposts for proper behavior in the organization—for example a statement of core values of the group, a policy on employment of family members, or a rule on how the group will make decisions; sometimes these are set by an outside group, including by the legal system of the country; usually they are established by the members of the organization.

Governance agreements help define (more or less effectively) the rights and responsibilities of key stakeholders, and the terms by which key stakeholders agree to participate in the organization; again, these can be set by an outside group, including by the legal system, or established by the members of the organization.

These four components should support each other and together help to achieve the objectives of good governance. While each of these components of a governance system is

important to its functioning, governance processes most directly help to steer an organization. The following activities and practices illustrate effective governance processes:

Creating a suitable identity for the organization and its members:



These four components should support each other and together help to achieve the objectives of good governance. While each of these components of a governance system is important to its functioning, governance processes most directly help to steer an organization. The following activities and practices illustrate effective governance processes:

Creating a suitable identity for the organization and its members:

- **Developing a statement of core values or principles, and teaching, monitoring and enforcing these standards.**

Womens issues in the family business

The greatest challenges faced by women in family business today are juggling the roles. Women tend to take on too much, the roles of mother, wife, so family member is so, so important, but then within the business, what kind of career path do I want, and how can I do that if I'm both mother to young children and pursuing a position in the business. Very difficult to manage those roles. And then other roles, perhaps it's just self-care, just taking care of one's own body of one's own health, one's own interests outside of the family business, things that may be much more life-giving than some of the day-to-day should's that we perceive we need to do in the business, or in the family. So.

Daughters, in the past, were usually not considered for the business. They were expected to marry and their contribution, in some countries, consisted in bringing the right husbands to the family business – another way of recruiting talent. In many families, daughters were given money or real estate as their heritage, while sons were given shares.

When daughters received shares, it was usually in much smaller proportion than their brothers. This was the norm until a generation ago. It linked ownership to management and protected daughters from business downturns. The traditional shares for boys and other assets for girls, has important consequences on the family business.

It entails taking capital out of the business to ensure daughters' inheritance, and limiting the family talent pool to boys and their male successors. Another consequence that many family firms experience in Europe is the feeling of exclusion expressed by daughters' descendants.

The Evolution of Society and Roles

Traditions change and we see more and more daughters succeeding fathers or uncles as CEOs of family businesses. One highly visible example is Marilyn Carlson Nelson, who headed the Carlson Companies founded by her father in the USA and employing 150,000 people. During her tenure, women in executive posts increased from 5 to 40 percent. Overwhelmingly, women still remain the "family glue", but this is changing too. In large third generation ownership families, men sometimes play that role. Not all women should, or want to become executives, but fairness requires at least checking first, otherwise that would be a denial of choice.

Families in which such issues remain buried, rather than being discussed and translated into decisions that can be accepted by all, run greater risks of dissent. Winning enterprises must recruit as widely as possible from pools of talent. In family firms, new businesses or subsidiaries are often entrusted to family members.

The evolution of women leaders in US family businesses

Rapid growth can quickly outstrip possibilities of executive staffing through male offspring only… and research suggests that succession is often easier from father to daughter.

American Family Business Survey	1997	2002	2007
The present CEO is a woman	4.7%	9.5%	24%
The next CEO could be a woman	25.4%	34%	34%
At least one woman in the family is employed full-time	40.9%	52.4%	52%
% of women among the family employees	19.2%	26.6%	40%

Family Business: Concept, structure and kinds of family firms

A family business is a commercial organization in which decision-making is influenced by multiple generations of a family—related by blood or marriage—who are closely identified with the firm through leadership or ownership. Owner-manager entrepreneurial firms are not considered to be family businesses because they lack the multigenerational dimension and family influence that create the unique dynamics and relationships of family Family business is the oldest and most common model of economic organization. The vast majority of businesses throughout the world—from corner shops to multinational publicly listed organizations with hundreds of thousands of employees—can be considered family businesses.[1] Based on research of the Forbes 400 richest Americans, 44% of the Forbes 400 member fortunes were derived by being a member of or in association with a family business.[3]

businesses. The economic prevalence and importance of this kind of business are often underestimated. Throughout most of the 20th century, academics and economists were intrigued by a newer, "improved" model: large publicly traded companies run in an apparently rational, bureaucratic manner by well trained "organization men." Entrepreneurial and family firms, with their specific management models and complicated psychological processes, often fell short by comparison.[1]

Privately owned or family controlled enterprises are not always easy to study. In many cases, they are not subject to financial reporting requirements, and little information is made public about financial performance. Ownership may be distributed through trusts or holding companies, and family members themselves may not be fully informed about the ownership structure of their enterprise. However, as the 21st-century global economic model replaces the old industrial model, government policy makers, economists, and academics turn to entrepreneurial and family enterprises as a prime source of wealth creation and employment.[1]

In some countries, many of the largest publicly listed firms are family-owned. A firm is said to be family-owned if a person is the controlling shareholder; that is, a person (rather than a state, corporation, management trust, or mutual fund) can garner enough shares to assure at least 20% of the voting rights and the highest percentage of voting rights in comparison to other shareholders. In a family business, two or more members within the management team are drawn from the owning family. Family businesses can have owners who are not family members. Family businesses may also be managed by individuals who are not members of the family. However, family members are often involved in the operations of their family business in some capacity and, in smaller companies, usually one or more family members are the senior officers and managers. In India, many businesses that are now public companies were once family businesses. Family participation as managers and/or owners of a business can strengthen the company because family members are often loyal and dedicated to the family enterprise. However, family participation as managers and/or owners of a business can present unique problems because the dynamics of the family system and the dynamics of the business systems are often not in balance.

Problems

The interests of a family member may not be aligned with the interest of the business. For example, if a family member wants to be president but is not as competent as a non-family member, the personal interest of the family member and the well being of the business may be in conflict. Or, the interests of the entire family may not be balanced with the interests of their business. For example, if a family needs its business to distribute funds for living

expenses and retirement but the business requires those to stay competitive, the interests of the entire family and the business are not aligned. Or, the interests of the entire family may not be balanced with the interests of their business. For example, if a family needs its business to distribute funds for living expenses and retirement but the business requires those to stay competitive, the interests of the entire family and the business are not aligned.[7]

Finally, the interest of one family member may not be aligned with another family member. For example, a family member who is an owner may want to sell the business to maximize their return, but a family member who is an owner and also a manager may want to keep the company because it represents their career and they want their children to have the opportunity to work in the company.

The three circles mode

The challenge for business families is that family, ownership and business roles involve different and sometimes conflicting values, goals, and actions. For example, family members put a high priority on emotional capital—the family success that unites them through consecutive generations. Executives in the business are concerned about strategy and social capital—the reputation of their firm in the marketplace. Owners are interested in financial capital—performance in terms of wealth creation. A three-circles model is often used to show the three principal roles in a family-owned or -controlled organization: Family, Ownership and Management. This model shows how the roles may overlap. Everyone in the family (in all generations) obviously belongs to the Family circle, but some family members will never own shares in the family business, or ever work there. A family member is concerned with social capital (reputation within the community), dividends, and family unity. The Ownership circle may include family members, investors and/or employee-owners. An owner is concerned with financial capital (business performance and dividends). The Management circle typically includes non-family members who are employed by the family business. Family members may also be employees. An employee is concerned with social capital (reputation), emotional capital (career opportunities, bonuses and fair performance measures). A few people—for example, the founder or a senior family member—may hold all three roles: family member, owner and employee. These individuals are intensely connected to the family business, and concerned with any or all of the above sources of value creation.

The genogram

A genogram is an organization chart for the family. It is an enhanced family tree that shows not only family events like births and deaths, but also indicates the relationships (close, conflicted, cut-off, etc.) among individuals in the family. It is a useful tool for spotting relationship patterns across generations, and decrypting seemingly irrational behavior. Family myths—sets of beliefs that are shared by the family members—can play important defensive and protective roles in families. Myths help people cope with stress and anxiety and, by prescribing ritualistic behavior patterns, will enable them to establish a common front against the outside world. They provide a rationale for the way people behave, but because much of what makes up a family myth takes place deep beneath the surface, they also conceal the true issues, problems, and conflicts. Although these family myths can turn into a blueprint for family action, they can also turn into straitjackets, reducing a family's flexibility and capacity to respond to new situations.

Parallel planning processes

All businesses require planning, but business families face the additional planning task of balancing family and business demands. There are five critical issues where the needs of the family and the demands of the business overlap—and require parallel planning action to ensure that business success does not create a family or business disaster.

1. **Capital How are the firm's financial resources allocated between different and family demands?**
2. **Control Who has decision-making power in the family and firm?**
3. **Careers How are individuals selected for senior leadership and governance positions in the firm or family?**
4. **Conflict How do we prevent this natural element of human relationships from becoming the default pattern of interaction?**
5. **Culture How are the family and business values sustained and transmitted to owners, employees and younger family members?**

Fair process

Fairness is a fundamental issue in family business decision-making. Solutions that are perceived as fair by the family and business stakeholders are more likely to be accepted and supported. Fair process helps create organizational justice by engaging family members, whether as owners and employees, in a series of practical steps to address and resolve critical issues. Fair process lays a foundation for continued family participation over generations.

Emotional dimension

The challenge faced by family businesses and their stakeholders, is to recognise the issues that they face, understand how to develop strategies to address them and more importantly, to create narratives, or family stories that explain the emotional dimension of the issues to the family.[12]

The most intractable family business issues are not the business problems the organisation faces, but the emotional issues that compound them. Many years of achievement through generations can be destroyed by the next, if the family fails to address the psychological issues they face. Applying psychodynamic concepts will help to explain behaviour and will enable the family to prepare for life cycle transitions and other issues that may arise. Family-run organisations need a new understanding and a broader perspective on the human dynamics of family firms with two complementary frameworks, psychodynamic and family systematic.

Structuring

When the family business is basically owned and operated by one person, that person usually does the necessary balancing automatically. For example, the founder may decide the business needs to build a new plant and take less money out of the business for a period so the business can accumulate cash needed to expand. In making this decision, the founder is balancing his personal interests (taking cash out) with the needs of the business (expansion).

Most first generation owner/managers make the majority of the decisions. When the second generation (sibling partnership) is in control, the decision making becomes more consultative. When the larger third generation (cousin consortium) is in control, the decision

making becomes more consensual, the family members often take a vote. In this manner, the decision making throughout generations becomes more rational

The assets that are owned by the family, in most family businesses, are hard to separate from the assets that belong to the business.

Scenario

Balancing competing interests often become difficult in three situations. The first situation is when the founder wants to change the nature of their involvement in the business. Usually the founder begins this transition by involving others to manage the business. Involving someone else to manage the company requires the founder to be more conscious and formal in balancing personal interests with the interests of the business because they can no longer do this alignment automatically—someone else is involved.

The second situation is when more than one person owns the business and no single person has the power and support of the other owners to determine collective interests. For example, if a founder intends to transfer ownership in the family business to their four children, two of whom work in the business, how do they balance these unequal differences? The four siblings need a system to do this themselves when the founder is no longer involved.

The third situation is when there are multiple owners and some or all of the owners are not in management. Given the situation above, there is a higher chance that the interests of the two off-spring not employed in the family business may be different from the interests of the two who are employed in the business. Their potential for differences does not mean that the interests cannot be aligned, it just means that there is a greater need for the four owners to have a system in place that differences can be identified and balanced

Succession

There appear to be two main factors affecting the development of family business and succession process: the size of the family, in relative terms the volume of business, and suitability to lead the organization, in terms of managerial ability, technical and commitment (Arieu, 2010). Arieu proposed a model in order to classify family firms into four scenarios: political, openness, foreign management and natural succession.

One of the largest trends in family business is the amount of women who are taking over their family firms. In the past, succession was reserved for the first-born son, then it moved on to any male heir. Now, women account for approx. 11-12% of all family firm leaders, an increase of close to 40% since 1996. Daughters are now considered to be one of the most underutilized resources in family businesses. To encourage the next generation of women to be valuable members of the business, potential female successors should be nurtured by assimilation into the family firm, mentoring, sharing of important tacit knowledge and having positive role models within the business.

Success

Successfully balancing the differing interests of family members and/or the interests of one or more family members on the one hand and the interests of the business on the other hand require the people involved to have the competencies, character and commitment to do this work.

Family-owned companies present special challenges to those who run them. The reason? They can be quirky, developing unique cultures and procedures as they grow and mature. That's fine, as long as they continue to be managed by people who are steeped in the traditions, or at least able to adapt to them.

Often family members can benefit from involving more than one professional advisor, each having the particular skill set needed by the family. Some of the skill sets that might be needed include communication, conflict resolution, family systems, finance, legal, accounting, insurance, investing, leadership development, management development, and strategic planning.[

Ownership in a family business will also show maturity of the business. If all the shares rest with one individual, a family business is still in its infant stage, even if the revenue is strong

Examples

- **Aditya Birla Group**
- **Avantha Group**
- **Bombardier Inc.**
- **Dillard's**
- **Glencore**
- **Ford**
- **Jolly Time**
- **Lundberg Family Farms**
- **Mango**
- **Mittal Steel**
- **Nordstrom**
- **Panda Energy International**
- **Raymond Group**

Culture and evolution of family firm

CULTURE Culture is the set of shared attitudes, values, goals and practices that characterises an institution, organisation or group. (Wikipedia.org, 2009: Online) 1.6.3

CONFLICT The perceived divergence of interest, or a belief that the parties' current aspirations cannot be achieved simultaneously (Pruitt & Ruben, 1986)

SUCCESSION Succession is the process associated with the movement of members out of an organisation and the replacement of their function

Conflict Resolution in Family Business

Conflict is a natural part of human relationships, whether in a family or business setting. Conflict is neither positive nor negative; if handled correctly it leads to new thinking, better planning and decision – and a stronger sense of trust and commitment." **– Carlock and Ward, 2010. While the successful continuation of your business into the next generation is an amazing feat, with it can come issues due to differing views about the future of the business from one generation to the next.**

A struggle for family owned businesses is not wanting to harm a personal relationship while airing a business conflict – but in avoiding the conflict, the issues underlying the conflict and tension persist, fostering distrust between the family members. There are also health and performance related consequences such as increased stress levels and an inevitable breakdown in communication amongst key decision-makers, making it difficult for the business to adapt and change to current economic and industry changes.

Create a Formal Family Council

It's tempting to mix business and personal and simply hash out company conflicts, opinions and strategy at any family gathering, but this can be more destructive than helpful. When a family business has a formal Family Council, family members are then able to air their grievances in the right arena and have their opinion heard for what it is – and not just be shot down at the family picnic because they are the youngster in the group.

A Family Council also allows the family members involved in the business to clarify their expectations of each other. This can include issues surrounding the equitable treatment of family members, the dividend policy of the company – weighing up the family's needs against the capital requirements of the business itself – the future outlook of the business, as well as the potential opportunities for family involvement.

The Family Council can create the Family Constitution

The Family Constitution is a fundamentally important document to any family business which outlines the family's values and states the rules the family members have agreed upon for how they can participate in and be recognised by the family business.

Such a document will in itself stop many an issue before it can brew, as many questions that can be left unanswered in a family business – for fear of hurting a loved one's feelings – will be addressed before it can even become a problem.

As the family business grows and is passed on to a second generation, the need for a formal structure increases. Taking measures such as establishing a Family Council and creating a formal Family Constitution document can assist family businesses in effectively managing their number one concern of ensuring that the company is always working towards a shared vision and goals.