



FINAL EXAMINATION
MODEL ANSWERS
PAPER – 20C
ENTREPRENEURSHIP AND STARTUP

SET 2
TERM – DEC 2025
SYLLABUS 2022

Time Allowed 3 Hours

Full Marks: 100

The figures in the margin on the right side indicate full marks.

SECTION – A (Compulsory)

I. Choose the correct option:

[15 x 2 = 30]

- (a) (i) The ability or self-efficacy for entrepreneurship is also called –
- a. Entrepreneur self-efficacy (ESE)
 - b. Entrepreneurial self-efficacy (ESE)
 - c. Entrepreneurial self-efficiency (ESE)
 - d. Enterprise self-efficacy (ESE)
- (ii) Full form of ASPIRE is
- a. A Scheme for Promotion of Innovation, Rural Industries and Entrepreneurship
 - b. A Scheme for Promotion of Industries, Rural Innovation and Entrepreneurship
 - c. A Scheme for Promotion of Innovation, Rural Industries and Enterprise
 - d. None of the above
- (iii) Data analytics is the science of integrating _____ data from diverse sources, drawing inferences, and making predictions to enable innovation, gain competitive business advantage, and help strategic decision-making.
- a. Heterogeneous
 - b. Homogeneous
 - c. Static
 - d. Dynamic
- (iv) _____ is a powerful blend of structured meetings, strategic tools, and experienced leadership.
- a. Marketing Traction
 - b. Marketing Management
 - c. Marketing Strategy
 - d. Marketing Trick
- (v) Entrepreneurship is equally applicable to -
- a. Big businesses
 - b. Economic and non-economic activities
 - c. Small businesses
 - d. All of the above



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- (vi) _____ takes a large data set and shrinking it to a smaller data set. The goal of this technique is to attempt to discover hidden trends that would otherwise have been more difficult to see.
- a. Regression analysis
 - b. Factor analysis
 - c. Time Series Analysis
 - d. Cohort Analysis
- (vii) Scaling up people is not including –
- a. Leaders
 - b. Vendors
 - c. Teams
 - d. Manager
- (viii) An actuarial concept used in risk pooling does not include:
- a. The law of averages
 - b. The law of large numbers
 - c. The law of sampling
 - d. The laws of probability
- (ix) _____ views that moral or ethical systems, may vary from culture to culture, but no one system is better than other.
- a. Cross culture
 - b. Consumerism
 - c. Cultural relativism
 - d. Corporate culture
- (x) Which of the following scheme is not launched by the government for supporting women entrepreneurship
- a. Pradhan Mantri Rojgar Yojna (PMRY)
 - b. Rashtriya Mahila Kosh (RMK)
 - c. Pradhan Mantri Ujjawala Yojna (PMUY)
 - d. Trade Related Entrepreneurship Assistance and Development (TREAD)

Answer:

i	ii	iii	iv	v	vi	vii	viii	ix	x
b	a	a	a	d	b	b	c	c	c



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- (b) Based on the following case study, you are required to answer the questions no. (i) to (v) [5 x 2 = 10]

The National Association of Software and Services Companies (NASSCOM), has started Deep Tech Club (DTC) 2.0 to boost the start-up ecosystem in India. It is an initiative to promote Indian Deep Tech products as a solution to global problems. DTC aims to act as a catalyst in connecting India-based deep technology start-ups with practitioners, academia, and policy makers to develop an ecosystem that can impact physical and digital transformation.

With this vision of creating India's digital & social transformation and empowerment through innovation in deeptech and making India a World Leader in Deep Tech products, NASSCOM DTC 2.0 was launched. It is a 3-stage program aimed at scaling the impact to over 1000 Indian DeepTech Companies. NASSCOM DTC has formed exclusive partnerships on the global front with Advanced Telecommunications Research Institute (ATR), Japan, and Dallas VC, USA. On the domestic front, NASSCOM has partnered with industry and academia leaders including Intel, Cisco Launchpad, NetApp, IIT-Kanpur, Sine (IIT-B), T-Hub, and ZINNOV in stage 1. The program aims to drastically increase the number of partnerships in stage 2, accelerating the growth of the Indian DeepTech ecosystem.

- (i) Which aspect of NASSCOM Deep Tech Club (DTC) 2.0 highlights its strategic approach in fostering the Indian start-up ecosystem?
- a) Formation of global partnership
 - b) Focus on traditional industries
 - c) Exclusively academic collaborations
 - d) Limited geographical outreach
- (ii) Why are partnerships with institutions like IIT-Kanpur and IIT-Bombay (Sine) is significant for NASSCOM DTC 2.0?
- a) To restrict innovation within academic boundaries
 - b) To minimise global influences
 - c) To promote competition among Indian start-ups
 - d) To integrate academia with industry for innovation
- (iii) What role do global partnerships with ATR (Japan) and Dallas VC (USA) play in the context of NASSCOM DTC 2.0?
- a) They limit the program's impact to Indian start-ups
 - b) They discourage technological advancements
 - c) They focus solely on market expansion in Japan and USA
 - d) They facilitate international investment in Indian start-ups



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- (iv) How does NASSCOM DTC 2.0 contribute to India's goal of becoming a global leader in Deep Tech products?
 - a) By promoting local market exclusivity
 - b) By fostering an ecosystem for global impact
 - c) By limiting partnerships to Indian firms only
 - d) By focusing on short-term profits

- (v) What distinguishes NASSCOM DTC 2.0 from traditional start up support initiatives in India?
 - a) Focus on high-risk industries
 - b) Exclusively academic qualification
 - c) Emphasis on global partnerships and scaling impact
 - d) Limited technological scope

Answer:

i	ii	iii	iv	v
a	d	d	b	c

Section – B

(Answer any five questions out of seven questions given. Each question carries 14 Marks)

[5 x 14 = 70]

- 2. (a) Critically assess the kinds of risk that entrepreneurs take as they begin starting a business and also evaluate the process in entrepreneurship. [7]
- (b) Evaluate the concepts of capital structuring, resource mobilisation, and management from an entrepreneurial viewpoint. [7]

Answer:

- (a) There are five kinds of risk that entrepreneurs take as they begin starting their business. These are enumerated below:
 - (i) Founder risk: Founder risk considers who the founders of the company are, if they get along, and how they will work for the company.
 - (ii) Product risk: Product risk takes into account the engineers creating new product for the business and how they will recruit other product engineers.
 - (iii) Market risk: Market risk looks at the problem you're solving with your product and how consumers will react.
 - (iv) Competition risk: Competition risk looks at how you differ from other similar organizations and companies.
 - (v) Sales execution risk: Sales execution risk helps you look at how to sell your product to consumers by presenting them a solution to their problem.

**ENTREPRENEURSHIP AND STARTUP****Process in Entrepreneurship**

Every entrepreneur dreams that his/her business becomes wildly successful. But behind this success, there must be a business plan. Business plan is a written document prepared by entrepreneur that describes all the relevant external and internal elements involved in starting new venture. To give direction to the vision formulated by the entrepreneur, business-planning process is very important. These are -

Step 1 : Generate an idea : Solve a problem for people or create a product or services that fills a need.

Step 2 : Do some market research : Make a study to look into what others are already doing in this field. Figure out if demand is strong or not.

Step 3 : Make a plan : Design your product or service. Outline the steps it will take to build your business and your brand.

Step 4 : Arrange your finances : Does your business need cash to get started? If so, consider your assets, loans, crowdfunding, and other potential sources.

Step 5 : Do the legal formalities : Select the name of your firm, create a website, and file for any licenses. Choose your business structure, whether a sole proprietorship, Partnership, LLP, One Person Company, Private Limited or Public Limited Company.

Step 6 : Marketing of products or services : Start promoting your business online and in social media. Consider creating an advertising budget so you can increase your reach as your business grows.

- (b) **Capital structuring:** Capital structure is a combination of debt and equity for financing a business venture. Equity financing is known as the permanent source for capital with financial flexibility. Debt financing, on the other hand, represents a finite-to-maturity capital source and a legal obligation to the company and related to certain cash outflow.

An entrepreneur can decide over capital structure instead of size, operations, and maturity.

Resource Mobilisation

The mobilisation of resources is the backbone and defining characteristic of entrepreneurship. The resources are spanning over human, social, financial, and other forms of capital. Entrepreneurs mobilise resources to exploit opportunities in which they can sell their products or services at greater than their cost of production. They organise and recombine a variety of resources, such as financial capital, human capital (skilled labour), and social capital (e.g., networking).

Management

Entrepreneurs must have a good understanding of production processes, accounting, marketing, and overall management for effective handling of the enterprise. For management some of the important decisions are taken by the entrepreneur regarding:

- (a) Unit size and its installed capacity.
- (b) Identification of machinery requirements and the technical know-how.
- (c) Proper technical training.
- (d) Knowledge of quality control systems.
- (e) Staff requirement.
- (f) Cost of maintenance.
- (g) Knowledge of after-sales services (availability of spare parts and support services)

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- (h) Depreciation of assets.
- (i) Raw material requirement.
- (j) Supply chain management.

The primary concern for the entrepreneur is to assess the 'place' where the enterprise is going to be established.

The costs of concern are -

- (a) The basic infrastructure costs.
- (b) Capital cost: It includes physical resources need to be within the laid down rules. Access to other resources in the initial stage has to be ensured.
- (c) Transport and communication cost.
- (d) Manpower cost: It includes wages and salaries of both skilled and unskilled workers.
- (e) Cost of other utilities: Like water, gas, fuel, etc.

3. (a) **Critically assess the influence of macroeconomic conditions on entrepreneurship?** [7]
- (b) **Evaluate the key objectives of the National Skill Development Mission and examine the Income tax exemption provisions available to Indian start-ups.** [7]

Answer:

- (a) Proper understanding of various aspects of business environment such as social, political, legal and economic helps an entrepreneur in the following ways:
- a. Identification of Threats: Identification of possible threats helps in taking corrective and improving measures to survive the competition. For instance, if an Indian firm finds that a foreign multinational is entering the Indian market, it can meet the threat by adopting measures like, by improving the quality of the product, reducing cost of the production, engaging in aggressive advertising, and so on.
 - b. Coping with Rapid Changes: All types of enterprises are facing increasingly dynamic environment. In order to effectively cope with these significant changes, firms must understand and examine the environment and develop suitable course of action.
 - c. Improving Performance: The enterprises that continuously monitor their environment and adopt suitable business practices are the ones which not only improve their present performance but also continue to succeed in the market for a longer period.
 - d. Giving Direction for Growth: The interaction with the environment leads to opening up new frontiers of growth for the business firms. It enables the business to identify the areas for growth and expansion of their activities.
 - e. Meeting Competition: It helps the firms to analyse the competitors' strategies and formulate their own strategies accordingly in order to cope with the rapidly increasing competition.
 - f. Image Building: Environmental understanding helps the business organizations in improving their image by showing their sensitivity to the environment within which they are working. For example, in view of the shortage of power, many companies have set up Captive Power Plants (CPP) in their factories to meet their own requirement of power and saving to loss of energy in transmission.

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- g. Continuous Learning: Environmental analysis makes the task of managers easier in dealing with business challenges. The managers are motivated to continuously update their knowledge, understanding and skills to meet the predicted changes in realm of business.
- h. First Mover Advantage: Early identification of opportunities helps an entrepreneur or an enterprise to be the first to exploit them instead of losing them to competitors. For example, Maruti Udyog became the leader in the small car market because it was the first to recognize the need of small cars in India.
- (b) The National Skill Development Mission launched by the Ministry of Skill Development and Entrepreneurship on July 15, 2015, aims to create convergence across sectors and States in terms of skill training activities. Besides consolidating and coordinating skilling efforts, it also aims to expedite decision making across sectors to achieve skilling at scale with speed and standards.

The Mission Objectives are:

- a. Create an end-to-end implementation framework for skill development, which provides opportunities for life-long learning. This includes: incorporation of skilling in the school curriculum, providing opportunities for quality long and short-term skill training, by providing gainful employment and ensuring career progression that meets the aspirations of trainees.
- b. Align employer/industry demand and workforce productivity with trainees' aspirations for sustainable livelihoods, by creating a framework for outcome-focused training.
- c. Establish and enforce cross-sectoral, nationally and internationally acceptable standards for skill training in the country by creating a sound quality assurance framework for skilling, applicable to all Ministries, States and private training providers.
- d. Build capacity for skill development in critical un-organised sectors (such as the construction sector, where there few opportunities for skill training) and provide pathways for re-skilling and up-skilling workers in these identified sectors, to enable them to transition into formal sector employment.
- e. Ensure sufficient, high quality options for long-term skilling, bench marked to internationally acceptable qualification standards, which will ultimately contribute to the creation of a highly skilled workforce.
- f. Develop a network of quality instructors/trainers in the skill development ecosystem by establishing high quality teacher training institutions.
- g. Leverage existing public infrastructure and industry facilities for scaling up skill training and capacity building efforts.
- h. Offer a passage for overseas employment through specific programmes mapped to global job requirements and bench marked to international standards.
- i. Enable pathways for transitioning between the vocational training system and the formal education system, through a credit transfer system.
- j. Promote convergence and co-ordination between skill development efforts of all Central Ministries/ Departments/States/implementing agencies.
- k. Support weaker and disadvantaged sections of society through focused outreach programmes and targeted skill development activities.

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- l. Propagate aspirational value of skilling among youth, by creating social awareness on value of skill training.
- m. Maintain a national database, known as the Labour Market Information System (LMIS), which will act as a portal for matching the demand and supply of skilled workforce in the country. The LMIS, will on the one hand provide citizens with vital information on skilling initiatives across the country. On the other, it will also serve as a platform for monitoring the performance of existing skill development programmes, running in every Indian state.

Income Tax Exemption Provisions for Indian Startups

The Inter-Ministerial Board set up by the Department of Industrial Policy and Promotion validates Startups for granting tax-related benefits. The board shall validate startups for the Income Tax Exemption on profits under Section 80-IAC of Income Tax Act:

A DIPP recognized Startup shall be eligible to apply to the Inter-Ministerial Board for a full deduction on the profits and gains from business. Provided the following conditions are fulfilled: A private limited company or a limited liability partnership, incorporated on or after 1st April 2016 but before 1st April 2021, and Start-up is engaged in innovation, development or improvement of products or processes or services or a scalable business model with a high potential of employment generation or wealth creation.

4. (a) **Suggest contents of a good project report.** [7]
- (b) **“Data is everywhere and flows through every channel of our lives”- In this context, Evaluate the Data Analytics Methods and Techniques that can be used by Data Analysts to process data.** [7]

Answer:

- (a) A good project report should contain the following:
1. Background of the Entrepreneurs: Name and addresses of entrepreneurs, age, experience, qualifications, project related experience, financial position etc.
 2. General Information: Information on product profile and product details.
 3. Promoter: His educational qualification, work experience, project related experience.
 4. Location: Exact location of the project, lease or freehold, location advantages.
 5. Land and Building: Land area, construction area, type of construction, cost of construction, detailed plan and estimate along with plant layout.
 6. Plant and Machinery: Details of machinery required, capacity, suppliers, cost, various alternatives available, cost if miscellaneous assets.
 7. Production Process: Description of production process, process chart, technical know-how, technology alternatives available, production programme.
 8. Utilities: Water, Power, steam, compressed air requirements, cost estimates sources of utilities.
 9. Transport and Communication: Mode, possibility of getting costs.

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10. Raw Material: List of raw materials required by quality and quantity, sources of procurement, cost of raw material, tie-up arrangements, if any for procurement of raw material, alternative raw material, if any.
11. Man Power: Man Power requirement by skilled and semi-skilled, sources of manpower supply, cost of procurement, requirement of training and its cost.
12. Products: It includes product mix, estimated sales distribution channels, competitions and their capacities, product standard, input-output ration, product substitute.
13. Market: End-users of product, distribution of market as local, national, international, trade practices, sales promotion devices, proposed market research.
14. Requirement of Working Capital: Working capital requirement, sources of working capital, need for collateral security, nature and extent of credit facilities offered and available.
15. Requirement of Funds: Break-up project cost in terms of costs of land, building machinery, miscellaneous assets, preliminary expenses, contingencies and margin money for working capital, arrangements for meeting the costs of setting up of the project.

(b) There are several different analytical methods and techniques data analysts can use to process data and extract information. Some of the most popular methods and techniques are as under:

(i) Regression Analysis:

It entails analyzing the relationship between dependent variables to determine how a change in one may affect the change in another.

(ii) Factor Analysis:

It takes a large data set and shrinking it to a smaller data set. The goal of this technique is to attempt to discover hidden trends that would otherwise have been more difficult to see.

(iii) Cohort Analysis:

It is the process of breaking a data set into groups of similar data, often broken into a customer demographic. This allows data analysts and other users of data analytics to further dive into the numbers relating to a specific subset of data.

(iv) Monte Carlo Simulations Model:

Often used for risk mitigation and loss prevention, these simulations incorporate multiple values and variables and often have greater forecasting capabilities than other data analytics approaches.

(v) Time Series Analysis:

It tracks data over time and solidifies the relationship between the value of a data point and the occurrence of the data point. This data analysis technique is usually used to spot cyclical trends or to project financial forecasts.

5. (a) **Evaluate the importance of product positioning and assess the steps of Product Positioning . [7]**

(b) **According to Naval Ravikant, the Co-Founder of Angel List, market traction is simply defined as “quantitative evidence of market demand”- In this context, Advise and Critically assess the various ways of generating market traction. [7]**



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Answer:

- (a) Each brand must know its customers to provide a product that resonates with their needs. A well-thought-out strategy can determine the position of this product within the market and identify its benefits for consumers.

The process involves creating a particular image of a brand and its products in consumers' minds and identifying the key benefits to show how a particular product differs from competitors' alternatives. Afterward, the difference is communicated to a brand's target audience through the most effective communication channels. The messages brands convey to their customers should evoke interest.

Marketers need to determine the best ways to present specific products and reach their target audience based on customers' needs, competitive alternatives, the most effective communication channels, and tailored messages. Implementing product positioning strategies enables companies to create messages that address their customers' needs and wants and entice them to purchase.

Steps of Product Positioning

The way customers perceive the brand of a company is crucial since they define sales volume, the success of business, and the profits of the company will earn. Therefore, one should be ready to present their products honestly and effectively. To do this, one need to consider the following steps.

1. **Define target audience:** Know your customers' needs, wants, demographics, and interests allows you to give them the product they strive for. This way, one can reach their target audience and motivate them to buy your products. For this purpose, one need to be well-prepared and operate the necessary information.
2. **Identify the key benefits of product:** Benefits are a top priority for any customer who wants to solve a particular problem. As a business owner, you need to know all the peculiarities of your products or services, including their features and advantages. The marketer needs to identify the key perks and communicate them to the masses so that they can consider the product when reviewing several options.
3. **Establish brand credibility:** Need to create a brand that people can rely on to build trusting relationships and encourage their customers to make repeat purchases. Consumers are more inclined to make repeat purchases from companies with a good reputation and high credibility.
4. **Offer a unique value proposition:** Communicate the value of your product that can bring to your target audience. You need to know consumers would not choose a product if they cannot benefit from it. Explore your product, find its benefits, and search for the most appropriate communication channels to convey them to your leads and customers effectively.
5. **Consider audience segmentation:** If you want to obtain the best results, you need to segment your audience since your product cannot satisfy all your customers' needs. One can divide them into groups based on their interests, traits, and needs to create customized messages.
6. **Craft your messaging:** Once you segment your customers, it is necessary to select the right communication channels for each group. Some of them might prefer social media platforms, but others might use traditional channels like TV and radio. Give some thought to writing a positioning statement (a description of a product, its target audience, and how this product can solve a problem



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that arises). It will help you prepare personalized and effective messages that speak to the needs and preferences of each group.

7. **Do a competitive analysis:** Once your message is ready, you need to evaluate your competitors' businesses and the products or services they offer. Competitor research gives you a clear understanding of your rivals, their offers, and what makes your product different in a positive way. Afterward, you will be aware of the distinctive features and benefits your product has, your core values, innovations, and various improvements your company provides consumers with.
 8. **Demonstrate your expertise:** Explain to your customers why they should choose you over your competitors.
You should also prove that your product is better and that it has several benefits useful for consumers. There are several ways to show the quality of your product or its benefits: testing, trials, demonstrations, etc.
 9. **Focus on your competitive advantage:** These are the factors that enable your company to manufacture better or cheaper products and outperform your competitors. You need to speak about the actual benefit your product provides. Customers should truly need this product and obtain its visible value. It also includes staying up-to-date and adapting to new trends and innovations.
 10. **Maintain your brand's position:** Once you reach this step, you need to maintain your brand's position so that customers continue buying your products. If you aim to operate this successfully, you should never compromise on quality and increase or reduce prices drastically since it can make customers suspicious.
- (b) Market traction is the quantitative evidence of market demand. The various ways of generating market traction are aligned as follows:
- (i) **Networking:**
The activity is effective in driving engagement at the start of the entrepreneurial journey. You can market your business to your personal connections by word of mouth. Personal networks can help you get angel investors, top talent, customers, equipment, or partners. Mentors can provide answers or solutions to business challenges that you will encounter along the journey. Organize meetings with potential clients to discuss how your business can add value to their lives. You can attend conferences to see what other industry players are up to. Therefore, you need to be the voice of your company.
 - (ii) **Social Media Marketing:**
It is one of the costless and easy methods of marketing the startup. Many people are using social media to communicate or interact with family and friends. Thus, these platforms expose your business to many potential customers. However, it is very easy to fail on Facebook, LinkedIn, Twitter, and Instagram if you don't have a marketing strategy. Therefore, ensure that you have enough high-value content to keep your audience informed about your business and products before signing up.
 - (iii) **Website:**
Create a site for your business and generate relevant content to what people are searching for in your target market. Ensure that the content is optimized so that the search engine can serve it to users

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seeking information or product you're offering. Let your content be useful so that potential customers can follow the link back to the company website, as well as share with others. Further, make your website and content user-friendly and accessible via mobile gadgets. It should be fast loading, and the domain should get back links from other high authority sources.

(iv) Email Campaigns:

The use of emails in marketing is also effective. Actually, social media platforms came in recently, but emails have always been around. The platform can help you generate traffic since you communicate with customers directly. Use the platform to update your customers on how the business is doing and ask them to provide feedback about your customer service and products. You can also ask them what you can do better to make them happy.

(v) Bottom Line:

It is not easy to generate traction in a startup life; however, it is an important phase that is considered by investors, founders, and other stakeholders. On the other hand, the stage leads to the growth of your business, which is an excellent indicator of your company's value. Therefore, use methods such as networking, social media, website, and emails to market your startup. These avenues will help you to turn the startup into an iconic brand.

6. (a) **“Scaling a business means setting the stage to enable and support growth of a Company”- In this context, Examine the Five Critical Steps to be required to follow for Scaling Start-ups.** [7]
- (b) **Evaluate the various types of financial risk.** [7]

Answer:

(a) Five critical steps are required to follow of scaling start-ups which are as follows:**(i) Evaluate and Plan:**

Take a hard look inside of the business to see whether an entrepreneur is ready for growth. One cannot know what to do differently unless one takes stock of where your business stands today. Strategize the need to do to increase sales. The best planning is to start with a detailed sales growth forecast, broken down by number of new customers, orders, and revenue you want to generate. Include a spreadsheet that breaks the numbers down by month.

(ii) Find the Money:

Scaling a business does not come free. Growth plan may call for hiring staff, deploying new technology, adding equipment and facilities, and creating reporting systems to measure and manage results. How will one can find the money to invest for growth? If you have a huge proponent of bootstrapping, but it typically takes years to grow through bootstrapping alone.

(iii) Secure the Sales:

Scaling the business obviously assumes sell will be more. The following questions may ask:

- A sufficient lead flow to generate the desired number of leads?
- Marketing systems to track and manage leads?
- Enough sales representatives to follow up and close leads?



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- A robust system to manage sales orders?
 - A billing system and a receivables function to follow up to ensure invoices are collected timely?
- (iv) Invest in Technology:
- Technology makes it easier and less expensive to scale a business. One can gain huge economies of scale and more throughput, with less labor, if you invest wisely in technology. Automation can help you run your business at a lower cost and more efficiently by minimizing manual work. Systems integration is a prime area for improvement in most businesses. Companies today do not run off of a single system, they may have a dozen or more systems. If those systems don't work together, they create silos, which in turn multiply communication and management problems as your company grows.
- (v) Find Staff or Strategically Outsource:
- Last but certainly not least, are the hands needed to carry out the work. Technology gives huge leverage, but at the end of the day, you still need people. We have to find out the answers of the following questions:
- Do you have enough customer service staff? Look at industry benchmarks to determine a rule of thumb for how many customers one service rep can be expected to handle.
 - What about the people who are responsible for your manufacturing, inventory, and delivery of products or services?
 - How many are typical for your industry per customer, and how many will you need?
 - How do you find qualified help quickly? Recruiting and hiring systems are important, as are benefits and payroll.
- (b) The types of financial risk are as follows:
1. **Market Risk:** Due to the dynamics of supply and demand, the market risk appears to be very widespread. Economic uncertainty is a major source of market risk as it can affect the performance of all companies. Causes of these risks includes fluctuations in the prices of assets, liabilities and derivatives.
There are a few subcategories of market risks:
 - (i) Interest rate risk: This risk is associated with changes in interest rates. This can affect interest-bearing investments and assets, such as loans and bonds.
 - (ii) Equity price risk: This risk relates to the change in the price of equity shares of a company. There are two types of this risk: systematic and unsystematic. Systematic risk is a risk caused by factors in the market that will affect the entire industry and cannot be diversified. For example, the rise of the automobile industry poses a risk to the carriage industry. Unsystematic risk is a risk that is specific to a company. It can be a change in management or the launch of a new product.
 - (iii) Foreign exchange risk: This risk arises with the fluctuation in current values. A company faces this risk when making a transaction with a different currency than its base currency. For example, a company located in the United States conducts business with a United Kingdom-based company.



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(iii) **Commodity price risk:** This risk relates to the change in the price of raw materials needed by a business to produce its product. This change impacts the profit margin of the company. For example, the price increase in lumber will increase the cost of production of wooden furniture, which will lead to a decrease in profit given the same selling price.

2. **Credit risks:** It typically arises because customers fail to pay for goods supplied on credit. Credit risk exposure increases substantially when a firm depends heavily upon a small number of large customers who have been granted access to a significant amount of credit. The significance of credit risk varies between sectors, and is high in the area of financial services, where short- and long-term lending is fundamental to the business. A firm can also be exposed to the credit risks of other firms with which it is heavily connected. For example, a firm may suffer losses if a key supplier or partner in a joint venture has difficulty accessing credit to continue trading.

3. **Liquidity Risk:** Since every company needs to have sufficient cash flow to repay its debt, financial risk management needs to consider the liquidity of the company. Otherwise, investor confidence may be lost. Liquidity risk sounds just like that. The business may not be able to meet its commitments. Failure in cash flow management is one of the probable causes. A company holds a large number of shares and at the same time can have high liquidity risk. This is because these assets cannot be converted to cash to meet immediate needs. For example, real estate and bonds are assets that take a long time to convert to cash.

7. (a) **Evaluate the key factors that influence business ethics within an organization** [7]
- (b) **Critically assess the concept of a social entrepreneur and evaluate the key differences between social entrepreneurs and business entrepreneurs.** [7]

Answers:

- (a) Many factors can significantly influence business ethics. Some of the factors are stated below:
- a. **Personal Code of Ethics:** Defining your individual views and values is crucial to your personal ethical statement. Integrity, selflessness, honesty, loyalty, equality, justice, empathy, respect, and self-respect are a few codes of ethics examples. A code of ethics is a collection of values and guidelines that people and organisations use to guide their decision-making and to discern between right and wrong. They give a basic understanding of a company's or organizations' ethical standards. People can, however, also have their own unique set of moral principles. For a more complete description of a code of ethics and various code of ethics examples, continue reading. Several professions have a code of ethics that exists independent of any particular employment. For instance, a doctor or lawyer is always bound by the code of ethics for their profession, regardless of whether they work for a large organization or are in private practice. These codes constitute the basic expectations of these jobs and guide them when making decisions.
- b. **Rules and Regulation of the Government:** Insuring justice and order in society depends on the government's ethical and moral duty. Therefore, it is the responsibility of government officials to

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make sure that their deeds and activities support cultivating peace among the populace. Government officials, who hold elected or appointed positions as well as the procedures, conduct, and policies of governments are all subject to ethical standards. The purpose of government and its representatives is to advance the common good via moral understanding and moral behaviour. The government has a responsibility to create and enforce laws that forbid unethical business activities. Employers and workers are guided by the regulations to follow generally accepted ethical standards. The governments also keep an eye on groups to make sure they're not practicing unethical practices.

- c. **Ethical Code of the Organization:** Organizational ethics relates to how a company should act in the outside world. Organizational ethics refers to a variety of rules and concepts that determine how people should conduct themselves at work. It also refers to the behaviour expectations of those who work for a specific organisation. A type of applied or professional ethics known as organisational ethics examines the morals, values, and principles that emerge in the workplace. It is important to the behaviour of both management and employees and pertains to every facet of corporate conduct. The promotion of noneconomic social values is the responsibility of organisational ethics. The idea revolves around what is right or wrong in an organization's relationship with stakeholders and how services or goods affect customers. Organizational ethics is a philosophy of moral principles and the application of moral rules that govern how a business conducts itself.
- d. **Social Pressure:** The influence of external societal pressure on company ethics has grown significantly. In smaller areas, this is especially true for small companies. Social expectations need to be strongly taken into account by businesses when it comes to general community participation and environmental responsibility. The internet era has substantially contributed to the rising relevance of social pressure because when businesses disregard societal standards, word spreads swiftly. Three social factors, that is, cultural norms, the Internet, and relationships with friends and family can have an impact on moral conduct. In the corporate sector, different cultures have different conventions from place to place.
- (b) A social entrepreneur is a person who pursues novel applications that have the potential to solve community-based problems. These individuals are willing to take on the risk and effort to create positive changes in society through their initiatives. Social entrepreneurs may believe that this practice is a way to connect you to your life's purpose, help others find theirs, and make a difference in the world. A social entrepreneur is interested in starting a business for the greater social good and not just the pursuit of profits. Social entrepreneurs may seek to produce environmentally-friendly products, serve an underserved community, or focus on philanthropic activities. Social entrepreneurship is a growing trend, alongside socially responsible investing (SRI) and environmental, social, and governance (ESG) investing.

Differences between Social Entrepreneurs and Business Entrepreneurs

Although these two forms of business can be similar, here are some key differences:

- (a) Emphasis on Team vs. Individual



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The “Stanford Social Innovation Review” notes that venture capitalists invest in private business on the basis of a new company’s leadership team and the organization that supports it. Philanthropists – individuals who raise and donate money for charitable causes – rather than venture capitalists are often the primary investors in social entrepreneurs’ projects. They’re more likely to gauge the viability of a project based on the individual at the helm. The review challenges the focus on the individual in light of research showing that successful change depends on a range of competencies – competencies that require strong leadership but that rarely can be undertaken by a sole individual.

(b) Perceptions of Value

For the business entrepreneur, value lies in the profit the entrepreneur and investors expect to reap as the product establishes itself in a market that can afford to purchase it. The business entrepreneur is accountable to shareholders and other investors for generating these profits. To the social entrepreneur, there’s also value in profits, as profits are necessary to support the cause. That said, value for the social entrepreneur lies in the social benefit to a community or transformation of a community that lacks the resources to fulfil its own needs.

(c) Measure of Profitability

The ventures of business entrepreneurs are always designed to turn profits that benefit stakeholders, such as shareholders or private investors. Social entrepreneurs also may engage in for-profit activities. However, they often structure their organizations as non-profits, or they donate their profits to the causes they support.

(d) Approach to Wealth Creation

Although the business entrepreneur and the social entrepreneur are similarly motivated to change the status quo, their missions differ significantly. The business entrepreneur is driven to innovate within a commercial market, to the ultimate benefit of consumers. If successful, the innovation creates wealth. The venture’s success is gauged by how much wealth it creates. To the social entrepreneur, wealth creation is necessary, but not for its own sake. Rather, wealth is simply a tool the entrepreneur uses to effect social change. The degree to which minds are changed, suffering is alleviated or injustice is reversed represents the organization’s success

8. **Mr. RAHAN is an Engineering graduate with postgraduate diploma in Management from a reputed Management Institute in India. He has got about fifteen years of experience in soft skill development, training and placement of students of accredited Management Institutes. He had successfully placed in the past many Management graduates in various organisations. Due to his wide experience in training and placement of management graduates coupled with his long-time association with various organisations, Mr. Rahan could develop very good contacts with those organisations and has got a fairly goop idea about their recruitment practice in the management cadre. Moreover Mr. Rahan could develop a directory of accredited Management Institutes with their approved intake and the various specializations (Marketing, Finance, HR, Operations and Project management) they offer. Mr. Rahan is not satisfied with his present full-time job as a Training and Placement Officer with a private Management Institute and rather wants to start his own venture based on his past experiences. He has got an idea of forming a start-up for providing various training and placement services to the students of Management Institutes like soft skill training to make students placement ready, campus interview and Job fairs where heads of HR**



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Departments of reputed organisations will be invited to participate and select candidates of their choice. Further Mr. Rahan will provide valuable feedback to the authorities of the Management Institutes regarding the performance of their students in the interview and suggestions for development of curricula.

The idea is beneficial to both the students of the Management Institutes and also the Organisations who need the services of fresh Management graduates.

Based on the case study (Scenario) stated Supra, you are required to:

- (i) Develop a business model for the start-up Mr. Rahan is going to launch.
- (ii) Suggest possible funding strategies for the start-up.
- (iii) Recommend possible marketing solutions for the business.

[14]

Answer:

(i) **Business Model for Start-up:**

• **Subscription Business Model:**

Since the proposed startup of Mr. RAHAN will provide both training and soft skill development services for the students of Management Institutes, hold Campus interview and Job fair on a recurring basis, a Subscription Business Model with slight modification be suitable. The Institutes and the organizations have to jointly pay a recurring subscription to Mr. Rahan's start-up annually and an amount per student on successful placement (Retained recruitment).

- **Alternative Freemium Business model:** In this case Mr. Rahan's startup will provide training and soft skill development service for the students of Management Institutes, hold Campus interview and Job fair on a recurring basis free of cost and charge an amount per student only if successfully placed, usually as a percentage of the first- year salary of the student / candidate placed (Contingency recruitment).
- **A gold plan** with basic features as above and recorded lecturers o teachers' subject wise may be offered at a higher cost. There may be option to bundle more than one subjects. Combo offers with additional discount may be provided for subscribing more than one subject.
- **A platinum plan** may be offered with all basic features as well as live classes along with recorded lecturers at a further higher cost. Subject-wise choice to bundle should also be given. Combo offers with additional discount may be provided for subscribing more than one subject.

(ii) **A few possible funding Strategies that can be suggested are as follows:**

- (a) **Bootstrapping:** In order to succeed Mr. Rahan should consider that some of his saved funds can easily be accessed or he can obtain funds from his friends or family.
- (b) **Angel Investors:** Angel investors are people with a huge amount of capital and are willing to invest it on over the edge business ideas.
- (c) **Venture Capital Funds:** Venture Capital Fund providers invest in companies/startups having very high growth potential, and they have their preferences for sectors, companies, and funding amounts.
- (d) **Crowd Funding:** Crowd funding platforms are basically set up for individuals to pitch their business ideas or cause.



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- (e) **Bank Loan / Microfinance Providers or NBFCs:** Banking institutions provide financial backing on loans to individuals who approach them with a solid business plan.
- (f) **Grants:** Grants can come from a variety of places. Including the central government, state governments, corporate challenges, and private entity grant programmes.
- (g) **Venture Debt Funds:** Several private investment funds that lend money to businesses in the form of debt investments with a fixed rate of interest that must be repaid to the investor within a set period.
- (iii) **Recommended Marketing Solutions are as follows:**
- (a) **Social Media Marketing:**
Mr. Rahan can use platforms like Facebook, Instagram, Linked in Twitter, Pinterest, and others to promote his business and contact Institutes on a more personal basis.
- (b) **Email Marketing:**
This type of marketing links business to leads, prospects, and Customers (Institutes and Organisations) via email. Email campaigns are meant to promote services.
- (c) **Conversational Marketing:**
It involves correspondence to customers on one-to-one basis across multiple channels. It is beyond live chats or email or text messages.
- (d) **Partner Marketing:**
Partner marketing or co-marketing is a marketing partnership between startups/companies where they collaborate on a Marketing drive. For example, Mr. Rahan may think or approach Naukri.com for marketing.
- (e) **Customer Marketing:**
Customer marketing focuses on holding on to the existing customers (Various Institutes and Organisations). It is not acquisition u here the emphasis is on getting new customers.
- (f) **Word-of-Mouth Marketing:**
Word-of-mouth marketing is a powerful tool. It is a method of influencing and encouraging discussion about a service.
- (g) **Relationship Marketing:**
Relationship marketing focuses on creating a close meaningful relationship with the customers. It has the power to promote marketing innovation like providing a new type of service.
- (h) **Campus Marketing:**
Campus marketing aims at creating awareness about goods services among students on campus.
- (i) **Digital Marketing:**
Digital Marketing is the opposite of traditional marketing. It is using technology to reach out to customers which did not exist before.