International Journal of Physical and Social Science
Vol. 7 Issue 6, June 2017
ISSN: 2249-5894 Impact Factor: 6.644
Journal Homepage: http://www.ijmra.us, Email: editorijmie@gmail.com
Double-Blind Peer Reviewed Refereed Open Access International Journal - Included in the International Serial Directories Indexed & Listed at: Ulrich's Periodicals Directory ©, U.S.A., Open J-Gage as well as in Cabell's Directories of Publishing Opportunities, U.S.A

EXISTING ENTREPRENEURS- A NEED TO REVIEW

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Abstract

For faster Economic Development Every countries' Government, leading organization and agencies adopting new approaches, changes in existing policy, liberalized procedure, making appropriate environment for "Ease of Doing" to attract maximum Foreign Direct Investment so they achieved the higher rate of GDP in comparison to other county. In India our Government also taking all possible step to achieved desired Goal. For this, Make in India, Skill Development, Startup and other movement are going on. In this context while very less effort for existing entrepreneurs to survive in present scenario, a need to review what they lacking and what they do. The future belongs to real entrepreneurs. For, the growing liberalization and opening up of the Indian economy is going to differentiate "men" from the "boy" i.e. those who have necessary entrepreneurial, managerial capabilities and skills would find liberalization full of opportunities for expansion and growth while who survived so far because of large margins provided by the imperfect market-conditions would complain about liberalization and succumb to the pressures unless they wake up to the needs to strengthen their personal capabilities and therefore become better entrepreneurs than they have been so far, No tears will or should flow for a large number of such failures which are internal to the unit. The author of the paper who working since 1993 in the field of entrepreneurship, examine the issue with the discussion of excising entrepreneurs and put-up a way of survival in this paper.

Keyword:Entrepreneur, Capabilities, Expansion, Growth, Management.

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Introduction

In 2013 India’s growth rate had fallen to its lowest level in a decade. The promise of the BRICS Nations (Brazil, Russia, India, China and South Africa) had faded, and India was tagged as one of the so-called ‘Fragile Five’. Global investors debated whether the world’s largest democracy was a risk or an opportunity. India’s 1.2 billion citizens questioned whether India was too big to succeed or too big to fail. India was on the brink of severe economic failure. In this circumstances "**Make in India"** initiative was launched in 2014 as part of a wider set of nation-building initiatives. Devised to transform India into a global design and manufacturing hub. Make in India an invitation to potential investors around the world. Make in India represents a comprehensive and unprecedented overhaul of out-dated processes and policies in keeping with Prime Minister's tenet of ‘Minimum Government, Maximum Governance’. In Make in India 26 sector were selected and brochures for, also developed: Contents included key facts and figures, policies and initiatives and sector-specific contact details. The Make in India initiative has been built on layers of collaborative effort to make an action plan for the next three years, aimed at raising the contribution of the manufacturing sector to 25% of the GDP by 2020. Under Make in India various sectors have been opened up for investments and ease of doing business. Six industrial corridors are being developed across various regions of the country. Industrial Cities will also come up along these corridors.

Today, India’s credibility is stronger than ever. There is visible momentum, energy and optimism. Make in India is opening investment doors. Multiple enterprises are adopting its mantra. The world’s largest democracy is well on its way to becoming the world’s most powerful economy.

"Ease of Doing Business" Government has taking so many corrective step like, The requirement of Common company seal is eliminated. The company can be registered within 1-2 working days in India. Now importers and exporters can electronically lodge their customs clearance documents at a single point only with the customs. Documents required by customs for import and export of goods have been reduced. Easy process for Getting Credit, Getting Electricity, Registering Property, Resolving Insolvency & Paying Taxes.

All above initiative taken by the Government is for "**Start Up".** Startup India is a flagship initiative of the Government of India, intended to build a strong eco-system for nurturing innovation and Startups in the country that will drive sustainable economic growth and generate large scale employment opportunities. The Government through this initiative aims to empower Startups to grow through innovation and design.

Looking to the all efforts of Government and facilitating agency, it's fact that to established, operate and run successfully a Unit or a Enterprise needs Competencies and Capabilities in an Entrepreneur and For existing entrepreneurs therefore, a constant question to be answered is, how well am I doing now ? and 'how well am I equipped for not just survival but for expansion and growth ?' This raises a critical question of 'what makes entrepreneurs and therefore enterprises successful ? In the 30 years, thousands of new firms have emerged and many have died. Many large companies have also run into serious difficulties with share prices declining rapidly and balance-sheets showing huge deficits. Why firms rise and fall, what are the reasons questions about how to assess performance.

Assessment of an entreprise by Key Factor

Evaluation or assessment of any existing entreprise or industry should be done through the test of 7 main Key Factor which any enterprise is likely to go through in its life cycle. Indeed, it is not that every firm will face all the 7 Key Factor in the same form or in the same sequence. Some firms may face one or two of them while some may not face two or three. In addition, it is not that all the Key Factor in a entreprise or an industry are covered in these seven.

Indeed every entrepreneur or owner-manager should have a natural desire to anticipate problems which might arise in the future or analyze strengths and weaknesses systematically of his current operations. We must confess that such individuals in real life are rare and it is even rarer in the case of small firms. And yet, no owner-manager should find it difficult to understand that to know what is in store for his firm in the future, he must analyze and continue to analyze the present operations.

The **Starting Key Factor** comes in the first 2 or 3 years of your starting the enterprise and is the biggest killer. It arrives because the key person behind the project selects a business for which he does not have adequate "rounded" managerial understanding or experience, (So long as the enterprise is small, the entrepreneur has to be lack of all rather than master of one and select a business one is familiar with), Problem also arises because arrangement for keeping accounts are not properly made and therefore lack of important statistics or data for taking decisions makes the person virtually blind. Also out of sheer initial optimism, new entrants invariably under-estimate capital requirement and run out of funds when expected early and high income does not flow in while it is expenditure which comes up high and early. And the cash flow Key Factor worsens when one has only worried about income tax (which is to be paid only if you earn profit) and has been ignorant about sales-tax and excise which you pay on sales.

If the initial teething troubles are over and the entreprise is likely to settle down, the Second Key Factor **' The Cash '** develops because the entrepreneur is paying excessive attention to profits and growth rather than cash-on-hand and therefore he over invests in raw materials' stock or in the excitement of eniarging sales, he ends up with rising outstanding amount and number of debtors. Some of them create or invite cash crisis by excessive investment in fixed assets by tieing up money in land, building or additional machines. When expansion is unplanned in terms of time and stages even an enterprise which has comfortable cash position is asking for trouble.

In the 5th or 6th year or when business has growth and one is successful, there comes a stage when managing the enterprise by the entrepreneur alone becomes difficult, if not impossible. The one-man show of owner-manager, jack of all, is over. The third Key Factor of '**Delegation'** begins to creep in because of the entrepreneur's inability to delegate responsibilities and share the decision-making burden. This is again a psycho-logical problem arising out of (i) a belief that only i can do better, or (ii) lack of capability to guide and groom others, or more often, (iii) a lack of trust on subordinates. There is a natural inhibition about taking risk which is implied in delegating, trusting others. Gradually, there is lack of control over day-to-day operations. Advance signals of problems are missed and mistakes are made, deliveries are delayed; bankers are not attended to; tender s are forgotten due to work pressures; customers are neglected; workers' demands are not tackled in time. Wife complaints because family is neglected. There is simply no time to attend to everyone and everything. Business has grown, but total hours in a day have not. Business begins to suffer. Crisis comes, Success ends up in failure.

When the firm grows to even a larger size in sales, employees and fixed assets next Key Factor **"Leadership"** emerges because of failure to develop a management team. The responsibilities of managing a large firm has become too much for the single owner or couple of partners or managers even if you had delegated some responsibilities earlier. Root cause is the failure to develop an entirely new style of managing requiring further delegation of authority to others, establishment of effective leadership rather than continuing the mentality of doing and checking everything oneself; and not learning to manage by data and paper.

The growth process gets a further jolt in many cases due to the next Key Factor **" Financial"** (as distinct from the **Cash**) when the entrepreneur fails to choose the right source of funding for expansion or does it without proper advance planning. Excessive dependence on borrowed funds invites crisis because of high interest burden. Over ambitious or unrealistic plan leads to using up all the surplus, creating cash crisis, ending up with high cost private sources of funds. And when one should go public and issue shares to fund expansion, he develops cold feet out of fear of losing control. It is often forgotten that 80% ownership of a large successful firm is better than 100% declining unit.

Later comes a prosperity stage when profits are good, market is well established, firm has grown to a medium scale and a team has also developed. Surprisingly, even then many firms fail because of Key Factor **"Prosperity"** (the sixth devil). The entrepreneur becomes over-confident and begin to relax, satisfied with current success. He is then caught napping. he falls to watch out for new competition, technological changes, raw material substitutes, new products, changing consumer tastes or needs. His eyes and ears are closed. Suddenly, the company begins to lose market share, profits decline, and success turns into a crisis. On the other hand some prospering entrepreneurs invite the crisis by over-confidence, a cockiness, leading to their taking too big a leap forward, making very ambitious expansion moves, going into lines which are not familiar to them. Intoxication of success is as bad as laziness arising out of prosperity.

The final Key Factor of **"Management-Succession"** comes for which the immediate cause is not in his hand but the root cause is again the entrepreneur. When all is going well, his company is some 15 or 20 year old, he is approaching 40-50 years, at that time a long illness, an accident or even unexpected death or incapability of the entrepreneur causes this crisis. Why ? Because there is no one groomed or developed to take over management responsibilities, or the second (Key) person does not have sufficient shares/share in the firm to avoid interference of other partners or share holders. Or a crisis arises because of death duty/estate duty and such obligation. Early failures in delegation, lack of planning and anticipation, over confidence- all these catch up with him.

What to do

Successful entrepreneurs take moderate and calculated risk, not blind risk or very high risk. They therefore make realistic plans, not over ambitious plans. "Allow your project plan to 'thaw' or cool for a while until you recheck all your over-optimistic calculations and assumptions." This is the first advice one should give to new entrepreneurs in the starting phase.

Be conservative about income and be liberal about expenditure figures while making cash flow projects. Then see if you have enough cash or margin money to the working fund cycle going. If not, there is still time to modify project plans or arrange additional funds.

Consult as many bankers, small business consultants, future suppliers, board of directors etc. about your project to identify weak links. In fact, one should use all the advice one get to ensure that new or expansion plans are sound and feasible.

Invest in an accountant at the earliest. But firs learn what important financial data are needed to assess and monitor your performance. And visit tax officers and tax advisers regularly especially for indirect tax liabilities.

As for the cash crisis, which comes any time, the entrepreneur must understand the difference between profit & cash and cash & assets. Once he does that, many ways of economizing on cash will come to notice. A good accountant, consultation with bankers and financial experts will help here. So investing in a competent accountant is always worthwhile and should get priority. It is essential to constantly assess cash positions; religiously prepare cash flow statements, preferably in advance every three months.

Carefully monitoring raw materials' stock, semi-finished goods, inventory of finished goods and outstanding recoveries will improve cash position.

It is at the delegation stage that a real change of mind and style must begin. Solution to delegation crisis lies in seeking out in time and associating a capable second person to supplement 'You' and share responsibilities. One may have to take help of a management consultant or a senior colleague to identify own weaknesses and drawing a profile of a complimentary second person who is good in area one is not so strong. For he may not be able to decide where 'you' are weak. And be prepared to give a profit share or handsome salary to retain a valuable second person in the long run. It is difficult to find, grooms and trust a person who can be delegated decision-making. It is more important to retain him.

The entrepreneur must train, discipline and even reeducate himself/herself in new management skills and style when company grows towards a medium or larger small-scale. Managing by old knowledge and old habits when you were a one person, owner-manager with one or two sub-ordinates won't do. He can't manage by physical check on everything now. Attention to routine and minor details must stop. For now he has to act like a leader rather than a manager/supervisor. He must constantly evaluate 'how he spends his time?' He must develop a team of executives with sufficient authority to take not just routine decision but some important ones. The entrepreneur as a Leader must now manage by information, progress data, reports and give directions, instructions. His time should be spent on strategies planning, watching out for threats of competition, new technologies, government policies.

A good team, sufficient delegation and managing and monitoring helps him in effective planning as to avoid financial crisis or face the same for. Such effective planning provides him time to consult experts and bankers to choose best source and mode of expansion firmly aggressive rather than be passive, over-confident or sleepy. At this stage one should never be satisfied with current situation. The Leader must focus on a programme of internal growth and external growth. The final psychological change in the entrepreneur must come in planning for management succession. He must remove doubts and apprehensions about it; it has to be done and in time; by taking advance action in selecting and grooming a Management-Successor who is prepared for any exigency. Since it will be impossible to get a single person possessing all the unusual strengths the original entrepreneur had, it is more reliable to have one person with management skills and have few others to make up for special skills of the entrepreneur. Better to develop a team of 2 or 3 instead of '1 Prince'.

"Keep your doors open- by inviting competent persons on the Board of Directors or developing a club of like-minded businessmen for discussion; inter-act constantly with the banker, investors." In short, keep eyes and ears open and be ready to have advice of many others.

Put it in writing a plan of succession and review it every six months so that there is no uncertainty and vacuum when need arises. Write down strengths and special features responsible for the Company's- success for the benefit of the successor. Similarly, transfer assets, property and plan for death duty and such liabilities.

Take timely legal and friendly advice regarding transfer of shares, execution of the will and monitoring of performance of the Successor- "your young son or the family member."

Conclusion

To summaries, we can draw two conclusions from the above, Firstly, it is not as much the knowledge or functional skill about finance, production etc. in managing or taking different decisions which is important as the soft skills the attitude, the manner in which an entrepreneur must behave and think. In short, most of the causes in the above crisis arise out of the limitations of the entrepreneur as an 'entrepreneur'. For successful small firms and those who are on the threshold of growth or are growing, for example, the critical stage is of delegation leading to acting as a leader of the firm in the leadership stage rather than as a manager. It is a psychological problem; the attitude, the fear, the mentality working style which has to charge if one is to manage growth successfully by delegation, developing a team, bringing in complimentary staff, thereby sharing the burden of growth.

Secondly, planning is a pre-requisite of success. It si not true that only large firms need to plan or can plan. On the contrary, the vulnerable small firms on the growth path need to plan even more than anyone else. Plan for survival, Plan for competition and plan for diversification and growth. All successful, high growth entrepreneurs have been good planners. It is a myth that entrepreneurs are high risk-takers and are therefore to much in a hurry to proceed in an organize manner. Successful entrepreneurs on the contrary, have high goal orientation and planning orientation. In fact, they hardly do anything in an ad-hoc fashion.

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