



**G. PULLAIAH COLLEGE OF ENGINEERING AND TECHNOLOGY**  
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**Nandikotkur Road, Venkayapalli, Kurnool – 518452**

**Department of**  
**ECE, EEE, CSE, ME, CE**

**Bridge Course**  
**On**  
**Managerial Economics &**  
**Financial Analysis**

**By**  
**K. Nagaiah,**  
**Ruhi Afreen,**  
**Shaik Rubeena,**

## **Introduction**

Entrepreneurship is the art of starting a business, basically a startup company offering creative product, process or service. We can say that it is an activity full of creativity. An entrepreneur perceives everything as a chance and displays bias in taking decision to exploit the chance.

A business (also known as an enterprise, a company or a firm) is an organizational entity involved in the provision of goods and services to consumers. Businesses serve as conductors of economic activity, and are prevalent in capitalist economies, where most of them are privately owned and provide goods and services allocated through a market to consumers and customers in exchange for other goods, services, money, or other forms of exchange that hold intrinsic economic value. Businesses may also be social non-profit enterprises or state-owned public enterprises operated by governments with specific social and economic objectives. A business owned by multiple private individuals may form as an incorporated company or jointly organise as a partnership. Countries have different laws that may ascribe different rights to the various business entities.

The word "business" can refer to a particular organization or to an entire market sector (for example, "the finance business" is "the financial sector") or to all economic sectors collectively ("the business sector"). Compound forms such as "agribusiness" represent subsets of the concept's broader meaning, which encompasses all activity by suppliers of goods and services.

Typically private-sector businesses aim to maximize their profit, although in some contexts they may aim to maximize their sales revenue or their market share. Government-run businesses may aim to maximize some measure of social welfare.

### **Entrepreneurship development:**

Entrepreneurship development is the process of improving the skills and knowledge of entrepreneurs through various training and classroom programs. The whole point of entrepreneurship development is to increase the number of entrepreneurs.

By doing this, the pace at which new businesses or ventures are made gets better. On a wider level, this makes room for employment and improves the economy of a business or country.

### **Four Steps to Entrepreneurship**

As more and more people start or consider starting their own business, it is important that they understand the core steps that are required to launch successful ventures. These steps include spotting, assessing, selecting and executing upon opportunities.

#### **Spotting Opportunities:**

The first step to entrepreneurship is identifying opportunities. The entrepreneur must be able to spot an unmet need. Oftentimes this need is seen through an inefficiency in the market - something

that doesn't work quite the way the entrepreneur would like it to. As a result, the entrepreneur figures out a potential solution and the opportunity is born.

### **Assessing Opportunities:**

Many entrepreneurs keep a journal that details the myriad of opportunities they come across each day. While it takes a creative skill set to identify opportunities, it takes an analytical skill set to assess them. Each opportunity should be assessed to, among others, determine its likelihood of success and the financial and human resources required to execute upon it.

### **Selecting Opportunities:**

One of the biggest risks in selecting the wrong opportunity is opportunity cost; that is, the cost of having to forego another opportunity that may have been wildly successful. Entrepreneurs should assess their potential opportunities and come to a firm decision regarding which one to execute upon. Once selected, the entrepreneurs cannot second-guess themselves. To do so would lessen their focus and drive towards the selected opportunity, both of which are critical in achieving success.

### **Executing Upon Opportunities:**

Execution, or the ability to generate the most value out of an opportunity, requires a unique combination of creativity, passion, persistence, focus, responsibility, intelligence, planning and energy. The entrepreneur needs to know what tasks must be accomplished and be the main driver in seeing that these tasks are completed in an appropriate manner. Having an expertly written business plan will allow the entrepreneur to see the outline of the actions that must be taken to ensure success.

## **Forms of business ownership**

Forms of business ownership vary by jurisdiction, but several common entities exist:

- **Sole proprietorship:** A sole proprietorship, also known as a sole trader, is owned by one person and operates for their benefit. The owner operates the business alone and may hire employees. A sole proprietor has unlimited liability for all obligations incurred by the business, whether from operating costs or judgments against the business. All assets of the business belong to a sole proprietor, including, for example, computer infrastructure, any inventory, manufacturing equipment, or retail fixtures, as well as any real property owned by the sole proprietor.
- **Partnership:** A partnership is a business owned by two or more people. In most forms of partnerships, each partner has unlimited liability for the debts incurred by the business. The

three most prevalent types of for-profit partnerships are: general partnerships, limited partnerships, and limited liability partnerships.<sup>[3]</sup>

- **Corporation:** The owners of a corporation have limited liability and the business has a separate legal personality from its owners. Corporations can be either government-owned or privately owned. They can organize either for profit or as nonprofit organizations. A privately owned, for-profit corporation is owned by its shareholders, who elect a board of directors to direct the corporation and hire its managerial staff. A privately owned, for-profit corporation can be either privately held by a small group of individuals, or publicly held, with publicly traded shares listed on a stock exchange.
- **Cooperative:** Often referred to as a "co-op", a cooperative is a limited-liability business that can organize as for-profit or not-for-profit. A cooperative differs from a corporation in that it has members, not shareholders, and they share decision-making authority. Cooperatives are typically classified as either consumer cooperatives or worker cooperatives. Cooperatives are fundamental to the ideology of economic democracy.
- Limited liability companies (LLC), limited liability partnerships, and other specific types of business organization protect their owners or shareholders from business failure by doing business under a separate legal entity with certain legal protections. In contrast, unincorporated businesses or persons working on their own are usually not as protected.<sup>[4][5]</sup>
- **Franchises:** A franchise is a system in which entrepreneurs purchase the rights to open and run a business from a larger corporation.<sup>[6]</sup> Franchising in the United States is widespread and is a major economic powerhouse. One out of twelve retail businesses in the United States are franchised and 8 million people are employed in a franchised business

### **Importance of Business in Modern Society:**

The existence and expansion of business are justifications of the importance of business. Business provides a lot of services to the human beings that highlight its significance. These services are as follow

1. **Supply of Goods and Services:** Business provides goods and services to the society. Business produces different products, which are sold or supplied to the society. The creator created and creates things, but processing, the individuals or business does reprocessing and preservation and ultimately new utility is created. So business provides goods and services to the society.
2. **Harnessing Capital and other Resources in Production:** Business collects the drifts of savings from different individuals, especially through banks and financial institutions and employs those in productive activities and, thus, harnesses capital in economic activities to utilize natural resources in utility creation or value addition, and consequently, helps production, employment and resource utilization.
3. **Self-employment and Provision of Employment:** Business provides employment to the businessman. Further, in the production, distribution and services of business a large number of individuals are employed by the business organization and income generation occurs for them and others.

4. **Preservation of Natural Resources:** Business creates new utility to the natural resources by preservation and value addition. Different new products are created by business operation, without which a lot of natural resources would have been wasted.
5. **Research, Development and Innovation:** Business continuously makes research on alternative uses of resources, develops new products and methods, and makes new innovations.
6. **Income Generation:** Business generates income for the individuals. Business Utilizes factors of production like land, labor, capital and organization; and generate incomes like wage, rent, interest and profit to the factor-owners.
7. **Interesting Natural Income:** Business preserves natural resources, and creates new utility. Consequently, national income (NI), per capita income(PCI), gross domestic products (GDP), etc, increase.
8. **Contribution to Social Development:** Business contributes to the social development also. Business growth increases national income, which contributes to social development. Profitable corporations provide a lot of money as corporate taxes in the hand of the government, which the government uses in the development activities of the country. Besides, modern corporate business contributes a lot for **Corporate Social Responsibility (CSR)**, which ultimately enhances social welfare.
9. **Contribution in the Development of Education, science and Technology:** Business contributes toward the development of education, innovates new technology and applies theory (s) of science for better production and human welfare.
10. **Development of International Relations:** Business imports necessary commodities and exports new or surplus products to foreign countries. In this way, a foreign relation develops.

## **Business Objectives**

### **Profitability**

Maintaining profitability means making sure that revenue stays ahead of the costs of doing business, according to James Stephenson, writing for the "Entrepreneur" website. Focus on controlling costs in both production and operations while maintaining the profit margin on products sold.

### **Productivity**

Employee training, equipment maintenance and new equipment purchases all go into company productivity. Your objective should be to provide all of the resources your employees need to remain as productive as possible.

### **Customer Service**

Good customer service helps you retain clients and generate repeat revenue. Keeping your customers happy should be a primary objective of your organization.

### **Employee Retention**

Employee turnover costs you money in lost productivity and the costs associated with recruiting, which include employment advertising and paying placement agencies. Maintaining a productive

and positive employee environment improves retention, according to the Dun and Bradstreet website.

### **Core Values**

Your company mission statement is a description of the core values of your company, according to the Dun and Bradstreet website. It is a summary of the beliefs your company holds in regard to customer interaction, responsibility to the community and employee satisfaction. The company's core values become the objectives necessary to create a positive corporate culture.

### **Growth**

Growth is planned based on historical data and future projections. Growth requires the careful use of company resources such as finances and personnel, according to Tim Berry, writing on the "Entrepreneur" website.

### **Maintain Financing**

Even a company with good cash flow needs financing contacts in the event that capital is needed to expand the organization, according to Tim Berry, writing on the "Entrepreneur" website. Maintaining your ability to finance operations means that you can prepare for long-term projects and address short-term needs such as payroll and accounts payable.

### **Change Management**

Change management is the process of preparing your organization for growth and creating processes that effectively deal with a developing marketplace. The objective of change management is to create a dynamic organization that is prepared to meet the challenges of your industry.

### **Marketing**

Marketing is more than creating advertising and getting customer input on product changes. It is understanding consumer buying trends, being able to anticipate product distribution needs and developing business partnerships that help your organization to improve market share.

### **Competitive Analysis**

A comprehensive analysis of the activities of the competition should be an ongoing business objective for your organization. Understanding where your products rank in the marketplace helps you to better determine how to improve your standing among consumers and improve your revenue.

### **Qualities of Successful Entrepreneurs:**

Successful business people have many traits in common with one another. They are confident and optimistic. They are disciplined self starters.

#### **1. Disciplined**

These individuals are focused on making their businesses work, and eliminate any hindrances or distractions to their goals. They have overarching strategies and outline the tactics to accomplish

them. Successful entrepreneurs are disciplined enough to take steps every day toward the achievement of their objectives.

## **2. Confidence**

The entrepreneur does not ask questions about whether they can succeed or whether they are worthy of success. They are confident with the knowledge that they will make their businesses succeed. They exude that confidence in everything they do.

## **3. Open Minded**

Entrepreneurs realize that every event and situation is a business opportunity. Ideas are constantly being generated about workflows and efficiency, people skills and potential new businesses. They have the ability to look at everything around them and focus it toward their goals.

## **4. Self Starter**

Entrepreneurs know that if something needs to be done, they should start it themselves. They set the parameters and make sure that projects follow that path. They are proactive, not waiting for someone to give them permission.

## **5. Competitive**

Many companies are formed because an entrepreneur knows that they can do a job better than another. They need to win at the sports they play and need to win at the businesses that they create. An entrepreneur will highlight their own company's track record of success.

## **6. Creativity**

One facet of creativity is being able to make connections between seemingly unrelated events or situations. Entrepreneurs often come up with solutions which are the synthesis of other items. They will repurpose products to market them to new industries.

## **7. Determination**

Entrepreneurs are not thwarted by their defeats. They look at defeat as an opportunity for success. They are determined to make all of their endeavors succeed, so will try and try again until it does. Successful entrepreneurs do not believe that something cannot be done.

## **8. Strong people skills**

The entrepreneur has strong communication skills to sell the product and motivate employees. Most successful entrepreneurs know how to motivate their employees so the business grows overall. They are very good at highlighting the benefits of any situation and coaching others to their success.

### **9. Strong work ethic**

The successful entrepreneur will often be the first person to arrive at the office and the last one to leave. They will come in on their days off to make sure that an outcome meets their expectations. Their mind is constantly on their work, whether they are in or out of the workplace.

### **10. Passion**

Passion is the most important trait of the successful entrepreneur. They genuinely love their work. They are willing to put in those extra hours to make the business succeed because there is a joy their business gives which goes beyond the money. The successful entrepreneur will always be reading and researching ways to make the business better.

Successful entrepreneurs want to see what the view is like at the top of the business mountain. Once they see it, they want to go further. They know how to talk to their employees, and their businesses soar as a result.

### **Essential of a successful business:**

The present day business system is very complex and elaborate. The businessman has to take certain line of action to make his business a success. They are:

1. **Objectives:** For the success of any business organization, determination of its objective is very essential. It should be clearly described and also be realistic. It may be primary or/and secondary. Each activity of the organization should be directed towards the achievement of its objectives.

2. **Planning:** Planning refers to the rational and orderly thinking about the ways and means for the achievement of the firm's objectives. It analyses the problem and find out the solutions with reference to the objectives of the firm. It enables the firm to run smoothly and thereby reduces the risk of loss. Thus, it is considered as the essence of business.

3. **Research:** Research is necessary for the organization in order to improve the methods and techniques of production, quality of the products and also to introduce new products. It enables the businessman to meet the changing needs of customers, demand and also competition among the producers.

4. **Location and Size:** Favorable location and suitable size have a great bearing on the success of any business concern. The businessman in selecting a suitable location and also in determining its size must exercise proper care.



**5. Sound Organization:** Sound organization is very essential for the success of any business. It is a medium for exercising effective control and management of any business. A good organizational chart is necessary for staffing the organization with sufficient number of personnel with different talents and skills, dividing work among people etc.

**6. Adequate Finance:** Finance is the lifeblood of the organization. Inadequate finance may lead to losses in the firm. Hence, arrangements should be made to meet the short-term and long-term requirements of the organization. Flow of funds and employment of funds should be planned well in advance.

**7. Effective Management:** In order to achieve its objectives, effective and efficient management is essential. No firm can achieve success unless it has an efficient management. It is possible only when the managers are competent in performing their duty.

**8. Effective Distribution System:** The goods produced have value only when they are made available to the consumers. The object of producing goods itself is to distribute it for value. Therefore, in every business organization it is essential to have effective distribution system.

**9. Maintenance of Better Employee relationship:** Cordial employee-employer relationship is very essential for the successful operation of the business concern. Employees are to be rewarded, well treated and also provided with all amenities to ensure job satisfaction. This will definitely boost up the employee morale and ensure their cooperation.

### **Advantages of Entrepreneurship**

Being a business owner can be extremely rewarding. Having the courage to take a risk and start a venture is part of the American dream. Success brings with it many advantages:

- **Independence.** As a business owner, you're your own boss. You can't get fired. More importantly, you have the freedom to make the decisions that are crucial to your own business success.
- **Lifestyle.** Owning a small business gives you certain lifestyle advantages. Because you're in charge, you decide when and where you want to work. If you want to spend more time on non-work activities or with your family, you don't have to ask for the time off. If it's important that you be with your family all day, you might decide to run your business from your home. Given today's technology, it's relatively easy to do. Moreover, it eliminates commuting time.
- **Financial rewards.** In spite of high financial risk, running your own business gives you a chance to make more money than if you were employed by someone else. You benefit from your own hard work.
- **Learning opportunities.** As a business owner, you'll be involved in all aspects of your business. This situation creates numerous opportunities to gain a thorough understanding of the various business functions.
- **Creative freedom and personal satisfaction.** As a business owner, you'll be able to work in a field that you really enjoy. You'll be able to put your skills and knowledge to use, and you'll gain personal satisfaction from implementing your ideas, working directly with customers, and watching your business succeed.

## Disadvantages of Entrepreneurship:

As the little boy said when he got off his first roller-coaster ride, “I like the ups but not the downs!” Here are some of the risks you run if you want to start a small business:

- **Financial risk.** The financial resources needed to start and grow a business can be extensive. You may need to commit most of your savings or even go into debt to get started. If things don't go well, you may face substantial financial loss. In addition, there's no guaranteed income. There might be times, especially in the first few years, when the business isn't generating enough cash for you to live on.
- **Stress.** As a business owner, you **are** the business. There's a bewildering array of things to worry about—competition, employees, bills, equipment breakdowns, customer problems. As the owner, you're also responsible for the well-being of your employees.
- **Time commitment.** People often start businesses so that they'll have more time to spend with their families. Unfortunately, running a business is extremely time-consuming. In theory, you have the freedom to take time off, but in reality, you may not be able to get away. In fact, you'll probably have less free time than you'd have working for someone else. For many entrepreneurs and small business owners, a forty-hour workweek is a myth; see Figure 5.6 “The Entrepreneur's Workweek”. Vacations will be difficult to take and will often be interrupted. In recent years, the difficulty of getting away from the job has been compounded by cell phones, iPhones, Internet-connected laptops and iPads, and many small business owners have come to regret that they're always reachable.
- **Undesirable duties.** When you start up, you'll undoubtedly be responsible for either doing or overseeing just about everything that needs to be done. You can get bogged down in detail work that you don't enjoy. As a business owner, you'll probably have to perform some unpleasant tasks, like firing people.