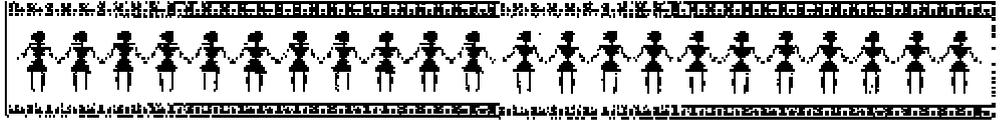


# Unit 10

## Steps in Managing an Enterprise



### General Objective

After studying this Unit, you should be able to help participants in your training session to recognize the various steps involved in setting up an enterprise.

### Specific Objectives

This Training Unit will help you to enable trainees to:

- Assist women in understanding the abilities required to initiate enterprise activity; and
- Identify the processes involved in setting up an enterprise.

### Planning

- Time** : Two hours and thirty minutes
- Training Methodology**: Participatory discussions, case study analysis
- Training Materials** : Flip chart, blackboard, group exercise, case study of “Ratna Enterprises”.
- Trainer’s Preparation** :
- Making flip charts or transparencies showing stages in Enterprise Building.
  - : Collecting information related to any local formalities – legal or otherwise required for starting any kind of microenterprise.
  - : Preparing a flip chart of a checklist for such formalities.

### Background Material

#### Introduction

The economies of many developing countries are in a state of transition as they strive to shift from a subsistence-oriented and heavily regulated environment to an outward looking, market-driven economy. This transition can be greatly assisted by the emergence of a large number of micro and small-scale enterprises, particularly in the rural areas. However, this activity, important for economic and social development requires the development of entrepreneurial skills.

## **Women Entrepreneurs**

Women are a disadvantaged group. Although they are the mainstay of the economy, their contributions are not recognized. In a developing country like India, the traditional division of labour is changing for women at the top and bottom end of society. The vast majority of women are desirous of work in response to economic need. Efforts both by government and non-government agencies target economic empowerment of women by providing opportunities, which increase their capacities/skills to initiate, plan, manage, and carry out enterprise activities. The ultimate goal of such strategies is to increase income and livelihood levels of poor and assetless women.

Women entrepreneurs may be defined as the women or a group of women who initiate, organize and operate a business enterprise. Women who innovate, imitate or adopt an economic activity can be called as women entrepreneurs. The Government of India has defined a woman entrepreneur as “an enterprise owned and controlled by a woman having a minimum financial interest of 51% of the capital and giving at least 51% of the employment generated in the enterprise to women”. On this basis Government offers incentives and concessions to women entrepreneurs.

### **Growing Number of Women in Enterprises**

There is a growing awareness of the importance of women entrepreneurs in the nation's development. A special Chapter on Women's Development had been included in the five-year plans. The Industrial Policy Resolution of 1991 had highlighted the necessity to provide special training programmes to develop women's entrepreneurship. The Resolution further adds that the objective of such programmes is to increase the representation of women in the field of small industry development and to enhance their economic and social status. More and more efforts are being made by developmental agencies to introduce efficiently managed microenterprises for women as a means to raise their livelihood levels.

There is also greater awareness among Indian women about entrepreneurship as a career. The growing awareness is mainly due to the fact that the profile of Indian women has undergone perceptible change during the recent past. More and more women are now ready to accept challenges and assume responsibilities in various fields – economic, social and political.

### **Types of Microenterprise Managed by Women**

By and large women are still confined to micro-activities in the rural areas. Most of these activities are still in the cottage industry realm. Classic examples of these so called 'income generation' projects for women can be found in the field of handicraft production, which aim at building on the 'traditional' skills of women, such as sewing, embroidery and cooking. Women are occupied mostly with traditional activities like agriculture, cultivating and selling fruits and vegetables, livestock, various crafts and largely home-based activities like making pickles, agarbathies, papads, jams etc.

### **Selection of an Enterprise**

All enterprises emerge from ideas, which the entrepreneur may develop after observing the environment. The process of selection of an appropriate enterprise contributes a great deal towards the success of that enterprise.

Selection of an enterprise involves the following:

1. Looking at various opportunities for profitable business and determining their form.
2. Checking that the opportunities are practical.
3. Evaluating which options are most suitable to entrepreneurs and their environment/location.

The suitability of an enterprise is determined by analyzing factors related to three major areas.

<b>1. Women Entrepreneurs Related</b>	<b>Very Suitable</b>	<b>Suitable</b>	<b>Not Suitable</b>
a. Background			
b. Interest			
c. Resources			
Financial			
Skill			
Others			
d. Preferences			
<b>2. Location / Environment Related</b>			
a. Infrastructure			
Communication			
Power/Water etc.			
b. Competition			
c. Resource Availability			
d. Economic Condition			
e. Sociocultural Factors			
<b>3. Enterprise Related</b>			
a. Types of Activity			
Agricultural			
Processing			
Manufacturing			
Trading			
Services			
b. Size of Investment			
c. Technology Involved			
d. Resources Required			

For an appropriate selection of the enterprise, the facilitator helps the women to rate these factors as very suitable, suitable or not suitable. Analyzing the table after the discussions and the ratings have been completed will provide comparative scores for different project ideas, and this will help the entrepreneur in arriving at a decision as to which one she needs to take on.

Once the **suitability** has been assessed, another factor called **viability** also needs to be analyzed. This assessment is required to ensure that the product will generate profit. Viability assessment can be done at three levels.

### Level 1

At this stage the listed opportunities are broadly categorized as per their type and characteristics such as:

- a) Agricultural: Food-based (growing vegetables, rice, and wheat); Animal-based (dairy, goatery, and fish culture); Forest-based (collection of fruits, wood, and trade in forest products); and Insect-based (silk cocoons, honey).
- b) Processing
- c) Manufacturing
- d) Trades
- e) Services

### Level 2

At this stage each listed idea is tested against the following indicators.

- a) What is the nature of the market of the product?
  - What is the type of market for the finished product? Rural/local/nearby town
  - What is the market potential?
  - Is further categorization of the available market possible?
  - Will the product meet the current demand?
  - What other products offer competition to the product?
  - What could be the foreseen future competitors ?
  - What other services can be made available to the consumers?
  - What potential exists to establish identity of the product in the market?
- b) What is the likely situation of the future market?
  - Will there be an increase in the demand for the product?
  - Would this business continue to exist in the future?
  - What would the profits be like?
  - In face of competition, will the profits continue to be the same or will they be affected?
  - What will be the impact of the product on the buyer?

- c) What is the cost in the production and promotion of the proposed product?
- Raw materials
  - Labour
  - Promotion and distribution
  - Production capacity
  - Cost after sales
  - Cost for patents/licenses
- d) What are the risk factors associated with the cost of the product?
- Possibilities of increase/decrease in the demand for the product
  - Possibilities of continuing demand for the product
  - Possibilities of raising resources to meet fixed costs
  - Possibilities of increased competition
  - Possibilities of technological changes

### **Level 3**

Product is analyzed in the context of the following for a compact assessment.

- a) Needs Analysis
- b) Resource Analysis
- c) Demand Analysis
- d) Supply Analysis
- e) Demand and Supply Analysis
- f) Business Opportunity Analysis
- g) Business Competitors Analysis
- h) Technical Feasibility, and
- i) Financial Feasibility.

### **Setting Up an Enterprise**

Setting up an enterprise is a crucial decision and should be taken after serious consideration. Many microenterprises fail largely because these are launched without proper preparation. Some of them select the wrong location for their enterprise; many make serious mistakes in choosing the right kind of machinery and equipment; some others start off with outdated technology; few collaborated with wrong type of business partners and many others started with inadequate fund. Women entrepreneurs should be trained to take decisions of starting the right kind of enterprise, at the right location, with the right type of business partners, adequate funds, suitable and modern technology and machinery under right size and under the right market prospect.

The various ideas that are a part of the business plan are as follows:

- a) Idea about business.
- b) Matching the interest/idea of business of entrepreneur with the product. (Example, if the women are interested and have the skills in embroidery, the product should be based on their interests and skills. Or, if the women are interested in dairy, but the project set up involves poultry, it may not work out successfully).
- c) Market analysis: Demand for the product being produced by women has to be assessed. If there are milk cooperatives already existing, the women may face tough competition in selling milk which they generate within their project. But if there are no tailors in the market and a stitching unit is started, women may make huge profits.
- d) Setting up the infrastructure – like a work shed, obtaining water and electricity connections etc.
- e) Obtaining machinery (if it is involved in the project).
- f) Project projections: What is to be produced, in what quantity, how and when. This would also involve calculation and estimation of all costs and profits.

### **Implications for Training Women in Enterprise Management**

Important lessons concerning training for women may be derived. Of particular relevance is the need to target the informal sector women explicitly and systematically if training is to be accessible, relevant and effective. This point is even more critical in the case of women, where their access to and control of productive resources, their role in production processes, and their participation in decision making is quite different from that of men.

### **Procedure**

#### **Step 1**

- As the trainer, you can help participants to remember all stages involved in building an enterprise.
- There is a chain of functions and decisions to be taken at different stages of enterprise building.
- Involve participants in recollecting all decisions that are to be taken in enterprise creation prior to starting an enterprise. Also project all major decision areas which emerge after starting the enterprise,
- Make pre-and-post enterprise establishment decisions points to suggest the need to check their suitability for the enterprise.

<b>Pre-Establishment Decisions</b>	<b>Enterprise Establishment Decision</b>	<b>Post-Establishment Decision</b>
<ul style="list-style-type: none"> <li>● Sensing opportunities</li> <li>● Selection of an enterprise</li> <li>● Project formulation</li> <li>● Market survey</li> <li>● Feasibility report</li> <li>● Non-financial resource mobilization</li> <li>● Financial resource mobilization</li> </ul>	<p>Starting an Enterprise</p>	<ul style="list-style-type: none"> <li>● Commencing production of goods and services</li> <li>● Marketing of products</li> <li>● Managing human resources</li> <li>● Managing money</li> <li>● Sustaining growth and expansion</li> </ul>

Participants are encouraged to practice checking all pre-establishment decisions not only separately but also by integrating them to judge the combined effect on post-establishment decisions.

## **Step 2**

### **Condition for Launching**

At this stage three factors deserve serious consideration.

1. Funds
2. Friends
3. Formalities

#### **Availability of Funds**

As per the project, money is a crucial factor, which is examined for both fixed assets as well as for operating costs. Under financing often results in loss and if the condition persists longer, it may result in closure of the Unit. This makes the entrepreneur still poorer.

#### **Friends**

Here refers to ownership of the enterprise. The advantage and limitations of all forms of organization are examined critically. With respect to ownership, an enterprise may be:

- Sole proprietorship (individual owner);
- Partnership (More than one owner);

- Private Limited Company (more than one owner – it is different from partnership in legal makeup and constitution);
- Public Limited Company (wherein the public are called the share subscribers and there is a large number of owners); and
- Co-operative Societies (enterprise owned by members).

Each form has its advantages and limitations. The entrepreneur chooses one of the above according to her need and the existing situation.

### **Formalities**

Legal or otherwise these are to be treated as preventive strategies rather than committing omission and later facing loss in terms of closure of the Unit. These are basically formalities related to the nature of product, processing, level and type of pollution, size of Unit etc. These could also be financial obligations such as tax fees etc.

There are certain banned items, the trading and production of which may invite litigation. At the time of starting an enterprise, one needs to gather the relevant information and meet the obligation as a preventive strategy.

All factors mentioned above are necessary steps in setting up an enterprise and deserve equal importance and consideration.

### **Step 3**

#### **Check Prior Learning**

You as the trainer can discuss the main features of a business as being:

- a) Calculated risk taking for a reward;
- b) Value addition to the product and economy;
- c) Profit motive;
- d) Commitment to time;
- e) Sensing opportunities;
- f) Planning, organizing and controlling;
- g) Creativity;
- h) Consciousness about quality;
- i) Minimizing wastage;
- j) Looking for growth;
- k) Realization that everything has to be paid for; and
- l) Possible provision for employment of others.

There are certain myths and realities about business. These may be enumerated as below:

#### **Myths**

- a) Women do not understand business.
- b) Women do not have the capability to run business successfully.
- c) Setting up a business is a complex task.
- d) Only those women who belong to business families can run a business.

**Realities**

- a) Women understand business as well as men.
- b) Women have better capabilities to be business managers.
- c) Setting up business is easy if one follows the principles and guidelines.
- d) One needs to have only the necessary motivation – family does not matter so much.

**Group Exercise**

1. The trainer displays some project ideas generated by the group during the session on business ideas generation. The trainer also informs the group about the prices and profit per Unit as examples. She/he displays all this information on a chart paper:

<b>Items</b>	<b>Price (Rs.)</b>	<b>Profit per Unit (Rs.)</b>
Cushion cover	50	10
Jam bottle	50	7
Pickle jar	60	12
Papad packet	30	5
Bamboo basket	25	8

You can assist the participants to make a choice of product/service for their individual or group enterprise. This is done by discussing the merits and demerits of each item and analyzing whether they are suitable or not suitable.

2. While the discussion is going on, it is beneficial to the training if you write out the points for each product separately on the chart paper, for all to see. This may look something like this:

<b>Product</b>	<b>Processing</b>
Cushion cover	Difficult to procure raw material, only urban market, hard to reach markets, too much labour, can be done from home.
Jam bottle	Procuring raw material no problem, place for making not available, quality standards, tough competition, too many brands in the market, difficult to sell.
Pickle jar	Various types of pickle or one type only, competition from established brands, working space, storage space, glass jars difficult to obtain, licenses.
Papad packet	Time consuming, can be done from home, quality standards, flavours, competition from others, very low profit margins.
Bamboo basket	High labour limited market in urban areas, far to reach markets, raw material procurement, skills available, transportation problems.

3. You can now divide the participants in small groups of 4-5 women each. These groups are given an exercise.
4. Each group is told that they have Rs. 10,000 and they have to select a product for an enterprise. A time period of 15 minutes is provided for them to discuss the selection of an enterprise.
5. Participants are encouraged to express reasons for selecting a product. You can note these on the chart paper. On the basis of the suitable, not suitable and very suitable chart given earlier, you can summarize the process of selection of the product.
6. Participants are encouraged to repeat the exercise with other products.
7. You can inform the participants that this exercise is useful for preliminary selection of the enterprise. For final selection they need to draw a business plan, conduct a market survey, and do a feasibility study to ensure success.

## Case Study

### Empowering Women for Enterprise Development “Ratna Enterprises”

Ratna thought that problems had become a part of her life; she had learnt to live with them. She had also learnt to find ways of solving them. “It is like a game of balance – the more one practices, the more adept one becomes, but with a danger of failing”, she said thoughtfully to Latika.

Latika was a trainer in entrepreneurship development. She had known Ratna for a long time and used to visit Ratna now and then. Latika had developed a close friendship with her. Ratna too used to find Latika to be a good friend with whom she could talk about herself and what was happening to her.

She had shared aloud with Latika that even though her efforts had been well rewarded, yet she had been confronting her problems at the cost of her physical health.

Ratna, a woman of 49 years was married to Sunil Bhargava in 1982. She was the eldest of her two siblings. Her father was a senior Govt official. She had done her post graduation from JNU at Delhi. Subsequently, she had also done a Diploma in Pushto-Afghani. She had earned an assignment in Afghanistan but had given that up on account of her marriage.

Sunil Bhargava, her husband, was running a printing press called ‘Skylark’ with his younger brother Anil. The youngest brother, Kapil, was independently engaged in liaison work. Sunil’s father, Vikram Bhargava, was in his late sixties, retired from his job with the Railways. Mrs. Padma Bhargava, Sunil’s mother, was a housewife.

Soon after stepping into the Bhargava household, her mother-in-law told Ratna that her expectations from her was that she would do the household chores. Ratna observed that women in the Bhargava’s family confined themselves to the home. She being the eldest daughter-in-law took it upon herself to shoulder the responsibility of the household jobs.

After about six months, Ratna began to feel stifled within the confines of the four walls. A job of Rs. 1500/- per month with a public undertaking

materialized at that time. This was a job that she had applied for before her marriage. She wanted to take up that. But Sunil, Anil and her father-in-law said, "It is not worth it. A job of Rs. 1500/- per month is nothing." Ratna felt discouraged, "but I did not give up", she commented to Latika.

Ratna thought of convincing Sunil "An educated woman's place was not only at home. I could contribute elsewhere too", she said to him. She thought that Sunil was convinced as he said "I understand you Ratna, but how can I speak to my father on this issue?" Ratna thought that Sunil wouldn't be of much help.

Sunil and Anil started Skylark in 1979. The company was earning a gross profit of 10-15% on the investment. Anil thought that this was not good enough. Sunil discussed this with Ratna. She thought that Sunil and Anil lacked proper planning and pointed this out to them. In a joint discussion, Anil commented, "Ratna Bhabhi, business is not your cup of tea. You better concentrate more on the family." Ratna felt hurt, "I suppressed my feelings but decided that I'll show them that I too can manage a business. I took it as a challenge." she told Latika. Sunil in the meantime thought that some of her suggestions regarding their fund flow, overhead expenses and execution of orders were helpful. He thought of looking into these points. Following her suggestions he was able to control his overhead expenses and manage his orders better. "I feel proud of you, Ratna". He said to her.

Ratna too felt a deep sense of satisfaction and accomplishment. She began to think of starting her own business. She shared her idea with her family. Except Sunil nobody either encouraged (or discouraged) her. She felt determined to go ahead.

After almost two years of marriage, in December 1983, Ratna attended an Entrepreneurship Training Program for women at the National Institute for Entrepreneurship and Small Business Development at Delhi. "This was a turning point for me. I got a sense of direction and impetus towards what I wanted to do." She said to Latika.

During the training, Ratna decided that she would take up specialized printing work. She thought of printing because Sunil could have been of some help in that, but more because she wanted to show her in-laws that she could do the same job in a better way.

After the training, the National Small Industries Corporation at Delhi provided her a loan of Rs. 1,53,902 for buying two machines: a Printing Machine and a machine for Dye-cutting and Punching. This was under the hire purchase scheme, where the loan repayment had to be made in 13 installments by the end of the seventh year.

Reflecting upon the period she said to Latika, "This was a trying time for me. The Government officials thought that I only wanted to help my husband. I had to prove my genuineness to them on the one hand and on the other I had also had to prove my competence.

After a period of 11 months "Ratna Enterprises" was born adjacent to Skylark. Since the beginning, she did not take any help from the Bhargava family; she said to Latika that she only needed Sunil's moral support, which she got.

Ratna began with a working capital of Rs. 1,83,902/-. She took Rs.20,000/- from friends of Sunil and she contributed Rs. 10,000/- of her own money.

With Sunil's assistance, she hired two skilled workers, she decided to aim at earning credibility in the market with her specialized job and also to plan her actions.

Ratna Enterprises took the job of printing for medical and pharmaceutical packaging. Ratna got her first order of Rs.20,000/- from Global Pharmaceutical Laboratory (GPL). Sunil knew the Managing Director of GPL.

Ratna worked nearly 12 hours a day to get her first orders ready in time. She spent time learning the technical know-how and attending to quality inspection.

Her first order proved to be the beginning of a boom. By the end of the first year her order position rose from Rs. 20,000/- to Rs.1.05 lakhs. She used to pay her suppliers either immediately or at the most within a week.

Through GPL, Ratna got some contacts around Delhi and also at Patna. Ratna said to Latika that she expected that this would give her recognition in the Bhargava family. Her father-in-law told her to wait and watch, while Anil and Kapil did not say anything. On the other hand Padma Bhargava said that she was neglecting her house and her household responsibilities. Sunil intervened and said. "How can she do the house job when she is in the factory for so long?" Padma felt that her son was taking his wife's side. She stopped speaking to Ratna. Sunil felt tense.

Ratna felt guilty and wanted to restore the family peace at any cost. "I did not keep any time for my relaxation. I used to get up at five in the morning, serve tea and breakfast to everyone and prepare lunch before going to the factory," she said to Latika. She also said that she wanted to show her in-laws that she could be a good housekeeper too.

With the increase of workload, both at home and at the Unit, she employed two salesmen.

Sunil said that he would like to help her, but she told him that she would seek his help when she needed it. She did not want to disturb him.

The network of Ratna Enterprises started expanding. 70 percent of her clients belonged to Patna. GPL had helped her establish contacts at Patna. Reflecting with a smile in her eyes, she said to Latika. "Now I can spread my wings and fly."

With the increase in business in 1987 the liquidity became lean. Payments were taking longer than expected "That has been always a problem." She said to Latika, Ratna, however, maintained her payment policy towards her suppliers and clients. But gradually she thought that the situation was going beyond her control. "Although I wanted to be a very good paymaster but my hands were tied. I was afraid that I would lose my credibility in the market," she said helplessly to Latika.

Ratna Enterprises, despite having orders, were stuck due to lack of funds. She did not want to disturb her fixed cost, and moreover the loan repayment of Rs. 3,500/- per month had to be made. She thought of sharing her problems with Sunil, who, she knew, was concerned for her. But Anil and

Kapil were watching the fun and speculating as to what would happen next. By then Rs. 1,80,000/- was due from the market. Ratna personally launched a drive to collect the money. She managed to collect Rs. 30,000/-. The GPL owed the maximum amount of Rs. 1,00,000/-. Although initially she hesitated, but finally she approached Mr. Harish who asked her to contact Mr. Singh who was a partner and was looking after the marketing office at Patna. She thought that Mr. Harish had handled the situation very diplomatically.

Ratna went to Patna for a day. She wanted to face the situation alone. She met Mr. Singh, and said. "I need my payment which is overdue for 10 months. Till I get it, I will not leave this office." Mr. Singh said, "I appreciate your problem, but I am unable to pay more than Rs. 25,000/- to you at the moment. I am helpless. "However, Mr. Singh went on to add casually "Why don't you take our new Maruti Van instead of Rs. 86,000/-?" Ratna took an on the spot decision and agreed to the proposal. "I felt great!" she exclaimed to Latika.

When she came back to Delhi, Anil commented "What a luxury!" Her father-in-law told Sunil that he should have accompanied Ratna. This was not a good decision, he thought.

But the van proved to be an asset. Ratna's transport expenses came down to Rs. 500/- from Rs. 1500/- per month. Her sales shot up as she was more mobile now. Her in-laws began to use the van whenever they needed to. Sunil's parents, Ratna felt, appreciated her for the first time. She felt good about that.

Anil got married in mid-1986. Within two months of his marriage, he expressed his inability to contribute to the family expenditure. Ratna's in-laws were silent. They did not say anything to their son. Ratna thought that she should take the responsibility. Sunil felt that it would be too much of a burden on her. "I got a chance to prove my worth." Ratna shared with Latika with a sparkle in her eyes.

Her financial contribution to the family rose from 60 per cent to 80 per cent. The family members and some close relatives even commented that Ratna had proved "to be a son rather than a daughter-in-law". Padma said to Latika "Ratna brought peace in my house."

Ratna thought that peace had come, her respect had been restored in the family never mind even if it had been at her own cost. She told Latika "My health started deteriorating. I lost about four kg. of weight. I was under constant pressure to please everyone. I had no time for myself! I was tense all the time." Thoughtfully she added to Latika, "Was all this worth it, how long can I go on like this?"

Discussions on this case follow answers to three questions:

1. What is Ratna's problem?

Problems identified would include general problems faced by women like having to balance work and home together, family's lack of support and understanding, lack of access to adequate information.

2. Do you see Ratna as an entrepreneur? Attributes to be highlighted here. These may encompass inner desire, confidence, skill, innovative ideas, determination, decision-making, and persistence in difficult situations.

All these are characteristics leading to entrepreneurship development in women.

3. What is the perceived process of enterprise development? Processes identified would be desire to run an enterprise; desire to prove one's capability; stimulation from training; obtaining access to support and credit; setting up of an enterprise; stabilization of enterprise; recognition by family and community; sense of achievement.

In other words, a successful entrepreneur requires the necessary KAS profile, where

K = Knowledge

A = Right attitude, and

S = Necessary skills or arrangements for upgradation of skills.

### **Group Activity**

You can ask trainees to talk to successful women who have their own enterprises in the neighborhood and ask questions related to their services/products such as: What? How? Where? When? Who? and How?

Visit a few enterprises and ask the same questions.