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# UNIT 1 ENTREPRENEURIAL CHARACTERISTICS AND SKILL

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## LEARNING OBJECTIVES:

After completion of this unit you should be able to:

- Identify the Characteristics of Entrepreneurs
- Identify the skills needed to run an enterprise
- differentiate between acquired skills and potential skills
- Introspect about the Characteristics and skills within self

## Structure:

- 1.0 Introduction
- 1.1 Characteristics of Entrepreneurship and Entrepreneur
- 1.2 Entrepreneurial Skills
- 1.3 Role of Entrepreneurs
- 1.4 Let's Sum-up
- 1.5 Key Terms
- 1.6 Self-Assessment Questions
- 1.7 Further Readings
- 1.8 Model Questions

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## 1.0 INTRODUCTION

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Entrepreneur is not a simple man who lives normally like the other people but he is one who continuously thinks something for his progress, challenges, business, new ideas etc. Most of the characteristics of the entrepreneur are his achievement motivation. A successful entrepreneur must be the combination of qualities like innovation, initiation, leadership, self- confidence, creativeness and so many qualities that ultimately help the entrepreneur to achieve his goals. The following are the characteristic features of a successful entrepreneur: If you think you want to be your own boss and run your own business, but are not sure you have the right qualifications to be an entrepreneur, read on. What are the characteristics of an entrepreneur? How does an entrepreneur think? Is your personal profile similar to that of a successful entrepreneur?

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## 1.1 CHARACTERISTICS OF ENTREPRENEURSHIP AND ENTREPRENEURS

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Scholars do not agree on the characteristics possessed by entrepreneurs. Hence, several scholars through various studies identified several characteristics or traits

possessed by entrepreneurs some of which are discussed as follows. For instance, Rockstar (2008) recognized the characteristics of entrepreneurship as:

**Creative Activity:** Entrepreneurship entails innovations. It deals with product innovation, production techniques innovation while bearing in mind the market;

**Dynamic Process:** Entrepreneurship is a dynamic process that has to bear in mind the dynamic business environment.

**Purposeful Activity:** Entrepreneurship is an activity embarked upon for a specific purpose. This could be for profit making purposes, for humanitarian purposes or to bring a difference to the market.

**Involves Risk:** Entrepreneurship is a very risky venture; entrepreneurial decisions can have far-reaching impact on the organization, people in the organization and even the economy. These decisions are critical, enormous and cannot be easily reverted.

Rockstar (2008) then identifies the following characteristics of entrepreneurs as: risk bearing ability, technical knowledge, and ability to gather financial and motivational resources. Di- Masi (2010), on the other hand, regards the major characteristics of entrepreneurs as: self-confidence and being multi-skilled, confidence in the face of difficulties and discouraging circumstances, risk-taking, innovative skills, results-oriented, total commitment. Stephenson (2010) believes that entrepreneurial characteristics are: **seriousness, planning ability**, prudence, and **team work**. Hadzima and Pilla (2010) conclude that the characteristics of highly effective entrepreneurs include: ability to deal with risk, being results oriented, enthusiasm and energy, growth potential, team work, multitasking ability and improvement orientation.

Driessen and Zwart (2010), after carefully studying various researches conducted into the characteristics of successful entrepreneurs, identified three main characteristics and five secondary characteristics of successful entrepreneurs. According to them, the main characteristics are: need for achievement (n Ach), internal locus of control (ILOC) and risk taking propensity (RTP), while they also stated the five secondary characteristics as: need for autonomy (n Aut), need for power (n Pow), tolerance of ambiguity (ToA), need for affiliation (n Aff), and endurance (End). They then concluded that in these studies, successful entrepreneurs score significantly higher on these characteristics than less successful entrepreneurs, small business managers, and non-entrepreneurs (Driessen & Zwart, 2010). Other characteristics identified are: discipline, vision or creativity, calmness, risk tolerance: Focused, balance, (Life Hack, 2008), commitment, perseverance, **initiative, versatility, dynamic, knowledgeable/skilled**, emotional or mental strength, and resilience. A careful look at the characteristics listed above reveals that some of them overlap while most of

them are divergent thereby further fuelling the debate. Some of these characteristics are briefly discussed below.

**Risk Bearing Ability:** The entrepreneur must have the capacity to bear risk. This is because the new venture is created in an uncertain and risky environment. Di-Masi (2010, however, noted that although risk bearing is an important element of entrepreneurial behavior, many entrepreneurs have succeeded by avoiding risk where possible and seeking others to bear the risk. Basically, what he is saying here is that entrepreneurs bear calculated risks and are more than glad to let others bear their risk when it is convenient for them.

**Technical Knowledge:** Depending on the kind of venture created, the entrepreneur must have technical expertise about production techniques and marketing.

**Ability to Gather Financial and Motivational Resources:** Financial and motivational resources are needed for the creation of the new business. Sometimes the entrepreneur, as an individual may not have these resources but he/she/they should have the ability to gather it from those who have it.

**Self Confidence and Multi-Skilled:** The entrepreneur must have self confidence and believe in him/herself. Self-confidence is an important characteristic that enables individuals to handle any situation without having inferiority or any other type of complex. The entrepreneur also has to be a jack of all trade and master of all. He/she must possess different skills unlike other individuals. For instance, assuming an entrepreneur is a marketer, the entrepreneur should not only possess marketing skills and interpersonal skills but also language skills i.e. ability to speak more than one language. This definitely will be an added advantage!

**Confidence in the Face of Difficulties and Discouraging Circumstances:** The entrepreneur must be steadfast and resolute and be ready to move on even in the face of adversity. He/she should be a 'never say never' kind of person; everything is possible for the entrepreneur.

**Innovative skills:** The entrepreneur may not necessarily be an 'inventor' but the one that can make a difference; he/she should be able to see what others cannot see and be able to carve out a new niche in the market place.

**Results-Orientated:** The entrepreneur is one who knows how to get results under any circumstances either with others or through others. The entrepreneur does this by setting goals and ensuring that such goals are doggedly pursued by all concerned willingly and with joy.

**Risk-Taker:** The business environment is dynamic and filled with uncertainties and risk. In order to succeed the entrepreneur has to take risk. Successful entrepreneurs take calculated risks and in some cases shift the risks to others.

**Total Commitment:** Starting /creating a new business is a serious exercise that requires a lot of commitment and hard work. It is like bringing a child into the world and nurturing the child to adulthood. This requires commitment, dedication, hard work, energy and single-mindedness, otherwise the 'child' (i.e. business) may die prematurely (Di-Masi, 2010).

**Calm:** Entrepreneurs need to be cool, calm and collected. They have to remain calm even when exposed to stress, emergency or crisis situations.

**Focused:** In getting things done and starting and maintaining a business attention has to be paid to a lot of details. Small things when not handled properly or noticed on time may lead to disastrous outcomes.

**Tolerance:** The entrepreneur has to relate with people. People vary in terms of their perceptions, personality, motivations and attitudes amongst other things. The entrepreneur needs to be tolerant while not being weak, in order to get things done.

**Balance:** Though, the entrepreneur is a human being, he/she has to be like a super human being in order for him to succeed. To this effect, he/she has to be able to balance all emotions and characteristics and remain focused and objective while having emotional or mental strength and resilience. Balance is important because too much of everything is bad.

**Versatility:** The entrepreneur has to be versatile and be ready to learn and use information technology and other technology to the best advantage.

**Seriousness:** The entrepreneur has to believe in him/herself and the business and get things done with total seriousness. As mentioned earlier, starting a new business is like giving birth to a child; it is indeed a very serious business.

**Planning Ability:** The entrepreneur must be a planner; he/she must formulate goals and develop action plans to achieve them. Planning is important for he/she who fails to plan, plans to fail!

**Prudence:** The entrepreneur must be versatile in financial management. This is because finance is the life-wire of the business. Also, to achieve the profit objective, the entrepreneur must engage in efficient and effective financial management, and have sound financial policies and practices.

**Customer-Centric:** Businesses are created to satisfy unmet needs. A successful entrepreneur must be able to anticipate customers' needs and satisfy them through his/her product offerings. To do this effectively, the entrepreneur has to adopt a customer-centric or customer-focused approach.

**Team Player:** Creating a successful business is a one man business but maintaining and sustaining the business cannot be done by one person. The entrepreneur needs others to work with him hence he has to have a formidable or winning team. To this effect, the entrepreneur has to be an effective team manager and recruit the right team members but the entrepreneur's most important team members are the customers for without customers a business cannot survive.

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## **1.2 ENTREPRENEURIAL SKILLS**

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As with any sport, having the right attitudes and characteristics can carry you only so far. You also need the **skills** that will help you succeed. However, unlike personal characteristics and attitudes—which can often be hard or impossible to change—entrepreneurs **can acquire** skills if they are willing to learn them. Additionally, they can hire people to work for them who have the needed skills. Either way, the following skills are important if the entrepreneur's business is to succeed.

### **Ability to Plan**

The ability to plan is a key skill for entrepreneurs. They must be able to develop plans to meet goals in a variety of areas, including finance, marketing, production, sales and personnel (hiring and maintaining productive and satisfied employees).

### **Communication Skills**

Entrepreneurs should be able to explain, discuss, sell and market their good or service. It is important to be able to interact effectively with your business team. Additionally, entrepreneurs need to be able to express themselves clearly both verbally and in writing. They also should have strong reading comprehension skills to understand contracts and other forms of written business communication.

### **Marketing Skills**

A business's success or failure is very dependent on whether the business reaches the market (its potential customers), interests the market and results in those in the market deciding to buy. Many entrepreneurs who failed started with an innovative good or service that with proper marketing could have been very successful. Good marketing skills—that result in people wanting to buy your good or service—are critical for entrepreneurial success.

### **Interpersonal Skills**

Entrepreneurs constantly interact with people, including customers and clients,

employees, financial lenders, investors, lawyers and accountants, to name a few. The ability to establish and maintain positive relationships is crucial to the success of the entrepreneur's business venture.

### **Basic Management Skills**

The entrepreneur must be able to manage every component of a business. Even if entrepreneurs hire managers to attend to daily details, they must understand if their business has the right resources and if those resources are being used effectively. They must ensure that all the positions in their business are occupied by effective people.

### **Personal Effectiveness**

In order to handle the pressures of their busy lifestyles, entrepreneurs must have the ability to manage time well and to take care of personal business efficiently. Because first impressions are so important, entrepreneurs must also pay attention to such things as personal appearance and telephone skills. For example, think of the difference in the impression made by someone who answers the phone by saying, "Yeah?" versus saying, "Computer Support Services, this is Alex. How may I help you?" Additionally, entrepreneurs benefit a great deal by being aware of their own strengths and weaknesses.

### **Team Building Skills**

Because entrepreneurs usually assemble a team of skilled people who help them achieve business success, they must be able to effectively develop and manage the team.

### **Leadership Skills**

One of the most important leadership skills an entrepreneur must have is the ability to develop a vision for the company and to inspire the company employees to pursue that vision as a team. The expression "people would rather be led than managed" applies especially well to an entrepreneurial venture.

Few entrepreneurs possess every skill needed to ensure business success. For example, they often look to outside experts for help in areas such as strategic planning, accounting and finances, contracts and legal issues, and specialized marketing.

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## **1.3 ROLES OF ENTREPRENEURS**

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In order to perform their functions effectively and operate a successful business, entrepreneurs have to perform certain roles. These roles are the same as the basic managerial roles which are identified by Henry Mintzberg in 1973. They are as follows:

**Figure Head Role**

The entrepreneur has to act as figure head in the organization, as such; he/she has to perform ceremonial duties. This is done by representing the organization in formal and informal functions.

**Leader Role**

The entrepreneur has to act as a leader because the entrepreneur is the one who brings other people together in order to create the business. Thus, he/she has to lead the people in the organization by hiring, firing, training and motivating them.

**Liaison Role**

The entrepreneur has to act as the link between the business and the parties outside the business.

**Monitor Role**

The entrepreneur acts as a monitor; he monitors both the internal and the external environment of the business constantly.

**Information Disseminator Role**

The entrepreneur has to act as the organizational representative and transmit information both within and outside the business.

**Spokesperson Role**

The manager has to act as the spokesman of the business; he/she is the person for the business both inside and outside.

**Entrepreneurial Role**

This is the basic role of the entrepreneur; he/she launches new ideas for the business and bears the risk.

**Disturbance Handler**

The entrepreneur also acts as arbitrator in situations of conflict so as to maintain organizational harmony.

**Resource Allocator**

The entrepreneur decides on how the scarce resources of the business are allocated among its competing ends so as to achieve organizational goals and objectives.

**Negotiator Role**

The entrepreneur has to negotiate on behalf of the business both with the other categories of labour and other outside sources.



The specific entrepreneurial roles noted earlier on have a number of activities in each role. They are specified below:

### **Social Roles of Entrepreneur**

- Transformation of traditional indigenous industry into a modern enterprise.
- Stimulation of indigenous entrepreneurship.
- Job or employment creation in the community.
- Provision of social welfare service of redistributing wealth and income.

### **Economic Roles of Entrepreneur**

- Bearing the ultimate risk of uncertainty.
- Mobilizing savings necessary for the enterprise.
- Providing channel for the disposal of economic activities.
- Utilizing local raw materials and human resources.

### **Technological Roles of Entrepreneur**

- Stimulation of indigenous technology in the production process.
- Adapting traditional technology to modern system.
- Adapting imported technology to local environment.
- Developing technological competence in self and the workforce through innovation.

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## **1.4 LET'S SUM-UP**

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The present unit identifies characteristics of entrepreneurship and that of entrepreneurs. It also highlights the traits possessed by entrepreneurs. It also examines the roles played by the entrepreneur in ensuring that the business created survives in the dynamic business environment. Finally the study session identifies the different types of entrepreneurs that can emerge. Passion stands out as the most important of all. The entrepreneurship skills include : Interpersonal skills , basic management skills, personal effectiveness, team building skills, leadership skills, communication skills, marketing skills and the skill to innovatively manage finance. Entrepreneurs play several types of distinct roles in order to effectively discharge their duties and responsibilities.

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## **1.5 KEY TERMS**

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- Innovation
- Leadership
- Self-control
- Self-confidence
- Interpersonal Relationship

- Emotional stability
- Risk taking
- Non-conformity
- Positive mindset
- Complacency

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## **1.6 SELF ASSESSMENT QUESTIONS**

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1. What are the prominent Characteristics of Entrepreneurs?

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2. Explain the skills that make an entrepreneur successful.

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## **1.7 FURTHER READINGS**

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1. Satish Taneja & S.L.Gupta, Entrepreneur Development - New Venture Creation, Galgotia Publishing Company
2. S. Anil Kumar, Entrepreneurship Development, New Age International, New Delhi.
3. The Dynamics of Entrepreneurial Development and Management by Vasant Desai, Himalaya Publishing House Mumbai.
4. Entrepreneurship by Rajeev Ray, Oxford University press, New Delhi.
5. Entrepreneurship by Madhuima Lall and Shikha Sahai,Excel Book s, New Delhi.

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## **1.8 MODEL QUESTIONS**

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1. Describe the relationship between characteristics and skills of entrepreneur.
2. Examine the different roles that entrepreneurs play in discharging their duties and responsibilities.

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## UNIT 2 BUILDING NEW IDENTITY

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### LEARNING OBJECTIVES:

After reading this unit, you will.

1. Know how the Entrepreneur searches for and builds a new identity.
2. What is pre-enterprise preparation.
3. How does he consolidate and promote enterprise.

### Structure:

- 2.0 Introduction
- 2.1 Identity search, Identity formation, Identity establishment
- 2.2 Rural Entrepreneur, woman Entrepreneur, Minority group.
- 2.3 Entrepreneurial identity : an insight, Determinants
- 2.4 Innovation
- 2.5 Let us sum up.
- 2.6 Key terms
- 2.7 Self- assessment questions.
- 2.8 Further Readings.
- 2.9 Model questions.

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## 2.0 INTRODUCTION

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The Entrepreneur is viewed from different economic, sociological, religious and psychological viewpoints as a unique person.

Kautilya refers to a person who converts idea into an amazing balance sheet. This is Entrepreneurship, in essence. The word Entrepreneur is derived from the French verb *entreprendre* it means 'to undertake' or 'go between'. Adam Smith talked about a person who with foresight can recognize potential demand for goods and services. Bedudeau saw a person bearing risk, planning, supervising, organising an enterprise, Say differentiates entrepreneur from capital owner. The former creates economic enterprise with certain skills, not found in the later. Frank H. Knight develops his theory of profit around entrepreneur who bears the cost of uncertainty. The probabilities of alternative out comes cannot be determined beforehand. An entrepreneur faces uncertainty and earns what he says, as 'pure profit'

Joseph Schumpeter in his book, *The theory of economic development* advocated Innovation theory where an Entrepreneur is the innovator. Innovation is of five types;

- i) Introduction of a new good.
- ii) Introduction of a new method of production
- iii) Opening of a new market
- iv) Access to a new source of supply of raw materials

v) Carrying out a new organization.

Innovation is entrepreneurship. With this view, Schumpeter stood at the centre of modern entrepreneurial explorations. Other economists like Leibenstein (X efficiency theory), emphasise on entrepreneur improving the efficiency of the existing method or facilitating the introduction of a new ones. For Kirzner, adjustment of price is the main role of the entrepreneur. Alertness to disequilibrium distinguishes an entrepreneur from businessman. Mark Casson stresses on the functional role of Entrepreneur. He points out the scarcity of entrepreneur and difficulty of identifying them when they are available.

Thus, economists have found out some unique quality of an entrepreneur- foresight, imagination, uncertainty bearing capacity, besides his role as innovator. This is new identity of the entrepreneur from an economic angle.

### **Sociological Dimension:**

Everett Hagan emphasises on creative personality in an individual characterised by a high need for achievement and autonomy. He considers that withdrawal of status is responsible for changes in personality. Withdrawal of status is on account of displacement of a traditional group from its previous status. He is a rebel and is a reformist or creative innovator. John Kunkal in his Behaviouristic model sociological variable of entrepreneurial supply.

From a sociological point of view, social change or stimuli reinforcement lead to a different personality of an entrepreneur.

### **Religious dimension:**

Max Weber advocates the theory that the religious beliefs shape entrepreneurship. His controversial view is that Hinduism, Buddhism and Islam, three important religion of the world, do not encourage entrepreneurship. They do not encourage material gains in this world and are other-worldly. Wantlessness, reduction of wants in this life and renunciation are religious belief and cultural values of these religions which deter entrepreneurs. The theory is flawed China and India have produced top entrepreneurs of the world.

But the fact remains that certain cultural values in any religion, not these three religions only, deter entrepreneurship.

### **Psychological Dimension:**

Maslow's Need Hierarchy Theory states that a man has five basic levels of need:

- i) Physiological need-Basic need, e.g.-food, water, air
- ii) Safety, and security needs- e.g. Income, insure against risk.
- iii) Social need- for love and affection.

- iv) Esteem needs-Recognition, power, prestige, Control, Self-confidence.
- v) Self-actualization needs:- Desire for personal achievement.

An entrepreneur basically goes for IV and V. He wants to achieve. He wants to do something, not done by others. He needs not done by other. He needs recognition, Affiliation plays small role; he wants powers to control men and events. His desire for personal achievement needs to be recognized appreciated by the society.

This also confirms to ERG (Existence, Relatedness and Growth) theory of Alderfer. The last two categories are in the domain of entrepreneurship.

David Mc Clelland in his book. The Achieving society advocated a theory of high achievement a revolutionary theory in practice. Entrepreneurs are people with high need of achievement. (n-Ach). A person has three types of need;

- i) Need for Achievement- in search of excellence
- ii) Need for power- Dominating, controlling or influencing others.
- iii) Need for Affiliation- Close inter-personal relationship.

People in this category.

- i) Set realistic and attainable goals.
- ii) Take challenging tasks and calculated risk
- iii) Take personal responsibilities for decision-making and problem-solving.
- iv) Love personal accomplishment more than economic return or social recognition.

Mc Clelland believed that the need for achievement can be learned. He along with David Winter conducted path-breaking experiments in 1970 in Kakinada, Andhra Pradesh which evidenced that traditional belief, money, caste, etc did not play an important part in the n-achievement and individual/ group can learn n-ach. Over the last four decades, Government consulting and training organisations and commercial banks have stimulated achievement motivation in large number of entrepreneurs with a satisfactory measure of success.

The psychologists have identified self-achievement needs, need for achievement and need for power which give distinct identity to entrepreneur from psychological dimension.

### **2.1.1 Identity search:**

In the process for making of an entrepreneur, a would be Entrepreneur searches for his identity. He is dissatisfied with the role. He is not happy with his existing role. He wants to do something different. That is the basis of identity search. He has an innate urge to do something different. There might be external influences. The business may not be doing well. There might have been pressure from family to change the

vocation or line of activity. The environment may have changed, technology might have been obsolete or there could have been change of tastes and preferences of stakeholders. The external factors unsettle his present role, existing job might have been lost. There can be unemployment or blocked mobility. He becomes dissatisfied with his current life style/ job/ business. There is an inner urge, creativity to do something different. This is what is known as road deterioration on the lives of entrepreneurs before they became entrepreneur.

This identity crisis does not result in emergence of entrepreneur. Some persons escape the situation by changing place/vocation. At this juncture, the entrepreneur's inner urge become stronger. He thinks of an alternative of doing something on his own. He is excited about freedom. The fear of failure lurks behind. So, he wants to avoid failure. There is transitional stress.

He is at the crossroads whether to go ahead or to look behind. He looks around for entrepreneurial possibilities. He meets people who can give idea and inspiration. The search is on, whether to plunge for the unknown. He meets people who think on similar lines. He hears different viewpoint too, to grasp handicap. He comes out with a host of alternatives. He weights the pros and cons and chooses one he finds exciting. He is on the threshold of a new identity. He goes for the second stage.

### **2.1.2 Identity formation:**

The entrepreneur is at pre-enterprise preparation stage. He has strong ideas. He may be having managerial/ technical know-how. But, he has to find about marketing of product and financing of the unit. He tries to understand the nuances of financial from the professional. He takes advices of technical experts on choice of technology, production problem, marketing prospect etc.

He translates problems into opportunities, mobilises all his resources to meet the task, meets financiers, banks and doubles the roles as entrepreneur and manager and one role without the other may be inadequate. This new identity brings transitional role stress. It has its conflict and choices. He adopts different life style, adjusted to this stage.

### **2.1.3 Identities establishment:**

The third stage is consolidation and promotion of entrepreneur culture. The dreamer become the principal actor. He is entrepreneur and manager, rolled into one. The dream is translated into action by the entrepreneur as manager. There is stress from different stakeholders. The family is the first stake holder to suffer. In new role, there is less time for family and more time for business. More importantly, entrepreneur is left alone to make decision on various fronts. These stresses are to be coped with.

Further, there is a silver lining in business. There are fellow entrepreneurs, some first-generation entrepreneur who has undergone the process and some of family business who have different types of problems. He may join in the network of entrepreneurs e.g. Chamber of Commerce. There is identity integration with similar entities to facilitate collective thinking and creation of lobby for protecting mutual interest.

The entrepreneur establishes linkages with the support system- Government institutions, financiers, institutions, and banks and export-related organisation. The linkage building is consolidated with those who are stakeholders, raw material suppliers, customer, dealers, employees and so on.

### **2.2.1 Rural entrepreneurs:**

Rural entrepreneurs are in a different category. They have stress arising out of risk taking.

**Economic Risks:** They don't know the market well. They have to cope with changes in relation to raw material and finished products. Economic scenario is changing. How to change with times and how to cope with changes are the problems.

**Technical Risks:** They are not aware of technology and cannot reduce technical problems without a support system.

**Social Risk:** Old relationship changes, yielding place to new, Intergroup and intergroup relation change. How to cope when you drop old relationship is the problem. The supplier of and the buyer of finished product changes. How to cope with change creates stress and identity problems.

**Environmental Risk:** He was functioning in a particular environment. The market was familiar, the buyer was known. When products change, in new environment, there is transitional stress whether supplies of raw material in the changed circumstances will be maintained or finished goods would continue without interruption.

#### **Dealing with institution:**

Dealing with banks and government support institutions is a problem. These institutions are located in places closed to communication network and have their office time which does not tally with the rural entrepreneurs free time. There is general distrust of rural people in the institutions though these are meant for them. The entrepreneurs also look with awe at their office, rules and regulations, and their dealing with general public. They experience transitional stress and require support till they are familiar with their work pattern.

### **2.2.2 Women Entrepreneurs:**

Women entrepreneurs in India have problems of identities. They take up enterprise but.

- Their entrepreneurial abilities are not always approved by the family.
- They have the double burden of taking care of home and business.
- They lack access to resources- new material, new technology and market.
- They enter in competition with less know ledge and training than the male counterparts.
- They have limited access to capital, with support institutions and banks doubting their credibility.
- They face institutional apathy as these institutions think women's enterprise and efforts are not their primary occupations.
- They are faced with a limited range of over- competitive occupations. The options are few. Lines of activities are limited.

They have identity stress at each stage:-

- i) Preoperational stage
- ii) Implementation stage

They have intrinsic, socio-cultural and psychological problems. They have problems in terms of entry, survival and exit barriers. The entry is restricted as it is thought as men's worlds of business. The survival is viewed by all concerned Government, institutions, banks support system. The operation becomes problematic because they have to survive in material world where historically men rule the roost.

### **2.2.3. Minority Groups:**

Minority Groups such as Muslims have different types of identity problems.

They have

- i) Self-sphere constraints; usually, Muslims are in leather industry and meet industry. They try to find some space there rather than seeking new ventures.
- ii) Support system constraint: Support institutions in Government and banks view them for specified lines of activities. When it is unconventional enterprise, they raise a lot of questions to satisfy themselves and for approval/ support.
- iii) Resource system: Resources have flowed in a traditional way. Any change to a new line of business is questioned endlessly. These are doubts about the starting, feasibility. operation and material support. The prevalent sterotype is that they are experts in particular business/line of activity. When they explain and act, tray face identity crisis.

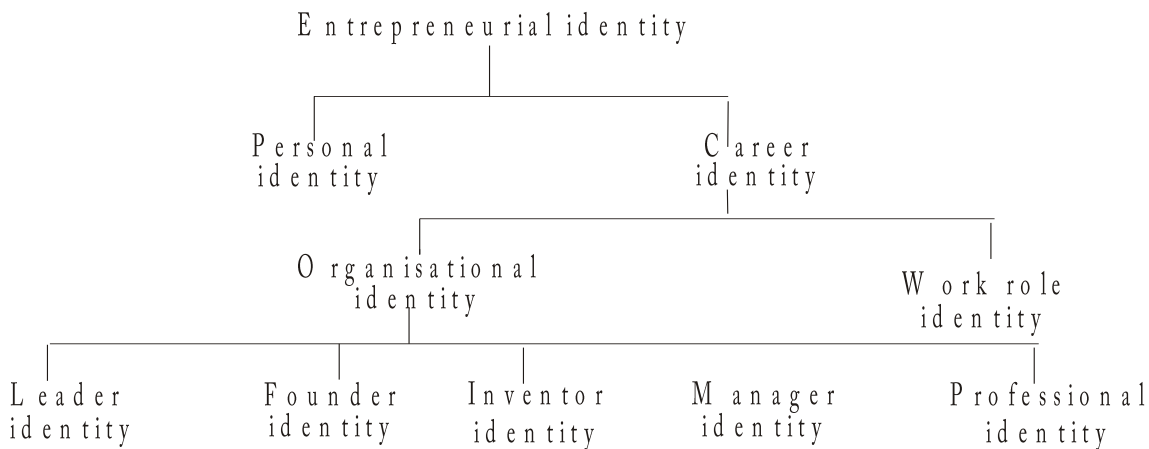


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## 2.3 ENTREPRENEURIAL IDENTITY: AN INSIGHT

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Figure-1:



Researches in entrepreneurship suggest that entrepreneurs have high motivation for self-esteem and self-actualisation, Personal identity is the individual self-those characteristics that differentiate one individual from the other. It is not an identity shared with others. Like any other career, entrepreneur as a professional aims at fulfilling basic needs such as financial security and higher order needs of status. They also have organizational identity as they feel a sense of belongingness imagines of the organization they found, own and operate. They show more organizational identity than all other stakeholders. Entrepreneurs. Interact with others through various roles such as the founder identity and the developer identity. Some identities become salient and some others latent, depending on the contexts and conditions.

Entrepreneurs with multiple identifies are expected to have the capability to meet a wide range of expectations. These help him navigations through socio-economic and psychological complexities during the startup and growth phase. Second, each identify has meaning. An enterpnuere is moneyless during startups. His personal identify may help in family members making sacrifices and investment. When he is discussing with venture capitalists, founder identity is important. When, in crisis, he talks to employees about wage freeze or reduction, his manager role becomes significant. Multiple identify helps in greater security and reduced feeling of anxiety and despair.

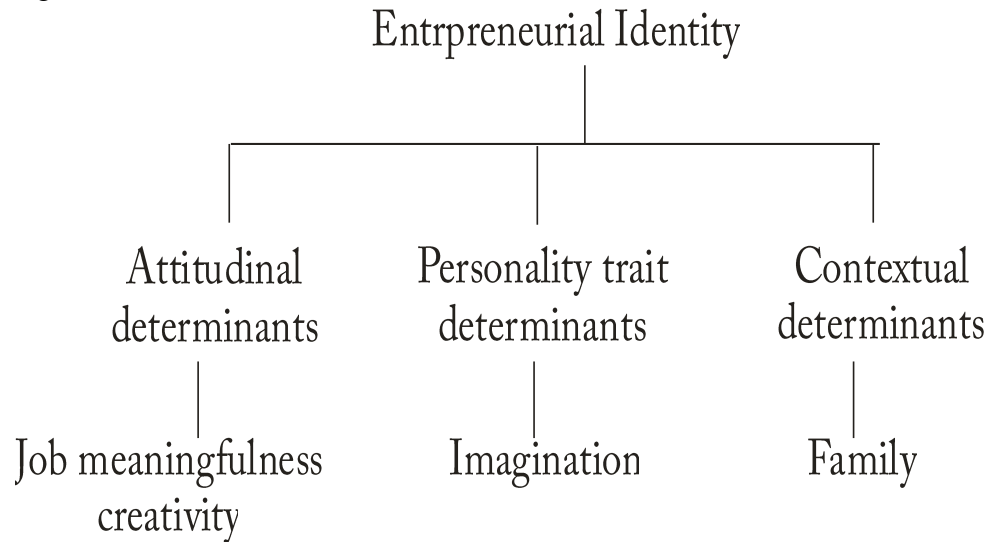
Entrepreneurial identity of an innovator type is likely to be motivated by independence, distinctiveness and self actualization. The founder identity and the loader identity are likely to be stronger in him.

Entrepreneurial identity of an imitator type is satisfied with belongingness need and security need. For him, organization identity, manager identity and founder identity are important.

Entrepreneurial identity, of a self-employed professional type emphasis on professional identity and manager identity to carry on their business.

### 2.3.1 Determinants

Figure:2



Entrepreneurial identity is determined by

- i) Attitudinal determinants.  
Job meaningfulness, creativity.
- ii) Personality trait determinants  
e.g. imagination
- iii) Contextual determinants e.g family.

**2.4.1** So, Innovation; Innovation is the essence of entrepreneurship, whatever be the identity of entrepreneur.

Figure 3: Innovation :

Innovation is process of creating and exploiting ideas
Innovation means change-status quo changed. Going out of box to create solution
Innovation mean creating something novel
It is a culture and a process.

### 2.4.2: Characteristics:

- i) Idea is not innovation. It is the starting point innovation is a tangible product, process or procedure within an organization.
- ii) It challenge status quo, change happens, not by accident but by intention.
- iii) It is different from creativity.  
David Archbald says:  
Creativity = Idea + Action  
Innovation = Idea + Action + Profitability  
Creativity is idea generation, innovation is idea generation, selection, development, commercialization,
- iv) It is a vision which translates idea into reality. It meets people's need, improve efficiency of business and add to profitability.
- v) It is a culture and a process. It does not happen once-for- all, it is continuous transformation of thoughts to ideas to goals to improve business.

Do's and Don'ts of innovation:

- Idea -An idea that is not dangerous is unworthy of being an idea at all. (Oscar Wilde) The impossible is often untried. As Einstein said, "If at first the idea is not around, then there will be no hope for it. We cannot solve a problem by using the same kind of thinking we used when we created them". Ideas are like rabbits. You get a couple and learn how to handle them and pretty soon, you have a dozen (Sterinbeck).
- If you think alike, there is little danger of innovation. The best way to have good idea is to have a lot of ideas. Discovery means seeing what everybody has seen and thinking what nobody has thought. The creation of something new is not accomplished by the intellect but by the play instinct arising from inner necessary.
- Make Happen : It is not how many ideas you have. It is how many you make happen. Levitt says, Ideas are useless unless used. Innovation's the ability to convert ideas into invoices. Iacocca says, you can have brilliant ideas but if you can't get there across, you ideas won't get you anywhere.
- Fail: I failed one way to success, says Edison. The way to succeed is to double your failure rate, say Thomas Watson, founder of IBM. Bill Gates famously said, Microsoft is always two years away from failure. People who think differently and try to change things are always called troublemakers. They make inventions and history. Not those who think, act and do as if nothing has happened across the time. "If you want something new, you have to stop doing something old" (Peter Drucker) It is better to have enough ideas for some of them to be wrong than to always right by having no ideas at all.
- Destruct: Destruction is creation. Creation is destruction. The old order changes yielding place to the new but this is changed fast. 'Want repreneur' Says I will do later; entrepreneur says today is latter. A time has come when you have to run fast to stay in the same place. Come out of the don'ts and impossibles.
- Question: Arthur Koestler says much depends on asking the right question at right time. Be abnormal, being normal is to predictable.

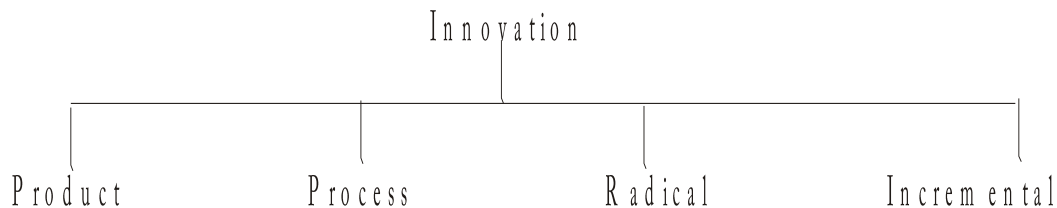
- Act: Creativity is thinking up new things, innovation is doing new things (Theodore Levitt). Never tell people how to do things. Tell them what to do. They will surprise you with their ingenuity (General Patton). After all, genius is 1% inspiration and 99% perspiration. Vision without action is merely a dream. Action without vision just passes the time. Vision with action can change the world.

Donts-

- Everything that can be innovated has been innovated.
- (To every idea) I know, this does not work.
- Either or thinking. If this is the thing, then it cannot be done.
- Certainty is better why go after uncertainty.
- Can we go ahead by trial and error.
- I want to always right.
- It will take so much of risk, break rules, mistaken, is it not open invitation to in discipline and chaos.

### 2.4.3 Types :

Figure- 4: Types of Innovation:



### 2.4.4 Managing Innovation function

#### Planning:

- Know opportunities
- Meet customers, scan environment and become aware of investment opportunities.
- Set objective and measurable goals for innovative efforts.
- Rely on intuition of innovators
- Fund long term innovations.

#### Organising:

Promote supportive role

There are five stage of innovation effort

- iv) **Spark:** Idea appears
- v) **Champion:** Someone champions the idea so that it is promoted within the organisation.
- vi) **Shaper:** Someone makes the idea real-translate into action.
- vii) **Sounding board:** Someone outside the project who is knowledgeable to comment on use and shape of the idea.

viii) **Specialist:** The consultant and research & development staff who break new ground.

**Staffing:-**

- Retaining talent by recognizing him
- Training to encourage team work, change orientation and creative skills.

**Leading:**

- Free creative persons from daily pressures of operation. Provide time to think.
- Encourage term worker innovation
- Support innovation enhancing roles.

**Controlling:**

- Create corporate memory, to ensure continuity.
- Innovation audit to review innovative performance against the innovative objective of the company.
- Control for results.

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## **2.5 LET US SUM UP:**

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The entrepreneur is viewed from different economic, sociological, religious and psychological viewpoints as a unique person. The economist has found out qualities like foresight, imagination, uncertainty-bearing capability, beside entrepreneur's role as innovator. From a sociological view point, social change or stimuli, reinforcement role lead to a different personality of an entrepreneur. Certain cultural values in any religion deter entrepreneurship. The psychologists have identified self-realization needs, need achievement and need for power which gives distinct identity to entrepreneur.

In the process for making an entrepreneur, a would be entrepreneur makes identity search, identity formation and Identity established with role linkages and transitional role deterioration.

Rural entrepreneur, women entrepreneur, and minority groups are different categories of entrepreneur having stress arising out of risk taking and coping with their peculiar problems.

An entrepreneur has personal identity and career identity (Organizational identity, work role identity). Organisational identity, is further divided into Leader identity, Founder identity, Inventor identity, Manager identity and Professional identity. Multiple identities are expected to have the capability of meeting a wide range of expectations. Entrepreneurial identity is determined by Attitudinal determinants

(Creativity), personality determinants (imagination) and contextual determinants (family)

Innovation is the essence of entrepreneurship. It is the process of creating and exploiting ideas. It means creating something novel which meets people's needs, improves efficiency of business and adds to profitability.

Innovation management is knowledge based, culture based, need based and for sustaining competitive advantage. Role of entrepreneur as founder and as manager are different. Managing innovation function is categorised under, planning, organising staffing, leading, and controlling.

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## **2.6 KEY TERMS:**

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- Maslows' Need Hierarchy-Basic, Safety Social, Esteem
- Self- actualization needs.
- Theory of achievement- Need to achieve, Need for power, Need for affiliation.
- Organizational identity- Leader identity, founder identity, inventor identity, manager identity and professional identity.
- Attitudinal determinants e.g creativity
- personality determinants - e.g. imagination
- contextual determinants e.g.-family.
- Innovation- process of creating and exploiting idea.
- Product innovation- Improvements in existing products or creating new products.
- Process Innovation- Changing existing process – or adopting an entirely new process.
- Disruptive Technology- Entire Industry /market may disappear as a result of this technology.
- Incremental innovation- Small step improvements in original technology and design.
- Radical innovation-To provide different kind of products with disruptive technology.

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## **2.7 SELF- ASSESSMENT QUESTIONS:**

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1. What are different dimensions of entrepreneurial identity?
2. What is Need hierarchy theory?
3. What is n.ach?
4. Why rural entrepreneurs have different identity?
5. What is different type of entrepreneurial identity?
6. What is innovation? How it different from idea generation and creativity?

7. Find out entrepreneurs in your village/ town and identify characteristics he has and he does not have.

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## 2.8 FURTHER READINGS

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1. Pareek U & T.V. Rao, Developing Entrepreneurship, Learning System, New Delhi.
2. Krishnamacharyulu C.S.G & R.Lalitha, Innovation
3. Management, Himalaya, Mumbai.

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## 2.9 MODEL QUESTIONS

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1. What is economic dimension of entrepreneurial identity?
2. What do you infer about entrepreneurial identity from psychological theories?
3. Why women entrepreneur have different identity?
4. What is achievement motivation?
5. What is innovation.? How innovation is managed?
6. Which factors determine entrepreneurial identity?
7. Write the number in the scale 1 to 5 against each characteristic. Assess whether you possess these?

1. Very less 2.Low 3. Uncertain 4. Much 5. Very much

Characteristics:

Extent I Possess

- A strong need to achieves.
- Tolerance of uncertainly.
- Willing to take risk.
- Ability to get along with employees .
- perseverance.
- A need for power.
- Willingness to take initiative.
- Self confidence
- A strong desire for money.

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## UNIT-3 GOAL SETTINGS

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### Learning Objectives:

After reading this unit, you will:

1. Understand the concept of Goal Setting:
2. Be able to Explain it's relevance and importance:
3. Know the theory of Goal setting:
4. Understand MBO:
5. Be able to discuss the SMART criteria:

### Structure:

- 3.0 Introduction
- 3.1 Definition
- 3.2 Why Goals are Important to Business?
- 3.3 Goal Setting Theory
- 3.4 MBO As a Goal Setting Process
- 3.5 Smart Goal Examples
- 3.6 Let's Sum-up
- 3.7 Key Terms
- 3.8 Self-Assessment Questions
- 3.9 Further Reading
- 3.10 Model Questions

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### 3.0 INTRODUCTION

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Business goals are typically set on an annual basis and should be aligned with your long term goals. For example, if your five year plan is to increase sales by 100% then at the beginning of each year you might set a goal to increase your sales by 20% for the current year. Your goals should be worked into your business plan and (in this case) your sales forecasts. Throughout the year you might have weekly, monthly, or quarterly sessions where you review your progress towards the annual goal. Writing down the results is essential for staying on a right track.

At the end of each day you might review what you have accomplished for the day and think about what you would like to achieve on the following day. It is recommended to prepare a to-do list for the next day each night.

Whether you prefer to do it at night or in the morning, Daily Planning is a highly recommended way to increase your business success. Regularly reviewing your progress towards achieving your goals and your goals themselves keeps you focused and motivated.



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### **3.1 DEFINITION**

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Goals are tightly linked to objectives. Like many business related terms, the goal setting definition varies depending on who you get it from. One big discrepancy comes when trying to differentiate between the terms ‘goals’ and ‘objectives’. For simplicity, we tend to view goals as the ‘what’ part of the equation. They are the end result of your efforts. Objectives are the incremental things that have to happen to reach a goal.

A simple goal setting definition is that it is just the act of declaring something that you want to achieve, and putting some specific parameters around the end result—the who, what, when, where, why.

This goal setting definition, though, is overly simplistic. Goal setting has a large component of an art form to it. It requires knowing yourself and your team, and having a realistic understanding of everyone’s capabilities.

According to Ricky W. Griffin, "organizational goals serve four basic functions: they provide guidance and direction; facilitate planning, motivate and inspire employees; and help organizations evaluate and control performance. Employees can use the organization's goals as a basis for making their own decisions”.

Goal setting is the process of deciding what you want to accomplish and devising a plan to achieve the result you desire.

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### **3.2 WHY GOALS ARE IMPORTANT TO BUSINESS?**

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Goal setting, given high priority and approached consistently throughout the organization, is the mechanism by which the business delivers results against its strategy. Improved shareholder value, greater profitability, increased revenue, inspired innovation—none of these can be realized without an organized process that deconstructs strategies and cascades relevant and measurable elements of those strategies appropriately through the workforce.

Quality, effective goals offer significant benefits to the organization. Great goals:

- Add a needed measure of organizational discipline that keeps everyone at every level focused on the same destination.
- Allow accurate forecasting of resource needs, foster the efficient use of those resources, and avoid costly stops, starts, and changes in direction.
- Keep the organization competitive in both the business marketplace and the employee marketplace.

These benefits are as critical to the success of small businesses as they are to large enterprises.

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### **3.3 GOAL SETTING THEORY**

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Goal setting is a powerful way of motivating people, and of motivating yourself. The value of goal setting is so well recognized that entire management systems, like Management by Objectives, have goal setting basics incorporated within them. In fact, goal setting theory is generally accepted as among the most valid and useful motivation theories in industrial and organizational psychology, human resource management, and organizational behaviour. Many of us have learned – from bosses, seminars, and business articles – to set SMART goals. It seems natural to assume that by setting a goal that's Specific, Measurable, Attainable, Relevant, and Time-bound, we will be well on our way to accomplishing it.

But is this really the best way of setting goals?

To answer this, we need to look to Dr Edwin Locke's pioneering research on goal setting "A Theory of Goal Setting and Task Performance." In this book, he reinforced the need to set specific and difficult goals, and outlined three other characteristics of successful goal setting.

#### Five Principles of Goal Setting

To motivate, goals must have:

1. Clarity.
2. Challenge.
3. Commitment.
4. Feedback.
5. Task complexity.

Let's look at each of these in detail.

#### **1. Clarity**

Clear goals are measurable and unambiguous. When a goal is clear and specific, with a definite time set for completion, there is less misunderstanding about what behaviours will be rewarded. You know what's expected, and you can use the specific result as a source of motivation. When a goal is vague – or when it's expressed as a general instruction, like "Take initiative" – it has limited motivational value.

To improve your or your team's performance, set clear goals that use specific and measurable standards. "Reduce job turnover by 15%" or "Respond to employee suggestions within 48 hours" are examples of clear goals.

When you use the SMART acronym to help you set goals, you ensure the clarity of the goal by making it Specific, Measurable and Time-bound.

## **2. Challenge**

One of the most important characteristics of goals is the level of challenge. People are often motivated by achievement, and they'll judge a goal based on the significance of the anticipated accomplishment. When you know that what you do will be well received, there's a natural motivation to do a good job.

Rewards typically increase for more difficult goals. If you believe you'll be well compensated or otherwise rewarded for achieving a challenging goal, that will boost your enthusiasm and your drive to get it done.

Setting SMART goals that are Relevant links them closely to the rewards given for achieving challenging goals. Relevant goals will further the aims of your organization, and these are the kinds of goals that most employers will be happy to reward.

When setting goals, make each goal a challenge. If an assignment is easy and not viewed as very important – and if you or your employee doesn't expect the accomplishment to be significant – then the effort may not be impressive.

### **Note:**

It's important to strike an appropriate balance between a challenging goal and a realistic goal. Setting a goal that you'll fail to achieve is possibly more de-motivating than setting a goal that's too easy. The need for success and achievement is strong; therefore people are best motivated by challenging, but realistic, goals. Ensuring that goals are Achievable or Attainable is one of the elements of SMART.

## **3. Commitment**

Goals must be understood and agreed upon if they are to be effective. Employees are more likely to "buy into" a goal if they feel they were part of creating that goal. The notion of participative management rests on this idea of involving employees in setting goals and making decisions.

One version of SMART – for use when you are working with someone else to set their goals – has A and R stand for Agreed and Realistic instead of Attainable and Relevant. Agreed goals lead to commitment.

This doesn't mean that every goal has to be negotiated with and approved by employees. It does mean that goals should be consistent and in line with previous expectations and organizational concerns. As long as the employee believes that the goal is consistent with the goals of the company, and believes the person assigning the goal is credible, then the commitment should be there.

Interestingly, goal commitment and difficulty often work together. The harder the goal, the more commitment is required. If you have an easy goal, you don't need a lot of motivation to get it done. When you're working on a difficult assignment, you will likely encounter challenges that require a deeper source of inspiration and incentive.

As you use goal setting in your workplace, make an appropriate effort to include people in their own goal setting. Encourage employees to develop their own goals, and keep them informed about what's happening elsewhere in the organization. This way, they can be sure that their goals are consistent with the overall vision and purpose that the company seeks.

#### **4. Feedback**

In addition to selecting the right type of goal, an effective goal program must also include **feedback**. Feedback provides opportunities to clarify expectations, adjust goal difficulty, and gain recognition. It's important to provide benchmark opportunities or targets, so individuals can determine for themselves how they're doing.

These regular progress reports, which measure specific success along the way, are particularly important where it's going to take a long time to reach a goal. In these cases, break down the goals into smaller chunks, and link feedback to these intermediate milestones.

SMART goals are Measurable, and this ensures that clear feedback can be provided. With all your goal setting efforts, make sure that you build in time for providing formal feedback. Certainly, informal check-ins are important, and they provide a means of giving regular encouragement and recognition. However, taking the time to sit down and discuss goal performance is a necessary factor in long-term performance improvement. See our article on Delegation for more on this.

#### **5. Task Complexity**

The last factor in goal setting theory introduces two more requirements for success. For goals or assignments that are highly complex, take special care to ensure that the work doesn't become too overwhelming.

People who work in complicated and demanding roles probably have a high level of motivation already. However, they can often push themselves too hard if measures aren't built into the goal expectations to account for the complexity of the task. It's therefore important to do the following:

- Give the person sufficient time to meet the goal or improve performance.
- Provide enough time for the person to practice or learn what is expected and required for success.

The whole point of goal setting is to facilitate success. Therefore, you want to make sure that the conditions surrounding the goals don't frustrate or inhibit people from accomplishing their objectives. This reinforces the "Attainable" part of SMART.

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### 3.4 MBO AS A GOAL SETTING PROCESS

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Management By Objectives (MBO) involves the establishment of goals by managers and their subordinates acting together, specifying responsibilities and assigning authority for achieving the goals and finally constant monitoring of performance. The genesis of MBO is attributed to Peter Drucker who has explained it in his book 'The Practice of Management'.

According to **George Odiome**, MBO is "a process whereby superior and subordinate managers of an Organisation jointly define its common goals, define each individual's major areas of responsibility in terms Of results expected of him and use these measures as guides for operating the unit and assessing the contribution of each of its members."

According to **John Humble**, MBO is "a dynamic system which seeks to integrate the company's needs to clarify and achieve its profits and growth goals with the manager's need to contribute and develop himself. It is a demanding and rewarding style of managing a business."

#### **MBO Process**

**Goal setting:** The first phase in the MBO process is to define the organizational objectives. These are determined by the top management and usually in consultation with other managers. Once these goals are established, they should be made known to all the members. In setting objectives, it is necessary to identify "Key-Result Areas" (KRA).

**Manager-Subordinate involvement:** After the organizational goals are defined, the subordinates work with the managers to determine their individual goals. In this way, everyone gets involved in the goal setting.

**Matching goals and resources:** Management must ensure that the subordinates are provided with necessary tools and materials to achieve these goals. Allocation of resources should also be done in consultation with the subordinates.

**Implementation of plan:** After objectives are established and resources are allocated, the subordinates can implement the plan. If any guidance or clarification is required, they can contact their superiors.

**Review and appraisal of performance:** This step involves periodic review of progress between manager and the subordinates. Such reviews would determine if the progress is satisfactory or the subordinate is facing some problems. Performance appraisal at these reviews should be conducted, based on fair and measurable standards.

### **Benefits of MBO**

The Management by Objectives process helps the employees to understand their duties and responsibilities in a much more focused manner at the workplace.

Key Result Areas (KRAs) are designed for each employee as per their interest, specialization and educational qualification.

The employees are clear as to what is expected out of them.

Management by Objectives process leads to satisfied employees. It avoids job mismatch and unnecessary confusions later on.

Employees in their own way contribute to the achievement of the goals and objectives of the organization. Every employee has his own role at the workplace. Each one feels indispensable for the organization and eventually develops a feeling of loyalty towards the organization. They tend to stick to the organization for a longer span of time and contribute effectively. They enjoy at the workplace and do not treat work as a burden.

Management by Objectives ensures effective communication amongst the employees. It leads to a positive ambience at the workplace.

Management by Objectives leads to well defined hierarchies at the workplace. It ensures transparency at all levels. A supervisor of any organization would never directly interact with the Managing Director in case of queries. He would first meet his reporting boss who would then pass on the message to his senior and so on. Everyone is clear about his position in the organization.

The MBO Process leads to highly motivated and committed employees.

### **How to make MBO effective?**

**Support from all:** In order that MBO succeeds, it should get support and co-operation from the management. MBO must be tailored to the executive's style of managing. No MBO programme can succeed unless it is fully accepted by the managers. The subordinates should also clearly understand that MBO is the policy of the Organisation and they have to teach individual's major areas of responsibility in

terms Of results expected of him and use these measures as guides for operating the unit and assessing the contribution of each of its members."

**MBO programme by managers:** In order to make MBO programme successful, it is fundamentally important that the managers themselves must mentally accept it as a good or promising programme. Such acceptances will bring about deep involvement of managers. If managers are forced to accept MBO programme, their involvement will remain superfluous at every stage. The employees will be at the receiving-end. They would mostly accept the lines of action initiated by the managers.

**Training of managers:** Before the introduction of MBO programme, the managers should be given adequate training in MBO philosophy. They must be in a position to integrate the technique with the basic philosophy of the company. It is but important to arrange practice sessions where performance objectives are evaluated and deviations are checked. The managers and subordinates are taught to set realistic goals, because they are going to be held responsible for the results.

**Organizational commitment:** MBO should not be used as a decorative piece. It should be based on active support, involvement and commitment of managers. MBO presents a challenging task to managers. They must shift their capabilities from planning for work to planning for accomplishment of specific goals. Koontz rightly observes, "An effective programme of managing by objective must be woven into an entire pattern and style of managing. It cannot work as a separate technique standing alone."

**Allocation of adequate time and resources:** A well-conceived MBO programme requires three to five years of operation before it provides fruitful results. Managers and subordinates should be so oriented that they do not look forward to MBO for instant solutions. Proper time and resources should be allocated and persons are properly trained in the philosophy of MBO.

**Provision of uninterrupted information feedback:** Superiors and subordinates should have regular information available to them as to how well subordinate's goal performance is progressing. Over and over again, counselling and encouragement to subordinates should be given. Superiors who compliment and encourage subordinates with pay rise and promotions provide enough motivation for peak performance.

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### **3.5 SMART GOAL EXAMPLES**

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Examples of Business Goals that Follow the SMART Criteria

SMART goal setting, which is an acronym for Specific, Measurable, Attainable, Relevant and Time-Based, is an effective process for setting and achieving your business goals.

Follow the process outlined in the SMART Goal Setting Worksheet, and then review the following examples that provide clear and easy-to-follow SMART goal samples.

As you review the sample SMART goals below, notice how each example below outlines several sub-goals, or specific actions, that will need to take place in order to accomplish the overall goal.

Each of those smaller goals can be applied to the SMART criteria in the same way as shown here.

**Broad Goal: I want to start a business.**

- Specific: I will sell handmade cards through Etsy.com.
- Measurable: I will be ready to take my first Etsy order within four weeks, and I will aim to sell a minimum of five cards per week.
- Attainable: I will get set up on Etsy first. Then, I will build an inventory of 30 handmade cards to sell. Finally, I will promote my business and build customer relationships through word of mouth, referrals and local networking.
- Relevant: Selling handmade cards will allow me to benefit financially from my favourite hobby.
- Time-Based: My Etsy store will be up and running within four weeks, and I will have an inventory of 30 cards to sell within six weeks.
- Time-Based: My manuscript will be completed and ready to be published in 10 months.

**SMART Goal:** In order to establish myself as an expert, I will write a 150-page book on social media by writing one chapter per month (3-5 pages per week). The book will be completed in 10 months, and then I will search for a publisher or explore self-publishing.

**Broad Goal: I want to become a well-known expert.**

- Specific: I will become a well-known expert on the topic of small business accounting.
- Measurable: I will be successful if I am asked to speak publicly on the topic at least once a month, receive interview requests every week and write one article per month for a top industry publication.
- Attainable: I will accomplish this by acquiring the services of a PR/publicity firm and launching a publicity campaign.
- Relevant: Establishing myself as a small business accounting expert will reinforce my 20+ years of experience in the field and allow me to reach more small business owners who need accounting advice.



- Time-Based: I want to be considered a small business accounting expert in two years.
- **SMART Goal:** Within a month, I am going to get set up to sell handmade cards on Etsy, which will allow me to benefit financially from my favourite hobby.

Within six weeks, I will have an inventory of 30 handmade cards to sell and aim to sell a minimum of five cards per week, building customer relationships through word of mouth, referrals and local networking.

**Broad Goal: I want to grow my business.**

- Specific: I will acquire three new clients for my consulting business.
- Measurable: I will measure my progress by how many new clients I bring on, while maintaining my current client base.
- Attainable: I will ask current clients for referrals, launch a social media marketing campaign and network with local businesses.
- Relevant: Adding additional clients to my business will allow me to grow my business and increase my revenue.
- Time-Based: I will have three new clients within two months.
- **SMART Goal:** I will acquire three new clients for my consulting business within two months by asking for referrals, launching a social media marketing campaign and networking with local businesses. This will allow me to grow my business and increase my revenue.

**Broad Goal: I want to write a business book.**

- Specific: I will write a book on social media that is a minimum of 150 pages.
- Measurable: I will write one chapter per month, or 3-5 pages per week.
- Attainable: I will work on the manuscript first, and once that is completed, I will begin to search for a publisher or explore self-publishing.
- Relevant: Writing a book on social media will help me establish myself as an expert.

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## 3.6 LET'S SUM-UP

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Goal setting is something most of us recognize as necessary for our success.

By understanding goal setting theory, you can effectively apply the principles to goals that you or your team members set. Locke and Latham's research confirms the usefulness of SMART goal setting, and their theory continues to influence the way we measure performance today.

Use clear, challenging goals, and commit yourself to achieving them. Provide feedback on goal performance. Take into consideration the complexity of the task. If

you follow these simple rules, your goal setting process will be much more successful, and your overall performance will improve.

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### **3.7 KEY TERMS**

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**Goal setting:**

**Goal theory:**

**MBO:**

**SMART:**

**Task complexity:**

**Feedback:**

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### **3.8 SELF-ASSESSMENT QUESTIONS**

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1. Explain the concept of goal setting. Why goal setting is considered important?
2. Describe MBO as a vital tool for goal setting.

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### **3.9 FURTHER READINGS**

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1. Kootnz & O'Donnell, Principles of Management.
2. J.S. Chandan, Management Concepts and Strategies.
3. Sherlerkar and Sherlerkar, Principles of Management
4. B.P. Singh, Business Management and Organizations

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### **3.10 MODEL QUESTIONS**

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1. Define goal and explain goal setting theory and its relevance to business.
2. Explain the benefits of MBO as a tool for goal setting.

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## UNIT 4 CREATIVITY AND PROBLEM SOLVING

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### LEARNING OBJECTIVES:

After reading this unit, you will:

1. Know why idea is important for entrepreneur.
2. Understand source of Idea
3. Know creativity and problem-solving techniques.

### Structure:

- 4.0 Introduction
- 4.1 Source of business idea
- 4.2 Ideation
- 4.3 Idea generation methods
- 4.4 Creativity and problem solving techniques
- 4.5 Let us sum up
- 4.6 Key Terms
- 4.7 Self-assessment questions.
- 4.8 Further Readings.
- 4.9 Model questions.

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### 4.0 INTRODUCTION:

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“Today’s successful companies live and die according to the quality of their ideas” (Warren Buffet) Entrepreneurs creatively think about new things. They think differently about situation. Creativity gives new ideas. But, idea has to be fundamentally sound and economically viable. Innovation is doing new things. The entrepreneurs want to be the first movers.

There by, they

- i) Assume technological leadership.
- ii) Have economies of scale and cost advantage.
- iii) Claim and obtain resources before other.

But there are problems:

- i) They resolve operational problems with research and by trial and error, adding to cost. Others can just learn from the leader without cost.
- ii) Others can try differential resource combinations at less cost and lower price.

Many first movers are successful entrepreneurs. Many who are not first to innovate are also world leaders. Microsoft is not the first software company but an

international giant in the line. In India, Tata and Infosys being the leader in their domains, enjoyed substantial benefits.

Opportunities are to be sensed. Peter Drucker said, there are three types of opportunities-

i) Additive opportunities

Change production and marketing strategies. Utilise the existing resources better.

ii) Complementary opportunities-

Get new idea into business. This causes value addition and changes character of the business.

iii) Break through opportunities.

New product, new technology brings about break through changes. There is 'high risk, high gain' in sensing this type of opportunity.

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#### **4.1 SOURCES:**

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Find out the gap in product/technology/ market. The following sources identify the market gap:

Customer:

The existing customer tells the entrepreneurs about.

i) How is the product?

ii) Any improvement necessary

iii) Whether new product should substitute the existing product

iv) Whether tastes and preferences of customers have changed.

These many be ascertained in

a) Market survey.

b) Customer complaints.

c) Interaction with customers in different age groups, in different regions in fairs and festivals.

An example is growth of fast food stores and products

**Manufactures:** Manufactures are aware of-

Product feature.

Market gap.

Allied product where demand exceeds supply.

The study of company data, in Annual Report, discussion with the user-customers, dealers and executives- give fresh ideas for improvement.

**Channel members:**

The middleman in marketing and purchase- agents, distributors, wholesalers, suppliers provide valuable information on

Source of raw materials

Demand – supply position

Consumer profiles and preferences

Substitute and their supply-demand position.

Reliance Jio with their free offer of internet for three months(2016) provides example of competition offered in telecom. Every other telecom operator is reducing tariff or giving free offer to match to free offer. Similarly the decline of DCM was observed by the chain of wholesalers and retailers.

### **Middleman:**

Media & Trade magazine;

Television has made/ unmade products, particularly in clothes and home accessories. Magazines on automobiles, gas, cloth, and handicrafts, have promoted market in their respective fields.

### **Research Institutes:**

Specialised research institutes promote market in tea, coffee, leather etc. with up-to-date, information and innovation. Latest example is Alternative medicine establishment of Government of India promoting cheap and effective anti-diabetes medicine in Aug, 2016.

**Government:** Government organises fair, festival, exhibition to promote handicraft, agriculture & horticulture products, handloom and various other items. Export councils promote goods abroad. Government's Five Year Plan documents, Agricultural, Industrial and Export Policy and incentives / subsidy, outline government's preference and directions which provide valuable information to the entrepreneur. Government plan and policy documents emphasise:

- Thrust areas of Government
- Assistance provided for the purpose.
- Evaluation of the quality, quantity, price and substitute materials, available for the product
- Trend regarding demand and supply position of products

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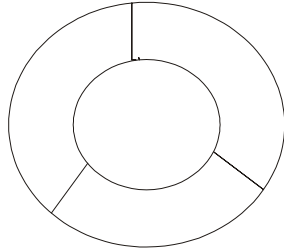
## **4.2 IDEATION:**

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Idea is the basic element of thought which can be visual, concrete or abstract. Ideation is the creative process of generating developing and communicating new ideas. It has three stages:-

- i) Innovation
- ii) Development
- iii) Actualisation

Diagram-1:



Methods of innovation;

1. Problem solution
2. Derivative idea: Taking some idea and changing it.
3. Symbiotic Idea: Multiple ideas are combined to make a whole solution
4. Revolutionary idea: An idea that breaks away from traditional thought e.g. communism as a philosophy.
5. Serendipitous discovery. Ideas developed without the intention of the inventor e.g. the discovery of penicillin.
6. Artistic innovation: Innovation which may be practicable or not
7. Computer-assisted discovery: Find out wider possibilities.
8. Improvisation: Improvisation and creativity is universal in all fields of life. It is accessible to each person at each moment. Nachmanovitch is a pioneer in free improvisation on violin, viola and electric violin. He is author of Free Play Improvisation in Life and Art.

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### 4.3 IDEA GENERATION METHODS.

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The methods are;

1. Brainstorming
2. Focus Groups
3. Checklist
4. Problems inventory analysis
5. Synectics

#### **Brainstorming:**

Brainstorming is a group method with a group of 10/12 people for getting new ideas and business solutions. It is used for evaluation of new products and their distribution. e.g. introduction of LED TV in place of colour TV.

Do s:

- i) Set Direction-Inform all about the subject of discussion. Give a clear picture of

Dont's.

- ii) Stay focused. Discuss on the subject without distractions.

- iii) Involve everyone. People may be with diverse backgrounds of marketing, finance, productions, operation etc. They may be supervisors, executive or employees. Involve everyone.
- iv) Invite wild ideas.

It is free-for-all discussion. Encourage day dreaming. Have as many ideas as possible. The best way how to have good idea is to have many ideas (Alex F.Osborne)

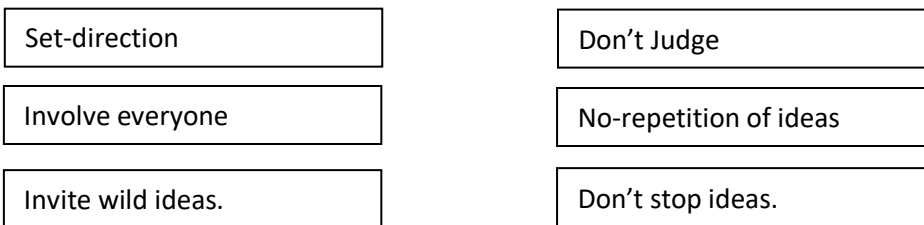
Don'ts:

Don't judge: Criticising group/ individual/person will stop free flow of idea. Evaluation comes later.

Display ideas. People should not repeat these but they can improve ideas, if necessary and combine ideas, if possible.

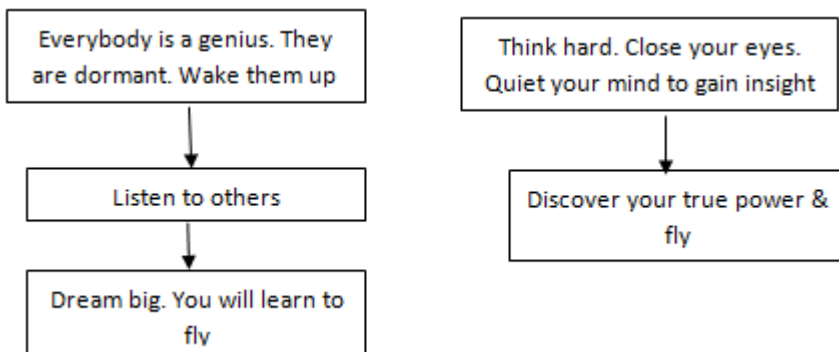
Don't stop. Let it be free-for-all. Everybody cannot be precise to the extent you want to be.

Diagram-2: Brainstorming:



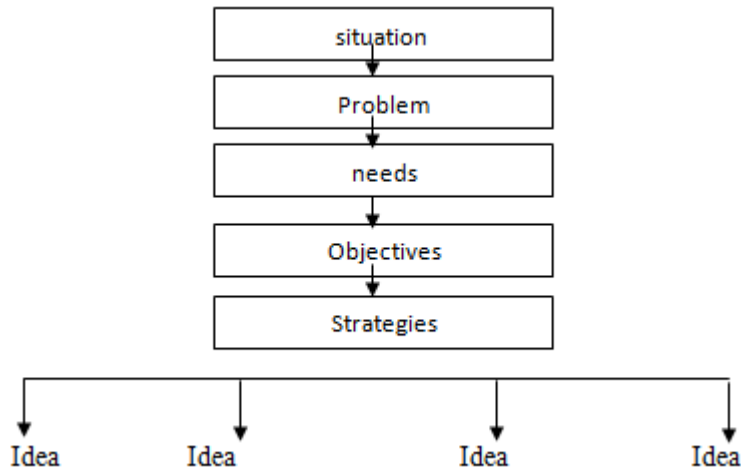
Process:

Diagram: 3 Awaken your genius



Everybody is a genius. Wake him up. You will have ideas- lot of ideas. Dream big. Still more wild ideas come. Close your eyes. Your mind is quiet. You gain insight.

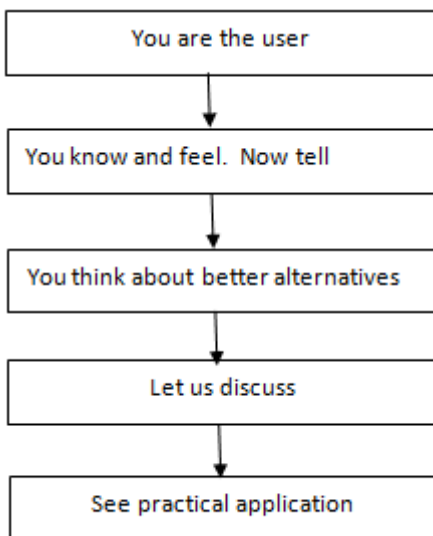
Diagram-4: Flow of ideas



The situation is given. Problems are there. Identify, list and focus. Now objective: What do you want? Strategy: How you propose to achieve the objectives- ideas, more ideas, many ideas. The process requires a Facilitator who prescribes Do's and Don'ts. He captures ideas and displays ideas. He helps in focussing ideas.

**Focus group:** A group discusses to provide information on a structured format. The leader does not questions and solicit answers. The group consisting of end-user tells about marketing needs of today. This is used for choosing cloth design, cosmetics, health care products. There can be one or several groups. The results are analysed indepth for practical application.

Diagram-5: Process in focus group.





**Checklist:**

The new idea is developed, based on discussion of related issues and by examining a list of questions and statements. For example, in relation to tooth paste, the following questions may be discussed;

- What are substitutes available in the market? What are their distinctive prices/ How is their price low?
- Can we modify/ improve our mind?
- Can we change our color, design or shape?
- Who used the product?

How is it used/ Is it region specific or age specific?

If so, any modification required for all India marketing and distribution.

**Problem- inventory analysis:**

The group is given problems commonly felt by consumers’ dealers, distributors, retailers and general public. It may add value to the existing product or give new product ideas. For example, readymade handlooms dress. Problem-inventory analysis will mean discussion on quality of fabric, design, colour, price, availability of substitutes, their lower Price or attractive design marketing outlets, advertisement in different media, existing technology and improvement, if any etc.

**Synectics:**

Synectics is generating new business idea through analogy mechanism, namely, direct, personal, symbolic and fantasy. For example, Dosa selling synectic process will be as given under:

Diagram-6

Dosa preparation & selling

Psychological

Sensory

1. Hunger  
Filling  
Health  
Good to digest  
Good for stomach

(1) Taste  
Nice  
Salty & hot  
(2) Appearance  
Colour  
Caters to appetite Greasy  
or good.

## Activities

Storage  
Can be stored for hours/days  
Cooking  
Time taken  
oven friendly  
Refrigerator-  
friendly or smells.

Social: For self or group  
Eat alone or can be served to guests  
hot without much time  
Is it too much efforts for cooking or  
easy to cook  
Can last-minute or emergency  
preparation be made.

1. Portability  
Easy to eat at home and Packaging away from  
home  
no leftover problem  
2. Availability  
Seasonal or though out the year  
In malls or  
Supermarket  
3. Spoilage  
Gets Sour  
Gets moisty  
4. Cost  
Different types  
Low to high price range  
Takes expensive ingredients.  
5. Preparation  
Can be done easily  
Short cuts like dosa batora available or not  
ready-to-cook materials are available or not

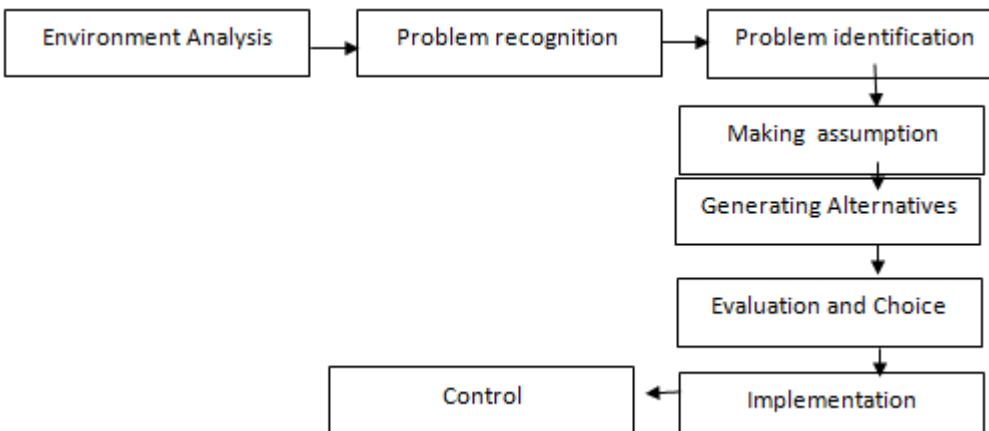
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## 4.4 CREATIVITY AND PROBLEM SOLVING

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Creative problem solving is the mental process of searching for a new and novel creative solution to a problem, a solution to a problem, a solution which is novel, original and not obvious. Problem solving was described problem solving was described earlier as a rational effort. Now, it is recognized that creativity is vital to successful problem-solving. The process is given in Diagram -7.

**Diagram:7 Creative Problem Solving (CPS) process**



i) Analyzing the environment:

You have to constantly search for problems. Both internal and external organisational environments must be constantly monitored for signs of problem. Unilever a multinational company does it. Still, they could not know the problem that people want cheaper version of the detergent. Nirma filled up the gap Again, Nestle, another MNC could not foresee what laboratory testing results proved. Yet, a company has to analyse the environment to spot problem/ opportunity.

ii) Problem recognition;

A problem is recognized by environment scanning, even by intuition. Toyota in '90s sensed intuitively that they were not saving as much money from robotization as expected. Human beings can do the job of robots at considerably lower cost. This saved Toyota of unnecessary investment, Reliance Ltd sensed that operating their petrol pump in the last decade was not profitable. In spite of the well laid down infrastructure, they closed the petrol pump operation, waiting for better days.

iii) Identifying problem:

Key questions asked on possible problems are-

1. What happened?
2. What is likely to happen?
3. Where will it have an impact?
4. When did it happen?
5. What can we do to be more successful?

Questions lead to the core problem.

iv) Making assumptions:

In the problem situation, some assumptions are made about conditions of future factors: What will be the economy like? What will be government policy on particular or group of products? These assumptions may be constraints on the success of a solution.

v) Generating alternatives:

This is to ensure that there are enough potential solutions.

vi) Choosing among alternatives:

Evaluation is made to choose the best solution.

vii) Implementation:

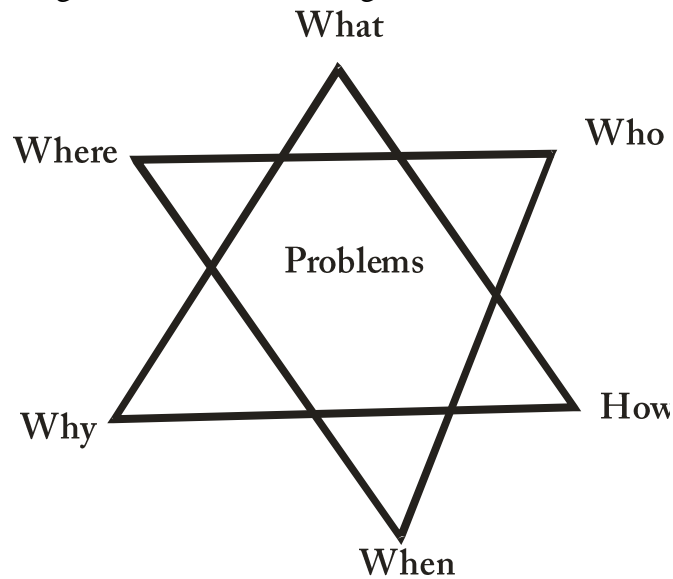
Once you have a clear idea of what you want to do, you are to implement.

viii) Control:

The purpose of evaluation is to know how much effective is your solution. If there is a deficiency, solution may be changed or abandoned also if necessary.

**Tools for defining problems:**

Diagram-8: Problem solving



**Kipling method:** Kipling used a set of questions- 5W+1H. So we ask similar questions:

What is the problem?

What is it happening?

When it is happening?

Why is it happening?

How can you overcome this problem?

The questions are general, short and direct. The answers are also direct and precise.

What	What are facts? What would happen if no decision is taken or solution found? What do I need to find a solution?
Why	Why did the problem/opportunity arise? Why do I want to achieve a solution?
Where	Where did the issue arise? Where does it impact?
Who	Who is affected? Who is involved (Information, help, action)? Who needs to be informed?

When

When did the issue arise?  
When do we need to act?  
By when it must be resolved?

How

How will the situation be different?  
How relevant is information I received?  
How can I involve relevant people?

### **Barriers to problem solving:**

- Failure to recognise the problem
- Conceiving the problem too narrowly.
- A problem has to be seen from different viewpoints. If not done, the problem cannot be seen in full.
- Making a hasty choice
- Failure to consider all consequences of solution. A major problem may be solved by a solution. But its impact on society, how government views it from political angle might not have been seen. For example, large scale retrenchment of employees may improve productivity or profitability of enterprise but may not be feasible politically.

#### **4.4.1 Problem solving techniques:**

**Value analysis:** Value analysis is a method of developing new business ideas by increasing the value or worth of different ideas. For new service, for example, the following questions may be asked:

- Can we eliminate one or two stages of service
- Can we reduce time taken in each step.
- Can we reduce many men involved in the process.

Banks had manual banking. Receipt/withdrawal of cash involved several steps-as many as 8 to 10 steps involving time. With value analysis, banks introduced Teller counter, a single step of receipt and payment upto a limit. Time is reduced, efforts are reduced, customers service is better.

**Free Association:** A chain of word associations develops business idea. The steps are:

- i) One member writes down word about product problem.
- ii) Next member writes down a word he feels about the new product.
- iii) Everyone in the group writes about the new product, new ideas are generated.

### **Forced relationship:**

It is a process where the relationship among product and services are combined. It is forcing idea to combine the usage and them think about new processes.

A dosa maker wanted different types of dosa. The employees,

- Wrote down the characteristics of dosa
- Noted characteristics of pizza.
- Combined the features, to come out with a new product- Pizza dosa.

The products were different and were combined to bring out a new product.

Collective note book: Members of the group are given information on say, a product, the relevant data, statement of problem and blank pages. Each member separately record ideas on each of these issues. The notes are compared and summarized by the coordinator and this is discussed by the group go for a new product.

### **Scientific Method:**

It is development of produce/ service. The steps are:

- i) Statement of hypothesis.
- ii) Experiments are conducted
- iii) The hypothesis is tested
- iv) Solution suggested.

Then entrepreneur gathers data, tests the possible on a wider scale and chooses solutions on a wider scale and choose the best ones.

**Attribute listing:** About a new product/service, the steps are;

- List all attributes
- List positive and negative aspects of each issue.
- Analyse the problem from different viewpoints- manufacturer, transporter, wholesaler etc.

The quality of music /programme may be analysed by this method.

**Big Dream approach:** The entrepreneur develops new products by thinking big. Jamsetji. Tata dreamed about steel plant it had three aspects.

- i) Thinking big
- ii) If English man can do it, we can do it.
- iii) Economic nationalism-Why not swadeshi steel plant.

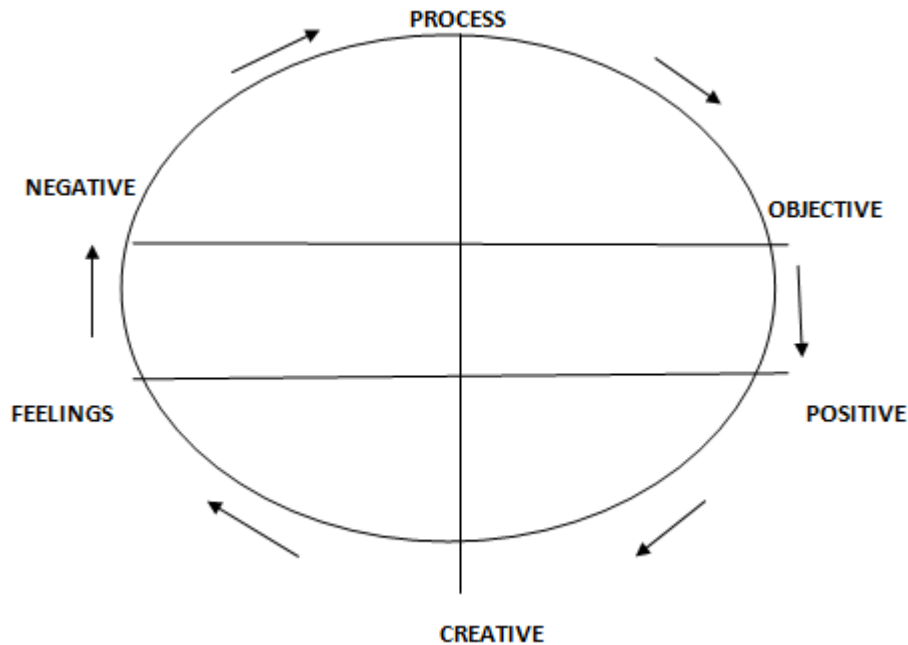
### **Six Thinking Hats:**

Edward de Bono suggested this method. Hat means a particular state of mind.

Hat	Mental Orientations
White	Facts, Figures, Data Information
Red	Feeling, Intuition, emotion.
Black	Caution, Judgement

Yellow	Positive values, Feasibility, Optimism
Green	New Ideas, Creativity Alternatives
Blue	Synthesis, Summaries Thinking about the thinking

**Diagram -8: Thinking hats**



**White hat thinking:**

- What information do we have?
- What information would we like to have?
- How to get the information?

**Red hat thinking:**

- My feeling is that this will not work
- I don't like the way it is being done.
- My intuition tells me one that this product/service will fail

**Black hat thinking:**

- Is this true?
- Will it work?
- What are the weaknesses?
- What is wrong with it?

**Yellow hat thinking:**

- Why is this worth doing?

- What are the benefits?
- Why will it work?

**Green hat thinking:**

- Is there any alternative?
- Can we do it in a different way?
- Can there be any other explanation?

**Blue hat thinking:**

- Set the agenda
- Ask for summaries.
- Conclusions, Decisions.

**Diagram-9:**

Sequence use:

	Collect information
	Generate alternatives
	Assess the weakness of each alternative
	Further develop the most promising alternatives.
	Summarise
	Make the final judgment on alternative
	Find out the fillings on the outcome.

**Off the wall thinking (OTW)**

It is like brainstorming. OTW encourages positive and negative ideas, unlike brainstorming. The stages are:

- Facilitator selected. He makes everybody participate. He does not judge ideas. He seeks clarification.
- Round one-no discussion. The key questions (header) is given to each person. Each writes his own answer to each question.
- Round two. The facilitator reads the header column.
- Discussion starts. All ideas are taped on the wall.
- Round three- The facilitator tells the group to reach consensus on the most important idea.
- They can select two or three of to cards as the most important idea.

**Devil's advocate:**

- Divide term into two sub-groups. One group will act as Devil's advocate.



- The other group to develop solution of problem to write down assumptions and recommendations.
- Devil's advocate group question assumptions evaluate recommendations and find out mistakes.
- The other group, after discussion, accepts valid criticism and reformulates recommendations.

**Delphi method:**

Delphi is Greek oracle who can tell future. It is a survey of experts. Steps are:

- i) A panel of experts located at different places is constituted.
- ii) Each expert is given a short written explanation of the problem and is requested to say his views on the problem.
- iii) The expert opinions are collected and compared. Common points are highlighted and difference in views is noted.
- iv) Each expert is given the summary finding to make a second estimate.
- v) This is repeated. Then a final summary is prepared.

The responses are anonymous. So, bias is removed. One or two experts do not influence group think. They can rethink and change their position/recommendation. The problem is that experts may lack the necessary knowledge on which they base their final judgment. They might be specialized but in their own narrow field.

**Story writing:**

A short story, highly imaginative, not directly about the problems is presented to the group. The character, event, theme etc. are examined closely. The data are used as a basis for suggesting solutions.

**Mind mapping:** The steps are

- i) The theme is written on a sheet of paper at the centre. Lines are drawn. One word I to be used for line drawn.
- ii) One idea triggers another. The theme reminds you to return to the main subject.
- iii) Pictures touch your mind. Colour triggers it.

**Fishbone diagram;** Ishikawa, the Quality Guru, developed Fishbone diagram to record cause and effect of a problem in the form of fishbone. The head of the fish states the problem. The group member identifies the causes. On further discussion, they identify most important causes and work out solutions.

## Manufacturing

### Industry(6 Ms)

- Machine
- Methods
- Materials
- Measurement
- Mother nature
- (environment)
- Manpower

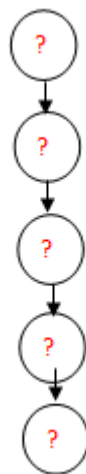
## Service

### Industry (4p's)

- people
- policy
- procedure
- plant / technology.

The five-why method: The method introduced by Toyota asks why this happened till you reach the root cause.

### Diagram -11;



**Fractionalisation:** Breakdown a large and complex problem into smaller and solvable problems.

**SCAMPER:** Scamper is an acronym. Each letter indicates a different method by which the person can toy with new ideas.

S- Substitute

C-Combine

A-Adopt

M-Magnify

P- Put to other uses

E-Eliminate

R-Rearrange

For example in sales, the questions are:

S- What to substitute in my process of selling?

C- How do I blend selling with other activities?

- A- Can we adapt to the selling process of another company?
- M- What do I magnify when selling?
- P- What other uses can I put my selling to?
- E- What do I eliminate in my process of selling?
- R-How do I change, record my manner of selling?

**Diagram -12: SCAMPER**




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**4.5 LET US SUM UP:**

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An entrepreneur establishes a new business unit after searching for business ideas, processing these and selecting the best idea.

The idea selection is based on own work /marketing experience, profitability, location advantage, raw material availability, government providing incentive and subsidy and a host of such other factors. The different stages of implementation are:

- i) Idea ii) Concept iii) Product development iv) Test marketing) commercialisation stage with product life cycle of Introduction, Growth, Maturity and Decline.

In the techno-commercial stage, feedback from customers, observation on existing products / services, substitutes and their cost / price, value chain, channel of suppliers and Government polices plays decisive role.

The idea generation methods are: i) Brainstorming ii) Focus groups iii) Checklist iv) Problem Inventory analysis v) synectics.

Focus group is a group of 10/15 participants-usually end-users-discussing marketing needs of today and tomorrow with a leader acting as a moderator. Brain storming is used for generating ideas for new products, package and distribution. Wild ideas are welcome, no negative comment on individual group is allowed. Under checklist method, a lot of questions on products or marketing is listed for in-depth discussion.

In problem inventory analysis, the group is given problems felt by consumers, dealers and general public. It discusses on all relevant and related aspects of the problem. Synectics is generating business ideas on the basis of analogy mechanism.

Creative problem solving techniques are value analysis, free or forced association, collective notebook, scientific method, attribute listing and big dream approach.

Value analysis approach is asking questions on various aspects of product-design, quality, cost etc. Free association lists ideas by word association. Forced relationship is a process where the relationship among products and services are combined. In collective note-book, each member notes product, its various dimensions and records issues on each aspect. The notes are compared and summarised by the coordinator for discussion. Scientific method develops new product/ services ideas through enquiry and testing. Attribute listing is examination of new products/services by looking at positive and negative aspects. Big dream approach is to dream about problems and solutions, on a product/ service.

After getting these ideas, the ideas are screened and short list goes through concept stage. Each item is evaluated from the angles of market and commercial viability.

The other methods are six thinking hats, SCAMPER, OTW, the five why method, fractionalisation etc. That means a particular state of mind. OTW is like brainstorming but it encourages negative ideas. SCAMPER is substitute, combine, adapt, magnify, put to other uses, eliminate and re-arrange. The five why method ask why till you reach the root cause. Fractionalisation is breaking down a complex problem into small and solvable problems.

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#### **4.6 KEY TERMS:**

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**Focus Group:** A group of individuals discusses and provide information in a structured format to get new business ideas.

**Brain storming:** Brain storming is a group method for generating ideas about new product, marketing and distribution.

**Checklist:** Checklist is a list of questions, and suggestions developed on the basis of discussion for further in-depth discussion.

**Problem inventory Analysis:** It is a method of obtaining new ideas and solutions for business by focussing on problems.

**Synectics:** It is a method of generating new business idea through analogy mechanism.

**Value Analysis:** Value analysis is a method of developing new business ideas by increasing the value of work of different ideas. A set of questions is used to maximise the value of the product of new idea or new service.

**Free Association:** Business idea are developed through chain of word association.

**Forced Relationship:** Developing new products and services by products / service combinations.

**Scientific method:** A method developing new products of service ideas through enquiry and testing.

**Attribute listing:** Generating new products or service ideas by looking to positive and negative aspect of product/service.

**Big dream approach:** Generate new ideas by dreaming out the problem and solutions.

**SCAMPER:** Each letter indicates a different method by which the person can start with new ideas.

**Six Thinking hats:** Hat means a particular state of mind. It is white, red, black, yellow, green & blue, each representing a particular mental orientation.

**Creative Problem Solving process** has the following steps: Environment Analysis, Problem recognition, Problem Identification, making assumptions, generating Alternatives, Evaluation and choice, implementation and control. 6 thinking that approach triggers new and novel services. Off the wall thinking is like brainstorming but negative ideas are encourage. Devil' advocate is balancing the enthusiast and critic goods. Delphi methods. 6 wisdom of the wise. Mind mapping with map and pictures triggers ideas. Fish bone diagram is the cause and effect diagram, identifying important causes and relevant solutions.

**Product-Planning process:**

1) Idea stage 2) Concept stage 3) Product development stage 4 Test marketing stage.

**Innovation adoption process:**

1) Awareness 2) Interest 3) Evaluation 4) Trial 5) Adoption.

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## **4.7 SELF-ASSESSMENT QUESTIONS**

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1. What is business idea? Why it is important for entrepreneurs.
2. Explain different sources of ideas.
3. What is brainstorming? Give example

4. What is problem inventory analysis method of generating business idea?
5. What is value analysis? Discuss with example.

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#### **4.8 FURTHER READINGS:**

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3. Idea generation.com
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#### **4.9 MODEL QUESTIONS:**

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1. Discuss with example two idea generation methods.
2. Compare big dream approach and attribute listing of idea generation?
3. Distinguish between brainstorming and problem inventory analysis?
4. State creative problem solving methods of generation of ideas with examples?
5. What is creative problem solving process?
6. What are barriers to problem solving?
7. Discuss the problem- “Why students do not attend classes” in a fishbone diagram.
8. Using attribute listing method, find out how to improve delivery of Open University courses?