Epoch Olympiad Foundation™

Gateway for International Recognition

UNDERSTANDING ENTREPRENEURSHIP

A comprehensive study material for National Entrepreneurship Olympiad

For Grade 6th to 8th

CONTENTS

BASICS OF ENTREPRENEURSHIP

Introduction

Entrepreneurship is the process of running a business using a new idea or in a different way, which ultimately helps the buyer or the customer and should also be profitable. The new ideas in a business can be in the form of a **unique product** or **service**. A different way of doing business makes an entrepreneur different. A traditional business person runs his venture like most others. Whereas an entrepreneur uses unique ways of doing business — be it reaching out to the customers through marketing and advertising, new ideas or new ways to meet customer needs or running the operations in a more efficient way.

Let's understand this concept by taking a real world scenario.

Pratap, a vegetable seller in Agra, was known for his fresh produce. However, during summers, leftover vegetables often went to waste. To reduce losses, he started selling stale vegetables, which harmed his reputation. Realizing the need for a better solution, Pratap launched a home-delivery service. Customers could order fresh vegetables a day in advance, and he would deliver them directly to their doorstep. His innovative idea solved a problem and won back trust, showing the power of **problem-solving** and **adaptability**.

Business V/S Entrepreneurship

Definition 📚 Running a company with a tried-and-tested idea to make profits.	**Definition** 📚 Innovating with a new idea and building a venture from scratch.
Risk Factor ⚠️ 📉 Low to Moderate Risk – Proven models ensure stability.	**Risk Factor** ⚠️ 🔥 High Risk – Outcomes are uncertain, all about experimentation.
Approach to Ideas 💡 🛍️ "Let's sell what people already want!" (Traditional).	**Approach to Ideas** 💡 🧪 "Let's create what people didn't know they needed!" (Innovative).
Objective 🎯 💵 Focus on profits and stability. Growth comes second.	**Objective** 🎯 🌟 Focus on growth and impact; profits follow later.
Work Style 🛠️ 🧑‍💼 Structured, organized, and process-driven.	**Work Style** 🛠️ 🧙 Flexible, chaotic, and ready to pivot anytime.
Example 🚀 🍕 Opening a Domino's pizza franchise.	**Example** 🚀 🤖 Inventing a robot chef to make pizzas
Success Measure 🏆 📊 Stable revenue and satisfied customers.	**Success Measure** 🏆 🌍 Creating value and changing the world.
Capital Investment 💰 🏦 Often requires large investment upfront.	**Capital Investment** 💰 💻 Can start small; ideas matter more!

Types Of BUSINESSES:

In the market, different types of businesses exist. The three different types of business activities:

- **Manufacturing Business**: A manufacturing business is one that converts raw material(s) into finished product(s) to meet the demands of the customer. In this form of business, the finished product can be directly sold to the customer.

  For example, consider Sun Pharma it's India's largest pharmaceutical company that manufactures variety of medicines.
  This is an example of a manufacturing business.

- **Trading Business:** A trading business does not manufacture a good or product but only facilitates the act of bringing the finished goods from the manufacturing unit to the buyer or customer (who is ready to pay for the produced good)

  For example, Gupta Pharmacy sells medicines produced or manufactured by different pharmaceutical companies like Sun Pharma. Gupta pharmacy is a trading business.

- **Services Business:** Any business activity that is intangible, which cannot be seen and felt, but is for the benefit of a buyer is called a service. Services do not have a fixed time and it is flexible as per the demands of the customers.

  For example, Reena is a doctor and she has her own clinic where she provides check-ups and certain types of treatment to her patients. Reena runs a service business.

TYPES OF ENTREPRENEURSHIPS:

- **Social entrepreneurship**: It is about solving big social problems like inequality or environmental issues while helping communities. These entrepreneurs often start non-profits or businesses that give back, focusing more on making a positive impact than just earning profits. Their success is measured by the good they bring to society.

- **Scalable Start-up entrepreneurship**: Scalable star-tup entrepreneurs dream big and create innovative ideas to grow quickly and make profits. They find market gaps, focus on expanding to larger audiences, and use small, flexible teams. They often seek investments to grow faster.

- **Innovative entrepreneurship**: Innovative entrepreneurs create new products or ideas to improve people's lives. They are creative problem-solvers with big visions to change society. Often called disruptors, they transform industries and invent technologies that impact the world.

- **Small Business entrepreneurship**: Small business entrepreneurs run their own businesses, often with family help, like small shops, boutiques, or trades. They aim to earn enough to support their families without rapid growth. Over time, these businesses can grow into large companies if they expand, get bought by a bigger firm, or a family member takes over with big plans. Examples include family-owned hotel chains or jewellery shops.

- **Large Business entrepreneurship**: Large company entrepreneurship focuses on growing a business using an existing model while earning profits to support its growth. Unlike innovative entrepreneurship, it builds on what already works instead of creating new ideas. As customer needs change, large businesses may acquire smaller, innovative companies to offer better services and reach new markets. This helps them expand and adapt over time.

Each type of entrepreneurship comes with its own set of goals, priorities and measures of success. Understanding the different types of entrepreneurships will ensure that you cater to your business model and practices accordingly.

Both **Business** and **Entrepreneurship** are essential to a growing economy. Businesses keep things steady 🛒, while Entrepreneurs push for innovation 🌟.

The Story of

TATA GROUP

The **Tata Group** is one of India’s oldest and most respected companies. Its journey provides excellent examples of all five types of entrepreneurships: social, scalable start-up, innovation, small business, and large company entrepreneurship.

- ## Social Entrepreneurship

  Tata Group has always focused on giving back to society.

  For example:
- Tata Trusts, a non-profit founded by the group, invests in social causes like education, healthcare, and rural development.
- The company addresses environmental concerns by building sustainable energy solutions like wind and solar power plants.
- **Lesson: Tata’s success is not just measured in profit but in the positive impact it creates on society**.

- **Scalable Start-up Entrepreneurship:**

  When Tata Motors created the Tata Nano, the world's cheapest car, they filled a gap in the market for affordable vehicles. Although the Nano didn't succeed as expected, it was a bold scalable start-up effort to bring innovation to a large market. 

- **Lesson: This shows how scalable start-ups can focus on an unmet need, aiming to expand quickly to serve a broad audience.**

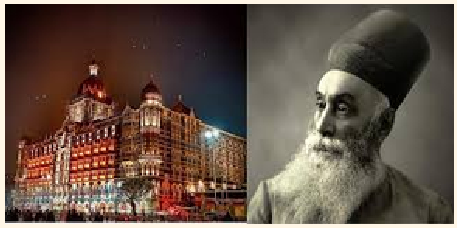
- **Innovation Entrepreneurship:**

  Tata's innovations have disrupted industries:

- **Tata Steel** introduced new technologies to reduce environmental harm and improve production.
- **Tata Consultancy Services (TCS)** became a pioneer in the IT sector, offering ground-breaking software solutions globally.

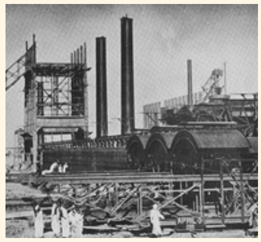
- **Lesson: Innovation drives progress, and Tata has continuously introduced new ideas and products to improve lives.**

- **Small Business Entrepreneurship:**



In the 19th century, Jamshedji Tata, the founder of the group, started small businesses, like a textile mill and a hotel (The Taj Mahal Palace in Mumbai). These ventures were initially aimed at supporting his family and sustaining his lifestyle.

Lesson: Many large companies today started as small businesses with a simple dream



- **Large Business Entrepreneurship:**

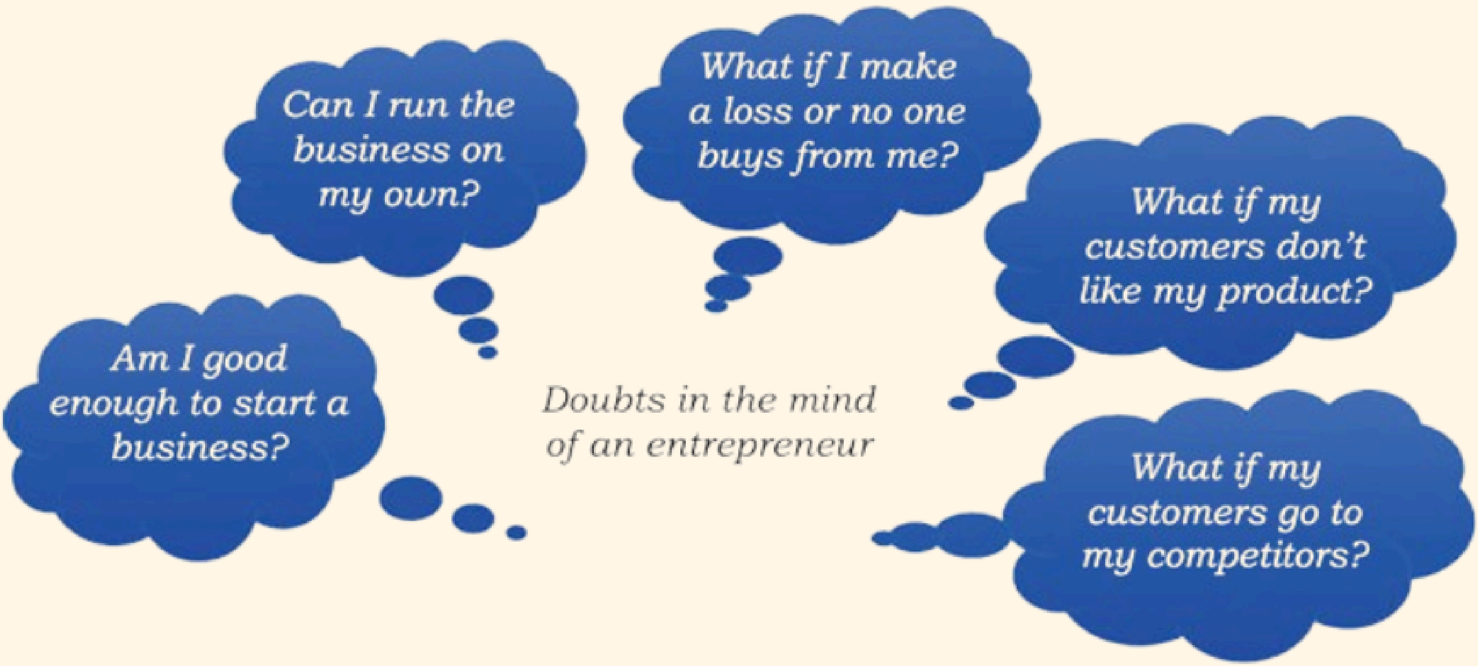
Over the years, Tata has grown its existing businesses while acquiring others to meet new customer needs. For instance:

- **Tata** acquired **Jaguar Land Rover**, allowing it to enter the luxury car market.
- By acquiring **Tetley Tea**, **Tata** expanded into global markets and became a leader in the tea industry.

Lesson: As businesses grow, they can expand their reach by acquiring innovative companies and entering new markets.

VALUES :

Sunita, a young girl from Kochi, visited her grandparents in a small town and noticed they struggled with buying and remembering to take medicines. Realizing other elderly people faced the same issue, she decided to help. Sunita invented a simple remote with a button to signal nearby medical shops for home delivery and an alarm to remind users to take their medicines. Her idea improved lives, became popular across Kerala, and taught the power of **innovation** and **problem-solving**.



The internal motivation, which allows an entrepreneur to overcome these doubts are called 'values'. Here are some values which make an entrepreneur successful.

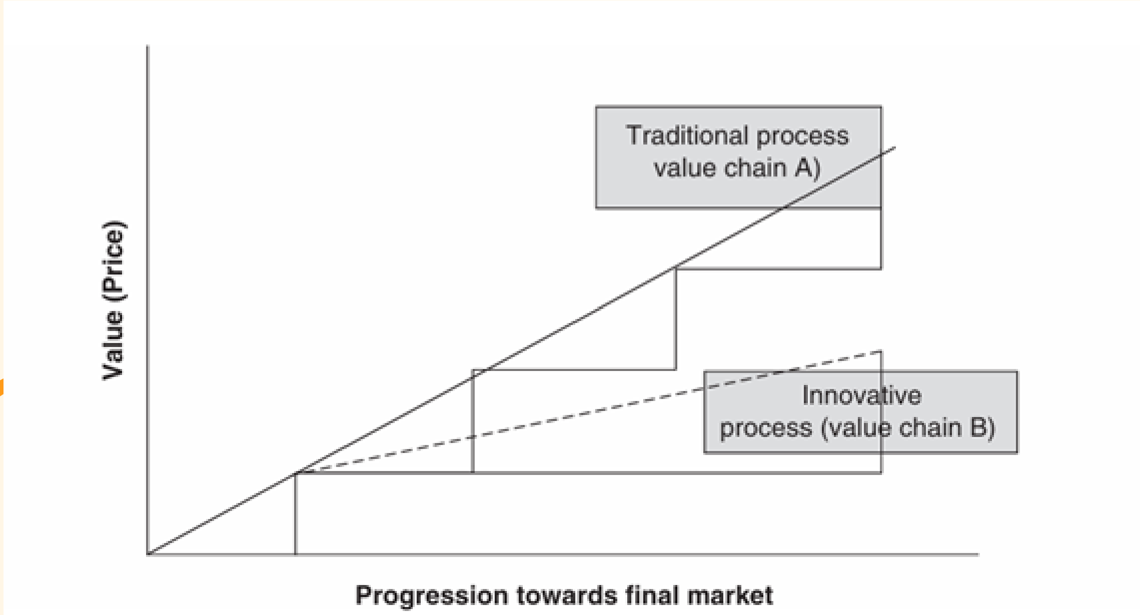
- **Confidence**
- **Independence**
- **Perseverance**
- **Open-mindedness**

In addition to this all values an entrepreneur must have following qualities:

VALUE CHAIN :

The IT and Internet revolution of the 1990s focused attention on the possibilities of opening up new business areas, it showed that – against existing dogma – it was possible to make new business where there no previous industry or business existed: the so-called '**sunrise**' industries (e.g. Microsoft). **Innovation and entrepreneurship are often associated with the terms 'value chain' and 'creative destruction'**.

The value chain represents the value of a product in an unfinished state and increasing in value as it reaches the customer. The expression 'value chain' is also used in an intra-organizational sense, referring to a bundle of factors affecting value, from when a product enters the firm, to when it leaves it. Several 'value chains may make up a 'value system' (e.g. Porter, 1990). Disruptions or discontinuities in the value chain cause a disturbance in the manufacturing or marketing equilibrium, leaving previous processes or intermediaries stranded outside the value chain. This is referred to as disintermediation or 'creative destruction'



In traditional processes, value is added in a series of steps; as illustrated in value chain A a company may e.g. make pig iron from iron ore (the first triangle) then sell their product on to the next, who may make steel, then sell their product on to the next, who may make steel sheets, then sell their product on to the next, who may press sheet steel to car bodies, then sell their product on to the next, who may make automobiles. This is classically the realm of **Input-Output Economics** and the value increases as one progresses along the links of the value chain until a 'final price' is reached. In value chain B **innovation** (e.g. a new smelting or cheaper rolling process, or novel materials) is used to construct a new value. The old intermediaries are stranded ('creative destruction') while the entrepreneurial innovator can vary the final height of the stippled line to share more or less of his 'Schumpeterian rents' with the final customer.

VALUATION OF THE COMPANY:

Valuation refers to the process of determining the current worth of a company or its assets. It considers factors such as the company's financial performance, market conditions, assets, and future potential. Valuations are crucial for investment decisions, mergers, acquisitions, or selling the company.

Example: Valuing a Tech Startup
Scenario:
A startup has:

· Revenue: ₹10 crore annually.
· Growth rate: 30% per year.
· Comparable Industry Multiple (Revenue Multiple): 5x (This is typical for tech startups).

Valuation Calculation:
1. Choose a Valuation Method: We'll use the Revenue Multiple method here.
2. Apply the Multiple:

Valuation=Revenue × Industry Multiple
Valuation=10 crore × 5
=50 crore

Valuation = ₹50 crore
Interpretation:
The startup's valuation is ₹50 crore based on its current revenue and industry growth potential. Investors would use this to decide on funding or acquisition offers.

BASICS OF FINANCE:

Finance is a field of study and a fundamental concept that involves the management of money and assets. It encompasses the allocation, acquisition, and utilization of financial resources in various contexts, including personal finance, corporate finance, public finance, and international finances.

PERSONAL FINANCE:

• Need: A person needs water to survive. Without access to clean drinking water, their health and life are at risk.
• Want: A person wants a new smartphone because it has the latest features and a sleek design. Not having the latest smartphone won't threaten their survival or health.

Understanding the distinction between needs and wants is important for personal financial management, resource allocation, and decision making. It helps individuals prioritize their spending and focus on meeting essential needs before indulging in wants.

INVESTMENT:

Investment refers to the allocation of resources, typically money, with the expectation of generating a return or profit in the future. Investments can take various forms, from financial assets like stocks and bonds to tangible assets like real estate or even investments in education and skills. The primary goal of investment is to increase wealth or achieve specific financial objectives. Financial Security Financial security refers to a state in which an individual, family, or organization has the financial resources and stability to meet their financial needs, cover their expenses, and handle unexpected financial challenges without experiencing significant hardship. It is a condition of financial well-being and confidence that one's financial situation is stable and protected against unexpected setbacks or emergencies

MONEY FOR STARTUP :

All start-ups need money. If the time to market is short, then the amount of money will be largely that figuring in the marketing plan and the amount will be small. In this case members of the family and social circle (often referred to as Friends, Fools and Family; 'FFF') will suffice if backed up by a bank loan. Banks are getting more flexible and improving their performance in supporting SMEs, but they still reject on average 50 per cent of all such cases. However, if successful, the bank may well want security or other collateral and this can mean the entrepreneur signing over their house, etc. to the bank. Experience shows that this is a bad idea (including for the bank) because the entrepreneur, in order to make a go of the business, does not need to be awake at night worrying about the roof over the family's head!

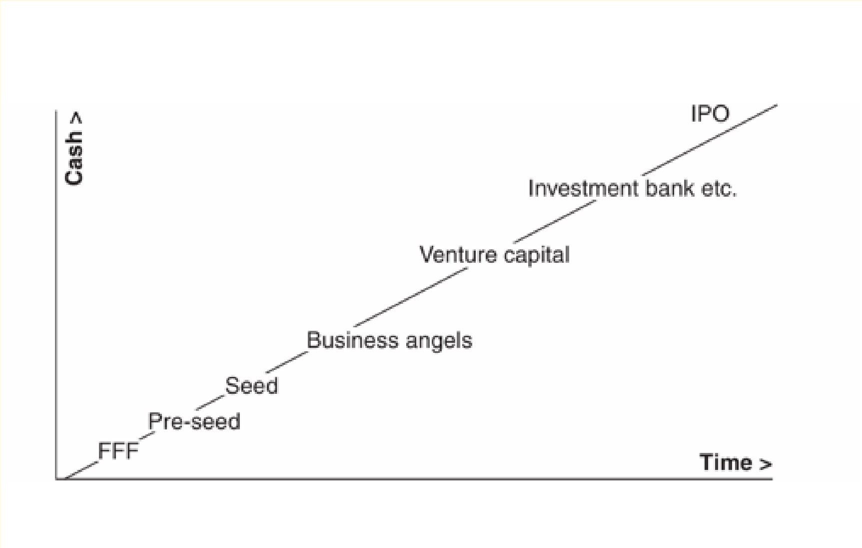
An alternative to the bank can be a business angel. A business angel (BA) is someone who has done it before, made some money, has got a bit hooked and is open to the idea of doing it again. The difference between a BA and a venture capitalist is shown below.

Business Angle (BA)	Venture Capitalist (VCs)
Works alone, perhaps within a network of like-minded people	Works for a firm or investment trust
Invests less than £1 million	Invests more than £1 million
Does it for profit and fun	Does it for profit alone
Aims to sell their share on to a venture capitalist	Aims to sell on to an investment trust or head for an IPO
Is willing to work with the entrepreneur as part of the team (in fact, may insist upon this) and use their talents, experience and contacts to the full	Will not be part of the team but will insist on having their people in key positions

Now other than these borrowing money (taking debt) or diluting the equity are another two ways from which an entrepreneur can raise money. But and experienced entrepreneurs try to borrow as much as possible and try to keep as many shares as possible. Some of the pros and cons are shown below.

Taking on debt	**Giving away equity**
Keep ownership and take on creditors	Dilute ownership by taking on partners
Low expected returns	High expected returns
Small amounts of funding	Large amounts of funding
Periodic repayments up to a given maturity date	No short-term repayments up to a negotiable 'exit' date
May need personal guarantees and pre-determined financial ratios	Few restrictions – primarily a satisfactory 'due diligence' followed by agreed checks and balances

Following fig shows the chronological development of funding sources for a start-up company



Now when an entrepreneur goes to ask for money to any of the above sources, he/she has to show a document called Business Plan. Banks, business angels and venture capitalists will all want to see the proposed company's business plan. Thus, it is the single most important document in attracting investors.

Venture capitalists in particular like the business plan and especially the marketing and strategy aspects, banks are heavily biased towards the financials, while business angels prefer the topic and the personalities involved. However, the importance of the business plan lies not only in attracting investors (including a bank, when the company needs a loan).

It also functions as a 'road map' which one always can refer back to, and is thus invaluable in keeping the company on track.

MARKETING NOWADAYS:

Let's begin with understanding what is Marketing?
To put it simply, Marketing is the voice of a consumer in the company. So, marketing involves two things –
1.IDENTIFY the needs of the consumer
2.MEET the needs of the consumer

As simple as these 2 things might sound, they are only complicated by different types of consumers that a company has.

Nowadays digital marketing is booming let's talk about that. Digital marketing is the use of online channels and tools to promote products or services. It includes social media, email, SEO, content marketing, and online ads. Businesses use it to reach their target audience, boost brand awareness, drive web traffic, and meet marketing goals.

TYPES OF DIGITAL MARKETING:

1.Social Media Marketing:

Social media marketing uses platforms like Instagram or Facebook to promote products, engage audiences, and boost visibility.
Example: Nike uses Instagram to share athlete stories and promote its products creatively.

2.Search Engine Marketing (SEO and SEM):

Search Engine Marketing (SEM) is a way for businesses to appear at the top of search results. It includes SEO (Search Engine Optimization), which uses free methods like keywords and good content, and paid ads, where businesses pay to show their ads first. Both help attract visitors and customers online.
Example: Amazon uses SEM by paying to show its ads at the top when people search "buy books" on Google.

3.**Email Marketing:**

Email marketing involves sending messages to customers about new products, offers, or updates to keep them engaged.
Example: Nike emails customers about exclusive sneaker launches and discounts to boost interest and sales.

4.Viral Marketing:
Viral marketing creates catchy, relatable content like videos or memes that people eagerly share, spreading quickly online.

Example: Coca-Cola's "Share a Coke" campaign used personalized bottles, encouraging people to share photos and spread the trend globally.

5.Online Advertising:

Online advertising places ads on websites, apps, or videos to attract the right audience. It uses data to target interests.

Example: Amazon advertises on Google for "best gadgets," showing product ads to tech-savvy users searching online.

6.Influencer Marketing:

Influencer marketing uses trusted social media stars to promote products, making it feel like a friend's recommendation.

Example: A beauty influencer promotes Maybelline mascara on Instagram, showcasing its benefits and encouraging followers to try it.

7.Affiliate Marketing:

Affiliate marketing is promoting products online through special links. Affiliates earn a commission for sales made via their links, benefiting both parties.

Example: A tech blogger links Amazon gadgets on their site, earning rewards for each purchase through their link.

8.Pay-per-click Marketing:

Pay-Per-Click (PPC) marketing places ads on search engines where businesses pay only for clicks. It’s a cost-effective way to attract potential customers by bidding on keywords.

Example: A shoe brand bids for "running shoes," paying for each click to their website.

9.Content Marketing:

Content marketing is about creating useful or entertaining content like blogs, videos, or posts to engage and build trust with people. It focuses on value, not direct selling, fostering loyalty.

Example: A fitness brand shares workout tips and healthy recipes, building trust and attracting customers.

Digital marketing is the only way for companies to reach their clients most efficiently

The main applications of digital marketing are:

1. Build Brand Reputation It is important to have an online presence in this digital world. Digital marketing can help you build an audience and create a trust factor with them.

2. Lead Generation The biggest goal of any digital marketing campaign is to generate new leads that will ultimately become customers or clients. A strong digital marketing strategy is a great way to reach your audience and gain new ones.

3. Ensure Business Survival Digital marketers can come up with a number of innovative ways to entice customers. This can help companies take the necessary steps for the success and betterment of their business.

4. Provide Better Data Analytics Digital marketing can help you analyse traffic information to plan better marketing strategies. You can get greater insight on customer preferences and create campaigns based on their buying patterns

New Startups Equipped with Technology:

Technology is the backbone of most startups today. Here's how:

- Communication: Startups use email, messaging apps, and video calls to talk with team members or customers. Tools like Zoom and Slack make collaboration easy.
- Marketing: Social media platforms like Instagram, Facebook, and YouTube help startups promote their products to millions of people.
- Operations: Technology simplifies tasks like managing inventory, payments, and customer data using software and apps.
- Automation: Startups use robots or software to do repetitive tasks, saving time and effort.

Basic Technologies Used by Startups:

1. **Mobile Apps**: Startups create apps that are easy to use and solve everyday problems. For example:
   - Ola and Uber for booking taxis.
   - BYJU'S for online learning.
2. **Websites**: A startup's website acts as its digital shop, where customers can learn about the products or services offered.
3. **Social media:** Startups use platforms like Instagram and WhatsApp to share photos, videos, and updates to attract customers.
4. **Payment Systems**: Apps like Paytm and Google Pay make it simple for customers to pay digitally.

Advanced Technologies in Startups

As startups grow, they start using advanced technologies like:

1. **Artificial Intelligence (AI):** AI helps startups understand customer behaviour and make smart decisions. For example:
    - Chatbots on websites answer questions instantly.
    - AI tools recommend what to watch next on Netflix.
2. **Internet of Things (IoT):** IoT connects devices to the internet, making them smarter. For example:
    - Smart home startups use IoT to control lights or fans using your phone.
3. **Blockchain:** Blockchain is used for secure transactions and data storage. It's popular in cryptocurrency startups like Bitcoin.
4. **Virtual Reality (VR) and Augmented Reality (AR)**:
    - VR creates a virtual world for gaming or training.
    - AR adds digital objects to the real world, like filters on Snapchat.

Examples of Startups Using Technology

1. **EdTech Startups:** Companies like Khan Academy and Unacademy use online videos and apps to make learning fun and interactive.
2. **HealthTech Startups**: Practo and 1mg help people book doctor appointments and order medicines online.
3. **AgriTech Startups**: Startups like DeHaat use technology to help farmers monitor crops and sell produce.
4. **E-commerce Startups**: Amazon and Flipkart use AI to recommend products you might like based on past purchases and your recent searches.

Benefits of Technology in Startups

- Reach More People: A startup can connect with customers all over the world.
- Save Time: Technology automates many tasks.
- Be Cost-Effective: Digital tools are often cheaper than traditional methods.
- Solve Problems Quickly: Tech makes it easier to find and fix issues.

Fun Facts About Startups and Technology

- The term "startup" became popular in the 1990s during the dot-com boom.
- Many famous companies like Google, Facebook, and Microsoft started in garages!
- India is home to over 100 unicorn startups (companies valued at over $1 billion).

Technology is transforming how startups operate, making it easier for them to succeed. Whether it’s delivering food, teaching online, or making payments, startups use tech to innovate and solve problems. With creativity, effort, and the right tools, anyone can start a successful business—maybe even you!

Sustainable and Green Entrepreneurship:

Entrepreneurs are catalysts for change and innovation in society. They should play a central role in shifting our economy from being based on exploiting natural resources – soil, water, biodiversity, climate (which, once lost, can never be replaced) to one that could lead to a future that preserves and conserves these resources. Never before has there been such an opportunity and imperative for innovation that meets the needs of consumers without damaging the planet's natural resource base. The road to long-term sustainability will require more efficiency – a management strategy that promotes environmental and economic performance. The World Business Council for Sustainable Development (WBCSD) first coined the concept of eco-efficiency. They defined it as 'the delivery of competitively priced goods and services that satisfy human needs and bring quality of life, while progressively reducing ecological impacts and resource intensity throughout the life-cycle, to a level at least in line with the earth's estimating carrying capacity' (WBCSD, 1997: 3).

These worthy aspirations have had shaky advancements. The Economist (2002) argues that progress has been achieved, largely, due to three factors:

- more decision-making at local level;
- technological innovation;
- the rise of market forces in environmental matters.

Entrepreneurs play a central role in the last two factors as they can identify opportunities and bring new technologies and concepts into active commercial use.
Ecopreneurs identify environmental innovations and their market opportunity and successfully implement these innovations resulting in new products or services.

An ecopreneurial organization: Remarkable (Pencils) Ltd:

Remarkable was established in 1996 by Edward Douglas Miller to explore the possibility of turning one everyday waste item into a new product. He began by experimenting with plastic cups with the aim of trying to turn one plastic cup into a pencil (Micklethwaite and Chick, 2005). Why? Because it had never been done before and it would prove to the world that you could take one every day, throwaway item that would usually just go straight to landfill and, instead, turn it into a new product which was fun, functional and had a long second life (Remarkable, 2007).

In early 2003, the company was still a ‘micro’ enterprise with fewer than 10 full-time employees, dedicated to the manufacture of a range of stationery products from recycled plastics, rubber tyres, leather, and paper (Micklethwaite and Chick, 2005). It was a successful green niche product company but wanted to take recycled stationery into the mainstream and sell products via large supermarket outlets, but unfortunately their brand was largely unrecognized by consumers. The company realized that to break out of its niche market it needed to develop its marketing and its brand. Thus, a new brand was launched in early 2004, following a branding research project with the Sustainable Design Research Centre at Kingston University, Dragon Brands and Will Harris (the marketer behind the Orange and O2 brands).

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