Entrepreneurial Venture Creation

Very Short Question Answer

1. What is marketing plan?

A marketing plan is a business document written for the purpose of describing the current market position of a business and its marketing strategy for the period covered by the marketing plan.

2. What is industry analysis?

Industry analysis is a tool that facilitates a company or new venture's understanding of its position relative to other companies producing similar products or services. Industry analysis helps to understand the forces at work in the overall industry and thus is an important component of effective strategic planning.

3. What is venture creation?

Venture creation is the process of turning a new idea or technology into a business that can succeed and will attract investors. Every individual trying to be an entrepreneur must be able to identify a business idea and pay attention to venture creation.

5. Define idea.

An idea is something such as a thought or conception; that is the product of mental activity. In other words, it may be defined as something that you imagine or picture in your mind.

6. Write about focus group.

A focus group is a group of 6-12 persons that represents various socio economic backgrounds and are experts in the concerned groups. These individuals are asked about their opinions, beliefs, perception, attitude towards a product, service, concept and advertisement which lead towards the development of certain idea.

7. Write a short note on Delphi technique as a source of idea generation.

Delphi technique is a series of feedback loops, where the answers from one round of information gathering are summarised and sent out again to be voted upon. During the process, the group converges towards the common idea which is correct.

8. Write the essential qualities of opportunity.

They are listed as follows:

- Attractive
- Timely
- Durable

9. Write the meaning of business plan.

Business plan is a written document prepared by the entrepreneur that describes all the relevant external internal elements involved in starting a new venture. In other words, business plan is the development of a written document that spells out like a roadmap where you are, where you want to be, and how you want to get there.

10. Enlist the five forces as per the Porter's Model.

They are listed below:

- Threat of new entrants
- Threat of substitutes
- Buyer's power
- Bargaining power of the supplier
- Competitive rivalry

11. Define marketing research.

Marketing research is a systematically problem analysis model building and fact finding for the purpose of improved decision making and control in the marketing of goods and services.

Techniques for generating ideas for Venture Creation

Idea generation, popularly called Ideation is the creative process of generating, developing, and communicating new ideas, where an idea is understood as a basic element of thought that can be visual, concrete, or abstract. In simple words, idea generation is the creative process of solving problems or exploiting opportunities.

Techniques for Generating Ideas for Venture Creation

Focus Group

A focus group is a group of 6 – 12 persons that represents various socio economic backgrounds and are experts in the concerned groups. These individuals are asked about their opinions, beliefs, perception, attitude towards a product, service, concept and advertisement which lead towards the development of the certain idea.

Brainstorming

Brainstorming is the process of generating creative ideas and solutions through intensive and freewheeling group discussion. Alex Osborn, an advertising executive, is credited with the technique of idea generation named brainstorming. Brainstorming is a free and informal approach where every participant is encouraged to think aloud and suggest as many ideas as possible. No ideas here are criticized even if they seem to be utterly bizarre or outlandish. Brainstorming helps people come out from their usual ways of thinking. Brainstorming does not require the participant to prepare much and thus are more fun than the pressure.

Problem Inventory Analysis

Problem inventory analysis is another important technique for generating ideas. In this technique, consumers are provided with a list of problems and then are asked to identify products that have these problems. Problem inventory analysis is used to develop the new existing product. It, however, does not mean that every result leads to a new product. The result, thus must be carefully evaluated as they may not reflect a new business opportunity.

Delphi Technique

Delphi technique is a series of feedback loops, where the answers from one round of information gathering are summarized and sent out again to be voted. During the process, the group converges towards the common idea which is correct. Delphi technique is one widely adopted approach that provides the heterogeneity mix of knowledge and items with the greater probability of success.

Library and Internet Search

Trade journals, business related magazines, annual reports, industry reports, etc. available in a library can be studied and analyzed for generation of ideas. Likewise, the internet and email can be accessed to find anything and everything all over the world. Access to essential information from all part of the world is another primary source of idea generation.

Survey

Another widely adopted technique for generation of an idea is to survey. A survey is a method of gathering information from a sample of the population. The sample must be designed in a proper way so that it represents the population. The survey can be used to generate ideas on new product, service and modality of business.

Sources of Idea Generation

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Sources of Idea Generation

Ideas can be generated from many sources. They are broadly categorized into two types:

Internal sources

- Research and development
- Employee's insight

External sources

- Potential customer needs
- Analysis of competitors' operations, products and services.
- Success stories of entrepreneurs and other personalities
- Information from government agencies and business experts
- Trend of product demand and usage.

Meaning of Business Plan. Its Scope and Significance

A business plan is a formal written expression of the entrepreneurial vision, describing the strategy and operations of the proposed venture. In other words, it is a written document prepared by the entrepreneur that describes the relevant external and internal elements involved in starting a new venture. The business plan provides an intended course of action to the existing business or future business. It often integrates essential functional elements of finance, production, human resources, marketing, etc. demonstrating the feasibility of the prospective business along with its operational roadmap.

The scope of a business plan is broadly categorized into two types:

Internal

The internal scope of business plan primarily includes employees. The vision and mission of the firm are explained and articulated to the employees through a business plan. A business plan is crucial for both the managerial and administrative employees as it guides them to move ahead in a planned, consistent and purposeful manner. When the employees have a business plan, they are in a better position to fulfil their duties and responsibilities for the organizational effectiveness.

Investors

Investors are other crucial scopes of the business plan. One of the primary objectives of the business plan is to attract investment capital for your venture. It does not matter if it is an existing business or a new one. A new investor will always seek a better business plan that impresses them. It is thus important that a business plan is developed thinking like an investor.

The primary significance of business plan is discussed as follows:

- **Creation of a New Business:** Every business plan provides a roadmap to upcoming business. It is the initiation of a new business. In this regard, a business plan plays a crucial role in the creation of a new business.
- **Clarify Direction:** The primary significance of a business plan is to define what the business intends to do over time. A business plan describes your business and its products or services as well as detailed description of target customers.
- **Attract Financing:** The development of a comprehensive business plan shows whether or not a business has the potential to make a profit. By incorporation of facts, figures, and detail, a new business has a better chance of attracting investors.
- **Risk Management:** The degree of uncertainty involved in business is known as risk. A plan of activities goes a long way in helping entrepreneur assess and manage the risk. In addition to that, a business plan also provides a contingent plan to deal with possible risks.
- **Attract Team Members:** A business plan is often used as the sales tool to attract partners. Business plan can be shared with desired partners, so as to convince them of the business potential and persuade them to join the team.
- **Means of communication:** Business plan communicates the various elements of business. In this regard, it often serves as the means of communication. It communicates goals, strategies, both to the outsiders as well as insiders.

Characteristics of a Marketing Plan

They key characteristics of a marketing plan are discussed below:

- **Provide Strategy:** A marketing plan must be in line with the vision and mission statement of the business. In other words, a marketing plan should spell out the marketing strategies for the accomplishment of vision and mission.
- **Based on Valid Assumptions:** A marketing plan should be based on facts and valid assumptions. In other words, every marketing plan should be backed by facts and figures
- **Management of Resource:** A marketing plan should adequately explain the use of existing resources. In this regard, it should clearly mention the allocation of all types of resources including machinery, equipment, financial and human resources.
- **Implementation:** The market plan should also describe how an organization is going to implement it. It is extremely important that a marketing plan comes up with a proper road map for implementation.
- **Continuity:** Every marketing plan, if possible should provide continuity of the previous plans so that achievement of longer goals and objectives becomes easier and in sync.
- **Simple and Short:** A long marketing plan is complex and difficult to execute. A good marketing plan hence is simple and short.
- **Flexible:** It is a well-known fact that business environment is dynamic. In that line, it is important that a business plan is flexible enough to adapt accordingly as per the changes in business environment.
- **Specific:** It is important that a marketing plan has expected results and milestones clearly defined along with the specific actions for implementation and the deliverable time for each step.
- **Balance:** A marketing plan must inform and guide not only the financial decision making but also the operational and human resource issues with the all business.

Steps of Marketing Plan

A marketing plan follows the following steps:

- **Defining the organization's mission:** The starting point in the marketing planning process for the firm is to define its mission, the The essential purpose that differentiates the company from others. Mission statement provides general guidelines for future management actions. The mission can be defined as the unique fundamental purpose that sets it apart from other firms of its type. It indicates the nature and scope of business operations regarding product, market, and technology.
- **Situation analysis**: A situation analysis is a process of gathering and examining information to determine the organization's past, present and possible future position in the market. Situation analysis involves market analysis, internal analysis, and environmental scanning. Each of these provides the following information.

Technique	Information
Market analysis	Description of market
Internal analysis	Organizations strengths and weaknesses
External analysis	Opportunities and threats

- **Determining organization objectives:** Objectives and goals must be clearly spelled out and identified. A marketing objective might be to become the leading supplier of a certain product. Underneath this objective, certain goals are established. One goal might be the attainment of 35 percent market share within the next four years. Goals could relate to the volume of sales, return on investment, or measurable aims. Objectives or goals are not mutually exclusive. For example, attaining a particular market share may require the sacrifice of some profit.

- **Establishing strategic business units:** After defining the mission and the corporate objectives, a firm must formulate and establish the strategic business units. A strategic business unit in the recent years has been used to describe an organization's individual business. An SBU can be a company within a larger corporate chain, a division within the larger organization, a group of related products or a single major product or brand.
- **Setting marketing objectives:** Each SBU should have its objectives for marketing performance. Objectives can be quantitative (rupee, sales, the level of profit, market share, etc.) or qualitative (image, level of innovativeness, industry leadership, etc.) or both. It is tough to set se totally quantitative objectives or qualitative objectives. Whatever may be the nature but the objectives set should be specific, clear, and easily understandable.
- **Formulating a marketing strategy:** The net result of opportunity analysis is the formulation of marketing objectives designed to achieve overall organizational objectives and help in developing a marketing plan. The marketing plan revolves around a marketing strategy that in resource efficient, flexible and adaptable. Marketing strategy is the overall company program for selecting a particular target market and then satisfying consumers in that market through the careful use of the hing elements of the marketing mix. The components of the marketing mix product, pricing, distribution and promotion-represent subsets of the overall marketing strategy.
- **Implementing and monitoring marketing plans:** The next step of the marketing planning process consists of implementing the marketing strategy that has been agreed upon by management. The overall strategic marketing plan serves as the basis for a series of operating plans necessary to move the organization toward the accomplishment of its objectives.

At every step of the marketing plans marketing managers use feedback to monitor and adapt strategies when actual performance fails to match expectations. This is the final step in the strategic marketing plan or planning process

Sole Proprietorship with Characteristics

The organization which is formed, managed and controlled by a single person is known as the sole proprietorship. In other words, in this model of business organization, the single person invests capital, takes all risks and shares all profits and losses by himself or herself. The owner of the business is called sole trader. A sole trader makes his/her all decisions on all business related matters. Such type of business firm is to be registered in the concerned department under the provision of -private firm Registration Act 2014 in Nepal.

In other words, a sole proprietorship is the form of business organization at the head of which stands an individual as one who is responsible, who directs its operation and who alone runs the risk of failure."

Characteristics of Sole Proprietorship

The primary characteristics of sole proprietorship are explained as follows:

1. Single ownership: A sole proprietorship is owned by a single person. A sole trader provides the entire capital either from his private property, loan or by borrowing from relatives or friends.
2. Unlimited liability: A sole trader should consider his business debt as Las his personal debt. S/he has to pay the business debt from his private property if business property is not sufficient to pay.
3. Limited capital: Generally, financial resources of a sole trader are very limited because a single person invests money in the business. Likewise, the borrowing capacity of individual is also limited.
4. No sharing of profit or loss: A sole traders alone receives all profit and bears all the losses of the business. There will be no one to share profit and losses. Therefore, there is a direct relationship between efforts and rewards.
5. Secrecy: A sole trader doesn't require publishing the financial statements of the accounts. He can keep business secrets with himself. Legal provision has not been made to reveal the books of accounts compulsory. vi. Sole management and control: A sole trader is free to take decision related to the business. He manages, organizes and controls the business as per his desires.
6. No separate legal existence: There is no legal existence of the business. It is not separated from its owner. The existence of sole proprietorship depends on the position of the owner. In case of death, insolvency, disability, sole proprietorship will be dissolved automatically

Partnership with its Characteristics

A partnership firm is the mutual relationship of two or more persons who make an agreement for conducting business to (or "intending to") earn and share profits. "Partnership is the relation between persons who agree to carry on a lawful business with a view of private gain." In a case of loss, if the assets of the business are not sufficient to cover the debt, the partners are required to cover the debt jointly. The persons who enter into an agreement to operate the partnership firm are called partners. Partnership firm came due to the limitation of sole trading concern such as limited capital and limited managerial ability.\

Characteristics of Partnership

1. **Two or more persons:** To form a partnership, there must be at least two persons. A single person cannot form a partnership firm. Maximum number is not mentioned.
2. **Mutual agreement:** A partnership firm is established on the basis of agreement. Such agreement may be either verbal or written. However, it is better to have a written agreement to avoid misunderstanding and disputes in the future. The agreement document clearly defines the roles and responsibility of individual partners.
3. **Sharing of profit and loss:** The profit and loss of the firm is shared among the partners as per profit sharing ratio mentioned in the partnership agreement. The partners share profit or losses in proportion to their capital investment.
4. **Unlimited liability.** The liability of partners is not limited to the capital investment. The partners are required to pay the loans of the firm from their private property if the assets of the firm are not sufficient to cover the loss or loans of the firm.
5. **Good faith:** A partnership is formed on the basis of an agreement. It becomes profitable if there is mutual trust between partners. Good faith plays a vital role in the survival and growth of a partnership firm.
6. **No free transfer of share:** In a partnership firm, shares are not freely transferable. Before transferring the shares, the partners who want to sell or transfer his/her share has to obtain the consent of all other partners.

Corporation with its Characteristics

Corporation is a modern type of business organization, which is established under the company act of a country. In other words, it collects capital by selling a number of transferable shares to the public at large. The shareholders are the owner of the company. The financial liability of shareholders is limited only up to the capital contributed by them in the company shares. An elected body of shareholders called the board of directors manages the company. In Nepal, it is incorporated under company act 2063.

"A corporation is a voluntary association of individuals for profit having a capital divided into transferable shares, the ownership of which is the condition of membership."

Characteristics of Corporation

Corporation is a very popular type of organization to mobilize resources and capital in national and international level. This company has its fundamental characteristics which are as follows:

1. Association of persons: A large number of people associate for a common purpose. Many people invest their capital in shares. A private limited company must have at least one promoter, and a public limited the company must have at least seven promoters for its registration.
2. Limited liability: The shareholders of a corporation have limited liability. The shareholder's liability will be up to a number of shares they have purchased. Shareholders are not liable to pay the debt of the company.
3. Separate legal entity: A corporation has a separate legal entity. It is incorporated and dissolved according to the law. Although the shareholders are the owners of the company, they are not responsible for the acts of the company. The company can sue and can be sued in its name.
4. Perpetual existence: The existence of the corporation is perpetual. The death or insolvency of the shareholders does not affect the continuity of the company. Thus, its existence does not depend on the will and condition of any shareholder.
5. Common seal: The common seal is the identification of the company as a living person. Common seal is the official signature of the company. The company law requires every company to have a seal of approval.
6. Artificial person: A company is quite distinct from its members. The law creates the company. All the properties and resources of the company belong to the company, not to the shareholders. The company acts as an artificial person who can file the case against others, and other can file against the company. Publication of financial statement: A corporation must publish the annual audited financial report and accounts for public knowledge and information. Such financial statements are published in the popular newspaper of the country. The law requires Corporation have current financial statements.

Ethical Issue of Business

The primary ethical issues that need to be considered in developing business plan are explained as follows:

- **Stakeholder's Interest:** It is crucial that every company aims at maximizing the shareholder's wealth. Having said that, it should not be the only one concern. An organization must treat its customers, employees, and other stakeholders. In addition to that, effort must be put to consider the social, environmental and moral considerations in high regard.
- **Healthy Business Practices:** Unhealthy marketing, unfair slashing of employee expenses, degradation of product quality and negative impact on the environment are part and parcel of modern day business practices. It is thus important to set a benchmark by adopting healthy business practices that keep everything simple and fair
- **Ethical Publicity:** Drawing attention to a product or service is turning out to be one and only objective of PR agents. For this, unethical means like the use of nudity, sex, violence is very common. This unethical practice creates a lot of negativity among the general public. It is thus important that an ethical publicity is adopted that suits the sensibility of targeted customer.
- **Human Use of Human Resources:** A human needs to be treated like a human in working arena. Their health, safety, and social security must be kept in high regard. Treating them like machine won't be beneficial in the long run.
- **Self-Interest:** Business necessarily does not mean accumulating wealth for oneself. It is also about contributing to society in a positive way. Hence, it is extremely crucial that self-interest does not translate into greed and selfishness.

Business Plan and its Elements

Business plan is a written document prepared by the entrepreneur that describes all the relevant external and internal elements involved in starting a new venture. In other words, business plan is the development of a written document that spells out like a roadmap where you are, where you want to be, and how you want to get there.

The primary elements of business plan are discussed below:

Executive Summary

An executive summary is the first element of the business plan. Executive summary tells the reader what you want. It is a synopsis of a business and is written with the aim to convince the readers that the business is worth investing. The executive summary should be kept Me short and should cover the key aspects of the entire business plan. The key elements that must be incorporated in an executive summary are:

- Business concept
- Financial features
- Financial requirements
- Current business position
- Major achievements

The executive summary is easier to finalize, once all the details of the plan are finalized.

Industry Analysis

Industry analysis is a tool that facilitates a company or new venture's understanding of its position relative to other companies producing similar products or services. Industry analysis helps to understand the forces at work in the overall industry and thus is an important component of effective strategic planning. In the industry analysis section of the business plan, the description of industry about nature, size, growth, strength, weakness, trends, the rivalry is done. One of the most widely adopted methods of industry analysis Michael Porter's Five Force Model. As per the model, industry is analyzed on five forces listed below:

- Threat of new element
- Threat of substitutes
- Bargaining power of the buyer
- Bargaining power of the suppliers
- Competitive rivalry

Company Information

This section of business plan provides the general information of the company. It describes what your company does or intends to do and how will it fulfil the needs of the company. Moreover, it shows how the company aims to translate the business idea into reality. This section also provides information on the probable customer of the company. In addition to that, it will explain the reason behind the probable success factor of products and service.

Company structure

Probable investors are concerned about the structure of the company along with the management team. They want to know who they are investing and lending their money to. Is it sole proprietors, partnership or corporations? Likewise, they want to know who is in charge and what experience they have in this particular business. They seek information about members regarding their position, experience, educational background, etc. Company structure section of business plan provides information on all the aspects mentioned as above.

Market Analysis

Market analysis is all about describing the target market for the product or service the company intends to sell. This section also explains how the product or service will meet the needs of the target market. Moreover, the market analysis also provides insight on the size of the target market, the share of the market that the company aims to achieve, competitors, pricing off the product, etc.

Financial Analysis

This section of business plan provides detailed information regarding the business. Financial analysis is imperative if your main aim of developing a business plan is the generation of the fund. The financial data that needs to be presented are listed below:

- Record of your financial dealings, investment if any
- Income statement
- Balance sheet
- Revenue and cost
- Break-even analysis

Marketing Plan

The marketing plan section of the business plan focuses on a strategy that outlines your marketing activities. It includes the plan for entering the market, differentiating itself from the competitors, channels of www distribution, communication, selling, etc.

Product Description

The product description part of the business provides information about the product or service you intend to sell. The three key issues that need to be addressed under this heading are:

- Description of present stage of product or service development
- Challenges and risks in bringing the product or service in the market.
- Patents, trademarks, copyrights, trade secrets, etc. to be secured.

Operations Plan

This section explains the operations procedure of the business. It outlines the administrative side of the business providing information on following aspects:

- Operation of business
- Network of suppliers
- Location of office
- Equipment used, etc.

Identification and Recognition of Opportunities

Identification and Recognition of Opportunities

A number of methods are adopted in identification and recognition of opportunities. A few widely adopted methods are discussed below:

1. Observing Trends

One can identify and recognize the opportunities by observing the trends of various environmental forces. Every trend associated with the environmental forces brings either the favourable or unfavourable condition. Every favourable and unfavourable condition brings its set of opportunities that needs to be analyzed and tapped.

In observing the trends, the primary environmental forces that need to be analyzed are discussed briefly.

2. Economic forces

Observing economic trend is one important way to identify the opportunity. Based on the nature and direction of the economy in which a firm competes; opportunity can be analyzed. A sound economy usually creates many business opportunities. The economic trends must be observed under the following components:

Economic systems: An economic system refers to an organized way in which a state or nation allocates its resources and apportions goods in the national community. The broad economic system prevalent are:

- Free market economy
- Centrally planned economy
- Mixed system

Economic Policy: Government actions that are intended to influence the economy of a country is known as the economic policy. Some of the important economic policies are:

- Monetary policy
- Fiscal policy
- Industrial policy

Economic condition: Economic condition refers to the status of a country's financial position at a specific period. Economic condition is represented through statistics like:

- Gross domestic product
- Inflation
- Employment indicators
- Balance of payment
- Income distribution

Economic integration: Economic integration refers to an agreement among countries in a particular geographical region to reduce and remove trade barriers. In Nepal, economic integration has been promoted by regional and global organizations like SAARC, OPEC, ASEAN, WTO, etc.

Political forces: Political forces are perhaps the least predictable elements in the business environment. It refers to the actions taken by the government which affects the business activities. The apa political trends must be observed under the following components:

- Political system
- Political institutions
- Political philosophy

Legal forces: Laws passed by a government for business forces is another critical element that must be observed to identify the opportunity. The legal trends must be observed under the following components:

- Constitution
- Business law
- Courts of law
- Law Administrators

Socio-cultural forces: A set of beliefs, customs, practices, and behaviour that exists within a population is termed a socio-cultural forces. Every business is a social system and conducts its activities in the society. The socio-cultural trends must be observed under the following components:

- Attitude
- Belief
- Religion
- Language
- Education
- Family structure and social organization

Technological forces: Technology has a major impact on the business. Technological forces mean the development in the field of technology which affects business by new inventions of productions and other improvements in techniques. Early adoptions of new technology often achieve higher market share The technological trends must be observed under following components:

- Level of technology
- Pace of change
- Technology transfer
- Research and development budget

Natural forces: Natural forces are affected by business operations. Certain regulations need to be considered to reduce those impacts. Moreover, many natural resources are limited. They need to be used diligently. In this regard, the various aspects related to natural forces often provided opportunity. The natural trend must be observed under following components:

- Energy consumption
- Environment policy
- Compliance with environmental

Global forces: One should also continuously observe the various global forces of business such as the global market, international socio-political events, etc.

3. Solving Problems

Problems are part and parcel of human life. At every phase of human life, problems pop out. These problems are a major source of opportunity as every solution to them is a new business opportunity. If we look at the discovery of many inventions and innovations, problems have been starting point of many.

4. Finding Gaps in the Market Place

Another important source of business opportunities identification is the mechanism of finding a gap in the marketplace. There are many sectors where the needs of customers are not served. Even if those areas are served, there is always the opportunity to fill it out with better business opportunities. Moreover, there may be many customers that are dissatisfied with the present product and service. Thus, recognizing the current needs of the customers and making efforts to fulfil them leads to various opportunities.

3. Explain how ideas are encouraged and protected in a business. Encouragement of an Idea in a Business.

Ideas can be encouraged in business in following ways:

Communicate the importance of creativity: It is imperative that employees are communicated the importance of creativity in work life. When they realize that creativity fosters compositeness, they will be encouraged to generate an idea.

Allow time for idea generation: it is not necessary that every idea is a result of intuition or accident. New ideas often need sufficient time. Employees thus must not be pressurized and enough time should be given for new idea generation.

Actively seek ideas: If employees are to come out with ideas; it is ne important that an organization actively seeks their ideas. An employee must feel that organization genuinely is in need of ideas. For this, suggestion boxes, ideas, seminars, meetings, etc. must be kept and conducted.

Be supportive: When the organization is supportive towards employees, it fosters creativity. The employee must be provided every possible resource that supports the mechanism of idea generation.

Tolerate mistakes: On the road of creation; failures and mistakes are pretty much inevitable. If the employees are punished for every little mistakes and failure, they will be apprehensive in attempting something new. As such their quest for newness dies. It is thus crucial that people are allowed to make a mistake. The mistake should not always be penalized. Instead, they should be tolerated and taken as the opportunity to learn.

Reward creativity: There is no bigger joy in life than getting rewarded for your endeavour. Creativity is no exception. If the employees are rewarded for their ideas, they are motivated to come with new ideas. Reward thus is an important financial motivating factor that encourages the generation of ideas.

Act on ideas: Creativity means nothing if action is not taken. Employees, moreover, feel frustrated if their ideas do not bear fruit. In this regard, it is important that organization acts instantly bode on the ideas of the employee.

Protection of an Idea in a Business

The major ways of protecting ideas are discussed below:

- ***Putting the idea into tangible forms:*** Majority of ideas initially take tangible form. It thus is imperative that these ideas are converted into tangible form as soon as possible. For this, it is imperative that these ideas are saved in a logbook or computer.
- ***Secure the ideas:*** Once the ideas are recorded into tangible form, efforts must be made to secure them. One must ensure that no one can steal the idea.
- ***Non-disclosure agreement:*** It is essential that you sign a non disclosure agreement with anyone you work or share your ideas. It will commit them to confidentiality. The non-disclosure agreement is an agreement whereby the concerned parties do not share information with third parties.

4. Explain about the five force model and its implication.

Five Force Model and its Implication

Michael Porter provided a framework that suggests that an industry is influenced by five major forces. Anyone willing to exercise strategy to gain edge over rivals must use this model to understand the industry. The five major forces as per the Michael Porter's model are discussed below:

Threats of New Entrants: The level of threats of new entrants determines competitive position of a company. The new entrants come with a plan to obtain market share and often command substantial resources and skills. Strong companies entering the market can cause a major shake-up in the market, particularly when the new company is a large company diversifying through acquisition. A competitive onslaught by the new company can result in lower product prices; the costs to the incumbent companies rise as they respond to the new competitor. The significance of the competitive threat of entry by new companies in the market depends on the barriers to entry, especially the potential entrant's expectations about how the incumbent companies will react to it.

General assumption is that the threats of entry are low if barriers to entry are high and/or the new entrant expects massive, hostile retaliation from the older companies in the market. Established companies are freer to set a price if it is difficult and expensive for new entrants in the market.

Some of the major reasons of barriers to market entry are as follows:

- Economies of scale: Economies of scale usually indicate the scale of production. But in broader term, scale economies can occur in every function of business, including production, marketing, purchasing, finance, research and development, customer service, and distribution. If scale economic already exist in the market, the new entrants have two choices; to enter either on a large scale and enjoy lower costs or on a small scale and accept a cost disadvantage.
- An amount of financial resources or capital investment: The larger the total amount of financial resources needed to enter the market and compete successfully, the more limited will be the pool of likely entrants. Capital is needed not only for production equipment and plant, but, for financing inventories, working capital, providing credit to customers, advertising, and absorbing start-up losses.
- Access to distribution channel: A new entrant must either create its channels of distribution or use already established ones. Creating new channels of distribution may be uneconomical or prohibitively expensive, and the new firm must face the task of inducing the established distributors to carry its product. The distributor may be reluctant to carry a product that lacks buyer recognition. The distributor also may prefer not to offend firms with competing brands. To overcome this barrier, potential entrants may have to implement a variety of methods to obtain distribution channels, such as price reduction, higher margins, demand creating advertising, and so on.
- Brand identification or product differentiation: When a firm's product enjoys brand identification, it has been successful in differentiating its product and creating customer loyalty. Massive money expenditure, a series of time and a higher degree of risks are involved in creating brand identification and customer loyalty. Established brand identification and customer loyalty may create high barriers to the new companies.
- Government policy: Entry into certain markets is difficult, limited, or even disallowed by the government, especially in the field of public utilities, environmental issues, and safety issues. Licensing requirements may limit entry in the market. The government may control entry in to e some productions for which government has totally banned or banned partially such as hunting of wild animals and marketing the body parts of them.

- The reaction of existing competitors: Even though the new entrants feel that they have the ability to overcome the entry barriers, their expectations about how the existing competitors will react to their entrance will influence their decision. If they expect that the existing competitors will jointly retaliate them forcefully, they may decide t forgo entry.

Threat of substitute products: The next important determinant of a company's competitive power is the development of substitute products that meet underlying customer needs more cost-effectively than existing products. For example, the development of synthetic fibres had a significant impact on the demand for natural fibres; the development of steel had an impact upon the demand for aluminium; the development of coffee had an impact upon the demand for tea; and so on.

When a customer buys a product, he or she expects value for money spent. The level of satisfaction derived from using the product determines this value. The more attractive the price satisfaction trade-off of substitute products, the greater is the danger of losing market sales to the substitute products.

Bargaining power of suppliers: Many of the threats that potentially exist from buyers can also come from the suppliers to the industry. If the supply of critical materials is controlled by a few suppliers, or if an individual company's purchases from a supplier constitute only a part of his output, then freedom of manoeuvre may be limited. The more powerful are the suppliers, the greater their ability to influence the competitive conditions. Powerful suppliers can influence the buying industry's costs, prices, quality, and ultimately its overall prospects for growth and profitability.

- A supplier group is powerful when:
- There are a few large suppliers and many buyers;
- The products of each supplier are so differentiated that they make it very costly for the buyers to switch suppliers;
- The suppliers do not have to worry about competition from substitute products;
- The suppliers sell to a number of industries and the buyers do notaccount for a significant portion of the suppliers' total business;
- The supplier's product is an important ingredient in the success of the buyer's manufacturing process and product quality.

Bargaining Power of the customers: The customers or buyers can influence competition in an industry by demanding lower prices, higher quality, better service, improved warranty terms, and forcing sellers to outdo each other for the buyer's business. How much influence buyers can exert depends on their power. The buyer group is powerful when:

- The buyers are few, and their purchases represent a significant percentage of the total sales of the supplying industry;
- The purchased products account for a significant portion of the total purchases or costs of the buyer. The supplier industry's products are undifferentiated and standard;
- The supplier industry's product is not an important ingredient or component determining the quality of the buyer's product from any number of different sellers without incurring great switching costs. In this case, the buyer can play off one seller firm against another to get the best deal;
- The buyer industry has low profits and cannot sell at the further lower price.

Competitive Rivalry within an Industry: Competitive rivalry means how intense is competition among the competing firms or sellers, w whether there exists high degree competition or normal competition among the competing firms or sellers. There exists intense rivalry among competing firms, if:

- There are numerous of similar-sized competition.
- There is slow industry growth.
- There exist high fixed costs.
- There is the lack of differentiation. There is diverse nature of competitors.
- There exist high exit barriers.
- Rivalry among companies becomes weaker when the conditions mentioned above move towards negative direction.