**Module 5: Innovation, Ethics & Business Plan**

Structure of the Unit

1. Understand the concept of Innovation in Entrepreneurship
2. Understand the concept of Ethics in Entrepreneurship
3. Understand the importance of Customer Satisfaction
4. Enlist the various consumer protection laws in India
5. Outline of a business plan
6. Useful links for prospective entrepreneurs
7. **Innovation in Entrepreneurship:**

**What is Innovation?**

*“The ability to apply creative solutions to those problems and opportunities in order to enhance people’s lives and to enrich society is called Innovation.”*

**Entrepreneurial Innovation:**

Innovation with respect to Entrepreneurship means introducing something new into your business, to increase efficiency, productivity, in order to meet rapidly changing consumer demands, and adding value to existing or new products, services tp differentiate the business from its competitors, and increase perceived value to the customers and markets.

In Entrepreneurship, innovation is the act that endows resources with a new capacity to create wealth.Whatever changes the wealth-producing potential of already existing resources constitutes innovation.

**Importance and Advantages of Innovation in Enterprises**

* **Meet Consumers Demands:** A successful Entrepreneur has to learn to practice systematic innovation to competing market forces and meet consumer demands.
* **Improve Productivity:** introducing Innovation ideas in business lowers the cost of production, hence increases productivity at minimal cost.
* **Reduce Costs:** As productivity increase with new creative and innovative ideas Cost of productions comes down.
* **Competitiveness:** With efficient effective business ideas, Enterprises become more competitive in market against other counterparts.
* **Build the value of your brand:** The introduction of new and creative ideas in business to allure consumers gives a unique brand value to the products against competitors.
* **Establish new partnerships and relationships**: Introduction of new and innovative ideas in business to explore new avenues of establishing new relations and partnership and strengthen the existing one.
* **Increase Turnover:** The innovative ways doing business are more likely attractive more consumer base against market competitors which in turn increases turnover exponentially.
* **Improve Profitability:** The innovative and creative ways of producing a product or providing a service reduces the total cost and increases the gross profit.

**Steps to Promote Innovation in Enterprises:**

* **Promote Creativity:** The enterprises should promote and appreciate creative ideas of employees to churn out novel initiatives for growth of the organisation.
* **Organise Brainstorming Sessions:** The enterprises must hold brainstorming session, presentations, seminars, workshops and invite industry experts frequently to fish out new business ideas.
* **Create Environment for Creativity:** An environment to cultivate new business ideas to increase productivity and profitability and increase consumer base must be maintained.
* **Encourage Experimentation:** Taking risks and experimenting new and innovative ideas to expand the business is one of the most important perquisites for starting an enterprise.
* **Promote Inter-personal Communication:** Strong inter-personal, vertical, horizontal and diagonal communication is necessary to cultivate an environment of innovation in an organisation.
* **Reward Innovations:** The experimentations and innovations must be rewarded and celebrated to promote and encourage innovative instinct among employees.
* **Recruit Innovative Employees:** Hiring new employees with great imaginations and creativity is necessary for growth of an enterprise.

**In the Absence of Innovation, you may face the following challenges:**

* **Lose Market Share:**  Lack of appropriate innovative and creative instinct leads an enterprise lose market share to competitors as profits plunges owing to out-moded products and services, with skyrocketing production costs.
* **Fall in Productivity & Efficiency:** Lagging behind in the times of rapidly changing technology and market demands, plunges the small and medium sized enterprises into risk of declining efficiency and dwindling productivity.
* **Lose key staff:** With declining profits for lack of innovative steps to sustain the business against market competitors, the achievers and good employees opt to switch the organisation owing to increasing sense of uncertainty.
* **Reduced Profits:** Led by drop in productivity, falling consumer base, and shortage of efficient manpower due to absence of innovative and creative ideas to sustain the competition, the business steadily reduces margins and profit, and go out of business.

**Activity**

Divide into groups of 4. Each group can choose one kitchen product. Discuss how you can use innovation to make that product more effective/ popular.

1. **Ethics of Entrepreneurship**

**What are Ethics?**

*“A set of principles prescribing a behavioral code that explains what is good and right or bad and wrong; ethics may outline moral duty and obligations.”*

**Entrepreneurial Ethics:**

The fundamental moral values and behavioral standards that form the foundation for the people of an organization as they make decisions and interact with stakeholders is referred to as Entrepreneurial Ethics.

**Importance of Ethics in Entrepreneurship:**

* **Honesty and Integrity:** Honesty and integrity is the essential trait for establishing an Enterprise to gain investors, vendors and consumers’ trust for long time. It establishes a company as brand and grabs people’s emotional approach. Truthfulness is necessary in business for dealing with all investors in openly and honest manner.
* **Respect:** Mutual respect, undeniably, plays a pivotal role in establishing strong bond between colleagues, consumers, clients and vendors. An enterprise must amass such people to build an environment of mutual respect for inclusive growth.
* **Honour:** Good and hardworking people are cornerstone for success of a company. The companies must and acknowledge and recognize the contribution of strong performers and achievers who examply the spirit of the organisation.
* **Fair Pricing:** An enterprise can’t gain people’s trust by soaring the pricing unreasonably for long term. Setting price of a service or product at a price that is fair to all parties involved is among the social responsibilities of an organization to contribute towards growth of society and Nation at large.
* **Customer First:** No enterprise can survive without customers. And there is no point of producing products or services which customers don’t want. With that, an enterprise holds responsibility of serving people from all walks of life, along with their partners, vendors, clients.

**Common Misconduct in Organisations:**

* **Dishonesty**: Presenting misleading information about organization to consumers, investors, vendors, clients and partners to get unscrupulous gain. Misrepresenting the hours worked by an employee**,** management lying to employees, customers, vendors or the public about report, stealing/theft of company property. Withholding needed information from employees, customers, vendors or public.
* **Unprofessional Environment:** Lack of mutual respect among superiors and subordinators which leads to an unhealthy working environment in an organisation, resulting into managerial debacle.
* **Lack of Team Spirit:** The absence of code of conduct in an organization leaves employees void of team spirit, leading into structural inefficiency.
* **Misuse of Organizationa**l **Assets**: Inappropriate business ethics perpetuate tendency of excessive misuse of assets in an organizations without any substantial gain.

**Ethical Tips for Organizations:**

* **Develop A Code of Ethics:** An organizations needs to develop a uniform code of conduct for all the staff of organization so as to maintain an environment of discipline and mutual respect.
* **Treat Ethics as a process:** Mandate the ethics as an organizational policy to execute tasks to create an environment which can gather people’s, employees’, consumers’, investors’ trust.
* **Open lines of Communication:** The communication, undoubtedly, is among most important requisites for building favorable image of an organization, not only inside but across the business world.
* **Educate Employees:** A responsible organization can organize sessions to educate and make aware employees for keeping ethics at the forefront while addressing all the things pertaining to business world.
1. **Customer Satisfaction**

## Importance of Customer Satisfaction for Small Enterprises

One of the most important factors for small enterprises to sustain their business for a long time is customer satisfaction. It refers to the overall experience and subsequent satisfaction of the customer after using a product or service.

Most successful entrepreneurs claim the following ways to win and retain customers:

* **Know Your Customers**

You need to know about the wants, wishes and buying behaviours of your customers. It may be a good idea to know your customer’s names, tastes, dislikes, etc. as this will help you to win new customers and build a good business.

This will also enable you to build better products and offer appropriate solutions to meet the customers’ needs. To achieve this goal you need to:

* Listen
* Communicate
* Interpret, and
* Involve your customers
* **Try to resolve one issue at a time**

Avoid confusion by focussing on one thing at a time. You may have limited resources and manpower hence it is important to first understand your target customer’s problem and work out a solution accordingly.

* **Use your manpower well**

A successful venture depends heavily on the support of its employees. Successful entrepreneurs try to maintain great relationships with their employees and encourage interpersonal harmony within the team. This motivates the employees to work tirelessly towards a common mission. A motivated team ensures great customer satisfaction by creating life-long emotional associations through constant customer engagement.

* **Encourage the customers to interact**

Knowing your customers’ expectations can help you to ensure better customer experience. Apart from price and product, customer experience is the key to promote a brand. Customer experience is vital for a new enterprise as it helps to boost customer retention rates thereby improving customer satisfaction.

1. **Consumer Protection Law in India:**

*“On 24 December 1986 Government of India Enacted the Consumer Protection Act 1986 to ensure rights of Consumers and Provide Remedies to Deceived Consumers.”*

**Introduction:**

The Consumer Protection Act, 1986 was enacted to provide for better protection of the interests of consumers and for that purpose to make provision for the establishment of consumer counsels and other authorities for the settlement of consumer’s disputes and for matters connected there with. This Act applies to all goods and services.

**Objectives of the Act:**

* **Protection of Interests of Consumers:** The Act provides safety to consumers regarding defective products, dissatisfactory services and unfair trade practices.
* **Protection of Rights of Consumers:** Protect rights of consumers related to safety, information, choice, representation, redressal, education etc.
* **Formation of Consumer protection councils:** To favour consumer protection and to encourage consumer’s awareness there is a provision in this Act to establish Consumer Protection Councils.
* **Formation of Judicial Machinery:** **Establishment of** Consumer courts for speedy Redressal of Consumer Disputes, so that the consumers can enjoy their rights. This Act presents Three- tier Grievances Redressal Machinery- District Level-District, State Level -State and National level.
* **Fair Completion:** The Act ensures fair competition and the free flow of truthful information in the market place among enterprises and protects consumers from becoming prey of unfair business practices.
* **Prevent Fraudulent Business:** To prevent business that engages in fraud or specified unfair trade practices (UTP) from gaining an advantage over competitors. It promotes fare business environment in Nation.
* **Protections for Smalls Enterprises:** Provides additional protection for the weak, small enterprises and those who are unable to take care of themselves against fraudulent practices.

**Consumer’s Rights under the Consumer Protection Act:**

**Right to Safety:** It provides consumers with right to be protected against the marketing of goods and services, which are hazardous to life and property. The purchased goods and services availed of should not only meet their immediate needs, but also fulfil long term interests. Before purchasing, consumers should insist on the quality of the products as well as on the guarantee of the products and services. They should preferably purchase quality marked products such as ISI, ISO, AGMARK, etc

**Right to be Informed:**  The Act ensures consumers right to be informed about the quality, quantity, potency, purity, standard and price of goods and services so as to protect the consumer against unfair trade practices. Consumer should insist on getting all the information about the product or service before making a choice or a decision.

**Right to Choose**: The Act equips consumer with right to access to variety of goods and services at competitive prices. In case of monopolies, it enabled them to choose satisfactory quality and service at a fair price. This is because unrestricted right of the minority to choose can mean a denial for the majority of its fair share.

**Right to be heard:** The Consumer Protection Act allows consumer to be heard at appropriate forums. It also includes right to be represented in various forums formed to consider the consumer's welfare. The Consumers can also form non-political and non-commercial consumer associations/organizations to represent matters pertaining to consumers in various committees formed by the Government and other bodies.

**Right to Seek Redressal:** Consumers are given equal right to seek redressal against unfair trade practices or unscrupulous exploitation of consumers. It also includes right to fair settlement of the genuine grievances of the consumer. They can also take the help of consumer organisations in seeking redressal of their grievances.

**Right to Consumer Education:** Ignorance of consumers, particularly of rural consumers, is mainly responsible for their exploitation.The Act provides them right to acquire the knowledge and skill to be an informed consumer throughout life. They should know their rights and must exercise them. Only then real consumer protection can be achieved with success.

**How to File a Case in Consumer Court:**

* **File Case with 2 Years:** File case against a product or service that is not as per standards within 2 years of cause of action in the District Forum where the seller has his/her business or lives or where the incident happened.
* **Documents Required:**
	+ Submit 3 copies of complaint on plain paper with supporting documents (receipt, bill etc.).
	+ An invoice or bill for the purchase (Preferably with an invoice number and Tax ID of the company)
	+ Details of consumer like name, address, and product/service purchased details of company etc.
	+ Warranty card for products and SLA for services
	+ Proof of payment such as copy of the cheque or credit card statement
	+ Any other communication or record from the company that can show negligence, insensitivity or lack of attention from the company (Telephone call logs made to the company with long wait times, letters from company expressing uncaring attitude etc.)
	+ The registered address of the company. You should be able to find this either in the above documentation, website of the company or from third party sources such as directories. In case you cannot get a copy of the bill, do not worry or feel helpless.
* **No Lawyer Needed:** Although there is no need of hiring a lawyer to file a case in consumer court, one can hire one if their case is complicated, and have less time to spare and the compensation sought is large.

**4. Outline of a Business Plan**

I. Introductory page

A. Name and address of business

B. Name(s) and address(s) of principal(s)

C. Nature of business

D. Statement of financing needed

E. Statement of confidentiality of report

II. Executive summary – Three to four pages summarizing the complete business plan

III. Industry analysis

A. Future outlook and trends B. Analysis of competitors

C. Market segmentation D. Industry and market forecasts

IV. Description of venture

A. Product(s) B. Service(s)

C. Size of business D. Office equipment and personnel

E. Background of entrepreneurs

V. Production plan

A. Manufacturing process B. Physical plant (amount subcontracted)

C. Machinery and equipment D. Names of suppliers of raw materials

VI. Operational plan

A. Description of company's operation

B. Flow of orders for goods and/or services

C. Technology utilization

VII. Marketing plan

A. Pricing B. Distribution

C. Promotion D. Product forecasts

E. Controls

VIII. Organizational plan

A. Form of ownership

B. Identification of partners or principal shareholders

**Important information**

1. More information about SIDBI is available at <https://www.udyamimitra.in/>
2. Prospective entrepreneurs may register themselves on <https://site.udyamimitra.in/Login/Register>
3. For more information on Certified Credit Counsellors for MSMEs, visit <https://udyamimitra.in/DocumentRepository/Hanbook%20of%20CCC_15_02_2018.pdf>
4. You can register as both buyer or seller on Government e Marketplace (GeM) website at <https://gem.gov.in/>
5. SC/ST and women entrepreneurs can borrow loans between Rs. 10 lakh and Rs. 1 Crore to start a manufacturing, trading or service unit under Stand Up India. Details are available at <https://www.standupmitra.in/>
6. For mentorship support, women Entrepreneurs can get registered on Women Entrepreneurship and Empowerment (WEE) website at <http://weefoundation.org/index>
7. Women on Wings provide business consultancy to Indian social entrepreneurs that create employment for women in rural India. Get more information on <http://www.womenonwings.com/>
8. To understand balance sheet, visit <https://www.youtube.com/watch?v=ixCPM5HznRU> (English)
9. To understand balance sheet, visit <https://www.youtube.com/watch?v=lWmAdR3jKug> (Hindi)
10. Understanding the Balance Sheet: <https://www.youtube.com/watch?v=NowlQJnQJMk> (English)
11. How To Write a Business Plan To Start Your Own Business: <https://www.youtube.com/watch?v=Fqch5OrUPvA> (English)
12. How to write a Business Plan: <https://www.youtube.com/watch?v=PDWvcsTloJo> (English)
13. What is meant by communication: <https://www.youtube.com/watch?v=srn5jgr9TZo> (Hinglish)
14. Soft skills: <https://www.youtube.com/watch?v=Tiy2LONr050> (English)
15. Extraordinary Communication Skills: <https://www.youtube.com/watch?v=VczVqHJW0gg> (Hindi)
16. How to deal with competitors: <https://www.youtube.com/watch?v=7rFGmHJFwsU> (Hindi)

**Inspirational Videos**

1. Who is an Entrepreneur: <https://www.youtube.com/watch?v=DPR3p3EJADo> (English)
2. Who is an Entrepreneur: <https://www.youtube.com/watch?v=NpYQGNIShUQ> (Hindi)
3. For getting professional online help on making a business plan, visit <https://www.youtube.com/watch?v=KTBh2LKoEdk>
4. How to start a business: <https://www.youtube.com/watch?v=fanZtMhPmTs>