

Entrepreneurial Opportunity

TEXTBOOK QUESTIONS SOLVED

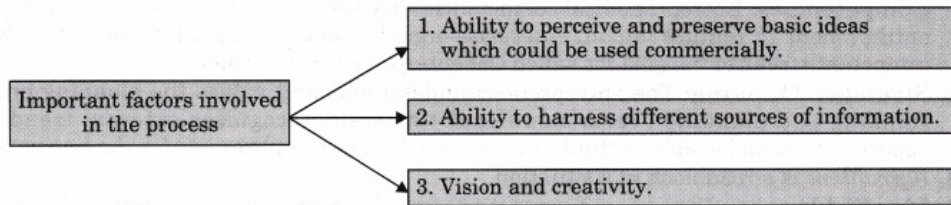
A. VERY SHORT ANSWER TYPE QUESTIONS

Q1. What is a business opportunity?

Ans. It refers to an attractive and accessible economic idea which could be implemented to create a business, earn maximum profit, and leads to further growth.

Q2. What factors are involved in the process of sensing an entrepreneurial opportunity?

Ans.

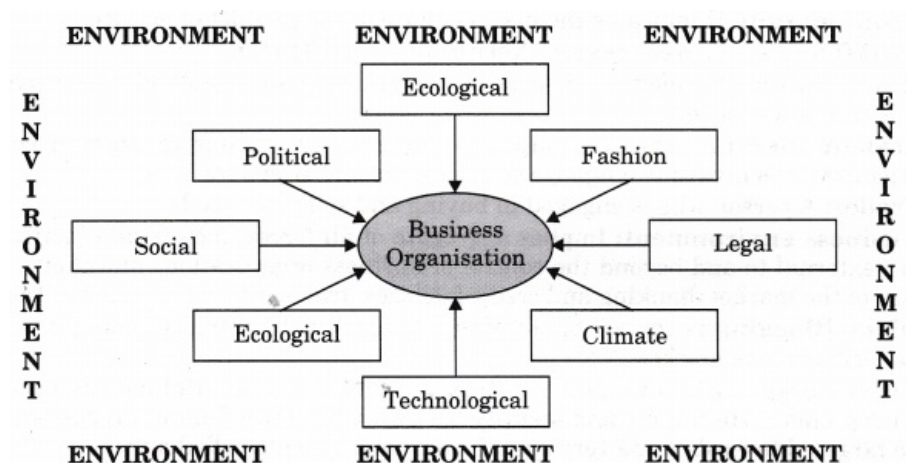


Q3. Define the term environment scanning.

Ans. Environment scanning refers to careful monitoring of an organization's internal and external environments for detecting early signs of opportunities and threats that may influence its current and future plans.

Q4. List the environmental factors affecting external environment.

Ans. Climate, technology, social, economy, ecological, political, legal, competition, media and fashion.



Q5. What is the meaning of trend spotting?

Ans. It is an immediate identification of new trends like fashions, activities, designs, assumptions, etc.

Q6. What is required to convert an idea into opportunity?

Ans. Sensing entrepreneurial opportunities is only a process of converting an idea into an opportunity and then into an enterprise.

Q7. What is Idea Generation?

Ans. The process of creating, developing, and communicating ideas which are in an abstract, concrete, or visual form. It includes the process of constructing through the idea, innovating the concept, developing the process, and bringing the concept to reality.

B. SHORT ANSWER TYPE QUESTIONS-I

Q1. What is the purpose to scan the environment?

Ans. The main purpose of environmental scanning is to know the rapid changes occurring in the environment by which organizations gather information on changing conditions and incorporate those observations into a process where necessary changes can be made.

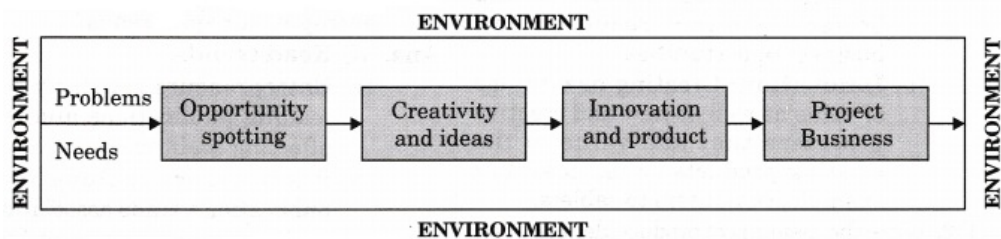
Q2. What are the factors involved in sensing opportunities?

Ans. The most important factors involved in the process are:

- (i) Ability to perceive and preserve basic ideas which could be used commercially,
- (ii) Ability to harness different sources of information,
- (iii) Vision and creativity.

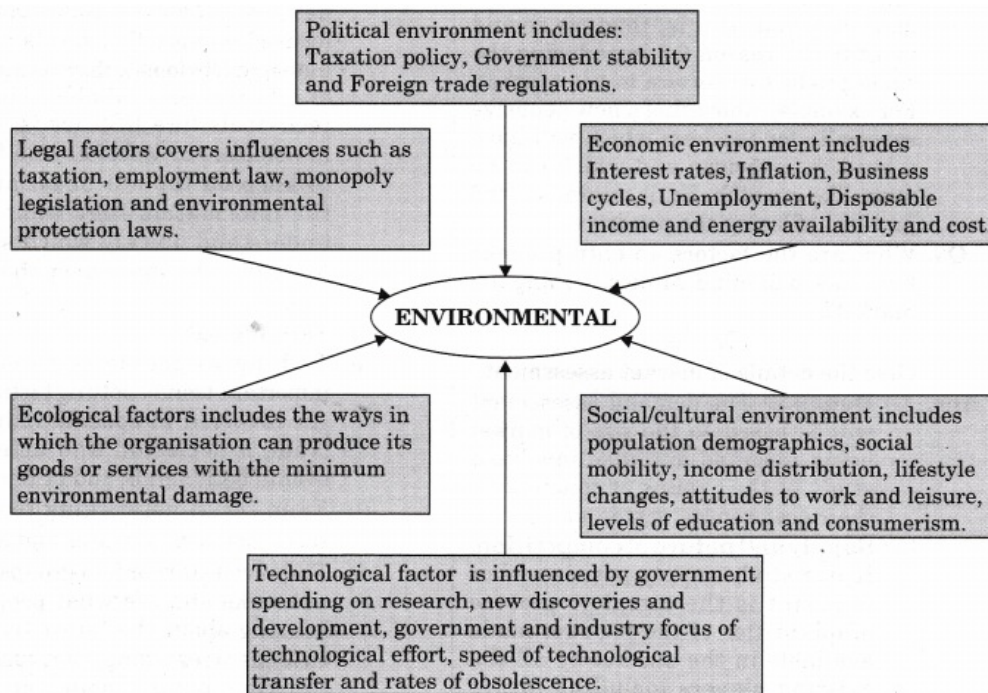
Q3. Draw the enterprise process diagram.

Ans.



Q4. What is PESTEL model? Explain it.

Ans. "PESTEL model involves the collection and portrayal of information about external factors which have, or may have, an impact on business." It is an analysis of the political, economic, social and technological factors in the external environment of an organization, which can affect its activities and performance.



C. SHORT ANSWER TYPE QUESTIONS-II

Q1. Enlist the various sources which lead to the emergence of basic ideas.

Or

Explain any three sources which lead to the emergence of basic ideas.[CBSE Sample Paper 2016]

Ans. The various sources which lead to the emergence of basic ideas.

- (i) Problems:** When a problem exists, an idea leads to a solution to resolve that problem, emerges as a business opportunity.
- (ii)Change:** A change in social, legal, technological aspects etc. leads to new opportunities to start a business,
- (iii) Inventions:** New products or services leads to new business opportunities.
- (iv)Competition:** Competition often results in emergence of new and better ideas that result in new business opportunities.
- (v)Innovation:** Creating new things of value as well as new and creative processes that add value to the existing products or services. For example, computers to tablets.

Q2. Write the meaning of product identification in terms of business opportunity.

Ans. So the first step is to obtain a concept of the product or service suggested bone idea. We should also see whether this product is already available in the market or not. If it is, then we should identify the reason for introducing the same product or service in the market. For example, innovating a new pen drive especially for teachers which will have a built in antivirus and which can be worn like a watch. So, it minimises the problem of losing the pen drive.

Q3. What are the factors an entrepreneur has to keep in mind while assessing the market?

Or

Give the details of market assessment.

- Ans. (i) Demand:** The demand assessment will be based on the size of market being targeted and also involve a study of the groups of consumers, their preferences, tastes, etc.
- (ii)Supply and nature of competition:** It is a study supply position what is meant is the complete picture of quantities of the product made available in the market by all the existing players including future supplies.
- (iii)Cost and price of product:** To determine what will be the actual cost price and preferable selling price. This will influence the delivery mechanism of the identified product or service.

(iv)Project innovation and change:Market assessment will require a study of prevailing innovations and changes being carried out by existing entrepreneurs using technological advancements in the field.

Q4. What are the various ways in which an entrepreneur spot trends?

Ans. (i) Read trends:

- (a)Entrepreneurs regularly read the leading publications and websites affecting their business.
- (b)Publications include industry publications, trade association sites, major newspapers, key business magazines, thought leaders and influential bloggers.
- (c)They scan information from a wide variety of sources – from international news on down to niche bloggers focused on specific aspects of their industry. Obviously, there is a tsunami of information available. They use tech-tools like RSS feeds, e-mail newsletters or websites and forums to keep on top out of all and get the information they want. They understand quickly which sources are valuable and which should be avoided.

(ii)Talk trends:

- (a)Talking to people is an equally important trend-spotting tactic. They get involved in specific industry's trade association and attending events both online and offline.
- (b)From social networking tools like social network websites and forums.
- (c)They even start or join groups on the networks and see what people are buzzing about the latest trends to customers regarding what customers thinking, buying, doing, etc. what customers are saying about the business, but what they're saying about the competitor's business.

(iii)Watch trends:

- (a)Watching and observing the customers in the market place.
- (b)If the customers are teenagers, in the local mall.
- (c)If they are business class people, it might be restaurant or office park restaurant center.
- (d)The entrepreneur spends some time simply watching and observing, what people are eating, doing, wearing, using.

(iv)Think trends:

- (a)As an entrepreneur begins gathering all these information regularly, they will start to develop a "trend-spotter mind."
- (b)They collect from what they read, heard and observed, and they start to making connections and observations that will lead to business-boosting insights.

D.LONG ANSWER TYPE QUESTIONS

Q1. "An opportunity may be derived from the needs and problems of the society." Comment.

Ans. "An opportunity may be derived from the needs and problems of the society". Yes, it is a correct statement.

An entrepreneur is one who perceive opportunities, synthesize the available information and analyse emerging patterns that escape the attention of other people. It is the first step of an entrepreneur to grab the opportunity and setup a business enterprise to offer the solution of various problems and needs that exist.

This involves awareness about the surrounding environment, determining and evaluating the needs of people, problems faced by the people in their day-to-day life related with any type of goods or services, etc.

A rational entrepreneur with a vision senses the opportunities present in the environment and finds creative solution to the problems coming in between him and the success through analysis and observation.

Entrepreneurs see and craft opportunities that other people miss, even though the opportunity manifests themselves. He uses his sharpened skills of observation, analysis and synthesis to identify an opening.

For example,

(i) Detergent Nirma captured the market by introducing a low priced detergent. Here the entrepreneur sensed the need of low priced product in the society.

(ii) With the increase in number of murders and other crimes taking place in big cities entrepreneurs can tap the niche of households for installing security systems like alarms, CCTVs, cameras and other safety gadgets, etc.

Q2, "Sensitivity to environmental factors is essential for an entrepreneur." In light of above statement explain the importance of environment scanning.

Ans. Importance of Environment: Sensitivity to environmental factors is crucial for an entrepreneur. If a company is able to adapt to its environment, it would succeed in the long run. For example, Sony is failing to understand the changing trends in mobile phones and therefore losing its market share. The benefits of understanding the relevant environment of business are:

(i) Identification of opportunities to get first mover advantage: An entrepreneur must be keen and alert and must be aware of all the changes in the external environment, so that he can identify opportunities and find strategies to capitalise on the opportunities at the earliest. For example, Volvo, the Swedish brand, has 74% share in the luxury bus segment as it had entered India earlier.

(ii) Formulation of strategies and policies: An entrepreneur must be capable of formulation of strategies and policies which is really going to help in identifying threats and opportunities in the market.

(iii) Tapping useful resources: If an entrepreneur has complete and a thorough knowledge of the external environment, then easily he can tap raw materials, technology and even financial resources from the market at economical prices, at the right time.

(iv) Better performance: Proper understanding of the various elements of the external environment is necessary to take timely action to deal with threats and avail opportunities for the purpose of improvement in the performance of the firm.

(v) Sensitisation of entrepreneurs to cope up with rapid changes: A keen watch on the trends in the environment would help sensitise the entrepreneur to changing technology, competition, government policies and changing needs and taste of the customers. For example, trends in clothing, outdoor celebration of family events. Showing more interest in fast food, changing fitness trend.

(vi) Image building: If a company is sensitive to the external environment, it will come out with new products and services to meet the requirements of the customers. This would build the image or reputation of the firm in the eyes of the general public.

For example, call-radio taxis with additional features like GPS systems, online booking, etc.

Q3. Entrepreneurship does not emerge and grow spontaneously. Rather it is dependent upon several various environmental factors. Explain them.

Ans. Yes, it is correct to say that "Entrepreneurship does not emerge and grow spontaneously." It is dependent upon several factors, like economic, social, political, legal and other factors.

The basic PESTEL analysis includes four factors:

Political factors are basically to what degree the government intervenes in the economy. Various political factors include areas are:

(i) Taxation Policy, Trade Regulations, Tariffs policy, Policy regarding export and import.

(ii) Government Affairs: Government in power, attitude of government towards different groups of the societies, Government Stability, Policy changes implemented by changed government, Labour laws, Unemployment policy.

(iii) Goods and services which the government wants to produce and how much quantity to be produced.

(iv) It also influences the health, education, and infrastructure of a nation.

Economic factors:

- (i)Gross domestic product, Income level at national level and per capita income, economic growth.
- (ii)Profit earning rate, interest rate, exchange rate, inflation rate, fiscal and monetary policy of the government. For example, interest rates will affect the cost of debt and, potentially, the cost of equity, e.g. when interest rates increase the cost of debt increases, which increases the firms cost of capital to what extent a business grows and expands.
- (iii)Exchange rates affect the costs of exporting goods and the supply and price of imported goods in an economy.
- (iv)It includes the close study of important variables like supply and demand. Details of consumer trends, economic preference, costing, discounting, etc. are all economic decisions.
- (v)Economic details will also help the entrepreneur in determining the size of the project and the reasons of finance and have major impacts on how businesses operate and make decisions.

Social factors:

- (i) Social factors include the cultural aspects and include health consciousness, population growth rate, age distribution, career attitudes and emphasis on safety.
- (ii)Trends in social factors affect the demand for a company's products and how that company operates.
- (iii)For example, an aging population may imply a smaller and less-willing workforce (thus increasing the cost of labour).
- (iv)Furthermore, companies may change various management strategies to adapt to these social trends (such as recruiting older workers).

Technological factors:

- (i)An entrepreneur must be aware of importance of technological development for the firm and how it is to be resolved.
- (ii)He should show complete knowledge of technology required to produce the product?
- (iii)Availability of training at a local area or can outsource it.
- (iv)What would be the position of supply of plant and machinery for such a technology?
- (v)It also includes technological aspects such as resources and development activity, automation, technology incentives and the rate of technological change.
- (vi)Influence various decision for better and latest technology, costs, quality, and lead to innovation.

Environmental factors:

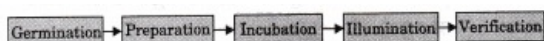
- (i)It includes ecological and environmental aspects such as weather, climate, and climate change, which may especially affect industries such as tourism, farming, and insurance.
- (ii)Growing awareness of the potential impacts of climate change is affecting how companies operate and the products they offer, both creating new markets and diminishing or destroying existing ones.

Legal factors:

- (i)It includes discrimination law, consumer law, antitrust law, employment law, and health and safety law.
- (ii)These factors can affect how a company operates, its costs, and the demand for its products.

Q4. Explain creative process.

Ans. Creativity means bring something new into existence. Creativity is the ability. Creativity is a process leads to evolution of idea. Those ideas are further enhanced and developed by the entrepreneurs. It consists of five stages:



Idea Germination:

- (i)It is the first stage or seeding stage of new idea.
- (ii)In this stage an entrepreneur recognises that an opportunity exists in an environment.

(iii) The first stage takes a shape only when an entrepreneur shows an interest and curiosity according to which opportunity is explored and exploited to its best potential.

(iv) Creative idea germinates on the basis of needs and problems of people and according to the area of study.

For example, Mansukhbhai Prajapati, who thought of a non-stick pan made from clay and a clay refrigerator that works without electricity. He wanted to explore the idea of making the refrigerator which will be eco-friendly. He conceived this idea in 2001, but the final product could take shape only in 2004.

Preparation:

(i) More interest and curiosity, the need is adjudged by the entrepreneur and he starts looking for the answer to implement the idea.

(ii) Again market research is to be conducted, if the idea is to launch a new product or service.

(iii) Market research helps an entrepreneur to foresee the future of the product. For example, in the aforesaid story of Mansukhbhai since his wife could not afford to buy a non-stick TAYA (pan). Mansukhbhai's brain stormed immediately that, not only his wife but other housewives are also in need of a nonstick-TAVA. And he decided to go ahead.

Incubation:

(i) This is the subconscious assimilation of information.

(ii) It is also considered as the transition period (Change of one stage to another stage).

(iii) The entrepreneur starts thinking about the idea, imagining and thinking about implementation in his sub-conscious mind.

For example, Mansukhbhai went through the process of studying the pros and cons of manufacturing the product before he had launched it.

Illumination: In this period of illumination the idea re-surfaces in realistic way and entrepreneur comes out with viable plan to give practical shape by collecting raw-material, arranging funds, policy-making for the implementation of idea.

In this case of Mansukhbhai it was important to have enough of funds in hand to buy and keep in store enough raw-material.

Verification: Also called the validation or testing stage. This is where the idea is verified to prove that it has value. This is the most difficult phase of creativity as obstacles begin to appear.

This is the developing stage in which knowledge is developed into application.

Q5. What is Innovation and explain the elements of innovation process?

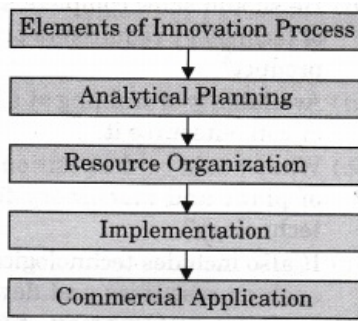
Ans. Innovation: It is the process of entrepreneurship which involves the translation of a useful idea into an application which has commercial value. It takes persistent effort on work out analytically on the details of the enterprise or service, to develop marketing strategies, to organize finances and strategize operations.

(i) Analytical Planning: Identifying the important features, its design and the resources required for the selected product or services.

(ii) Resource Organization: Arranging and obtaining the required resources, materials, technology, human or capital resources.

(iii) Implementation: Utilization of the resources in order to accomplish the plans and delivering results and objectives. Or converting the input into output.

(iv) Commercial Application: The provision of value to customers, reward employees, and satisfy the stake holders.



E.VERY LONG ANSWER TYPE QUESTIONS

Q1. Elaborate the factors involved in sensing opportunities.

Ans. To sense an entrepreneurial opportunity, an entrepreneur employs his sharpened skills of observation, analysis and synthesis to identify an opening.

The most important factors involved in the process are:

- (i) Ability to perceive and preserve basic ideas which could be used commercially.
- (ii) Ability to harness different sources of information.
- (iii) Vision and creativity.

(i) Ability to perceive and preserve basic ideas: Basic ideas emerge from various sources.

These ideas can be categorized as follows:

Problems	Change	Inventions	Competition	Innovation
Solution of a problem is often picked up as opportunity.	Any kind of change like social, legal, technological, political, etc., user in new business opportunities. e.g., Health care centre in the present world.	These involve new things of value and creative processes that add value to the already prevalent brands or products. e.g. Automatic Washing machines.	For getting ahead, the entrepreneur introduces new and improved ideas and various sales promotions techniques e.g., free gift with a sale of product like Brush with toothpaste.	It includes creating new things of value as well as new and creative processes that add value to the existing products or services. For example, computers to tablets.

(ii) Ability to harness different sources of knowledge and information: The information gathered from different sources has to be analyzed and utilized for identification of the right opportunity. Various sources like magazines, journals, books, seminars, trade shows, family members, customers, friends, etc. help in getting information that results in evolution of basic ideas. Bring together various sources of information and knowledge, and analyze it to the best possible extent. The analysis helps in the identification of the right opportunity to start a new business.

(iii) Vision and Creativity: Creativity is the most striking behavioural characteristics of an entrepreneur. He should be able to develop an idea through a process of creativity and build something of value to solve a generated problem. Once the solution is identified their vision to convert the solution into business opportunity help them to move forward, overcoming all the obstacles. They constantly:

- (a) overcome the adversity
- (b) are able to exercise control over the business
- (c) are capable of making significant difference.

Vision and Creativity: e.g. Code Division Multiple Access (CDMA) technology to common man. Introducing WhatsApp free messaging, text, pictures.

Q2. Examine the sources from where business ideas emerge.

Ans. Basic ideas emerge from various sources. These ideas can be categorized as follows:

Problems	Change	Inventions	Competition	Innovation
Solution of a problem is often picked up as opportunity	Any kind of change like social, legal, technological, political, etc., usher in new business opportunities e.g., Health care centre in the present world.	These involve new things of value and creative processes that add value to the already prevalent brands or products. e.g. Canon printers with scanner and photocopier, fully automatic washing machines.	For getting ahead, the entrepreneur introduces new and improved ideas and various sales promotions techniques e.g., free gift with a sale of product like toothbrush as a gift with toothpaste.	It includes creating new things of value as well as new and creative processes that add value to the existing products or services. For example, computers to tablets.

Q3. Discuss the steps involved in the investigation of ideas.

Or

Explain the steps involved in idea and opportunity assessment.

Ans. (i) Product Identification:

- To select a product or services which is in demand and an entrepreneur can sell easily.
- To check with the product whether it is available in the market or not.
- If it is, then he should identify the reason for introducing the same product or service in the market.
- Take further step to further improvisation of the product.

For example, entrepreneur selected pen drive but it is already available in the market but he improvised V the same by innovating a new pen drive especially for teachers which will have a built in anti-virus and which can be worn like a watch so it minimises the problem of losing the pen drive.

(ii) Application and Use:

- Ideas should be examined for their real life use and application.
- If it already exists in the market then finding out its present use, improvisation of the product, modifying it for better use.
- For example, the new pen drive especially for teachers which will have a built in antivirus and which can be worn like a watch. This example of pen drive and watch is an already existing product produced by many companies but according to new trend an entrepreneur has innovated a new type of pen drive especially for teachers which will have a inbuilt antivirus which shows improvisation and modifying a product for a better use.

(iii) Level of Operation:

- This is a crucial test for product/ service identification.
- Depending on the nature of the enterprise, the production is undertaken, the enterprise can be cottage industry, small scale, medium scale or large scale industry.
- Quantity of production is considered.
- Requirement of labour, technical experts, skilled labour, etc. all are to be considered.

(iv) Cost:

- An entrepreneur first finds out the cost price of the product and then ultimately decides the sale price.
- Every entrepreneur must answer the following questions before deciding the selling price of the product:

- What is the per unit cost of the product at particular level of operation?
- Whether this cost is comparable with that of other competitive products?

For example, a large manufacturing unit would be expected to have a lower cost per unit of output than a smaller unit, all other factors being equal, while a company with many facilities should have a cost advantage over a competitor with fewer.

(v) Competition:

- The extent, intensity and trends in competition are to be analysed. This has direct impact on

production capacity and supply.

(b) Any product or service will face market competition at some stage.

(c) An entrepreneur should be assessed through a study of the trends in demand and supply.

(vi) Technical Complexity: What type of technology is required to produce the product?

Whether training and application of such technology will be locally available or will it have to be supported from other places? What would be the position of supply of plant and machinery for such a technology? These are important issues that have to be resolved.

(vii) Annual turnover and profit margin:

(a) An entrepreneur has to examine the basis of expected annual turnover. It refers to the total sales of the year.

(b) This will also indicate the market share or profit margin of the product or service.

(c) Once the entrepreneur has assessed the opportunities on these basis he should go ahead and assess the market also.

Q4. What do you understand by Trend Spotting? What are the ways by which entrepreneurs can spot trends?

Ans. Trend spotting refers to identification of new trends which helps an entrepreneur to understand the market and produce goods or provide services in sync with the market trends.

(i) Read trends:

(a) Entrepreneurs regularly read the leading publications and websites affecting their business.

(b) Publications include industry publications, trade association sites, major newspapers, key business magazines, thought leaders and influential bloggers.

(c) They scan information from a wide variety of sources – from international news on down to niche bloggers focused on specific aspects of their industry. Obviously, there's a tsunami of information available. They use tech-tools like RSS feeds, e-mail, newsletters or websites and forums to keep on top out of all and get the information they want. They understand quickly which sources are valuable and which should be avoided.

(ii) Talk trends:

(a) Talking to people is an equally important trend-spotting tactic. They get involved in specific industry's trade association and attending events both online and offline.

(b) From social networking tools like social network websites and forums.

(c) They even start or join groups on the networks and see what people are buzzing about the latest trends. To customers regarding what customers thinking, buying, doing, etc. What customers are saying about the business, but what they're saying about the competitor's business.

(iii) Watch trends:

(a) Watching and observing the customers in the market place.

(b) If the customers are teenagers, in the local mall.

(c) If they are business class people, it might be restaurant or office park restaurant center.

(d) The entrepreneur spends some time simply watching and observing what people are eating, doing, wearing, using.

(iv) Think trends:

(a) As an entrepreneur begins gathering all these information regularly, they will start to develop a "trend-spotter mind."

(b) They collect from what they read, heard and observed, and they start to making connections and observations that will lead to business-boosting insights.

Q5. Explain in detail Idea Fields.

Ans. Idea fields are well defined frames of reference that guide the generation of ideas.

Various idea fields are examined below: **(i) Natural resources:** The idea for a product or service can be derived from the available natural resources like

(a) Agricultural

- (b) Breeding and Caring of animals (animal husbandry)
- (c) Cultivation or Horticulture
- (d) Human
- (e) Mineral or Soil
- (f) Solar
- (g) Tidal
- (h) Wind

Entirely new products or service related ideas can be generated from these resources or ideas to supplement these natural resources can be derived.

(ii) Current products or services: It requires careful analysis of the existing products or services and put the expertise and imagination to improve the current products or services. The demand for a product or service or the need to tackle the competition will also help in origination of a new idea. As the value addition to the existing product or service is as good as inventing a new product, the existing products or services also act as a good source of new ideas.

(iii) Demand or Market: Conducting a research in the market to procure the information relation to the gap between demand and supply, changing consumer preferences, trends, technology helps in the generation of new ideas for products or services. The data gathered is analyzed using business intelligence and helps as a good sources of new ideas.

In addition to this, the demand prevailing in the market will also help in generation of new ideas.

The analysis of the products and services offered by the competitors will also act as a valuable source for generating a new idea.

(iv) Trade: As the globalization has expanded the scope of business to the entire world, a careful analysis of the prevailing trades and methods will act as a good source of idea generation. Earlier the trading was limited to local distribution network or grocery stores. However the trade has expanded from the local market to import and export of goods. The most recent revolution in the trade is e-commerce and has broadened the scope of trading globally and is not time bound. Thus it became a valuable, most effective, less risk prone area for originating new ideas.

(v) Service sector: As the society is becoming more educated and as there is tremendous growth in information and technology, it opened up new challenges and opportunities and became a great source for generation of new ideas in various entrepreneurial sectors. Few of the sources are in the

- (a) Service of home appliances
- (b) Automobile servicing
- (c) Fast food
- (d) Cool drink outlets
- (e) Ice cream outlets
- (f) Tourism
- (g) Personal grooming
- (h) Career counseling
- (i) Emigration services

(vi) Creativity: Creativity being one of the most important competency of an entrepreneur plays a vital role in getting an idea for a new product or service or improving an existing product or service. Most often it is noticed that the need to solve a problem triggers creativity to come up with new ideas. It helps in

- (a) Adding additional value to an existing product or service
- (b) Innovate a new product or service
- (c) Innovate a new methodology or material to produce a product
- (d) Expand the demand and market for the current product or service
- (e) Expand the usability of an existing product or service

F. HIGHER ORDER THINKING SKILLS

Q1. Aditi started her boutique business near an industrial area and she was not getting clients as she had expected. What are the factors which have been ignored before starting the boutique? Suggest the various factors that she has to look into before venturing into business.

Ans. Aditi started her boutique business near an industrial area and she was not getting clients as she had expected because selection of a product or service will depend upon many factors.

They are:

(i) Demand

(ii) Supply and Nature of Competition

(iii) Cost and Price of Product

(iv) Project Innovation and Change Here, the main factor which had been ignored before starting the boutique is DEMAND of the product. It is to be suggested to Aditi that while assessing the market, an entrepreneur has to prepare details on the following lines:

(i) Demand:

(a) The demand assessment will be based on the size of market being targeted.

(b) The different types of markets are local markets, market at state level or national/international market.

(c) It involves a detailed study of the target groups of consumers, their preferences, tastes and other related variables.

(ii) Supply and nature of competition:

(a) Supply position refers to the complete picture of quantities of the product made available in the market by all the existing players.

(b) It should take into account future supplies from possible entrants in the field.

(iii) Cost and price of product:

(a) It is important to determine the cost of the product and its comparison with available products in the market.

(b) Cost variable of competitors in terms of transportation delays, wastage, storage etc., have to be studied to spot cost advantage. This will influence the delivery mechanism of the identified product or service.

(iv) Project innovation and change: (a) Market assessment will require a study of prevailing innovations and changes being carried out by existing entrepreneurs.

(b) Technological advancements in the field have to be analysed because they may change the quality and influence the cost and price ultimately.

Q2. Mr. Raghav had always wanted to manufacture an innovative, energy efficient fan. He was looking into various options and has finally narrowed it down to one option. He understands that the entire idea would have to follow a process. Identify and explain the process.

Ans. The process is idea and opportunity assessment.

(i) Product identification: An idea should lead the entrepreneur to a definite product/service which he can sell. So the first step is to obtain a concept of the product or service suggested by one idea. We should also see whether this product is already available in the market or not. If it is, then we should identify the reason for introducing the same product or service in the market. For example, innovating a new pen drive especially for teachers which will have a built in antivirus and which can be worn like a watch so it minimises the problem of losing the pen drive.

(ii) Application and use: Ideas should be examined for their real life use and application. If it already exists in the market we will have to find out its present use, then we may think of modifying it for better use. In the above mentioned example, we can clearly see that even though there are lot of companies manufacturing pen drives, the latest will be in consonance with the upcoming trends.

(iii) Level of operation: This is a crucial test for product/service identification. Depending on the use of the product/ service the entrepreneur will produce it in a cottage industry or a small scale industry or a large scale industry.

(iv) Cost: What is the per unit cost of the product at particular level of operation? Whether this cost is comparable with that of other competitive products? These are some of the questions that have to be answered. This will ultimately decide the sale price.

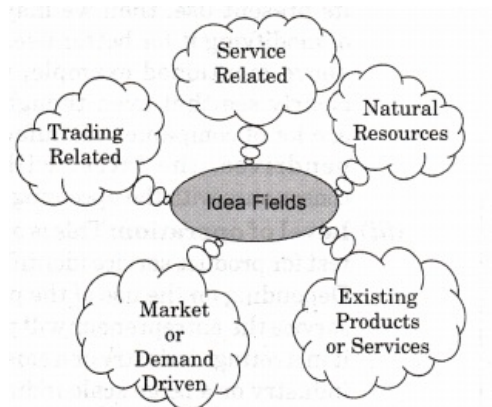
(v) Competition: Any product or service will face market competition at some stage. So market competition should be assessed through a study of the trends in demand and supply.

(vi) Technical complexity: What type of technology is required to produce the product? Whether training and application of such technology will be locally available or will it have to be supported from other places? What would be the position of supply of plant and machinery for such a technology? These are important issues that have to be resolved.

(vii) Annual turnover and profit margin: Ideas should also have to be examined on the basis of expected annual turnover. This will also indicate the market share of the product or service. Once the entrepreneur has assessed the opportunities on these basis he should go ahead and assess the market also.

Q3. These are convenient frames of reference for streamlining the process of generation of ideas. Identify them and explain any three briefly.

Ans.



(i) Natural resources: Ideas can be generated based on natural resources. A product/service may be desired from forest resources, agriculture, horticulture, mineral marine, or aqua mineral, animal husbandry, wind, sun and human resources. A further exercise with a field may generate many useful products ideas. For example:

If we are getting ideas in the field of forest resources, we think wood- based product, bio-fertilizers, etc. Solar energy is used for many purpose like cooking, electricity consumption and water heater.

(ii) Existing Products/Services: Existing products and services can general number of ideas to improve the product, to come up with cheaper substitution or sometimes by reducing the price of the product.

There is a constant and consistent effort on the part of all entrepreneurs to improve the product/services already existing in the market. This can be improved by using old techniques with more care or using newly developed technology. So, thinking about existing product/ services he can generate number of ideas to improve them.

For example:

(a) Thinking of introducing Laser Printer in place of Dot Matrix Printers.

(b) In an area, where automobiles are being made, there is a scope of starting a small unit of spare parts.

(iii) Service Sector Ideas:

(a) Service sector field is the most growing field these days all over the world. It emerges

knowledge to societies doing advance research in information technology.

(b) An entrepreneur identifies new opportunities and by understanding it he links services to develop various business activities.

(c) Various service base units in an enterprise are transport, security, catering, recruitment, training and communication, health care centres.

(d) It serves the purpose of helping enterprise to satisfy their day-to-day needs like bill collection, water tank cleaning, travel arrangement, etc.

(e) For example: Cyber cafe (internet facilities), ATM Facilities and other banking services, Metro trains, etc. In Amongst the most interesting ones in the food sector are the following:

- Indian fast food chains: McDonald's and Pizza Hut can be the role models in terms of efficiency of service, hygiene, quality, and overall value.

- Family dinner: Nirula's offering Indian style "Plated or Combo" meals with table service and overall good price-value equation.

- Ice-cream and Juice/Beverage Parlours, (Indian "desserts" and "snack food" chains).

Lastly, in the genre of food and food service chains, one of the biggest opportunities remains in starting national or at least regional chains offering Indian mithai, namkeen/ farsaans, and snack-foods such as pakodas and samosas. Haldiram's success should certainly put any doubt on this opportunity to rest.

(iv) Market driven or demand driven ideas:

(a) For an entrepreneur market is the only place where he can carry out or generate maximum ideas. Such a study yields valuable data about trends of supply, demand and consumer taste and preferences.

(b) Market research is any organized effort to gather information about target markets or customers as it is one of the important component of business strategy.

(c) Market research is a key factor to maintain competitiveness over competitors and it provides important information to identify and analyze the market need, market size and competition.

(d) It also includes social and opinion research by systematic gathering and interpretation of information about individuals or organizations using statistical and analytical methods and techniques of the applied social sciences to gain insight or support decision-making.

(e) Idea generation develops from knowledge of the consumer, the market, the technology and the general environment, and it creates newness in product, production and marketing. It systematically develops product ideas to satisfy the aim of the project and therefore the business strategy.

(v) Trading related ideas:

(a) Trade in simple terms is buying goods and services and selling them to consumers at a profit. One big advantage that trading has over other types of businesses is that it is easier to launch and less risky.

(b) Trading these days is not limited to ordinary grocer or distributor outlets. With increasing consumerism, the scope and nature of trade has enlarged; local trade, import and export, e-commerce are all making trading a very wide area of enterprise. It is however, necessary for a prospective trader to be aware of the trends in an economy.

(c) With the opening of the market to International Companies, large size departmental stores, chain shops and umbrella markets have become omnipresent; competition has become intense and to survive in the market new entrants will have to acquire skills, competencies and knowledge required to launch, manage and expand business opportunities.

Q4. Varun decided to start his own venture and was looking into various ideas. Explain to him various sources from where he can get some good business ideas.

Ans. Varun decided to start his own venture and was looking into various ideas. The process of generation of ideas can be streamlined by developing an awareness for different idea fields. This will help the Varun in enlarging the scope of thinking, at the same time structuring the

ideas according to convenient frames of reference. By following different ways for generating ideas Varun collects a number of good business ideas.

G.EVALUATION AND MULTI-DISCIPLINARY QUESTIONS

Q1. 'Environmental factors exert influence upon each other and do not operate in isolation'.

Discuss.

Ans. Yes, it is true. All environmental factors are interrelated and exert the influence upon each other.

Political Factor: Political factor is the outcome of a combination of various ideologies advocated by different political parties. The rules and regulations and the laws that monitor and regulate the market forces are framed and promulgated by the Government.

The policies of the Government in power have to be reckoned and implemented:

- (i)for taking a business decision,
- (ii)growth of trade industry and commerce,
- (iii)aims at improving infrastructural facilities which encourage new business ventures,
- (iv)relaxation of import-export policies, Example: Taxation Policy, Trade regulations, Governmental stability, Unemployment Policy, etc.

Socio-cultural Factor:

(i)Business is born and develops in society and in it various social factors exist.

(ii)It involves a close study of the life styles, beliefs, customs, conventions, practices, etc.

Expectations of individuals their preferences on the basis of their family background, age group and education will also form a part of this study.

(iii)This is a crucial process for the simple reason that the product or service that the entrepreneur envisages will have to satisfy the need of these individuals.

Example. An entrepreneur wants to open a showroom of branded foot wears.

Economic Factor: It includes the close study of important variables like supply and demand. Details of consumer trends, economic preference, costing, discounting etc. are all economic decisions. Inflation rate, growth in spending power, economic details will also help the entrepreneur in determining the size of the project and the reasons of finance.

(i)Legal: Legal scanning of the environment demands analyzing the legal requirements in the establishment of a project. Managing of the project and also in getting assistance from different sources, e.g. welfare of employees, safety, simple contracts entered into with suppliers of raw materials financier's, health and safety.

(ii)Product Safety: Advertising regulations, product labeling, labour laws etc., real estate owners., etc. require legal assistance.

Technical Factor: It is influenced by government spending on research, new discoveries and development, Internet, E-commerce, Social Media, Electronic Media, Research and Development, Rate of technological change government and industry focus employment law.

Value points:

- (i) Truthfulness (ii) Universal
- (iii)Faithful justice (iv) Discipline
- (v)Helpfulness (vi)Readiness to cooperate.

Q2. "If you don't adapt, you don't endure". Evaluate the validity of the statement.

Ans. Yes, it is correct. The business environment is increasingly becoming uncertain and complex due to political realignments, economic crises, terrorism threats, technological innovations and natural disasters.

In rapidly changing environments, one rule of thumb applies: If you don't adapt, you don't endure. It is the core idea behind environmental scanning, which refers to the means by which organizations gather information on changing conditions and incorporate those observations into a process where necessary changes are made.

The right information, combined with the right adaptations, can determine an organization's

future viability. Environmental scanning can help you identify the trends that are most likely to directly affect the organisation and product. Then an entrepreneur can craft a strategy that will help him take advantage of various changes occurring and get through the success and at the same time if he is not aware of what the environment surrounding his business he is sure to fail.

(i)E.g., HMT watches lost its market to Titan;

(ii)Sony failing to understand the changing trends in mobile phones and therefore losing its market share.

Value Points:

(i)Spirit of Enquiry

(ii)Services to others

(iii)Initiative

(iv)Self-existent

(v)Awareness of responsibility of citizenship

(vi)Social service

(vii)Endurance (viii) Tolerance

(ix)To protect national property.

H.APPLICATION-BASED QUESTION

Q1. Vinay was a young entrepreneur who wanted to start a new business with an initial investment of 25 lakhs. He was not sure of what business he has to undertake. His friend suggested seeking the help of professionals who would spot the latest trends in the market and give him an idea, but Vinay decided to do it by himself. Suggest the various ways by which he can do it.

Ans. Vinay is a young entrepreneur and wanted to start a new business with some initial investment, accordingly he can follow different sources of business idea ways for generating ideas.

Sources of business ideas

(i)Vinay must examine his own skill set for business ideas

(ii)Keep up with current events and be ready to take advantage of business opportunities

(iii)Invent a new product or service

(iv)Add value to an existing product

(v)Investigate others markets

(vi)Improve an existing product or service

(vii)Get on the band wagon.

MORE QUESTIONS SOLVED

I. VERY SHORT ANSWER TYPE QUESTIONS

Q1. What is the basic test for a successful entrepreneur?

Ans. The basic test of a successful entrepreneur is the identification of business opportunity in the environment and initiating steps to produce and sell goods and services to make use of the opportunity.

Q2. How Peter F. Drucker defined the word entrepreneur?

Ans. Peter F. Drucker defined entrepreneur as one who has always searches for an opportunity.

Q3. What do you understand by the word 'Scan'?

Ans. The word 'scan' – means to examine closely especially in search of something.

Q4. How scanning of environment is beneficial to an entrepreneurs?

Ans. Scanning of environment is always beneficial to an entrepreneur to know the present situation in the market, the various changes occurring in the economy as new trends, issues and expectations of people due to changes in the environment.

Q5. Who said, "Entrepreneur as one who always searches for an opportunity".

Ans. Peter F. Druker.

Q6. Define Entrepreneurship Environment.

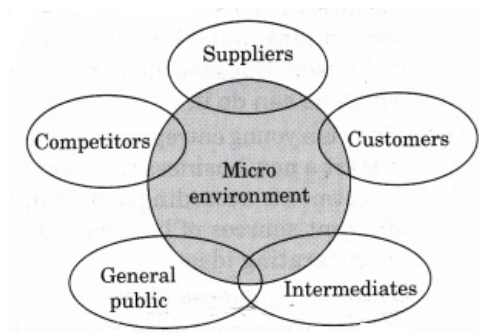
Ans. Entrepreneurship environment refers to the various forces within which various small, medium and large enterprises operate. These factors exert influence upon each other and do not operate in isolation.

Q7. Name two levels of external environment.

Ans. The two levels of external environment: (a) Micro environment (b) Macro environment

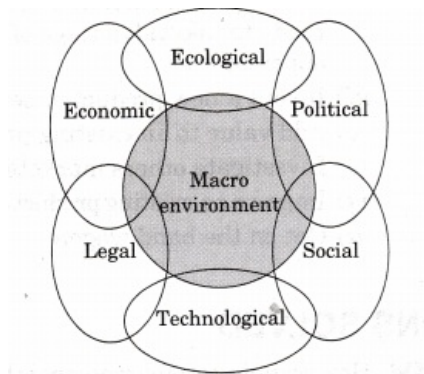
Q8. State the components of micro environment.

Ans.



Q9. State the components of macro environment.

Ans.



Q10. What do you mean by product line?

Ans. It refers to a series of different products which form a group, all made by the same company.

Or it is a set of sequential operations established in a factory whereby materials are put through a refining process to produce an end-product that is suitable for onward consumption; or components are assembled to make a finished article.

Q11. What is problem identification?

Ans. A problem is a road block in a situation, something that sets up a conflict and forces you to find a solution. When an entrepreneur identifies such a road block he is said to have identified the problem.

Q12. How an entrepreneur is different from others?

Ans. The entrepreneurs perceive opportunities, synthesize the available information and analyse emerging patterns that escape the attention of other people. They are people with vision, capable of persuading others such as customers, partners, employees and suppliers to see the opportunity, share and support it.

Q13. From where does a business opportunity or ideas comes from? Give one example.

Ans. A business idea or opportunity comes from day-to-day problems of people and an entrepreneur is the person who solves it and fulfils it by providing product or services to people.

Q14. State some sources of information which helps an entrepreneur to get information that results in evolution of basic ideas.

Ans. Some sources of information are:

Magazines, journals, books, seminars, trade shows, family members, customers, friends, competitors.

Q15. Why an entrepreneur should be able to creatively identify an idea?

Ans. The entrepreneur should be able to creatively identify an idea so that he can easily generate a valuable solution to a problem.

Q16. Once the solution is identified by an entrepreneur how it helps him?

Ans. Once the solution is identified their vision to convert the solution into business opportunity help them to move forward, overcoming all the obstacles.

Q17. What is the key component of the talents and abilities needed for an entrepreneur.

Ans. Creativity is an important key component of the talents and abilities needed for an entrepreneur.

Q18. What are born as a result of problem solving?

Ans. Creative products and services are born as results of problem solving.

Q19. A prospective entrepreneur find opportunity?

Ans. For a prospective entrepreneur an opportunity may be derived from the needs and problems of the society.

Q20. Give one advantage that trading has over other types of businesses.

Ans. One big advantage that trading has over other types of businesses is that it is easier to launch and less risky.

Q21. State few cost variable of competitors which have to be studied to spot cost advantage.

Ans. Cost variable of competitors in terms of transportation delays, wastage, storage, etc., have to be studied to spot cost advantage.

Q22. How trend spotting will helps an entrepreneur?

Ans. Trend spotting will helps the entrepreneur to understand the market and produce goods or provide services in collaborate and integrate with the market trends, changing habits, consumers taste and preferences, etc.

Q23. Who are called Professional trend-spotters?

Ans. Professional trend-spotters are some entrepreneurs who spot the trends themselves and charge big money for reports and industry trend updates.

Q24. Who is a trend spotter?

Ans. A trend spotter refers to someone who specializes in identifying new market trends and make the changes possible. He is a keen observer, alert and notices on new fashions, changing habits, activities in the market. He can be forecaster, business leader, politician, stock analyst, futurist who identify trends and talk about the future to transmit a story into value for others.

In short, the role of a trend spotter is to tell persuasive stories about the present and the future to influence others.

Q25. "A trend is a description of a change taking place in the long term or short term".

Comment.

Or

What do you understand by the term trend?

Ans. A trend can be short term manifestations, e.g. a fashion, design, assumption. A trend can also be a long term mega trends, which typically has a minimum of 30-50 years relevance, e.g. globalization, individualization, digitalization.

Q26. Give one example of each "Trends can be invisible and visible".

Ans. Trends can be visible e.g. change in the gender roles; Trends can be invisible, e.g. Gadgets

Q27. Why creativity is important to entrepreneurs?

Ans. Creativity is important to entrepreneurs because it is the first stage in the process of innovation, providing the stimulus for opportunity discovery and new venture creation.

Q28. When is the illumination period starts for an entrepreneur?

Ans. Illumination starts when an entrepreneur re-surfaces the idea in realistic way and entrepreneur comes out with viable plan to give practical shape and implement an idea.

Q29. What should an entrepreneur do, "if the opportunity looks promising"?

Ans. When the opportunity looks promising, an entrepreneur should look into the environmental factors before choosing the best opportunity.

Q30. Kartik wants to start a new ready made garments shop in his colony. He knows that it is the best opportunity for him and it is going to give him high rate of promising returns. How do you agree with Kartik that he has selected a right opportunity?

Ans. Kartik should look into various factors before deciding on the opportunity. Even if the opportunity looks promising, he must take into the environmental factors (PESTEL) before choosing the best opportunity.

Q31. What do you understand by supply position?

Ans. Supply position is the complete picture of quantities of the product made available in the market by all the existing players.

Q32. From what do entrepreneurs spot business opportunities?

Ans. Entrepreneurs spot business opportunities from problems and needs that exist in the environment.

Q33. State two main objectives of environment study by an entrepreneur.

Ans. (i) To get familiar with environment
(ii) To get stability in the environment

Q34. What develops an idea into viable and successful project?

Ans. Entrepreneurs vision and creativity develop an idea in a viable and successful business.

Q35. What do you understand by market research?

Ans. Market research is a process of working on various trends in market, it gives an organized effort to gathering information about target markets or customers. Marketing research is the means by which the necessary information necessary to run a business is obtained. It is the gathering, recording, and analysis of all facts about problems relating to the transfer and sale of goods and services from producer to consumer.

Q36. Give two examples of Service-sector idea fields.

Ans. Transportation, communication, banking, courier services, event management, etc.

Q37. What is an opportunity?

Ans. It may be a chance to do something new. When a problem is solved by an entrepreneur in a challenging way, they find opportunities.

Q38. What do you understand by created opportunities?

Ans. Opportunity lies in our surroundings. Successful entrepreneurs are always looking for opportunities to help others by providing creative solutions to their problems and needs. In business, entrepreneur always look for new ways to market our business, reach to target market and he creates opportunities by attending networking events, conferences, twitter chats, etc. for potential clients, meeting new people to refer business to or to grow our community.

Q39. Give examples of created opportunities.

Ans. Invention of radio, telephone, etc.

Q40. Name one important component of business strategy.

Ans. Market research is one of the important component of business strategy.

Q41. Give the alternative name used for verification stage.

Ans. The alternative given for verification stage is validation stage or testing stage.

Q42. Name the factor which relate to rules and regulations.

Ans. Political Factors.

Q43. Give one example showing that both economic and social factors can affect business idea together.

Ans. Selling of flowers during festive season. Here, festival is a social factor whereas demand for flowers is a economic factor.

Q44. How does market research help in generating ideas?

Ans. By market research an entrepreneur collects valuable information related to trends of demand, supply, consumers tastes and preferences and market, as it help in generation of ideas.

Q45. What is an idea?

Ans. It is a thought or collection of thoughts that generate in the mind of an individual.

Q46. Give the meaning of 'Legal Environment'. [CBSE Delhi 2015]

Ans. It covers all such areas such as taxation, employment, law monopoly, legislation and environmental protection laws.

Q47. Give the meaning of 'Ecological Environment'. [All India 2015]

Ans. 'Ecological Environment' considers the ways in which the organisation can produce its goods or services with minimum environmental damage.

Q48. Since her college days Mehak, loved the thrill of adventure sports. She was an avid reader which helped her to keep track of various new adventure sports taken up all around the world. She had recently read an article on increasing trend towards 'space tourism and adventurous holidays'. Using her personal experiences and her passion for adventure sports she decided to start a company called 'YOLO'. For the same purpose she also decided to collect statistics to see how much of these sports were accepted in our country. Identify the ways in which she was able to spot the trend. [CBSE Sample Paper 2016]

Ans. Following are the ways by which she can able to spot the trend:

(a)Entrepreneurs regularly read the leading publications and websites affecting their business.

(b)Publications include industry publications, trade association sites, major newspapers, key business magazines, thought leaders and influential bloggers.

(c)They scan information from a wide variety of sources – from international news on down to niche bloggers focused on specific aspects of their industry. Obviously, there's a tsunami of information available. They use tech-tools like RSS feeds, e-mail, newsletters or websites and forums to keep on top out of all and get the information they want. They understand quickly which sources are valuable and which should be avoided.

Q49. ' For a viable venture to be born, an entrepreneur is required to apply his knowledge strategically to market'. Identify the requirement to be complied with by these factors for successful processing of an idea into opportunity.[CBSE Sample Paper 2016]

Ans. Strategic positioning is the positioning of an organization in the future, while taking into account the changing environment, plus the systematic realization of that positioning.

Q50. Although not mandatory, some entrepreneurs may file part I of entrepreneurs memorandum district Industries Centre. Why? [CBSE Sample Paper 2016]

Ans.This may be necessary for claiming certain incentives/subsidies and for certain formalities at the state level.

Q51. Balwant Singh of Bikaner thought of air- conditioned houses which do not require electricity. He wanted to explore the idea of construction of such eco-friendly houses which will remain cool in summers and warm in winters. He conceived the idea in 2010 but the final product could take shape in 2014. name the stage in 'The Creative Process' described in the above lines. [All India 2016]

Ans. Idea germination stage of 'The Creative Process' is described in the above lines.

II.SHORT ANSWER TYPE QUESTIONS

Q1. "Sensitivity to environmental factors is crucial for an entrepreneur." Do you agree?

Ans. Sensitivity to environmental factors is crucial for an entrepreneur. If a company is able to adapt to its environment, it would succeed in the long run. E.g., Sony failing to understand the changing trends in mobile phones and therefore losing it's market share.

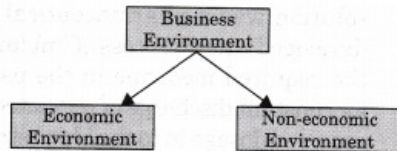
Q2. Why is environment an important factor for entrepreneurship?

Ans. Environment means surroundings. Environment of a business means forces (economic, social, political technological), etc. and institution (suppliers, customers, competitors, etc.) Outside the firm with which an entrepreneur must deal to achieve its goal.

Q3. Define Environment.

Ans. A term used by A. Marshall as an alternative to conjunction, to indicate the condition that

makes it possible for a person to enjoy consumer's surplus.



Q4. Enumerate two important points that an entrepreneur has to ensure before selecting an opportunity.

Ans. Before selecting an opportunity, the entrepreneur has to ensure two things:

- (i) There should be a good market for the product he is going to introduce/ produce.
- (ii) The rate of return on the investment should be maximum and attractive and can be accepted by him.

Q5. Can all ideas be converted into opportunities? Give reason.

Ans. No, all ideas may not be converted, into opportunities because if an entrepreneur conceive an idea and start its business without even analysing the market and as per the needs and problems of the people and only try to satisfy his own ego, then the result/outcome of launching a business and a product will end with only few customers.

Q6. How an entrepreneur perceive an opportunity?

Or

How is entrepreneurs different from others in perceiving opportunities?

Ans. The entrepreneurs perceive opportunities, synthesize the available information and analyse emerging patterns that escape the attention of other people. They are people with vision, capable of persuading others such as customers, partners, employees and suppliers to see the opportunity, share and support it.

Q7. "Many times creative products and services are born as results of problem solving". Give examples.

- Ans.** (i) Problem was over tightening of screwdriver and the solution came in the form of a self-adjusting screwdriver which prevented over tightening.
- (ii) Problem was when doctors found monitoring of dosage of medicine to be administered to patients on a regular basis through traditional methods using a syringe cumbersome and a solution was a pharmaceutical firm developed a new process of implanting the required medicine in the patient for constant discharge of regulated and required dosage in to the blood stream.

Q8. Why do we need to scan our environment?

Ans. In rapidly changing environments, one rule of thumb applies: If you don't adapt, you don't endure. That's the core idea behind environmental scanning. Definitions of the term abound, but in essence it refers to the means by which organizations gather information on changing conditions and incorporate those observations into a process where necessary changes are made. The right information, combined with the right adaptations, can determine an organization's future viability. If an entrepreneur is not aware of what the environment surrounding his business he is sure to fail. E.g., HMT watches lost its market to Titan.

Q9. What do you mean by environment analysis?

Ans. Environment analysis is the process of monitoring the economic and non-economic environment to determine the opportunities and threats to an organisation.

Q10. State the factors involved in environment analysis.

Ans. Such an analysis involves data collection, information processing and forecasting to

provide a rational basis for developing goals and strategies for business survival and growth.

Q11. What do you mean by scanning of environment?

Ans. Scanning of environment refers to a close examination of the environment so that it can develop an understanding between all the environmental factors like sociocultural, economic, political and other developmental factors in order to ensure that the perceived entrepreneurial opportunity is compatible with them.

Q12. "Creativity is a continuous activity for the entrepreneur". Explain.

Ans. As creativity is a continuous activity for the entrepreneurs they keep on disturbing markets and keeps on challenging large established businesses. Entrepreneurs always see new ways of doing things with little concern. Creativity in the entrepreneur is a mixture of ability to innovate, to take the idea and make it work in practice. Once the project is accomplished, the entrepreneur look for new venture.

Q13. "Often times, a company will improve or change their existing products". Give reasons.

Ans. Improvisation or change in the existing product can:

- (i) Make a substantial difference in the success of the company,
- (ii) Take a firm/company as a whole new direction by increasing sales.

Q14. State any two pros to changing or improving your existing product line by an entrepreneur.

- Ans.** (i) keep up with the competition
(ii) increase sales

Q15. Mention any two important variables, which are considered under economic factors.

Ans. The economic environment includes interest rates, inflation, business cycles, etc.

Q16. What do you mean by market driven idea or demand driven ideas?

Ans. If the idea is generated through the market research. Such studies gives an entrepreneur information about trends of demand, supply consumer taste and preferences.

Q17. Explain the importance of creativity for an entrepreneur.

Ans. Creativity is important to entrepreneurs because it is the first stage in the process of innovation, providing the stimulus for opportunity discovery and new venture creation.

Q18. How do hobbies help in generating business idea?

Ans. If any individual is master/talented in any skills (hobbies) and are ready to teach others with passion then he can easily convert his/her hobbies into business idea. For example, teaching piano lessons (any other instrumental classes), teaching cooking classes, or teaching another language, spoken English and personality classes, coaching classes, selling handmade confectioneries, bakery items, handmade handicrafts, own small restaurant, etc. Example: "Mahila Griiha Udyog Lijjat Papad" hobbies converted into business.

Q19. What is the basic function of the process of environment scanning?

Ans. Spotting and generating ideas is the most important function in the process of environment scanning.

Q20. What will be the level of operation for metal-based handicraft item?

Ans. Small cottage industries.

Q21. What will be the level of operation for automobile spare parts?

Ans. Small scale industries.

Q22. Enumerate the main objectives of problem identification.

Ans. Objectives of problem identification:

- (i) State the problem
- (ii) The target group who is facing the problem
- (iii) Market acceptability of the solution for the problem.

Q23. What is the difference between creativity and innovation?

Ans.

S.No.	Creativity	Innovation
(i)	Creativity is the ability to bring something new into existence.	Innovation is the process of doing new things or bring new ideas or new process or new products or new services into reality.
(ii)	Creativity is pre-requisite for innovation.	Innovation is a process that transforms creative ideas into useful realities.
(iii)	A creative individual may be visionary but may not have the necessary resources or ability to convert the idea into action.	An innovator may have the right ability to translate or transform a useful idea into an application which has some commercial value.

Q24. How marketing research helps an entrepreneur?

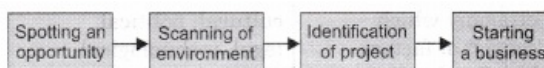
Ans. It helps an entrepreneur to take decisions related to:

- (i) The type of product,
- (ii) The pricing policy,
- (iii) The channel of distribution,
- (iv) And sales promotion techniques can be made rightly with the help of marketing information at the right time.

For example, the owner of a food court (small restaurant) should find out what all services are needed to satisfy its customers.

Q25. Explain the process of analysis of environment with the help of chart.

Ans. The flow chart shows that an opportunity received by the entrepreneur should be tested against important environmental parameters to arrive at a sound business choice. This interface is an evaluative process leading to a judgement. Is it a viable idea? Does it make sound business sense? If yes, the entrepreneur can proceed to the next stage of product or service identification.



Q26. State some service sector based ideas related to commercial establishment.

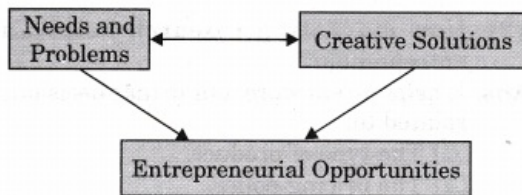
Ans. Following are few of the service sector based ideas related to commercial establishment:

- (i) Speciality tourism
- (ii) Indian fast food.
- (iii) Personal grooming salons
- (iv) Career counselling centres
- (v) Chain of repair and maintenance services for electrical/electronic products.

Q27. Describe Perceiving and Sensing Opportunities.

Ans. Entrepreneurs perceive opportunities, synthesize the available information from various sources.

They analyse changing and emerging patterns that other people fail to note. Entrepreneurs are people with vision, capable of persuading others to see the opportunity, share and support it.



Q28. Why does an entrepreneur need to scan environment? Explain.[CBSE Sample Paper 2016]

Ans. The right information combined with the right adaptations can determine an organization future viability.

If an entrepreneur is not aware of the environment surrounding his or her business, he/she will not succeed.

III. LONG ANSWER TYPE QUESTIONS

Q1. How business environment can be classified into different categories?

Ans. Business environment can be classified into two major categories:

Economic environment	Non-economic environment
It is related to economy which consist of factors like fiscal policy, monetary policy, the industrial policy and nature of the economic system, the pace of economic development.	It refers to social, cultural, political, legal, technological factors, etc. As most of the business opportunities exist in the environment the environment provides both constraints. Constraints such as government regulations, labour force, etc. and opportunities.

Q2. How an environment offers the firm/ entrepreneur numerous opportunities in changing the needs of customers and market? Give two examples.

Ans. (i) Examples: (a)When an entrepreneur notices that the people in the neighbourhood are complaining about : the lack of availability of chemist shop.

So he opens a chemical shop. As we know that entrepreneur search for an opportunity in an environment, and he converts it into a reality.

(b)The growing demand of AC has attracted many new comers (GE Godrej and LG Electronics). It is the environment that decides his choice of business venture. An entrepreneur keeps constant interaction between human factors and other developmental factors prevailing in the environment at any given time that why a study of environment factor become important for entrepreneurship.

Q3. 'The process diagram shows different stages environment means surroundings'. State the difference.

Ans. When an entrepreneur looks outside for business idea he often sees that business opportunities exist in the environment. First Stage: Spotting an opportunity by analyzing the needs and problems that exist in the environment.

- (i) Busy life work schedules, frequent corporate travelling created the need for fast banking services and hence the ATM, credit card, debit card and telephone banking came in popularity.
- (ii) With the increase in number of murders and other crimes taking place in big cities entrepreneurs can tap the niche of households for installing security systems like alarms, CCTVs, cameras and other safety gadgets, etc.

Second Stage: Evaluating the ideas received from different sources to find a creative solution.

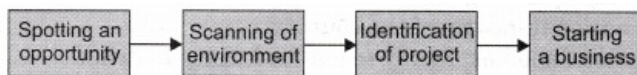
Third Stage: After evaluating each ideas received, selecting the best ideas to start a business venture.

Fourth Stage: Setting up a project and nurturing success.

Q4. Why is scanning of environment considered as interface between spotting and product identification? Support your answer with at least one example.

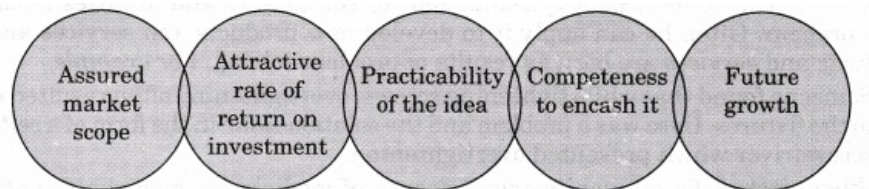
Ans. An entrepreneur spots an opportunity to know the demand for the product and sustainable and profitable. He has to scan an environment by which the entrepreneur first identifies the key elements and characteristics. In the absence of environment scan, an entrepreneur can bear loss in business because lack of knowledge about the customers and its demand about the product.

For example, in the form of electricity shortage or more demand of electricity, the entrepreneur spot opportunity. He, then scans the environment in order to know the need of electricity. Customers to produce a substitute of electricity would be a viable or not could only be sensed. After scanning an environment, he can move on to the identification of the product i.e. whether to produce invertors or candles can be the substitute.



Q5. State five elements of business opportunity.

Ans. A business opportunity has five elements which are as follows:



Q6. What are the five ways in which creative ideas can be generated?

Ans. Creativity is an important and key component of the talents and abilities needed for an entrepreneur. Creativity can be applied to develop new products and services. There are basically five ways as given below:

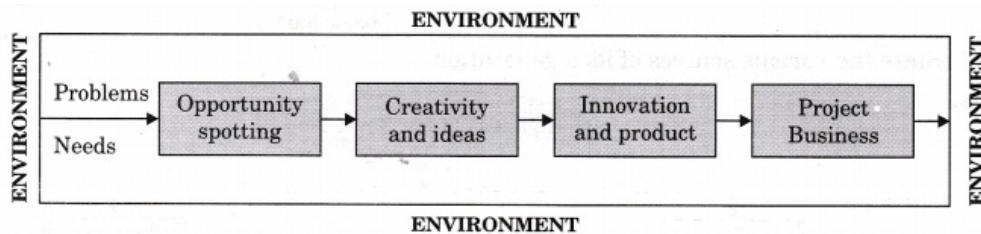
- (i) Develop a new product or service.
- (ii) Improve an existing product or service.
- (iii) Find a new use for a product or service.
- (iv) Find a new process or resource for manufacturing a product.
- (v) Find new markets for existing products or services.

Q7. Explain the stages of enterprises model with the help of a diagram.

Or

Explain Enterprise Process diagram.

Ans.



This diagram shows the following stages:

- (i) Opportunity spotting by analysing the needs and problems that exist in the environment.
- (ii) Evaluating the ideas received from different sources to find a creative solution.
- (iii) Identifying a product or service through innovation.
- (iv) Setting up a new venture and nurturing it to success.

Q8. Enumerate the sources from which information for environmental scanning can be collected by an entrepreneur.

Ans. Information for environmental scanning can be collected from several sources. These include:

- (i) Verbal communication and time to time information from: customers, wholesalers, retailers, distributors, consultants, stakeholders, etc.
- (ii) Complete records of companies.
- (iii) Government publications and information.
- (iv) Publications by various financial institutions and related organisations.
- (v) Formal studies conducted by strategic planners.

Q9. How the uses of problem identification helps an entrepreneur?

- Ans.** (i) It helps an entrepreneur to bring out new products in the market.
 (ii) It helps him to understand the problems and needs of the market.
 (iii) Helps the entrepreneur to be creative.
 (iv) Increase in employment generation.
 (v) Increase in national income of the country.

For example, Instant noodles, Ready to eat food, Easy to drink.

Q10. "Creative products and services are born as results of problem solving". Explain with the help of an example.

Ans. Creativity is an important key component of the talents and abilities needed for an entrepreneur. Often he can apply it to develop new products and services and creative products and services are born as results of problem solving. For example, (i) Someone found that while tightening screws, over tightening often resulted in damage to the fixtures. Here was a problem and the solution came in the form of a self-adjusting screwdriver which prevented over tightening.

(ii) When doctors found monitoring of dosage of medicine to be given to patients on a regular basis by using traditional methods using a syringe cumbersome, by looking into a problem of most of the patients a pharmaceutical firm developed a new process of implanting the dosage of medicine required the patient for even discharge of in time and required dosage into the blood stream.

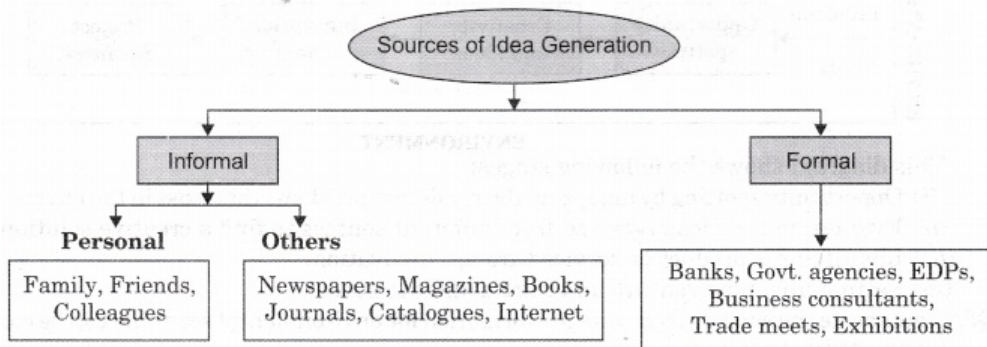
Q11. What is the difference between basic idea and post-scanning ideas?

Ans. The difference between basic idea and post-scanning ideas are as follows:

S.No.	Basic ideas	Post scanning ideas
(i)	It is of random nature.	It is of purposeful activity.
(ii)	It is an experiential process.	It is a strategic process.
(iii)	They have to be under a close-examination, evaluation, analysis and synthesis.	They are activity oriented.
(iv)	Number of ideas are more.	Number of ideas are less as compared to basic ideas.

Q12. State the various sources of idea generation.

Ans.



Q13. What is meant by 'Problem Identification'? State its any two objectives and also give an example of 'Problem Identification'. [All India 2015]

Ans. Problem Identification: A problem is a roadblock in a situation, something that sets up a conflict and forces you to find a solution.

Objectives of Problem Identification are:

- (i) It should clearly state the problem.
- (ii) Identify target group facing the problem.
- (iii) Identify the market acceptability of solution to the problem.

Example of Problem Identification: Ready to eat foods for the younger career oriented generation.

Q14. The first step in the creative process is 'Idea Germination'. State the other steps of this process. [All India 2015]

Ans. Following are the other three steps:

(i) Preparation: On the basis of the idea, interest and curiosity an entrepreneur starts looking for an answer to implement the idea.

(ii) Incubation: This is a sub-conscious assimilation of information.

(iii) Illumination: The idea resurfaces in a realistic way in the form of a viable plan.

(iv) Verification: The idea is verified to prove that it has value.

Q15. Shahida, a student of School of Rug Weaving Institute, Turkey, visited her grandparents in Kashmir for the first time. Breathtaking mountain scenery, clear lakes, lush vegetation and magnificent forests mesmerized her. The valley is home to a rich biodiversity including a large number of bird species, many of which are unique to Kashmir, it is home to Yak and sheep that are taken care of by Nomads. Kashmiri lifestyle is essentially slow paced and reflects religious diversity. Kashmiris are known to enjoy their music in its various local forms, and the traditional dress of both genders is often quite colourful. Tulip, Saffron, dry fruits and artistic woodwork are its hallmark.

She also observed that the government was stable and all the tourist places were well guarded by the army.

She found it to be an ideal place to start a unit for carpet weaving and employ local people to preserve the ethnic touch. After the devastating floods a considerable population was rendered jobless, her unit would help to revive their economic condition. She started

scanning and screening the environment and collected the following information.

(i) Help her categorize the information making use of PESTEL MODEL.

(ii) Also state a value communicated by Shahida. [CBSE Sample Paper 2016]

Ans. (i) (a) Political: The political environment includes taxation policy, government stability and foreign trade regulations.

(b) Economic: The economic environment includes interest rates, inflation, business cycles, unemployment, disposable income, energy, availability and cost.

(c) Social: The social/cultural environment includes population demographics, social mobility, income distribution, lifestyle changes, attitudes to work and leisure, levels of education and consumerism.

(ii) Sharing and compassion.

Q16. Explain the factors that help an entrepreneur to identify a product. [CBSE Sample Paper 2016]

Ans. The factors that help an entrepreneur to identify a product are:

(i) Application and use: Ideas should be examined for their real life use and application. If it already exists in the market, we will have to find out its present use, then we may think of modifying it for better use.

(ii) Level of operation: This is a crucial test for product/service identification. Depending on the use of the product/ service the entrepreneur will produce it in a cottage industry or a small scale- industry or a large-scale industry.

(iii) Cost: What is the per unit cost of the product at particular level of operation? Whether this cost is comparable with that of other competitive products? These are some of the questions that have to be answered. This will ultimately decide the sale price.

(iv) Competition: Any product or service will face market competition at some stage. So market competition should be assessed through a study of the trends in demand and supply.

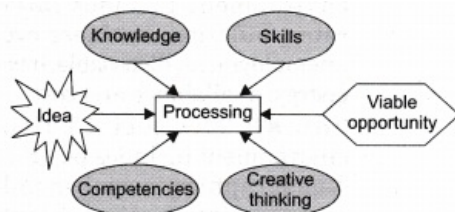
IV. VERYLONG ANSWER TYPE QUESTIONS

Q1. Explain how the process of a basic idea becoming an opportunity?

Or

Explain the transformation of ideas into opportunity.

Ans. The given diagram shows how the process of a basic idea becoming an opportunity:



The above given diagram explains that it is just a process of conversion of basic idea into opportunity. Business idea arises from an opportunity in the market. It originates from any need or wants of any product or services that an entrepreneur can identify. In this process all basic ideas have to undergo a vigorous process of close examination, evaluation, analysis and synthesis to become viable opportunities. This diagram explains an entrepreneur utilize the skills, knowledge, creative thinking and competency needed to develop an idea which is backed up by various political economical, social, technological, ecological and legal factors in the existing competitive market. By this process an entrepreneur convert ideas into viable business opportunities.

Q2. How environmental scanning is helpful for an entrepreneur?

Ans. (i) Environmental scanning will be helpful to an entrepreneur/firm to understand the actual happening in an organisation (inside and outside),

(ii) It is necessary because of rapid changes taking place in the environment that has a great

impact on the working of the business firm.

(iii) Analysis of business environment helps to identify strength, weakness, opportunities and threats. So that the enterprise can survive and grow, for longer time.

(iv) It is helpful to frame out different plans and policies for the establishment and further development.

(a) It acts as a tool in understanding, forecasting and decision making in all situations of the business enterprise.

(vi) Study of environmental analyses enables the firm to select the best option for the success and growth of the firm.

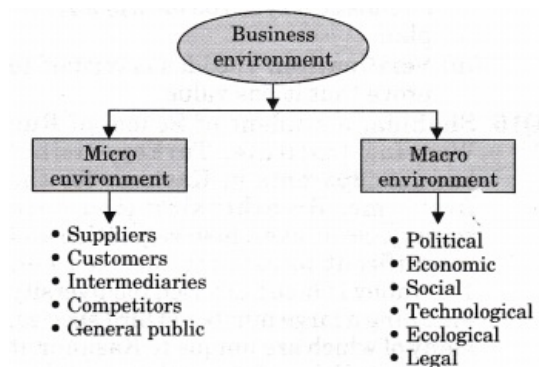
(vii) It helps an entrepreneur to act quickly, take advantage of all environmental opportunities before others take a chance and immediately respond to reduce damage

(a) take advantage of opportunities before competitors do

(b) respond to environmental threats before significant damage is done.

Q3. How many levels are there in external environment? Explain.

Ans. The external environment consists of two levels, i.e. micro environment and macro environment.



Producer/Seller: The goals, objectives, policies, strategies, etc. of the organization are the foremost forces which govern the market. Successful companies are those that can recognize and respond profitably to unmet needs and trends in the society.

Customers: Consumer satisfaction is the foundation stone of a successful business. Business has to produce goods according to the needs, taste and preferences of the customers. Enterprises have to take into consideration the following features to create, maintain and retain this force: Tradition, customs, beliefs, values of society, lifestyle, standard of living, consuming, habit, thinking behaviour, income level, demographic characteristics, etc.

Competitors: Competitors are such factors in the micro environment that provide similar offerings for goods and services. To remain competitive, an enterprise must consider who their biggest competitors are.

Suppliers: Suppliers are another key component in the core system of market. Any manufacturing unit uses necessary resources for the conversion of input (material, machines labour and funds) into output for that the necessary resources are generally obtained by the supplier.

The company's growth depends upon the production and production depends upon the regular supply of resources therefore working of the various supply markets depends upon maintaining good relations with suppliers. Lack or non-availability of suppliers can ruin the market for a product.

Marketing Intermediaries: Marketing intermediaries are institutions that facilitate the flow of goods and services between the company and its final markets. They include resellers (i.e. wholesalers, retailers, agents, and brokers), transporters, warehouses, banks and promoting agencies.

These all institutions come into being to facilitate the work of consummating exchanges in the market. They perform a great deal of work in bringing about transactions between the buyers and sellers, market cannot survive without these intermediaries.

Macro Environment includes:

Political factor: Political factors is the outcome of a combination of various ideologies advocated by different political parties. The rules and regulations and the laws that monitor and regulate the market forces are framed and promulgated by the government. This include the political factor. These policies generated aims at improving infrastructural facilities which encourage new business ventures. For example, after relaxation of import-export policies, an entrepreneur who exported textile material used its earning to import heavy industrial machines.

Economic factor: It includes the close study of important variables like supply and demand. Details of consumer trends, economic preference, costing, discounting, etc. are all economic decisions. Economic details will also help the entrepreneur in determining the size of the project and the reasons of finance.

Socio-Cultural factor: Business is born and develops in society and in it various social factors exists. It involves a close study of the life styles, beliefs, customs, conventions, practices, etc. Expectations of individuals their preferences on the basis of their family background, age group and education will also form a part of this study. The main aim of an entrepreneur is to satisfy the need of all individuals of a society. For example, an entrepreneur wants to open a showroom of branded footwear. Hence, he will target the high income group of society.

Technological factors: It is influenced by government spending on research, new discoveries and development, government and industry focus of technological effort, speed of technological transfer and rates of obsolescence. Ecological factors: It considers the ways in which the organisation can produce its goods or services with minimum environmental damage.

Legal and finance factors: Legal scanning of the environment demands analyzing the legal requirements in the establishment of a project. Managing of the project and also in getting assistance from different sources. For example, welfare of employees, safety, simple contracts entered into with suppliers of raw materials financier's, real estate owners, etc. require legal assistance.

Q4. Explain the benefits of understanding the relevant environment of business.

Ans. The benefits of understanding the relevant environment of business are:

(i) Identification of opportunities to get first mover advantage:

By keeping in touch with the changes in the external environment, an enterprise can identify opportunities and find strategies to capitalise on the opportunities at the earliest.

For Example, Volvo, the Swedish brand has 74% share in the luxury bus segment as it had entered India earlier.

(ii) Formulation of strategies and policies: It helps in identifying threats and opportunities in the market. These can serve as the basis of formulation of strategies to counter threats and capitalise on opportunities in the market.

(iii) Tapping useful resources: If the company has a thorough knowledge of the external environment, it can tap raw materials, technology and even financial resources from the market at economical prices at the right time.

(iv) Better performance: Proper understanding of the various elements of the external environment is necessary to take timely action to deal with the threats and avail opportunities for the purpose of improvement in the performance of the firm.

(v) Sensitisation of entrepreneurs to cope up with rapid changes: A keen watch on the trends in environment would help to sensitise the entrepreneur to the changing technology, competition, government policies and changing needs of the customers. E.g., changing trends in clothing.

Q5. Explain the various environmental factors crucial for an entrepreneur.

Ans. Some environmental factors crucial for an entrepreneur are:

Political factor: Political factors is the outcome of a combination of various ideologies advocated by different political parties. The rules and regulations and the laws that monitor and regulate the market forces are framed and promulgated by the government. This include the political factor. These policies generated aims at improving infrastructural facilities which encourage new business ventures. For example, After relaxation of import-export policies, an entrepreneur who exported textile material used its earning to import heavy industrial machines. Socio-Cultural factor: Business is born and develops in society and in it various social factor exists. It involves a close study of the life styles, beliefs, customs, conventions, practices, etc. Expectations of individuals their preferences on the basis of their family background, age group and education will also form a part of this study. The main of an entrepreneur is to satisfy the need of all individuals of a society.

Ex. An entrepreneur wants to open a showroom of branded footwears. Hence, he will target the high income group of society.

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Q6. 'Information for environmental scanning can be collected from several sources.' State any four such sources.[CBSE Delhi 2015]

Ans. Following are the sources for collecting the information for environmental scanning:

- (i) The sources can be obtained by analyzing the verbal information from customers, wholesalers, retailers, distributors, consultants, etc.
- (ii)The record of the companies is also analyzed.
- (iii)Various sources can be obtained by analyzing the various government publications.
- (iv)The sources can be obtained by the publications of various financial institutions.

Q7. 'The process of generation of ideas' can be streamlined by developing an awareness about it and these work as the convenient frames of references for this. [CBSE Delhi 2015]

(i)Identify the concept stated in the above lines.

(ii)Explain any three sources of the concept identified which are used by an Entrepreneur.

Ans. (i) Idea fields

(ii) **(a) Natural resources:** Ideas can be generated based on natural resources. Aproduct or service may be desired from forest resources, agriculture, horticulture, mineral, animal husbandry, wind, sun, and human resource.

(b)Existing products or service: A business opportunity or idea often comes from everyday problems that someone solves. Successful businesses find a need and fill it by providing a service or product. Entrepreneurs who look at ways to make an existing product or service better can be as successful as those who create or invent products.

(c)Market driven or demand driven: Market research is any organized effort to gather information about target markets or customers. Ideas can be generated based on existing demand in the market. It is a very important component of business strategy.

Q8. Lalita Devi did her post-graduation from Manipur University, Imphal. She had offers to join reputed firms in metropolitan cities like Delhi and Mumbai. Instead of joining any of these firms she decided to do some creative work in Imphal. She observed that a special type of chilli is grown by the farmers of most of the villages around Imphal. This chilli has a distinct flavour and the pickle made from it has a taste that may be liked by many people in

other parts of the country. But the farmers were neither trained in the farming of this kind of chilli on a large scale nor was there a secured market for their produce. Lalita Devi met eighteen like-minded women of the area and formed an organization for doing the business of pickle manufacturing. Each of them contributed ₹ 2,00,000 towards its capital and were equally responsible for its management. On one hand they assured the farmers to purchase the chilli produced by them and on the other hand, the organization with the help of the local agriculture department arranged for the training of the farmers. They also employed 10 local unemployed graduate girls for doing the various operations of pickle manufacturing. [All India 2015] ,(i) Name the process that helped Lalita Devi in 'converting an idea into an opportunity'.

(ii) Identify the kind of organization that Lalita Devi had decided to set up. (iii) State any two values which Lalita Devi wants to communicate to the society.

Ans. (i) The process that helped Lalitha Devi is Sensing entrepreneurial opportunities.

(ii) Partnership form of business organization was formed by Lalitha Devi.

(iii) Values involved are Courtesy; fostering respect for differences; sensitivity to environment, good behaviour in human interaction; sharing, compassion, empathy; discipline; responsibility; respect for law and order; conflict resolution; team work; honesty and integrity.

Q9. ' One of the keys to business success is to anticipate what the market will want or need.' Since it is not possible for an entrepreneur to see into the future, there is one best way. This 'best way' will help the entrepreneur to understand the market and produce goods or provide services accordingly.

(i) Identify the concept discussed in the above lines.

(ii) Explain any three ways in which an entrepreneur can perform the activities related to the concept identified.

Ans. (i) Concept stated in the above lines is Trend spotting.

(ii) Following are the ways in which an entrepreneur can perform activities relating to the trend spotting:

1. Real Trends:

- Entrepreneurs regularly read the leading publications and websites affecting their business.
- Publications include industry publications, trade association sites, major newspapers, key business magazines, thought leaders and influential bloggers.
- They scan information from a wide variety of sources — from international news on down to niche bloggers focused on specific aspects of their industry. Obviously, there is a tsunami of information available. They use tech-tools like RSS feeds, e-mail newsletters or websites and forums to keep on top out of all and get the information they want. They understand quickly which sources are valuable and which should be avoided.

2. Talk Trends:

- Talking to people is an equally important trend-spotting tactic. They get involved in specific industry's trade association and attending events both online and offline.
- From social networking tools like social network websites and forums.
- They even start or join groups on the networks and see what people are buzzing about and about the latest trends. To customers regarding what customers thinking, buying, doing etc. what customers are saying about the business, but what they're saying about the competitor's business.

3. Watch Trends:

- Watching and observing the customers in the market place.
- If the customers are teenagers, in the local mall.
- If they are Business class people, it might be restaurant or office park restaurant center.
- The entrepreneur spends some time simply watching and observing, what people are eating, doing, wearing, using.

4. Think Trends:

•As an entrepreneur begins gathering all these information regularly, they will start to develop a "trend-spotter mind."

•They collect from what they read, heard and observed, and they start to making connections and observations that will lead to business-boosting insights.

V. VALUE BASED QUESTIONS

Q1. Sonam, a dropout from 10th class is forced by her mother to start working as a domestic help. Sonam agrees on the condition to do only if every day she is allowed to cook at home and in 2-3 houses as she was fond of cooking. One family turns out to be Punjabi, other Gujarati and the third one is Rajasthani. She cooked their kind of food for an year and to everyone's surprise, she expressed her desire to open up a small eating joint of her own. All alone, determined, she finally opens "Apna Bhoj", a small eating joint with her savings and it became a hot spot because of the fusion food platter being offered. Do you think Sonam is an entrepreneur? Give reasons for your answers. Give two value points related.

Ans. Yes, Sonam is an entrepreneur.

(i) Sonam's one year occupational experience provides her confidence to start her own business.

(ii) It converted her hobbies into reality by sheer hard-work and application of mind.

(iii) Her desire to work independently and potential efforts, helped her to reduce the element of uncertainty.

(iv) She is innovative as she created new idea and new market to start business.

(iv) Understanding of the area/market in which she is going to start her business.

•She is a creative entrepreneur as, she has taken initiative and created an opportunity for innovation, experimentation and production.

•Her competitiveness which means willingness to compete honestly with others and providing quality product and services and reduction in price.

•She is an innovator of ideas, products, practices, services to meet the perceived opportunity, a lot of effort has done by Sonam to convert her dream into reality.

Value points: Initiative, resourcefulness, service to others, social service, unwillingness to hurt others.