

UNIT-3

ENTERPRISE SETUP

Introduction: Setting of an enterprise is a complex process. Various institutions and organizations are providing training to young people to understand the process of setting up enterprise unit. The entrepreneur should have complete knowledge of men, material, machinery, market, and products. A number of formalities like approval and clearance from government departments are to be completed before setting up an enterprise. The setting of an enterprise involves the study of business opportunities, developments of a feasible business plan and identification, determination and arrangement of men, materials, machinery and market for products. This learning object explain the detail procedure to setup a business enterprise.

WAYS TO SETTING UP AN ENTREPRICE:

- 1. Conduct market research:** Market research will tell you if there's an opportunity to turn your idea into a successful business. It's a way to gather information about potential customers and businesses already operating in your area. Use that information to find a competitive advantage for your business.
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- 3. Write your business plan:** Your business plan is the foundation of your business. It's a roadmap for how to structure, run, and grow your new business. You'll use it to convince people that working with you or investing in your company is a smart choice.
- 4. Fund your business:** Your business plan will help you figure out how much money you'll need to start your business. If you don't have that amount on hand, you'll need to either raise or borrow the capital. Fortunately, there are more ways than ever to find the capital you need.
- 5. Pick your business location:** Your business location is one of the most important decisions you'll make. Whether you're setting up a brick-and-mortar business or launching an online store, the choices you make could affect your taxes, legal requirements, and revenue.
- 6. Choose a business structure:** The legal structure you choose for your business will impact your business registration requirements, how much you pay in taxes, and your personal liability.
- 7. Choose your business name:** It's not easy to pick the perfect name. You'll want one that reflects your brand and captures your spirit. You'll also want to make sure your business name isn't already being used by someone else.
- 8. Register your business:** Once you've picked the perfect business name, it's time to make it legal and protect your brand. If you're doing business under a name different than your own, you'll need to register with the federal government, and maybe your state government.
- 9. Get federal and state tax IDs:** You'll use your employer identification number (EIN) for important steps to start and grow your business, like opening a bank account and paying taxes. It's like a social security number for your business. Some — but not all — states require you to get a tax ID as well.

- 10. Apply for licenses and permits:** Keep your business running smoothly by staying legally compliant. The licenses and permits you need for your business will vary by industry, state, location, and other factors
- 11. Open a business bank account:** A small business checking account can help you handle legal, tax, and day-to-day issues. The good news is it's easy to set one up if you have the right registrations and paperwork ready.
- 12. Decision to be an Entrepreneur:** The overriding reason for anyone to think of establishing a SSI unit can be summarized in one word - opportunity. An opportunity to be your own boss, to provide a product or service, to implement your ideas, which can generate sufficient surplus, is reason to think of starting up a SSI unit.
- 13. Choosing your form of Business Organization:** Many first time entrepreneurs do not have a clear perspective of the issues, legal or otherwise, involved in choosing one or the other form of a business. This often results in avoidable mistakes, which later cost time and money to rectify.
- 14. Making a Product Choice:** Make a careful analysis of the product or service you are choosing, sometimes in short run, there is a shortage of a particular commodity in the market, you may even come to know you will get almost two weeks in advance to supply fresh stock. Does that mean you can jump into that business.
- 15. Location of Industry:** After deciding the issues of product, the next important question is, where to set up the unit ? For many tiny units and service-based units, the home is perhaps the best starting point.
- 16. Preparation of Business Plan:** A Business Plan is an document where you plan your Business to have an organized and effective response to a situation which may arise in future. Business plan is not just for a startup company but also for those, which are growing. It can be used it to establish realistic goals or targets to achieve and to determine the current position.
- 17. Sourcing Process, Raw Materials, Machineries and Equipments:** Choices of process technology emerge once the product is finalized. For some complex products, process know-how has to be imported. In such cases agreements for technology transfer should be made with due care to safeguard interest. A lot of appropriate technology is being developed at CSIR and Defence Research Labs and some of these technologies can now be bought. Infrastructure - Land & Building, Water and Power Supply.
- 18. Legal Aspects:** Few simple steps to take care of legal aspects of setting business are to Register your unit with relevant organization, check out the labour laws that would be applicable to you, pay your commercial taxes and taking care of environmental aspects. Each of these aspects is discussed in details.

19. Finance and Working Capital to Start Business: To start and set up their business all SSI units need monetary support. Before seeking fund estimate the cost including that of working capital required for a minimum of 6-8 months and always keep a provision for buffer. you can take help of an CA or concerned officials in Entrepreneurship Development Institutes to work out the total financial cost of your project. Decide the form in which you are going to raise the capital i.e. should it be equity finance, debt finance, loans or a combination of these

20. Human Resource:

Human Resource is an important element to be kept in consideration while setting up an business. Though, projections for manpower and staffing are made in the project report, however it is necessary to time the induction of manpower in a planned manner.

PROBLEMS IN SETTING UP OF AN ENTREPRICE:

1. Lack of legal knowledge:

The entrepreneur should have adequate legal knowledge to handle legal affairs efficiently. Lack of legal knowledge on the part of entrepreneurs may affect smooth conduct of business. He should have knowledge regarding Factories Act, Wages & Salaries Act, and Workers Compensation Act etc.-

2. Lack of experience:

An entrepreneur should have enough experience to manage the business efficiently. Lack of adequate experience may create major problems and adversely affect the experience. The major hurdles that the new entrepreneurs face are the availability of resources to carry out such a business. The most important is the allocation of funds that comes in the form of money to research and development.

3. Lack of finance:

Finance is the life blood of every business. To start up a new venture requires adequate capital. It is required to meet business expenses like purchase of raw material, payment of wages and salaries; payment of interest on loans etc. Lack of finance can create hurdles in setting up of a business unit.

4. Lack of technology:

Technology is never constant, it keeps on changing. Sophisticated technology helps in increasing the production capacity and quality of the products. Lack of suitable technology can hamper the reputation of the firm. Adoption of suitable technology can prove beneficial to the business success and vice versa.

5. Problem of human resource:

Organization is made up of people and people make an organisation. A firm requires skilled, qualified and talented employees. Lack of competent staff is another major issue for a business unit.

6. Problem of data:

Entrepreneurship is based on research work. The Entrepreneur need to conduct a survey for gathering information regarding market condition, competition, technology, consumer etc. the data collected may not be accurate and precise. At times it is incorrect and outdated. This hampers the survival of a business.

7. Problem of marketing:

The Entrepreneur should have marketing knowledge. This helps to face cut-throat competition in all sectors. Lack of marketing efforts and knowledge with respect to product, pricing, distribution and promotion hampers the Entrepreneurial growth.

7. Types of Entrepreneur:

Entrepreneurs in modern day world found to be engaged in various types of activities. They are found to be among labourers, exporters, professionals and commercial activities.

8. Setting up the Enterprise:

At this step the entrepreneur fulfill some legal formalities. He hunts for suitable location, design the premises and install machinery. All the statutory formalities are to be met.

- i. Acquiring license.
- ii. Permission from local authorities.
- iii. Approvals from banks and financial institution.
- iv. Registration etc.

9. Promotion of Business:

It is the first stage in the establishment of a new enterprise. Without promotion, there would be no new enterprises and economic growth would be limited. Discovery is the first step in promotion relates to the conception of ideas and its thorough scrutiny to examine the commercial possibilities.

10. Investigation:

For every new promotion effort the technique of “stop, look and listen” should be followed. The investigation is universally needed.

11. Form of Business Organisation:

The pattern of ownership is an important decision to be taken before establishing a business enterprise. The forms of organisation are: Sole proprietorship, Partnership, Joint Stock Company, Cooperative Societies etc.

12. Adequate Capital:

“Capital is the life blood of business.” No business can be established without an adequate amount of capital. The need for capital will depend upon the nature of business and scale of operations. A sole trade business will be suitable if the capital requirements are less. Joint stock company, a form of organisation, will be suitable if capital requirements are large.

13. Size of Business Unit:

The determination of the size of a unit is also an important point to be taken into consideration before establishing a new enterprise. The size of units depends upon the nature of products and methods and equipments used for production.

14. Selection of Site:

The success of business also depends on the suitability of site. The entrepreneur has to select the exact site.

15. Plant Layout:

The layout of a manufacturing plant is more important, as it affects the flow of materials and processes, labour efficiency, supervision and control, use of space, expansion possibilities and plan appearance. Proper layout of plant increases the workers' efficiency and satisfaction. Before starting a new enterprise, the entrepreneur must think over this point also.

16. Efficient Management:

There is a direct and positive relationship between business and management. The success of business depends upon the efficiency of management.

17. Launching an Enterprise:

It means the actual starting of production. The problems which are discussed above are interdependent and hence the entrepreneur has to solve them by putting them in proper perspective. After solving the above mentioned problems he can go ahead with the actual launching of the business.

18. Financing:

Getting funds for your business is one of the main issues that all businesses face and have to tackle to survive. While you might have saved initial money to start a business, it won't help you survive for long. Steady cash flow is crucial for businesses to endure, and you always need to have extra funds to take care of rainy days.

MEANING OF LEGAL COMPLIANCE:

Legal compliance is the process by which a company adheres to the complex rules, policies and procedures that regulate business practices in a particular jurisdiction.

Legal Requirements of Compliance:

An organization's legal requirements are two-fold in terms of legal compliance. Firstly, to ensure compliance with the laws and regulations set out for a business to operate in good standing within a particular jurisdiction. Secondly, to implement sound internal compliance systems, imposed by a legal department, in accordance with rules and processes. A sufficiently comprehensive legal compliance program should include seven key elements, as advised by the Department of Health and Human Services, Office of Inspector General (OIG):

- Standards, policies and procedures
- Compliance program administration
- Screening and evaluation of employees, vendors and other agents
- Communication, education and training on compliance issues
- Monitoring, auditing and internal reporting systems
- Discipline for non-compliance
- Investigations and remedial measures

ENTERPRISE MARKETING ASPECT:

Enterprise marketing utilizes a combination of strategies focused on growth and expansion. These efforts aim to retain an existing customer base while also pursuing the goal of exponential growth. An enterprise marketing strategy utilizes a combination of integrated multi-channel strategies, reaching outside of the business' internal marketing team to target and expand its niche audience.

Challenges Enterprise Marketers:

1. Scaling up.

One of the first challenges is the matter of scaling up. While there are some ways to internally ease the matter of scaling up, such as refocusing particular employee's focus on different departments and projects, some characteristics of your marketing program might be more difficult to handle.

2. Vendor relationship management.

Vendor management refers to internal operations that enable the effective control of costs and services in relation to your vendor service. It is a way for your company to manage all of its vendor processes and procedures in one place, where all documents and various SaaS tools can be tracked and monitored.

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3. Resource allocation.

Similarly, your business should be closely tracking and managing the ways in which your business operates. This means tracking your available resources, materials for production, software systems, and customer transactions. Successful enterprise marketing programs often manage their company data through enterprise resource planning (ERP) systems.

4. Siloed communication.

One of the most common issues to arise while attempting to scale your company's marketing program up to an enterprise level is the matter of having too many opinions. Because an enterprise marketing strategy requires collaboration between all departments of a company, you'll end up with many different voices providing their particular insight.

COMPONENTS MARKETING ASPECT:

While the above four challenges are pitfalls that can be avoided with essential planning and software, there are some specific components that will ensure your enterprise marketing plan runs on all cylinders. These shouldn't be avoided when first establishing your enterprise marketing program, as you're bound to find that you'll still need them down the road.

1. Perform ongoing performance evaluations.

Before you can move forward on executing growth through your enterprise marketing strategy, you need to develop what your strategy will look like. In particular, you need to ask what your company's goals and objectives are going forward?

2. Identify your clearly defined target market.

You must have a clearly defined target audience. While part of being an enterprise company is having a vast and varied audience, you still need driving character traits that give your brand and content an identity. Otherwise, you have no ideal customer and are just talking to everyone — which won't resonate as well as some people might think.

3. Maintain a consistent message.

Once you have your goals and ideal customer(s) identified, you need to find a way to talk directly to them. The way you do this is to create a brand voice that remains consistent at all times. Consider it a style guide that all of your content adheres to. Whether you're posting to Facebook, sharing an image on Instagram, emailing a customer, or writing product copy, everything needs to be written in the same tone of voice with the same language, style, and demeanor.

ENTERPRISE MARKETING STRATEGIES:

1. Find a way to personalize (and benefit from) your inbound marketing strategy.

Inbound marketing is driven by attracting new leads to your website, or a vendor's site containing your products, with relevant, targeted content. Created with the lead in mind, it is produced in your brand voice and offers a form of entertainment, knowledge, and engagement — it gets someone to click and read.

Inbound marketing has proven itself to be beneficial to enterprise businesses as it brings

2. Prioritize lead scoring to promote enterprise growth.

Lead scoring is the way marketers rank prospective leads, on the likelihood that they will be converted into a client or customer. It's a consideration of the sales funnel: determining who is furthest along in the funnel and most likely to become a customer with a little attention. By identifying the highest-ranking leads through a customer relationship management (CRM) platform, marketers can identify the members of their audience worthy of serious attention.

3. Attune your business' brand awareness.

Building brand awareness is a simple way to promote your enterprise business's conversion rates. Similar to finding your customers with the help of your niche and brand voice, brand awareness is the added benefit of determining how your company can best attract the attention of both current and potential customers.

4. Utilize word-of-mouth marketing (WOMM) to permeate the market.

Word of mouth marketing (WOMM) has existed for as long as we can remember — someone appreciates the product or services of one business and recommends it to their family, friends, acquaintances, and strangers. And it's proven itself to be one of the most effective forms of marketing: 74% of consumers stated that word of mouth was a primary influencer of their purchasing decisions.

5. Promote omnichannel growth with a headless CMS.

A headless content management system (CMS) is an ideal way to promote omnichannel growth, as the decoupling of a website from its ecommerce functionality allows developers to utilize the frontend technology of their choice to provide site visitors with high quality content experiences.

6. Allocate your enterprise marketing strategy resources.

If you're looking to get the most out of your enterprise business' marketing strategy, you need to find ways to collect all of your marketing resources in a simple-to-find, easy-to-manage space.

Platforms like Big Commerce are designed to ensure you have the technology, workspace, and freedom to create, manage, engage, and strategize the business that you want. Together, your entire company can collaborate on your enterprise marketing strategy, providing your business with an essential hub where your program can be effectively managed.

MEANING OF BUDGET:

A business budget is a spending plan for your business based on your income and expenses. It identifies your available capital, estimates your spending, and helps you predict revenue. A budget can help you plan your business activities and can act as a yardstick for setting up financial goals. It can help you tackle both short-term obstacles and long-term planning.

Components of a budget

1. Estimated revenue

This is the money you expect your business to make from the sale of goods and services. There are two main components of estimated revenue: sales forecast and estimated cost of goods sold or services rendered.

2. Fixed cost

When your business pays the same amount regularly for a particular expense, that is classified as a fixed cost. Some examples of fixed costs include building rent, mortgage/utility payments, employee salaries, internet service, accounting services, and insurance premiums.

3. Variable costs

This category includes the cost of goods or services that can fluctuate based on your business success. For example, let us assume you have a product in the market that is gaining popularity. The next thing you would like to do is manufacture more of that product.

4. One-time expenses

These are one-off, unexpected costs that your business might incur in any given year. Some examples of these costs include replacing broken furniture or purchasing a laptop.

5. Cash flow

This is the money that travels in and out of the business. You can get an idea of it from your previous financial records and use that information to forecast your earnings for the year you're budgeting for.

6. Profit

The final budget component is profit, which is a number you arrive at by subtracting your estimated cost from revenue. An increase in profit means your business is growing, which is a good sign.

TYPES OF BUDGETING:

1. Zero-based budgeting, which sets each item at zero dollars at the start of periods before reallocating

2. Static budgeting or incremental-based budgeting, which uses historical data to add or subtract a percentage from the previous period to create the upcoming period's budget
3. Performance-based budgeting, which emphasizes the cash flow per unit of product or service
4. Activity-based budgeting, which starts with the company's goals and works backward to determine the cost of attaining them
5. Value proposition budgeting, which assumes no line item should be included in the budget unless it directly provides value to the organization

IMPORTANTANCE OF BUDGETING :

1. It Ensures Resource Availability

At its core, budgeting's primary function is to ensure an organization has enough resources to meet its goals. By planning financials in advance, you can determine which teams and initiatives require more resources and areas where you can cut back.

2. It Can Help Set and Report on Internal Goals

Budgeting for an upcoming period isn't just about allocating spend; it's also about determining how much revenue is needed to reach company goals.

3. It Helps Prioritize Projects

A byproduct of the budgeting process is that it requires prioritizing projects and initiatives. When prioritizing, consider the potential return on investment for each project, how each aligns with your company's values, and the extent they could impact broader financial goals.

4. It Can Lead to Financing Opportunities

If you work at a startup or are considering seeking outside investors, it's important to have documented budgetary information. When deciding whether to fund a company, investors highly value its current, past, and predicted financial performance.

5. It Provides a Pivot able Plan

A budget is a financial roadmap for the upcoming period; if all goes according to plan, it shows how much should be earned and spent on specific items.

STEPS TO CREATE A ENTERPRICE BUDGET:

1. Analyze costs

Before you start drafting a budget, you must research the operating costs involved in your business. Knowing your costs inside and out gives you the baseline knowledge needed to craft an effective spending plan.

2. Negotiate costs with suppliers

This step will be useful for those businesses which have been functional for more than a year and are dependent on suppliers to sell products. Before you get started on your yearly budget, have a chat with your suppliers and try getting discounted rates for the materials, products, or services you need before you make your payments.

3. Estimate your revenue

Many businesses have failed in the past by overestimating revenue and borrowing more cash to meet operational needs. This defeats the very purpose of creating a budget. To keep things realistic, it's a good idea to analyze previously recorded revenue. Businesses must track revenue periodically on a monthly, quarterly and annual basis.

4. Know your gross profit margin

The gross profit margin is the cash you are left with after your business has dealt with all the expenses at the end of the year. It gives insight into the financial health of your business. Here's an example of why you need to understand this parameter while creating a budget.

Suppose your business made a revenue \$5,000,000 and yet there are debts to be paid. At the end of the year, your expenses are more than your revenue, which is not a good sign for a growing business.

5. Project cash flow

There are two components to cash flow: customer payments and vendor payments. You need to balance these two components to keep the cash flowing in your organization.

To do your best to ensure timely customer payments, it's important to have flexible payment terms and the ability to receive payments through common payment channels. Unfortunately you will need to deal with customers who might not comply to the stated terms. This might affect your cash flow forecast due to missing payments.

6. Factor in seasonal and industry trends

It's unrealistic to expect that you will achieve every business goal and reach your estimates every month. In an annual cycle, there will be months where your business will be booming, and there may be a few months where sales are slow. Due to seasonal inconsistency and industry trends, you will have to spend cash effectively so that the business isn't at risk of shutting down during slower periods.

7. Set spending goals

Making a budget is more than just adding your costs and subtracting them from your earnings. How wisely you spend your money determines how well your business will fare. Goals provide a system to check if your money is being spent on the right areas to avoid unwanted expenses.

8. Bring it all together

Once you have gathered all the information from the previous steps, it's time to create your budget. After you have subtracted your fixed and variable expenses from your income, you will get an idea of the amount that you can work with. Be prepared to tackle the unexpected one-time expenses that come your way. You can then find ways to use the money effectively to achieve your short-term and long-term goals.