ENTREPRENEURSHIP PROJECT

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SECTION- B

1) ANGEL INVESTORS-

An angel investor, also known as a private investor, seed investor, angel funder or informal investors, is a high net worth individual who usually invests in early stages of startups or entrepreneurs, typically in exchange for ownership equity in the company. They are among an entrepreneur's family and friends. The capital angel investors provide maybe a one-time investment to help the business prosper. It can be an ongoing injection of money to support and carry the business through its difficult early stages. Angel investors provide relatively easy terms and conditions as compared to other lenders. Angel investors are affluent individuals who provide capital for a business start-up. They invest in entrepreneurial ventures before they are able to generate revenue or profits. One of the most common problems of these investors is that they may take active management roles and board seats in the companies in which they invest. Hence entrepreneurs give up some control over their business. However angel investor can also provide crucial managerial or technical expertise especially in the areas where an entrepreneur is not much confident.

Angel investor is a somewhat general term, and you can actually find these types of investors in a few different forms. Angel investments normally come from:

Family and friends: This is by far the most common source of funding for business startups that are interested in finding business start-up money and is the only option for many. Given the high rate of failure with new businesses, it is also risky in terms of the possible impact on relationships if the business is not successful. It is important to be upfront about the risk of failure.

Wealthy individuals: Another good source is successful business people, doctors, lawyers, and others that have a high net worth and are willing to invest well in return for equity. Often this is done by word of mouth through business associates or associations such as the local Chamber of Commerce.

Groups: Angels are increasingly operating as part of an angel syndicate (a group of angel investors), which raises their potential investment level accordingly. Investors contribute funds to the syndicate and a professional syndicate management team chooses the investments.

Advantages and Disadvantages of Angel Investors for Business Owners

The big advantage is that financing from angel investments is much less risky than debt financing. Unlike a loan, invested capital does not have to be paid back in the event of business failure. And, most angel investors understand business and take a long-term view. Also, an angel investor is often looking for a personal opportunity as well as an investment.

The primary disadvantage of using angel investors is the loss of complete control as a part-owner. Your angel investor will have a say in how the business is run and will also receive a portion of the profits when the business is sold. With debt financing, the lending institution has no control over the operations of your company and takes no share of the profits.

Examples of some prominent angel investors are-

- RAJAN ANANDAN- invested in more than 80 startups
- SUNIL KOLRA – invested in more than 50 startups
- ANUPAM GOPAL MITTAL – invested in more than 50 startups

2) *BASIC STARTUP PROBLEMS-*

There are various factors that create problems in setting up a business enterprise especially in countries like India. An entrepreneur has to effectively manage these problems to ensure the success of the venture

- **BUREAUCRACY**- this means the 'role of the office'. In order to startup a business in India there is large Number of procedures and clearances to be followed. There are rules and regulations which sometimes do not serve the purpose for which they were established. They take a lot of time and since new entrepreneurs have limited resources they find it extremely difficult to deal with this.

- **CORRUPTION-** often corruption hampers the growth of business within the country as an entrepreneur has to pay bribes to government officials to get required licensing and clearing procedure. Some entrepreneurs may have to pay bribes to secure funding from banks, get approvals, evasion of tax etc.

- **LABOUR**- the productivity of labor in the country is relatively low as compared to other developed nations of the world. The labor in the country is cheap but their productivity is just satisfactory. There is shortage of skilled and skilled and semi-skilled labor due to lack of training and vocational educational programs.

- **REGIONAL SENTIMENTS**- many businesses were not able to achieve success because of the sentiments of the local population and community. Local community can also have various issues related to air, noise or even water pollution. All these factors have to be taken into consideration before commencing any business.

Every entrepreneur needs financial resources while starting up a new business. Hence he must be educated about the costs that go into running a business. A good budget is a necessity but there may be certain hidden costs. An entrepreneur has to take into account various hidden costs and expenses before going further with his new business venture. The list provides-

- **POOR BUSINESS PLANNING**- Proper planning is the key for startups to get their businesses off the ground. In this technological landscape, writing a formal business plan based on a vague requirement of some institution is suicidal. Due to poor planning, many businesses fail in the very first year because they do not effectively factor in challenges and pitfalls. Even if the startups have innovative ideas and ambitions, but their business plans lack perspective, they are doomed to fail or they have to continuously devise and change them.

- **PERMITS, LICENSES AND DUES**- cost of permits and licenses required to conduct business activities must be taken into consideration by an entrepreneur.

- **LACK OF PROPER MARKETING STRATEGY** - It is always a challenge for startups to figure out best ways to market their products or services. The fact that small businesses need to maximize their return on investment with efficient and result oriented targeted marketing also makes them vulnerable in terms of trust they have develop vis-à-vis customers. Without putting a comprehensive marketing strategy in place, companies' profits take a steep plunge.

- **LACK OF FINANCES -** Cash flow is essential for startups to survive. One of the key challenges that small businesses face today relates to finances. As income increases, the expenditures also increase and to top it all, startups rely heavily on investors who provide them strong financial support. When such situations arrive, startups are the first ones who lose on properly managing their finances, and eventually succumb to the pressure. While entrepreneurs have to make sure that they have enough funds to go around, in the meantime, they also have to pay their employees, contractors, mortgage, and grocery bills.

- **OFFICE SPACE AND UTILITIES**- office space is required to carry out various business operations and activities. A home office can work for various startups but it is often suggested to have a proper formal office set up.

- **FIERCE COMPETITION** - Competition is the most inevitable challenge that startups face. In fact, startups have to bear the brunt of facing two-way challenge: one coming from monopolistic businesses that have dominated the market and making difficult for newcomers to emerge. Second, there are countless startups that are launched regularly in the market having innovative ideas, so it is highly likely to get swallowed by the shadow of other startups.

- **EQUIPMENT, MAINTENANCE AND UPGRADES**- an entrepreneur must know the tools and equipment he needs to create a product or run a service.

- **EMPLOYEES AND BENEFITS**- employees are considered as the biggest assets of a business enterprise. Keeping a satisfactory and satisfied workforce involves cost. An entrepr4eneur must invest properly in his employees.

- **INSURANCE**- business may have to pay premiums of a frequent basis. An entrepreneur must carry insurance for negligence, property illness and injuries

- **SHRINKAGE**- it refers to loss of inventory at some point between its purchase from a firm’s supplier and its purchase by a firm’s customer. Entrepreneurs must consider the probability of inventory losses before they start up their venture.

- **PAYMENT DELAYS**- delay in payments by customers and clients can seriously hurt the financial position of the business

- **PROFESSIONAL SERVICES**- legal and accounting fees can scale up on an annual basis. Legal experts and accounting professionals charge a lot of fees. This results in outflow of funds from business.

3) DIFFERENCE BETWEEN VENTURE CAPITAL AND EQUITY CAPITAL-

Private Equity and Venture Capital are a type of financial assistance provided to the companies at various stages. Due to the similarity in their concept, they are taken as one and the same thing. However, there is a considerable overlap amidst the two terms which is not known to people. Private Equity involves larger investments in the matured companies. Unlike, Venture Capital in which relatively small sized investments is made, in the companies passing through initial stages of their development.

Private equity firms mostly buy mature companies that are already established. The companies may be deteriorating or failing to make the profits they should due to inefficiency. Private equity firms buy these companies and streamline operations to increase revenues. Venture capital firms, on the other hand, mostly invest in startups with high growth potential.

Private equity firms mostly buy 100% ownership of the companies in which they invest. As a result, the companies are in total control of the firm after the buyout. Venture capital firms invest in 50% or less of the equity of the companies. Most venture capital firms prefer to spread out their risk and invest in many different companies. If one startup fails, the entire fund in the venture capital firm is not affected substantially.

Private equity firms invest $100 million and up in a single company. These firms prefer to concentrate all their efforts on a single company since they invest in already established and mature companies. The chances of absolute losses from such an investment are minimal. Venture capitalists spend $10 million or less on each company since they mostly deal with startups with unpredictable chances of failure or success.

4) CONTRACT MANAGEMENT

A contract is a written or oral legally binding agreement between parties identified in agreement to fulfill the terms and conditions mentioned in agreement.

Contract management is the management of contracts by business made with customers, vendors, partners or employees. It is the process of managing contracts, deliverables, deadlines and contract terms and conditions while ensuring customer satisfaction. The personnel involved in contract administration required to negotiate, support and manage effective contracts are often expensive to train and retain. Contract management is concerned with negotiating the terms and conditions in contracts and ensuring compliance with the terms and conditions as well as documenting and agreeing on any changes or amendments that may arise during its implementation or execution.

Elements of successful contract management

It isn't enough that an organization has professionals in place to handle contract management. Employees must be augmented with the presence of processes and software companions to satisfy increasing compliance and analytical needs. When a contract management strategy is successfully implemented, organizations can expect to see:

- The expected business benefits and financial returns are being realized.
- The supplier is cooperative and responsive to the organization's needs.
- The organization encounters no contract disputes or surprises.
- The delivery of services is satisfactory to both parties.

Stages of contract management

Contracts play a significant role in the end-of-quarter crunch, and are broken up into stages to organize efforts and structure the typical contract process. When done manually, creating a contract can prove quite time-consuming. The process includes several of the following steps:

- **Initial requests**- The contract management process begins by identifying contracts and pertinent documents to support the contract's purpose.
- **Authoring contracts**- Writing a contract by hand is a time-consuming activity, but through the use of automated contract management systems, the process can become quite streamlined.
- **Negotiating the contract-** Upon completion of drafting the contract, employees should be able to compare versions of the contract and note any discrepancies to reduce negotiation time.
- **Approving the contract**- The instance in which most bottlenecks occur is getting management approval. Users can pre-emptively combat this by creating tailored approval workflows, including parallel and serial approvals to keep decisions moving at a rapid pace.
- **Execution of the contract**- Executing the contract allows users to control and shorten the signature process through the use of electronic signature and fax support.
- **Obligation management**- This requires a great deal of project management to ensure deliverables are being met by key stakeholders and the value of the contract isn't deteriorating throughout its early phases of growth.

- **Revisions and amendments-** Gathering all documents pertinent to the contract's initial drafting is a difficult task. When overlooked items are found, systems must be in place to amend the original contract.
- **Auditing and reporting** - Contract management does not simply entail drafting a contract and then pushing it into the filing cabinet without another thought. Contract audits are important in determining both organizations' compliance with the terms of the agreement and any possible problems that might arise.
- **Renewal-** Using manual contract management methods can often result in missed renewal opportunities and business revenue lost. Automating the process allows an organization to identify renewal opportunities and create new contracts.

Common commercial contracts are:-

- Sales invoices
- purchase orders
-utility contracts
- Intellectual property agreements
- Contracts related to outsourcing and international trade.