



# MANAGING THE ENTREPRENEURIAL VENTURE

- Individual decision making style
- The role of intuition
- Decision making conditions
- Measuring and evaluating organizational performance
- Organizational efficiency and effectiveness

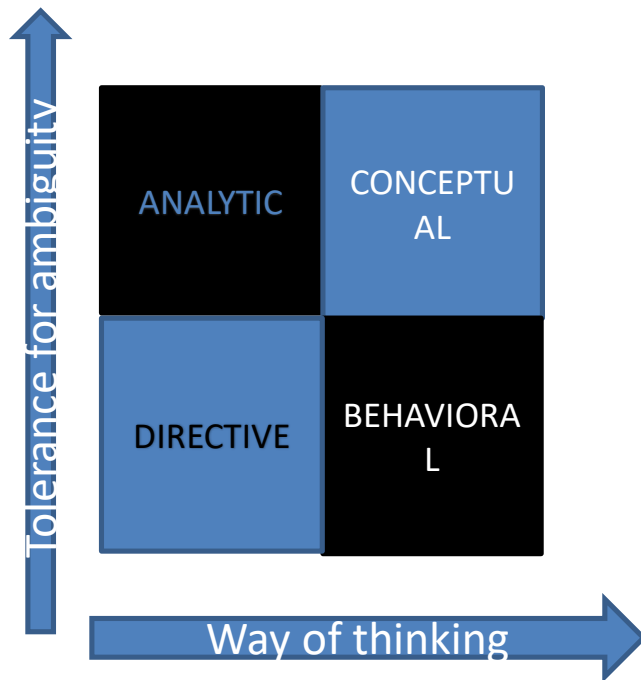
# INDIVIDUAL DECISION MAKING STYLE

- Entrepreneurs have different styles when it comes to making decisions and solving problems.
- There are three ways: problem avoider, problem solver, problem seeker.
- **PROBLEM AVOIDER** : approaches problems by avoiding and ignoring information that points to problem.
- **PROBLEM SOLVER**: person who addresses problems by trying to solve them as they come up.
- **PROBLEM SEEKER**: proactive, approaches problems by actively seeking out problems or new opportunity.

# Cont...

- There are times when ignoring a problem is the best response, other times being reactive may be the only option because the problem happens so quickly.
- Some people tend to be rational and logical in the way they think or process information.
- A rational type looks at information in an orderly way and makes sure that is logical and consistent, other people tend to be creative and intuitive.
- The other dimension describes a person's tolerance for ambiguity.
- When there two dimensions are diagrammed, four different decision making styles are formed.

## DECISION MAKING STYLES



**ANALYTIC STYLE:** is characterized by a high tolerance for ambiguity and a rational way of thinking.

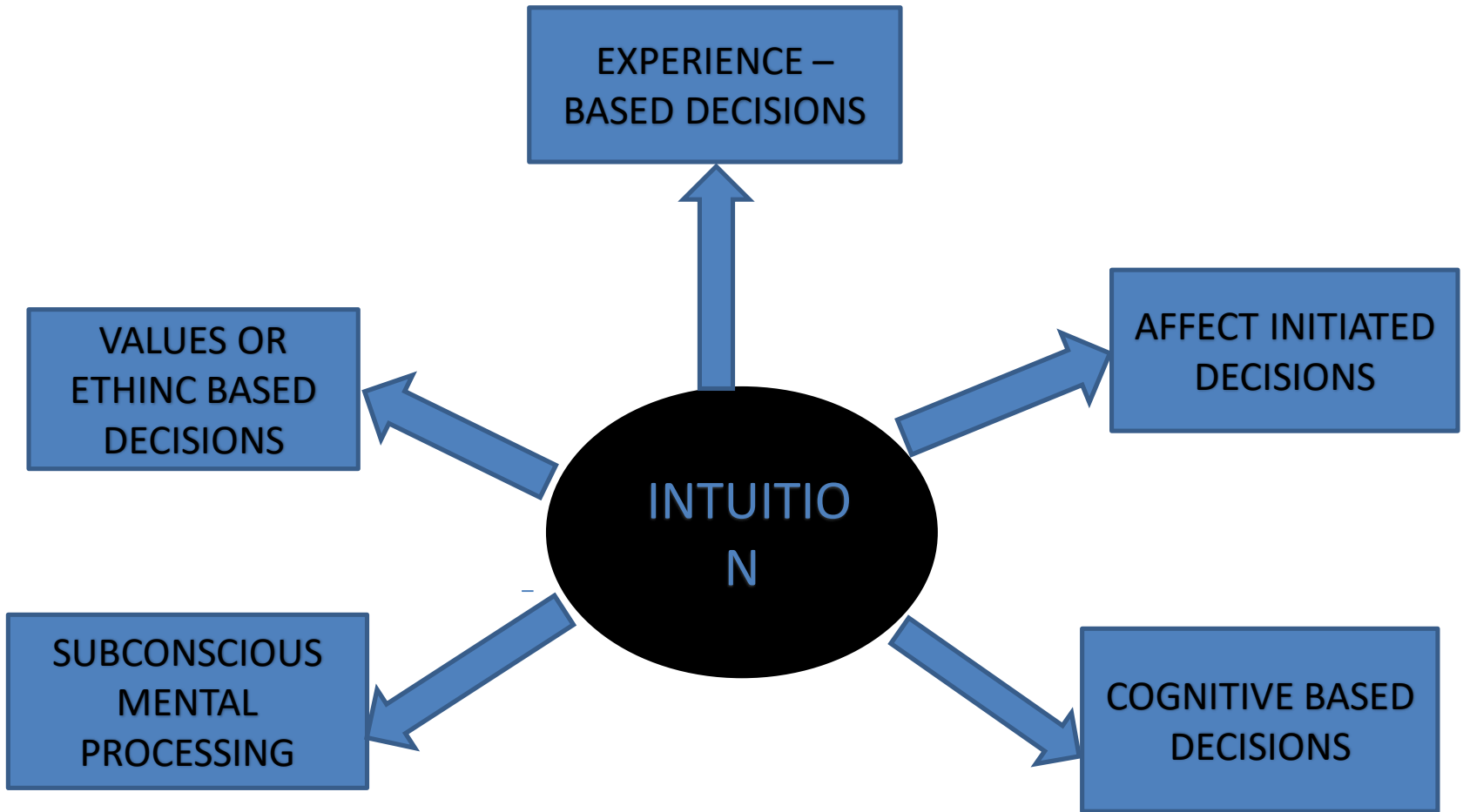
**CONCEPTUAL:** high tolerance for ambiguity and an intrusive way of thinking.

**DIRECTIVE:** low tolerance for ambiguity and rational way of thinking.

**BEHAVIORAL:** low tolerance for ambiguity and intuitive way of thinking.

# THE ROLE OF INTUITION

- Intuitive decision making is a subconscious process of making decisions on the basis of experience and accumulated judgment.
- There are five aspects of intuition
- Decision making conditions: the factor can affect how rational the entrepreneur is in making decisions in the circumstances surrounding the decision to be made.
- Entrepreneurs faces three potential conditions: certainty, risk and uncertainty.



# MEASURING AND EVALUATING ORGANISATIONAL PERFORMANCE

- Managing the entrepreneurial venture is not that simple.
- Measuring and evaluating performance on organizational level.
- Organizational performance: is the organization's success at achieving its goal effectively and efficiently.
- Measures can be either quantitative or qualitative.
- Quantitative measures are stated as numbers, qualifiable, easily assembled, calculated and compared.
- Qualitative measures define organizational activities that are hard to qualify, some activities may not be reduced to quantitative terms, so qualitative assessments would be appropriate.



# Organizational Efficiency and Effectiveness

- Efficiency concerns the amount of resources that are being used to meet stated goals. It refers to relationship between inputs and output, more output for given input means increased efficiency.
- Efficiency is often referred to as “doing things right” - that is not wasting resources.
- Effectiveness concerns whether an organization is meeting its stated goals. Effectiveness is often described as “doing the right things”.
- Efficiency is concerned with the “means” of getting things done, effectiveness is concerned with the “ends”.
- An organization can be efficient, but not effective

# Cont...

- Entrepreneurs should strive for both high effectiveness and high efficiency
- Successful entrepreneurial ventures typically have achieved high levels of both efficiency and effectiveness.
- Financial performance: one of the primary purposes of business organizations is to earn profit.
- Financial results serves as a significant measure of organizational performance.
- Financial data is used to calculate efficiency measures.
- For instance, total sales divided by number of employees is one measure of efficiency.

# Tools and techniques for measuring and evaluating organizational performance

- Financial statement analysis.
- Cut the chaos.
- Ways to cut chaos.

# Four important measurement tools.

- Financial statement analysis.
- Financial ratio analysis.
- cash flow analysis.
- SWOT analysis.

# Financial statement analysis.

- Keeping up-to-date and thorough financial records is important regarding the financial health of business.
- They provide accurate information regarding the financial health of the business.
- The information from financial records is needed to prepare federal and state tax return.
- Unless the entrepreneur is able and willing to put these financial records together, bookkeeping help and advise may be necessary.

- ▣ One thing that's important in creation of the venture's financial records is following generally accepted accounting principles (GAAP), standards developed by the Financial Accounting Standard Board.
- ▣ (FASB) ensures that all businesses create uniform financial statement formats.
- ▣ Keeping financial records begins with the creation of journals and ledgers. (Raw data from sources such as a sales journal)
- ▣ A purchases journals are the backbone of the venture's financial records.

# Cut the chaos.

- ▣ Handling E-Mail
- ▣ Handling paper
- ▣ Handling workday interruptions
- ▣ Handling filing

## ▣ HANDLING E-MAIL :-

- Be brief
- Use the subject line
- Respond quickly
- Filter the spam
- Be judicious about what e-mail group you have joined
- Handle e-mail as few times possible



## HANDLING PAPER :-

- ▣ Stop it before it arrives.
- ▣ Attempt to handle paperwork only once.

## HANDLING WORKDAY INTERRUPTIONS :-

- ▣ Close your door to interruption for part of day.
- ▣ Give people the information they need before they interrupt you.

## HANDLING FILING :-

- ▣ Think carefully about what you file.
- ▣ File, don't pile.
- ▣ File in one of two places: action or standing.
- ▣ Action files are ones we use often and may want to keep on desk.
- ▣ Standing files are those that go in a file drawer or cabinet.

# FINANCIAL RATIO ANALYSIS

- Way to express relationships between key accounting elements from the financial statements and a convenient and relatively easy technique for doing a financial analysis.

# CATEGORIES OF FINANCIAL RATIO

- Liquidity ratio

The organization's ability to meet its current debt obligations with its current assets.

Types of liquidity ratio

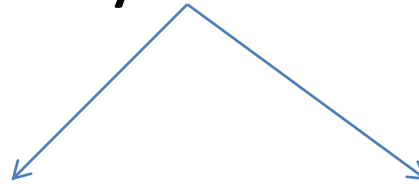
Current ratio

ratio between current assets and current liabilities

Quick ratio

it is similar to the current ratio but it excludes inventory from current assets

# Liquidity Ratios



Current Ratio

Quick Ratio

- Leverage ratio  
Examine the organization's use of debt and the use of equity to finance its assets.
- Operating ratio  
Measures the efficiency of organization used in assets.
- Profitability ratio  
Measure the profit of organization.

# CASH FLOW ANALYSIS

- **CASH** it's an absolutely vital economic unit of exchange. unless you barter for your essentials of daily living, you know that cash is essential! Although bartering for goods and services may be something that entrepreneurs engage in occasionally, they also need cash to run their businesses.
- **Cash flow** as the actual amount of cash an organization brings in and the actual amount of cash it pays out during a given time period.
- **Positive cash flow** is when the amount of cash coming in is greater than the amount of cash going out.
- **Negative cash flow** is when the amount of cash going out is greater than the amount of cash coming in.

- Leverage ratio

Examine the organization's use of debt and the use of equity to finance its assets.

- Operating ratio

Measures the efficiency of organization used in assets.

- Profitability ratio

Measure the profit of organization.



# KEY CASH MANAGEMENT PLAYED BY ENTREPRENEUR

- Cash finder
  - I. Most important role played by entrepreneur
  - II. Making sure there's enough cash to pay present and future bills
  - III. An ongoing job
- Cash planner
  - I. making sure cash is used properly and efficiently
  - II. Requires keeping track of cash and planning for its use
  - III. Forecasting cash inflows and outflows
- Cash distributor
  - I. Controlling the cash used to pay bills and other obligations
  - II. Making sure cash is available when needed

- Cash collector
  - I. Collecting the cash that's due
  - II. Making sure it's collected on time
- Cash conserver
  - I. Getting maximum value for cash being spent
  - II. Getting the most for your money
  - III. Avoiding unnecessary expenditures

# STEPS TO PREPARE CASH BUDGET

- Determine desired cash balance
- Identify beginning cash
- Forecast cash receipts
- Forecast cash disturbances
- Reconcile ending cash with desired cash balance

# SWOT Analysis:

- The letters actually are an acronym for –
  - Strength
  - Weakness
  - Opportunities &
  - Threats
- SWOT Analysis is a tool that entrepreneurs can use in assessing the work being done in their entrepreneurial venture and how organizational performs.
- An analysis of the ventures work activities and processes identifies strengths and weakness.

## ➤ STRENGTH:

- Strength are activities that the organization is doing well.
- Organizational strength should be reinforced and nurtured because they influence how well the organization ultimately performs its work.
- In addition, strengths can be important potential competitive weapons.

## ➤ WEAKNESS:

- Weakness are things that the organization does not well.
- Organizational weakness need to be corrected if they are in critical areas that are affecting the ventures performance and its ability to be competitive.
- This internal analysis is typically done using an internal audit.

- An analysis of the trends and changes happening outside the organization provides an indication of potential opportunities and threats.

- **OPPORTUNITIES:**

- Opportunities are positive favorable external trends or changes of which the entrepreneur might want to take advantage.

- **THREATS:**

- Threats are negative and unfavorable external trends and changes that the entrepreneur will probably want to avoid or at least buffer against.
- The external analysis assesses what's happening outside the organization by examining trends and changes in the economic, technological, demographics, social-culture, global.

- All of the performances-measurement tools and techniques that we've discussed in this financial statements analysis, financial ratio analysis ,cash flow analysis and SWOT analysis.
- It provides a picture of how efficiently and effectively the entrepreneurial venture is performing.

# STIMULATING AND MAKING CHANGE- BEING A CHANGE AGENT:

- Change the only thing constant about it is the fact that it is constant.
- Both external and internal forces may bring about the need to make changes in the entrepreneurial venture.
- External forces for change include changes in technology, global competition, economic trends, or any other number of external factors.
- Internal forces for change may include any decisions and actions taken by organization members in response to not meeting performance goals, developing and implementing a new strategy, or adapting to other changing organization circumstances.



- Entrepreneurs need to be alert to problems and opportunities that may create the need to change.
- The entrepreneurs may have to act as a change agent, a person who's a catalyst for change and who also manages the change process.
- Of the many hats an entrepreneur wears that of change agent may be one of the most important.
- Change isn't easy in the catalyst coach and cheerleader, and chief change consultant.
- During any organizational change, the entrepreneur may have to act as chief cheerleader and coach.
- They encourage , they support ,they explain , they get you excited ,they build you up, they motivate you to put forth your best efforts.

- The entrepreneur may have to act as the primary organizational change consultant if fees for hiring outside change consultant beyond the ventures available financial resources.
- A predictable part of managing the ongoing process of the entrepreneurial venture is stimulating and making changes.
- The changes are in response to performance results that don't quite measure up or are made to exploit opportunities.
- The entrepreneur plays an important role as a change agent.

# CONTEMPORARY ISSUES IN MANAGING THE VENTURE

- Organizational processes of making decisions, measuring and evaluating.
- Organizational performance stimulating and making changes, the entrepreneur is focused on making sure the venture is operating as efficiently and effectively as possible.
- The entrepreneur also must be aware of the importance of managing innovation and creativity managing customer service, initiating, e-business strategies and becoming a world class organization.

# Managing Creativity and Innovation

- Chaotic world of global competition organizations must continually innovate new products and services if they want to compete successfully.
- Innovation is a characteristic of entrepreneurial organizations and they are continually innovating.
- The innovation is what makes the entrepreneurial organization “entrepreneurial” in a sense creativity and innovation.
- And involves change in what the organization makes or change in how it makes its products.

# conti.....

- We defined creativity the ability to combine ideas in a unique way or to make unusual associations between ideas one the other hand .
- Innovation was defined as the process of taking a creative idea and turning it into a usefull product service or method of operation .
- The difference between two similar treams because creativity by itself isn't enough to make an enterprenurial venture successful.

# Cultivating Innovation

- Innovative organization is characterized by its ability to turn creativity into valuable outcomes and encourage innovation in the organization .
- It is important to have creative individual or groups planted in the right environment .
- It takes the right environment for innovation to take hold and prosper kind of environment look Three factors have been found to innovation in organizations.
  - 1] Structural factors .
  - 2] Cultural factors .
  - 3] Human resource factors .

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- An organization structure can have a significant impact on whether innovation blooms. Extensive research into the effect of structure has positive effects on innovation. The type of organization is low in formalization, centralization and work specialization.
- The organic design facilitates the flexibility, adaptability and cross fertilization among people and work units that are necessary for creativity and innovation to occur and thrive.
- The second structure factor that has been shown to have a positive impact on innovation effects is having sufficient resource to support the innovation process.

# Why are resource important?

- Resources-financial resource in particular allow entrepreneurs to purchase innovation pay the expenses associated with implementing innovation or absorb the costs of unsuccessful innovation .
- It may be limited but even with the constraint of limited resource innovation process are two important to ignore.
- An investment in innovation is vital for the long term survival and ultimate success of the entrepreneurial organization.
- The third structure factor that's important to the innovation process is encouraging frequent communication among the organization various work units (departments, divisions or whatever).



- Free-flowing and continual cross-communication has been shown to help break down barriers to innovation.
- Sharing information and openly collaborating on ideas can create an environment that's conducive to high level of creativity and innovation.
- Although the structural factors are important they are just one aspect of nurturing innovation now let's look at the cultural factors.
- Innovation organizations tend to have similar cultures they encourage experimentation reward both success and failures and celebrate mistakes.

- An innovation culture is likely to have the following characteristics.
  - **Acceptance of ambiguity:** Too much emphasis on objectivity and specificity constrains creativity.
  - **Tolerance of the impractical:** Individuals who come up with impractical even foolish.
  - **Low external controls:** Rules regulations, policies and similar organizational controls are kept to a minimum.
  - **Tolerance of risk:** Employees are encouraged to experiment without fear of consequences if they fail mistakes are treated as learning opportunities.

- **Tolerance of conflict:** Diversity of opinions is encouraged. Harmony and agreement between individuals or group are not assumed to be evidence of high performance.
- **Focus on ends rather than means:** Goals are made clear and individuals are encouraged to consider alternative routes toward meeting the goals. To using on ends suggests that there might be several right answers any given problem or opportunity.
- **Open system focus:** The entrepreneur closely monitors the environment and responds rapidly to change as they occur.

Each of these cultural characteristics contributes to an atmosphere in which creativity and innovation can flourish .

# What role does it play in the innovative organization?

- Innovation organizations understand the importance of the people who work there.
- Innovation organizations do many things to support the innovation efforts of their members such as that their knowledge remains current offering their employees high levels of job security .
- To reduce the fear of getting fired for making mistakes and encouraging individuals to become champions of new ideas.
- Having ideas champions throughout the entrepreneurial organization goes a long way toward ensuring that creativity and innovation thinking (and doing) will thrive .

- It's not only the entrepreneur who should play the role of idea champion in a truly innovation organization ,idea champions will be found in different area .
- They'll be those individuals who are willing to take a stand to try something different and to passionately pursue different and unique ideas nurture them support them and reward them these individuals can be valuable to your entrepreneurial organization.
- Managing creativity and innovation are important issues for entrepreneurs to recognize another contemporary issues entrepreneurs must understand is managing customer service.



# **MALNAD COLLEGE OF ENGINEERING, HASSAN**

**(An Autonomous Institution under Visvesvaraya Technological  
University Belgaum)**

# **Entrepreneurship**

**“Managing Customer service”**

**Submitted By,**

**DEEPTHI R - 4MC16EI009**

# Managing Customer service

**Customer service** is the direct one-on-one interaction between a consumer making a purchase and a representative of the company that is selling it. Most retailers see this direct interaction as a critical factor in ensuring buyer satisfaction and encouraging repeat business

In the past, people chose which companies they did business with based on price, or the product or service offered, but today the overall experience is often the driver

**“89% of companies now expect to compete mostly on the basis of customer experience.”**



# Why Managing Customer service is important

- Research has shown that companies can improve profits anywhere from 25 percent to 85 percent when they reduce customer defections.“
- Technical Assistance Research Program (TARP) in Washington, D.C., found that the average business never hears from 96 percent of its dissatisfied customers.
- when customers aren't treated well, it can have a ripple effect .96 people are out there telling others about their bad experiences. They will tell an average of 9 or 10 people about their problems with the company
- Managing customer service is important is that exemplary customer service can be a competitive advantage





# How to manage customer Service

Entrepreneurs should focus on 3 Aspects

- I. Service Strategy
- II. Customer friendly systems
- III. Customer oriented frontline people

## I. Service Strategy

Service strategy focuses the attention of all organisation members towards discovering, understanding, meeting and exceeding the real priorities of customers

One thing an entrepreneur might use is a customer Report card, a type of customer service audit that lists what customers are looking for, their priority for each of attributes. Its like a grade card for a business.

### REPORT CARD

#### Customer Service

A	Attitude
A	Awareness
A	Answers
A	Apparatuses
A	Always On

**A+**

## II. Customer friendly systems

- These systems should be designed so that a customer can complete any transaction any time reliably, hassle free and quickly.
- The venture's delivery system - that is the way your goods or services are delivered to the customer should be designed for the convenience of the customer not the convenience of your organisation.
- All physical facilities, procedures, methods, communication process and policies should be designed to meet customers needs

### System Components

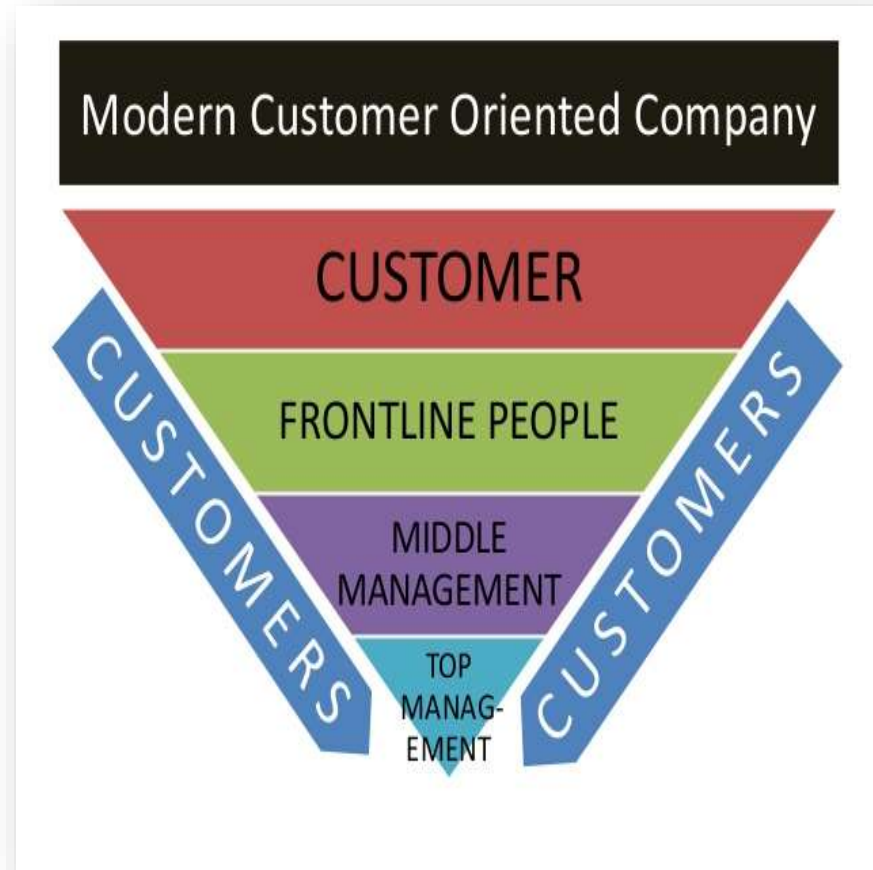
#### Customer-Friendly Systems Components

- Advertising
- Complaint resolution
- Delivery systems



### III. Customer oriented frontline people

- Customer service is the responsibility of everyone in organization. However don't just assume that employees know about customer service.
- you have to educate employees on how to service customers. clarify your expectations regarding how customers and how to deal with various customers situations.
- Reward employees who treat customers the way you want them treated.



# **INITIATING E-BUSINESS STRATEGIES**

Not all that many years ago, you probably kept in touch with friends using the telephone. Now, chance are you use e-mail as one of your main ways to communicate. Web address are a common feature on product packages and in advertising. As a student, your learning increasingly may be taking place in an electronic environment. Everywhere you look, organizations are becoming e-business. Today's entrepreneurs do business in an e-world.

**E-Business(electronic business)** is a term describing the way an organization does its work by using electronic (Internet) links with its key constituencies in order to efficiently and effectively achieve its goals. It's more than e-commerce, although e-business can include e-commerce.

**E-Commerce(electronic commerce)** is any form of business exchange or transaction in which the parties interact electronically. Companies such as Dell(computers), Varsity books (textbooks), and JustFlowers.com(flowers and other gifts) are engaged in e-commerce because they sell products over the internet.

# Types of E-Commerce Transactions

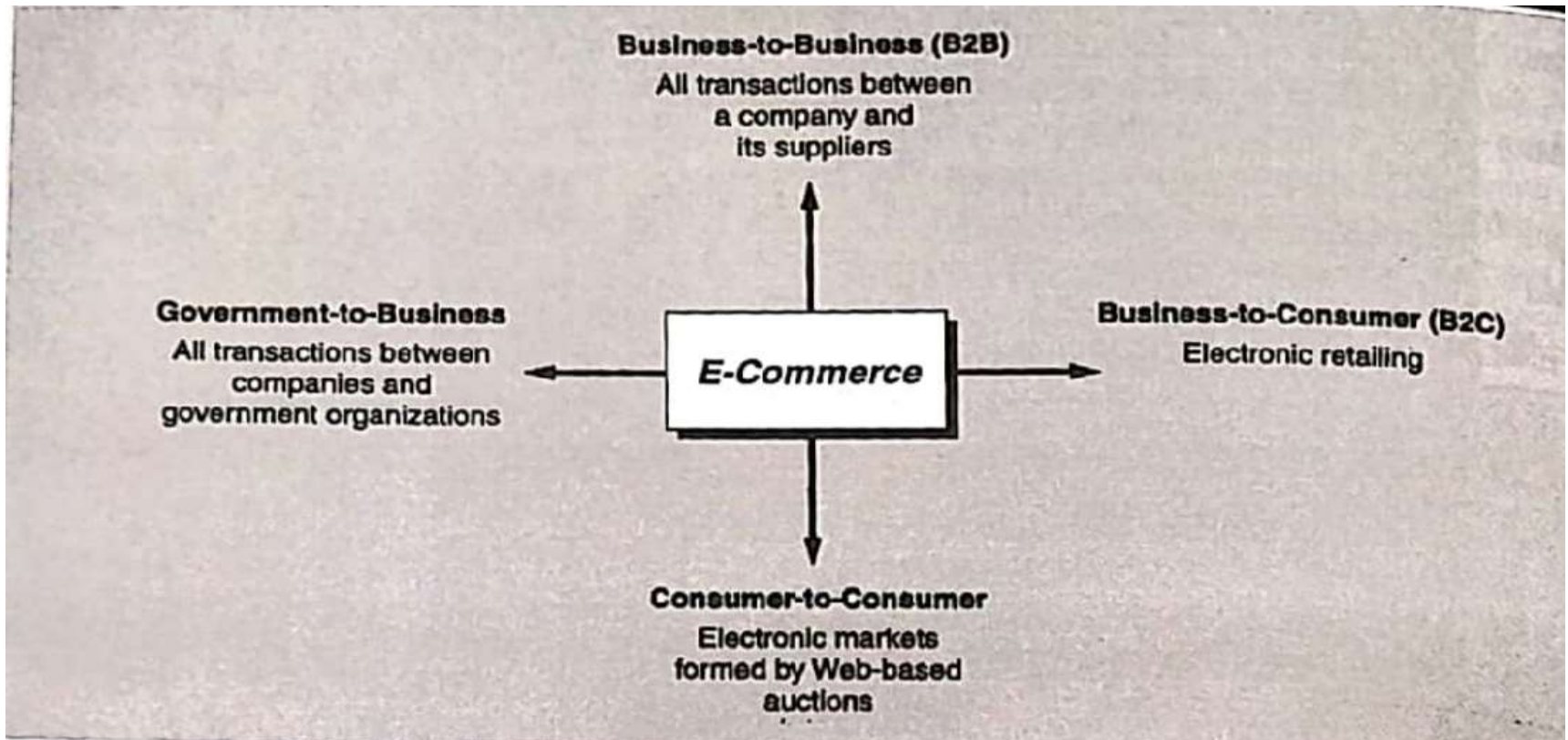


Exhibit.(a) Types of E-Commerce Transactions

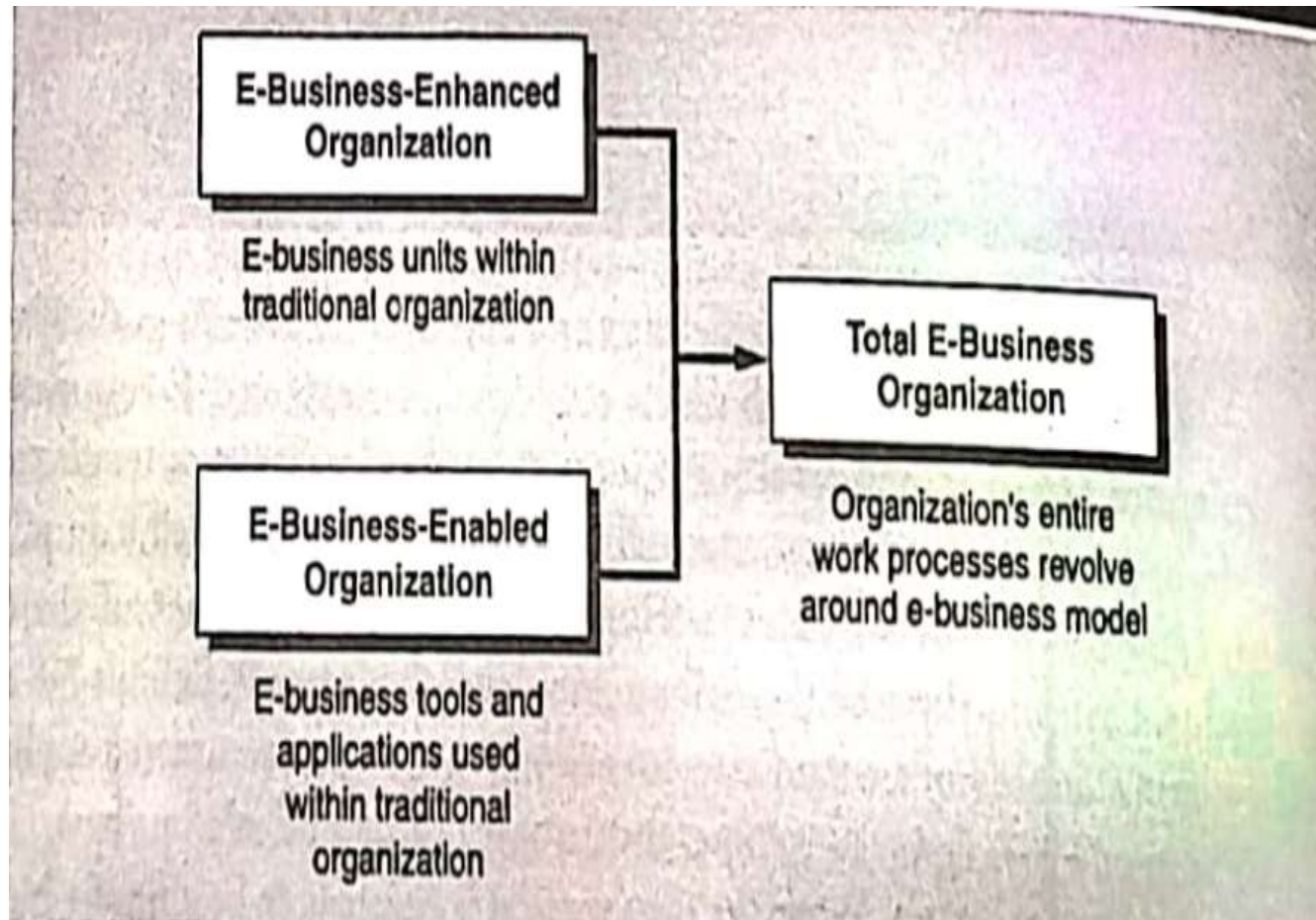


Exhibit.(b) Categories of e-Business Involvement

- Exhibit.(a) explains the main forms of e-commerce transactions. Although e-commerce applications will continue to grow in volume, they're only one part of an e-business.
- Not every organization is or needs to be a total e-business.
- Exhibit.(b) illustrates three types of e-business involvement. The first type is known as an e-business enhanced organization, a traditional type of organization that establishes e-business structure.
- Many large Fortune 500 companies are evolving into e-business using this approach.
- They use the internet to enhance(not to replace) their traditional ways of doing business. Organizations such as Sears, Merrill Lynch, Office Depot, Starbucks, Tupperware, and Whirlpool are e-business enhanced organizations.



- Another type of e-business involvement is an e-business-enabled organization. In this type of e-business, an organization uses the internet to do its work better but not to sell anything.
- The internet enables organizational members to do their work more efficiently and effectively.
- For instance, Levi Strauss & Company(the jeans company) uses its Web site to interact with customers, providing them with information about the company and its product, but not to sell jeans.
- It also uses an **intranet**, an internal organizational communication system that uses internet technology and is accessible only to organizational employees, to communicate with its workspace.
- Other organizations use enterprise-wide software solutions such as database management software to link together all organizational areas.

# GUIDELINES FOR INITIATING E-BUSINESS STRATEGIES

- ✓ The old rules for being a successful organization (economies of scale, offering a wide array of products, efficiency of operations, market share, and vertical integration) are no longer sufficient.
- ✓ The challenge for entrepreneurs is bridging the gap between the “physical” and the “digital” worlds.
- ✓ E-business requires new business designs and new organizational capabilities.
- ✓ These new business designs must efficiently integrate the business’s functions, technologies, and work processes.
- ✓ The choice of e-business design is dictated by the customers: e-what they value and what they care about.
- ✓ Customer needs and the ability to satisfy those needs are at the core of a successful e-business model.
- ✓ Building customers relationships and connections is an important capability.
- ✓ Technology must be imbedded in an effective e-business design. Technology is not the end, but the means to an end.
- ✓ Software applications must be cross-functional and integrated.

- The last type of e-business involvement is when organization becomes a total e-business. Many entrepreneurial organizations-such as amazon.com, yahoo, e\* trade, and eBay-started as total e-business organizations.
- Total e-business organizations combine the elements of e-enhanced and e-enabled organizations. Their whole existence is made possible by and revolves around the internet.
- Other organizations, such as Charles Schwab and company have revolved into e-business organizations that seamlessly integrate traditional and e-business function.
- Successful entrepreneurial organizations of the 21<sup>st</sup> century are going to have to understand e-business strategies. The environment in which entrepreneurs do business will not be the same tomorrow as it is today.
- To succeed in this type of environment means finding out all you can about how business is changing.
- Guidelines for initiating e-business strategies apparent that managing customers service and initiating e-business strategies are important considerations for today's entrepreneurs.

# BECOMING A WORLD-CLASS ORGANIZATION

# WHAT IS WORLD-CLASS ORGANIZATION?

- It's an organization that is continually looking for ways through its decisions and actions to be the best in the world at what it does.
- Even if an organization operates in a single geographic location, it should still strive to be the best at what it does in its own little world.

# MAJOR CHARACTERISTICS OF WORLD-CLASS ORGANIZATIONS

1. Strong Customer Focus
2. Continual Learning and Improvement
3. Flexible Structure
4. Visionary Human Resource Management
5. Egalitarian Climate
6. Significant Technological Support

# 1. STRONG CUSTOMER FOCUS

- A strong customer focus is by far the most important characteristic of a world-class organization.
- An entrepreneurial venture is not in business to please itself, but to delight its customers.
- If you don't do this, you won't be in business for long.
- A strong customer focus guides everything the venture does and is critically important for being a world-class organization.

## 2. CONTINUAL LEARNING AND IMPROVEMENT

- Another distinctive characteristics of world-class organizations is their emphasis on continual learning and improvement.
- Whether it's finding ways to be faster or more efficient and effective than competitors, world-class organizations look for ways to continuously improve.
- As we know organizational change and total quality management, you can't stand still.
- You have to continually look for ways to improve what you do and how you do it.



### **3. FLEXIBLE STRUCTURE**

- Another characteristics of world-class organization is that it has a fluid and flexible organizational structure.
- The fluid and flexible organizational structure that allows it to respond quickly, decisively and intelligently to internal and external changes and trends.
- World-class organizations don't get hung up on rigid job classifications, duties or relationships.
- Instead, their organizational structure facilitates open, responsive and flexible approaches to resolving problems or pursuing opportunities.

## **4. VISIONARY HUMAN RESOURCE MANAGEMENT**

- A world-class organization also has visionary and creative human resource management policies, programs and practices.
- Organizational members are valued and are treated in ways that they know their contributions are valued and appreciated.
- Most importantly, world-class organizations effectively energize their employees creativity in decision making and in the ways they do their jobs.
- They're encouraged to be innovative and to continually look for ways to learn and improve.

## **5. EGALITARIAN CLIMATE OR CULTURE**

- It means that the organization and its members value and respect everyone both inside and outside the organization.
- Everyone and everything from customers, suppliers, fellow employees, and other stakeholders, to the community and the environment are treated with dignity and respect.
- World-class organizations recognize the interconnectedness of how they do business and their ultimate success.

## 6. SIGNIFICANT TECHNOLOGICAL SUPPORT

- In a world where speed and flexibility are critical to competitive success, technological support is crucial.
- But, understand that it's not the technology itself that's important. It's how the organization's people use the technology to serve customers more efficiently and effectively.
- Chuck James, CEO of Dallas-based Prime Source Food Service Equipment Inc., understands the importance of technology.
- Using technology to arrange the logistics, the company ship ovens, refrigerators and other restaurant gear from its Indianapolis warehouse to customers around the United States.