**Department of Electrical Engineering**
**Final – Assignment Spring 2020 Date: 24/06/2020**

## Course Details

**Course Title:** Entrepreneurship **Module:**
**Instructor:** Dr. Shahid Latif **Total Marks:**

## Student Details

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Note: Attempt all of the following questions.

| | | | |
|---|---|---|---|
| **Q1.** | | **Business Plan is heart of any new project and without a detailed plan, no business can be successful.** **Describe in detail how Business Plan is written, highlighting contents of its different components with giving example for each section?** | **Marks 10** |
| | | | **CLO 2** |
| **Q2.** | **(a)** | **Consider yourself an "Entrepreneurship" and you want to start a new business. Prepare a "Business Plan" for your new venture detailing and describing all the steps required to start this business. (Business Plan for any Product or Service).** | **Marks 10** |
| | | | **CLO 2** |
| **Q3.** | **(a)** | **What are the three main forms of business organization, and what factors should a company's owners consider when selecting a business form?** | **Marks 5** |
| | | | **CLO 2** |
| | **(b)** | **What are advantages and disadvantages of a business venture when operated as a partnership?** | **Marks 5** |
| | | | **CLO 2** |
| **Q4.** | **(a)** | **Growth Strategies are based upon Knowledge of Product or Market, discuss in your words? Describe four growth strategies with giving example of each strategy.** | **Marks 10** |
| | | | **CLO 2** |
| **Q5.** | **(a)** | **Draw a block diagram showing the Marketing System for a new business by highlighting external and internal environmental factors.** | **Marks 10** |
| | | | **CLO 2** |

**Q.1.a.Business Plan is heart of any new project and without a detailed plan, no business can be successful.**

**Describe in detail how Business Plan is written, highlighting contents of its different components with giving example for each section?**

**Ans.**

There are seven major sections of a business plan, and each one is a complex document. While plans vary as much as businesses do, here's a summary of the seven main sections of a business plan and what each should include.

1. Executive Summary
2. Business Description
3. How It will Profit
4. Market Strategies
5. Projecting Market Share
6. Positioning your Business
7. Pricing And Distribution

1. **Executive Summary:-**

Within the overall outline of the business plan, the executive summary will follow the title page. The summary should tell the reader what you want. This is very important. All too often, what the business owner desires is buried on page eight. Clearly state what you're asking for in the summary.

The statement should be kept short and businesslike, probably no more than half a page. It could be longer, depending on how complicated the use of funds may be, but the summary of a business plan, like the summary of a loan application, is generally no longer than one page. Within that space, you'll need to provide a synopsis of your entire business plan. Key elements that should be included are:

- **Business concept:-**

  Describes the business, its product and the market it will serve. It should point out just exactly what will be sold, to whom and why the business will hold a competitive advantage.

- **Financial features:-**

  Highlights the important financial points of the business including sales, profits, cash flows and return on investment.

- **Financial requirements:-**

Clearly states the capital needed to start the business and to expand. It should detail how the capital will be used, and the equity, if any, that will be provided for funding. If the loan for initial capital will be based on security instead of equity, you should also specify the source of collateral.

- **Current business position:-**

  Furnishes relevant information about the company, its legal form of operation, when it was formed, the principal owners and key personnel.

- **Major achievements:-**

  Details any developments within the company that are essential to the success of the business. Major achievements include items like patents, prototypes, location of a facility, any crucial contracts that need to be in place for product development, or results from any test marketing that has been conducted.

## 2. Business Description:-

The business description usually begins with a short description of the industry. When describing the industry, discuss the present outlook as well as future possibilities. You should also provide information on all the various markets within the industry, including any new products or developments that will benefit or adversely affect your business. Base all of your observations on reliable data and be sure to footnote sources of information as appropriate. This is important if you're seeking funding; the investor will want to know just how dependable your information is, and won't risk money on assumptions or conjecture.

When describing your business, the first thing you need to concentrate on is its structure. By structure we mean the type of operation, i.e. wholesale, retail, food service, manufacturing or service-oriented. Also state whether the business is new or already established.

In addition to structure, legal form should be reiterated once again. Detail whether the business is a sole proprietorship, partnership or corporation, who its principals are, and what they will bring to the business.

You should also mention who you will sell to, how the product will be distributed, and the business's support systems. Support may come in the form of advertising, promotions and customer service.

Once you've described the business, you need to describe the products or services you intend to market. The product description statement should be complete enough to give the reader a clear idea of your intentions. You may want to emphasize any unique features or variations from concepts that can typically be found in the industry.

Be specific in showing how you will give your business a competitive edge. For example, your business will be better because you will supply a full line of products; competitor A doesn't have a full line. You're going to provide service after the sale; competitor B doesn't support anything he sells. Your merchandise will be of higher quality. You'll give a money-back guarantee. Competitor C has the reputation for selling the best French fries in town; you're going to sell the best Thousand Island dressing.

## 3. How Will It Profit?

Now you must be a classic capitalist and ask yourself, "How can I turn a buck? And why do I think I can make a profit that way?" Answer that question for yourself, and then convey that answer to others in the business concept section. You don't have to write 25 pages on why your business will be profitable. Just explain the factors you think will make it successful, like the following: it's a well-organized business, it will have state-of-the-art equipment, its location is exceptional, the market is ready for it, and it's a dynamite product at a fair price.

If you're using your business plan as a document for financial purposes, explain why the added equity or debt money is going to make your business more profitable.

Show how you will expand your business or be able to create something by using that money.

Show why your business is going to be profitable. A potential lender is going to want to know how successful you're going to be in this particular business. Factors that support your claims for success can be mentioned briefly; they will be detailed later. Give the reader an idea of the experience of the other key people in the business. They'll want to know what suppliers or experts you've spoken to about your business and their response to your idea. They may even ask you to clarify your choice of location or reasons for selling this particular product.

The business description can be a few paragraphs in length to a few pages, depending on the complexity of your plan. If your plan isn't too complicated, keep your business description short, describing the industry in one paragraph, the product in another, and the business and its success factors in three or four paragraphs that will end the statement.

While you may need to have a lengthy business description in some cases, it's our opinion that a short statement conveys the required information in a much more effective manner. It doesn't attempt to hold the reader's attention for an extended period of time, and this is important if you're presenting to a potential investor who will have other plans he or she will need to read as well. If the business description is long and drawn-out, you'll lose the reader's attention, and possibly any chance of receiving the necessary funding for the project.

## 4. Market Strategies:-

Market strategies are the result of a meticulous market analysis. A market analysis forces the entrepreneur to become familiar with all aspects of the market so that the target market can be defined and the company can be positioned in order to garner its share of sales. A market analysis also enables the entrepreneur to establish pricing, distribution and promotional strategies that will allow the company to become profitable within a competitive environment.

In addition, it provides an indication of the growth potential within the industry, and this will allow you to develop your own estimates for the future of your business.

Begin your market analysis by defining the market in terms of size, structure, growth prospects, trends and sales potential.

The total aggregate sales of your competitors will provide you with a fairly accurate estimate of the total potential market. Once the size of the market has been determined, the next step is to define the target market. The target market narrows down the total market by concentrating on segmentation factors that will determine the total addressable market--the total number of users within the sphere of the business's influence. The segmentation factors can be geographic, customer attributes or product-oriented.

For instance, if the distribution of your product is confined to a specific geographic area, then you want to further define the target market to reflect the number of users or sales of that product within that geographic segment.

Once the target market has been detailed, it needs to be further defined to determine the total feasible market. This can be done in several ways, but most professional planners will delineate the feasible market by concentrating on product segmentation factors that may produce gaps within the market. In the case of a microbrewery that plans to brew a premium lager beer, the total feasible market could be defined by determining how many drinkers of premium pilsner beers there are in the target market.

It's important to understand that the total feasible market is the portion of the market that can be captured provided every condition within the environment is perfect and there is very little competition. In most industries this is simply not the case. There are other factors that will affect the share of the feasible market a business can reasonably obtain. These factors are usually tied to the structure of the industry, the impact of competition, strategies for market penetration and continued growth, and the amount of capital the business is willing to spend in order to increase its market share.

## 5. Projecting Market Share:-

Arriving at a projection of the market share for a business plan is very much a subjective estimate. It's based on not only an analysis of the market but on highly targeted and competitive distribution, pricing and promotional strategies. For instance, even though there may be a sizable number of premium pilsner drinkers to form the total feasible market, you need to be able to reach them through your distribution network at a price point that's competitive, and then you have to let them know it's available and where they can buy it. How effectively you can achieve your distribution, pricing and promotional goals determines the extent to which you will be able to garner market share.

For a business plan, you must be able to estimate market share for the time period the plan will cover. In order to project market share over the time frame of the business plan, you'll need to consider two factors:

Industry growth which will increase the total number of users. Most projections utilize a minimum of two growth models by defining different industry sales scenarios. The industry sales scenarios should be based on leading indicators of industry sales, which will most likely include industry sales, industry segment sales, demographic data and historical precedence.

Conversion of users from the total feasible market. This is based on a sales cycle similar to a product life cycle where you have five distinct stages: early pioneer users, early users, early majority users, late majority users and late users. Using conversion rates, market growth will continue to increase your market share during the period from early pioneers to early majority users, level off through late majority users, and decline with late users.

Defining the market is but one step in your analysis. With the information you've gained through market research, you need to develop strategies that will allow you to fulfill your objectives.

## 6. Positioning Your Business

When discussing market strategy, it's inevitable that positioning will be brought up. A company's positioning strategy is affected by a number of variables that are closely tied to the motivations and requirements of target customers within as well as the actions of primary competitors.

Before a product can be positioned, you need to answer several strategic questions such as:

- How are your competitors positioning themselves?
- What specific attributes does your product have that your competitors' don't?
- What customer needs does your product fulfill?

Once you've answered your strategic questions based on research of the market, you can then begin to develop your positioning strategy and illustrate that in your business plan. A positioning statement for a business plan doesn't have to be long or elaborate. It should merely point out exactly how you want your product perceived by both customers and the competition.

## 7. Pricing:-

How you price your product is important because it will have a direct effect on the success of your business. Though pricing strategy and computations can be complex, the basic rules of pricing are straightforward:

- All prices must cover costs.
- The best and most effective way of lowering your sales prices is to lower costs.
- Your prices must reflect the dynamics of cost, demand, changes in the market and response to your competition.
- Prices must be established to assure sales. Don't price against a competitive operation alone. Rather, price to sell.

- Product utility, longevity, maintenance and end use must be judged continually, and target prices adjusted accordingly.
- Prices must be set to preserve order in the marketplace.

There are many methods of establishing prices available to you:

- Cost-plus pricing. Used mainly by manufacturers, cost-plus pricing assures that all costs, both fixed and variable, are covered and the desired profit percentage is attained.
- Demand pricing. Used by companies that sell their product through a variety of sources at differing prices based on demand.
- Competitive pricing. Used by companies that are entering a market where there is already an established price and it is difficult to differentiate one product from another.
- Markup pricing. Used mainly by retailers, markup pricing is calculated by adding your desired profit to the cost of the product. Each method listed above has its strengths and weaknesses.

## Distribution:-

Distribution includes the entire process of moving the product from the factory to the end user. The type of distribution network you choose will depend upon the industry and the size of the market. A good way to make your decision is to analyze your competitors to determine the channels they are using, then decide whether to use the same type of channel or an alternative that may provide you with a strategic advantage.

Some of the more common distribution channels include:

- Direct sales. The most effective distribution channel is to sell directly to the end-user.
- OEM (original equipment manufacturer) sales. When your product is sold to the OEM, it is incorporated into their finished product and it is distributed to the end user.
- Manufacturer's representatives. One of the best ways to distribute a product, manufacturer's reps, as they are known, are salespeople who operate out of agencies that handle an assortment of complementary products and divide their selling time among them.
- Wholesale distributors. Using this channel, a manufacturer sells to a wholesaler, who in turn sells it to a retailer or other agent for further distribution through the channel until it reaches the end user.
- Brokers. Third-party distributors who often buy directly from the distributor or wholesaler and sell to retailers or end users.
- Retail distributors. Distributing a product through this channel is important if the end user of your product is the general consuming public.
- Direct Mail. Selling to the end user using a direct mail campaign.

As we've mentioned already, the distribution strategy you choose for your product will be based on several factors that include the channels being used by your competition, your pricing strategy and your own internal resources.

## Promotion Plan:-

With a distribution strategy formed, you must develop a promotion plan. The promotion strategy in its most basic form is the controlled distribution of communication designed to sell your product or service. In order to accomplish this, the promotion strategy encompasses every marketing tool utilized in the communication effort. This includes:

- Advertising. Includes the advertising budget, creative message(s), and at least the first quarter's media schedule.
- Packaging. Provides a description of the packaging strategy. If available, mockups of any labels, trademarks or service marks should be included.
- Public relations. A complete account of the publicity strategy including a list of media that will be approached as well as a schedule of planned events.
- Sales promotions. Establishes the strategies used to support the sales message. This includes a description of collateral marketing material as well as a schedule of planned promotional activities such as special sales, coupons, contests and premium awards.
- Personal sales. An outline of the sales strategy including pricing procedures, returns and adjustment rules, sales presentation methods, lead generation, customer service policies, salesperson compensation, and salesperson market responsibilities.

**Q.2.a.Consider yourself an "Entrepreneurship" and you want to start a new business. Prepare a "Business Plan" for your new venture detailing and describing all the steps required to start this business. (Business Plan for any Product or Service).**

## Executive summary:-

Briefly tell your reader what your company is and why it will be successful. Include your mission statement, your product or service, and basic information about your company's leadership team, employees, and location. You should also include financial information and high-level growth plans if you plan to ask for financing.

## Company description:-

Use your company description to provide detailed information about your company. Go into detail about the problems your business solves. Be specific, and list out the consumers, organization, or businesses your company plans to serve.

Explain the competitive advantages that will make your business a success. Are there experts on your team? Have you found the perfect location for your store? Your company description is the place to boast about your strengths.

## Market analysis:-

You'll need a good understanding of your industry outlook and target market. Competitive research will show you what other businesses are doing and what their strengths are. In your market research, look for trends and themes. What do successful competitors do? Why does it work? Can you do it better? Now's the time to answer these questions.

## Organization and management:-

Tell your reader how your company will be structured and who will run it.

Describe the legal structure of your business. State whether you have or intend to incorporate your business as a C or an S corporation, form a general or limited partnership, or if you're a sole proprietor or LLC.

Use an organizational chart to lay out who's in charge of what in your company. Show how each person's unique experience will contribute to the success of your venture. Consider including resumes and CVs of key members of your team.

## Service or product line:-

Describe what you sell or what service you offer. Explain how it benefits your customers and what the product lifecycle looks like. Share your plans for intellectual property, like copyright or patent filings. If you're doing research and development for your service or product, explain it in detail.

## Marketing and sales:-

There's no single way to approach a marketing strategy. Your strategy should evolve and change to fit your unique needs.

Your goal in this section is to describe how you'll attract and retain customers. You'll also describe how a sale will actually happen. You'll refer to this section later when you make financial projections, so make sure to thoroughly describe your complete marketing and sales strategies.

## Funding request:-

If you're asking for funding, this is where you'll outline your funding requirements. Your goal is to clearly explain how much funding you’ll need over the next five years and what you'll use it for.

Specify whether you want debt or equity, the terms you'd like applied, and the length of time your request will cover. Give a detailed description of how you'll use your funds. Specify if you need funds to buy equipment or materials, pay salaries, or cover specific bills until revenue increases. Always include a description of your future strategic financial plans, like paying off debt or selling your business.

## Financial projections:-

Supplement your funding request with financial projections. Your goal is to convince the reader that your business is stable and will be a financial success.

If your business is already established, include income statements, balance sheets, and cash flow statements for the last three to five years. If you have other collateral you could put against a loan, make sure to list it now.

Provide a prospective financial outlook for the next five years. Include forecasted income statements, balance sheets, cash flow statements, and capital expenditure budgets. For the first year, be even more specific and use quarterly — or even monthly — projections. Make sure to clearly explain your projections, and match them to your funding requests.

This is a great place to use graphs and charts to tell the financial story of your business.

## Appendix:-

Use your appendix to provide supporting documents or other materials were specially requested. Common items to include are credit histories, resumes, product pictures, letters of reference, licenses, permits, or patents, legal documents, permits, and other contracts.

## Q.3.a.What are the three main forms of business organization, and what factors should a company's owners consider when selecting a business form?

**Ans.** There are three main types of business organizations:

1. Sole proprietorship,
2. Partnership
3. Corporation

**1 Sole Proprietorship:-**

The sole proprietorship is the least complex form of business enterprise. This form of business is owned by one individual who makes all the business decisions receives the profits that the business earns, and bears the financial responsibility for losses.

**2 Partnership:-**

A partnership is much like an individual proprietorship but with more than one owner.

A partnership is a business enterprise that is owned by two or more people (called partners) who make all the business decisions, who share the profits of the business, and who bear the financial responsibility for any losses.

**3 <u>Corporation:-</u>**

The corporation or the corporate form of business was set up to overcome some of the disadvantages of the proprietorship and partnership.

A corporation is a form of business enterprise that is owned by a large number of shareholders. The corporation has the legal status of a fictional individual and is authorized by law to act as a single person. The shareholders elect a board of directors that appoints the management of the corporation, usually headed by a president. Management is charged with the actual operation of the corporation.

The following are some of the important factors business owners should consider when selecting a form of ownership.

**<u>Cost of Start-up</u>**

Setting up a business can involve little more than printing some business cards, or it may entail hiring a corporate attorney to draft corporate charters, agreements, and articles of incorporation. As the forms of business ownership become more complex, the cost associated with establishing the business also increases. Every business owner must decide how long he/she wants to wait before getting the business up and running and also how much of his/her own money to invest.

**<u>Control vs. Responsibility</u>**

One of the primary reasons people give for wanting to start their own business is the desire to be independent and "be your own boss." Different legal structures provide the owner with more or less control and authority. There are trade-offs in each case, though, because with autonomy and control come responsibility. For instance, if you're the sole proprietor of a business with no employees, as a one-person show, you retain all the control, but you also have all the work and responsibility. Other forms of business (such as partnerships, for example,) may mean relinquishing some control, but, in return, the responsibility (and liability) may be spread among several principals. You'll learn more about these trade-offs later in the module.

## Profits—to Share or Not to Share

Many first-time business owners look to people like Bill Gates, Oprah Winfrey, or Ben & Jerry and aspire to their level of wealth and success. How a business's profits are shared (or not shared) is determined by the legal structure. Some owners are willing to share the profits in exchange for assistance and support establishing and running the business. Other business owners make the conscious decision to limit the scope and nature of the business to avoid having to bring in others, thereby retaining all of the income themselves.

## Taxation

When planning to start a new business, many people instinctively seek the advice of an attorney as the first step in the process. However, legal advice is not actually what's needed initially. Instead, no matter how large or small your business is going to be, it's much more important to first get the advice of a seasoned tax professional, such as a CPA. The reason for this is that each form of business ownership is treated differently by the IRS and by state and local taxing authorities. Depending on the legal structure of the business, the owner may be taxed at a lower rate than someone working for a large company, or the owner might see his or her business income taxed twice, sometimes with additional specialty taxes imposed by governmental agencies. The time for a business owner to decide how heavy a tax burden he/she is willing to bear is at the start of the business, not on April 15 when taxes are due.

## Entrepreneurial Ability

At some point you've probably known someone with a particular knack for something (like fixing cars or baking bread) and said, "You should start your own business!" But if you are a talented cake decorator, say, does that necessarily mean you have the requisite knowledge, skills, and abilities to open and run a successful commercial or retail bakery? It's often easier said than done. Many businesses fail despite the owner's enthusiasm and/or talent, because the owner lacks the deep knowledge and expertise needed to transform an interest or hobby into a commercial enterprise. Performing an honest and accurate appraisal of one's skills, background, and entrepreneurial abilities *before* launching a business can prevent disappointment and failure later on.

## Risk Tolerance

Everyone's tolerance for risk is different. Some people enjoy the rush of skydiving and rollercoasters, while others prefer to stick to the carousel or keep their feet on the ground. In business, one's degree of risk tolerance should be compatible with the form of ownership being considered. For example, a forty-five-year old entrepreneur with dependents might seek to protect her accumulated assets (real estate, savings, retirement, etc.) and therefore select a legal structure that carries less personal financial risk. Every prospective business owner must gauge what he or she is willing to risk losing and choose a form of business accordingly.

**Financing**

Few business owners start a business with lottery winnings or many years’ worth of savings. Many seek funding from a bank, venture capitalist, private investor, or credit union in order to get their businesses off the ground. Lenders may be one of the greatest influences on the choice of business ownership—even more decisive than the owner’s preference or ambition. Since there is risk inherent in any business venture, especially start-ups, lenders often require the business to be structured in a way that best assures the repayment of funds (whether the business makes it or not). Even businesses that have been established for a long time may be forced to change their legal structure when seeking funding to expand their operations. If an owner anticipates needing funding at any point during the life of the business, selecting a form of ownership that aligns with lender requirements from the start may be a wise decision.

**Continuity and Transferability**

Finally, business owners need to consider if they want their business to outlive them (or carry on after they leave). If an owner is looking to start a business that can be passed on to his or her children or other family members, then the legal structure of the business is extremely important. Certain organizational types “die” with the owner, so it’s crucial for the owner to decide how and whether a business will persist and/or be sold to new ownership.

These are just some of the considerations business owners must weigh when selecting a form of business ownership. Many of these issues require owners to look far into the future of their business and imagine all of the “what if’s” associated with being self-employed. Although it is possible to change legal structure once the business is established, the more complex the business operations are the more complex the change will be. In some cases, the complexity of the situation can prevent the owner from making the change that’s desired. Considering as many of these factors as possible from the outset can save countless hours and great expense down the road.

In the coming sections we will explore the possible legal structures a business owner can choose and look at the advantages and disadvantages of each. We will begin with the simplest of all organizational types: the sole proprietorship.

## Q.3.b. What are advantages and disadvantages of a business venture when operated as a partnership?

**Ans.** A partnership is commonly formed where two or more people wish to come to together to form a business. Perhaps they have a common business idea that they wish to put to the test or have realized that their skills and talents complement each other’s in such a way that they might make a good business team. Forming a partnership seems like the most logical option and, in some cases, it is. Running a small business with a reasonably low turnover, a partnership is quite often a good choice of legal structure for a new business. The way a partnership is set up and run as well as the way it is governed and taxed often make it the most appealing form of business. However, there are circumstances where this isn’t the case.

Being a partnership, the business owners necessarily share the profits, the liabilities and the decision making. This is one of the advantages of partnership, especially where the partners have different skills and can work well together. However, it can obviously present some problems. Over the years, many partnerships have turned sour. Family and friends go into business together and end up falling out on a personal or business level and it all ends badly. This is one of the major disadvantages of partnerships over other business models, but it’s important to be able to balance the advantages and disadvantages.

## Advantages of Partnership

1. **Capital**

   Due to the nature of the business, the partners will fund the business with startup capital. This means that the more partners there are, the more money they can put into the business, which will allow better flexibility and more potential for growth. It also means more potential profit, which will be equally shared between the partners.

2. **Flexibility**

   A partnership is generally easier to form, manage and run. They are less strictly regulated than companies, in terms of the laws governing the formation and because the partners have the only say in the way the business is run (without interference by shareholders) they are far more flexible in terms of management, as long as all the partners can agree.

3. **Shared Responsibility**

   Partners can share the responsibility of the running of the business. This will allow them to make the most of their abilities. Rather than splitting the management and taking an equal share of each business task, they might well split the work according to their skills. So if one partner is good with figures, they might deal with the book keeping and accounts, while the other partner might have a flare for sales and therefore be the main sales person for the business.

4. **Decision Making**

   Partners share the decision making and can help each other out when they need to. More partners means more brains that can be picked for business ideas and for the solving of problems that the business encounters.

## Disadvantages of Partnership

1. **Disagreements**

   One of the most obvious disadvantages of partnership is the danger of disagreements between the partners. Obviously people are likely to have different ideas on how the business should be run, who should be doing what and what the best interests of the business are. This can lead to disagreements and disputes which might not only harm the business, but also the relationship of those involved. This is why it is always advisable to draft a deed of partnership during the formation period to ensure that everyone is aware of what procedures will be in place in case of disagreement and what will happen if the partnership is dissolved.

2. **Agreement**

   Because the partnership is jointly run, it is necessary that all the partners agree with things that are being done. This means that in some circumstances there are less freedoms with regards to the management of the business. Especially compared to some traders. However, there is still more flexibility than with limited companies where the directors must bow to the will of the members (shareholders).

3. **Liability**

   Ordinary Partnerships are subject to unlimited liability, which means that each of the partners shares the liability and financial risks of the business. Which can be off putting for some people. This can be countered by the formation of a limited liability partnership, which benefits from the advantages of limited liability granted to limited companies, while still taking advantage of the flexibility of the partnership model.

4. **Taxation**

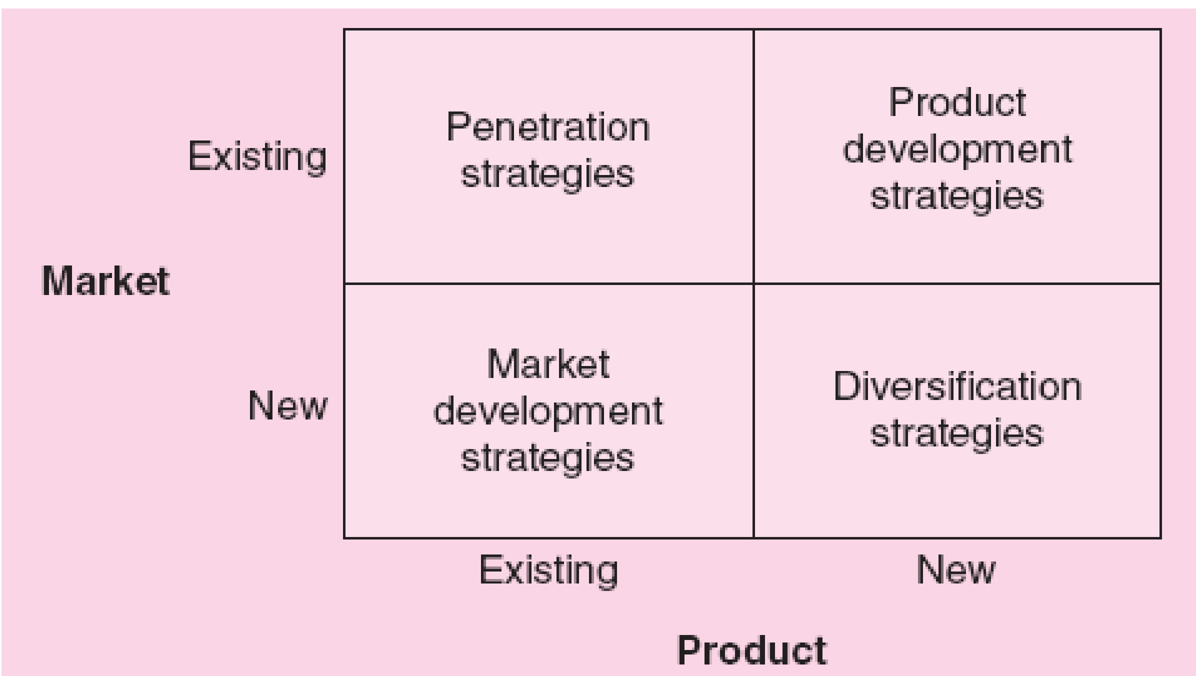
   One of the major disadvantages of partnership, taxation laws mean that partners must pay tax in the same way as sole traders, each submitting a *Self-Assessment* tax return each year. They are also required to register as self-employed with HM Revenue & Customs. The current laws mean that if the partnership (and the partners) bring in more than a certain level, then they are subject to greater levels of personal taxation than they would be in a limited company. This means that in most cases setting up a limited company would be more beneficial as the taxation laws are more favorable (see our article on the Advantages and Disadvantages of a Limited Company).

5. **Profit Sharing**

Partners share the profits equally. This can lead to inconsistency where one or more partners aren't putting a fair share of effort into the running or management of the business, but still reaping the rewards.

As you can see, there are several advantages and disadvantages of partnership in terms of a business undertaking. The two main disadvantages are the levels of taxation and the liability. The latter being negated by the ability to form a Limited Liability Partnership (a type of body only available since 2000). The Company Warehouse has a Limited Liability Partnership formation service that we have been running for a number of years, helping people set up their new partnerships. Our specialist team have a good working knowledge of the law and the current advantages of partnership over the other legal forms of business. So they can advise you on the best choice for your new enterprise

## Q.4.a Growth Strategies are based upon Knowledge of Product or Market, discuss in your words? Describe four growth strategies with giving example of each strategy.




Growth strategy allows companies to expand their business. Growth can be achieved by practices like adding new locations, investing in customer acquisition, or expanding a product line. A company's industry and target market influences which growth strategies it will choose.

Strategize, consider the available options, and build it into your business plan. Depending on the kind of company you're building, your growth strategy might include aspects like:

- Adding new locations
- Investing in customer acquisition
- Franchising opportunities
- Product line expansions

Selling products online across multiple platforms

Your particular industry and target market will influence your decisions, but it's almost universally true that new customer acquisition will play a sizable role.

Following are the four major growth strategies

1. **Market Penetration:-**
   Growth through market penetration does not involve moving into new markets or creating new products; it's an attempt to increase market share using your current products or services. Carry out this strategy by lowering the price of a product or service, or by increasing marketing efforts to lure customers away from competitors.
2. **Product Development:-**
   Product development means creating new products to serve the same market. For example, a company that produces ice cream for institutional buyers expands its line to include gelato and sorbet. The company can sell these new products to existing customers and grow its business without tapping new markets.
3. **Market Development:-**
   Market development involves introducing your products or services to new markets. You may want to enter a new city, state or even country. Or you can target a market segment. For instance, a bakery that produces breads for the consumer market could enter into the commercial market by baking breads for restaurants and retailers.
4. **Diversification:-**
   Diversification is the most radical form of growth. It involves creating a totally new product for a completely new market. This is the riskiest growth strategy because it's the most uncertain. Failure is a distinct possibility, although the potential of a high payoff may be worth the risk for companies with sufficient financial means.

**Q.5.a.Draw a block diagram showing the Marketing System for a new business by highlighting external and internal environmental factors.**


## 1. The internal environment:-

The internal environment of an organization refers to events, factors, people, systems, structures and conditions **inside an organization** that are generally under the direct control of the company.
Corporate mission, corporate culture, and leadership style are factors that are typically associated with an organization's internal environment.

As such, it is the internal environment that will influence the organizational activities, decisions, behaviors and attitudes of employees.

Changes in leadership style, in the corporate mission or in culture can have an important impact on the organization.

Let's see in detail what the internal corporate environmental factors are**.**

- **The staff:-**

  Employees are an important part of the internal environment of an organization.

  Managers must be able to manage lower-level employees and, at the same time, supervise the other factors of the internal environment.

Indeed, even when everyone is capable and talented, politics and internal conflicts can destroy a good organization from within.

- **The budget**

In business, even the lack of money can determine the survival – or not – of a company.

When cash resources are too limited, that can affect the number of people you can hire, the quality of equipment and the type and amount of advertising you can buy.

If you have enough money instead, you have much more flexibility to grow and expand the business, or to endure an economic downturn.

- **Corporate culture:-**

The internal corporate culture consists of the values, attitudes and priorities that employees live every day.

A ruthless culture in which every employee competes with his colleagues certainly creates a different, and more toxic, environment than that of a company that emphasizes collaboration and teamwork.

2. **The external environment:-**

The external environment is composed by factors that occur outside the organization but which can cause internal changes and are, for the most part, beyond the company's control.

Customers, competition, economy, technology, political and social conditions, and resources are common external factors that influence the organization.

Even if the external environment occurs outside an organization, it can have a significant influence on its current operations, growth and long-term sustainability.

Ignoring external forces can be a damaging mistake for managers. As such, it is necessary that managers continue to monitor and adapt to the external environment.

The key is to work in order to make proactive changes rather than having to take a reactive approach and solve problems rather than preventing them.

So, let’s see in detail what the external corporate environmental factors are.

- **The economy:-**

  In a bad economy, even a well-managed organization may not be able to survive.

  If customers lose their jobs or take jobs that can barely support them, they will spend less on sport activities, recreation, gifts, luxury goods, and new cars.

  It is not possible to control the economy, but understanding it can help identify threats and opportunities.

- **The competition:-**

  Unless the organization is a monopoly, you will always have to deal with the competition.

  When you open a company, you normally find yourself fighting against established and more experienced organizations in the same sector.

  On the other hand, when a company has established itself, it will find itself fighting against new organizations trying to steal a slice of the market.

- **Politics:-**

  Changes in government policy can have a huge impact on an activity.

  A classic example is the tobacco industry.

  Since the 1950s, cigarette manufacturers have been asked to put warning labels on their products and have lost the right to advertise on television. Smokers have less and less places where they are allowed to smoke. Therefore, the percentage of people who smoke is diminished, with a corresponding effect on the sector’s revenues.

- **Customers and suppliers:-**

  Next to employees, customers and suppliers are, in most cases, the most important people with which an organization has to deal.

  Suppliers have a huge impact on costs. The weight of a given supplier depends on the scarcity of his service or product and, consequently, on the possibility of negotiation with him.

  The power of customers depends on the fact that they are free to choose between a specific organization and its competition.