

**Subject: Business Economics**

**Course: B.A., 6<sup>th</sup> Semester, Undergraduate.**

**Paper No: 651**

**Paper Title: Entrepreneurship and Family Business.**

**Unit No.: 2 (Two)**

**Title: Creative Issues and Idea Processing**

**Lecture No: 2 (Two)**

**Title: Creative & Organization - A Managerial Perspective**

Academic Scripts

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### **Introduction:**

In previous sessions we discussed so many important topics like: Managing creativity, attributes of creative person, creative thinking and motivation, managing creativity and organizational actions that enhance and hinder creativity.

Now this session deals with creativity, different managerial responsibilities in a creative organization, different roles of managers and some important sources for business ideas.

Creativity is the ability generates innovative ideas and converts them to reality. It basically involves imaginative and original thinking and implementing that into reality. It is the ability to think and design something new, solve problems in new and different ways and to give shape and abstract idea in the mind base on an original, new or unconventional approach.

Students will get idea of bootstrapping after reading this session. Students will also get knowledge of different types of capital at the end of the session. Students will get idea about different roles of managers as investors, customer, sports coaches, and partners.

### **1. Organizational priorities and creativity:**

Management can be defined as a way of achieving goals that adds the highest value. It's about being sufficiently organized to identify the right goals and the best means for achieving organizational goal. To

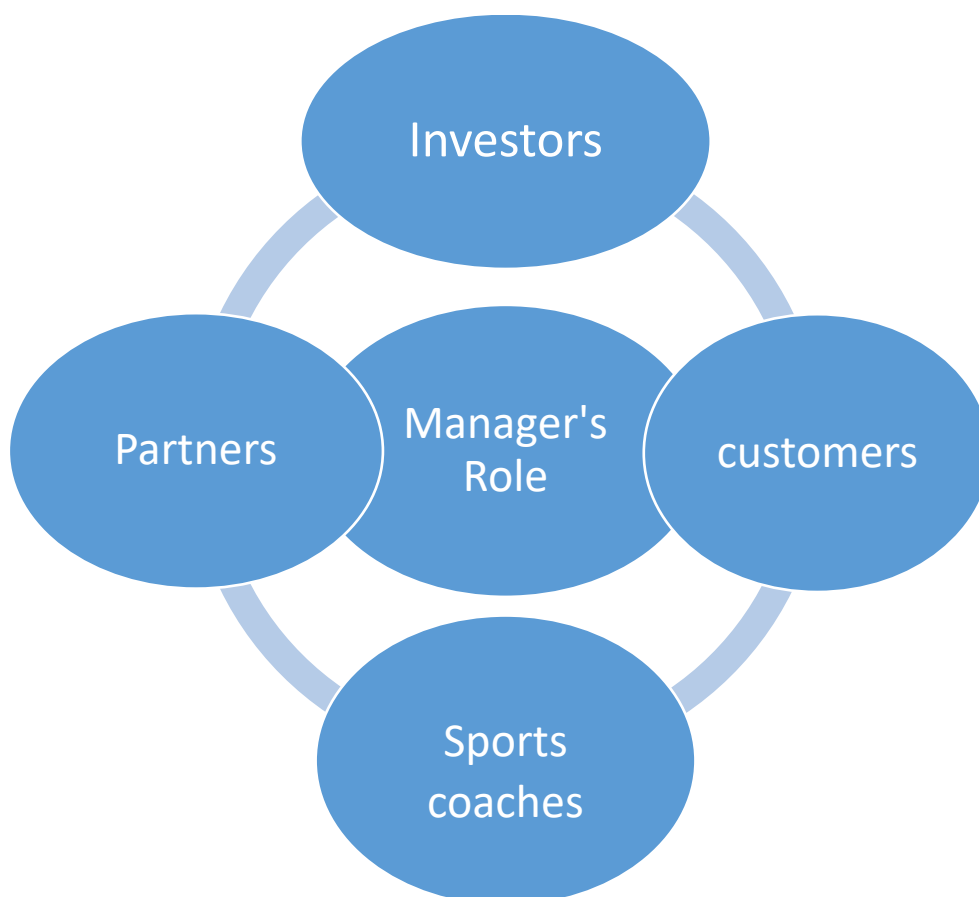
take a simple example, whenever any company sets priorities for any task, company has to manage its time.

Prioritizing means deciding which activities are most likely to achieve a specific goal and which tasks are the most urgent or important. Management is thus like investing, a process of allocating resources to obtain the best return, even if those resources are just your own time, knowledge and experience. Clearly, it is possible for all employees to manage their own time and other personal resources without occupying a formal managerial role and without managing people.

## **2. Managerial responsibilities in a creative organization.**

The modern manager needs to get work done through people to be engaged with them, self-managing and sharing knowledge with workers, who are far shed tears from the “hired hands” of the industrial age. The role of today’s manager can be illustrated by four analogies. Today’s managers need to behave in different way. They need to play following roles:

- 1. investors**
- 2. customers**
- 3. sports coaches**
- 4. partners**



Managers share some attributes with investors, customers, sports coaches and partners without being identical to any of them.

### **1. Manager's role as investor**

Managers allocate resources to obtain the best return, like investors. The effectiveness of it is based on how well they use their resources. But managers differ from investors in two respects. First, knowledge workers want a say in what work they do, so any allocation needs to be negotiated, not decided unilaterally, as an investor would do with his or her money. Second, managers actively develop people, so they are not as arms-length from the people they manage as are investors.

### **2. Manager's role as customers**

As employees become more engaged in their changing status, from simply being an employee or hired hands to being more like self-employed as an entrepreneur business people who are supplying services to internal customers.

In this relationship, employees can be more proactive and able to identify the needs of managers. Indeed, shrewd employees might see needs that managers overlook. This interaction of business people involves two-way communication and negotiation, not one-way, top-down directing. Also, enterprising employees might devise new services to “sell” to their managers as a way of advancing their careers (building their business).

For example, whenever employees contribute ideas for process improvements to their bosses in the organization, they can be framed, condescendingly, as suggestion-box material or, more appropriately, as attempts by employees to sell their services to management. Employees who suggest a better way of managing some part of the business and offer to do it themselves can, in steps, transform their roles into something new. By thinking of themselves as operators of a business, and serving their bosses as customers, employees become more empowered to manage their own careers. When knowledge workers are in short supply and highly in demand, they have more power than their customer (the boss). Such employees can easily move to new customers and, being knowledgeable, they might offer more advice to their boss (customer) rather than the other way around in the organization.

### **3. Manager's role as sports coaches**

Professional golfers have coaches and managers. The latter help them with their business matters, sponsorships and travel arrangements. However, this manager cannot fire the golfer; it is the other way around.

A sports manager is a facilitator, coordinator and advisor, with no power to direct or control the golfer. Modern business managers are moving in this direction, although they will always be able to fire the employees they manage. Still, when managing rare, expensive talent, they cannot fire them without carefully weighing the consequences. In any case, modern managers do more coaching and less directing, so they need to behave more like coaches than industrial-age managers.

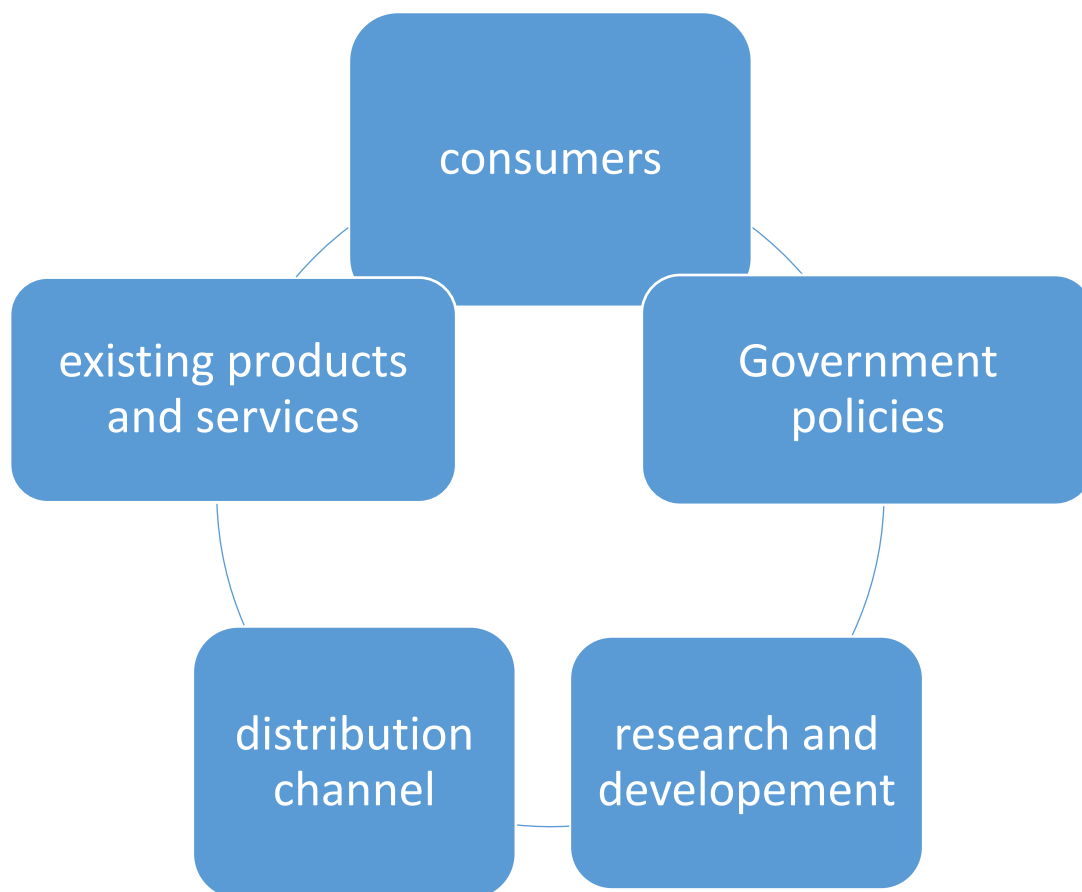
#### 4. Manager's role as partners

As the power of knowledge workers grows, they become more like partners than “hired hands”. Toyota and other smart companies forge partnerships with external suppliers. Employees are, similarly, internal suppliers and partners. Still, suppliers and employees can be fired, unlike real partners, who must agree on an appropriate severance.

### 3. Search for business idea :

**Sources of ideas:** Good business ideas can be beneficial for organization. If anybody finds something good, one can enjoy and love doing, money will automatically flow.

Some important sources for business ideas could be consumers, government policies and priorities, distribution channel, promotional techniques in use, research and development and existing product and services.



**Sources of new ideas**

- **Consumers:** choice of consumers about buying goods and services are influenced by internal factors like perception, memory, motive, attitude, personality and emotions as well as external factors like culture, demographics, religious, subculture, families and households.
- **Existing products and services:** an organization can get new ideas through monitoring and evaluation of existing manufacturing products.

Some of common ways should develop and modify existing products and services.

1. Increasing mobility, easy access, ease in transportation and disposability.
  2. Making them large/ small, lighter/heavier or faster/slower.
  3. Introducing convenience through automation or technology upgradation.
  4. Coming up with simple ways and means to repair, maintain, replace and clean.
- **Distribution channel:** It is very important source of new ideas. People related to distribution channel should be trained to get advantage of channel. Those people should also think about aspects such as the following:
    1. **Brands and distribution channels that people like the most.**
    2. **Companies they buy from regularly.**
    3. **Media that are popular amongst the customers, such as online content, podcasts , industry publications and newspapers.**
  - **Research and development:** The largest source of new idea is the entrepreneur's own "research and development", efforts, which may be a formal endeavor connected with one's current employment or an informal lab in a basement or a garage.
  - **Government policies and priorities:** It indicates the opportunities in the economy. Every government comes with yearly and long term plan for the development and growth of the economy. It is also indicates the sources of money.
    1. **Idea processing:** The process of creating, developing, and communicating ideas which are abstract, concrete, or visual. The process includes the process of constructing through the idea, innovate the concept of process, developing the process, and bringing the concept to reality.
    2. **Input requirements:** Resources such as people, raw materials, energy, information, or finance that are put into system to obtain a desired output. Inputs are classified under costs in accounting.
    3. **Sources and criteria of financing**

There is a main source of financing is bootstrapping for the small organization.

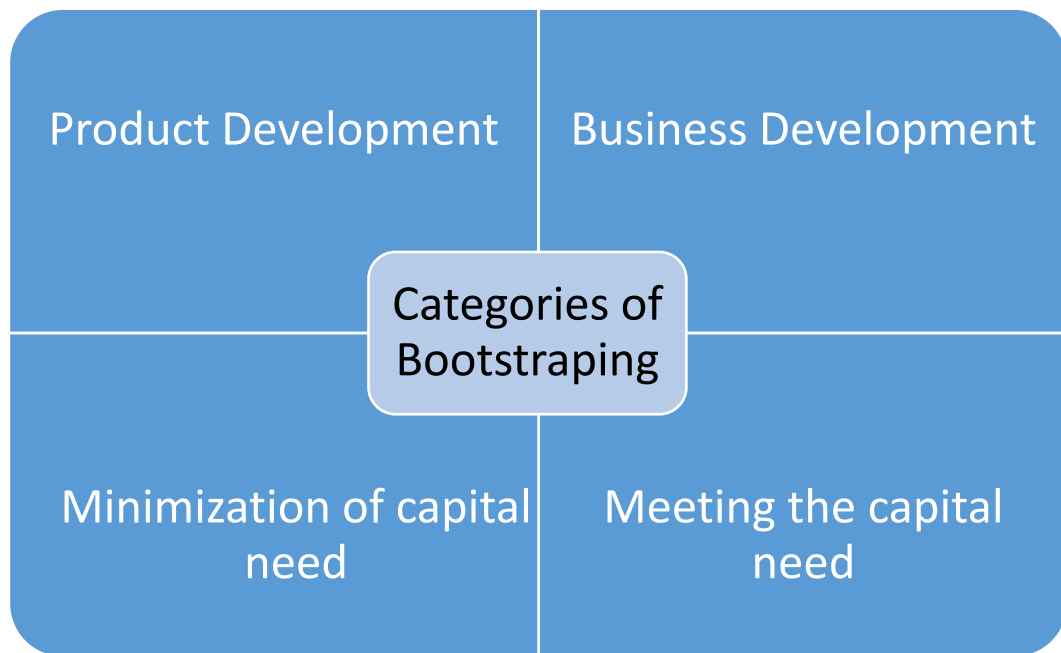
## Bootstrapping

Bootstrapping is an important means of financing a small firm through highly creative acquisition and use of resources without raising equity from traditional sources or borrowing money from a bank.

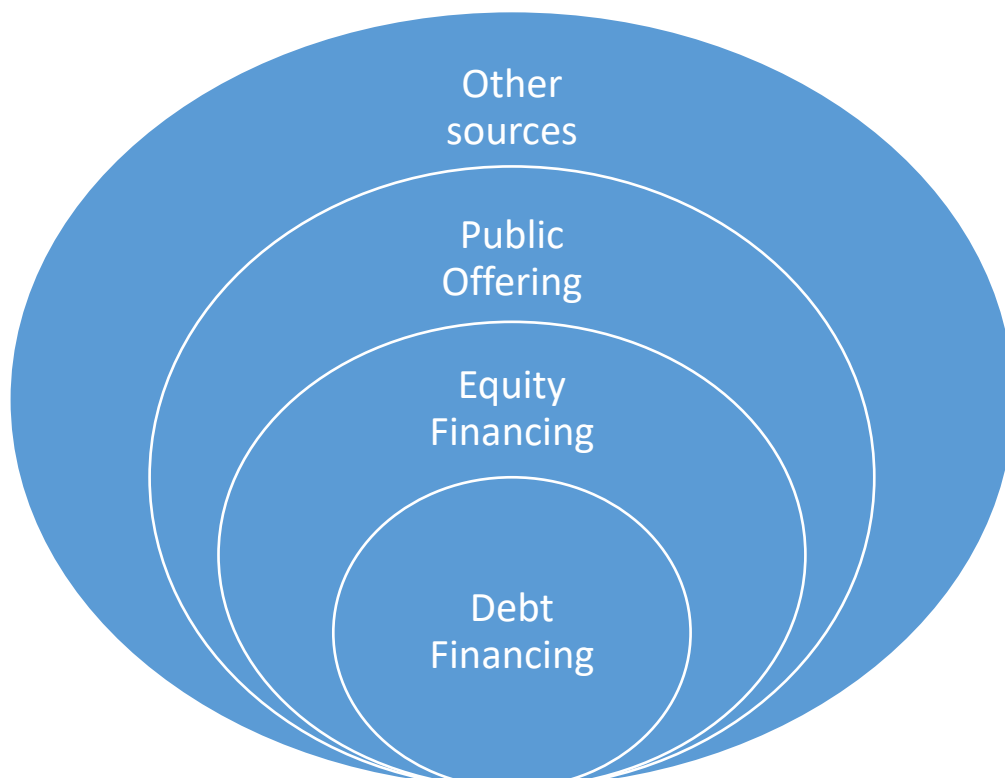
In short, "bootstrapping" means starting a new business without start-up capital. It is characterized by high reliance on any internally generated retained earnings, credit cards, second mortgages, and customer advances, to name but a few sources.

**There are four categories of bootstrapping,**

1. **Product development,**
2. **Business development,**
3. **Minimization of capital need,**
4. **Meeting the capital need.**



**Moreover other sources for financing for the organizations are-**



- **Debt Financing**

- Secured financing of a new venture that involves a payback of the funds plus a fee (interest for the use of the money).

- **Equity Financing**

- Involves the sale (exchange) of some of the ownership interest in the venture in return for an unsecured investment in the firm.
- Money invested in the venture with no legal obligation for entrepreneurs to repay the principal amount or pay interest on it.
- Funding sources: public offering and private placement.

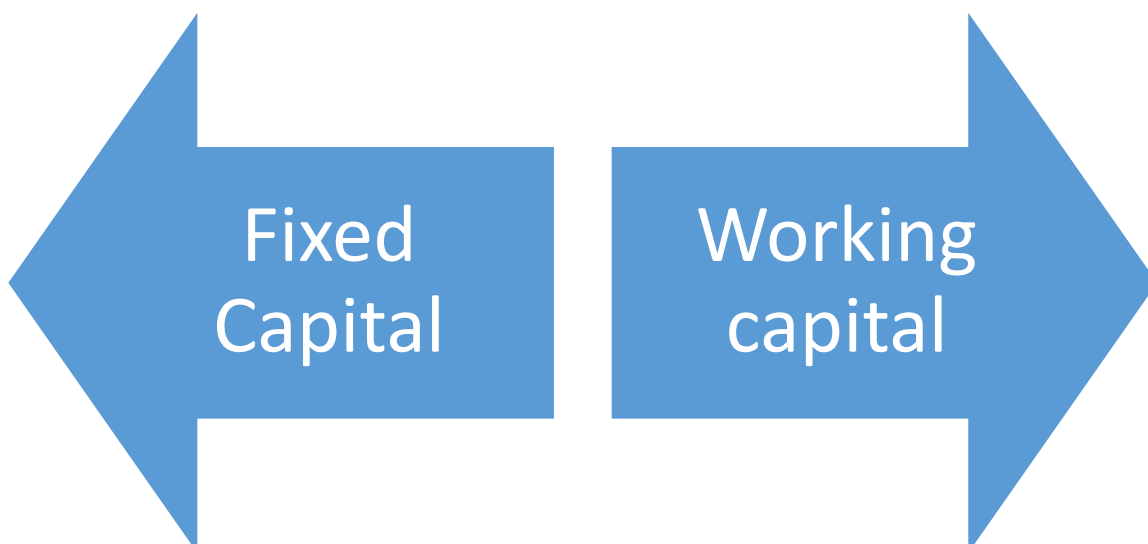
- **Public Offering**

“Going public” refers to a corporation’s raising capital through the sale of securities on the stock markets

- **Other sources of financing are,**

1. Friends and family financing
2. Internally generated funds
3. Bank loan
4. Trade credit
5. Initial public offerings.

#### **4. Fixed and working capital assessment:**



Any enterprise whether industrial, trading or other acquires two types of assets to run its business as has already been emphasised time and again.

It requires fixed assets which are necessary for carrying on the production/business such as

- **land and buildings,**
- **plant and machinery,**
- **Furniture and fixtures etc.**

For a going concern these assets are of permanent nature and are not to be sold.

The other types of assets required for day to day working of a unit are known as current assets which are floating in nature and keep changing during the course of business. It is these 'current assets' which are generally referred to as 'working capital'.

It may be noted here that there may not be any fixed ratio between the fixed assets and floating assets for different projects as their requirement would differ depending upon the nature of project.

Big industrial projects may require substantial investment in fixed assets and also large investment for working capital. The trading units may not require heavy investment in fixed assets while they may be carrying huge stocks in trade.

The service units may hardly require any working capital and all investment may be blocked in creation of fixed assets.

The total current assets with the firm may be taken as gross working capital whereas the net working capital with the unit may be calculated as under:

$\begin{aligned} \text{Net Working Capital (NWC)} \\ = \text{Current Assets} - \text{Current Liabilities (GWC)} \end{aligned}$
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This net working capital is also sometimes referred to as 'liquid surplus' with the firm and has been margin available for working capital requirements of the unit. Financing of working capital has been the exclusive domain of commercial banks while they also grant term loans for creation of fixed assets either on their own or in consortium with State level/All India financial institutions. The financial institutions are also now considering sanction of working capital loans.

## **5. Technical and marketing assistance.**

Marketing plan is an important plan of the business plan since it describes how the products and services will be distributed, priced, and promoted. Each and every entrepreneur needs technical assistance to survive in the competition among different rivals. Thus the entrepreneur should make every efforts to prepare as comprehensive and detailed a plan as possible so that investors can be cleared as to what



the goals of the venture are and what strategies are to be implemented to effectively achieve ventures' goals.

Marketing planning will be an annual requirement for the entrepreneur and should be regarded as the roadmap for short term decision making.

**Summary:** The global financial and economic crisis has increased attention on entrepreneurship. Entrepreneurship and entrepreneurs have long been recognised as important sources of innovation, and thereby also of growth and employment. In this session students have been exposed to the different aspects of entrepreneurship.

In this session students got idea about managerial responsibility through different roles of manager as customers, investors, etc...

Now Students are able to understand different sources for financing for business. Moreover students got idea about fixed and working Capital. Students also learn about Some important sources for business ideas could be consumers, government policies and priorities, distribution channel, promotional techniques in use, research and development and existing product and services