

INNOVATION

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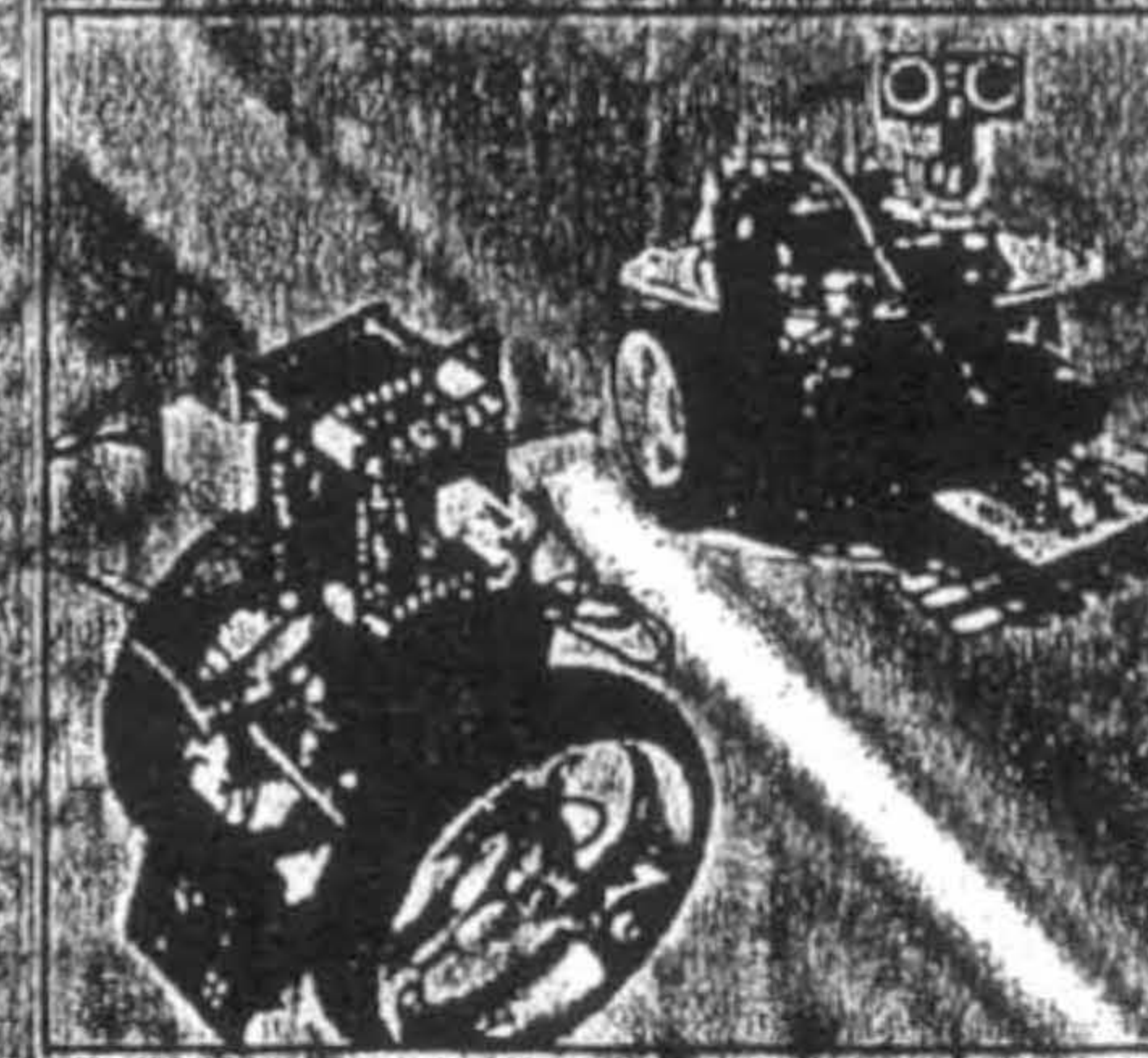
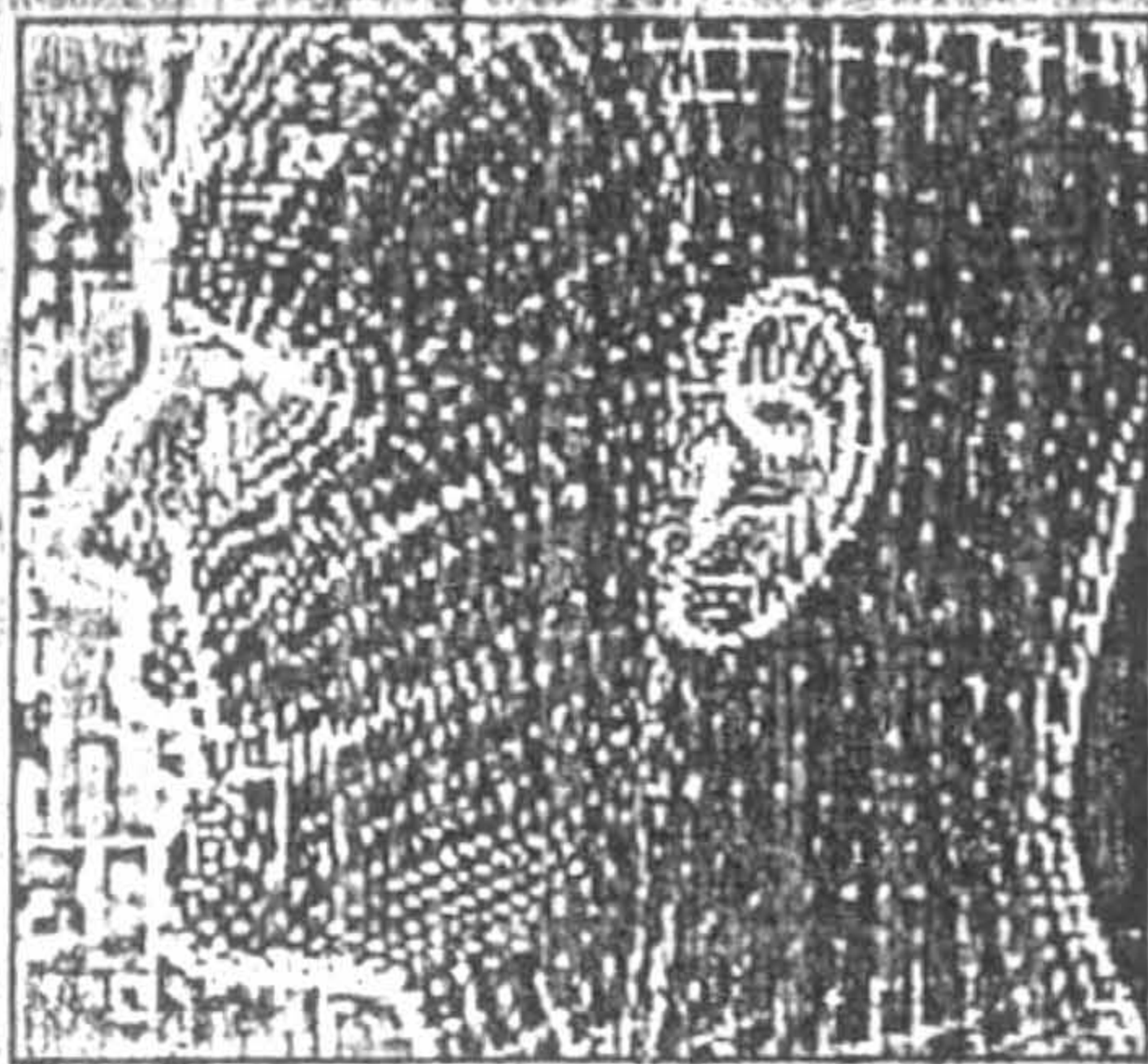
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Principal Dr. Sudhir Kulkarni
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CONVEYOR'S

Prof. Mahesh Deshpande

Prof. Mahendra Sonawane

Prof. Jyoti Jadhav

Institute of Science, Poona's,
College of Computer Sciences

Survey No. 130, Mumbai-Bengaluru Highway, Bhumkar chowk, Wakad, Pune - 411 057

Email: editorccs14@gmail.com, Website: www.ccs pune.in

Telefax: 020-22934719 / 9325115941

CHALLENGES FACED BY NEW ENTREPRENEURS

Prof. Jyoti Suraj Harchekar
 Commerce Department
 T.M.V. Pune
Jyoti.thorat@gmail.com

ABSTRACT

When some company runs some business, they are relatively weak at the start point. As firm passing through the process of growing, they must survive all the threats and traps on that road. We can say that the most risky and hardest job to do when new company starting with some business is surviving that first period of probably a year or two. At the start point every businessman trying to go through that process step by step, so for example; if we plan to open some tourist agency, the first thing we gone do is, to check the geographic area for that kind a business, of course there is no sense to open a tourist agency somewhere in lesser developed or in some village. Every person who entering at that kind of business will think about to open that agency somewhere on the Mumbai, or probably in some other metro city. Globalization, removing state barriers, attenuation of state sovereignty, creating free trade agreements all around the world is a sign that the world is going through the process of the new world order. Today is a much different situation with business all around the world then it was before twenty or thirty years ago. Because of all that free trade area zone and rapidly expanding the world economy.

INTRODUCTION

What is Globalization? The term globalization means International Integration. Opening up of world trade, development of advanced— means of communication, internationalization of financial markets, growing importance of MNC's, population migrations and more generally increased mobility of persons, goods, capital, data and ideas. It is a process through which the diverse world is unified into a single society. When we look at international business today we can obviously notice that companies all around the globe trying to expand their business as more as they can. Small and midsize companies have largely been on the sideline when it comes to global business opportunities. Making globalization work requires a new and robust platform that eliminates frictions in global trade and creates 'micro-multinationals' and startups to be able to compete globally."

METHODOLOGY

The study is based on secondary sources of data like Books, Published articles, Research papers, Research reports and relevant websites. It is exploratory in nature.

Current Scenario: We came into the situation that you probably won't survive that risky period if you are opening some small family business. Wave of Globalization The wave of globalization hit India at the end of the last century and still the country is flowing with the current of global changes. Economic Impact of globalization in India Multilateral agreements in trade, taking on such new agendas as environmental and social conditions. New multilateral agreements for services, Intellectual properties,— communications, and more binding on national governments

than any previous agreements. Market economic policies spreading around the world, with greater privatization and liberalization than in earlier decades. Growing global markets in services. People can now execute trade services globally -- from medical advice to software writing to data processing, which could never really be traded before.

Open Market policy -advantages Growing Indian Economy GDP – USD 1.36 trillion → GDP growth rate – 9% → Services contribution – 60-65% Balance of Trade – Negative → balance should increase with surging imports versus exports Investment goal – USD 370 billion GDP – USD 1.16 trillion → GDP growth rate – 9.5% → Services contribution – 60% → Balance of Trade – Negative → balance should increase with surging imports versus exports Investment goal – USD 305 billion GDP – USD 590 billion → GDP growth rate – 9% → Services contribution – 54% → Balance of Trade – USD (-)46.2 billion Investment goal – USD 250 billion

Year	2010	2008	2006	105	105	135	145	167	103	125	204	231	287	682	191	237	398	453	0	200
2000	400	600	800	1.000	1.200	1999-00	2002-03	2005-06	2006-07	2010*	USD Billion									
Agriculture Industry Services Growing GDP Source: India Brand Equity Foundation (IBEF) 83.5 103.1 126.3 155 200 50 90 130 170 210 USD Billion 2004-05 2005-06 2006-07 2007-08* 2008-09* Growing Exports Source: Ministry of Commerce & IBEF 8.9 22 30 4.3 6 0 5 10 15 20 25 30 35 2003-04 2004-05 2005-06 2006-07* 2007-08* USD Billion Growing FDI Inflows India is ranked second in AT Kearney's FDI confidence index (2007) Source: Ministry of Commerce & IBEF India's economic position among BRIC countries Impact of globalization on business in India has a consumer base of 1.14 billion people. →																				

- India is the 3rd largest global telecom market. The mobile subscriber base has grown from 0.3 Million in 1996 to over 250 million currently.
- India is likely to add over 200 shopping malls by 2010 and 715 → malls by 2015.
- India is the world's 2nd largest two-wheeler market,
- 4th largest commercial vehicle market
- 11th largest passenger car market.
- Expected to be the 7th largest automobile market by 2016. → Buyer Acquisition Price Mittal Steel Arcelor, Luxembourg US\$ 26.5 billion Reliance Industries Flag Telecom, Bermuda US\$ 212mi Tata Motors Daewoo, Korea US\$ 118mi Infosys Technologies Expert Information Services, Australia US\$ 3.1mi Bharat Forge Carl Dan Peddinghaus, Germany N/A Ranbaxy RPG (Aventis) Laboratories, France N/A Wockhardt CP Pharmaceuticals, UK US\$ 18mi Cadila Health Alphantra SAS, France US\$ 5.7mi Hindalco Straits Ply, Australia US\$ 56.4mi Wipro NerveWireInc, USA US\$ 18.5mi Aditya Birla DashiqiaoChem, China US\$ 8.5mi United Phosphorus Oryzalin Herbicide, USA US\$ 21.3mi Indian companies going
- Global Technological & Cultural impact of globalization in India. Access to television grew from 20% of the urban population (1991) to → 90% of the urban population (2009). Even in the rural areas satellite television has a grown up market. In the cities Internet facility is everywhere. Extension of internet → facilities even to rural areas. Global food chain /restaurants have already found a huge market in → the urban areas of India. Lavish Multiplex movie halls, big shopping malls and high rise → residential are seen in every city.

- Technological & cultural impact of globalization in India Telecommunication and Software Industries are booming in India. → Entertainment sector in India has a worldwide market. → Bollywood movies are distributed and accepted worldwide. Big international companies (Walt Disney, 20th Century Fox, and Columbia Pictures) are investing on this sector. Famous International brands (Armani, Gucci, Nike, Omega etc.) → Are investing in the Indian market with the changing of fashion statement of Indians. Impact of globalization on agriculture in India Agriculture acquired 17% of India's GDP in 2008. → 60% of population still depends on agriculture for their livelihood. → Occupied 43% of India's geographical areas. → Agriculture Scientists are applying new technologies and instruments → in growing crops.
- Different state governments of India are taking initiative to literate the → farmers. Impact of globalization on education in India Literacy rate in India at present is 74.04% → Year Literacy Rate Male - Female Person Male Female Gap
1981 43.6 56.4 29.8 26.6 1991 52.2 64.1 39.3 24.8 2001 65.4 75.8 54.2 21.6 2010 74.04 82.4 65.46 16.94 Foreign Universities are collaborating with different Indian → Universities. Two different face of globalization in India. India's problem with Globalization Some section of people in India, basically poor and very poor, tribal → groups, they did not feel the heat of globalization at all. They remain poor & poorest as they were. Increased gap between rich and poor fuels potential terrorist reaction. → Ethical responsibility of business has been diminished. → Youth group of India leaving their studies very early and joining Call → centers to earn easy money thereby losing their social life after getting habituated with monotonous work. High growth but problem of unemployment.

When we look at international business today we can obviously notice that companies all around the globe trying to expand their business as more as they can. When some company runs some business, they are relatively weak at the start point. As firm passing through the process of growing, they must survive all the threats and traps on that road. We can say that the most risky and hardest job to do when new company starting with some business is surviving that first period of probably a year or two.

At the start point every businessman trying to go through that process step by step, so for example; if we plan to open some tourist agency, the first thing we gone do is, to check the geographic area for that kind a job, of course there is no sense to open a tourist agency somewhere in central Croatia in some village. Every person who entering at that kind of a job will think about to open that agency somewhere on the Dalmatian coast, or probably in some bigger city. Globalization, removing state barriers, attenuation of state sovereignty, creating free trade agreements all around the world is a sign that the world is going through the process of the new world order. Today is a much different situation with business all around the world then it was before twenty or thirty years ago. Because of all that free trade area zone and expanding the world economy, we came into the situation that you probably won't survive that risky period if you are opening some small family business.

How Small Companies Can Participate in Globalization

Business you are in, you can find similar companies in other countries and form a partnership. This gives the seller more recognition in the foreign country. But, it is usually more costly due to the added expense of another office. By forming a

partnership with a company that is in the country you want to do business in, the partner possibly has a list of contacts, already. This makes selling the product or service a lot easier. Still though, companies wanting to expand in foreign markets must Major globalization initiatives from Indian companies.

GLOBALIZATION

- Globalization is the process which enables the geographical, social, cultural, political and economic movement internationally more easily.
- Globalization refers to growing economic interdependence among countries as reflected in increasing cross-border flows of three types of commodities: goods and services, capital, and know how

ENTRY STRATEGY FOR GLOBALIZATION OF COMPANIES

- Exporting (Direct or Indirect)
- Licensing
- Franchising
- Contract manufacturing/ International subcontracting
- Strategic Alliance
- Joint ventures
- Wholly owned subsidiary
- Mergers & Acquisition

Globalization of Markets:

It refers to the merging of national markets into one huge global market place.

Globalization of Production:

It refers to the sourcing of goods and services from locations around the world to take advantage of national differences in the cost and quality of factors of production.

Falling Barriers to Trade and Investment:

The falling of barriers to international trade enables firms to view the world as their market.

Technological Innovation:

Technological changes have achieved advances in communication, information processing, and transportation technology, including the Internet and the World Wide Web.

FACTORS DETERMINING IN BUILDING GLOBAL COMPANIES

POLITICAL FACTORS

- Government takeover of asset (with or without permission)
- Operational restriction
- Remittance/ Repatriation restrictions
- Government policies Opposition parties, pressure groups, external linkages

Economic factors

- Economic system (open / mixed)
- Economic development Standard of living (per capita income)
- Foreign Exchange reserves
- Economic indicators (inflation rate, BOP)

Technological factors

- Differentiation strategy
- Competitive advantage Legal factors
- Home country laws
- Host country laws

□ International laws UN resolutions, Patents & Trademark protection & piracy laws, GATT, codes of conduct

SUGGESTIONS AND RECOMMENDATIONS

Technology startups that globalize early and rapidly will win over those that do not. The earlier a startup globalizes, the stronger will be its capability for exploiting growth-seeking opportunities worldwide. Early globalization increases a company's adaptability to uncertain environments and is willing to change. Management of a startup globalizes a technology startup early and rapidly to:

1. Increase the value of the startup
2. Reduce revenue source risks
3. Increase the size of the startup's addressable market

KEY RECOMMENDATIONS

- **Acquire and deploy knowledge quickly**

To globalize early and rapidly, a technology startup requires knowledge about:

1. A problem and its solution that are important to a large and growing number of foreign and domestic organizations
2. A global market
3. How to globalize

For deploying this knowledge quickly, the management of a startup need to:

1. Embed the startup in the systems that create the knowledge that is critical to its success
2. Engage in the exchange of knowledge, information, and other resources with international contacts
3. Adjust to changes in knowledge required in terms of knowledge classification, function, network composition, and interaction patterns

- **Secure commitments to act jointly and quickly**

There are five ways to secure stakeholders' commitments to act jointly and quickly.

- 1) The managers of the startup need to interact with customers and partners in lead positions in the global market who have technology knowledge that overlaps with the startup's technology knowledge
- 2) The startup needs to search out and mobilize individuals and organizations with specialized knowledge that are scattered around the world
- 3) Managers need to develop a vision for the commercialization of knowledge-intensive, novel, and differentiable products.
- 4) The startup needs to quickly deliver value to potential customers and partners
- 5) The startup needs to target large customers and partners with global reach whose requirements can be satisfied quickly and expose the startup to low risk of channel conflicts

Use web processes to create value to customers, partners and stakeholders

The use of web processes to create value is a necessary condition for globalization. The Internet provides collaboration tools, payment mechanisms, a foundation for building and delivering products, and many other value-creating processes.

Build relational capital

The relationships humans have are a more important capital to the startup than the humans themselves. Strong relational capital increases collaboration with others. To build relational

capital, the literature suggests that the startup's management team should proactively leverage new and existing networks to locate and interact with potential customers, partners, and suppliers.

Gain legitimacy

A successful startup should increase legitimacy by:

1. Establishing presence in key markets
2. Gaining high-profile endorsements from established companies
3. Leveraging mentors and advisors to build an ecosystem around the startup
4. Participating in high-profile activities related to direct foreign investment

Strengthen global capability

To strengthen capability to service customers and partners regardless of where they are located, the literature suggests that managers need to:

1. Link the internal strengths of the startup directly with the definition and exploitation of global opportunities
2. Increase their global competences, vision, risk taking, cross-border networks, and awareness of foreign growth opportunities
3. Leverage, shape, and create ownership, location, and internalization advantages
4. Shed domestic rigidities for the purpose of exploiting new global opportunities

CONCLUSION

The globalization of startups is especially important for all entrepreneurs, educators and policy makers. The forces of demography and development favor overseas growth markets, with the developed markets of the West facing a slow-growth future. This implies that we need to connect our entrepreneurs to growth markets overseas, embedding them in those global markets from the start. Secondly, launching and nurturing agile startups will call for entrepreneurs to use the world's best inputs and resources, even if they are not local. In that sense, global venturing needs to be the new watchword in entrepreneurship. If a startup needs to better perform than its competitor globalization is a major business advantage. Simply put, if you want your company to grow, you need to consider globalization as a realistic opportunity. Whether or not a startup launches as global is irrelevant. The key here is that companies should think globally from the beginning to minimize hardships once they are ready to take their business beyond their country's borders.

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