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Entrepreneurship Development

Sub Code- MBCII-I

Unit – III

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Program Objectives

- PO1:** Apply knowledge of management theories and practices to solve business problems.
- PO2:** Foster Analytical and critical thinking abilities for data-based decision making.
- PO3:** Ability to develop value based leadership ability.
- PO4:** Ability to understand, analyze and communicate global, economic, legal, and ethical aspects of business.
- PO5:** Ability to lead themselves and others in the achievement of organizational goals, contributing effectively to team environment.

Program Objectives

- PO6:** Ability to evaluate a business idea and formulate a feasible business plan.
- PO7:** Recognize the need for and have the orientation and ability to engage in an independent & lifelong learning in a dynamic business environment.
- PO8:** Ability to appraise and explain societal and environmental aspects of business.

Course Objectives Of ED

- **CO1: Develop** solutions for the problems faced by women entrepreneurs.
- **CO2: Illustrate** different methods of generating business ideas.
- **CO3: Justify** the importance of business plan in starting a new business.
- **CO4: Explain** project appraisal with example.
- **CO5: Classify** feasibility study and **inspect** their role in setting up a printing business.
- **CO6:** Entrepreneurs should be socially responsible. **List** the motives.

Unit III: Concept of Project Appraisal & Functional Plans

- **Concept of project appraisal** : environmental scanning, competitor and industry analysis; feasibility study – market feasibility, technical / operational feasibility, financial feasibility; managerial competence.
- **Functional plans:** marketing plan – marketing research for the new venture, steps in preparing marketing plan, Financial plan – working capital, Performa income statement Performa cash flow, perform balance sheet, break even analysis.

Unit Objectives

- Define project appraisal
- Learn how to do environmental scanning
- Learn how to do competitor analysis
- Define Feasibility Study
- Learn how to do the Market feasibility study
- Learn how to do the Operational/ technical feasibility study
- Learn how to do the Financial feasibility study
- Define Managerial Competence
- Learn how to prepare Marketing Plan
- Learn how to prepare Financial Plan

What is Project Appraisal?

- Project appraisal an exercise whereby a lending financial institution makes an independent and objective assessment of various aspects of an investment proposition to arrive at the financing decision.

Vasant Desai

- The exercise of project appraisal simply means the assessment of a project in terms of its economic, social and financial viability.

Vasant Desai

Steps followed in Project Appraisal

The exercise of project appraisal itself involves investigation of six different aspects

- Economic
- Technical
- Organisational
- Managerial
- Operational
- Financial

Environmental Scanning

- Environmental scanning is necessary because there are rapid changes taking place in the environment that has a great impact on the working of the business firm. Analysis of business environment helps to identify strength weakness, opportunities and threats. SWOT analysis is necessary for the survival and growth of every business enterprise.

Key Elements of Environmental Scanning

- Identification of strength
- Identification of weakness
- Identification of opportunities
- Identification of threat
- Optimum uses of resources
- Survival and growth
- To plan long term business strategy
- Environmental scanning aids in decision making

Competitor Analysis

- A competitive analysis is a critical part of your company marketing plan. With this evaluation, you can establish what makes your product or service unique--and therefore what attributes you play up in order to attract your target market.
- Evaluate your competitors by placing them in strategic groups according to how directly they compete for a share of the customer's dollar. For each competitor or strategic group, list their product or service, its profitability, growth pattern, marketing objectives and assumptions, current and past strategies, organizational and cost structure, strengths and weaknesses, and size (in sales) of the competitor's business. Answer questions such as:

Competitor Analysis

- Who are your competitors?
- What products or services do they sell?
- What is each competitor's market share?
- What are their past strategies?
- What are their current strategies?
- What type of media are used to market their products or services?
- How many hours per week do they purchase to advertise through the media used in this market?
- What are each competitor's strengths and weaknesses?
- What potential threats do your competitors pose?
- What potential opportunities do they make available for you?

Market Feasibility Study

- A market feasibility study determines the depth and condition of a particular real estate market and its ability to support a particular development.
- The key concern of a market feasibility study for multifamily development is a project's ultimate marketability. Therefore, the market feasibility study must determine the following:
 - What is the current condition of the market?
 - How will the market respond to the proposed project?

Market Feasibility Study

- A methodology, developed by the Danter Company, is the Effective Market Area. The EMA is defined as the smallest geographical area from which a project can expect to generate 60% to 70% of its support
- When we determine an EMA for a project, we look at several factors, including geography, demographic analysis, mobility patterns, and area perceptions.

Feasibility Study

- A feasibility study serves “as a filter, screening out ideas that lack potential for building a successful business, before an entrepreneur commits the necessary resources to building a business plan.”
- A business plan, on the other hand, is a “planning tool for transforming an idea into reality. It builds on the foundation of the feasibility study but provides a more comprehensive analysis of the business.”
- Both can also serve to assist the entrepreneur with information gathering to assess the business concept, including legal compliance requirements, costs, and marketing.

Feasibility Study

- Feasibility studies should be encouraged—even required—for entrepreneurs because they help determine the workability and profitability of a business venture.
- A feasibility study that determines a business is not viable could save an entrepreneurship client money, time, effort, and resources of a failed business venture.
- However, if a feasibility study determines that a business concept is viable, the entrepreneur can be advised effectively on how to move forward to create a business plan to implement the business concept into a working business venture.

Financial Feasibility Study

- A financial feasibility study is an assessment of the financial aspects of something. In this case, for starting and running a business.
- It considers many things including start-up capital, expenses, revenues, and investor income and disbursements. Other portions of a complete feasibility study will also contribute data to your basic financial study.
- A financial feasibility study can focus on one particular project or area, or on a group of projects (such as advertising campaigns). However, for the purpose of establishing a business or attracting investors, you should include at least three key things in your comprehensive financial feasibility study:
 - Start-Up Capital Requirements,
 - Start-Up Capital Sources, and
 - Potential Returns for Investors.

Technical Feasibility Study

- Having a great idea for a product or business isn't enough—you have to show how you can make money from it. The technical feasibility study addresses the physical and logistical mechanics of it, and how you'll be able to get something into the product and back out the door to customers.
- A technical feasibility study assesses the details of how you intend to deliver a product or service to customers. Think materials, labor, transportation, where your business will be located, and the technology that will be necessary to bring all this together. It's the logistical or tactical plan of how your business will produce, store, deliver, and track its products or services.

Key elements in technical feasibility study

- A technical feasibility study is an excellent tool for both troubleshooting and long-term planning.
- It can serve as a flowchart of how your products and services evolve and move through your business to physically reach your market.
- Calculate Material Requirements
- Calculate Labor Requirements
- Transportation and Shipping Requirements
- Calculate Marketing Requirements
- The Physical Location of Your Business
- Technology Requirements to Run Your Business

Managerial Competence

- Managerial competences is set of skills and knowledge that is required at different levels of business operations for the decision making process and for business management.
- In 21st century managers or managerial persons shall possess certain competencies for discharging their duties effectively and to gain effectiveness in their duties.
- Managers are expected to have more of people handling or team management skills i.e. to manage others to achieve objectives.
- There are some generic skills that manager or managerial person shall possess and this also includes ability to manage and understand emotions of self and of others.

Managerial Competence

- Requirement of managerial competencies are divided into three broader areas i.e. cluster, competency and threshold competency and each requires different set of skills and capabilities.
- The core six managerial competency skills are below:
- Communication Competency
- Planning and Administration Competency
- Teamwork Competency
- Strategic Action Competency
- Multi Cultural Competency
- Self Management Competency

5 Steps to Create a Marketing Plan

- Step 1: Begin with a snapshot of your company's current situation, called a "situation analysis.
- Step 2: Describe your target audience
- Step 3: List your marketing goals
- Step 4: Develop the marketing communications strategies and tactics you'll use
- Step 5: Set your marketing budget

Financial Plan

- Start with a sales forecast.
- Create an expenses budget.
- Develop a cash-flow statement.
- Income projections.
- Deal with assets and liabilities.
- Breakeven analysis.

Assessment Questions

What are the different aspects to be investigated for carrying out the exercise of project appraisal ?

Answers:

Such aspects are

- Economic
- Technical
- Organisational
- Managerial
- Operational
- Financial

Assessment Questions

What are the feasibility studies that are critical from the point of view of an entrepreneur?

- Market Feasibility Study
- Financial Feasibility Study
- Technical or Operational Feasibility Study

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