

SECTION I: Starting a business

1. Identification of small business ideas
2. Preliminary feasibility of business ideas
3. Financial feasibility
4. Appropriate ownership form
5. Implementing a business idea

STARTING A BUSINESS

What do we mean by ‘starting a business’?

Before starting a business, you must consider what running a business entails in comparison to doing wage labour. Whereas you can hope to improve your situation by starting a business, you can end up doing the opposite. **There are no guarantees.** What are the characteristics needed of a person wishing to start a business?

- Willingness to take risks.
- Willingness to work long hours without immediate reward.
- Willingness to learn new skills.
- A friendly disposition.
- Self-discipline.
- Well-organized.

If you decide to start a business, you must first identify the business to be in. You should ensure that the business has got a **chance** of being successful, *i.e.* making profits. Thereafter, you can begin the process of starting the business. This involves a considerable amount of planning, setting up and then actually starting the business, *e.g. the woman who plans to rear ducks would have to plan to buy the ducklings, find a place to keep them and ensure food to feed them. She will have to plan for money for all three activities if she does not have the facilities freely available to her. She will start setting up once she knows where she can sell the ducks/eggs and how long it will take to get to that stage.*

What is covered in this section?

This section covers identification of a business as well as actually setting it up for the first time and starting it up.

The ‘identification of an enterprise’ starts with the definition of business, goes on to talk of the different types of businesses and then gets down to the actual identification. This has been handled in five stages:

- i) Drawing up an exhaustive list of possible ideas for a business.
- ii) Assessing technical feasibility: Is the project possible?
- iii) Assessing market feasibility: Is there a market for the product?

iv) Matching resources available with resources required and making a preliminary short list of feasible ideas.

v) Making a detailed financial study to see if the ideas short-listed are financially viable. That is:

— Is the money required to start the business available?

— Will the cash that comes in. in the business, be sufficient to repay loans and replace permanent fixtures bought for the project?

— Will the business make more money for the owner than he spends on it?

The chapter on 'Starting Up' discusses the appropriate forms of ownership and the various activities involved in commencing a business, the nature of such activities, their order — whether sequential/parallel — and the scheduling of activities so that operations can begin at a specified time.

Let us now look at each of these separately.

Identification of small business ideas for fisherfolk

What are we going to look at in this chapter?

- What we mean by a 'small business', the different kinds of businesses and the areas of business which might be appropriate for fishing communities.
- What is a good business idea.
- How to systematically look at all possible good business ideas.

What is a 'small business'?

Let us look at what we mean by small business and what the different kinds of small businesses are.

A business is an organization which should create profit for the owner, offer some employment opportunities and, essentially, enable him to survive and grow.

Some examples of small businesses are:



Vegetable selling



Tea shop

Discussion on the features of each type of business and on the advantages and risks of each would be useful



Raising poultry

Growing vegetables



Engine repairing



Net making

We see that in all these businesses, one person is the main and, most probably, the only person carrying on the business. Each of these businesses is easy to understand and control because it is small.

Are there different kinds of businesses?

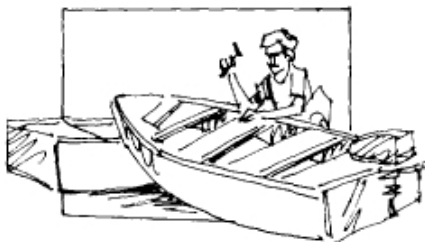
Yes. They could be broadly classified into three different types.

Initiate discussion on the three basic types of businesses viz production, service and trading

This can be done by asking for numerous examples of businesses and then helping the group to classify them in the three categories.



This is a production business. She produces the goods and then sells them.



This is a service business. He is selling his 'services', his skills, to customers.



This is a **trading business**. He buys from a source and re-sells at a different place.

What are the special features of a production business?

1. A production business is involved in making a product by using raw materials, labour and other resources and then selling the product.
2. Production requires money to be put into raw materials and equipment for a longer period of time *i.e.* till the products are sold.
3. Small businesses normally produce goods using raw materials, labour and skills available locally.
4. The goods may be sold by the business to an intermediary or directly to the final buyer.

What are the special features of a service business?

A service business is dependent on a constant need in the location for the particular service offered.

2. The service normally involves a skill not generally possessed by others or is a task which people are willing to pay for to avoid having to do it themselves.

e.g.

- | | | |
|-----------------------|---|------------------------------------------------------------------------------------------|
| A cycle repair 'hop | — | needed where cycles are used extensively. |
| An engine repair shop | | needed where boats, irrigation pumps and other motors are used. |
| A hairdresser's chop | — | needed where women can afford to get their hair dressed professionally (as in Thailand). |

3. The service business may require purchase of tools/equipment to start up. But, normally, this is the cheapest type of business to start.

What are the special features of a trading business?

In a trading business, you buy from one source and sell to another. It is **the easiest to start**, as no time is spent in producing the goods to be sold.

2. You normally expand the business if it is successful.
3. You can pull out of the business more easily, as there is little equipment in it. It can even be a one-time operation. If you find it is not profitable to buy and sell an item, you can stop doing so. You can close down easily.
4. The trading business often uses less of local resources (raw material / manpower). You normally invest in products from outside the village and earn by reselling them at prices more than you paid for them.
5. You have to invest more in the business as you need to buy certain minimum quantities of a number of articles.
6. There should be a secure place to stock the products for sale.
7. The risk in the business is that damage to the stock could result in the goods not being saleable and you could, thus, lose the money you invested on them.

Again initiate a discussion on the areas in which they think fisherfolk businesses could be and why they think so

What are the different areas in which fisherfolk businesses could be?

Fisherfolk businesses need **not** be only related to fishing. They could be in any area. Such as:

Making dry fish, Ma/dive fish and salted fish. Fish vending. Selling fishery-related goods.

Repairing craft, engines. nets and fishing gear.

Coconut fibre- and vain-based activities.

Metal and mechanical repair workshop, bicycle repair shop.

Carpentry. furniture-making toy—making.

Garment— and lace-manufacture. embroidery

Making artefacts for tourists.

Cement blocks, roof tiles, toilet manufacture.

Handicraft carving wood or stone.

Resale of food sweets. tobacco, pan, plastic items.

Making and selling of sweets, pickles. chutneys. snack foods. curd bread.

Growing at traits. vegetables spices and flowers

Raising cattle. goats, poultry, pigs. ducks fish, shrimp.

Milling or husking rice and other grains, spices etc.

Small-time trading in fish. chillies, rice, etc.

Childcare.

In each area encourage all participants to think back to the environment they work in and bring out different kinds of farming, poultry/live stock rearing, trading. culture and capture fishing activities, service business. These could be on going or planned for the future.

What is necessary for any business to be a success?

NOTES

For any business to be successful, there has to be a market for the product or service.



If no one has cycles, the cycle repair shop would not be needed.



If there are many vegetable gardens in the village, it might not need a vegetable shop.

What is important in identifying a business?



It is important to identify the 'best idea' for the business to be most successful.

This is a village on the coast.

Many fishermen have taken loans and acquired boats with outboard motors. This has helped them in their fishing. Many more fishermen are planning to buy boats with outboard motors,

Rajulu's motor has broken down and needs to be repaired, but there is no one to repair it. He has to take it 100 km for repair.

Venkatesan is a fisherman in the village. He is interested in mechanical things. Do you think it is a 'good idea' for him to consider setting up an 'engine repair shop'?

Venkatesan may not already be a good engine repair mechanic, but he could be trained to be one.

Yes, it might be a 'good idea'. There is an increasing problem faced by hshermu owning motorized boats and this is an opportunity for business. Venkatesan is interested in mechanical things and could be successful running an engine repair shop. Hence it is a 'good idea' for him to consider.

ACTIVITIES

A

Let us divide into three *groups* (of 3 members each). Group 1 should list three good ideas for small 'Trading' businesses and the reasons why they consider them 'good ideas'. Similarly Group 2 should list three small 'Production' businesses and Group 3 small 'Service' businesses. Each group should then present its ideas.

B

The activity is to be repeated. Each group should handle a different type of business and list three good ideas other than the ones already mentioned. Each group should again present their ideas,

Objective to be achieved

To familiarize participants with the three basic types of businesses.

To introduce them to the reasons for the likely need for a specific business (this will be covered in detail in a later chapter).

Material required

- * Three charts
- * Marker pens

Discussion

1. The instructor should put up three charts. 'Production', 'Trading', and 'Service', and note the ideas generated by the participants on each.
2. The number of members in each group will depend on the number of participants.
3. Each group must present its ideas and explain the circumstances under which the business idea is likely to be successful.
4. The trainer should lead a discussion on why they consider a particular option a good business idea. The discussion should focus on:
 - The needs of the community.
 - Problems faced by the community.
 - Resources available with the entrepreneur, such as
 - manpower,
 - technical expertise/skills,
 - land, and
 - money

On what basis would you draw up a list of possible business ideas?

A list can be made by looking at each of these aspects:

Problems facing the people/community.

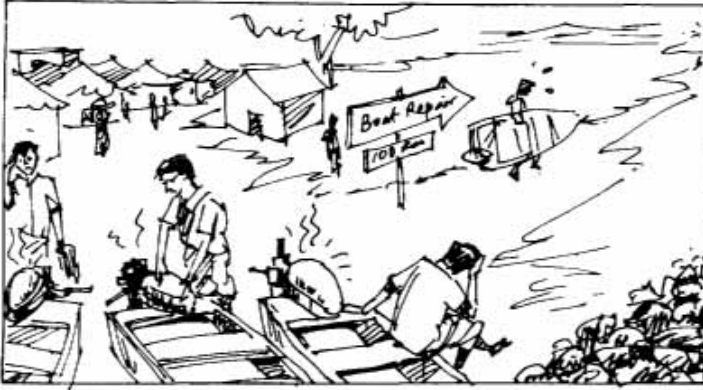
Needs of the people, today/in the future.

Raw materials available locally/skills of individuals.

Let us look at each of these in a little more detail

Problems facing the people/community

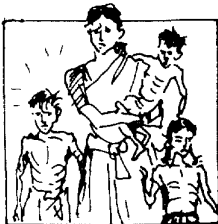
Solutions to problems give rise to opportunities.



Many fishermen have motorized boats but to repair their engines they have to go to a town far away. **Opportunity:** An engine repair shop.

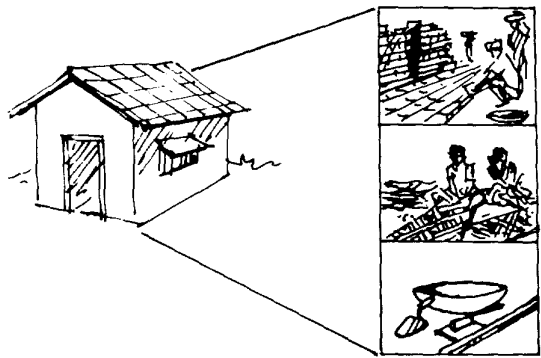
How do you identify the needs of the people?

Their needs today and in the near future



- * People need to supplement their food/nutritional requirements and nothing other than fish is available locally. They have to go long distances to fetch anything else.

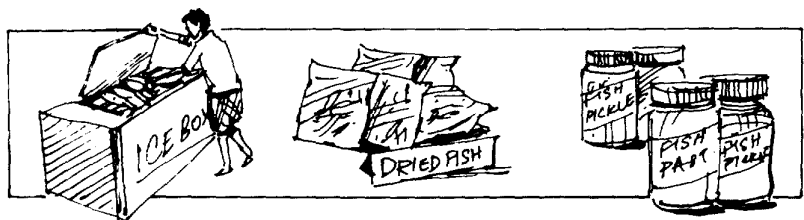
Opportunity: Vegetable vending/producing. 'Rearing poultry/selling chicken and eggs'.



- * People hope to have some sort of shelter.

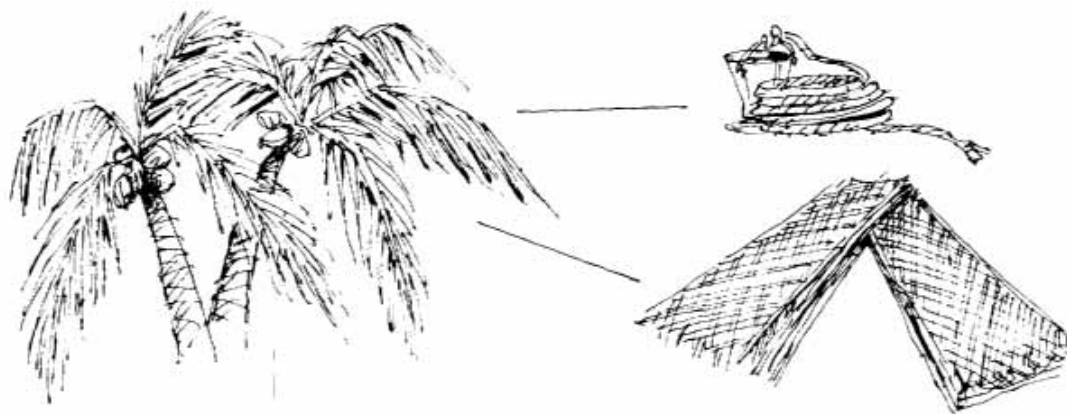
Opportunity: Manufacture of handmade bricks. Supply thatch for roofs. Work as masons.

Raw materials available local/v/skills of individuals



- * Fish

Opportunity: Fish vending — selling fish in bigger market. Processing fish — smoked/pickled/dried/sauce/powder/oil. Making animal/shrimp feeds and fertilizers. Collecting air bladders, shark liver oil, shark teeth/jaws, cuttlefish bones etc.



- * Coconuts

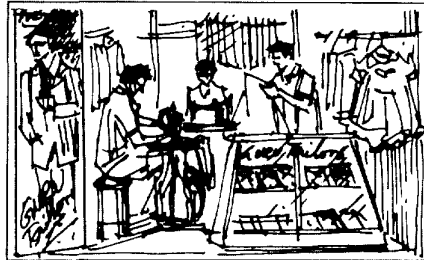
Opportunity: Making ropes, leaf mats; shell handicrafts, sweets, coir decorations etc. Selling tender coconut water. Using the timber to make furniture etc.

COOKING



Snack shop

SEWING



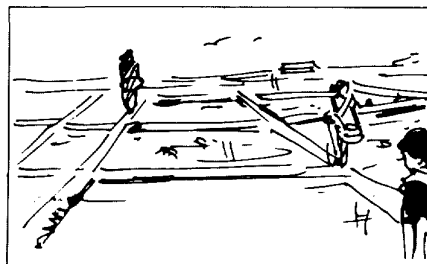
Making clothes

AGRICULTURE



Growing vegetables

AQUACULTURE



Rearing fish/shrimp

ACTIVITIES

Analysis of environment

Let each of the three groups earlier formed identify ideas for microenterprises (other than the ones given in the examples) by considering one of these aspects:

Group 1	Problems facing the people
Group 2	Needs of the people (today/future)
Group 3	Raw materials/skills available

Their responses should be based on their experiences in their villages and their knowledge of the area.

Each group should present at least five new ideas for microenterprises and give reasons as to why it considers each an opportunity. It should also identify each suggestion as a Trading, Production or Service enterprise.

Objective to be achieved

Participants are expected to learn to identify business ideas systematically, using different ways of brainstorming. Participants also create in this manner a location-specific ideas list.

Materials required

- * Three charts
- * Marker pens.

Trainer to put up the charts marked:

- 1) Problems facing the people
- 2) Needs of the people (today/future)
- 3) Raw materials/skills available

Discussion

Each group must present its ideas, explain the classification of each and why it considers them feasible.

THINGS TO REMEMBER

- A business makes money for the owner by providing goods or services to those willing to pay.
- A small business is simple and is relatively easy to understand, handle and control. Most often there is only one person required to carry on the business.
- There are three basic types of businesses:
 - Production: the person makes and sells (*e.g. basket-making, vegetable-growing*)
 - Services: the person sells services (*e.g. repairs*)
 - **Trading:** the person buys from one source and sells to others (*e.g. selling household items and foodstuffs*).
- How do you identify a business?
 - * **For** a business to be successful there should be a need for it (a market).
 - * **The need could be a current one** or one which is likely to be felt in the near future.
- How do you draw up an exhaustive list of possible business ideas? To draw up an exhaustive list of ideas for business, you should consider:
 - * Problems facing the community.
 - * Needs of the people today/in the future.
 - * **Raw materials/skills of individuals available.**

Preliminary feasibility of business ideas 2

Having made an exhaustive list of possible business ideas, the task now remains to eliminate the ones which are not possible to implement. Elimination becomes necessary because

The idea is not technically feasible or ‘possible’

- **The technical feasibility**

There is no demand for the idea; that is, there is no ‘market’

- **The market feasibility**

The individuals behind the idea are not likely to have the required resources

- **Matching of resources**

What are we going to look at in this chapter?

- What ‘technical feasibility’ is, why it is important, and how we should assess it.
- What ‘market feasibility’ is, how an individual can check the demand for a product/idea and the factors that affect the demand.
- What resources are required for a project and whether they are sufficient or not.

TECHNICAL FEASIBILITY

What do we mean by ‘technical feasibility’?

Technical feasibility refers to the process by which we assess whether the project is capable of being implemented — whether the desired ‘outputs’ can be achieved with the given ‘inputs’. The ‘process’ of production of the goods or services must be clearly understood and it must be determined whether the fisherman involved has the necessary ‘skills’ to execute the process.

The broad aspects a technical feasibility study should look at are:

- * **INFRASTRUCTURE** : Land, building/shed, water. power, equipment and raw materials required.
- * **TECHNICAL EXPERTISE**: Specialised knowledge required for any field.
- * **MANPOWER/LABOUR** : Skills required.

Infrastructure

LAND

For a project to be implemented, a certain minimum land area may be required. **The area required should be available.**

For certain projects, a specific type of soil or water or climate may be required. *E.g. shrimp culture would require a substantial land area with soil having a degree of clay content; there should also be brackish water available. The area available should be suitable.*

BUILDING

The building/shed **necessary should be available and suitable.** Suitability could be in terms of the layout, storage facilities etc. It is important that raw materials and finished goods be kept safe from damage or theft. *E.g. a group of women decide to sell flour as a business. However, further discussion makes them realize that the flour has to be stocked in their houses, none of which are really suitable, as the roofs leak. The flour is, thus, in danger of being spoilt. A suitable stocking place is therefore necessary.*

WATER/POWER

The building chosen should have the necessary power and water available to run the business.

EQUIPMENT

The machines and tools that would be required to run the business and the ease with which maintenance can be done need to be considered. *E.g. a number of fishermen bought outboard motors, but more than 50 per cent of the boats remained idle as motors broke down often and the spares required could not be easily obtained.*

Before buying machinery, these points should be considered:

- Is it easily available?
- Is it within the budget of the entrepreneur?

- In case of equipment not being within the budget, is alternate equipment available or can manpower be used to obtain production of equivalent quality and at what annual cost?
- Is the equipment reasonably easy and inexpensive to maintain?
- Are the spares required to maintain the machine easily available?

RAW MATERIALS

Are the raw materials required

- available locally or easily transportable?
- relatively inexpensive?
- capable of producing finished goods of a quality acceptable to the consumers?

Technical expertise

Technical expertise should be available either with the entrepreneur or he should at least be able to contact an expert who has sound knowledge of the process/business.

Lack of this knowledge may result in an unnecessary loss to the entrepreneur. *E.g. the individual who wanted to raise poultry and decided on 'Leghorns', only to later discover, one by one, the problems involved and the specialized help required in rearing them.*

It would have been easier for the chicken farmer to check the following with a person who reared poultry:

- Is any special food required, is it easily available and how expensive is it?
- What are the vaccination procedures and timings? And is a veterinarian available?
- What is the mortality rate of the young ones and, therefore, at what age should the chicks be bought — when 3 days old or 3 weeks old? It is likely that buying 3-week-old chicks will be more expensive than buying 3-day-old. However, considering that the mortality rate of 3-day-olds is far higher than 3-week-olds, it may, in fact, be more profitable to buy 3-week-olds than 3-day-olds.
- What are the likely diseases poultry may suffer from and how should they be handled?
- What is their breeding pattern?

Manpower/labour requirement

It is possible that a particular business may need manpower in addition to the individual involved in the business. Such manpower may be unskilled, semiskilled or highly skilled. Before starting the business it would be worthwhile to check on the specific manpower requirements. Usually unskilled and semiskilled labour are easier to get than skilled labour. Skilled labour may be expensive or just not available at all. If the business finds, after it has started, that it cannot get the required labour, this could lead to a loss/failure which could easily have been avoided.

We have now seen what we mean by **technical** feasibility. It may conic across as something which is highly complex and difficult to do. In reality, however, it is possibly the easiest, as it is a common-sense approach to evaluating a business idea.

What do you think would be the best way of doing a technical feasibility study?

Guide the discussion along these lines:

The need for an expert

The different kinds of experts

- Technical/research experience

- Business experience

The role of the consultant in identifying available expertise and making it accessible to the fisherfolk requiring it.

A good way of doing a technical feasibility study would be to find out from an expert in the area the practical requirements and difficulties in the particular business. This picture will enable a decision to be taken on whether a project is 'possible' or not, *i.e.* whether it is technically feasible or not.

Who Is an expert ?

An **expert** is best described as a person who is already in the same business, is successful at it and has rich experience to share.

Other experts may be available with the Government agencies/institutes, universities, NGOs and aid agencies. These would be people who have actually studied the field, or worked in it.

How do fisherfolk get to meet these experts?

While fisherfolk could look around for people who are in the business, it might sometimes be difficult for them to contact the experts.

The role of the consultant then becomes very important. With his greater reach, he can get to these experts more easily and arrange a meeting between them and the fisherfolk.

What do we mean by ‘market feasibility’? Why do we need it?

Let us take the case of Rani who decided that she was good at making handicrafts and spent over a month in making some with shells. But she discovered later that there were really not many who wanted to buy them.

It would certainly have been better for Rani if she had found out basic facts, like the following:

- Whether anybody wanted to buy or was buying shell handicrafts. This is what we call a ‘market demand study’.
- If they were interested in buying such handicrafts, what types they were particularly interested in. This is what we call a ‘product study’.
- What the prevailing prices were for similar handicrafts and what prices people were willing to pay for her handicrafts. This is what we call a ‘price study’.

How many pieces could she get orders for at the prices at which she could afford to sell. This is what we call a ‘demand estimate’.

If she had known the answers to these *i.e.* had Rani done a **market feasibility study**, she would probably have taken one of the following decisions:

- Not to be in the shell handicraft business.
- Invest less time, effort and material and make only as much as she could sell. In this case, it would be only because she is very fond of making these handicrafts and does not want to lose touch with the craft.
- Lower her prices.
- Change the designs.

Guide discussions to focus on:

Need to identify the buyer/market

Need to make product samples to obtain reactions

Need to know how much it costs her to make the product and how the price she can sell at compares with the prevailing prices

- Need to know the minimum quantities she will be required to make and to obtain orders for them.

Please note the product could be one which is not available in the market or one where similar products are available.

How would Rani have done a market feasibility study?

We saw that a market feasibility study essentially involves finding out the following:

- Demand for the product or service.
How acceptable the product is.
- At what price the product is acceptable.
- How many can be sold.

If the answer to these questions are favourable, then it may be assumed that the product has a chance of being accepted in the market.

Now let us take a closer look at how we would go about finding these answers in the simplest way possible.

Demand for the product or service

The idea for the business arose only because there was a felt need. However, the need may not be strong enough or felt by enough people to make the business successful. Now, what do we mean by that?

Let us take the case of Chinong village, where some young women feel they would like to have a hairdresser in the village. Opening a hairdressing salon would be a good business idea only if many of the women felt the need to have their hair dressed and if they could afford it.

Similarly, the lack of a vegetable shop/vegetable gardens in the village may point to the need for vegetables to be sold in the village. This again would be a good business idea only if the women in the village felt the need for vegetables and realized that they needed to supplement their diet with vegetables.

We can therefore understand the demand for a product if we talk to the people who are going to actually buy it and use it.

Product acceptability

First of all what do we mean by 'acceptability' of the product? By **acceptability** we really mean that all features of the product are acceptable. *Let us take the case of Abdul who sells coffee at a roadside stall.*

WHAT WOULD BE THE FEATURES OF HIS PRODUCT?

The features of a cup of coffee would be its consistency, colour, sweetness, aroma, quantity and temperature.

Here we should note that a product could be entirely new or a modification of an existing one.

In the case of an entirely new product, it would be essential to get some samples made (say five to ten), get some people to use them and find out what they feel about the product. This would also help you to develop a better product in the end.

Thus, Abdul asks five friends to taste his coffee and give an honest opinion. Three complained it was not hot enough, one said it was too sweet and one had no complaints. With little effort Abdul had got some idea of what he might do to improve his product.

Modification of a product in the market can be done by finding out from the users of the product what they like and what they do not like about it. What are the features they would like changed or added? An answer will help you design a product which is better than the one already in the market.

Here again, we find out what we need by talking to the users in detail about the product.

WELL, THIS SOUNDS EASY WHEN THERE IS A PRODUCT. BUT WHAT DO YOU DO IN THE CASE OF A SERVICE?

Remember that a 'service' is similar to a 'product' and that, therefore, it also has features. In the case of a person having a repair service, the reliability, the speed and the quality of his work would be its features. Before a person were to start a vegetable shop, it would be better for him to talk to the housewives who are going to buy his vegetables and find out what kind of vegetables they need and around what time they should be available, etc.

An acceptable price

This is a very crucial question, as on this depends whether you will make a profit or a loss in the business, *i.e.* whether a business is viable or not. **Even if a product is good, if people are not willing to pay the price for it, then it may not be such a good business idea.**

Once you have arrived at a specific product to be made, it would be quite simple to arrive at the cost at which it can be made.

There are three points to be considered before arriving at the price of a product:

- What it costs to actually make.
- The market price of a similar product.
- The price you wish to fix for the product.

The price you wish to fix could be below or above the market price, but it **cannot be less than the cost of the product**, as you would then incur a loss.

Having decided on the price you are going to fix, it is necessary to check with the buyers whether the product is acceptable to them at that price, *i.e.* what they think of the price and whether they would buy it at that price.

Quantity saleable

Having decided on the price, it would also be safe to know, before commencing on a business venture, how much you can sell of the particular product.

Determining exact numbers is a very difficult exercise for anyone.

Guide discussion and focus on

- Whether prices are too high, too low or just right
- A willingness to try the product, but not willing to buy it even though the price is right could mean that the market may be not yet developed for that product. There is no Real Need.
- A willingness to try the product, but un-willingness to buy it because the price is too high could mean you need to re-look at the price. You can find out the reactions to various prices and see which one is most acceptable to the buyer and you. However, no price should be below your cost plus your minimum profit + margin required.

But what you really want to know is whether there is a market for the initial quantity with which you want to begin production.

The simplest way would be to approach buyers and, having shown them the product and indicated the price, find out how many they would be willing to buy. Once you are confident you can sell a particular number and that this will earn you a profit, you can then establish yourself and meet the increasing demand for your product by slowly increasing production. This would be the safest way to establish your business and ensure that you are successful.

We have now seen how a market feasibility study can help a business and how to go about it. The one thing you need to remember is that the buyer or user of your product will determine whether it is a success or not and, so, it is important for you to understand who is going to be your buyer/user.

Are there any other factors that could affect demand?

Yes. The other factors which could affect demand and which we should keep in mind are:

- * Seasonal factors that sometimes affect **demand**, *e.g. during the lean season in a fishing village, sales of everything that is not considered a necessity might fall as people have less money to spend.*
- * **Competition existing or about to enter into the same field**, *e.g. if Fatima opens a tea stall next to Abdul's coffee stall, Abdul can expect to lose some business to Fatima.*

MATCHING RESOURCES

What are the resources required for a business?

The three basic resources for any economic activity are:

- * **LAND:** A place to carry out the activity as well as access to the natural resources there.
- * **LABOUR:** Human work to produce the goods and services.
- * **CAPITAL:** All other forms of wealth and value needed to produce more goods or services.

All economic activities require these three inputs in different proportions. Often the input which you have in greatest abundance locally will determine which business idea to put into effect.

Let us look at *the example of a vegetable garden* and see what resources you might require.

Land

For a vegetable garden, a plot of land is the obvious requirement. **But not just any plot.** The following features of it must be considered

- Size and topography.
- Soil fertility.
- Exposure to sun and wind.
- Water source (rain and irrigation).
- Access to shelter (for supplies, equipment and crop).
- Availability of power (electricity, diesel or local source).
- Access to transport net.

Labour

A vegetable garden might need both unskilled and skilled labour. Consider who will till, plant, weed, water and harvest? Who will clean, pack, transport and sell the product? How much labour and at what time. Will the labour needed be available during the peak harvest season?

Capital

Capital is what makes it possible for the labour and the land to produce wealth. Sometimes the capital is raw materials and tools you already have, but often you don't have all you need. Thus you must find, barter or buy the capital inputs you need. For this reason people often think of money when we say 'capital'.

What are the capital inputs required for your vegetable garden and how will you get them?

<i>Items we have</i>	<i>Items to barter for</i>	<i>Items to buy</i>	<i>(Rs.) Cost</i>
Tools	Manure	Seeds	30
Storage	Fencing	Packaging	180
		Transport	40
		Wages	<u>3,000</u>
			<u>3,250</u>

You already have the tools and storage facility. Manure and fencing are available with neighbours and you can get them by paying in kind (vegetables) later on. However, the proper seeds, packaging, transport and wages you will have to pay, will come to Rs. 3,250, and this must be paid before the harvest, which brings in the money.

Do you have the land, labour and capital resources necessary? Can some capital resources that must be bought, be obtained by barter? If not, do you have access to the money necessary through your own funds and/or through loans? How much will the loans cost?

ACTIVITIES

Assessment of resources available for the microenterprise

The same three groups, based on their experience and knowledge of fisherfolk, draw the portraits of those whom they are helping to identify a microenterprise. For the purpose of this exercise it could be restricted to an individual. This portrait is then written on a chart and put up for all to see.

The chart should contain the following elements:

WHO IS BEHIND THE MICROENTERPRISE?

<i>Background of the individual</i>	<i>Resources available with him</i>
Family size	Land/Buildings
Education	Money-Savings/loans, etc.
Skills	Manpower

Main source of income
Total monthly household income
Income from main source
Income from other sources
Savings available

Deciding on the right idea

Each group picks any two of the ideas presented by them and which they feel are technically feasible.

They then take each idea and match the resources available with what is required.

	<i>Required</i>	<i>A vailable</i>
Skills		
Manpower		
Local resources/raw materials		
Land		
Money		

Based on the matching, they arrive at one, two or no project idea. They have to give reasons for their decision and convince the other groups about their decision.

THINGS TO REMEMBER

- A business idea may not be good because
 - it is not really possible (technical feasibility);
 - there is no market (market feasibility); and/or
 - the individual/group cannot generate the required resources.
- Technical feasibility is essentially ensuring that
 - the infrastructure (land, building, water, equipment) is both available and suitable;
 - the technical expertise required is available; and/or
 - the skilled labour required is available or can be trained.

The best way of doing a technical feasibility study would be to meet with an expert, who is

- a person already in the business; and/or
- a person who is studying the business

- Market feasibility is essentially to ensure that
 - there is a demand for your product;
 - your product features are acceptable;
 - the price at which your product is acceptable gets you a profit; and
 - you have an assured market to begin with for at least a minimum volume.

The best way of doing a market feasibility study would be to identify the buyers/users of the product and ask them about their views and intentions.

- Matching of resources should be done to ensure that sufficient resources are available to begin a business. The resources would be:
 - Land and access to the resources required,
 - Labour, and
 - Capital.

First, list what is required for a project and what you have available under each of the above headings. Then match what you require with what is available. Shortfalls, if any, should be looked at to see if they can be made good by collection, bartering, hiring, buying, borrowing.

Once a project idea is found to be technically feasible, has a market and there are sufficient resources, then it could certainly be classified as a good business idea.

However, there may be more than one idea which is good. We need to be sure we choose the best or the right idea and that is the one which will give the maximum profit. At this stage, you would need to do a detailed **‘Financial Feasibility’ study to select ‘The Right Idea’**. In the next chapter we will look at ‘Financial Feasibility’.

Financial feasibility

3

What are we going to look at in this chapter?

It is advisable to look at Chapters 13, 15 and 17 on Basic Accounting, Working Capital and Banking and Finance, before commencing this chapter.

- What is meant by 'financial feasibility'.
- Classification of expenses into one-time and recurring expenses.
- Whether the business thought of will be/is able, in terms of the money available, to:
 - Start up, and
 - Keep running.
- Whether the business thought of is likely to generate profits and to what extent.
- Whether the cash likely to be generated by the business will be sufficient to:
 - Repay loans;
 - Replace worn-out assets; and
 - Give the owner a profit at least equal to the profit of his second best idea.

What is 'financial feasibility'?

In Chapter 1 we made an exhaustive list of possible business ideas.

In Chapter 2 we saw that we could short list 'Good Ideas' by doing a technical feasibility study, market feasibility study and matching resources required with what is available.

The few projects thus short-listed may all be good ideas, but the 'Right Idea' will be the one which is 'financially viable'. We would need to do a financial feasibility study to evaluate the business and determine whether it is viable in terms of:

- Money required to start the business and to run it, and
- Whether the business will generate sufficient cash to repay the loans, replace the worn-out assets etc., and meet the owners' profit requirements.

How do you estimate the money required to start and run a business?

Before you determine whether a business is feasible, you should be able to estimate the money required to start it. In order to do so, you need to first list all items required in the business and put against each the costs likely to be incurred. Based on when and how often the expenses will be incurred, these costs can be classified as **one-time expenses and recurring expenses**.

One-time expenses

These expenses are incurred only once – that is, when you start the business. Thereafter, they are incurred only when certain assets are completely worn-out and have to be replaced. Examples of one-time expenses would be the following:

- Land.
- Building/Shed.
- Machinery, equipment, tools etc.
- Advances, deposits for rent, electricity.
- Transport and installation of equipment.

Recurring expenses

These are expenses which are incurred every day in the business. Examples of recurring expenses are:

- Rentals/utilities.
- Material required for production.
- Labour costs etc.

Also refer to discussion on classification of expenses in Chapter 16, Break-even analysis and Best Product Mix and Appendix I: Accounting Practices.

EXERCISE

Saroja, a fisherwoman, wants to start a tailoring shop in her village. Estimated expenses are given below. Can you classify them as one-time expenses (OTE) and recurring expenses (RE)

The object of this exercise is to enable the participants to differentiate between one-time expenses and recurring expenses.

	ks.	OTE	RE
Sewing machine	5,000		
Purchase of thread, needles etc.	150		
Shop rent advance	1,000		
Shop rent	100		
Tools, like scissors, scales, measuring tapes etc.	500		
Electricity charges	20		
Sundry expenses	200		
Transportation of sewing machine from town	100		
Total expenses	7,070		

Money required to start the business

Once the money required for one-time expenses (that is, the money to start the business) are estimated, the question of arranging for the money arises.

It is not possible nor advisable to start a business entirely on borrowed money. Therefore, the owner of the business has to bring in a portion of the money required, if not all of it, from his own sources, such as savings, sale of personal assets like land, jewels etc. The balance, if any, will have to be borrowed from a bank, government, funding NGO, friend, relative, pawnbroker or private moneylender.

The plan of going into business, thus, usually depends on someone being willing to lend the rest of the money needed. If no one is willing to do so, the idea is often not feasible, as it cannot be implemented without the required amount of money.

Illustration

Lucas proposes to produce a small, wooden component required by a nearby factory. Lucas has to buy a machine costing Rs. /0,000/- for this purpose. The cost of transport and erection of the machine is Rs.2,500/-. Lucas proposes to take a shed on rent. The rent advance is Rs.5,000/-. Lucas has Rs.10,000/- to invest. Evaluate the viability of starting the business.

	Rs.
One-time expenses	
Cost of machine	10,000
Transport and erection	2,500
Total Machine cost	12,500
Rent advance	5,000
Total	17,500
Available resources	
Lucas' savings	10,000
Total	10,000

Since the resources available with Lucas are not sufficient to meet the one-time expenses, the money required to start the business, the idea is not viable. However, if Lucas can raise an additional Rs.7,500/-, the proposal will be feasible on the count of availability of money to start the business.

Money required to run a business

In addition to the money required to start the business, some money will be required to meet the day-to-day expenses, the recurring expenses. For example, a vegetable vendor should have some money to buy the vegetables which he intends to sell. If he does not have this money, how can he buy the vegetables in the first place? A woman who wants to rear ducks requires money to buy the feed. otherwise the ducks will die of starvation.

Further, to readily cater to the needs of the customers, a business must buy goods and keep them in stock. It requires money to maintain stocks.

Customers may not pay immediately for goods purchased. So the business has to give credit to customers. Money is required to extend credit to customers

From all this we see that money is required to meet the day-to-day keep stocks and extend credit to customers. This is called working capital.

Refer Chapter 15, Section expenses,

Estimating the money required to run a business

How much money is required if a business is to be run smoothly? This depends on the size of the business, the stock to be maintained. credit to be extended to the customers, credit you get from suppliers of goods and raw materials etc.

Illustration

Let us continue with Lucas’ wooden component business. The cost of each component is as follows:

	Rs.
Raw material	
Labour	2.00
Other expenses per unit, payable every day	1.00
Tootal cost	11.00

Lucas can produce 30 components a day and works for 25 days a month, 300 days a year.

Lucas has to keep at least 7 days’ stock of raw material to ensure smooth running Of the business. He also has to extend 15 days credit to the customer. The supplier of raw materials has agreed to extend seven days’ credit.

Assume Lucas can mobilize another Rs. 10,000 by selling his wife’s jewels. This would he needed to meet the shortfall of Rs.7,500 in the one-time expenses and the balance would go towards meeting recurring expenses. Sriram, a (lose friend of Lucas, has agreed to

lend Rs.1, 000. interest free, repayable after one year Evaluate if the proposal is viable as far as availability of money is concerned to start and run the business.

Daily production and sale = 30 comoonents
Required stock of ray, material = 7 days x 30 components x Rs.S
= Rs. 1,680
Cost of producing one unit of the wooden component
= Rs.1 | (see previous page).

The customer will pay #ily after /5 days, but Lucas will have to continue to supply the components during those 15 days. Therefore, the money required to extend credit = 15 days x 30 units x Rs. 11.00 = Rs.4,95()

Money required to run the business	Rs.
Money required to keep stock ot raw material	1,680
Money required to extend credit to customer	4,950
Add. for safety, say	870
	7,500

Money available	
Surplus after meeting one-time expenses	2,500
Rs. 10,000 - Rs.7,500)	
Loan from Srirani	1,000
Credit extended by supplier	
(7 days x 30 units x Rs.8)	1,680
Total	5,180

The proposal is not viable as Lucas has only Rs.5,180 as against Rs.7,500 required to meet Recurring Expenses. **Lucas has to convince the customer to pay earlier, or the supplier to extend more credit or explore the possibility of reducing the level of stock without affecting the production. If not, the idea is not workable.**

Assume Lucas has arranged a loan with a local bank for the remaining amount of Rs.2,320 (Rs.7,500 - Rs.5,180) and the loan has to he repaid in two annual instalments of Rs. 1,160 each. Is this sufficient for Lucas to start his business?

Yes. The proposal is workable as far as availability of money to start and run the business is concerned.

Is the business idea profitable?

Once the viability of a business idea pertaining to availability of money to start and run the business is established, the next step is to examine whether the idea is ‘profitable’.

Profit, obtained only when income is greater than expenditure, is essential for any business. It is out of profits, that the loans taken

to start and run the business have to be repaid. The money needed by the owner for his living expenses, replacement of worn-out assets, etc., also depends on profits. Growth of a business organization depends on profitable conduct of the business.

It is profit that keeps the working capital (money provided to meet recurring expenses), which is the lifeblood of the business, intact. If a business is not profitable, the working capital will be gradually depleted and ultimately the business will have to be closed. Therefore, it is essential to evaluate whether a business idea is profitable or not.

Illustration

In the example of Lucas' business, *let us assume the selling price of each Unit is Rs./3* and estimate the profits the business is likely to yield in the next three years.

ESTIMATION OF PROFITS

	Year 1 Rs.	Year 2 Rs.	Year 3 Rs.
Income			
Income from sale of components =			
300 days x 30 units x Rs.3 =	117,000	117,000	117,000
Total	117,000	117,000	117,000
Recurring expenses			
Cost of raw material			
= 300 days x 30 units x Rs.8 =	72,000	72,000	72,000
Labour			
= 300 days x 30 units x Rs.2 =	18,000	18,000	18,000
Other expenses			
= 300 days x 30 units x Rs.1 =	9,000	9,000	9,000
Interest at 10% per annum on bank loan of Rs.2,320 for the first year and on Rs.1,160 for the second year (original loan Rs.2,320 less first instalment Rs. 1,160)	232	116	
Depreciation (wear and tear) (Assuming the life of the machine, which cost Rs. 12,500, is two years and a new machine is purchased in the third year)	6,250	6,250	6,250
	105,482	105,366	105,250
Profit (Income-recurring exp.)	11,518	11,634	11,750

Refer to Appendix I for a detailed discussion on depreciation while studying this example.

The business proposal is expected to generate a profit of Rs.11,518 in the first year, Rs. 11,634 in the second year and Rs. 11,750 in the third year. Thus we see that the business idea is profitable.

Will the idea generate enough cash?

The cash profits, *i.e.* excluding expenses that are not incurred in cash, like depreciation (wear and tear) of assets, expected to be generated by a business should be sufficient to repay the loans taken to start and run the business, replace worn out assets and meet the living expenses of the owner. If the cash generated by a business is sufficient to meet all these, the idea is viable, if not, the idea should be dropped.

Continuing the example of Lucas' wooden components business, let us estimate what are the various sources of cash and whether they are sufficient to meet the commitments.

Let us first list the various sources from which Lucas is going to raise money in the next three years:

- Money invested by Lucas in the business.
- Loan promised by Sriram, Lucas' friend.
- Loan arranged from local bank.

The supplier has promised to extend credit for seven days to Lucas. but is this a source of cash? A little thinking will clarify that the supplier permitting Lucas to pay after seven days and his lending Lucas money to buy his raw material requirement for seven days and asking him to pay for the purchase immediately are one and the same. Therefore, any credit received from suppliers is a source of cash. Extending the logic further, any increase in credit extended is an additional source of cash and any reduction is use or outflow of cash.

Are there any more sources of cash? Yes, the most important source of cash, year after year, is the profit Lucas earns in the business.

Illustration

in our example, while computing the profits, we considered the expense on account of wear and tear of the machine in producing the component. This expense was not actually incurred in cash (during those years. It was already incurred at the time of commencement of the business. Therefore, while computing cash profit, this expense should be ignored. The amount allocated for depreciation and earned through the business is, in fact, treated as profit earned in cash.

First list the sources of cash for three years.

	Year 1 Rs.	Year 2 Rs.	Year 3 Rs.
Sources of cash			
Money invested by Lucas	20,000	—	—
Loan promised by Sriram	1,000	—	—
Loan from local bank	2,320	—	—
Credit given by supplier	1,680	—	—
Profits earned in cash (excluding noncash expenses including annual depreciation allocation)	17,768	17,884	18,000
Total	42,768	17,884	18,000

Now let us note down the requirements of cash

Requirement of cash

	Year 1	Year 2	Year 3
Purchase ^f Replacement of machine	10,000	—	10,000
Transport and erection	2,500	—	2,500
Rent advance	5,000	—	—
To keep stock	1,680	—	—
To extend credit to customers	4,950	1,000	—
Repayment of friend's loan	—	1,000	—
Repayment of bank loans	—	1,160	1,160
Lucas' managerial fee (12 x 1250*)	15,000	15,000	15,000
Total	39,130	17,160	28,660
Surplus/(Deficit)	3,638	724	(10,660)

* Assumed he requires a minimum of Rs.1,250 per month for his services.

We see that though the idea is profitable and Lucas has made arrangements for raising enough money for starting and running the business, the cash generated by the business is not sufficient to replace the machine after every two years.

The reason is simple. While the business is generating Cash Profits of about Rs. 18,000 a year, after meeting Lucas' home expenses of Rs.15,000 a year, the surplus is only about Rs.3,000. This is not sufficient to repay the loans and replace the worn-out equipment from time to time.

The idea would be feasible only if:

- Lucas can increase his selling price and generate more profits; or
- Reduce his costs and increase his profits; or
- Cut down his home expenses; or
- A combination of all these.

EXERCISE

Shuba wants to start a retail, door-to-door, fish-vending business. The estimated expenses are as follows:

Cost of cycle Rs.1,000. A daily requirement of 20 kgs of ice at 1.50 Rs/kg. Average cost of fish is 45Rs/kg. Cost of ice box is Rs.300. Average selling price of fish is 50 Rs/kg. 25 per cent of Shuba's sale will be on a month's credit. She will have to buy the fish only for cash. Shuba will be able to sell 10 kg of fish a day on an average. She will have negligible stock at the end of the day. Expenses for the day, like tea etc., will be Rs.5. Shuba will work for 300 days in a year.

Instructor to initiate a discussion and focus on alternatives like hiring, instead of purchase, of cycle.

The life of the ice box is two years and of the cycle is three years,

Shuba has got Rs.1000/- to invest. The local Bank Manager knows Shuba very well and is willing to give a loan if necessary. The loan will have to be repaid in three equal annual instalments and carries an interest of 10% per annum.

Shuba requires at least Rs1,000/- per month as her salary.

Examine the financial feasibility of this proposal.

THINGS TO REMEMBER

- It is not sufficient if a business idea is technically 'doable' and there is a market. The idea should be financially feasible.
- Financial feasibility of a business idea is tested by the following criteria:
 - Estimation of one-time expenses (money required to start a business) and finding out if the resources available are sufficient to meet the expenses.
 - Estimation of recurring expenses (money required for running the business) and comparing with available resources.
 - Estimation of the profits likely to be generated by the business.
 - Ascertaining if the profits generated by the business are sufficient to repay loans and replace assets when required and at the same time meet the owner's personal expenses.
- A business idea will be financially feasible only if it is viable on all the four criteria mentioned above. **If it does not satisfy any one of the criteria, the idea is not workable.**

Appropriate ownership form

4

What are we going to look at in this chapter?

- What we mean by ownership form.
- Three forms of ownership relevant to microenterprises.
- Their relative merits and demerits.
- How ownership form determines the resource strength and working style of the business.

What do we mean by ‘ownership form’?

Ownership form refers to how a business enterprise is owned. In other words, “Who owns the business”.

Ownership forms

Different forms of ownership exist by custom and are recognized by law. The ownership **form** determines the strength and style of the functioning of the business.

Ownership forms relevant to microenterprises are:

- Sole proprietorship (owned by one person).
- Partnership (owned by a few persons).
- Cooperative (owned by a large group).

Sole proprietorship

In this form of ownership, the entire business is owned by a single person. The owner enjoys all the profits of the business, but also accepts all losses. This single owner has absolute freedom to conduct the affairs of the business as desired, and is answerable to none. The owner’s liability is unlimited, *i.e.* in settling the debts of the business, if the business assets are insufficient, the personal assets will also be taken. Being owned by a single person, the resources of the business are limited.



Participants to be asked to identify sole proprietorship organisations in and around their localities.

Discussion to bring out the following key factors:

Individualistic attitude.

Major resource required is individual skill.

Even if not a skill-oriented business, the capital required is small

NOTES

A situation where a **sole proprietorship** would be a **suitable ownership** form is when a person has sufficient skills and money to carry on the business alone, *e.g. mechanic repairing engines; seamstress making garments.*

Partnership

Participants to be asked to identify partnership' organizations in and around their localities.

Discussion to bring out the following key factors:

Results of combined effort, are generally more than the sum of the individual efforts.

- Sharing of risks.
- Increase in efficiency due to division of tasks.

Discuss likely sources of conflicts like

- individual attitudes;
- diverse backgrounds;
- lack of trust;
- ego problems.

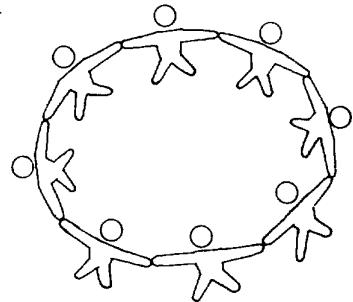
Here, two or more persons join together and start a business. The owners collectively are called the firm and, individually, **partners**. The profits and losses are shared by the partners in agreed proportions. Their liability towards the firm's debts is unlimited. Freedom of conducting the affairs of the business is restricted, as a partner is answerable to the other partners. Since more than one person is involved, the resources of the firm are usually more.



A partnership could also be formed to bring together the resources required for the enterprise. Resources could include skills, money, land, raw material etc., *e.g. Lakshmi has money to buy palm leaves; Saraswati has skills to weave a basket. Lakshmi and Saraswati can come together to form a partnership and start a basket-weaving business.*

Cooperative or group-ownership

In a cooperative form of ownership, a large number of persons collectively own the enterprise and are involved in its activities. The joint owners are called members. All the members contribute an equal sum towards capital, share the profits equally and have equal rights. Since a large number of members are involved, the management of the cooperative is entrusted to a small group of members who are elected by the many. The financial strength is significant. **The liability of the members is limited**, *i.e.* even if the assets of the cooperative are insufficient to satisfy the debts, the members' personal assets cannot be touched.



A cooperative is also much more influential than individuals or partnerships. It represents a big group of people and, quite often, this gives it access to Government programmes and developmental agencies which extend financial help in the form of grants or interest-free loans.

Ask participants to identify 'cooperative' ventures in which they have participated or which they are aware of.

Bring out the following points during discussion:

- Common interest.
- Need for larger resources.
- Better bargaining power.
- Discuss problems in co-operatives:
 - Nonparticipation by majority of members in the affairs of the cooperative, mainly due to apathy.
 - Slow & inefficient
 - Organizational politics.

EXERCISE

Trainers to list a few project ideas and ask the participants to suggest appropriate forms of ownership. The suggested forms to be discussed and the reasons to be identified why a particular form of ownership is more suitable

THINGS TO REMEMBER

- How a business is owned determines the resource strength and management style of the business.
- The business could be owned by a single person (sole proprietorship), a few persons (partnership) or a large group (cooperative).
- **Sole proprietary concerns**
 - Absolute freedom to act and make decisions.
 - Proprietor enjoys all the profits and accepts all the losses.
 - Resources limited.
 - Unlimited liability.
- **Partnership Firms**
 - Freedom of action and decision-making restricted.
 - Profits and losses shared by partners in agreed proportions.
 - More resources.
 - Unlimited liability.
- **Cooperatives/Large Groups**
 - Freedom of action and decision-making highly restricted.
 - Management entrusted to a few elected members.
 - Significant resources.
 - Limited liability.

Implementing a business idea 5

What are we going to look at in this chapter?

- What we mean by implementation and why it is crucial.
- Classification of activities into 'sequential' and 'parallel' categories.
- Importance of sequential activities.

What is 'implementation' and why is it crucial?

Once a 'business idea' has been selected, it has to be **implemented**. The implementation stage, up to start up of commercial operations, is very crucial to the success of the business, since any delay in implementation could lead to the owner being faced with several problems. Some of these are:

- Increases in the capital cost of the enterprise.
- Interest on borrowed money having to be paid. This could become a very heavy burden.
- Someone else entering the same line of business. You may then lose out to the competition.
- In a seasonal business, like fruit processing, you could miss the season.

The implementation process would consist of undertaking many individual 'activities' in order that the necessary infrastructure is in place before the business commences operations.

These activities could include:

- Making arrangements for adequate 'cash'.
- Getting the necessary permissions/licences, if applicable.
- Deciding on the location and acquiring the necessary place. In the case of a production activity, before deciding on the location you should keep in mind the sources of raw materials, labour and the market. In the case of trading and service activities, the market has to be kept in mind.
- Creating adequate infrastructure, like building/shed etc.
- Getting water supply.

- Getting power connections.
- Acquiring the necessary machinery/tools for the enterprise.
- Recruiting qualified manpower.

This activity list should be made as exhaustive as possible. Each of the activities should be broken up into subactivities. This could be done by asking very simple questions like Who? What? Why? Where? When? and How? Along with this list, it is also essential to determine the time required to complete each of the activities listed.

Once this detailed listing is done, you should then determine the sequence of the activities and separate them into **parallel activities**, those which could be done at the same time, and **sequential activities**, those which can be done or performed only after some other activity is completed. *E.g. The fish pond cannot be filled before it is dug (sequential) but it can be done along with some other activity (parallel activity), e.g. tile pond and the well can be dug simultaneously (parallel). However, the well can be dug only after the proper location has been identified (sequential).*

The implementation of a project progresses along with the completion of the parallel and sequential activities. However, the time taken to complete the sequential activities will normally be the time required to complete the project.

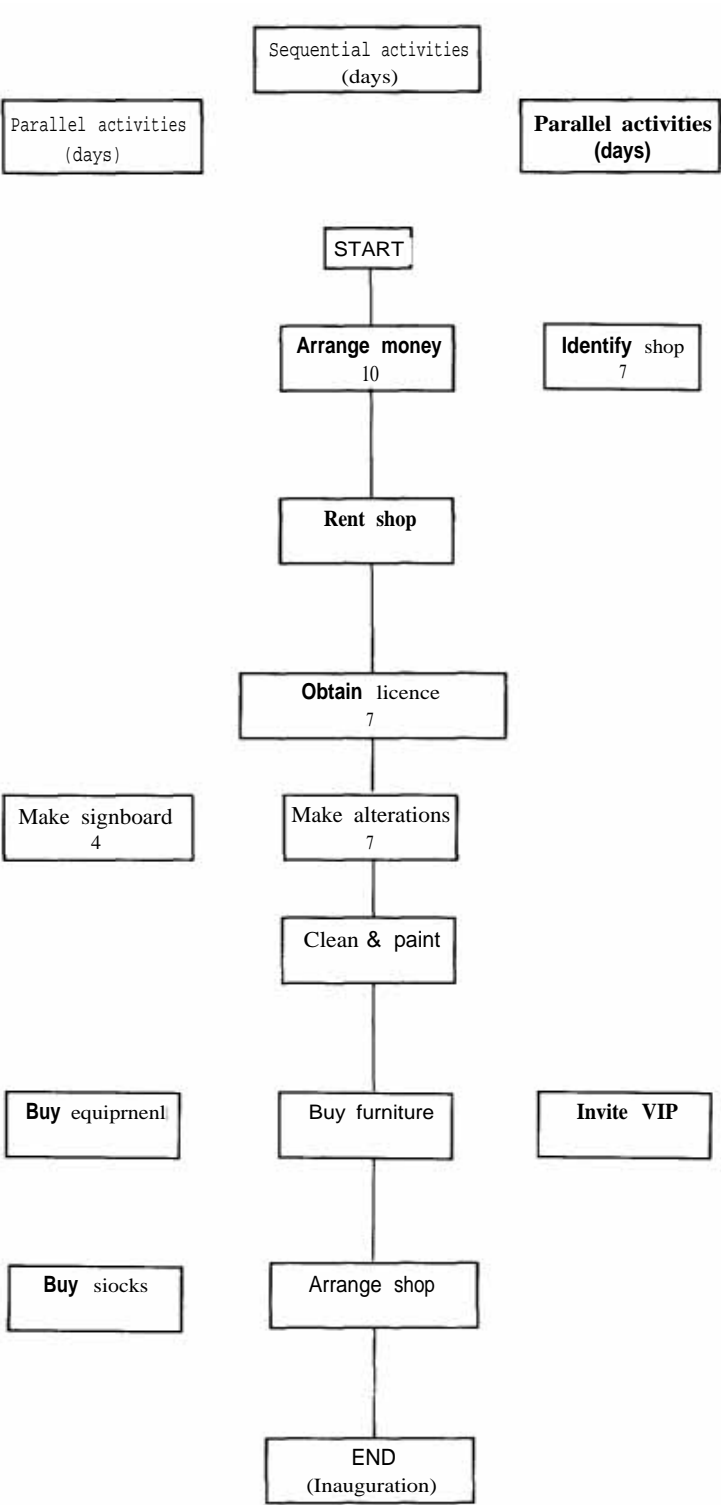
Illustration

Let us take the example of Fatima who wants to set up a tea stall. The activities involved and the time for each activity is as follows:

Activity duration in	
Identify shop	7
Rent shop	
Arrange money	10
Alterations to shop	7
Obtain licence	7
Clean and paint	
Buy equipment	
Buy furniture	
Buy stocks — tea leaves, sugar etc.	
Make signboard	4
Invite VIP	
Arranging shop	
Total	44

Note: The 44 days of activity can, however, be done in 30 days. as some of the work can be done in parallel.

Setting up Fatima’s Tea Stall



The minimum time to set up Fatima’s tea stall will be the sum of the time taken to complete the sequential activities. *i.e.* 30 days. Any delay in the sequential activities will result in delay in completing the project.

EXERCISE 1

List all the activities and subactivities involved in a project of your choice.

Estimate the time required for each of the activities.

Determine the sequential and parallel activities.

Determine the time required to complete the project and commence operations.

EXERCISE 2

Damodran wants to raise chickens in his backyard. He has decided that there is enough place and that, with minor improvements, the idea would be feasible. He needs to buy some materials from the local store. The backyard needs to be levelled and a wooden fence built to enclose the space. He can buy chicks' from a hatchery 50 kms from his village. The feed is, however, available locally. He has to get some more money to meet his initial costs. He has a brother who can help him in this venture until the actual commencement.

List the activities, subactivities, estimate the time required for each activity, distinguish between sequential and parallel activities and calculate the overall time within which the business can commence operations.

THINGS TO REMEMBER

- Timely implementation of a business idea is very important because delays will cause increases in costs and allow competitors to enter the field.
- Implementing a business idea consists of completing many activities and subactivities in order that the necessary infrastructure is in place.
- Activities can be classified into parallel and sequential activities.
- The sum of the time required to complete the sequential activities is the time required to implement the business idea. Any delay in completing the sequential activities will result in delay in completing the project.