



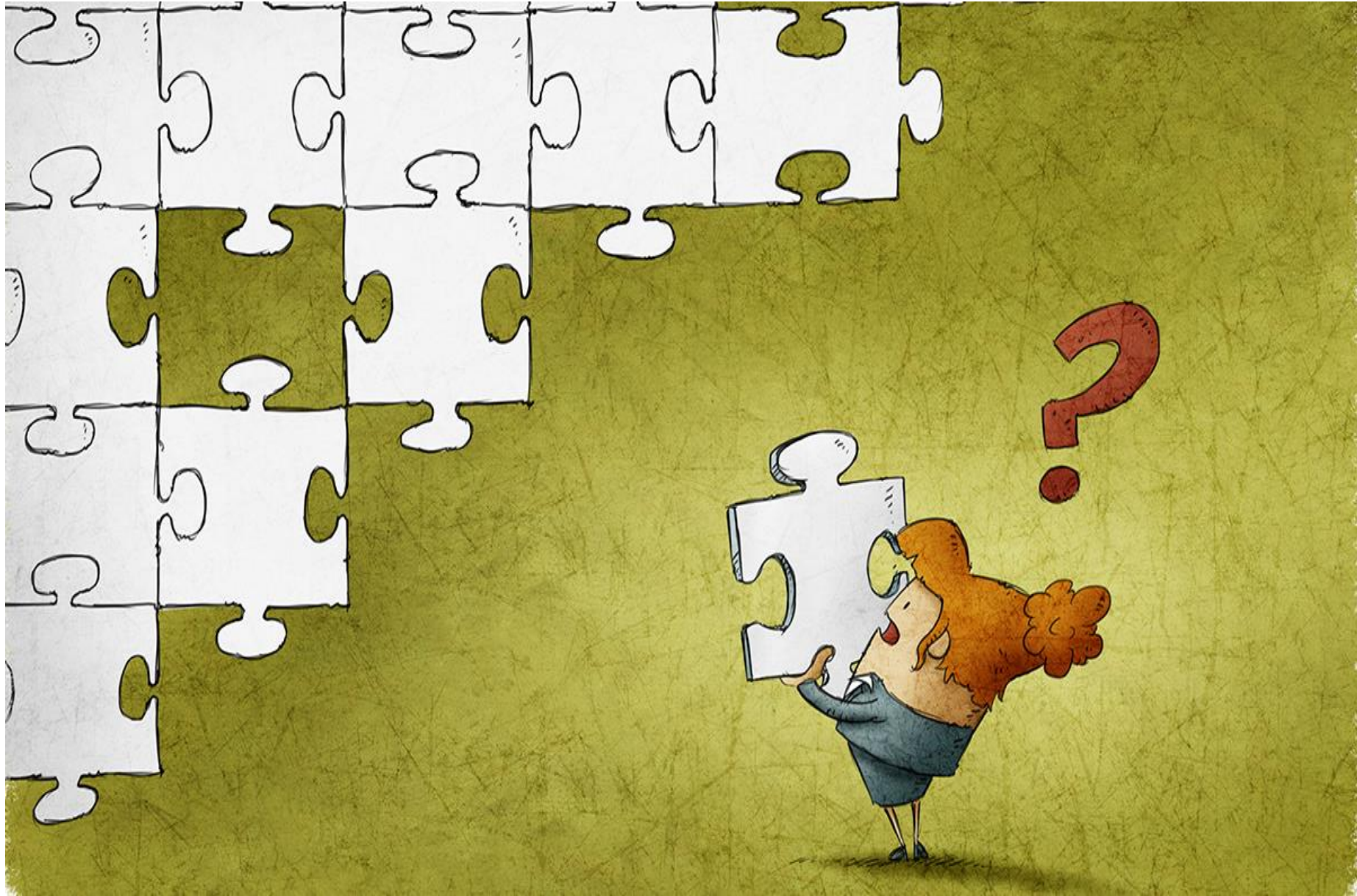
Wollo University
Kombolcha Institute of Technology
School of Mechanical and Chemical Engineering
Department of Industrial Engineering

Course: Entrepreneurship for Engineers
Chapter seven

Instructor: Haileluel M. (Dr) ,Meaza E., Nigsite D.
and Yared A.

Kombolcha

7. Project work



7. Project work

7.1 Feasibility Study

- ✓ Entrepreneurs face many challenges when creating a new venture. Although the business plan is one of the most well-known documents, the feasibility study may be just as important. Before the entrepreneur can seek funding, he or she must demonstrate that the idea is truly a good one.
- ✓ a feasibility study, “can be defined as a controlled process for identifying problems and opportunities, determining objectives, describing situations, defining successful outcomes, and assessing the range of costs and benefits associated with several alternatives for solving a problem.”

7.1 Feasibility Study

- ✓ In order to create a feasibility study, entrepreneurs need to define dimensions of business viability including: market viability, technical viability, business model viability, management model viability, economic and financial model viability, and exit strategy viability.
- ✓ A feasibility study is not the same thing as a business plan. The feasibility study would be completed prior to the business plan. The feasibility study helps determine whether an idea or business is a viable option. The business plan is developed after the business opportunity is created.

Source: StrategicBusinessTeam.com

7.1 Feasibility Study

- ✓ Business plans and feasibility studies are vital business tools for analysis and also for making decisions in a business. But a feasibility study is not the same thing as a business plan because a feasibility study gives a conclusion or recommendation would be completed prior to developing the business plan(Etim, 2020).
- ✓ “A feasibility study is carried out with the aim of finding out the workability and profitability of a business venture. Before anything is invested in a new business venture, a feasibility study is carried out to know if the business venture is worth the time, effort and resources.

7.1 Feasibility Study

- ✓ A feasibility study is filled with calculations, analysis and estimated projections while a business plan is made up of mostly tactics and strategies to be implemented in order to grow the business.”
- ✓ While it may seem the feasibility study is similar in many ways to the business plan, it is important to keep in mind that the feasibility study is developed prior to the venture.

7.1 Feasibility study ?

Where Do We Begin?



7.1 Feasibility Study

✓ **Outline of a good feasibility study includes**

1. Introduction Product or Service
2. Technology
3. Market Environment
4. Competition
5. Industry
6. Business Model
7. Market and Sales Strategy
8. Production Operations Requirements
9. Management and Personnel Requirements
10. Regulations and Environmental Issues
11. Critical Risk Factors
12. Financial Predictions Including: Balance Sheet, Income Statement, Cash Flow Statement, Break Even Analysis, and Capital Requirements
13. Conclusion

7.2 Business Plan

- ✓ *Great ideas do not make a potential entrepreneur rich .They may be totally worthless unless they are carefully planned for action. Hence the ability to formulate and execute a plan separates success and frailer in a business.*
- ✓ *“a feasibility study can readily be converted to a business plan.” It’s important to think of the business plan in terms of growth and sustainability and the feasibility study in terms of idea viability.*

7.2 Business planning

Good fortune is what happens when
opportunity meets with planning.

– Thomas Edison

7.2 the purpose of Business Plan

- ✓ *A business plan will map out the roadmap/strategies to achieve your business goal because a business plan assumes a business is going to be viable and presents the steps necessary to achieve success.*
- ✓ *If you are looking forward to approaching an investor or trying to get a bank loan, what you need is the business plan. Some investors might request for a feasibility study first before the business plan*

7.3 Major components of a Business Plan:



7.3 Basic contents of Business Plan

❖ *The basic contents of a business plan include*

7.3.1 Title Page and Contents:-

- ✓ *A business plan should be presented in a binder with a cover listing the name of the business, the name(s) of the principal(s), address, phone number, e-mail and website addresses, and the date.*

7.3 Basic contents of Business Plan

7.3.2 Executive summery : *describing summery the most important points of the body of the plan with few paragraphs in less than one page.* The summary or statement should be no more than half a page in length and should touch on the following key elements:

- Business concept describes the business, its product, the market it serves and the business' competitive advantage.
- Financial features include financial highlights, such as sales and profits.
- Financial requirements state how much capital is needed for startup or expansion, how it will be used and what collateral is available.
- Current business position furnishes relevant information about the company, its legal form of operation, when it was founded, the principal owners and key personnel.
- Major achievements points out anything noteworthy, such as patents, prototypes, important contracts regarding product development, or results from test marketing that have been conducted.

7.3. Basic Contents of Business plan

7.3.3 Production plan: it Describes

- ✓ *what does the entrepreneur plan to produce(the product/s-quality, design, uniqueness, features, Production methods.(for manufacturing industries)*
- ✓ *the type of products that the entrepreneur is panning to produced*
- ✓ *the production process- description from in put to out put?*
- ✓ *For service business: What kind of services to deliver and describe how will it be processed?*

7.3 Basic Contents of business plan

7.3.4 Marketing plan: include:

- ✓ *Data must be evidence based market: remember that bankers and investors want to know hard facts--they won't risk money on assumptions or conjecture.*
- ✓ *who are the business' customers? Eg. For uniform sewing business students or their families are the customers,*
- ✓ *how big the market is?*
- ✓ *Who are competitors to this specific business? How strong or weak they are? How are you going to win competition? Competitive strategy?*
- ✓ *Market share: at least 20% market share is recommended to start a business.*
- ✓ *how the product or service is distributed and marketed.*

7.3 Contents of Business plan

7.3.5 Management and Human resource plan: include:

- ✓ *The management structure of the organization:- who is going to be the General manager and why? what relevant expertise and experiences does he/she have?*
- ✓ *Who will be the production manager? Marketing manager? Finance manager? Human resource manager? How are they related vertically and horizontally? A kind of organ gram is required .. Organizational structure that shows the division of labor and chain of command as who will report to whom?*
- ✓ *How many experts will be assigned when the business starts.*
- ✓ *How much will be paid to each management and experts, laborers e.t.c. This can be tabulated.*

7.3 Contents of Business plan

7.3.6. Financial plan:

All business plans, whether you're just starting a business or building a plan for an existing business, should include

- 1) Profit and loss statement Cash flow statement
- 2) Balance sheet
- 3) Sales forecast
- 4) Personnel plan
- 5) business ratios and/or a break-even analysis

7.3 Contents of Business plan

7.3.6. Financial plan:

- 1) **Profit loss Statement** : A profit and loss statement is essentially an explanation of how your business made a profit (or incurred a loss) over a certain period of time. It's a table that lists all of your revenue streams and all of your expenses—typically for a three-month period—and lists at the very bottom the total amount of net profit or loss.
- 2) **Cash Flow Statement:** Preparation of a cash flow statement will show income from all sources, as well as expenses that occur on a regular or recurring basis. This should be periodically updated to track progress towards overall goals and to identify changes in your financial situation that need attention.

7.3 Contents of Business plan

7.3.6. Financial plan:

- 3) **Balance Sheet:** *A balance sheet or “Statement of Financial Position” should be created, showing your net worth by listing all assets and liabilities. This should be periodically updated to track progress towards overall goals and to identify changes in your financial situation that need attention.*
- 4) **Sales forecast:-** *is exactly what it sounds like: your projections, or forecast, of what you think you will sell in a given period (typically, a year to three years). Your sales forecast is an incredibly important part of your business plan, especially when lenders or investors are involved, and should be an ongoing part of your business planning process. You should create a forecast that is consistent with the sales number you use in your profit and loss statement.*

7.3.6. Financial plan:

4) **Sales forecast:-** *there isn't a one-size-fits-all kind of sales forecast- every business will have different needs. How you segment and organize your forecast depends on what kind of business you have and how thoroughly you want to track your sales.*

Some helpful questions to ask yourself are:

- *How many customers do you anticipate?*
 - *How much will you charge them?*
 - *How often will you charge them?*
- ✓ *Your sales forecast can be as detailed as you want it to be, or you can simplify your forecast by [summarizing](#) it. However you choose to do a sales forecast, you should definitely have one.*

7.3 Contents of Business plan

7.3.6. Financial plan:

5) *Break-even analysis*

- ✓ *Your break-even analysis is a calculation of how much you will need to sell in order to “break-even” (i.e., how much you will need to sell in order to pay for all of your expenses).*
- ✓ *Consider a restaurant: It has to be open, with the tables set and the menus printed and with the bartender and all of the cooks and servers working, in order to make even one sale. But if it only sold one dinner, the restaurant would be operating at a loss—even a \$50 meal isn't going to cover the night's utility bills. So the restaurant owner might use a break-even analysis to get an idea of how many meals the restaurant needs to sell on a given night in order to cover its expenses.*

❖ **Business plan preparation project: Rules:**

1. Generate five business idea that you would like to operate.
2. Evaluate each business ideas ranking one to five based on criterion such as
 - a) availability of market demand
 - b) accessibility of technology
 - c) Availability of skilled man power
 - d) Availability of raw materials
 - e) Availability or affordability of working place (location)
3. Prepare a business plan for one selected ideas based on the results . (please follow the business plan outline checklist).
4. You can consult local banks, MSEs offices, Entrepreneurs, family members, instructors
5. Remember your idea should not be shared to others till you complete and present your plan
6. Prepare to present your business plan for an investor or a banker or instructors for evaluation

7.4 Business idea evaluation criteria

Business ideas	Demand (a)	Technolog y (b)	Skilled man power (C)	Raw materials (d)	working place (e)	Total Result a+b+c+d+ e)	Rank
1.							
2.							
3.							
4.							
5.							

Key: 1= poor 2= fair 3= good 4=very good 5= excellent

Entrepreneurship for Engineers:2020

