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Promotion of a Venture : Opportunity Analysis

PROMOTION OF A VENTURE

“Promotion of a venture” means initiating all necessary efforts required to form a business or any other enterprise. Promotion starts from the stage of ‘conceiving an idea of forming an enterprise and ends with its actually being established, and if necessary or desirable then being registered as per law.’

According to C. W. Gerstenberg : “Promotion may be defined as the discovery of business opportunities and the subsequent organization of funds, property, and managerial ability into a business concern for the purpose of making profit there form Entrepreneur identifies the opportunities and investigates which of them are profit yielding from economic point of views. If he finds the venture profit yielding then he takes the second step, that is of collecting the important resources. viz., land resources, human resources, natural resources and labour etc.

MEANING OF OPPORTUNITY

Before taking a decision to implement new ideas, it is necessary to study in depth their profitability and viability so that the venture may be successful and there may be reasonable return on investment. Such studies are called opportunity analysis and are done in various ways. While selecting a project, a prospective entrepreneur has to consider various aspects like input, output, social cost and benefits. An entrepreneur is always on lookout for potential profitable opportunities and exploits them in the best interest of his enterprise. Various factors such as financial and non-financial incentives provided by the government, availability of markets and environmental factors etc. are also considered by the prospective entrepreneur in the process of opportunity analysis.

Opportunity is a positive trend in an external environment. It is an attractive project idea which an entrepreneur accepts as a basis for his investment decision. Finding out the possibilities of a business is generally regarded as identification of business opportunity. A mere “possibility” is to be distinguished from business “opportunity”. Good business ideas must be capable of being converted into feasible projects. Entrepreneurs generally have different possibilities and select only the highest reward possible for execution. Thus, a business possibility may take the shape business opportunity fit proves as commercially viable.

OBJECTIVES OF IDENTIFICATION OF BUSINESS OPPORTUNITIES

An entrepreneur desirous of investing on a project has to look for suitable opportunities. This is not simple, since he has a very wide choice, and the dimensions of the choice are . product/service, technology, equipment, scale of production, market, time-phasing and location. The vast range of opportunities makes the task of identification very difficult. The main objectives of identification of business opportunities may be summarised as follows :

(i) To evaluate the possibilities of utilising physical resources of a particular region from the technical angle.

(ii) To identify those industries which are not based on local resources

(iii) To identify the industrial potentialities in a particular region and country as a whole.

(iv) To estimate the capital, labour, transport, power, fuel, raw material for feasible industries.

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(vi) To explore the development possibilities of the region with regard to agriculture, minerals, labour, irrigation etc.

(vii) To identify those areas and directions which are necessary for the balanced growth of the region.

(viii) To evaluate the impact of financial resources, production, employment in the industrial development process.

FACTORS OF OPPORTUNITY ANALYSIS OR SOURCES OF OPPORTUNITIES ANALYSIS

Following factors or sources are included in the opportunities analysis :

(1) Market and Demand Analysis : Success of a business unit does not depend on the amount of production but mainly on the fact that what amount of goods can be sold in the market. Therefore, market and demand analysis is considered the origin of opportunity analysis. Size of a business unit and technology used in it depends to a great extent on its market size and demand of customers. Hence, it is very essential that demand estimates are properly made and all the relevant factors must be taken into consideration like population, GDP growth, per capita consumption, competition with substitutes and imports, technical norms of consumption in case of intermediate goods and growth in the consuming industry. If any of these factors is not assessed correctly it is most likely that estimates may not be correct.

(2) Resource Analysis : entrepreneurs have to see whether an adequate amount of resources such as land, raw-material, machines, technology, financial sources, man-power etc. are available or not. If the adequate amount of these resources are not available then the project will be assumed to come to an end. On the contrary, if resources are available then an entrepreneur has to see the sources and method of acquiring these resources.

(3) Technical Analysis : Technical possibilities for establishing a project are analysed in the technical analysis. If it is found that from the technical point of view project establishment is not feasible then no question arises to consider other factors. Scientific and Industrial Research have developed several new processes and technologies which offer opportunities for commercial exploitation But before applying new technology, it is necessary to get opinion Of

experts and study all related facts properly to assess the effects of changing.

(4) Business Environment Analysis: environment analysis is necessary before establishment of a new enterprise. An important aspect of the business environment affecting investment opportunities is the government's policy framework. Main factors affecting the business environment are as follows :

(i) Industrial policy, (ii) Licensing policy, (iii) Industrial Development and Regulation Act, (iv) Price Control Policy, (v) Distribution System, (vi) Incentives for industries in backward region, (vii) Incentives for small scale units, (viii) Incentives for export-oriented units, (ix) Recirculation of Foreign Exchange, (x) Assessment of profitability and position of existing industr.es etc.

(5) Financial Analysis : Financial analysis is a broad under which availability of financial resources and profitability of a project is analysed. Various factors such as cost of project, cost of raw-material, technical cost, marketing cost, operating cost etc. are considered in the financial analysis. Generally, financial analysis study the following aspects :

(i) Total Cost of a project including cost of land, building, machines, raw material, cash flow etc.

(ii) Sources and requirements of fixed and working capital.

(iii) Expected sales, terms of credit, income, profit, interest, return on investment etc.

(iv) Assistance and financial concessions from the government.

(v) Social profit analysis in the case of public enterprises.

(vi) Return on capital investment.

(6) Risk Analysis : Various types of risks are found in a particular business in which economic risk, social risk, environmental risk,. technical risk etc. are the main risks. With the change of business environment, nature and extent of risk also get changed. An entrepreneur has to decide in the identification of opportunity analysis that what amount of risk is involved in availing opportunity and up to what extent risk acceptånce will prove profitable to him.

(7) Plant Location and Layout Situation : The main object of plant location analysis is to find out the place where the plant is to be established. The decision of plant location depends upon various factors such as, availability of raw material, labour, power supply, transportation facilities, communication and bank facilities, social amenities, service facilities, market etc. The government also allows Certain incentives and concessions for industries development in

backward areas such as, concessions in taxes, facilities of training, light and land at cheaper rates, financial subsidies, facilities for import of raw-material etc. An entrepreneur should take into consideration all these factors while deciding the plant location. An entrepreneur should also prepare the best layout so that he can produce maximum production at lower cost.

(8) Evaluation Analysis : It is the last stage of opportunities analysis. Following are included in the evaluation analysis :

(i) Evaluation of various aspects of the project.

(ii) Evaluation of economic profitability.

(iii) Evaluation of Social profitability.

(iv) Evaluation of cost of project.

(v) Evaluation of availability of essential resources.

(vi) Evaluation of existing competition.

(vii) Evaluation of competition in the global market.

(viii) Evaluation of effects of their external factors.