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The Business Opportunities Evaluation in the Vision of Managers and the Enterprise Success

The article presents main criteria which must be fulfilled by the opportunities for becoming viable businesses, as well as the necessity of value these opportunities, getting out the main phase proposed for the evolution process of a business opportunity.

Keywords: *business plan, criteria, market*

1. Introduction.

Once identified the opportunity, it's necessary that this should be evaluated in an adequate way. The necessity of evaluation is important from at least two reasons. In first place, the objective of an evaluation is to reduce the probability that the enter decision in a business to be based only on intuition. Of course that, the success entrepreneurs have, many times, in valuing the future chances a different intuition. But this trait it's not characteristic for all enterprising. Sometimes enterprising can have a determinate vision over the offered product potential, which can diminish their horizons. So they can see only the followed objectives, not also the barriers in achieving this. In the second place, the investors, are as a rule, very rigorous than when invest in business and they won't take in consideration the business that don't have the necessary documentation prepared to evaluate the success probability of the business. From hundreds of business, the investitures choose only a few in which can invest. Having a vast experience in business evaluation, they have also a different "feeling" of success business.

2. Analyzing business opportunities

Through evaluation, enterprising must confirm the positive experience of investitures and to infirm any doubt that this can have. For the opportunities to

become viable business, they must full fill certain criteria. Through the most important are: the existing duration of opportunities, the largeness of market, protection for competitors, the demanded investment, the risk grade.

a) The opportunity existence. Every opportunity has duration of specific existence, which depends of the business nature. Through this criterion it's evaluated the period of time in which the business is profitable. The time interval in which an investment has a maximum potential of success, it's named "the opportunity window". This window it's opening and closing term of the market conditions and of the business. The life cycle of products and services contents four stadiums: start, growth, maturity, and decline. In the beginning faze, the window it's wide opened, because the competition is missing or it's very low. During the life cycle of products and services, the competition is growing, the costumers' demands are changing and the profit gets low, so the opportunity window it's getting not so wide opened in an optimal way must pass through the window as long as this is still open. It's difficult enough to determine the moment in which this window will close.

The careful analyze of the existing time of an opportunity and estimated profit in his different fazes can offer an image of the opportunity potential.

b) The market measure. An essential criteria in valuing the opportunities represents the market measure. The thing is important from two reasons. In the first place the product market must be bigger enough for being activate. In the second place, the market measure can influence the demanded investment level for his exploitation. As a rule it's prefer a market as big as possible. But, sometimes it prefers a smaller market, because the big markets have powerful competitors, and the necessary investment can be bigger enough. Through concentration on a specialize niche market a new bench can eliminate the occasional costs on extensive distribution of products and the sealing organization. The niche market can be excellent exploited of the new bench; with finite resources an important role has the intensive distribution of the production market. A product has success if it has an big volume of sales realized by an round of loyal costumers.

c) Protection for competitors. For a business idea to become an viable opportunity it must be protected from the competitors. The most safety way is to protect the idea through license, brand mark or a trade name.

d) Demanded investment. An opportunity is more viable if the direct investition demanded it's not too big. In the most cases, an expensive opportunity doesn't bring substantial profits to the initial enterprising.

e) The risk grade. Although that every business depends of the level of the capital asked, the time period, the grad of novelty of the product, the fabrication area, the alternative of product utilization, the imitation grade of this. If the enterprising

owns only one business, the grade of risk it will be low. On the other side, financing more projects, the enterprising will have a moderate risk.

f) The originality. A business will have a bigger success if it's more original. The originality can vary very much from a easy adaptation, to an idea absolutely new. An original business differs from another one less original through the grade of innovation asked in the initial fazes. This differentia it's based on the necessity of introduction to a new technological procedure for accomplishment the product or respective service.

g) Acceptable earnings. An opportunity must ensure an acceptable earning, for justification the entrepreneurial risk assumed. Of course the term "acceptable" is a relative notion and depends of the volume of capital invested, the necessary time for recuperate the investment, the risk assumed. The opportunities that ask a substantial capital, a long time for recuperate the investment and an high grade of risk won't be taken in consideration, although that can bring bigger earnings in the future. The transformation leg from an idea into an opportunity can be the main element in understanding the future developing of the business. Because of this, the entrepreneur must avoid the next mistakes than can be made in the opportunities evaluation process: subjectivism, the perfunctory research of the market, ignore of the legal aspects.

The valuing process of a business opportunity contains two fazes: informal evaluation and formal evaluation. The informal evaluation has as a goal the development of a general image seeing the business idea, for seeing if it's worth in the future or not. The formal evaluation pretends a careful analyze of the idea of business, through this it's decide his developing potential and the chance of succeed.

Informal evaluation it's a fast way of evaluation the business opportunity and to determine the grad of importance that this deserves. It pretends the opportunity checking from the following points of view:

a) Spontaneous accept. If the business opportunity it's presented by ten friends and they are delight of it, and then deserve to be made in the future, in this sense, it will be asked the opinion of other twenty unknown persons. If also these persons are delighted of this idea, they must be questioned in continuation if they would buy this product certainly, if eventually it would buy it or it would not buy it at all. If the people questioned answer that it will buy, must be asked how munch would they pay for this product?

b) Report 10/1. The road of a product from an producer to an costumer may pass to the producer representative, to the wholesale trade, to the retail dealer and after all of this gets to the costumer. Any intermediate part will grow the price or will take a commission. Beside of this, it's necessary some costs with advertisement and promotion, balling, delivery, depreciations for returning. The empirical rule asses

rapport of 1 to 10. What means that will be accepted from the customer a price ten times bigger than the production cost, so that every intermediary part will have a profit. If with this price the friends will be delighted of this product, the evaluation of the product can be continued. In case they would like to pay a lower price, must be seen if 10 percent of from this price cover the costs and bring some profit.

c) The similarity test. This test must be done in a special way to the products that addresses to a smaller segment of the market. When the market it's relatively small, it can't assimilate two similar products. If the market is bigger, it might be that also this similar product to be accepted.

On the other side, although that the product has the pretension to be new and completely different from all other products which are on the market, must be research with carefulness the larges of the product market existing on that market.

d) The adviser banker test. An efficient modality of opportunity evaluation is the appreciation of this from a banker. This idea must be seen not only like a reason for asking a borrow, but must be seen like part of some market researches. The bankers have many experience and a different feeling for what is demanded on the market. They will take in an opened way this idea with the entrepreneurial potential, without being constrained to take an imminent decision. If the banker does not encourage the idea of business, this must be reanalyzed. The entrepreneur won't leave with the word "rejected" , applied on his business plane.

e) The prototype protestation. Elaborating an prototype can be very expensive, but in no way this won't be so expensive like the failure, if the product it will be produced in big amounts and it won't be asked fort it in the market. If after the informal evaluation it was reached the conclusion that the business opportunity is viable, it's necessary to realize a formal evaluation, also named the feasibility analyze or feasibility study. The feasibility study differs of the business plane, which is more detailed and asks more time for his preparation. For elaborate an business plane is necessary about 200 -300 work hours and only a little part of them are financed, it's possible like the entrepreneur to loose time and money ineffectual. Because of this it's recommended first an feasibility study, which can be elaborated in appreciatively 40 hours, and only if the result is favorable is recommended to make the business plane.

3. EXAMPLES. Feasibility study.

A feasibility study must contain, through the general description of the business and of the products, four essential components: marketing feasibility, technical feasibility, human feasibility and financial feasibility. In continuation, it's described on shot the structure of a feasibility study.

a) The general description of the business. A feasibility study must begin with the clear specifications of the business had in vision, to the products which will be for sale, of the main costumers, of the eventual utility of the product and the reasons for which the costumers will buy the product. For the reason that the study to be more coax, it's necessary that should be present the opinion of three - five costumers.

b) The products or services description. For having success the product, it must be realized from a technical point of view, to have some competitive advantages, and the cost and the time production to be not more than the potential that it has. The evaluation of these aspects must be done from at least two points of view: the elaboration stage and the hard and weak points that it has.

The elaboration stage - in the study must be precise if the product is on an idea, prototype, license or commercial stage. Hard and weak points- must be very careful précised the product hard points, being this patents or commercial secrets, different characteristics of projection or other competitive advantages. Also must be mentioned the product characteristics which can disadvantage the firm, the quickly possibility of aging because of the accelerate rhythm of introducing ethnic progress, modifying the style of marketing. After this first evaluation, the product can be abandoned, if the risk of aging is too big, and the cost and the time asked for his realization doesn't satisfy the entrepreneur demands; must be tried another idea of product.

c) The preliminary evaluation of the market. The reason of preliminary evaluation of the market is to obtain some information's about the potential market of the product or service had in vision, the evaluation of the competitiveness and the necessary elements for marking the product to be sailed. This evaluation is not so comprehensive and has the mission to eliminate those business ideas which has obviously market problems. The preliminary evaluation of the market must aboard the next aspects: the measure and the curs of the market, the competition evaluation, the market rate, marketing tactics. If the market potential is big and an acerb competition doesn't exist, even a small part of a market can bring important sales.

d) The evaluation of producing process. If the product can be sale, it can be made in the future specifications of production or asses the modalities of services labor conscription.

e) The human evaluation. It's unanimous recognized the importance of the human factor quality in the intension of developing the business. The investitures, bankers would like to know who the firm entrepreneurs are and what preparation and experience have this. Because of this, the entrepreneur must prepare a situation of the main necessary qualifications, to precise the managerial asks, the responsibilities, organizational relations and the potential of organizational developing.

f) The financial evaluation. If al the evaluation conditions preceded were accomplished, entrepreneur must ask himself about the amount of money necessary

for beginning the business. Of course in this first phase are made only some speculations about the necessary amount of funds. This estimation will admit investors to make an image over the financing necessary and if they would be disposed to make it.

g) Risks major problems. Every business has his risks and specific problems this must be analyzed with carefulness still from the starting phase, if to the last revision it's considered that the risks are too big, entrepreneur may not involve in that business. Through the most important risks and problems are: a market very small in which it can't survive, although the product is unique; incapacity to produce to a competitive price, the competitors reduce the prices for eliminate the "intruder", impossibility to introduce another product beside the one that exist, which can record a drift to reduce the sales; the absence of the production, if the product is only a part of an complex product realized from another firm; the impossibility of an fast grow in the first two years, what can reduce the product efficiency. If this risks and problems are too big in comparison with the obtained recompense, is much wiser that the entrepreneur to think to another idea of business.

4. Conclusions

The existence of a big variety of sources for business ideas, the entrepreneur will determine which of these ideas has a commercial potential enough for becoming the nucleus of the new business, being necessary the opportunities evaluation for business. Many ideas of business can detach from the evaluation of macroeconomic run of evolution, the most important run being the demographic ones, social, technological and of business. Also the previous activity of the potential entrepreneur, as well as others aspects of micro-medium, I think they are viable sources for business only in the conditions of an adequate evaluation of opportunities.

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