

**FEASIBILITY STUDY AS A CORRELATE OF ENTREPRENEURIAL SUCCESS
(A STUDY OF SELECTED SME IN LAGOS STATE)**

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ABSTRACT

This study investigated feasibility study as a correlate of entrepreneurial success in Abeokuta Mushin LGA, Lagos State. The specific objectives of the study include the relationship vis-à-vis the effect market feasibility, economic feasibility and operational feasibility affect entrepreneurial success. In attaining the highlighted objectives, a well-structured questionnaire was administered for information and data collection. A stratified random sampling technique was used for the selection of the respondents from the study areas. Total of 133 respondents were selected across the study area. The analysis of data was done using descriptive tools basically to show the distribution of socio-economic characteristics of the respondents, and inferential to estimate feasibility study as a correlate of entrepreneurial success, regression models were employed. This study findings based on test of the three (3) hypotheses in the study, show that there is no significant effect of market feasibility on sustainable patronage ($R^2=0.139$, $F_{cal.} = 19.459$, $P < 0.05$ at 0.000 significant level); economic feasibility has no significant effect on ventures survival ($R^2=0.114$, $F_{cal.} = 15.554$, $P < 0.05$ at 0.000 significant level); there is no significant effect of operational feasibility on venture growth ($R^2=0.261$, $F_{cal.} = 42.655$, $P < 0.05$ at 0.000 significant level). In conclusion, the study reflected that each of these independent variables play a significant role on entrepreneurial success in a positive way.

Introduction

For the success and survival of any entrepreneurial venture, business organization in a market-oriented economy, the key agenda lies in the responsibility of a prospective entrepreneur to carry out a proper feasibility analysis prior to the commencement of the business operations. Feasibility analysis more than any other factor is responsible for firm's growth, stagnation and decline. It is the act of evaluating the environment with the view of tracing the existing or emerging opportunities and threats and as well, the viability of the intended business with the aim of convincing the investor that the perceived project is possible or not (Ndebbio, 2007). Many researchers argued that entrepreneurship is essential for the continued dynamism of the modern market economy and that the entrance of new businesses can foster competition and economic growth (Van

Praag&Versloot, 2007). Similarly, it becomes clear that entrepreneurs are the key drivers for economic development as they generate high levels of economic growth by creating new jobs, shaping innovation, enhancing competition and increasing productivity (Acs, Audretsch, Braunerhjelm, & Carlsson, 2014).

Feasibility study is an investigation carried out to access the economic viability of any proposed business. Every business establishment has a possibility of success or failure. Therefore, it is the responsibility of a prospective entrepreneur to know very well about the business. An intended business success or failure could be determined by the amount of information that he has before engaging in a particular venture. This therefore brings to the mind the issue of feasibility study (Cashman& Rosenblatt, 2006). Feasibility study is an assessment of a project

or business opportunity to determine whether or not it is worthy of undertaking. It helps the investor to sharpen his judgment and not replace it. All businessmen are advised to know all that they are capable of knowing about the enterprise, the product or service that they want to provide and the only way of doing this is by carrying out a well prepared feasibility studies. This should be done by the businessman (Mohammed, 2014).

Entrepreneurial venture promoters should be aware that a feasibility study is only one stage in the business idea evaluation and business development process (Nicholas & Chinedum, 2017). And when this business idea evaluation and business development is in tandem with the goals and objectives of the entrepreneur, it will lead to positive enterprise performance. The potential success of a new venture depends on its performance, which means the ability to correctly apply strategies that will enable it achieve its laid down objectives (Randeree & Al Youha, 2009). Several variables contribute to entrepreneurial success, these may include but not limited to, business model effectiveness, efficiency in resource utilization, timeliness in delivery and outcomes (Deshpandé, Grinstein, Kim, & Ofek, 2013; Ryan, Tipu & Zeffane, 2011).

The performance of most entrepreneurial ventures whether big or small, profit or non-profit is largely anchored on the leadership skill of the promoters or entrepreneurs, especially when it comes to the area of strategy implementation. Thus, Silva (2014) views leadership as an essential variable in the venture promoter-venture performance equation.

Based on the aforementioned, this study critically examines the correlation between feasibility analysis and new venture success outcome; looking at venture performance through the lenses of survival, patronage and business growth.

Statement of the Research Problem

Feasibility study is an investigation into the potential outcome of the project, but not all entrepreneurs do feasibility studies before going into business. Problems such as difficulty and complication which the process faces in assessing

viable and reliable information concerning prospective business are encountered.

Embarking on a careful planning through feasibility analysis is an essential tool in achieving new entrepreneurial ventures survival and success (Delmar & Shane, 2003). But more often than not, very little time is given to thorough examination of the merits of a business idea before the business plan is written or the new venture is launched. It has also been observed overtime that entrepreneurs who do not engage in detailed feasibility analysis covering the four main areas of product, target market attractiveness, organization, and market feasibility fail within the first few years of their operations, while another significant percentage fail within four years of operation (Barringer & Gresock, 2008). This insensitive approach to feasibility analysis has made new firms not to perform optimally or sustained customer patronage.

A rush into launching a new venture once entrepreneurs discover that significant market potential exist for an intended products, surely will undermine the huge fund invested, blindfold the entrepreneurs to the inherent risks and uncertainties associated with the potential business and this result in total waste of time, energy and start-up capital (Echetama, Obi & Joel, 2016)

The purpose of the economic feasibility assessment is to determine the positive economic benefits to the organization that the proposed system will provide. It includes quantification and identification of all the benefits expected. This assessment typically involves a cost/ benefits analysis. However, this laudable and endearing feature does not in itself avert the possible risk inherent in the business environment for the entrepreneurial venture survival. Several businesses/entrepreneur despite their risk-taking potential have gone into businesses without taking a holistic evaluation of all possible business interaction (internal and external inclusive) as well as their potentials in handling exposures that might follow. The resultant effect of which has led to the winding-up of several businesses which barely survives within six months to one year of their operations. It has been observed that a large number of SMEs have winded

up due to their inability to withstand socio-economic exposures (Benjamin & Wolt, 2010).

The need for firms market positioning most times become abortive due to lack of direction and reliable market information. This has crippled their competitiveness, to survive in a harsh business environment like Nigeria. In the absence of operational feasibility, it may be difficult for firms to discover the strategic advantages they have over their environment. Feasibility study is a means to investigate the potential outcome of a project, but most of entrepreneurs are ignorant of this before setting up a business. Though some firms has been constrained by the challenges such as lack of knowledge of technology, unfair competition, inadequate market research, poor policy implementation, which contributed to the poor development of industries in Nigeria, this has been worrisome that despite the level of accessibility of technology and government contributions towards entrepreneurship development, companies most especially in remote areas in Nigeria have not creditably performed well (Mohammed, 2014). In order to reverse this trend of launching new ventures without a feasibility analysis that will help determine the viability of a business idea, and further enhance the performance of entrepreneurial venture, this study seeks to determine the nexus between feasibility study as a correlate of entrepreneurial success in Mushin LGA, Lagos State.

Literature Review

Conceptual Review

Concept of Feasibility Study

A Feasibility study is designed to provide an overview of the primary issues related to a business idea. The purpose is to identify any "make or break" issues that would prevent your business from being successful in the marketplace (Echetama, Obi & Joel, 2016). In other words, a feasibility study determines whether the business idea makes sense. In the view of O'Brien & Marakas (2011) a feasibility study evaluates the project's potential for success; therefore, perceived objectivity is an important factor in the credibility of the study for potential investors and lending institutions. It must therefore be conducted with an objective, unbiased approach to

provide information upon which decisions can be based. Georgakellos & Marcis (2009) posits that a well-designed feasibility study should provide a historical background of the business or project, a description of the product or service, accounting statements, details of the operations and management, marketing research and policies, financial data, legal requirements and tax obligations.

Ifechukwu (2006) identified the following as the types of skills required for conducting a good feasibility study: environmental analytical skills, market analysis skill, technical analysis skills, economic analysis skills and financial analysis skills. Environmental analysis skill according to Inegbenebor (2006) is the ability to examine the business environment in terms of the legal requirements, location, social factors, government support and regulation among others. Market analysis skill is the ability to examine the target market (customers), suitability of the product for the target market, existing competitors (their strengths and weaknesses), pricing system, and product delivery and extension services among others. A well prepared feasibility study covers at least all the aspects of mentioned above although there are other areas (Echetama, Obi & Joel, 2016).

Feasibility study and Entrepreneurs Success

Rather than betting on the "horse" (i.e., the business idea and the business plan), they are now much more likely to bet on the "jockey" and look for someone who has a history of successful past entrepreneurial efforts. These investors have come to realize that a good business plan does not necessarily make a good business, but a good entrepreneur can, whether the business plan is optimal or not. Obviously, no one will display all of the qualities, but this worksheet can still help you assess your potential for success as an entrepreneur (Reilly & Millikin, 2013). Being a successful entrepreneur means more than starting new ventures every other day. It means the right attitude towards a business and the determination and grit to achieve success.

A successful entrepreneur always has a strong sense of self confidence and a healthy opinion of their skills and abilities. Their personality is assertive and strong. They are always focused and

do not really dilly dally with the issues at hand. This is what makes them different from the rest.

Market Feasibility and Sustained Patronage

This mostly deals with cost benefit analysis. Economic feasibility answers questions such as: Is the project justified (i.e. will benefits outweigh costs)? Can the project be done within given cost constraints? What is the minimal cost to attain a certain system? Which alternative offers the best return on investment? Selecting among alternative financing arrangements, (rent/lease/purchase). The difficulties of economic feasibility is that benefits and costs can both be intangible, hidden and/or hard to estimate and also ranking multi-criteria alternatives can be cumbersome. A business plan needs to be based on the market forces that could affect the commercial viability of the business. Internal projects must establish the cost-effectiveness of the proposed system that is if the benefits do not outweigh the cost, then it is not worth going ahead. This includes a cost benefit analysis (Thompson, 2003).

To O'Brien, the economic feasibility should be cost saving, increase in revenue, increase investment requirements and increase profits. Hirsch and Peter are of the opinion that the financial feasibility should determine the potential investment commitment needed for the new venture and indicate whether the business plan is economically feasible.

Economic Feasibility and Ventures Survival

This has to be done. Efforts should be made to justify what economic advantage will be achieved by establishing the business/ project. In particular, it has to show how the project will improve employment prospects and reduce social problems in the community, local government, state and Nigeria at large (Ndebbio, 2007). An effective analysis of the economy ensures that a business is being started on a positive footing because it will help in resource maximization. For example, if a proper economic analysis is carried out prior to the execution of a business plan, it will be realized that more time and resources would be expended only on the most important factors that has the capacity to make or mar the business.

Also, social cost which has to do with external cost such as pollution that split off. That is

the negative externalities, without compensation. These costs must be included in a good feasibility analysis in order to enhance business survival. Furthermore, currency exchange which is the rate the domestic currency, naira is exchanged for other currencies in international transactions which impact on the survival of business in the state. Similarly, inflationary rate where the average prices of commodities are going up without a corresponding increase in the level of output (Ndebbio, 2007).

Operational Feasibility and Venture Growth

Benjamin &Wolt (2010) posits that to ensure success, desired operational outcomes must be imparted during design and development. These include such design-dependent parameters such as reliability, maintainability, supportability, usability, disposability, sustainability, affordability and others. A system may serve its intended purpose most effectively when its technical and operating characteristics are engineered into the design. Therefore, operational feasibility is a critical aspect of systems engineering that needs to be an integral part of the early design phases.

O'Brien; is of the view that an organizational feasibility should contain how well the proposed system supports the business priorities of the organization (Mohammed, 2014). According to Michele (2008), other feasibility factors include; Schedule feasibility: A venture will fail if it takes too long to be completed before it is useful. Typically this means estimating how long the system will take to develop, and if it can be completed in a given time period using some methods like payback period.

Importance of Feasibility Study to Entrepreneurial Ventures

Feasibility study has become a very valuable tool for potential investors, industrialists, bankers, suppliers and others to ensuring that the business concept is technically, financially, socially, economically, legally and profitably sound before investing in it. It is estimated that only one in fifty business ideas are actually commercially viable. Therefore a business feasibility study is an effective way to safeguard against wastage of further investment or resources (Hoagland & Williams, 2000). If a project is seen to be feasible from the

result of study, the next logical step is to proceed with the full Business plan.

A thorough and viability analysis provides abundance of information that is also necessary for the Business plan. For example: a good market analysis is necessary in order to determine the business concept's feasibility. This information provides the basis for the market section of the Business Plan (Hoagland & Williams, 2000).

Finally, a feasibility study should contain clear supporting evidence for its recommendations. The strength of the recommendations can be weighed against the study's ability to demonstrate the continuity that exists between the research analysis and the proposed business model (Mohammed, 2014).

Research Method

This study adopted quantitative data analysis for this study; the survey research design was employed. The scope of the study covers Mushin, Local Government. Mushin, Town, of Lagos State, South-Western, Nigeria. Mushin is a suburb of Lagos city, and its inhabitants are mostly Yoruba people. Continuing expansion from 1950 led to problems of overcrowding, inadequate housing, and poor sanitation. The respondents who are owners of businesses (SMEs) in the areas were purposively

selected in order to accomplish the objective of the study. Primary method of data collection was used for this study through a field survey of businesses with the aid of purposive well-structured questionnaires.

The questionnaires instrument was designed using five (5) likert's scale, as well as through an in-depth personal interview guided by the questions raised in the questionnaire which proved to be most effective due to the fact that most respondents could not fill in their responses or due to time constraints. A sample of 133 respondents was identified from a population of 200 respondents among selected small and medium enterprises within the study area using purposive sampling method of yaro-Yemane calculation based on reports of the number of small and medium businesses in the study area and approximately 92.2% of the administered questionnaires were retrieved. Each of the dependent and independent variables of the research construct were measured by three (3) items each validated by different authors found in extant literature.

Test of Hypotheses

Regression and correlation analysis was used to test the influence and relationship of the independent variable on the dependent variable of hypotheses 1, 2 and 3.

Hypothesis One

Ho3: There is no significant effect of operational feasibility on venture growth

Table 1 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.511 ^a	.261	.255	2.06371

a. Predictors: (Constant), Operational Feasibility

Table 2 ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	181.663	1	181.663	42.655	.000 ^b
	Residual	515.329	121	4.259		
	Total	696.992	122			

a. Dependent Variable: Venture Growth

b. Predictors: (Constant), Operational Feasibility

Table 3 Coefficients^a

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.

	B	Std. Error	Beta		
(Constant)	3.274	.503		6.512	.000
1 Operational Feasibility	.447	.068	.511	6.531	.000

a. Dependent Variable: Venture Growth

Interpretation

The result from the model summary table 4.3.7 revealed the extent to which the variance of venture growth can be explained by operational feasibility. Looking at the result above, it shows a significant effect of operational feasibility on venture growth at ($R^2 = 0.261$, Adjusted $R^2 = 0.255$, $P = 0.000$). These indicate that of the variation in venture growth, operational feasibility accounted for (26.1%). Also, the F-values statistics of (42.655) shows that the overall equation is significant at (Sig. level = 0.000; $P < 0.05$). Therefore, the null hypotheses (H_0) which state that there is no significant effect of operational feasibility on venture growth is hereby rejected and accept the alternative.

Discussion of Findings

From the hypothesis three tested, it was discovered that operational feasibility has significant effect on venture growth. The result of this present study was in line with the study of Echetama, Obi & Joel (2016), observed that feasibility analysis is a meaningful managerial tool in advancing the growth and performance of SMEs; and that of Mohammed (2014), which discovered that a well-planned feasibility analysis enables business owners to understand the schematic of venture development and boost confidence in facing challenges that may arise in the business life cycle, because the target, through feasibility study has been attained. The study concluded that feasibility study impacts significantly on the growth of the business and reduces the level of exposure to risk and ensure success.

Conclusion

The research work has shown that feasibility study significantly enhance the entrepreneurial success. Feasibility study is an investigation carried out to access the economic viability of any proposed business. Every business establishment has a possibility of success or failure. Therefore, it is the responsibility of a prospective entrepreneur to know

very well about the business. An intended business success or failure could be determined by the amount of information that he has before engaging in a particular venture.

However, findings from the study reveals that all the three variables which represent feasibility study (market feasibility, economic feasibility and operational feasibility) plays a significant role in entrepreneurial success at Mushin, Local Government. Mushin, Town, of Lagos State, South-Western, Nigeria.

It is worthy of note to state that trend of launching new ventures without a feasibility analysis that will help determine the viability of a business idea, and further enhance the performance of entrepreneurial venture.

Recommendations

The researcher has discussed the findings and conclusions extensively, hereby makes the following recommendations:

1. Entrepreneurial venture should be encouraged to undertake feasibility study when making investment decisions
2. Government should help entrepreneurial venture in the area of documenting reliable market information. This can make feasibility study easy, thereby increasing their interest in it.
3. In order to maximize the benefit of feasibility study, managers of entrepreneurial venture should engage in constant environmental surveillance and scanning in order to identify the changing trends and update their feasibility report as supposed

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