

WHAT ARE DIMENSIONS OF BUSINESS VIABILITY

The Dimensions of Business Viability Model is a generic framework that assists the entrepreneur in identifying individual tasks (decisions) in validating the Business Concept. The model also aligns the findings with functional processes of an enterprise which an audience can easily understand. The Dimensions of Business Viability Model is a decision weighting model that provides a benchmark framework for measuring the Business Concept's viability. The model allows the entrepreneur to weigh the overall and segmented viability of the Business Concept (Thompson 2003a). The Dimensions of Business Viability Model will validate the Business Concept by the core dimensions of:

- Market Viability,
- Technical Viability,
- Business Model Viability,
- Management Model Viability,
- Economic and Financial Model Viability, and
- Exit Strategy Viability.

WHY ARE THE DIMENSIONS OF BUSINESS VIABILITY MODEL IMPORTANT

The Business Feasibility Study findings will be assessed by potential investors and stakeholders regarding their credibility and depth of argument. At the core of the Business Feasibility Study decision making process is a Business Viability Model assessment which provides the necessary commercial decision making data. Business viability for entrepreneurs not only reflects the likelihood of the business venture succeeding, but also its ability to deliver the entrepreneurial objectives such as creating wealth. In the art of business start-ups survival and prosperity will be affected by a wide range of commercial factors, many of which are linked to the personal qualities of the entrepreneur. Determining business viability is largely a subjective process and will vary for each business venture under consideration (Thompson 2003a; Thompson 2003c).

At the core of the business viability analysis process are a series of questions that consider the viability of individual requirements of the business itself and it is only from a cumulative contribution of these decisions that the overall business can be determined to be viable. Market Viability is the most important factor affecting any business model and is traditionally more tangible and quantifiable. It can be determined by measurable market demand or market receptivity to the proposed product or services within a target market (Hoagland & Williamson 2000; Baxter 2003; Thompson 2003b; Thompson 2003a).

The steps of a Business Viability Analysis are not rigid and frequently need modification to best fit the business situation being assessed. As previously discussed, entrepreneurs will often operate within a defined industry whereby they can develop innovative approaches that best fit the commercial needs of that industry. Proactive planning through developing a business viability model that best fits a given industry allows the entrepreneur efficiently and cost effectively to evaluate a number of Business Concepts before determining the best one. A typical Business Viability Analysis requires from one to four months for completion, depending on the size of the proposed business venture, the complexity of the business model and the availability of data.

HOW TO APPLY THE DIMENSIONS OF BUSINESS VIABILITY MODEL

Firstly remember that the Dimensions of Business Viability Model is a conceptual framework that has been designed to provide entrepreneurs with a practical framework to develop and articulate their business viability decision and weighting process (Thompson 2003a). The model has also been designed to align the business viability findings with the functional processes of an enterprise which an audience can easily understand. So how do we apply the model?

Business viability decision making is the study of identifying and choosing alternative business models based on the values and preferences of the decision maker. Making a business decision implies that there are alternative commercial factors to be considered, and in such the entrepreneur seeks not only to identify as many of these alternatives as possible, but to choose the one that best fits with the business venture's goals and entrepreneurial objectives.

Business decision making is the process of sufficiently reducing uncertainty and doubt about alternatives to allow a reasonable choice to be made from among them. This process requires the information gathering function of decision making to be weighted so as to reduce the level of uncertainty. Very few business decisions are made with absolute certainty, however the greater the alignment of the decision making with the functional enterprise framework then the greater the probability the decision made are correct (Zikmund 1994; Thompson 1995; Gofton 1997; Thompson 2003a).

The Dimensions of Business Viability Model is relatively simple to apply. Through applying a weighting against each dimension of the model the entrepreneur can collectively assess the viability of the business overall. More importantly they can discuss the strengths and weaknesses of the business model by dimension. As previously discussed the core dimensions of the model are: Market Viability, Technical Viability, Business Model Viability, Management Model Viability, Economic and Financial Model Viability and Exit Strategy Viability.

It is suggested that when the overall viability in the proposed business venture is more than 80%, the decision made should recommend the business as being commercially viable. However, if individual dimensions of viability of the model fall below their critical validation rating, then the overall model is not viable. A recommendation in this case would be that the business model is strong rather than viable. The viability assessment recommendation should then draw attention to the limitations of the particular dimension which is weak (Thompson 2003a).

COMPONENTS OF BUSINESS VIABILITY

Each dimension of the business viability model will contain components which evaluate individual characteristics of the enterprises business venture's viability. In developing the model to best fit the business under examination the entrepreneur will need to structure each dimension. The following represent a sample of such components:

MARKET VIABILITY

- Market Environment e.g. size, sustainability, potential market, target market, potential value
- Competitors
- Similar Products
- Pricing
- Packaging
- Distribution to markets
- Promotion/Advertising

TECHNICAL VIABILITY

- Capacity
- Availability and quality of resources, inclusive of raw materials, labour and professional expertise
- Supply chain implications
- Manufacturing process
- Ability to apply IP

BUSINESS MODEL VIABILITY

- Uniqueness of model in terms of competitive advantage
- Ability of competitor to duplicate
- Ability to create value through priority knowledge & process i.e. IP
- Ability to create wealth
- Ability to duplicate and delegate i.e. documentation of tacit & explicit knowledge

MANAGEMENT MODEL VIABILITY

- Application of knowledge & skills
- Training

- Employee management and recruitment
- Management of intellectual property
- Management of risk
- Ability to delegate to staff
- Suitable organisational structure
- Suitability of management and quality protocols
- Ability to measure business process

ECONOMIC AND FINANCIAL VIABILITY

- Start up costs
- Working capital
- Operating costs
- Raw material costs
- Overall return on investment
- Overall profitability
- Break even point
- Sustainability of market versus projected revenue
- Ability to generate economic value

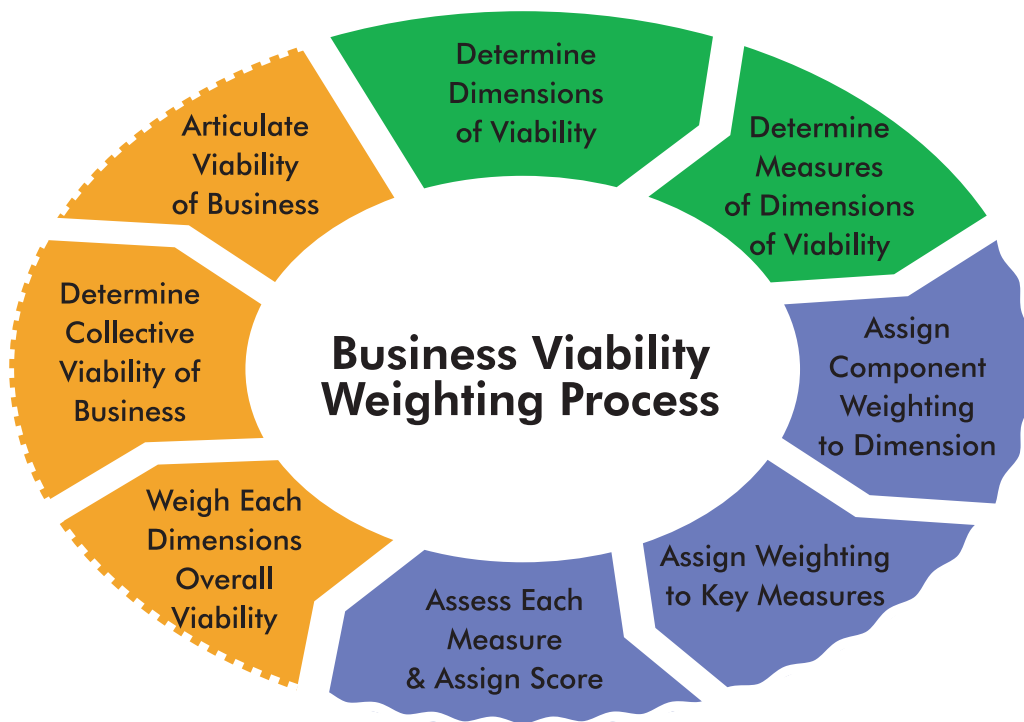
EXIT STRATEGY VIABILITY

- Ability to create wealth from exit strategy
- Ability to define exit strategy
- Ability to relate exit strategy to industry model
- Ability to identify potential buyers and/or strategies
- Ability to create capital assets i.e. IP
- Ability to schedule exit strategy

DIMENSIONS OF BUSINESS VIABILITY MODEL TEMPLATE

Figure H.1 titled “Dimensions of Business Viability Weighting Process”, which follows, provides an overview of the business viability decisions making process and decision weighting process. Note that the decision making criteria within the individual dimensions and the assigned weightings are examples only and the entrepreneur may need to vary them to best fit the chosen business venture or industry.

Figure H.1 Dimensions of Business Viability Weighting Process



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Figure H.2 titled “Dimensions of Business Viability Template”, provides a template guide to support entrepreneurs in developing a suitable business viability weighting framework. The key characteristics of the template and their application follow:

DIMENSIONS OF BUSINESS VIABILITY

- Column one, “Dimensions of Viability”, defines the core dimension that the business is being assessed against as well as its percentage contribution to the overall decision making process.
- Column two, “Measure of Viability”, identifies the actual measure (criteria) that will be examined.
- Column three, “Measuring Weighting”, determines the overall contribution of the individual measure to the cumulative scoring of the dimension. For simplicity of use this normally has cumulative scoring out of one hundred.
- Column four, “Weighting Assessment”, is used to record the actual score that the researcher or entrepreneur has assigned. For example a competitor’s analysis may have a possible score of 30, but only 25 has been awarded as there are no similar types of business in the area. This would be described as a strong viability outcome.
- Column five, “Critical Validation”, represents the outcome of the overall scoring of the individual dimension. For example an overall possible rating of 100 has been assigned to the Marketing Dimension. There are five individual measures (criteria) that have been used. Each of the criteria were assigned possible ratings, namely - competitors 30, similar products 20, pricing 30, packaging 10, distribution to market 10. From research and analysis the following scores were awarded:

•	Competitors	25
•	Similar Products	20
•	Pricing	25
•	Packaging	8
•	Distribution to Market	8
	Total Score	86/100

The articulation of these findings is relatively simple. Acknowledging that much of the weighting process is reliant on often anecdotal and judgmental findings the viability of the Market Dimension in the example can be described as being **STRONG**. In discussing the outcomes of this dimension analysis strengths and weakness should be raised and this can be determined in relation to what rating they have been awarded. Although the entrepreneur may in fact not quote the actual score awarded they will often raise questions why the criterion (measure) was in fact considered strong or weak.

DIMENSIONS OF BUSINESS VIABILITY

Figure H.2 Dimensions of Business Viability Template

Dimension of Viability	Measure of Viability	Measure Weighting	Weighting Assessment	Critical Validation
Market Viability (Recommended Weighting 25%)	Market Environment ie size, sustainability, potential market, target market, potential value Competitors Similar Products Pricing Packaging Distribution to markets Promotion/Advertising			
Technical Viability (Recommended Weighting 10%)	Capacity Availability and quality of resources, inclusive of raw materials, labour and professional expertise Supply chain implications Manufacturing process Ability to apply IP			
Business Model Viability (Recommended Weighting 15%)	Uniqueness of model in terms of competitive advantage Ability of competitor to duplicate Ability to create value through priority knowledge & process ie IP Ability to create wealth Ability to duplicate and delegate ie documentation of tacit & explicit knowledge			
Management Model Viability (Recommended Weighting 15%)	Application of knowledge & skills Training Employee management and recruitment Management of intellectual property Management of risk Ability to delegate to staff Suitable organisational structure Suitability of management and quality protocols Ability to measure business process			
Economic and Financial Viability (Recommended Weighting 15%)	Start Up Costs Working Capital Operating Costs Raw Material costs Overall Return on Investment Break Even Point Sustainability of market versus projected revenue Ability to generate economic value			
Exit Strategy Viability (Recommended Weighting 20%)	Ability to create wealth from exit strategy Ability to define exit strategy Ability to relate exit strategy to industry model Ability to identify potential buyers and/or strategies Ability to create capital assets ie IP Ability to schedule exit strategy			

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