



# **Business Start-up Training Programme**

## **Trainer Guide 2**



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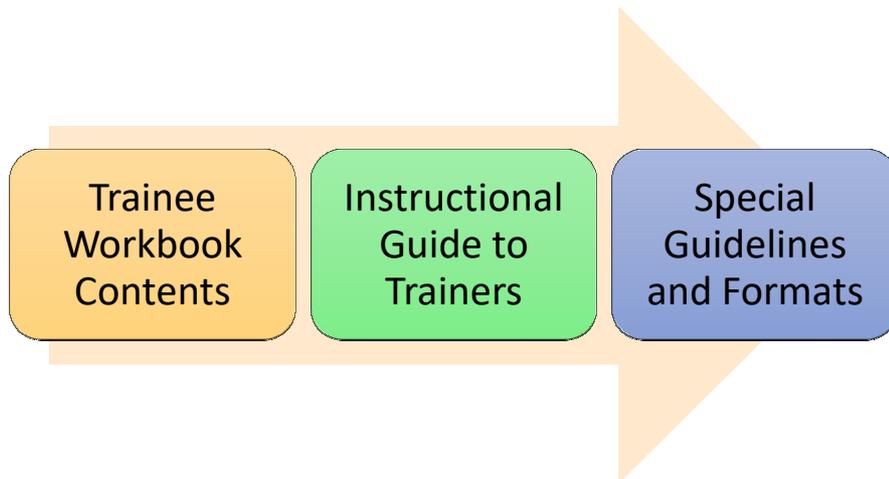
### Modules

2. Business Idea Generation
3. Business Idea Screening & Evaluation
4. Business Idea Selection

# Trainer Guide 2

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## 2. Business Idea Generation





Business idea generation is the initial approach to building a new business. Potential entrepreneurs should have a crystal clear idea about the importance of generating business ideas and the practical methods of business idea generation. In addition to this knowledge, they should have the business idea generating skills. Using these skills, they should make the first practical move in generating business ideas for their intended businesses.

<b>Module</b>	<b>Sessions</b>
<b>Business idea generation</b>	<b>2.1 What is a business idea?</b> <b>2.2 Why idea generation for business start-ups?</b> <b>2.3 Key methods for business idea generation</b>

**Module objectives:**

At the end of this module, the trainees will be able to

- ✓ have an improved understanding, and familiarity on practical skills on business idea generation, covering the following areas:
  - What is a business idea?
  - Why idea generation for business start-ups?
  - Key methods for business idea generation
  
- ✓ Collect individually many business ideas to be considered in our business start-up process.

**Session 2.1 - What is a business idea?**

We need to understand what a business idea is. Let's do the following matching game to get this knowledge.

**Exercise: Matching game**

Your trainer will exhibit the following chart (Exhibit 1) prepared on a flipchart. The large group will be divided in to four small groups of trainees and you will belong to one small group. Trainer will provide each group with a set of flashcards which will have matching parts for each incomplete sentence given in the exhibit. Each group should discuss among its members, choose the matching flashcard and paste it against the respective incomplete sentence of the exhibit under their own group number within the allocated time of 20 minutes.

**Exhibit 1 on the flipchart**

	Group 1	Group 2	Group 3	Group 4
1. A business idea is.....				
2. A business idea satisfies .....				
3. A business idea should generate.....				
4. A business idea gives an impression about.....				

Trainer will summarize the group work and explain what a business idea is.

**Example:**

When Nimesh was thinking about starting a business, an idea of “making foldable office tables for sale” came to his mind because he knew that many small scale offices needed foldable office tables. Thus, his business idea was generated within a context of surfacing the customers’ need, nature of the product, and type of customers within his mind.

## INSTRUCTIONAL GUIDE

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### Session 2.1 - What is a business idea?

**Session objective** – At the end of this session, trainees will understand what a business idea is.

Session	Time (mins)	Methodology	Training/ Learning aids
a. Ask trainees what a business idea is, and after getting their response, briefly mention about the importance of this module. b. Declare that we are going to understand it through a group game.	05	Interactive discussion	Trainee workbook Whiteboard
c. <b>Matching game</b> - Place the Exhibit 1 on a flipchart. (Refer Special Guidelines & Formats) - Divide trainees in to 4	35	Interactive discussion	PPT

<p>groups.</p> <ul style="list-style-type: none"> <li>- Provide each group with a set of flashcards (pre-prepared).</li> <li>- Ask each group to discuss among its members, choose the matching flashcards and paste them against the respective incomplete sentences of the exhibit under their own group number within the allocated time (20 mins).</li> <li>- <b>Summarize the group work and explain what a business idea is</b>, using the example of Nimesh's business idea of making foldable office tables for sale.</li> </ul> <p><b>In-class total: 40 mins</b></p>		<p>Short presentation (1 – 2 slides)</p> <p>Discussion</p>	<p>Flipchart (Pre-prepared)</p> <p>Flashcards (Pre-prepared)</p> <p>Trainee Workbook</p> <p>PPT</p>
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## SPECIAL GUIDELINES & FORMATS

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### ■ Session 2.1 – What is a business idea?

#### Exercise: Matching game

**Game concept:** This is a test for the trainees. Using this game, trainer can assess if the trainees have understood what a business idea is in complete sense. The final response is matched with the following correct answer.

1. A business idea is.....*an idea on which the business is established.*

2. A business idea satisfies.....*a need of customers.*
3. A business idea should generate....*long term income.*
4. A business idea gives an impression about...*the product/ service, and customers.*

The first parts of the above sentences will be written on a flipchart. The second parts (in italics) will be written on individual flashcards. Correct matching of flashcards with the flipchart contents is expected from the trainees.

**Pre-preparations by the trainer:** Trainer is required to prepare,

- 16pre-prepared flashcards; each second part with italics should be written on 4 flashcards. Segregate 16 flashcards in to 4 sets. Each set should contain 4 different second parts.
- Flipchart with the Exhibit 1 below.

**Exhibit 1 on the flipchart**

	Group 1	Group 2	Group 3	Group 4
1. A business idea is.....				
2. A business idea satisfies .....				
3. A business idea should generate.....				
4. A business idea gives an impression about.....				

**Method**

1. Place the Exhibit 1 on a flipchart.
2. Divide trainees in to 4 groups.
3. Provide each group with a set of 4 flashcards (pre-prepared).
4. Ask each group to discuss among its members, choose the matching flashcards and paste them against the respective incomplete sentences of the exhibit under their own group number within the allocated time (20 mins).
5. **Summarize the group work and explain what a business idea is,** using the example of Nimesh’s business idea of making foldable office tables for sale.

## Session 2.2 - Why idea generation for business start-ups?

What is the business that I can start? This is the first direct, business-related problem many potential entrepreneurs encounter. Identifying the most suitable business idea is the biggest task at this stage. If a wrong idea is selected, the whole purpose of establishing a successful business will be dangerously collapsed. There can be many bases on which a potential entrepreneur can identify a business idea. Some of them are given below.

### Examples:

Base	An example of a relevant business idea
1. A creative idea that comes to his mind as a good solution to an existing problem	Making a biodegradable shopping bag
2. Search of a solution for a common problem many people are facing	Personal banking app to avoid frequent visits to the bank and utility bill payment centres
3. An improvement of an existing product or service	Adding the camera to the mobile phone
4. Work experience and close familiarity in a special domain	Starting a gym by a sportsman

People start businesses with business ideas identified through various sources – some ideas are disastrous, some are of average, some are good and in very few situations the idea identified can be excellent. It is said that over 70% of business start-ups die within three years, mainly due to the bad business idea. They are not logically screened ideas that are qualified as the base for a growing business. Following start-up scenarios are a reality today in our country.

- Nirosha followed a practical beauty culture course and started a beauty salon in her area after giving more publicity. But, she could not attract a sufficient number of customers because the girls and the women in the area were not much interested culturally in

patronizing beauty salons. The business was a failure and she sold out all equipment after attempting to improve the business over eight months.

- Suresh wanted to start a business after coming from the Middle East employment. His wife suggested to him about a business idea which has a market demand- “selling handloom sarees” to the female employees of the city offices. After making arrangements with a supplier from Kandy, he started the “buying and selling business”. In five months’ time, he had to think about another business because the competition was so fierce.

Identifying a good, most appropriate business idea is not a simple task. If a potential entrepreneur comes up with a particular idea, it should be seriously tested for its suitability, viability and sustainability. Best practice for open-minded potential entrepreneurs is to generate as many business ideas as possible as the first step. When we pour a lot of ideas in to the screening funnel, the probability of identifying the best business idea is much higher.

## INSTRUCTIONAL GUIDE

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### Session 2.2 -Why idea generation for business start-ups?

**Session objectives:**At the end of this session, trainees will understand

- the importance of a business idea for a potential entrepreneur,
- the different bases on which a potential entrepreneur can generate business ideas, and
- why a potential entrepreneur should collect more business ideas as the first step.

Session	Time (mins)	Methodology	Training/ Learning aids
a. Open up a discussion with trainees on the fact that“Is a business idea an important consideration for a potential	03	Interactive discussion	Whiteboard

<p>entrepreneur?”. Allow them to express their views.</p>			
<p>b. Summarizing their views, emphasize the importance of a business idea for a potential entrepreneur.</p>	02	Interactive discussion	
<p>c. Convince about different bases on which a potential entrepreneur can identify business ideas, using the examples (given in the table) in the Trainee Workbook.</p>	04	PPT presentation cum interactive discussion	Trainee workbook PPT Whiteboard
<p>d. Ask them to read two cases of Nirosha and Suresh.</p>	03	Reading	Trainee workbook
<p>e. Based on the above cases, develop an interactive discussion with them focusing on the importance of gathering more business ideas to select the best business idea for the new business.</p>	08	PPT presentation cum interactive discussion	PPT
<p><b>In-class total: 20mins</b></p>			

## Session 2.3 - Key methods for business idea generation



### Different sources of business ideas

Business idea generation can be done in many ways. Interested persons can get the ideas from family members, friends, the other businessmen and various learned community, business chambers, surveying in the market, trade shows, magazines, trend observation and many more ways. In addition, there are creative methods for business idea generation. Brainstorming is the most popular idea generation method. We have discussed about this method in our first module “Practical Entrepreneurship”.

**Exercise:** Write the ways you can collect business ideas. (Guide: Friends, trade shows, ...)

### My business idea collection – Step 1:

#### Activity – Brainstorming session

Participate in the business idea generation brainstorming session in the class. Your trainer will facilitate and guide you. The group will generate a significant number of business ideas during the brainstorming session. All the ideas are recorded in a flipchart and keep it for the trainees to see after the next step.

### My business idea collection – Step 2:

#### Field Assignment: Business idea collection from other selected sources

Identify the relevant sources to gather business ideas for your intended business. Following format proposes only a few sources. You can think about the sources independently and indicate them on the “Source” column. Then, go to the field and collect as much as business ideas from the identified sources. There should be at least 5 different sources in addition to the brainstorming session done in the class.

#### Format – Business ideas from various sources

Source	Business ideas
Family members	
Friends	

Market (Observation)	
Businessmen	
Business chambers	
.....	
.....	
.....	

**My business idea collection – Step 3:**

**Activity: Presenting the ideas collected through Step 1 and 2**

Exhibit what you have collected during the field assignment next to the large list of ideas collected through brainstorming. Now, we have a massive collection of business ideas.

Our next step is business idea **screening and evaluation**.

INSTRUCTIONAL GUIDE

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**Session 2.3 – Key methods for business idea generation**

**Session objectives:** At the end of this session, trainees will

- Understand about the different sources of business ideas,
- Collect business ideas through a practical brainstorming session,
- Collect more business ideas from different sources through practical work, and
- Compile the final list of business ideas for screening and selection purpose.

Session	Time (mins)	Methodology	Training/ Learning aids
<p>a. Open up a brief discussion (only 3mins) on possible sources from which we can collect business ideas.</p> <p>b. <b>Exercise:</b></p> <ul style="list-style-type: none"> <li>- Ask them to write the ways they can collect business ideas. (Guide: Friends, trade shows, ...)</li> <li>- Get the response of three or four trainees to verify what they have written.</li> <li>- Present a PPT slide that summarizes possible sources.</li> </ul>	<p>03</p> <p>07</p>	<p>Brief interactive discussion</p> <p>Individual exercise</p> <p>Discussion</p> <p>PPT</p>	<p>Trainee workbook</p> <p>Whiteboard</p> <p>Trainee workbook</p> <p>PPT</p>
<p>c. <b>Activity</b></p> <p><b>Brainstorming session:</b></p> <p>This is a <b>major brainstorming session</b> facilitated by the trainer involving the large group. This session should generate a significant number of business ideas.</p> <p><b>Refer Special Guidelines</b> given in the Module 1 – Practical entrepreneurship</p>	<p>120</p>	<p>Interactive activity</p>	<p>Flipcharts</p>

<p>under <i>Session 1.5 – Creativity &amp; Innovation – Essential tools -Brainstorming.</i></p> <ul style="list-style-type: none"> <li>- Explain about the ground rules of an effective brainstorming session as per the above special guideline.</li> <li>- Declare that “What businesses can we start? Is the theme. <i>(Flipcharts should be ready for idea recording.)</i></li> <li>- Identify a trainee who will record all ideas generated. (voluntary or named)</li> <li>- Declare the timeframe (Ex: one hour from the start) according to the trainer’s estimate.</li> <li>- Verify with trainees if they understood the rules and the process.</li> <li>- Start the brain storming session.</li> </ul> <p>d. End the brainstorming session after the planned period, ensuring that a reasonable collection of business ideas has been made.</p>		<p>Short presentation (1 – 2 slides)</p> <p>Discussion</p>	<p>PPT</p>
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<p>idea collection- Stage 2”.</p> <p><b>h.</b> Guide the trainees to exhibit their lists, next to the large list compiled after the brainstorming session. This is the outcome of “My business idea collection- Stage 3”.</p> <p><b>(Availability of this significant collection of business ideas generated through different means is the basis for the next module of business idea screening and evaluation.)</b></p> <p><b>In-class total: 180 mins</b></p>			
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## SPECIAL GUIDELINES & FORMATS

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### ■ Session 2.3 – Key methods for business idea generation

#### Activity – Brainstorming session:

- i. This is an active brainstorming session facilitated by the trainer.
- j. Purpose of the activity is to guide trainees to generate business ideas to prepare the first list of business ideas. In the Trainee Workbook, this stage is termed as “My business idea collection- Step 1”.
- k. Explain the trainees about the ground rules of an effective brainstorming session. These rules are given in the **Module 1 – Practical entrepreneurship under Session 1.5 – Creativity & Innovation – Essential tools -Brainstorming.**
- l. Establish a sound environment for an effective brainstorming session, and ensure that the explained rules are followed.

- m. Select a voluntary or named trainee to keep records of the ideas generated, on a flipchart.
- n. Decide about the timeframe for the session, start it and end accordingly.
- o. Ensure that you end the session at the correct time when a critical mass of business ideas has been collected. It is unproductive to allocate more time to squeeze more ideas.
- p. Trainer should also ensure that the flipcharts containing business ideas collected through the brainstorming session are available till trainees bring their business ideas collected from the field assignment.

### 3. Business Idea Screening & Evaluation



Business idea screening and evaluation is a key step in the process of selecting the most suitable and growth-bound business idea. If this step is ignored in the business start-up process, the entrepreneur will have to encounter severe consequences during the business journey, unless he / she has an excellent business idea or a ground-breaking innovative idea. Screening from a large number of ideas involves several steps, involving elimination processes and criteria matching exercises.

Module	Sessions
<b>Business idea screening and evaluation</b>	3.1 Importance of business idea screening and evaluation 3.2 Business idea screening 3.3 Business idea evaluation 3.4 Evaluating business ideas using Macro Analysis and Micro Analysis

## Module objectives:

At the end of this module, the trainees will be able to

- ✓ Develop their understanding, and familiarity on practical skills in business idea screening and evaluation,
- ✓ Develop skills on the usage of screening and evaluation tools such as pair-wise ranking method, macro analysis and micro analysis,
- ✓ Screen their business ideas using pair-wise ranking method based on different evaluation criteria,
- ✓ Select the best three business ideas.

## TRAINEE WORKBOOK CONTENTS

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### Session 3.1 -Importance of business idea screening and evaluation

#### Businesses of Purnima and her friend Vathsala

Purnima is a proud owner of an export-oriented business which manufactures singing soft-toys. When a business magazine interviewed her about the business success, she explained that her success started with the strong business idea she selected. Elaborating on it, Purnima revealed that she was a student attached to a technical course of a vocational training institute when she simultaneously participated in a business start-up training programme conducted by the same institute. During the business training course, all trainees generated a large number of business ideas through a brainstorming session and some field assignments. There were 210 business ideas altogether. Through a logical process, she selected “making singing soft toys”. Using her knowledge on electronics studied at the vocational training institute, she said she designed an electronic chip that is inserted in the soft toy to make it a singing soft toy. Her lecturer has helped her to develop the electronic chip. Purnima is exporting her singing soft toys to Dubai and Japan.

In contrast, her vocational school batch mate Vathsala did not participate in the business start-up course although she was keen in starting a business after completing her technical course. When she saw several places that sell caged birds, she thought that supplying bird

cages would be a good business. Thus, she started the bird cage making business. But, while doing this business, when she was moving closely with bird sellers, she felt that the business does not agree with her inner values. She gave up that business subsequently and started a business of making smoked rubber sheets from rubber latex. But, she had to discontinue that business too since it was difficult to find rubber latex.

**Exercise:**

Discuss as to why Purnima's business is more successful. How does the selection of the business idea affect a business success?

**Some points:**

Business is a long term affair and it can affect our life positively or negatively because we are planning to build up our success on it. The seed of the business tree is the business idea. It is crystal clear that identifying the best business idea is what we need to do if we are planning to embark on a business life. We should select it from some opportunities available in the market. Many business ideas pinned to many business opportunities are prevalent around us. Each business idea can give different successes in the relevant business.

But, it is impossible to identify the best business idea if we scan through a handful of ideas or depend only on one or two business ideas. When we have a large amount of business ideas, we can screen them using logical processes, evaluate the selected few using relevant criteria and pick up the best business idea. Thus, business idea screening and evaluation plays a valuable role in the business start-up process.

**Session 3.1 -Importance of business idea screening and evaluation**

**Session objectives:** At the end of this session, trainees will understand the importance of business idea screening and selection in order to build a successful business.

<b>Session</b>	<b>Time (mins)</b>	<b>Methodology</b>	<b>Training / Learning aids</b>
a. Discuss with the trainees the contents of the text on Businesses of Purnima and her friend Vathsala. b. Motivate them to express their views against the exercise given. c. Explain about the importance of business idea screening and evaluation as the entry step to business idea selection. <b>In-class total: 10 mins</b>	10	Interactive discussion PPT	Trainee workbook ; Whiteboard; PPT

## **Session 3.2 - Business idea screening**

We have collected a large number of business ideas at present. It is now necessary to screen them to select 10 best ideas through a logical process. At the end of the process, we will evaluate those 10 business ideas by using a set of criteria to select the most suitable business idea which will be ultimately tested for its business viability. Screening of this large collection of ideas to select 10 best ideas will involve 3 Activity Steps.

### **Activity Step 1 – Picking 50 business ideas from the bulk**

First, we need to select about 50 business ideas from the large number of business ideas recorded in the flipcharts. This is an elimination process. At this level, we can start the process by eliminating the ideas we don't like. Potential entrepreneur's interest about the business idea is very important throughout the business journey. Therefore, we delete the ideas for which our interest is less. Thereby, we select 50 business ideas which we prefer most. Now, we have 50 screened business ideas. The criterion used at this screening level is "my interest".

### **Activity Step 2 – Reducing 50 business ideas to 20**

This step needs further elimination of business ideas. We have to eliminate ideas which have less market demand and select 20 business ideas which have better market demand. "Market demand" is the criterion at this step. It is more appropriate to use "Pair-wise Ranking Method" - a logical technique to prioritize the 50 business ideas according to the market demand and take the high ranked 20 ideas.

We should apply the pair-wise ranking method for the 50 ideas in this case. At the end of this exercise, we have 20 business ideas.

Let's learn how to use Pair-wise Ranking Method in ranking business ideas.

**Exercise: Ranking business ideas of Nilu**

Nilu had 5 business ideas namely, selling organic vegetables, making decorative candles, online counselling service, fruit juice bar, and social media marketing service. She wanted to select the best two ideas out of those 5 business ideas considering the market demand as the screening criterion. Nilu used pair-wise ranking method for this purpose using the following steps:

**Step 1:** Create the Pair-wise Matrix as given below and insert the 5 business ideas in the starting column and the top row.

	OV	DC	CS	FJ	SM	<i>Result</i>
Selling organic vegetables -OV						
Making decorative candles -DC						
Online counselling service -CS						
Fruit juice bar -FJ						
Social media marketing service -SM						

**Step 2:** Market demand is the criterion in comparing each pair. Compare two ideas related to each unshaded cell, decide which idea has a better market demand and indicate it (as a code owing to limited space) in the relevant unshaded cell.

	OV	DC	CS	FJ	SM	<i>Result</i>
Selling organic vegetables -OV		OV	OV	FJ	OV	
Making decorative candles -DC			DC	FJ	SM	
Online counselling service -CS				FJ	SM	
Fruit juice bar -FJ					FJ	
Social media marketing service -SM						

**Step 3:** Count the number of times each idea has been preferred and enter in the *Result* column. Rank ideas based on the count.

	OV	DC	CS	FJ	SM	<i>Result</i>
Selling organic vegetables -OV		OV	OV	FJ	OV	3 OVs
Making decorative candles -DC			DC	FJ	SM	1 DC
Online counselling service -CS				FJ	SM	0 CS
Fruit juice bar -FJ					FJ	4 FJs
Social media marketing service -SM						2 SMs

According to the *result* column, Fruit juice bar has been identified 4 times, which is the highest preference. Therefore, it is the best business idea for Nilu when the market demand is considered. Similarly, the next best idea is selling organic vegetable.

### Activity Step 3 – Reducing 20 business ideas to 10

We use pair-wise ranking method for the 20 business ideas at hand, in order to reduce it to 10 ideas, but using a different criterion-**start-up capital requirement**.

We have now 10 screened business ideas to be evaluated in order to select the best ideas. It is important to understand the basics of business idea evaluation at this stage.

## INSTRUCTIONAL GUIDE

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### Session 3.2 -Business idea screening

**Session objectives:** At the end of this session, trainees will develop their,

- ✓ Skills in using pair-wise ranking method for screening business ideas,
- ✓ Awareness on the names of different tools and methods of business idea evaluation and,

- ✓ As outcomes, each trainee will pick 50 business ideas and select 10 best ideas out of them using the methods learnt.

Session	Time (mins)	Methodology	Training / Learning aids
a. Explain the objective of this session; indicate that the trainees should learn new skills, apply them and select the best 10 business ideas through 3 steps at the end.	05	Interactive discussion	Whiteboard; Trainee workbook
b. <b>Activity step 1:</b> Picking up 50 business ideas from the bulk <ul style="list-style-type: none"> <li>- Explain and agree with them that the individual interest about the selected business idea is a key success factor,</li> <li>- Ask them to carefully think, match their interest and select 50 business ideas out of the large collection available,</li> <li>- Help them when needed.</li> </ul>	60	Explanation and brief discussion;  Individual activity	
c. <b>Activity step 2:</b> Reducing 50 business ideas to 20 <ul style="list-style-type: none"> <li>- Explain about this step,</li> <li>- Give an introduction about the Pair-wise Ranking Method and criteria used in it.</li> <li>- Provide skills through the exercise- <b>Ranking business</b></li> </ul>	90	PPT presentation cum explanatory discussion	Trainee workbook; PPT; Flipcharts;



### **Session 3.3 - Business idea evaluation**

Screened business ideas should be evaluated for their respective position in terms of degree of effectiveness as a good business idea. This process is called business idea evaluation.

#### **Evaluation criteria**

For an idea to be a good business idea, first of all the potential entrepreneur should like it. It should have a better market demand. The potential entrepreneur should be able to find out raw material easily to manufacture it. Thereby, the business idea should satisfy a set of vital criteria. These are called business idea evaluation criteria.

**Large group exercise 1:** State examples of some factors that can be used as criteria for business idea evaluation.

**Large group exercise 2:** What will happen if we select a business idea without considering whether the raw material is available or not?

**It is important to assess the position of each business idea in respect of each factor such as 'my interest', marketability, availability of raw material, ability to meet start-up capital requirement, competition, risks involved, and similar factors.**

## Business idea evaluation methods and tools

There are many methods and tools for business idea evaluation. The following table contains only a very few out of them.

Idea Checklist Evaluation	Delphi Technique
Evaluation Matrix	Consensus Mapping
Plus-Minus-Interesting Analysis	SWOT Analysis
Idea Evaluation by Weighted Criteria	Value Analysis

However, we will evaluate our 10 business ideas and select the best one using the following business idea selection process.

- **Method:** A combined method of **MACRO ANALYSIS** and **MICRO ANALYSIS**
- **Tool:** **EVALUATION MATRIX** will be the tool used in both steps on the method.

## INSTRUCTIONAL GUIDE

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### Session 3.3 – Business idea evaluation

**Session objectives:** At the end of this session, trainees will be able to,

- ✓ Explain about evaluation criteria used in business idea evaluation,
- ✓ Mention about different tools and methods used for business idea evaluation.

Session	Time (mins)	Methodology	Training / Learning aids
a. Open up a brief discussion on business idea evaluation.	28	Brief interactive discussion	Trainee workbook; Whiteboard;
b. Discuss about factors (criteria)			



<p>Analysis and Micro Analysis together with Evaluation Matrix, because each of the trainees should use those tools and evaluate their 10 business ideas at the end.</p> <p><b>In-class total: 28 mins</b></p>			
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### **Session 3.4 -Evaluating business ideas using Macro Analysis and Micro Analysis**

We are going to evaluate our 10 business ideas available with us to find out the most suitable business idea to start our business.

This evaluation process has two steps namely, Macro Analysis and Micro Analysis. In both steps, the analysis is done after recording the facts in an Evaluation Matrix format. Evaluation matrix is a table-like format where we can give each business idea a score against a selected criterion. The process is simple and non-complicated.

Macro analysis is the first step. Selected ideas are assessed against a few vital criteria using an evaluation matrix and then ideas are ranked according to the total score given. In the micro analysis, the same process is followed, using a broader set of criteria which include the criteria used in macro analysis. Ideas are then ranked accordingly. If there is a significant difference in ranking by macro analysis and micro analysis, we should re-check where the mistake is. The following example will provide practical insights in this regard.

#### **Example: Amal's 6 business ideas**

Amal needs to find out the ranking position of the following 6 business ideas using macro analysis and micro analysis, so that he can check the viability of the best business idea.

#### **Six business ideas:**

(1) Three wheeler service centre, (2) Manufacturing LED bulbs, (3) Web marketing consultancy, (4) Making first aid kits, (5) Publishing a business magazine, and (6) Manufacturing school bags

He was advised by his consultant to use the under mentioned criteria sets for macro analysis and micro analysis.

### For macro analysis: 4 evaluation criteria

1 Personal match (agree with my interest, my expectations, my personal values) [PM], 2 Market demand [MD], 3 Easy to start [ES], and 4 Manageable start-up capital [SC]

### For micro analysis: 7 evaluation criteria

1 Personal match (agree with my interest, my expectations, my personal values) [PM], 2 Market demand [MD], 3 Easy to find out raw material [RM], 4 Ability to get technology [TE], 5 Technical skills [TS], 6 Easy to start [ES], and 7 Manageable start-up capital [SC]

### Step 1: Macro Analysis

Criteria						
Business Idea	1 PM	2 MD	3 ES	4 SC	Total	Rank
(1) Three wheeler service centre	4	8	6	4	22	3
(2) Manufacturing LED bulbs	4	4	4	6	18	5
(3) Web marketing consultancy	10	6	8	8	32	1
(4) Making first aid kits	4	2	6	4	16	6
(5) publishing a business magazine	8	4	4	4	20	4
(6) Manufacturing school bags	6	8	6	4	24	2

Scores:

Very bad	Bad	Average	Good	Very good	Excellent
0	2	4	6	8	10

According to the macro analysis, the best business idea is Web marketing. 'Manufacturing school bags' and 'Publishing a business magazine' take the second and third positions.

Let's see how he did the Micro Analysis.

## Step 2: Micro Analysis

Business Idea	1 PM	2 MD	3 RM	4 TE	5 TS	6 ES	7 SC	Total	Rank
(1) Three wheeler service centre	3	4	5	5	4	2	2	25	2
(2) Manufacturing LED bulbs	2	3	4	3	3	3	3	21	5
(3) Web marketing consultancy	5	5	5	4	4	4	5	32	1
(4) Making first aid kits	2	1	3	3	4	3	4	20	6
(5) publishing a business magazine	4	3	3	4	2	2	5	23	3
(6) Manufacturing school bags	3	4	4	3	3	2	3	22	4

Scores:

Weak	Good	Satisfied	Highly satisfied	Excellent
1	2	3	4	5

According to the micro analysis also, the best business idea is Web marketing. But, the 'Three wheeler service centre' and 'Publishing a business magazine' have taken the second and third positions respectively. Since there is no dispute about the best business idea, Amal identified 'Web marketing consultancy' as the best business idea out of the six ideas evaluated.

### **Individual activity- Evaluating my 10 business ideas**

Individually, we should evaluate our 10 business ideas through the following 5 steps and select the 1<sup>st</sup> (best), 2<sup>nd</sup> and 3<sup>rd</sup> business ideas.

**Step 1:** Identify the evaluation criteria for macro analysis; following 5 criteria are recommended.

#### **Evaluation criteria for macro analysis:**

- 1 Personal match (agree with my interest, my expectations, my personal values) [PM],
- 2 Market demand [MD],
- 3 Easy to start [ES],
- 4 Technical skill capture within a short period [TS], and
- 5 Manageable start-up capital [SC]

**Step 2:** Identify the evaluation criteria for micro analysis; following 17 criteria are recommended.

#### **Evaluation criteria for micro analysis:**

1. Personal match (agree with my interest, my expectations, my personal values) [PM],
2. Market demand [MD],
3. Easy to find out raw material [RM],
4. Ability to get technology [TE],
5. Technical skills [TS],
6. Marketing strategies [MS],
7. Easy to start [ES],
8. Ability to face competition [FC],
9. Ability to identify and face risks [OR]
10. Easy to find labour requirement [LR],
11. Infrastructure facilities [IF],

12. Better profits [BP],
13. Social agreeability [SA],
14. Government priorities [GP],
15. Manageable start-up capital [SC],
16. Environmental friendliness [EF],
17. Adaptability to digital marketing [DM],

**Step 3:** Use the same score systems used in analyses of Amal's example above.

**Step 4:** Carry out both analyses- macro and micro for 10 business ideas

**Step 5:** Select the 1<sup>st</sup> (best), 2<sup>nd</sup> and 3<sup>rd</sup> business ideas.

### **Demonstration by the trainer- Evaluating a true sample**

Trainer will demonstrate using a true sample of one of our trainees how to rank 10 business ideas already screened. We should observe it, participate in the demonstration and reinforce our understanding so that we can use macro and micro analyses for our 10 business ideas.

After the demonstration, each of us should do this analysis, select the 3 best business ideas and present to the large group.

Next step is to finalize the best business idea using field research and micro analysis.

## INSTRUCTIONAL GUIDE

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### **Session 3.4 – Evaluating business ideas using Macro Analysis and Micro Analysis**

**Session Objectives:** At the end of this session, trainees will be able to,

- ✓ Understand about Macro Analysis, Micro Analysis and Evaluation Matrix,
- ✓ Use macro analysis and micro analysis methods for business idea evaluation, and,
- ✓ Select the best 3 business ideas (out of 10 ideas) using the above methods.

Session	Time (mins)	Methodology	Training / Learning aids
<p>a. Explain the objective of this session.</p> <p>b. Conduct an interactive discussion in introducing the following.</p> <ul style="list-style-type: none"> <li>- Macro analysis,</li> <li>- Micro analysis,</li> <li>- Evaluation matrix,</li> </ul> <p>c. <b>Exercise:</b> Amal's 6 business ideas</p> <p><b>Macro Analysis</b></p> <ul style="list-style-type: none"> <li>- Walking through the exercise, explain how to prepare the evaluation matrix for macro analysis.</li> <li>- Explain about the scoring system.</li> <li>- Explain how to give a score for each business idea against each criterion,</li> <li>- Explain how to rank the business idea according to the total scores it has obtained.</li> </ul> <p><b>Micro Analysis</b></p> <ul style="list-style-type: none"> <li>- Explain to the trainees that the evaluation matrix</li> </ul>	215	<p>Brief interactive discussion;</p> <p>PPT;</p> <p>Explanatory interactive discussion;</p>	<p>Trainee workbook;</p> <p>Whiteboard;</p> <p>PPT;</p> <p>Whiteboard;</p>

<p>is the same as above for micro analysis also; only difference is the number of evaluation criteria</p> <ul style="list-style-type: none"> <li>- Explain about the scoring system.</li> <li>- Explain how to give a score for each business idea against each criterion,</li> <li>- Explain how to rank the business idea according to the total scores it has obtained.</li> </ul> <p>d. Emphasize that the micro analysis is the basis for our selection; Macro analysis is done in a superficial manner with a limited number of criteria.</p> <p>e. <b>Individual activity- Evaluating my 10 business ideas</b></p> <ul style="list-style-type: none"> <li>- Explain about the purpose; each trainee should evaluate 10 business ideas through the 5 steps and select the 1<sup>st</sup> (best), 2<sup>nd</sup> and 3<sup>rd</sup> business ideas.</li> <li>- Explain about the 5 steps.</li> </ul>		<p>Interactive explanation; PPT;</p> <p>Demonstrative activity</p>	<p>PPT; Flipcharts;</p> <p>Flipcharts;</p>
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<ul style="list-style-type: none"> <li>- Do the demonstration using real data of a trainee to explain about all 5 steps.</li> <li>- Ask trainees to perform the same analysis for their 10 business ideas.</li> <li>- Guide them to present their three best business ideas.</li> </ul> <p><b>In-class total: 215mins</b></p>			
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## 4. Business Idea Selection



We have three business ideas screened through several levels of screening. These three ideas should be tested using a deeper analysis of micro screening in order to find out the most suitable and growth-bound business idea. It is essential to have more reliable information to perform a deeper analysis. Therefore, this module involves some field research work in addition to in-house activities.

Module	Sessions
<b>Business idea selection</b>	4.1 Business idea selection 4.2 Evaluation criteria 4.3 Field research for information collection 4.4 Finalization of the best business idea

## **Module objectives:**

At the end of this module, the trainees will be able to,

- ✓ Understand how to use selection criteria for deeper evaluation through micro analysis evaluation matrix,
- ✓ Develop their understanding, and familiarity on practical skills in conducting field research to collect information,
- ✓ Prepare the micro analysis template for the individually selected three business ideas,
- ✓ Conduct field research to collect information for micro analysis,
- ✓ Complete the micro analysis for three business ideas, and
- ✓ Select the best business idea.

## TRAINEE WORKBOOK CONTENTS

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### **Session 4.1 Business idea selection approach & Evaluation criteria**

#### **Business idea selection approach**

Our business idea selection process involves the following:

- a. Identification of the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> ranked business ideas from the previous micro analysis (done at the end of Module 3)
- b. Identification of the evaluation criteria
- c. Collection of information related to the above criteria for three business ideas through field research
- d. Micro analysis of the three business ideas using the identified criteria
- e. Selection of the best business idea

## Evaluation criteria

Since we should do a deeper evaluation at this stage, our in-depth understanding about the composition of each criterion is valuable. We use 10 criteria for this purpose. The following table gives the selected criteria and the composition of each criterion.

Criterion	Composition (contents of the criterion)
1. Perfect personal match	<ul style="list-style-type: none"><li>▪ I like the idea. I can do it joyfully.</li><li>▪ A business based on the idea is compatible with my dream.</li><li>▪ My family likes it.</li><li>▪ My skills match with the idea.</li></ul>
2. Market	<ul style="list-style-type: none"><li>▪ Easy to find customers.</li><li>▪ There is a sizeable market. It is expanding.</li><li>▪ I can reach the market easily.</li><li>▪ Customers don't grumble about the market price.</li><li>▪ Easy to formulate marketing strategies.</li></ul>
3. Competition	<ul style="list-style-type: none"><li>▪ Competition is not heavy.</li><li>▪ I know the details of the competitors.</li><li>▪ I will have competitive advantages.</li></ul>
4. Technology & equipment	<ul style="list-style-type: none"><li>▪ It is easy to acquire technology.</li><li>▪ I know how to get technology.</li><li>▪ Obtaining equipment is easy.</li></ul>
5. Production easiness (Operation in case of a service)	<ul style="list-style-type: none"><li>▪ Raw material is available freely.</li><li>▪ Production process is not complicated.</li><li>▪ Production infrastructure can be arranged easily.</li><li>▪ No scarcity of production inputs.</li></ul>
6. Human resource factor	<ul style="list-style-type: none"><li>▪ Skilled human resources are available.</li><li>▪ Employee demands can be met.</li><li>▪ I have an idea about the HR requirement.</li></ul>

7. Environmental protection	<ul style="list-style-type: none"> <li>▪ Environmental restrictions are less.</li> <li>▪ This business doesn't harm environment.</li> <li>▪ Environmental-related risks are less.</li> <li>▪ Obtaining environmental clearance is easy.</li> </ul>
8. Easiness for digital marketing inclusivity	<ul style="list-style-type: none"> <li>▪ It is easy to link with digital marketing.</li> <li>▪ Adaptability to digital technology can be done.</li> </ul>
9. Capital factor	<ul style="list-style-type: none"> <li>▪ This idea needs less capital.</li> <li>▪ Sources are available for finding capital need.</li> </ul>
10. Government support	<ul style="list-style-type: none"> <li>▪ Government support schemes are available.</li> <li>▪ Idea belongs to a priority industry sector.</li> </ul>

**Practical application:**

- ✓ We should get ready to do micro analysis of the three business ideas using above criteria.
- ✓ For that purpose, we need to understand the meaning and the contents of each criterion so that we can collect field information through field research.
- ✓ We should use this knowledge to understand whom to get information from and what information should be collected.

INSTRUCTIONAL GUIDE

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**Session 4.1 Business idea selection approach & Evaluation criteria**

**Session objectives:** At the end of this session, trainees will have a clear understanding about the business idea selection approach and usage of selection criteria for deeper evaluation through micro analysis evaluation matrix.



## Session 4.1 Business idea selection approach & Evaluation criteria

### Explanation of each criterion and its contents

It is important that the trainer sufficiently explain about each criterion and its contents to trainees, using the contents given in the table of Criterion & Composition. (Refer the relevant section of the Trainee Workbook Contents)

Clear understanding is essential because each trainee needs to give an appropriate score on each criterion for three business ideas separately in the subsequent micro analysis matrix. To do this, the trainee should have real information to assess it.

The following example will make the idea clear.

Let's take the 2<sup>nd</sup> criterion- Market for the example. It accommodates 5 factors as follows.

Criterion	Composition (contents of the criterion)
02. Market	<ul style="list-style-type: none"> <li>▪ Easy to find customers.</li> <li>▪ There is a sizeable market. It is expanding.</li> <li>▪ I can reach the market easily.</li> <li>▪ Customers don't grumble about the market price.</li> <li>▪ Easy to formulate marketing strategies.</li> </ul>

We will consider the same score system used earlier for micro analysis. That is given below.

Scores:

Weak	Good	Satisfied	Highly satisfied	Excellent
1	2	3	4	5

We should find out what scores should be given for the Business Idea 1, Business Idea 2, and Business Idea 3 against the criterion "Market". But, market has 5 factors. Considering

the factor 1 (Easy to find customers) for Business Idea 1, if it is “highly satisfied” according to the field research, we allocate 4 against “Easy to find customers”. Similarly, we allocate scores for all five factors. Assume, it looks like the following situation.

▪ Easy to find customers.	- 4	}	Total - 16
▪ There is a sizeable market. It is expanding.	- 2		
▪ I can reach the market easily.	- 5		
▪ Customers don't grumble about the market price.	- 1		
▪ Easy to formulate marketing strategies.	- 4		

Therefore, the average score for the criterion- Market is  $16/5$ , that is, 3.2

Thus, the score 3.2 is allocated for the cell relevant to business idea 1 against the criterion-market.

**The above example illustrates the fact that trainees should understand the contents of each criterion and they should collect relevant information from the field survey to assess each factor of the criterion.**

## Session 4.2 - Field research for information collection

### Getting ready for field research

#### Questions of Akila

Akila wants to select the most promising business idea from three favourite business ideas screened from a large collection of ideas. They are “manufacturing and marketing a creative door-lock”, “Producing banana biscuit” and “Boat engine repairing service”. He has decided to use the set of 10 criteria given in the table above. He understands that he needs to find out answers to 5 questions mentioned below before going to the field for collection of information for micro analysis.

Question 1: Whom to meet to collect information? What institutes to be visited?

Question 2: What questions to be asked from relevant entrepreneurs?

Question 3: What questions to be asked from appropriate customers?

Question 4: What questions to be asked from relevant experts?

#### Small group activity – Questions of Akila

The large group is divided in to four small groups and one question is allocated to one group. Each group should find out their response to the allocated question. After 15 minutes, each group should present their solutions.

#### Preparations for the field research and conducting it

Prior to going to the field to collect information, our basic preparation should focus on the above mentioned 4 questions. With this preparation, it is easy to go to the field and collect relevant information. We prepare the list of persons and institutions to be visited as the next step. Similarly, we should prepare the questionnaires for each interviewee category. Then, we go to the field, meet the interviewees and collect the information.

After obtaining the above understanding through the example of Akila’s three business ideas, we can now undertake working on our main task. Let’s do the necessary activities that lead to finalize our best business idea out of three ideas already selected through a long screening and evaluation process.

## INSTRUCTIONAL GUIDE

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### Session 4.2 - Field research for information collection

**Session objectives:** At the end of this session, trainees will develop their,

- ✓ Understanding in how to get ready for information collection-oriented field research,
- ✓ Skills in preparing the list of interviewees and questionnaires,
- ✓ Conducting the field research and collecting the information,

Session	Time (mins)	Methodology	Training / Learning aids
a. Explain the objective of this session; indicate that the trainees should learn field research preparation skills and they will actually conduct a field research and collect necessary information for micro analysis.	03	Explanatory discussion;	Whiteboard; Trainee workbook
<b>b. Getting ready for field research- Small group activity</b> <ul style="list-style-type: none"> <li>- Explain the case titled “Questions of Akila”,</li> <li>- Divide the large group in to 4 small groups, and allocate one question to one group,</li> </ul>	50	Small group activity	Trainee workbook; Flipcharts;

<ul style="list-style-type: none"> <li>- Ask them to discuss within the group and write the answers to the allocated question (10 minutes),</li> <li>- Instruct each group to present (5 minutes per group) the group findings,</li> <li>- Guide the others to ask questions and give suggestions (2 mins per group)</li> <li>- At the end, give trainer comments, with instructions of how to put the questions in the questionnaire format.</li> </ul>		<p>Presentation;</p> <p>Interactive explanation;</p> <p>PPT;</p>	<p>PPT;</p> <p>Flipcharts;</p>
<p><b>c. Preparations for the field research.</b></p> <ul style="list-style-type: none"> <li>- Make sure that each trainee has 3 business ideas, know 10 criteria with their contents, know how to score them, understand how to prepare the list of interviewees, and know how to prepare the questionnaire for each interviewee category,</li> </ul>	15	<p>PPT presentation;</p> <p>Q &amp; A;</p> <p>Interactive discussion;</p>	<p>PPT;</p> <p>Flipcharts;</p>
<p><b>d. Making the interviewee list and relevant questionnaires</b></p> <ul style="list-style-type: none"> <li>- This is an individual</li> </ul>	60	<p>Individual activity;</p> <p>Instructional supervision;</p>	

<p>exercise; trainer should supervise and support them to ensure that each trainee has the correct list of interviewees and questionnaires;</p> <ul style="list-style-type: none"> <li>- Give them sufficient time to complete that exercise; (Refer Special Guidelines &amp; Formats)</li> </ul> <p><b>e. Conducting the field research</b></p> <ul style="list-style-type: none"> <li>- Guide them to do the field research and collect information; Give them about 5-7 days to collect the information. (Refer Special Guidelines &amp; Formats)</li> </ul> <p><b>In-class total: 128mins</b></p>		<p>Field research; Questionnaires;</p>	<p>List of interviewees; Questionnaires;</p>
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## SPECIAL GUIDELINES& FORMATS

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### Session 4.2 - Field research for information collection

#### d. Making the interviewee list and relevant questionnaires:

1. Trainer should have sufficient skills in identification of Key Informants (persons and institutions to be visited for information collection) and questionnaire preparation relevant to such field research.
2. Trainer should supervise the work of each trainee and guide them when they perform this exercise.

**e. Conducting the field research**

1. Explore the possibilities how you can facilitate trainees to do an effective field research.
2. Brief trainees about taking appointments from the informants (when necessary), how to greet them on their visit, and collecting appropriate information without displeasing the informants.

### Session 4.3 - Finalization of the best business idea

#### Individual activity – Selection of the best business idea

This is an important activity in our training process. It includes class room exercises in performing the micro analysis using the information collected from the field research. Activity Steps are lined up as follows.

Activity Step 1: Preparation of the micro analysis template with three business ideas and ten criteria

Activity Step 2: Performing the micro analysis for three business ideas

Activity Step 3: selection of the best business idea

We have a sufficient knowledge, skills and information to complete each activity step. Each of us should perform all these activity steps very carefully.

#### Activity Step 1: Preparation of the micro analysis template with three business ideas and ten criteria

Criteria	Business idea 1 .....	Business idea 2 .....	Business idea 3 .....
1. Perfect personal match			
2. Market			
3. Competition			
4. Technology & equipment			
5. Production easiness			

(Operation in case of a service)			
6. Human resource factor			
7. Environmental protection			
8. Easiness for digital marketing inclusivity			
9. Capital factor			
10. Government support			
Total score			
Position			

### **Activity Step 2: Performing the micro analysis for three business ideas**

We should complete the micro analysis using the above matrix. Trainer will provide necessary guidelines and assist us. We need to pay specific attention in allocating scores for each criterion under each business idea, because each criterion has some constituent factors as we have learnt earlier.

### **Activity Step 3: Selection of the best business idea**

The business idea which obtains the highest total score is the best business idea.

### **For our attention**

Finally, our selection was based on multi-level screening, and matching with vital criteria for better compatibility as a business idea in our context. Therefore, what we have selected at this stage can be considered as the most compatible business idea for us to proceed with.

During the next stage, we can develop this idea as a real business idea that can be tested and validated for the next stages of the business start-up process.

### Session 4.3 - Finalization of the best business idea

**Session objective** – At the end of this session, trainees will be able to,

- ✓ Develop the skills of performing micro analysis with criteria in a deeper context,
- ✓ Select the best business idea to proceed further towards concept development.

Session	Time (mins)	Methodology	Training / Learning aids
<p><b>a. Individual activity – Selection of the best business idea</b></p> <ul style="list-style-type: none"> <li>- Explain about the session objective and the importance of this session, highlighting 3 activity steps,</li> </ul>	04	Brief explanatory discussion; PPT;	Trainee workbook; Whiteboard; PPT;
<p><b>b. Activity step 1: Micro analysis template preparation</b></p> <ul style="list-style-type: none"> <li>- Explain about the template given in the Trainee Workbook and ask them to personalize it inserting their business ideas,</li> </ul>	04	Individual exercise; Interactive explanation; PPT;	Trainee workbook; Whiteboard; PPT;
<p><b>c. Activity step 2: Performing the micro analysis for three business ideas</b></p> <ul style="list-style-type: none"> <li>- Guide them to allocate</li> </ul>	60	Individual exercise; Instructional guidance;	Trainee workbook; Whiteboard; Flipchart;

<p>appropriate scores in the relevant cells,</p> <ul style="list-style-type: none"> <li>- Emphasize that each factor should be given a score and the average score for each criterion should be inserted in the template.</li> <li>- Advise trainees to complete the template cells, inserting the total scores and the position row.</li> </ul> <p><b>d. Activity step 3: Selection of the best business idea</b></p> <ul style="list-style-type: none"> <li>- Advise them to select the best business idea,</li> <li>- Ask each trainee to present the best business idea, the 2<sup>nd</sup> and the 3<sup>rd</sup> business ideas.</li> </ul> <p><b>In-class total: 108 mins</b></p>	40	PPT;	PPT;  Flipcharts;
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