

# Feasibility Analysis and New Venture Performance in Rivers State, Nigeria

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**Abstract:** *This study examined the influence of feasibility analysis on new venture performance in Rivers State, Nigeria. The study adopted a descriptive research design, and collected data via a cross-sectional survey, using questionnaire as the instrument of inquiry. The population of the study comprised twenty five (25) new ventures that have been in operation for one to five (1-5) years. A sample of fifty (50) top management personnel was obtained from the study population on a sample frame of two (2) respondents per firm. The test units were arrived at, using the purposive sampling technique. The final analysis of the study was however, based on forty-seven (47) properly filled and returned questionnaire. Regression analysis was used as the test statistic; relying on the Statistical Package for Social Sciences (SPSS) version 22.0. The study found that feasibility analysis boosts new venture performance through sustained patronage, new venture survival and new venture growth. Feasibility analysis is thus a key factor in the achievement of new ventures performance. The study therefore, concludes that feasibility analysis influences new venture performance and that new venture performance rests of thorough feasibility analysis; and recommends that entrepreneurs should ensure that appropriate feasibility analysis is done before launching new ventures.*

**Keywords:** *Feasibility analysis, new venture performance, sustained patronage, venture survival, venture growth.*

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## 1. INTRODUCTION

New ventures establishment often anchors on the revolving order of creativity, innovation and entrepreneurship, which are essential to new venture survival and business growth; although launching a new business by starting with an idea of new business concept and launching into new ventures (Scarborough, 2013) is a normal routine for many entrepreneurs. No doubt, entrepreneurs are fecund with creativity or business idea, and are responsible for some of the world's most important innovations. In fact, the social and economic value of new business enterprises brought about the models leading to an improved understanding of the determinants of new venture performance that have made significant contributions to literature on entrepreneurial praxis (Birch, 1987; Reagan, 1985; Schumpeter, 1934). However, business

success and survival transcends than just an alluring business idea. Once an entrepreneur develops a business idea, the next expected step is to subject such an alluring business idea to a preliminary investigation (feasibility analysis or studies) to ascertain the viability of the idea, in other words, the possibility of transforming the idea into marketable reality in terms of product (Cashman & Rosenblatt, 2000). It is well known that the establishment of new ventures drives entrepreneurs toward realizing their entrepreneurial ambitions and personal goals (Gregory, 2017). Therefore, in pursuit of new venture performance, entrepreneurs consider the importance of resources and organizational structure, processes and systems to be developed to enable the implementation of strategies, and achieve objectives (Chrisman, Bauerschmidt & Hofer, 1999).

Regardless of the purpose of a ventures (profit or nonprofit) (Majumdar, 2008), all ventures seek survival, success, and efficiency, often achieved through innovative and careful management of operations and resource expenditure. Studies have shown that regardless of purpose or mission, about one third of all new ventures in the United States fail within the first few years of operation, while another significant percentage fail within four years (Barringer & Gresock, 2008). An obvious and significant factor that contributes to new venture success or failure is planning or lack thereof (Delmar & Shane, 2003). Strategic, tactical, and functional planning are different planning options entrepreneurs can deploy to significantly assist in new venture performance improvement. These planning approaches use financial and economic parameters to evaluate ongoing performance.

Prescreening of new business ideas through feasibility analysis and writing of a business plan (Barringer & Gresock, 2008) are the most essential tasks of new venture creation. Contrary to the opinion of Hofstrand and Holz-Clause (2009), that feasibility analysis gives focus to proposed business idea, most entrepreneurs still give little or no time for a thorough examination of the merits of business ideas before writing a business plan or launching the new venture. It should also be understood that feasibility analysis is not the same as business plan; though both play important, but separate roles in the start-up process of a new venture. In business plan, the entrepreneur is expected to document in writing a summary of the business they intends to venture into, clearly stating it's operational and financial details, its marketing possibilities or opportunities and strategy, and its managers' skills and abilities. Whereas, in feasibility analysis, the focus is on investigating whether or not, a given business idea can be transformed into a marketable product based on cost and benefit analysis (Gofton & Ness, 1997). In the event that the feasibility studies indicate that a business idea(s) will not result in a successful business, such is better dropped, irrespective of how strategic the organization may be, because one essential role of feasibility analysis is to safeguard against wastages of investment or resources (Hoagland & Williamson, 2000). On the other hand, should the feasibility study indicate that the business idea is sound and will result in a profitable venture, but advises the entrepreneur to re-strategize the organization, then the entrepreneur should heed the advice before progressing to the stage of business plan development (Mohammed, 2014). It is imperative to mention that this approach is applicable to start-up business, acquired and inherited businesses, as well as to expansion of existing business operation or a strategic business unit (SBU) of an existing business (Hofstrand, 2009).

New 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 venture performance, these may include but not limited to, business model effectiveness, efficiency in resource utilization, timeliness in delivery and outcomes (Deshpande *et al*, 2013; Boyatzis & Ratti, 2009; Ryan, Tipu & Zeffane, 2011). The performance of most organizations whether big or small, profit or non-profit is largely anchored on the leadership skill of the promoters or managers, 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.

A new venture is the complete result of the process of building and organizing a new business that develops, produces, and promotes products to satisfy unfulfilled market needs for the purposes of profit and growth (Gartner, 1985; Normann, 1977; Sandberg, 1986). It is a new business innovation that is launched within one to five (1-5years) for the purpose of satisfying unfulfilled needs and wants of target customers for profit. Entrepreneurship is the creation of new ventures, and entrepreneurs are the creators of new ventures (Gartner, 1988). Within the context of this article, it is assumed that new venture performance is made up of the results of the activities of the new venture as weighed against its intended outcomes. In the view of Richard, Wu & Chadwick (2009), firms' performance includes three main areas of firm outcomes: (a) financial performance (profits, return on assets, return on investment, etc); (b) product market performance (sales, market share, etc); (c) shareholders return (total shareholders return, economic value added, etc). It is pertinent to mention, that performance is a contextual concept relative to the phenomenon under study (Sandberg & Hofer, 1987).

A discourse on new venture performance without adequate consideration to venture feasibility analysis will be wanting, as such will amount to an incomplete presentation on the subject. This is because feasibility analyses precede business plan development and new venture implementation (Nicholas & Chinedum, 2017). It also covers financial outcomes, industry/market attractiveness, product, and organization. Based on the aforesaid, this study critically examines the correlation between feasibility analysis and new venture performance; looking venture performance through the lenses of survival, patronage and business growth.

### **Statement of the Problem**

Embarking on a careful planning through feasibility analysis is an essential tool in achieving new 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 financial 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. 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. 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 new venture, this study seeks to determine the nexus between feasibility analysis and new venture performance in Port Harcourt metropolis, Rivers State. This result f this study, it is expected, will

vacate the gap in knowledge and establish a tested result of the predictive power of feasibility analysis on new venture performance.

### **Conceptual Framework**

Conceptual framework shows a graphic illustration of the predictor variable and the criterion variable. Ahiauzu and Asawo (2016) are of the view that conceptual framework is largely the foundation upon which academic studies are based. In addition, conceptual framework is regarded as a veritable tool used in organizing and analyzing data (Saunders, Lewis & Thornhill, 2003). The conceptual framework of this study consists of two main variables: i.e. a predictor (feasibility analysis) and criterion (new venture performance) variables. For the purpose of this study, the criterion variable shall be decomposed into sustained patronage, venture survival and venture growth.

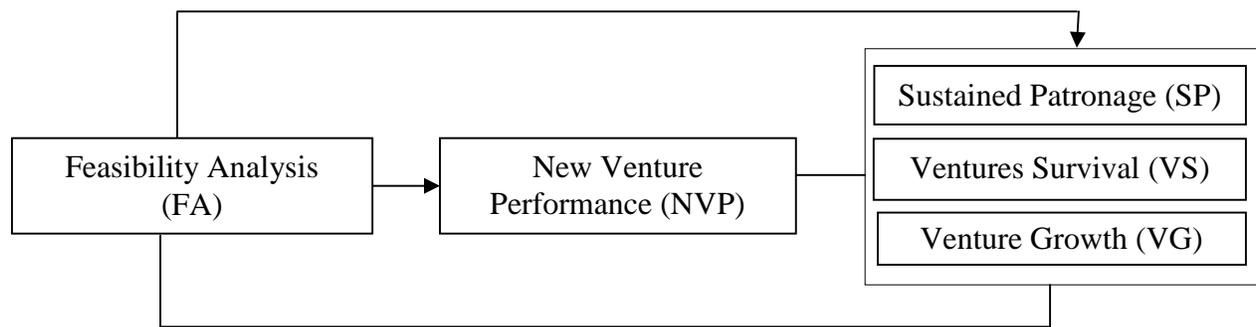


Fig. 1: Conceptual framework of feasibility analysis and new venture performance

## **2. REVIEW OF LITERATURE**

### **2.1 Baseline theories**

Theories are formulated to explain, predict, and understand phenomena and, in many cases, to challenge and extend existing knowledge within the limits of critical bounding assumptions (Howe, 2009). Theoretical framework is the structure that holds or supports the foundation of a research study. The theoretical framework introduces and describes the theory that explains why the research problem under study exists. Different theorists have postulated various theories that can aid studies in feasibility analysis. The theories that will be utilized as the foundation for this study will include: Systems theory, business concept theory, and structural contingency theory.

### **System theory**

The systems theory (Bertalanffy, 1951) suggests that it new venture creation is not all about the psychology or character of entrepreneurs nor the mysterious ‘flash of genius’ often ascribed to wealth creators (Ottih, 2016); but should be designed into a system which can be applied by anyone and any organization (Drucker, 1985). Apparently, different venture start-ups are done differently with different scopes relating to how things are done. But the system theory advocates that there should be a systematic order in which entrepreneurs should follow to achieve success in launching a new venture. This suffices to say that before a new venture is launched, efforts should be made to ensure that a proper business idea that is promising has been developed, followed by a feasibility analysis, and then writing of business plans before other ingredients necessary to launch a new business can come into play. The theory supports a systematic approach that will interrelate to achieve a common purpose which is the launching of a new venture that will perform optimally. Drucker (1985) stuns at why entrepreneurship enjoys the

reputation of being risky or wanting to take risk when they can do the same thing better and maintain a less risky enterprise. The systems theory maintains that doing things the old way may easily lead to missed opportunities and threats, and run the new ventures aground. Drucker argued that entrepreneurship is not necessarily high-tech. it can just be a simple, systematic, purposeful and well managed activity.

### **Business concept theory**

The theory assumes that in preparation for the launch of a new venture, several issues are taken into cognizance (Laamanen, 2016). The major issue to be considered according to Laamanen (2016) is “thinking businesswise”, which explains that the prospective entrepreneur has to critically review necessary documents or subject matters that are related to the type of business opportunities open to the entrepreneur to have a better and full understanding of business opening. The business concepts theory advocates a methodical approach to new venture creation that is anticipated to provide suitable direction for prospective business owners or individuals with multiple business ideas to understand how to go about implementing their business ideas to make it a reality and possibly remain sustainable, even in the face of environmental challenges in today’s business space. The most common order associated with the business concept theory is that of business idea development or generation, feasibility study otherwise known as feasibility analysis that has passed the test, business plan development and realization of prospective venture. This is schematically illustrated below by the researcher.

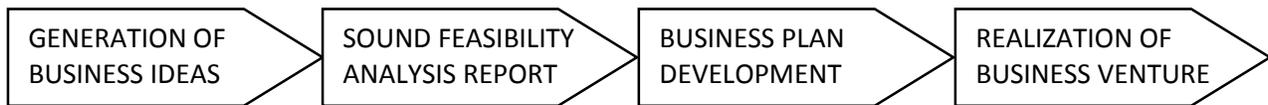


Fig. 2: Simple schematic model for launching a new venture

Going by both the system and business concept theories as explained above, the simple schematic model in fig. 2 has been proposed by the researcher to be applied by prospective entrepreneurs in an effort to launch a new enterprise. Hence, the generation of a new business idea should be followed by an extensive feasibility study covering all the components or elements of feasibility analysis such as product, target market attractiveness, organization and finance. Where the feasibility analysis is favourable, the entrepreneur could proceed to develop a full business plan, which could help to transform a successful business idea into a viable business reality (Scarborough, 2013). The plan is expected to indicate how to acquire funds, clearly capture and explain to lenders and investors, all issues relating to the five Cs of credit: capital, capacity, collateral, character and conditions (Scarborough, 2013).

### **Structural contingency theory**

The structural contingency theory explains the difference between successful and unsuccessful businesses from the standpoint of survival and profitability (Clark, 2001). The main idea of the theory is the absence of one best approach to success in business, but that means of achieving result depends on the contingencies facing the venture (Burns & Stalker, 1995; Rumelt, 1974; Child, 1973; Galbraith, 1973; Blau, 1970; Thompson, 1967; Woodward, 1965 Chandler, 1962). The theory specifically holds that enterprises will be more effective if entrepreneurs or those managing them align the operations of the enterprises with the contingencies in their respective environments (Donaldson, 2001). The contingency theory

believes that businesses fail, not because of lack of start-up capital or lack of opportunity in the market for a given business line; but because entrepreneurs often enter a business because others in similar businesses in other climes are flourishing, without properly weighing the business idea through the instrumentality of feasibility analysis to see if the business idea will be viable, given the peculiarity of their own business environment. In this regard, Inegbenebor (2006) suggested that entrepreneurs should have the skill to analyze the environment before launching a new venture.

## **2.2 Concept of feasibility analysis**

Business opportunities such as adding a new product, opening a new location, acquiring another business or changing an area of internal operations may be an affordable option that offers guaranteed sales increases or decreased costs, but each opportunity in business requires a feasibility analysis to determine if it is promising enough to be ventured into (Shah, Nazir, & Zaman, 2013). This clearly indicates that entrepreneurship is a process where intentionality is central (Katz & Armhein, 1998). Feasibility analysis involves knowing all the necessary actions to be taken and questions to ask concerning the basic concepts for identifying the tangibles and intangibles related to business decisions which will help entrepreneurs determine if an opportunity or business idea will succeed or not (Nicholas & Chinedum, 2017). A detailed feasibility study carried out in line with business opportunities or business idea can determine whether an entrepreneur should proceed with the business idea, review it, or drop it to pick up another possible option (Lohrey, 2013).

Feasibility analysis is essential to the extent that it presents itself as a tool to study and evaluate the possibilities inherent in a new business idea, based on a far-reaching enquiry and examination to enhance decision making. Feasibility analysis unbiasedly and rationally reveal the strengths and weaknesses of a current or proposed venture, opportunities' and threats existing in the business environment, resources availability, and more importantly the prospects for success and survival (Kreigsmann, 1979). Feasibility analysis further describes the process for determining whether or not an entrepreneur's idea is a viable foundation for creating a successful business (Scarborough, 2013). Barringer and Ireland (2013) define feasibility analysis as the process of determining if a business idea is viable. This definition supports the opinion of Scarborough (2013). Again, Barringer and Ireland (2013) further opined that the most effective businesses are those that emerge from the process that include recognizing a business idea, testing the feasibility of the idea, writing a business plan, and launching the business.

Arguably, the above steps required or rather significant to business success. According to University of Wisconsin Center for Cooperatives, a feasibility study is designed to provide an overview of the primary issues related to a business idea (Nicholas & Chinedum, 2017). One essential fact about feasibility analysis is that it provides a reliable springboard for the preparation of a well-articulated business plan. For instance, a good industry/target market attractiveness analysis, product analysis, organizational and financial analysis will be necessary to determine a new venture viability or feasibility. The information gained from such analyses could offer a strong foundation for writing a business plan. Preparing a business plan involves a reasonable amount of time, energy and money, therefore, requires all the necessary information that feasibility analysis can offer to circumvent flaws that may likely endanger the business idea. Identifying such flaws is the basis for a feasibility analysis.

### **Components of feasibility analysis**

Feasibility analysis is better considered when an entrepreneur has multiple business ideas or concepts and needs to select the best option(s). To perfect a feasibility analysis, both primary and secondary research is required. Primary research concerns the field work, where the researcher(s) collects data from the respondents they need for the study, while the secondary research has to do with collecting information from existing records. Barringer and Ireland (2013) demonstrated four (4) important components of feasibility analysis which include;

**Product feasibility analysis:** This component of feasibility analysis evaluates the overall appeal of a proposed product (Klink & Athaide, 2006). There are several other things to consider when launching a new venture, but primarily the acceptability of the product, which a new venture wishes to offer has to be considered. Nothing else will matter if the product does not sell or appeal to the prospective buyers (Barringer & Ireland, 2013; Scarborough, 2013). Two major components exist for the product feasibility analysis: Product desirability and product demand. The desirability aspect of the product is an affirmation that the product is desired and serves a need in the marketplace. This affirmation can be achieved through a concept statement, showing a preliminary description of the product idea. The concept statement enables the entrepreneur to get feedback from industry experts and prospective buyers. The demand element of the product feasibility analysis determines whether or not there will be demand for the prospective product. The techniques to determine the demand intentions are, administering a buying intention survey and conducting library, internet and gumshoe research.

**Industry/target market attractiveness feasibility analysis:** This component assesses the industry/target market overall appeal to the product being proposed. This phase tries to evaluate whether the industry and target market segment is a good starting point for the proposed venture. This component tries to identify the *niche market* that the proposed product can occupy profitably, and the openness of the market to accommodate new ventures (Allen, 2016). The basic reason for conducting industry/target market attractiveness feasibility analysis hinges on industry challenges or threats to be addressed as proposed by Porter's Five Forces (1980) model. Porter (1980) identified five threats to any new venture: Bargaining power of suppliers; alternative or substitute products; new entrants, bargaining power of buyers; and industry competitors in terms of aggressive rivalry among existing ventures. It is incumbent on this study to clarify the distinction between industry and target market. An industry is an aggregation of firms involved in the manufacture or production of homogenous or similar product; while a target market is a segment of the entire market in the industry that a firm intends to serve or appeal to, with its product. In carrying out the industry/target market attractiveness feasibility analysis, two main areas to focus are: The industry attractiveness and the target market attractiveness.

**Organizational feasibility analysis:** This phase of feasibility analysis is conducted to determine whether or not a proposed new venture has sufficient management expertise or prowess, organizational competences, and resources to successfully launch the new venture. This will involve doing strength and weakness analysis to ascertain the possibility of launching the new venture successfully. Personal commitment is advised, and the entrepreneur needs to ensure they have a realistic and factual understanding of the chosen market niche, and further understand how their talents and the product of the new venture "fits" in that niche (Gregory, 2017). Other factors to take into account when conducting organizational feasibility analysis include resource

sufficiency, facility availability, availability of quality staff, and receptivity of the community (potential clients or volunteers perhaps) to the proposed venture (Barringer & Gresock, 2008; Barringer & Ireland, 2013).

**Financial feasibility analysis:** This component is regarded as the final phase of a comprehensive feasibility analysis. It focuses on assessing the financial feasibility of the proposed venture. The most important factor to consider here is the total start-up cash required, financial performance of similar businesses, and the overall financial performance or attractiveness of the proposed venture (Scarborough, 2013). Financial feasibility analysis include among others; initial capital requirement, estimated earnings, and the resulting returns on investment.

In addition to the foregoing four components of feasibility analysis, Ifechukwu (2006) identify: Technical, economic, legal, operational and scheduling considerations as other areas of skills to be considered feasibility analysis. The technical feasibility is centered on gaining an understanding of the technical resources needed in establishing a new venture and their applicability to the expected needs of the proposed venture (Thomson, 2003). It is an evaluation of the hardware and software and how it meets the need of the proposed venture (O'Brien & Marakas, 2011; Wickham, 2004). Economic feasibility assessment attempts to determine the costs and benefits of the proposed venture (Shane, 2019), using projected revenues and costs as a guide. Legal feasibility analysis tries to determine whether the proposed business conflicts with legal requirements, e.g., alcoholic beverages production and distribution must comply with the local alcoholic beverages protection regulations, and if the proposed venture is acceptable in accordance to the laws of the land. It also includes study concerning contracts, liability, violations, and other legal traps frequently unknown to technical staff. Operational feasibility is conducted to determine how well a proposed system solves problems, and takes advantage of opportunities identified during scope definition and how it satisfies the requirements identified in the requirements analysis phase of system development (Bentley & Whitten, 2007). To ensure success and operational outcomes, all ingredients of operational feasibility, such as reliability, maintainability, supportability, sustainability, usability, disposability, affordability and others should be factored from the design and development stage (Benjamin & Wolt, 2010). Schedule feasibility assesses the probability that a project will be completed within its scheduled time limits. It is mainly concerned with the degree to which a deadline for a strategy, plan, project or process is realistic and achievable.

### **The concept of new business venture performance**

By creating a new venture, the entrepreneur has access to increased resources, which assist in increasing the point of differentiation and competitiveness of the new venture. Entrepreneurs then utilize specific skills and capabilities to help themselves in making rational decisions which lead to achieving success through new venture creation (Ozdemir, Simonetti & Jannelli, 2015). Therefore, in an attempt to sustain success, it becomes very important that entrepreneurs, understand how to measure the performance of their business ventures, whether they be new or existing. To measure business venture performance, it is essential to have at least knowledge of what works and what does not, given the original plans put in place. In today's business there are several key performance indicators used by various professionals to measure performance, some are universal, while others are specific to the form of business venture. But for the purpose of this study, which is investigating how feasibility analysis influences new venture performance, we have adopted new venture survival, sustained patronage and profit growth. Business is

dynamic and unpredictable; as a result everything continuously changes. To meet up with the changes that occur all the time, you need to constantly measure your business performance to ascertain what's successful and what isn't.

To this end, new venture performance is referred to as the routine activities carried out by businesses to achieve set goals, monitor progress in the achievement of those goals, as well as make necessary adjustments that would lead to the effective and efficient ways of achieving those goals (McNamara, 2012). Some authors have researched the positive relationship that lies between human capital and its success or improved performance in the firms that deal with entrepreneurial issues (Rauch, Wiklund, Lumpkin & Frese, 2009; Baron & Markman, 2000). Brush and Chaganti (1999) found that upcoming firms have increased performance that is related to the resources of the firm other than the approaches it employs. The intangible resource of the human capital cannot add value to the organization without back up from the entrepreneurs or managers as an important type of human capital. Pennings, Lee and Witteloostuijin (1998) found that human capital is highly related to firms' survival and growth. To measure performance therefore, it is advisable to compare quantitative data, like production rate, average level of customers' patronage, length of time of payback, customer wait time, etc to target measurements in those areas. Alternatively, gauge performance by assessing more qualitative information, like customer feedback. Measuring the performance of new ventures is of interest because they are a major source of job creation and because improvement in performance is critical to their survival and growth. In this paper, performance will be measured in terms of sustained patronage, survival, and growth.

***Sustained patronage:*** the word patronage could imply differently to various authors. For the purpose of this study, sustained patronage means the continuous purchase of goods or services provided offered by a business venture (store, saloons, cyber café, hotel, airline, banks, mobile communication providers, or the like), by customers, clients, or paying guests. Studies have shown that when customers are satisfied, they tend to repeat purchase (Ahmad, Nawaz, Usman, Shaukat & Ahmed, 2010; Bolton & Lemon, 1999; Patterson & Spreng, 1997; Selnes, 1998). Also, Henkel, Houchaime, Locatelli, Singh and Zeithaml (2006) argued that satisfied customers in the service industry have a high future repurchase intentions. Hence, it is important to conduct a buyer intention survey at the feasibility analysis level.

***Venture survival:*** Venture survival refers to a state of being familiar to startups that have weathered the recession, and to entrepreneurs who kept their companies afloat by postponing spending, hiring and long-term goal-making to focus on staying alive. In other words, performance of new ventures is described as the ability of the venture to remain alive in the face of turbulent environmental challenges that confront businesses in different climes. This is made possible by entrepreneurs learning or applying the skill of adapting to the environment. The strength of the venture which is internal should be used to cushion the threats which often are external. Some common options available to the entrepreneur to keep new ventures afloat include; cutting costs, laying off employees, tightening profit margins and saving cash.

***Venture growth:*** It is often believed that "sales" is vanity, "profit" is sanity and "cash" is reality. Never has a truer word been said. Obviously, if the costs of running a business are largely fixed, then growing sales will generate profit growth. Again profit growth in the context of this study is viewed as a stable rise in the excess of revenues over outlays and expenses incurred in running a business enterprise over a given period of time, usually a year.

### **Feasibility Analysis and New Venture Performance**

Venture feasibility studies are important to new venture development because they allow a business to assess where and how to operate, identify potential obstacles that may impede its operations and recognize the amount of funding it will need to get the business up and running. Feasibility analysis aims for marketing strategies that could be helpful in convincing investors or banks, that investing in a particular project or business is a wise choice (Kenton, 2019). According to Barringer and Ireland (2013), and Scarborough (2013), other areas where feasibility analysis can chart a path for new venture performance include: to assess the merit of a business idea before preparing a business plan; determining if a market exists for a proposed new products before launching into a new venture; determining the financial viability of the business idea, resource availability and economy of scale; determining if a business idea is worth investing in; giving insight to the overall demand for new products; helping in understanding the characteristics of likely customers (such as demographics and buying behavior).

Several studies have been conducted in the area of feasibility analysis and venture performance or success. Peace and Ezejiofor (2018) assessed the extent to which manufacturing firms undertook feasibility studies prior to launching their businesses. The study which was focused on manufacturing firms in Anambra State found that manufacturing firms ensure adequate financing, considered competitors and embarked on market determination prior to commencement. Similarly, Nicholas and Chinedum (2017) examined the “role of feasibility studies on project and organizational performance” and identified feasibility analysis as one of the key factors that drives the actualization of organizational objective. Relatedly, Echetama, Obi and Joel (2016), conducted a study on the effect of feasibility analysis on the growth of SMEs in Imo State, and found that feasibility study is a meaningful managerial tool that can be used to advance the growth and performance of SMEs. Furthermore, Mohammed (2014) examined the impact of feasibility analysis on business growth and development in Nigeria; and found that feasibility study significantly impacts business growth and reduces exposure to risk.

In addition, Hofstrand (2009) studied the importance of feasibility and business plan, and ascertained that feasibility analysis can be used in many ways but primarily focuses on propose business ventures. A feasible business venture is one that will generate adequate cash flow and profits, withstand the risk it will encounter, remain viable in the long term and meet the goals of the founders. Currie, Seaton, and Wesley (2009), in their study determined stakeholders for feasibility analysis”. They maintained that most techniques for stakeholder identification and salience in the pre-startup phase of a tourism development are not systematic in approach. Kuehn, Grider, and Sell (2009), investigated “new venture assessment: moving beyond business plans in introductory entrepreneurship courses” and came up with a view that while business plan is a typical feature of the introductory entrepreneurship or small business course (Katz, 2007), that other methods are available and at times are more appropriate for assessing new venture viability. Feasibility analysis of project is a key factor in business achievement, but many factors may be involved, and invariably luck may probably have a hand. Accordingly, many projects which have passed countless feasibility studies have been sunk by unexpected events such as flood, fire, changes in legislation, demographic shifts, inability to recruit and/or keep suitable staff, etc. Following from the foregoing, the study formulates the following null hypotheses:

Ho<sub>1</sub>: Feasibility analysis does not significantly influence sustained patronage of new ventures.

Ho<sub>2</sub>: Feasibility analysis does not significantly influence survival of new ventures.

Ho<sub>3</sub>: Feasibility analysis does not significantly influence growth of new ventures.

### 3. METHODOLOGY

The aim of this study was to examine the influence of feasibility analysis on new venture performance Rivers State. The study adopted a descriptive survey research design. The population of this study comprised twenty five (25) new ventures that have operated between one to five (1-5) years. A sample of fifty (50) top management personnel was obtained from the study population. Through purposive sampling technique, two top management personnel were drawn from each of the new ventures that participated in the study. A questionnaire was used to collect primary data. The questionnaire was designed in the Likert five-point scale of strongly agree -5, to strongly disagree - 1. The instrument was subjected to both expert and academic scrutiny to determine its validity. To determine the reliability of the study instrument, Cronbach's Alpha which is the most common form of internal consistency reliability coefficient was used. The pass value of Cronbach's Alpha in this study was put at 0.70 to achieve reliability as set by Nunally (1978). Cronbach's Alpha value for the combined mean was=0.87, indicating high reliability (Hair, Black, Babin, Anderson, & Tatham, 2006). Percentage and frequency distribution were the descriptive static used for the responses regarding questionnaire administration, while regression analysis was the inferential statistic used to test the hypotheses of the study. The analyses were done with the support of the Statistical Package for Social Sciences (SPSS) version 22.0.

**Table 1: Questionnaire Administration**

Particulars of questionnaire	Frequency	Percentage
Number of questionnaire distributed	50	100
Number of questionnaire retrieved	48	96.0
Number of questionnaire not retrieved	2	4.0
Number of invalid copies	1	2.0
Number of valid copies (usable)	47	94.0

Source: Simulation from SPSS output on Data Analysis (2020)

Table1, indicate that 50 questionnaire were distributed to the selected respondents, representing 100 percent. 48 questionnaire representing 96 percent were retrieved. 2 questionnaire representing 4 percent were not returned. 1 questionnaire representing 2 percent was among those returned, but wrongly filled. Sequel to the above, 47 questionnaire representing 94 percent were correctly filled and were used for the analysis of data in this study.

**Table 2 Reliability Analysis**

S/N	Variables	Number of Items	Cronbach's Alpha Coefficients
1	Feasibility Analysis	4	0.796
2	Sustained Patronage	3	0.770
3	New Venture Survival	3	0.964
4	Venture Growth	3	0.932

Source: Simulation from SPSS Output on Data Analysis (2020)

The Cronbach's alpha coefficients on table 2, indicate that the study instrument was reliable. This is a clear indication that the questionnaire items were consistent and able to measure the variables of this study.

#### 4. DATA ANALYSIS AND RESULTS

##### Decision Rule:

Level of Significance = 0.05

We reject null hypothesis if probability Value < level of significance

Accept Null hypothesis if probability value > level of significance.

##### Test of Hypotheses

**H<sub>01</sub>:** Feasibility analysis does not significantly influence sustained patronage.

Table 3: Strength and direction of influence of feasibility analysis on sustained patronage of new ventures

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.523 <sup>a</sup>	.273	.257	2.766

a. Predictors: (Constant), Feasibility Analysis

b. Dependent Variable: Sustained patronage

As revealed by the analysis on Table 3, the regression coefficient (R) is 0.523. This means that feasibility analysis has a moderate, positive influence on sustained patronage of new ventures. The coefficient of determination ( $R^2$ ) is 0.273; indicating that feasibility analysis accounts for 27.3% change in sustained patronage of new ventures, while the remaining 72.7% of change is traceable to the influence of stochastic variables (other variable outside feasibility analysis).

Table 4: Significance of influence of feasibility analysis on sustained patronage of new ventures

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	129.368	1	129.368	16.905	.000 <sup>b</sup>
	Residual	344.376	45	7.653		
	Total	473.745	46			

a. Predictors: (Constant), Feasibility Analysis

b. Dependent Variable: Sustained patronage

From Table 4, the probability value is  $0.000 < 0.05$ . This means, the result is statistically significant at 45 degree of freedom. Therefore, we reject the null hypothesis which states that venture feasibility analysis does not significantly influence new ventures sustained patronage.

**H<sub>02</sub>:** Feasibility analysis does not significantly influence survival of new venture

Table 5: Strength and direction of Influence of feasibility analysis on survival of new ventures

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.848 <sup>a</sup>	.719	.713	1.011

a. Predictors: (Constant), Feasibility Analysis

b. Dependent Variable: New venture survival

From the result of the analysis on Table 5, the regression coefficient (R) is 0.848. This means that venture feasibility analysis has a very strong, positive influence on new ventures survival. Again, the coefficient of determination ( $R^2$ ) is 0.719; indicating that 71.9% of changes in new venture survival is accounted for by feasibility analysis, while the remaining 28.1% of change is traceable to the influence of externalities.

Table 6: Significance of influence of venture feasibility analysis on survival of new ventures

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	117.934	1	117.934	115.418	.000 <sup>b</sup>
	Residual	45.981	45	1.022		
	Total	163.915	46			

a. Predictors: (Constant), Feasibility Analysis

b. Dependent Variable: New venture survival

As shown on Table 6, the probability value is  $0.000 < 0.05$ . This means, the result is statistically significant at 45 degree of freedom. Therefore, we reject the null hypothesis which states that venture feasibility analysis does not have significant influence on new venture survival.

**H<sub>03</sub>:** Feasibility analysis does not significantly influence growth of new ventures

Table 7: Strength and direction of influence of feasibility analysis on growth of new ventures

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.619 <sup>a</sup>	.383	.369	2.246

a. Predictors: (Constant), Venture Feasibility Analysis

b. Dependent Variable: new ventures profit growth

The regression coefficient (R) shown on Table 7 is 0.619. This means that venture feasibility analysis has a strong, positive influence on new ventures profit growth. More so, the coefficient of determination ( $R^2$ ) is 0.383; indicating that 38.3% of change in growth of new ventures is traceable to feasibility analysis, while the remaining 61.7% of change is due to the influence of external variables.

Table 8: Showing the significance of the influence of venture feasibility analysis on new ventures profit growth.

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	140.651	1	140.651	27.887	.000 <sup>b</sup>
	Residual	226.966	45	5.044		
	Total	367.617	46			

a. Predictors: (Constant), Venture feasibility analysis

b. Dependent Variable: New ventures profit growth

Furthermore, table 8 shows that the probability value is  $0.000 < 0.05$ . This means, the result is statistically significant at 45 degree of freedom. Therefore, we reject the null hypothesis which states that venture feasibility analysis does not significantly influence new ventures profit growth.

### Discussion of Findings

Results of the analyses on Tables 3 and 4 affirm that feasibility analysis has a very strong, positive and statistically significant influence on new venture survival; which is manifest in the

regression coefficient (R) of 0.848, with a probability value of 0.000, which is less than the significant level of 0.05. Thus, the null hypothesis one ( $H_{01}$ ) was rejected. Likewise, results of the analyses on Tables 5 and 6, established that feasibility analysis has a moderate, positive and statistically significant influence on sustained patronage of new ventures. This position is demonstrated by the regression coefficient (R) of 0.523 with a probability value of 0.000, which is less than the significant level of 0.05. Accordingly, null hypothesis two ( $H_{02}$ ) was rejected. Furthermore, the results of the analyses on tables 7 and 8 admit that feasibility analysis has a strong, positive and statistically significant influence on growth of new ventures; this is evident in the regression coefficient (R) of 0.619, with a probability value of 0.000, which is less than the significant level of 0.05. Hence, the null hypothesis three ( $H_{03}$ ) was rejected. Consequently, the findings assert that feasibility analysis influences new venture viability in terms of sustained patronage of new ventures, as well as survival and growth of new ventures. The findings of this study are in congruence with the results prior studies like Nicholas and Chinedum (2017) which identified feasibility analysis as one of the key factors to reach organizational objective, and also observed that many projects and many business ventures failed to achieve their goals because they do not begin or understand the importance of conducting a feasibility study. The conduct of feasibility study to a large extent, improves organizational performance, because it enables the organization to identify the flaws, challenges and unforeseen circumstances that might affect the progress of the organization with a view to taking appropriate preventive measures. Feasibility studies are important both to existing and new businesses, but there are other critical factors which if not considered will negatively affect the organization no matter passing the feasibility test like sheer incompetence, downright dishonesty and employment of unsuitable staff. Similarly, the findings of our study agree with that of Echetama, Obi and 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.

## **5. CONCLUSION AND RECOMMENDATIONS**

Countless number of new entrepreneurs' world over launch into new businesses without minding to carry out a feasibility analysis of their business idea and this has unequivocally led to poor performance or outright failure of some new ventures at the early stages of their operations. However, several other studies have indicated that the role of venture feasibility analysis in business performance and success cannot be over-emphasized. Findings of this study are in consonance with existing literature and support the results of several other empirical studies on the relationship between venture feasibility analysis and new venture performance. Precisely, the findings of this study revealed that by conducting a feasibility analysis of a business idea before launching a new venture will foster new ventures survival, sustained patronage and profit growth, which are strong indicators or measures of new ventures performance. Currently, there are a range of simple and affordable tools that can give new entrepreneurs objective ways to measure how well they will perform before launching their business idea, and one of such is the venture feasibility analysis. Based on these findings, the study concludes that venture feasibility analysis to a large extent influences the performance of new ventures. Therefore, the study recommends that new entrepreneurs should ensure that an appropriate venture feasibility analysis

is done before launching a business idea to address possible challenges that may occur ahead of time, and that new venture owners must be sensitive to the workings of the various components of venture feasibility analysis (product/service, industry/target market attractiveness, organization, and financial feasibility analyses), and lastly, the study recommends that a feasibility analysis should precede a business plan before any new venture is launched.

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