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DIPLOMA THESIS

Feasibility Study of Employment Agency in Prague

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Abstract

The labour market's size is increasing. There are many employment agencies around the world and their popularity is increasing. In December 2012, the CR had 1,658 employment agencies. The average percentage share of agency employment in the EU is 1.5 %. In the CR, the share is 0.7 %. The CR has the potential to increase the number of employment agencies as the trend predicts increase. Basic knowledge of English is considered as a must in contemporary society. Many people seek ways to improve their English via language courses, study abroad, etc. in order to meet the requirements for future employer or for other various reasons. The market of language schools and agencies is increasing in size as the demand for English increases. Therefore, the feasibility study of employment agency in Prague focuses on tutoring English language and the study could provide valuable information for potential investor in such a project.

Diploma thesis deals with the feasibility study of employment agency in Prague. The employment agency is SpeakNow and its mission is to help people to improve their language skills, particularly English language skills, by employing tutors and allocating them to clients in Prague. The main goal is to conduct and to evaluate feasibility of such an agency in Prague. The feasibility study includes market analysis, cash flow identification, financial and economic analysis, and risk assessment. Thorough theoretical background is provided in theoretical part. In practical part, business plan is introduced and feasibility study elaborated.

The results from feasibility study shows that SpeakNow is a good investment project and that it should be implemented. Financial and economic indicators are supporting this result.

Keywords: study, feasibility, Prague, analysis, market, business

Objectives

Diploma thesis deals with the feasibility study of employment agency in Prague. The employment agency is SpeakNow and its mission is to help people to improve their language skills, particularly English language skills, by employing tutors and allocating them to clients in Prague. The main goal is to conduct feasibility study of employment agency that would target foreign students studying in Prague and then evaluate the feasibility.

Another aims are to develop a business plan for the employment agency and to provide a thorough theoretical background about employment agencies, business plan writing and feasibility study. Break-even point is calculated and explained.

It is assumed that SpeakNow employment agency in Prague will be easy to establish and operate. Also, it can be assumed that SpeakNow will be profitable as the market does not seem saturated with neither employment agencies nor language schools and the demand for English courses and English proficiency increases. The economic viability of SpeakNow depends on many factors (marketing strategy, demand for services of SpeakNow, competition, etc.) and they will crucially influence the role of SpeakNow in the market.

Methodology

The literature review is done using methods of synthesis, abstraction, extraction, induction and deduction.

The analytical part is done using methods for development of business plan, methods of feasibility study which includes, market evaluation methods, financial analysis, economic analysis and risk assessment method. The data for analyses are hard data. Financial and economic analysis will be calculated according to formulas of indicators and the data collected.

Conclusion

This diploma thesis dealt with the feasibility study of employment agency in Prague. The employment agency was SpeakNow which focus on English tutoring in Prague. The legal aspects of employment agencies were introduced along with the structure of feasibility study. The content of each chapter, which is relevant for particular type of project and which are important for evaluation of implementation and sustainability, was elaborated.

Based on the estimated economic data of SpeakNow, there was conducted financial and economic analysis of above mentioned employment agency.

In the economic analysis were introduced economic factors in order to provide a good background of Czech market and economic performance. According to available data, GDP of Czech Republic in 2015 increased from the previous year by almost 2 %. Inflation is steadily decreasing from 2012. In 2015, it was only 0.33 % which is relatively good for

consumers as price level is not that high but for the economy it means that it is not stimulated very much. On the other hand, unemployment decreased significantly (by 12 %) in 2014 compared to the previous year which might lead to increase in wages, spending and GDP growth. Population of the Czech Republic is increasing but not as rapidly as in years 2005 to 2010. The nominal wages are increasing steadily since 2000 which might be caused by factors like inflation. All the facts mentioned portray good economic performance of Czech Republic. The bigger population the more potential customers. Inflation usually decreases unemployment which leads to greater spending and economic growth of the state. Therefore, it is reasonable to start a business in the Czech Republic.

The market analysis takes into consideration the labour market and its size which is increasing. There are many employment agencies around the world and their popularity is greater than in past years. In 2012, in the CR operated 1,658 employment agencies. The average percentage share of agency employment in the EU is 1.5 %. In the CR, the share is 0.7 %. The CR has the potential to increase the number of employment agencies as the trend predicts. Basic knowledge of English is considered as a must in contemporary society. Many people seek ways to improve their English for future employer or for other various reasons. The market of language schools and agencies is increasing in size as the demand for English increases but it is not saturated. There are many competitors in the market like Tutor, Spevacek, Lite, etc. but SpeakNow seems to have unique idea about tutoring English language as its aim is to create a network of tutors who could tutor clients according to their needs. The targeted group of customers of SpeakNow are people aged 3 – 29. The estimated number of targeted customers is around 500,000 in Prague.

Financial analysis included the basic financial indicators. Break-even point was calculated and it equalled to approximately 47 units which represent classes tutored. That equals of 935 CZK of revenue per month. The payback period of SpeakNow is estimated three years of running SpeakNow which means that the business will become profitable in 2019. The profitability index (1.8737) indicates that the investment will be profitable and it is a good investment. Net present value with the interest rate of 5 % is 22,376 which is above 0 and the higher the better indicator of a good investment. There are possible alternatives, e. g. investing the money to the bank. SpeakNow is still a better project with the interest rate of 5 % from the bank. The bank would have to offer more than 24.06 % interest rate in order to be a better alternative. Return on investment in the first year is negative as there is almost no revenue. Although, in 2019, the ROI is 58.5 % which marks good return on the initial investment. There are also many benefits of implementing SpeakNow. It will create more job

opportunities which will lead to increase in wages and therefore more spending of people. The service provided adds value to lives of people as it educates population (English wise). It makes people more attractive for employers and that might lead for people to get better paid jobs. On the other hand, it might take potential customers from language schools and private tutors which will have the opposite effect (less money for them, less spending). The mission of SpeakNow is to improve English education world-wide in order to help people achieve their goals. The vision is to be global tool for fast and easy to arrange English classes. This is a great added value that SpeakNow will bring about. The benefits are much higher than the costs. Therefore, the B/C analysis is positive and greater than 1 which means that the project is desirable.

The potential risks there were also researched and evaluated. The biggest potential risk for SpeakNow is not proper management of agency. Other risks might be not very good market adoption, services will not work as proposed, not profitable due to poor estimation of cash flows, etc. There are proposed mitigation strategies to each possible risk. There is not very high initial investment, therefore, if the estimations were wrong and consequently the calculations, it is very easy for SpeakNow to exit the market with minimal losses. Apart from financial stand point, SpeakNow seems to have other benefits as it seeks to improve English language which brings benefits to the society such as increase in income, spending and the growth of GDP.

The feasibility study can be evaluated positively as financial and economic analyses proved that project SpeakNow will be a good investment from financial stand point, but also from economic stand point. Although, there might be unexpected events in the market, in the agency, in the state which might change the situation and then the feasibility study would have to be adjusted according to the changes to provide appropriate information about the investment project.

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