

Czech University of Life Sciences in Prague

Faculty of Economics and Management

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DIPLOMA THESIS

Feasibility Study of Employment Agency in Prague

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DIPLOMA THESIS ASSIGNMENT

Julius Fördöš

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Thesis title

Feasibility study of employment agency in Prague

Objectives of thesis

Conduct feasibility study of employment agency that would target foreign students studying in Prague. Evaluate market for foreign language courses in Prague. Develop a business plan for an employment agency.

Methodology

Literature review is done using methods of synthesis, abstraction, extraction, induction and deduction. Analytical part is done using methods of financial analysis, methods for development of business plan and market evaluation methods.

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Keywords

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I hereby declare that I wrote this thesis myself using the referenced sources only. I also agree with lending and publishing of this thesis.

Prague, March 9, 2016

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Abstrakt:

Trh práce neustále roste. Na trhu je mnoho agentur práce po celém světě a jejich popularita roste. V prosinci roku 2012 bylo v ČR 1,658 agentur práce. Průměrný podíl agentur práce na zaměstnanosti v EU je 1,5 %. V ČR to je 0,7 %. Česká republika má veliký potenciál růstu, co se agentur práce týče, jelikož trend předpovídá nárůst počtu agentur práce. Základní znalost anglického jazyka je v moderní době nutností. Mnoho lidí hledá různé způsoby jak se v angličtině zlepšit ať už pomocí jazykových kurzů, studia v zahraničí, atd. Většinou se chtějí zlepšit z profesních důvodů. Trh jazykových škol a agentur neustále roste spolu s poptávkou po angličtině. Studie řešitelnosti agentury práce v Praze se zaměřením na výuku anglického jazyka by mohla poskytnout hodnotnou informaci pro potenciální investory.

Diplomová práce se zabývá studií řešitelnosti agentury práce v Praze. Agentura práce je SpeakNow a hlavní misí je pomoci lidem se zlepšit v jazykových dovednostech, obzvláště tedy v angličtině, tím, že bude zprostředkovávat lektory a přidělovat je klientům. Hlavním cílem je provést a vyhodnotit studii řešitelnosti takovéto agentury práce v Praze. Studie řešitelnosti zahrnuje analýzu trhu, identifikaci toku peněz, finanční a ekonomickou analýzu a posouzení rizika. Důkladné vysvětlení teorie se nachází v teoretické části práce. V praktické části je navrhnout podnikatelský plán a studie řešitelnosti je vypracována.

Výsledek studie řešitelnosti ukazuje, že SpeakNow je dobrý investiční projekt a že by měl být realizován. Finanční a ekonomické indikátory tento výsledek potvrzují.

Klíčová slova: studie, proveditelnost, Praha, analýza, trh, podnik

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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 show 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

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Appendix

1 Introduction

The topic of this diploma thesis was chosen because of the increasing demand for English language in personal and also in professional lives of people and potential business opportunity to establish employment agency located in Prague, which would focus on English education. The English level and education of Czech citizens in the Czech Republic has improved significantly over the past years. According to the fifth annual edition of the English First English Proficiency Index (EF EPI), which rates the English skills of the world's non-native English-speaking countries, the Czech Republic ranked fifteenth, placing eighteenth out of 70 overall with an EF EPI score of 59.01. The Czech Republic was marked as high proficiency region. Therefore, the feasibility study of employment agency with focus on English tutoring is worth conducting as it seems as a good business opportunity and it can be valuable information for investors.

2 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.

3 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.

Financial Analysis

- Static indicators (do not consider time factor) – benefit/cost ratio, payback period, return on investment
- Dynamic indicators (consider time factor) – NPV, IRR

Problem of different time value is due to different time of occurrence. When time factor is included it is necessary to calculate with:

- Inflation (usage of real prices)
- Time preference (discounting with discount factor)

$$\text{Discount rate} = \frac{1}{(1+r)^t}$$

[1]

Payback period – is a period which is necessary for compound cash-flows of project to be equal to investment. If the value of PP is shorter than life-cycle of project, then the investments into the project will be paid back.

Profitability index (Benefit/Cost) - is the present value of the future cash flows divided by the initial investment. It considers all cash flows, risk and the time value of money.

$$\text{Profitability index} = \frac{\text{PV of future cash flows}}{\text{Initial investment}} \quad [2]$$

Net present value – is the sum of discounted net cash-flows over the period of evaluation of project. If NPV > 0 can be considered as acceptable, if it is 0 then it has neutral nature and it does not influence assets of investor.

$$\text{NPV} = \sum_{t=1}^T \frac{C_t}{(1+r)^t} - C_0 \quad [3]$$

Internal rate of return – is the discount rate at which the present value of all future cash flow is equal to the initial investment, in other words, it is the rate at which an investment breaks even.

$$0 = \sum_{t=0}^n \frac{CF_t}{(1+\text{IRR})^t} \quad [4]$$

The project is acceptable when the value of IRR is greater than supposed discount rate.

ROI - is the benefit to an investor resulting from an investment of some resource. It is calculated according to the following formula:

$$\text{ROI} = \frac{(\text{Gain from Investment} - \text{Cost of Investment})}{\text{Cost of Investment}} \quad [5]$$

ROI is a performance measure used to evaluate the efficiency of an investment or to compare the efficiency of a number of different investments.

Break-even analysis - is used to determine when a business will be able to cover all its expenses and begin to make a profit (the point at which total cost and total revenue are equal).

$$\text{Break Even Point in Units} = \frac{\text{Fixed Costs}}{\text{Sales Price per Unit} - \text{Variable Cost per Unit}}$$

[6]

Theoretical Part

4 Employment Agency and Legislation

Employment agency is a part of labour relationships. Employment agency works on the basis of three law relationships. Subjects that are involved in these relationships are the employment agency, whose role is to act as an employer, employee or applicant (a person looking for an employment) and a client (company or individuals that is looking for an employee), who is in reality a company where employee actually works. From the economic point of view, one can state that employment agencies offer to their clients' employees which clients hire.

The legal definition of employment agency:

In act No. 262/2006 Coll., Labour Code, as amended in § 2 section 5 when defining of dependent work. "Dependent work" („závislá práce“) means work that is carried out within the relationship of the employer's superiority and his employee's subordination in the employer's name and according to the employer's instructions (orders) and that is performed in person by the employee for his employer.

In "Employment Act" („ZOZ“) § 14 section 1 letter b) within specification of mediation of employment. Mediation of employment in this case is understood as employment of natural persons in order to perform their work for a user, who is either legal entity or natural person, who allocates the work and oversees its completion. According to Employment Act and § 66 it is understood that employment mediation is conclusion of employment or agreement to perform work between natural person and the employment agency in order to perform work for a user.

4.1 International Legislation

According to Gregorova (2005) from the international point of view, the agency employment is based on convention of International Organization of work no. 181 which was published by the Czech Republic under no. 38/2003 Collection of International Conventions. According to above mentioned convention, private employment agency is understood as any natural person or any legal entity independent of public authorities which provide one or more services to the labour market. Individual services are:

- Services for bringing together offers and job applications without employment agency becoming part of employment relationship which might result from it,
- Services which employ workers with the intention to make them available for the third party which might be natural person or legal entity and they establish their tasks and supervise their completion,
- Other services which are related to the job search, e. g. provision of information about employment which are not aimed at bringing together specific offers and job applications.

The convention states, aside from the definition of employment agency and specification of their individual services, basic principles which are very important especially for the employees of employment agency. It regards principle of non-discrimination and principle of equality as well as the right to collectively negotiate and the right to associate freely (article 4 and 5). Except for the last two mentioned, it is a obligation of the employment agency to secure safety of the employees with regard to:

- Minimum wage,
- Working hours and other working conditions,
- Allowance according to the social security system,
- Attitude towards training,
- Protection of health and work safety,
- Compensation in case of insolvency and protection of claim of employees,
- Protection of compensation during motherhood or parenthood.

The duty of member states is to divide the responsibility for above mentioned sections between the employment agency and the client enterprise.

4.2 European Legislation

There is a similarity in the Czech Republic and EU regarding employment agency. There is also a triangular relationship between the employment agency, employee and the client. The conditions for each subject are different from state to state. According to Jouza (2005), in some states, the activities of employment agencies are restricted and limited, meanwhile in other countries the framework of legislation is rather flexible.

The primary regulation of European employment agency is the Establishment Treaty of European Association (*Smlouva o založení Evropských společenství*). The aim of this treaty was free movement of services and creation of prerequisite for functioning of common market. Employment agency belongs to the principle of free movement of goods and services.

Outside of the treaty and legislative regulations of each country there exist directives in the framework of the EU which take into consideration the employment agency. More specifically it is:

- Directives of European Parliament and Council no. 2008/104/ES about employment agency,
- Directives of European Parliament and Council no. 96/71/ES about sending of workers with regard to provision of services,
- Directives no. 91/383/ES which complement arrangement for better safety and protection of health during work of employees in employment for fixed-term or temporary employment,
- Directives of European Parliament and Council no. 2006/123/ES about services in the domestic market.

Worth mentioning is the Directives of European Parliament and Council no. 2008/104/ES about employment agency. The aim of this directive was to ensure the protection of agency employees and to improve the quality of employment of such agencies. The substantial element is the principle of equality which clearly states the working conditions of employees of employment agencies regarding the length of contracts, overtime working hours, time for breaks etc. The principle thus ensures equal conditions for all employees. Furthermore, this directive establishes the right to know the information about free working positions which the clients offers for employees.

4.3 Czech Republic Legislation

The employment agency as the new legal institute brought new laws to the Czech legislation. The law No. 436/2004 Coll., changes some other laws with regard of acceptance of Employment Act (ZOZ). After acceptance of this law, so called temporary allocation of employee institute has disappeared from the Czech legal arrangement. Some authors think that it was not very successful deed in the legislation. The advantage of the institute of allocation of employee was that their employment relationship was still active which gave employees social security. Also, the cost to employers did not increase regarding the labour force, e. g. compensation of wage while working with obstacles at work from the employers' point of view.

Luckily, the amendment of the law effective since 1.1. 2012 brought re-introduction of the institute. This means that employees can be temporarily allocated to perform a job for a client without the employment agency being the employer. The requirements of employers were acknowledged and acted upon. Employers used allocation of employees in their own businesses. This led to the opportunity for employees to further their education even in the different field and improve their qualifications.

Legislative definition of employment agency is included and described in Labour Code (ZP) and Employment Act (ZOZ). It is appropriate to mention also the law no. 251/2005 Coll., about the inspection of work which with other regulations ensures the control of employment agency.

Changes of legislation in 2011

The substance of legislative changes (since January, 2011 due to amendment of ZOZ by law no. 347/2010 Coll.) was to improve the regulation of activities of employment agencies and changes introduced also more effective ways intervene in case of poor-quality or not standard provision of services.

Some of the changes are mentioned below.

The first change is the provision of the overview of approval regarding mediation of employment and fines given by the employment office to natural persons or legal entities for violation of labour-law obligations of the Ministry of the Interior.

Another important change which were crucial for many employment agencies was the implementation of compulsory insurance. The reason behind this was to improve legal

assurance of the employees of employment agencies or other natural persons for whom the agencies provide employment.

Also, better monitoring of each category of provided employees was implemented. According to ZOZ (Employment Act), all the employment agencies are required to keep a record and to provide information about vacant working opportunities, about the number of allocated natural persons and about the number of their employees. The newly introduced part is the obligation to provide information about the number of citizens from the Czech Republic, the number of citizens from the European Union, separately the number of other member states of European Economic Area and Switzerland and the number of foreigners according to their nationality.

One of the latest changes in stricter conditions for issuing of permit for employment mediation. The previous legislation allowed natural person or to legal entity to apply immediately for new permit in specific cases but the latest change restricts this from happening and it states that there must be a time span of three years between the end of permit and the application for a new one.

The Ministry of Labour and Social Affairs (MLSA) also declares a specific date which marks the end of mediating activity of employment agencies.

The amendment of employment caused trouble to many employment agencies. Nevertheless, MLSA stands its ground and states that the goal is to strengthen the legal security of natural persons who start to work for employment agencies.

Changes of legislation in 2012

The Employment Act changes in 2011. Nevertheless, another changes occurred in January 2012. This step led to so called social reform which is supposed to bring more complex legislation of regulation regarding the social security.

Year 2012 brought cooperation of employment agencies and the employment office while resolving situations in the labour market. The introduction of brand new institute – *shared mediation of employment* – took place in year 2012. In the scope of the above mentioned institute, there will be transfer of mediation of employment for some applicants for a job based on the agreement between the employment office and agencies. Agencies will receive an allowance for each applicant. Agencies will also receive bonus if they successfully place an applicant for an indefinite employment. This allowance is supposed to motivate each agency and without it there would be no possible cooperation.

The agreement between the employment office and agencies must meet certain criteria. Regarding the content, there must be identifications of each party in the agreement, the number of employment applicants (to whom the agency mediates the employment), the time span for which will the agency mediate employment for applicants, obligation for agencies to inform employment office about the employment mediation. Also, there must be stated by which form will be the activity of mediation supervised. The kind, the amount, the term and provision of allowance must be clearly stated in the agreement. Cancellation of the agreement and its conditions must be included.

Another change regarding the agency employment is concerning mediation of employment to foreigners. Randlová (2011) says that the amendment of ZOZ (Employment Act) is supposed to prohibit the employment of foreigners (similar as holders of green or blue cards) by employment agencies. The reason behind this change is to secure regulation of the labour market and to ensure legal assurance for foreigners who have working permit.

The amendment of ZOZ (Employment Act) brought about some positives and negatives. The positive change is the cooperation of employment office with agencies which caused more effective time management of employment office. The applicants can be employed much faster and they might avoid some existential problems. Also, great positive thing is the re-introduction of the temporary allocation of employees as it makes it easier for employers to move employees within one enterprise. The negative is for example restriction of the activity of agencies – limitation of foreigners.

5 Employment Agency

The employment agencies operate mainly in the field of temporary employment. It is a general name of the field which includes agencies (companies) operating in the field of consulting, informative, direct mediation of employment for applicants, as well as temporary allocation of employees (hiring of labour workers), recruitment of workers and providing operations relevant to the recruitment.

The main and also the biggest activity of employment agencies is the employment mediation. Other activities related to employment agencies are for example consulting and informative activities which is similar to the employment office. Consulting for natural persons focuses on evaluation of skills and abilities. Consequently, the recommendation of employment, choice of the profession, requalification, etc. Consulting activities for

employers is aimed at the choice of suitable candidates for the job vacancies according to qualifications and personal predispositions. The informative activity is based on provision of information about job vacancies and about the employment opportunities.

5.1 Establishment of Employment Agency

The term employment agency is understood any natural person or legal entity, independent of public authorities, who provides one or more services in the labour market based on the permission of MLSA (Ministry of Labour and Social Affairs).

5.1.1 Granting of Permission

In order to establish employment agency and to perform the activity of employment mediation, it is necessary to obtain a permission of MLSA, more precisely the permission of the directorate-general of the employment office. The conditions and requisites for obtaining such a permission are listed in §60 and furthermore in Employment Act (ZOZ).

According to the law mentioned above, the permission is issued based on the application of natural persons or legal entities for employment mediation in the Czech Republic, employment mediation of foreigners in the Czech Republic or employment mediation located abroad.

Conditions for issuing of the permission for natural persons and legal entities:

- Minimum 18 years of age,
- Legal capacity,
- Integrity,
- Technical competence,
- Permanent address in the Czech Republic.

In order for the application to be valid, the applicant must provide identification data, business activity, the form of mediation for which is the permission applied, types of work, regarding the legal entity it is necessary to list also the identification data of responsible representative. Based on the changes in legislation in Employment Act, it is no longer necessary to provide perimeter of the area. The reason for such a change is redundancy of such information. The applicants for permission usually provide the whole area of the Czech Republic as they plan to mediate employment in the whole area of the Czech Republic not only in one or a few specific areas. Along with the written application

it is necessary to provide documents regarding technical competence, criminal record and the address of work places in which the applicants will mediate employment. Legal entities need to provide also written approval of responsible representative and acknowledgment of his or her function and also to provide the business register or any other public authority.

The new condition for issuing of the permission according to §60a Employment Act is also the approval of the Ministry of the Interior based on the issue of MLSA. The Ministry of the Interior considers permission for employment mediation from the point of view regarding public order, security and respect of rights of the third parties. The Ministry is obliged issue their statement to the MLSA within 15 working days from the day of acceptance of the application. If the Ministry does not do so, it is supposed that the Ministry approves the application. Such an approval might be called off anytime. According to § 63 par. 3 Employment Act (ZOZ), the call of is the reason for the removal of the permission for employment mediation. This arrangement helps to prevent illegal activities regarding employment mediation. Simultaneously, it serves to prevent safety risks based on the information from sources which are available only to the Ministry of the Interior.

According to law no. 634/2004 Coll., about administrative fees, it is necessary to pay a fee for permission of employment mediation. The amendment of Employment Act removed discrepancy between Employment Act and administrative fees law – before the amendment there was a fee for the application for permit. Nowadays, only the issuing of the permit requires applicant to pay the administrative fee. The fee is 5 000 CZK for permission of employment mediation in the Czech Republic, 10 000 CZK for permission of employment mediation to foreigners and mediation aimed at abroad. The fee must be paid within fifteen working days after the acceptance of the letter of invitation from the employment office. After the payment of the fee, the natural person or legal entity receives administrative decision about granting of permission of employment mediation according to § 62 par. 3 for a period of three years.

Issuing of the permission falls under the administrative consideration. If the application meets all the requirements but the permission is still not granted, the applicant might appeal to administrative justice.

The whole process necessary to establish the employment agency is very long and difficult regarding the administration. On the other hand, it might help to prevent safety risks and illegal activities in relation with employment mediation.

5.1.2 Cancellation of Permission

The permission for employment mediation is cancelled according to § 63 par. 1 Employment Act (ZOZ) by the death of natural person or by termination of legal entity, by the deletion of the business of foreign person or business organizational body, by expiration of the time for permission and also by the decision of the MLSA to remove the permission. The MLSA might remove the permission according to § 63 par. 2 if:

- Agency no longer meets the conditions for the permission according to § 60 Employment Act (ZOZ),
- Agency mediates employment that is in contradiction with the decision to mediate employment and in contradiction with ethics,
- It violates obligations which agencies must fulfil according to § 308 or 309 Labour Code,
- Repeatedly fails to fulfil notification obligation based on § 59,
- Agency asks for termination.

The amendment in Employment Act (ZOZ) brought some change regarding granting of permission as well as cancellation of permission. The change regards compulsory insurance for employment agencies. The MLSA has the right to cancel permission of employment mediation of employment agencies if the natural person or legal entity mediates employment without the insurance according to §58a Employment Act (ZOZ). The employment agencies have to provide a document confirming the arrangement of the insurance within the time span of 2 months since the day of decision regarding the permission to operate. If the agency does not do so, the MLSA will state a date which is the day of cancellation of the permission to operate and natural person or legal entity must stop all activities. In case that agency remains operating, the agency might be fined the amount of 2 000 000 CZK.

When the termination occurs or the permission is cancelled, all the activities of agency do not have to stop. The agency might have permission regarding consulting or

informative activities, or permission to search for job opportunities of natural persons and the agency might still conduct such activities. For the new permission for employment mediation might natural person or legal entity apply no sooner than three years since the cancellation according to § 63 par. 4.

5.2 Employment Agency Obligations

There are two ways how to look at the obligations of the employment agency due to triangular relationship. There is an obligation to clients (users) based mainly on the temporary allocated employee agreement and there is also an obligation to each employee based on Labour Code and on agreement to perform work.

5.2.1 Obligations to Applicants

As was mentioned above, the obligations of the employment agency to clients (users) based on the temporary allocated employee agreement. In this agreement there is usually stated that one of the obligations of employment agency is to secure payment to be paid to employees within the pay period. Another obligation of agency is to secure social security and health care payment, insurance in case of work injury and occupational disease. It is also necessary to supply employees with personal protective gear (especially work clothing and work footwear). In case of work injury, the employment agency along with cooperation of the client and temporary allocated employee draw up the record of work accident and they report the injury according to legislation of the Czech Republic. In some cases, the client might require general health examination and a document which will provide information that employees and their condition does not limit them in performing the job. All the rights and obligations are based on already mentioned temporary employee allocation agreement.

5.2.2 Obligations to Employees

One of the main obligation of employment agency based on § 309 par. 5 LC (Labour Code) is to ensure (along with the client) that working conditions and wage conditions of temporary allocated employee are not worse than conditions of equal employee.

According to Hampalová (2011) it is important to realize that the aim of employment agencies is to respect all the obligations of employers based on § 101 and following LC.

One of the obligations is to ensure safety and health protection of employees while working with possible risk of life or health regarding the work performance. According to § 103 LC it is also obligatory for employer not to allow employee perform prohibited work and work that would not be appropriate and suitable to his or her abilities and health condition. It is obligatory to inform about the work that the employee will perform with regard to the extent of risk exposure on health. They have to make sure that in cases of specific legal regulation the work will be performed only by employees with valid health card. Simultaneously, it is necessary to provide sufficient information and safety instructions about health protection while working to employment agency employees who are temporarily allocated to another employer in order to perform work. It is important to clarify the risks, results of evaluation of risks and precautions regarding these risks in the work area. LC also states that if the exposure to the risk factors might harm the foetus in body of employee (mother) it is an obligation for the employer to inform about this fact all employees.

Not only the obligations stated in § 308-309 apply to the employment agencies but also all the employer obligations apply. It is crucial that agencies do not forget about it. Another rights and obligations might result from agreements to perform a work made between the employment agencies and individual clients.

5.3 Importance in Labour Market

One of the biggest advantage of employment agencies is definitely its flexibility. It is tempting even for employees as they have the opportunity to work in many different fields and gain various knowledge, experience and practice. Simultaneously, this kind of employment allows them to relatively quickly find a job and that is why it is especially popular among students.

The flexibility is very beneficial for clients too as they can easily and flexibly change the amount of employees in order to complete all the activities. That might be the reason for inequality of business orders or for seasonal jobs.

According to the data from Czech Statistical Office, the number of employment agencies in the Czech market in recent years (till 2007) has increased. This fact is supported by statistical data. In 2002 there existed 372 employment agencies in the Czech Republic and in 2007 the number of agencies increased to 629. Along with the increase of

agencies increased also the number of agency employees, turnover and accounting value added.

The turn of the year 2008 and 2009 caused many problems to employment agencies. Due to complicated economic situation the progress and development of agencies was set back. Not only demand for labour force decreased but also many businesses were able to find employees without help and employment mediation of employment agencies.

Another obstacle that agencies had to face was in 2011 due to the new amendment of legislation. More precisely, the compulsory insurance of employment agencies which was embraced by agencies with strong resentment. According to §58a Employment Act (ZOZ) the employment agencies can mediate employment according to § 14 par. 1 letter b) if and only if they have arranged the insurance against bankruptcy. Due to this legislative change many companies were unable to carry on with their activities and went bankrupt. In August, 2010 there existed about 1800 of employment agencies in the labour market. One year later in May there was only 1529 of employment agencies. The number of agencies with required insurance against bankruptcy was only 521 in 2011. The remaining agencies do not have a permission for employment mediation (according to §14 letter. b) or they have a permission but they do not provide the service.

Employment agencies had a tough time in recent years as they had to face many obstacles and their negative influence on their activities. Their stability in the Czech market was unsure. Even though many agencies were driven out of the business due to economic situation and the legislative pressure, there are still many operating in the market. The Czech Republic still belongs among countries with one of the highest number of employment agencies (proportionally to population in productive age).

5.4 Subjects of Employment Agency

The participants in labour-law relationships of employment agency are the employee, the employment agency and the client (also known as user). More detailed description of what the employment agency is and how it works is described in the chapters above. The next subject is the client. The client is usually any legal entity, which is different from the employment agency, which allocates job and supervises its completion (according to § 14 par. 1 letter b)) Employment Act (ZOZ). The employee is any natural person who has

competence according to § 6 LC. The competence arises when natural person reaches 15 years of age or in other words, the person finished the compulsory school attendance. Another subjects which play some role regarding the functioning of employment agencies are councils of employees and representatives for safety and health protection during performance of the job (§ 281 - § 285 LC). Other subjects are state authorities, more precisely the MLSA, the MI, state department of job inspection and employment departments.

The main subjects of employment agency create a triangle. At each top of the triangle there is one of the participants (as it is possible to see in the graph below). Between each subject there are created legal relationships (labour-law and commercial-law). These subjects complement and determine each other.

Graph 1: Triangular labour-law relationship of agency employment



Source: Own elaboration

It is obvious that there are three relationships created between:

- Employment agency and employee, in this relationship employment contract or agreement to perform work is made (employment agency according to
- § 309 par. 2 LC allocates the employee based on the written instruction),
- Employment agency and client, in this relationship the agreement of temporary allocation of employee is made according to § 308 LC,
- Employee – client.

5.5 Relationship Employment Agency to Employees

One of the relationships that is created regarding employment agencies is labour-law relationship between the employment agency and the employee who is allocated to perform a work for a particular client. Such a relationship must be supported by two documents. The first document is employment contract or agreement to perform work and also a written instruction according to § 309 par. 2 LC which is basically one-sided legal act of employment agency towards the employee.

In the employment contract or in the agreement there must be included general conditions, which are for example the nature of the job, the extent of work time, etc., there must be also arrangement which clarifies that:

- Employment agency is obliged to provide a temporary job for a client,
- Employee is obliged to perform a job according to instructions of a client.

In case that these arrangements are missing, the contract is still valid but the employee is not obliged to perform a job for a client. The obligation to allocate work to employees would be responsibility of the employment agency. If agency would not do so it would be considered as an obstacle to work according to § 208 LC.

The employment contract and the agreement to perform work between the employment agency and the employee is a subject to the same formalities as a normal employment contract or the agreement according to § 34 a § 76 LC. The only difference is in formulation of mutual obligations when the employee is obliged to perform work for a client and follow his or her orders and the employment agency is obliged to allow the employee to do so.

Nor the employment contract nor the agreement to perform work includes indication of the particular client. This means that regarding labour-law relationship the employee might perform work for different clients. The right of the employee is to be allocated to particular range of clients that employee would like to work for or, on the other hand, the range of clients that employee does not wish to work for. This is, unfortunately, not the standard approach due to lack of knowledge of employees. It would be also very time consuming for employment agencies.

The particularity of clients must be ensured. The written instructions serve for this purpose stated in § 309 par. 2 LC with arrangements as:

- Name and address of client,
- Place of work,
- Time span of temporary allocation,
- Determination of senior employee who is eligible to give tasks and oversee their completion,
- Conditions of premature termination of temporary allocation, if they were arranged in the temporary allocation agreement,
- Information about working and payment conditions of equal employee.

It is important to realize that the written instruction is only one-sided legal act of the employment agency and the employee does not contribute to this document. This written instruction might be influenced by a client, who, for example, determines senior employee. The nature of work cannot be changed by this document. The nature of work is defined in the employment contract or the agreement to perform work between the employee and the employment agency. The only way to change the nature of work is to change agreement between the employee and the agency.

Labour relationship between the agency and the employee is usually made for indefinite period. There is no restriction of employment agency making repeated employment for fixed period and for maximal length of two years stated in § 36 LC. It is also possible to make an employment relationship for temporary allocation of employee to a particular client and the period does not have to be fixed. The employment ends by the legal fact which will happen in the future even though that at the time of creation of the employment date was not specified.

The agency, according to § 309 par. 6 LC, cannot allocate the employee to perform a job with the same client for a longer period than twelve months. The restriction is not valid when the employee him or herself asks for a longer period of allocation or when substitute for the employee due to motherhood or parenthood vacation is necessary.

According to § 38 par. 3 LC the temporary allocation is terminated when the period arranged earlier expires. Another way that temporary allocation can be terminated is by an agreement between the allocated employee and the employment agency, one-sided

declaration of the client, one-sided declaration of the employee (if such a possibility was arranged in the agreement between the client and the agency or between the agency and the employee).

Labour-law relationship between the agency and the employee is usually terminated by the expiration of period for which the employment contract or the agreement to perform work was arranged for. Employment relationship can also be terminated as a normal employment – death of the employee, agreement to terminate employment, dismissal of the employee or the client, immediate cancellation by the employee or the client.

Very important and many times neglected point of the law is the obligation of the employment agency to provide confirmation of the employment to the employee. Agency according to § 313 LC is obliged after the termination of employment or the agreement to perform work provide the employee with the confirmation of employment, where it is important to state:

- Description of work,
- Whether it was employment or agreement to perform work,
- Nature of the work,
- Achieved qualifications,
- Whether the termination was due to violation of obligations,
- Period of work (the whole period of work),
- Whether there were deductions from salary, in whose favour, how high the amount of receivables, for which the deduction was made, was, how high is the amount of deductions that were deducted so far.

There are two issues connected with the issuing of the confirmation. The first one is not respecting the law when there is an obligation to issue such a confirmation. According to Tošovský, there are some employment agencies which do not issue any confirmations of work at all. The second issue is that the employees do not know about this obligation and they do not ask for it.

5.6 Relationship Employment Agency to Applicants

The agreement between the client and employment agency about temporary allocation of employee of employment agency is basic legal act necessary for creation of relationship between the employment agency and the client. The nature of this agreement

is not clear as it has elements of labour-law and commercial-law nature. The agreement the client and employment agency is made according to § 361 law no. 513/1991 Coll., Commercial Code (CC) and other amendments. It is a contract made between entrepreneurs and therefore even labour-law relationship follows the CC. Labour-law nature is fulfilled by individual agreements about temporary allocation. Labour-law relationship between the employment agency and the client has so called hybrid nature as the agreement is created based on the Labour Code but the form of commercial relationship is stated in § 308 par. 1 and 2 LC. Other points not amended or changed by LC are considered by norms of CC.

It is necessary to stress the validity of the subsidiary principle. It is the same for CC and for LC as they both follow the use of subsidiary principles of the civil rights. The validity of agreements is then considered according to law no. 40/1964 Coll., civil rights, amended.

According to § 308 LC the obligatory requirements derived from the agreement of employment agency and a client about temporary allocation of employee are:

- Specific identification of allocated employee (name, surname, nationality, date of birth, place of birth, address),
- Nature of work which employee will be performing for a client,
- Time span (for which employee is allocated to a client),
- Place of work and starting date of work,
- Information about working and payment conditions of client's employee,
- Conditions of termination of temporary allocation of employee before the expiration of arranged period, these conditions must not favour only a client,
- Number and a date of issuing of decision which allows the employment agency to mediate work

The agreement must be made in written form and it must fulfil the requirements mentioned above, otherwise, the agreement is not valid.

Although the agreement is the only document which law obliges employment agencies, in many cases there exists other document which is called framework agreement. This agreement includes higher commission which the client is obliged to pay to the

employment agency for its services. Also, the agreement on contractual penalty, which comes into action when the employment agency does not provide sufficient number of employees to particular client. The important point of the contract is the liability for damages caused by the employee in relationship to the client and vice versa. The framework agreement might be also supplied by other arrangements in case that both parties agree on the terms and arrangements.

5.7 Working and Remuneration Conditions

One of the main principle of employment agency is the requirement of LC (§ 309 par. 5 ZP) for working and wage conditions not to be worse than the conditions of equal employee. Both client and employment agency are required to fulfil these conditions.

Regarding wage conditions, it is an obligation of employment agency according to § 110 LC to provide to allocated employee wage which is the amount equal to ordinary employee of a client, who performs work of similar (or the same) difficulty, with the same (or similar) working conditions and last but not least, the same (or similar) performance and results of the work.

Similarly, as employees of clients, employment agency employees have the right for salary bonuses, rewards, premiums and bonuses, profit-sharing of the company and so called thirteenth and fourteenth wages. Simultaneously, the employee must not be stripped of the access to the equipment or collective facilities of the client's business along with transportation services or children care services. The above mentioned limitation of the use of premises occur only on the basis of objective conditions (e. g. the company's kindergarten can be used only by employees who work in the company for longer than one year).

The same conditions apply to wage conditions (if the temporarily allocated employee works in public service and administration). From the scope of work in public service and administration is derived wage of the employee according to § 122 - 137 LC and simultaneously according to regulation of the government no. 564/2006 Coll., about wage of employees in public service and administration. The wage of allocated employee then must be considered according to tariff class and degree, he or she also must be assigned with bonuses resulting from already mentioned paragraphs of LC.

When considering of working conditions, it is easy to come across some problems with the definition of working conditions. The term is not clearly defined in labour-law regulations and therefore there are many ways how one can interpret it. One way to is to understand it as all of the labour and non-labour conditions which are created by the employer based on social programmes of clients. The other way to understand the working conditions and their meaning is narrower meaning that rights and conditions resulting from explicitly from labour-law regulations. It is obvious that in practise, working conditions regarding employment agencies are considered from the narrower meaning. It is not core activity for employment agency to create extraordinary conditions resulting from social programmes. Although, based on collective contracts or internal regulations the claim for extraordinary labour-law might occur. Some examples are longer vacation, provision of wage compensation in case of obstacles to work from client's side, discounted catering, etc. The collective contracts or internal regulations do not directly apply to employment agency employee but they create standard of working and wage conditions for him or her.

In case that the allocated employee's working and wage conditions were not the same or even worse than equal employee's conditions, the employment agency is obliged to ensure the equal treatment based on the application of the employee (or if such a situation is revealed any other way). The problem which occurs most of the time is that such an issue (as unequal treatment) is hard to find out especially due to lack of knowledge of temporarily allocated employees. The written instructions include information such as working and wage conditions but the temporarily allocated employees cannot recognize working and wage conditions of other (equal) employees working for the particular client. Therefore, allocated employees do not claim their rights and claims which occur due to unequal treatment. In case of submitting the application to ensure equal treatment, the agency is obliged to fulfil all the claims of temporarily allocated employees. It is important to mention that in case that the employment agency needs to pay to the employee to make sure his or her claims are fulfilled, the employment agency has the right according to § 420 Civil Code to claim damages from client.

6 Employment Agency – SpeakNow

The mission of employment agency SpeakNow is to help people to improve their language skills, especially English language skills. It focuses on mediating of work for

mainly students, who are native in English or excellent English speakers, to clients, who might be individuals, groups of people, schools, universities or just anyone who would like to improve his or her English skills. SpeakNow tries to mediate work to its best abilities in order to fully satisfy clients' needs. SpeakNow earns revenue as a percentage from each class tutored, which is usually 10 % from the cost of the class.

6.1 Agency Profile

SpeakNow is employment agency operating in the Czech Republic with the ambition to spread its activities worldwide, particularly south Europe, east Europe and Asia. SpeakNow does not have long legacy or big experience in its market, as it will be established in early 2016, in the Czech Republic. The establishment cost of employment agency in the Czech Republic is usually 10,000 CZK. It was an idea to help people in the Czech Republic and around the world to improve English while supporting mainly students (employees) and providing excellent services which are crucial in contemporary world.

6.2 Agency Services

The main activity of agency is a mediation of work (tutoring of English language) to employees (mainly students who are native English speakers or excellent English speakers) for clients (individuals, groups of people, elementary schools, high schools, universities, etc.).

Recruitment plays a big part in mediation of work. It is important to find proper tutors who have all the necessary and required attributes for client. Some of the attributes are:

- Patience (because no one likes to be taught by impatient people),
- Flexibility (as it is a key in order to satisfy students' needs to provide tailored education),
- English level must be excellent (confidence and fluency is very important too).

Mediation of work basically works as follows: the net of tutors and people who want to learn or improve their English language skills is created, then comes in place connection of tutoring team (employees) and students (clients).

Tutoring is the final result of all activities. Tutors (employees) work with schools, high schools, universities and individuals who want to learn English language, to improve their English language skills or just to practice English.

7 Business plan and Feasibility Study Analysis

It is very important not mix the two terms - business plan and feasibility study. Business plan is the basic plan of conducting business. It can be in many forms such as very simple thoughts of independent professionals and entrepreneurs or many pages of description in case of bigger businesses. In the simple form there is no need for business plan to be a document. It can be a few sentences describing the business plan that are easy to remember for entrepreneur in order for him or her to share it with anyone necessary. The business plans elaborated in details can be tens of pages which thoroughly describe the business, business plan and competition. The business plan is focused on the core of the business – its main activities and operations. The business plan can be considered as an ideal that cannot be reached, ideal that is pursued by the entrepreneur. Also the business plan can be considered as general long-term business strategy which entrepreneur follows. Typical difference between business plan and a feasibility study is the secrecy of key parts until the time of realization. The reason for secrecy is the competitive advantage. It is crucial for entrepreneur not to present the advantages of his or her business that would cause the loss of advantage and, when coming up with brand new product or service, the moment of surprise. Therefore, it is necessary to conduct business plan precisely and successfully in the real world, not only on the paper.

Feasibility study is considered as the highest degree of analysis for investing and business plans. There are certain steps of the feasibility study which include: text analysis of the project, analysis of the effectiveness of investment, sensitivity analysis (forecast of stability of the project over period of time base on changes of parameters), forecast of stability of investor or the loan applicant over a period of time. The purpose of feasibility study is to prove whether the best possible option was chosen, whether all necessary financial funds to run and operate business were estimated, whether the sustainability of investment was proved and also all the possible risks were identified.

It is highly recommended to elaborate with both feasibility study and business plan in as details as possible in order to provide complex information, especially parts

describing readiness of the project, planned future course of the solution of the project and final results after finalization of the project. Worth consideration is also hiring of externalist who might prepare such a material due to his or her objectiveness, experience and impartiality.

8 Development of Business Plan

Creating and writing of compelling business plan may look as really difficult and very big task which will be time consuming and exhausting. Good business plan might attract potential investors which is usually good for a company especially if the business plans to expand as investors bring money and therefore more possibilities for the business to grow. Such a business plan should include:

- Value-enhancing milestones,
- Business opportunity,
- Plan how to achieve objectives (planning, tracking, reviewing and goal setting),
- Exit strategy.

There are several steps leading to creation of good business plan such as gathering of all the information, planning workshop and, finally, writing of the business plan.

Gathering of all the information is the first step. It should include what information business have and what information is necessary to obtain. Such information might be:

- Mission statement
- Industry market research report
- Market size, penetration strategy and goals
- Price information for similar products/services of competition
- Logo
- Financing
- Names and biographies of main employees
- Names and biographies of directors

Team business planning workshop might help to write the business plan even though only one person should be responsible for writing it because team might bring more

insight and more ideas about strategies and other elements of business plan by, e. g. brainstorming.

Writing of the business plan is the final step. All the information should be gathered in order to arrive with great business plan. In the plan, there should be definitely included specifics of operations of business. This plan should have some form – specific sentences and paragraphs, bullet lists, tables, charts, images, customer testimonials, reviews, etc.

Example of business plan and its outline: executive summary, problem definition, solution, business model, product and technology, marketing and sales, external environment and competition, team, financial projections, current status, risk analysis, etc.

8.1 Business Plan

Executive summary is basically the first section of the business plan. It includes the following subchapters.

Problem definition introduces issues to potential investors and that is why such introduction should be clear and strong. The goal of this part is to convince investors about market issue that is not being solved or it is done ineffectively and therefore there exist some other solutions. The most important part should be about achieving and sustaining of dominating market power. Such sections as market overview, market background, market challenges and opportunities should be mentioned too.

Solution chapter is a summary of what company provides (products or services), how it will enter to the market and how it will operate in it. It is recommended that the solution is written from the view point of the customer. Necessary included in this chapter should be details about product or service provided and why is it unique, description of features, benefits of a product or service.

Business model is the description of value of the business to its customers. There is included, for example, required resources necessary to create, advertise and deliver the value in order to be profitable for the business and also how to sustain that. Business model clearly states how business will make money with its means. This chapter should definitely include how business model works, targeted market, possible partnerships, pricing and positioning, distribution model, etc.

Product and technology chapter should be about the uniqueness of the product or service. It is very technical in order to clearly introduce the advantages to potential investors. Recommendations are to include pictures, diagrams, etc. Necessary to include is, e. g. licenses, key technological summary, potential barriers to entry for competitors, etc.

Marketing and sales is very important part of the business plan as it clearly states the standing of business – it measures the success. The ways to penetrate the market and clear strategy should be stated. For the investors it is important for them to understand the awareness of customers and what stimuli can make people buy product or service. If the product is not yet being sold, launch plan is sufficient. Included should be go-to-market strategy, driving of market demand, branding strategy, pricing strategy, marketing communication plan, recruitment plans, distribution plan, customers, etc.

External environment and competition is really about analysis which needs to be conducted. There can be included political, economic, social and technology analyses. One crucial part of this chapter is competitive analysis which is done by providing of an overview of the competitors in the market. The overview is preferable if it is as detailed as possible.

Management team chapter is all about the team and how skilful, competent and reliable they are. Investors pay great attention to management team, especially to some elements of the team such as balance (which differs from stage to stage of the development of the business), knowledge of the domain (thorough handling of the domain at all levels), experience (which is represented by previous jobs and experience of the team members) and ambition (which is the drive to be successful and make the business grow).

Financial projections lay the basis for estimation of required amount of money as it states costs, revenues and cash flows. The progress of the business and its growth should be presented by break-even analysis and profitability. Also, required funding to achieve the goals and to sustain growth of the business should be presented. There might be more than one scenarios presented in order to present one-self clearly for potential investors.

Current status should be the chapter in which the amount of money is stated, how will the money be handled and will be done with it, how long will the money last and what will the money help to achieve. If funding is not sufficient, meaning that it will not be enough to help the business to operate profitably, then it is important to present the value in the

business for potential investors so they will want to invest money in the business. List of accomplishments, information about financing of the business, amount of money decided to obtain and the use of invested money to the business should be presented in this chapter.

Risk analysis should not be omitted from the business plan as it might outline possible risks for the business. Things rarely go along the plan and unexpected things happen on daily basis. Investors should be able to understand possible risks from this chapter. Description of risks and possible ways how to deal with them if they occur should be presented. CSFs (critical success factors) are statements that address overcoming of issues and they should help to find out and to understand what the business must do in order to be successful.

9 Feasibility Study

9.1 Characteristics and Use of Feasibility Study

Feasibility study (FS), also known under the term technical-economic study, is a document describing particular investment intention from all standpoint of feasibility. It summarises all the complex information regarding financial feasibility and meaningfulness of the project. Study is conducted in preparation phase which means that it is conducted usually before the project starts. Another purpose of this document is to describe possible alternatives and consider them based on their effectiveness, use of resources invested and to make easier the decision whether to invest in the project or not.

Feasibility study is used in practise for preparation of investment intentions for entrepreneurs but even in public sector. It can be in many forms and it is used as an obligatory attachment when applying for grants from operational programmes and that is therefore grant from the European funds. It might also serve as a document attracting attention of potential investors, as a document for establishment of business cooperation or document necessary to obtain loan.

The definition of the feasibility study (FS) is: the process of determining whether an entrepreneur's idea is a viable foundation for creating a successful business. It can be applied to any problem linked to a human business activity. Methodology of such a feasibility study usually includes:

- Identification of the opportunity or need

- Description of the nature of the project (product, service, etc.)
- Analysis of targeted market
- Unique advantages
- Competition analysis
- Management of the project
- Technical and technological analysis
- Impact of the project on the environment
- Investment requirements
- Financial analysis
- Sustainability, effectiveness, profitability
- Risk analysis and risk management
- Schedule of activities
- Conclusion
- Recommendations

The elaboration of feasibility study depends on the needs of particular business. The feasibility study helps to estimate project's costs, revenues, risks, and, of course, the effort needed to put into the project by the entrepreneur before the project is brought to the real world. Important fact that must not be omitted is whether the proposed product or service will work as proposed. That is why part of the feasibility study is technical and technological analysis. Generally, feasibility study is a mechanism widely used to compare strategies or to choose the most suitable technology used. The complex analysis then provides the real image of the future project. It clarifies the strengths and weaknesses, advantages and disadvantages of each particular solution and it serves as a tool to choose the most suitable solution.

There are various elements of the feasibility study, those elements include financial feasibility, industry and market feasibility and product or service feasibility.

The first element of feasibility analysis is the industry and market feasibility. It is very important to analyse this sector as determining of attractiveness of an industry as a home for a new business and to identify niches which a business can occupy profitably. In the industry there are five forces that influence the market.

The first force is rivalry. Rivalry is basically the number of competitors. There are some differences of competitors as not all of competitors are similar in size or not capable of similar performance. The fast pace of the change of industry helps new business to succeed (the reason of the boom of start-ups) and there occurs an opportunity to differentiate the product or services. There always exists rivalry among the firms and that is why the analysis of existing firms is recommended.

The second element is suppliers. As there are many suppliers who offer similar or the same product for different prices, it is easy and logical that companies seek to find the supplier that suits them the most. It is very easy to switch from one supplier to another one. In the market there are many substitutes which only contribute to the easiness of transition from one supplier to another one.

The third element is buyers. There are many buyers in the market. Customers' wants and needs are high and very vast. Customers want differentiated products. They find it difficult to obtain information about the costs of suppliers which is good for companies. The cost to switch to competitors is high.

The fourth element is new entrants. There are no advantages of economic scale. Entering the market is not difficult because the capital requirement is not high. The company size does not influence the advantages of cost. New entrants usually face the issue that buyers are loyal to the brand which means that buyers are reluctant to buy from a new brand when they are satisfied and used to their favourite brand. On the other hand, governments usually do not restrict the entry (it depends on the type of economic system and laws and policies of particular country).

The fifth element is substitute products. The issue is that the quality of substitute might not be always high. Therefore, it might not even be considered a substitute as it might be similar product but with such a low quality that few people buy it. Another issue might be that prices of products that are considered substitutes are not cheaper or similarly priced. The cost of switching to substitute product is high for buyers.

The second element of feasibility analysis is product and service feasibility analysis. The purpose of analysis of this element is to find out whether customers are or will be willing to purchase goods and services offered by entrepreneur's business. It is also important not to omit the analysis of profitability. Question whether a business can provide

products and services while making profit must be answered. Such analyses can be conducted via research and/or trials.

Research includes primary research and secondary research. Primary research is based on focus groups. Usually, primary research is done by questionnaires and customer surveys. On the other hand, secondary research is conducted via articles, local data, forecasts, census data, demographic data, direct mail listing, trade associations and business directories.

Trials are not as popular as research but they are not less important. Entrepreneurs can distribute original forms of the model (called prototype) to customers in order to obtain feedback from their usage, test and overall experience. Another type of trial research is called In-home trials. It is a technique which involves researchers to visit customers' houses and to observe and study them while customers use the product or service of the business.

Financial feasibility analysis takes into account capital requirements, estimated earnings and return on investment. Those are the most used factors for financial feasibility analysis.

9.1.1 Relation to other types of Project Studies

The whole process of work on a project starts with the formulation of idea, then comes the elaboration of the idea, implementation of the idea and finishing and liquidation. The whole process can be divided into four basic phases:

- Pre-investment,
- Investment,
- Operating,
- Finishing and liquidation.

It is very important to dedicate a lot of attention to the first, pre-investment, phase as the success or failure of the project will depend on understanding and synthesis of all the information from marketing, technological, financial and economic area. Proper interpretation in the feasibility study is crucial (Fotr, Souček, 2011). Before one approaches to conducting feasibility study, one should have previous experience with the

texts that are not so financially and time consuming such as investment opportunity study and preliminary feasibility study.

9.1.1.1 Identification of Business Opportunities (Opportunity Study)

Identification of business opportunities is the first step that is necessary to take in the pre-investment phase of the planned project. The goal of the opportunity study is to identify opportunities for business based on the gathered and available information and to describe them in the way that it is possible to assess effects and potential of project based on the information. It should also include the highlights of the basic facets of individual opportunities. The important is the aggregate information and estimation more than detailed analyses, as well as low cost for elaboration and simplicity of such a study.

The outcome of opportunity study is the list of opportunities which are potentially suitable to implement and that can be further analysed more in depth which is usually more expensive and time consuming in a form of preliminary feasibility study. The opportunities which are too risky are eliminated due to, e. g. too high demand for budget or due to low return on investment.

9.1.1.2 Preliminary Technical-Economic Study (Pre-feasibility Study)

Elaboration of feasibility study is expensive and time consuming process. Due to this fact, it is appropriate to elaborate so called pre-feasibility study first. This study is the continuation of investment opportunity study and it is considered an intermediate step between opportunity study and the final technical-economic study. Both studies are of similar structure and content of the chapters but they differ in the scope of details of elaboration, in the depth of analyses and verification of particular possibilities.

The outcome of assessment pre-feasibility study is either the decision that the project intention has a potential to be successful and therefore it might be invested in the project in order to elaborate more detailed feasibility study, or, on the other hand, the decision might be to stop investing and preparation activities for the project. The reasons might vary. Some examples could be high potential risk, low potential effects from implementation, etc.

9.1.1.3 Technical-Economic Project Study (Feasibility Study)

Feasibility study conducted to its fullest extent is so complex and sophisticated document that it provides all the material necessary in order to make responsible investment decision. The findings are more detailed and more in-depth elaborated, which were formulated in above mentioned preliminary feasibility study. Therefore, project is described from all important standpoints regarding the implementation of the project that help to answer all the possible questions from the technical, economic, commercial or environmental field.

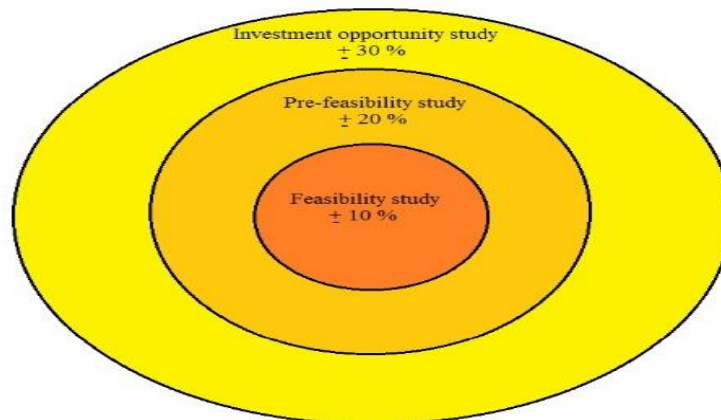
Feasibility study should provide enough information and data for financial-economic analysis and evaluation of the project or its possible alternatives. In the study, there should be also evaluated potential risks, in detail, of the project and possible options of effective minimization of their negative impact.

It is possible that feasibility study might reveal possible weaknesses of the investment intention and therefore it is necessary to seek for other possible alternatives. If there is no other alternative that would be economically viable and therefore it cannot be recommended for implementation, it is necessary to accept the fact and state its causes. The negative outcome can be considered as a positive since it is very expensive and time consuming to conduct feasibility study, it can still prevent much bigger losses which would not have been saved if the feasibility study was not conducted.

9.1.2 Required Precision and Pre-Investment Studies Expenditures

The development of investment opportunity has different phases of elaboration during which the initial idea of the project is generally improved regarding the configuration, correctness and accuracy of the information and results expected. The ratio of correctness (systematic error) and accuracy (random error) is estimated to be 30 % in investment opportunity study and gradually decreases on 10 % in detailed feasibility studies. The scope of errors is related to quantitative factors, e. g. size of the market, operating costs, etc. Qualitative facets contribute to errors too, e. g. estimation of qualification of key employees, etc.

Figure 2: Pre-investment study accuracy



Source: Own work

As the intention of the project is researched more in depth and more in detail, the requirements for correctness and accuracy of all the information and material increase. It is closely related to the increase of expenses for elaboration of the study. The estimates are made from the total investment costs. The percentage of costs representing the amount of investment resources needed for elaboration of feasibility study for large projects is lower than for smaller projects as the economies of scale come into action. The market analysis and technical analysis for large projects might be more expensive because of the size of the market and the extent of technology is much greater. Although, as the ratio of the size of the project and the whole volume of invested resources is considered, the costs are

negligible. That is the reason why the percentage of investment costs is smaller for larger projects.

The costs for all pre-investment studies are added up, e. g. if the costs for elaboration of studies are 2.5 % from the total investment costs of the project, it can be estimated that the investment opportunity costs represent 0.4 %, the costs for pre-feasibility study represent 0.7 % and the final feasibility study represent 1.4 %.

9.1.3 Feasibility Study Processing Styles

High-quality feasibility study allows to minimize probability of unwanted complications in any part of the project implementation and therefore it minimizes the potential loss of financial investment in the future.

The quality of elaboration of each chapter in the feasibility study is very important and the attention should be paid to details in order to realize the connection between each chapter of the study. The marketing strategy is usually based on the size of the project and the size of the project might influence for the location of the project, targeted group of potential customers, choice of technical solution of operation, etc. That is the reason why when elaborating the feasibility study one cannot elaborate chapter after chapter in some order. It is necessary to go back and review previous chapters and to verify whether some chapters are not contradictory to other chapters. In case that it happens, the previous chapters must be adjusted accordingly. According to Fotr, Souček (2005) the preparation of technical-economic study is therefore a process of constant verification of individual parts which are very closely related.

Another characteristics of feasibility study is the variability of approaches towards particular issues and creativity of the author of the study. In each part, it is necessary to describe and evaluate as many alternatives as possible, from the least optimal to the most optimal alternative. Formulation of alternatives is related to abilities of the author to find extraordinary solutions by using his or her creativity. Many time is the author required to plan uncertain future and to take into account uncertain but for implementation of the project crucial assumptions which might influence implementation and meaningfulness of the entire project. Example of such substantial but hard to predict variable is estimated size of demand for service or product. For the majority of projects there is assumed one optimal

solution which influences the cash flows and calculations of many indexes are based on this optimal solution. The other alternatives then serve as justified rejected solutions or as alternative solution for preferred alternative which can be used in case that the preferred alternative cannot be implemented.

Although, some projects might be similar or they are solved by similar ways, each one of them is original in its way and therefore the feasibility study should be authentic. In practice, authors of feasibility studies often approach the projects with trained expert routine. In order for feasibility study to fit its purpose it is necessary to assess each project individually and to look for the optimal solution for particular project based on the information, data and conditions available.

9.2 Feasibility Study Structure

The aim of feasibility study is development of technical, economic, financial, managerial and other relevant facets of the project. Study should gather information which are substantial for complete evaluation of project from implementation and meaningfulness standpoint. In this chapter, there will be described content of each part of feasibility study regarding projects intending to establish employment agency.

Generally, it can be stated that feasibility study is based on strong and stable foundation (represented by chapters and questions which are necessary to be asked during elaboration of the study). The structure, details and financial demands of each topic is not the same for all the projects. Author should take into account specific properties of the project and focus his or her attention on issues which relate specific for the project. The content of each chapter of the final feasibility study is always dependent on the nature of the project.

9.2.1 Content of Feasibility Study

The content of feasibility study, which serves as obligatory attachment of application for grant from EU funds, is based on methodology of the Ministry of Regional Development. Content might be adjusted according to requirements and needs of particular grant title. According to Sieber (2004) the usual structure of content of feasibility study is as follows:

- Title page
- Table of Contents
- Introduction
- Brief evaluation of project
- Description of nature and phases of project
- Market analysis and marketing strategy
- Project management and Human resources management
- Technical and technological solution of project
- Environmental impact of project
- Long-term asset insurance
- Working capital management
- Financial plan
- Cost-benefit analysis
- Risk analysis
- Schedule of project
- Conclusion and final assessment
- Attachments

Introduction – in this chapter approximately one page of text analyses the following: purpose for which is feasibility study conducted and the date, identification of a client who wants feasibility study to be conducted and identification of author of feasibility study along with contact information for persons responsible.

Brief evaluation of project – the summary of essential conclusion resulting from feasibility study in one to two-page length. The author of the study should provide and describe essential values of indexes calculated in the financial analysis and describe conclusions derived from it regarding evaluation of effectivity and sustainability of project. This chapter is basically briefly described implementation of project from standpoint of all feasibility study elements.

Description of nature and phases of project – this chapter serves for a client as a summary of all the information about the project. The whole name, purpose and aim, what kind of problem project aims to solve and what outcomes result from its implementation. Who is

the investor (or owner or operator) of project, where it will be located and the size of project should be clarified. Also, it should be mentioned what makes project unique, what kind of activities will take place in each phase of implementation of project (pre-investment, investment and operating phase). It is recommended to describe illustratively impacts of project and to differentiate them for each case - project will be implemented (so called investment alternative) or that project will not be implemented (so called null alternative). If there is considered more alternatives for project it is necessary to point out this fact, provide information about alternatives and in what ways they differ from each other and also for which alternative were calculated final evaluation indexes described in previous chapter.

Market analysis and marketing strategy – this broad chapter includes description of all marketing facets of project. Individual parts are:

- Market analysis and demand estimation
- Marketing strategy
- Marketing mix

Project management and human resources management – content of this chapter is complex solution of project's management and related questions. Definition of what way will be carried out all the plans regarding project, organization, operation and control activities, organizational units and all human resources.

Technical and technological solution of project – all the technical and technological facets of project are summarized in this chapter. Characteristics of chosen technology is described along with technical parameters of each device, advantages and disadvantages of assumed solutions, possible technological risks, necessary material and energetic flows, details about durability of devices, necessary maintenance and costs for revision, etc.

Environmental impacts of project – it is important to define the impact of project on quality of environment (positive and negative) during all phases of project.

Long-term asset (investment) insurance – structure of long-term asset, determination the amount of investment costs, the issue of service conditions and possible repurchase, depreciation scheme, etc.

Cash-flow identification – also called revenues and expenditures plan is the content of this chapter. The author should prepare plan of progress of all revenues and expenditures in each phase of project's implementation.

Financing sources (financial plan) – is description of planned progress of revenues and expenses, planned state of property and sources for its coverage.

Assessment of effectivity and sustainability – this chapter describes all financial and socio-economic impacts of project with evaluation of its effectiveness and sustainability with regard to certain criterial indexes calculated from financial flows.

Risk analysis – it is important to specify the biggest potential risks of project, to define their magnitude, probability of occurrence and precautions necessary in order to minimize their negative impact on project.

Schedule of project – schedule is time plan of each activity and phase of project. This plan should provide clear information about when each activity starts and ends, and which activities are done simultaneously and which are done one after another.

Conclusion and final assessment – this chapter should be complex and sophisticated conclusion which assesses project from many different standpoints and it should provide a client the information about implementation and financial profitability of project.

This diploma thesis deals with more specific demarcation of each chapter which are relevant to the nature of project which is establishment of employment agency in Prague. Recommendations for elaboration of each chapter are written, also what to pay attention to and what not to forget in order for study to have required level and to fit its purpose.

9.2.2 Market Analysis and Marketing Strategy

Every organization, enterprise or project operates in particular environment. Each element and attribute of this environment influence directly or indirectly its functioning. Whether the goal of project is use of available resources in order to produce and sell goods, or just to satisfy needs (existing or potential) for services, the main factor which determines success is always the best possible understanding of external environment – market in this case in which the outcomes will be projected. In order for project to be

successful in the market there are many activities and methods used which could be expressed by one word – marketing.

There are many definitions of what marketing is. One of them can be described as: Marketing presents integrated complex of activities from market research, environment analysis, survey of needs and wishes of customers and study of shopping and decision making processes of customers. It includes planning, creation of product, deciding of distribution channels, pricing and contractionary policy and promotion, marketing management and other activities.

The core of marketing approach is knowing the customer (potential user of project's outcomes). Through market analysis the author of the study should reveal information about needs of customers and supply of competitors which are necessary for defining of marketing strategy of project and for conceiving of marketing mix.

9.2.2.1 Market Analysis and Demand Estimation

In order to accurately describe the situation in the market and to estimate demand it is necessary to obtain enough relevant information and data. They might be obtained from existing information resources (desk research), e. g. available statistics and reports, or from investigations (field research) which might include questioning of people living in the location of proposed project, observation, etc. The most common solution is via questionnaires in order to obtain and to verify preferences of locals and others who are influenced by implementation of project. Specification of the targeted market and targeted customers should be defined by the author of feasibility study and competitors should be defined in order to estimate of development of demand.

Definition of market

In the first step it is important to define and specify targeted market from quantitative (total volume of market, level of saturation, potential growth, demand stability, etc.) and qualitative standpoint (structure of needs of customers, competitors, etc.).

Definition of targeted customers

Understanding of who are potential customers of the outcome of project (primary and secondary) is crucial. What kind of need those potential customers will seek to satisfy,

how they will benefit, how much are they willing to pay for the product or service and how often they will use it, etc.

Definition of competitors

Very important is the knowledge of contemporary competition and even the potential one and to realize its power (share of the market, total volume of revenues, etc.) and its weaknesses. It is recommended for the future owner of employment agency to understand how competition works, who are the main competitors. All the data and information available about competition is giving the advantage for the new project as it can thrive from its weaknesses and knowledge about their system and how things work at the competition. The price should be the most important information as the price is the decision-maker for most of the customers who would like to learn English.

Not omitted in the analysis should be possible reaction from the competitors as the new project implemented might influence their future in the market. Description of other new possible entrants to the market and possible threat should be included.

The establishment of future demand

Final and probably the most important and the most difficult part of market analysis is the estimation of future effective demand. Based on all previously gathered information and data about trends of contemporary demand and about factors which influence it the author of the study must try to estimate, as accurately as possible, the future development of demand for products or services.

Well conducted market analysis might reveal many possible risks and potential opportunities for investment. That is the reason why author should pay great attention when elaborating this part. From all the gathered facts and information should lay the foundation for elaboration of marketing mix.

9.2.2.2 Marketing Strategy

Based on the information gathered by thorough market analysis the specification of marketing strategy of project can be introduced. The first step is formulation of strategic goal (what should future outcomes accomplish which might be share of the market, certain amount of customers using the service or product, etc.). This marketing strategy then serves as a plan to accomplish and to sustain a goal of the project. It includes means and

tools serving to inform clients about the existence of product/service, about its characteristics and how these characteristics lead to satisfaction of their wants and needs. Although, it is not enough for a product or service to be successful. It is important to choose appropriate marketing (distribution) channels and to encourage customers to purchase the product or to use the service.

According to Fotr, Souček (2005) there are two basic types of marketing strategy. Strategy aimed at the competition (the purpose is to suppress the competition) and strategy of market expansion while preserving market share.

- Strategy aimed at the competition – this strategy tries to specify ways how to increase the market share at the expense of competition. Examples are: aggressive pricing strategy (dumping), imitation strategy (the aim is to profit from marketing activities of competition) and profile strategy (which aims at the quality of products). This strategy is suitable when one cannot expect growth of aggregate demand (case of saturation of the market).
- Strategy of market expansion – this strategy uses tools of marketing mix and they are aimed at expansion of existing market (increase of demand of customers) or at creation of new markets (gaining of new customers).

9.2.2.3 *Marketing Mix*

Marketing mix is the basic tool of marketing management. It is a set of controlled marketing variables that serve production programme of company (project) that should reflect as precisely as possible the needs and wants of targeted market. Mix comprises of elements which are interconnected. Marketing mix aims at optimization of each element.

- Product
- Price
- Promotion
- Place

It is often called 4 Ps. In practise it is important to respect interconnection of each element since the success of product or service depends on appropriately chosen combination.

Product

The first step of setting marketing mix is to specify which products and services will be provided (with regard to the project), which group of customers will use services and what needs will they be able to satisfy by the outcomes of project.

Price and pricing policy

When setting pricing policy, it is necessary to take a few factors into consideration. Some of them are operating expenses, estimated use of services, pricing policy of competitors, price elasticity (reaction of customers to different price level), etc.

Promotion

Communication channels are core of this chapter as they should be specified along with the activities supporting selling of the product or service in each phase of the project. Appropriate communication channels should not be underestimated. Promotion might be expensive although it might bring great results. When promotion activities are done correctly, it might help to achieve required level of use of service or product and they help to create and sustain share of the market.

Place

Place represents all distribution channels through which services reach potential customers. Some examples are leaflets in shops, paid advertisement in newspaper, Facebook, etc. The results from market analysis influence marketing mix and they allow the author of the study to estimate costs which will be needed for all marketing activities of project. It also provides an overview of expected revenues.

9.2.3 Project Management and Human Resources Management

In the following chapter should be elaborated personal question of the project in all its phases. It is necessary to describe all the workforce with appropriate qualification, skills and expertise and to estimate quantitative requirements of employees.

The quality of project management depends on the performance of the whole team. In order to be effective it is required to create organizational structure of job roles, divide competences and responsibilities for completion of tasks in order to achieve set goals. This

chapter should help author of the study to estimate costs regarding workforce. The organizational structure might change throughout the life cycle of project.

9.2.4 Technical and Technological Solution of the Project

Description of solution of project is described in detail in documentation. This chapter is very important especially for projects for which the technology is crucial as it influences cash flows. It can be due to expenditures for purchase of technology or also due to other operating expenses. Some basic question should be answered in this chapter such as:

- What technology is used in the investment phase and what on what technology is based operating of project?
- For more alternatives, what brings the use of different technologies?
- What are the risks and investments necessary?
- When will be necessary reinvestment?

9.2.5 Schedule of the Project

Schedule of the project is a timetable of individual steps and activities that are necessary in order for the project to be completed. It lands the foundation for coordination and control of the advancement of project in regard of its timetable. Precisely made schedule contains many information necessary to effectively manage project such as milestones, assumed length of each activity and interconnectedness of each activity.

Manager uses the schedule, which provides clear information about when should what activity take place, to control activities on daily basis in order to achieve set goals. There are many kinds of schedules, one of them that is very often used is Gantt chart – it is simple and easy to create.

9.2.6 Environmental Impact of the Project

When it comes to realization of investment intention it might have influence on the environment which is directly connected to the project. All the impact on the quality of environment of the project must be included along with their importance and extent. Precautions necessary to mitigate the negative impact should be analysed and the best

option should be chosen. Therefore, many projects need the EIA – Environmental Impact Assessment because without it there must not be approved realization of the project.

9.2.7 Securing Long-Term Investment

In this chapter it is necessary to define structure of purchased investment asset. The outcome of this chapter should be a list of necessary investments from a long-term perspective. Most of the expenses occur in implementation phase of the project. It includes, e. g. expenses for purchase of land, technology, management, different studies, etc.

9.2.8 Cash-flow Identification of the Project

In the preparation phase it is important to carefully plan expected cash-flows of project. Under the term cash-flow are understood capital expenditures and monetary revenues which are caused by the project and its purchase, its lifespan and its liquidation.

Identification of expected cash-flows is one the most difficult tasks of financial planning since economic effectivity and sustainability rely on it. Prognosis should be as precise as possible. Otherwise, it will not show influence of basic factors and later on decision on what alternative to choose might not be the most optimal one. Reasons why it is very difficult to predict cash-flows is due to time factor (as it is difficult to predict for longer period in the future) and also due to other factors (such as trend of price, demand, competition in the targeted market, etc.). It is recommended to elaborate tables of cash-flows in investment phase and in operating phase.

9.2.9 Financial Funds for the Project

The basic part of financial planning is to estimate value and structure of assets of the project along with the value of sources necessary to cover them – liabilities – for all phases of the project. Assets might be one's own or someone else's, long-term or short-term sources which insure the property of project such as initial investment, bank liabilities, profit generated by project, etc.).

9.2.10 Effectivity and Sustainability Evaluation

The term effectivity is understood as usage of public funds which help to achieve maximum possible extent, quality and benefit of particular tasks in comparison with

volume of funds invested to complete them. Effectivity is therefore a relationship between inputs (financial funds) and outcomes of particular activity or project (e. g. services provided). From the point of view of frugality, it is necessary to minimize the costs on resources (financial, human, material) while preserving the quality of resources and quality of performed tasks.

Sustainability is according to grant terminology a period in which the recipient of grant must sustain outcomes of project.

To evaluate investment intention in preparation phase it is possible to use analysis of costs and benefits (CBA). This analysis might be included in feasibility study. Besides financial feasibility and return on investment, CBA provides broader economic impacts of project. The basic structure of CBA comprises of financial and economic analysis. Financial analysis applies to the bearer of the project and it points out cash-flows regarding the project. The outcomes are then used in economic analysis to reveal societal impacts of project.

9.2.10.1 Financial Analysis

For evaluation of economic effectivity of investment projects from the financial analysis point of view, there is used a set of criterial indicators (some take into account factor time). There are static indicators (do not consider time factor) – benefit/cost ratio, payback period, return on investment and dynamic indicators (consider time factor) – NPV, IRR. Problem of different time value is due to different time of occurrence. When time factor is included it is necessary to calculate with inflation (use of real prices) and time preference (discounting with discount factor).

Payback period – is a period which is necessary for compound cash-flows of project to be equal to investment. If the value of PP is shorter than life-cycle of project, then the investments into the project will be paid back.

Profitability index

It is the present value of the future cash flows divided by the initial investment. It considers all cash flows, risk and the time value of money.

Net present value – is the sum of discounted net cash-flows over the period of evaluation of project. If $NPV > 0$ can be considered as acceptable, if it is 0 then it has neutral nature and it does not influence assets of investor.

Internal rate of return – is the discount rate at which the present value of all future cash flow is equal to the initial investment, in other words, it is the rate at which an investment breaks even. The project is acceptable when the value of IRR is greater than supposed discount rate.

ROI - is the benefit to an investor resulting from an investment of some resource. ROI is a performance measure used to evaluate the efficiency of an investment or to compare the efficiency of a number of different investments.

There were chosen several indicators for financial analysis of SpeakNow: **ROI, NPV, PI and B/C ratio.**

9.2.10.2 Economic Analysis

The purpose of economic analysis is assessment of all impacts on society when implementing the project. The whole process of analysis is:

- Identification of economic environment of project
- Analysis of impacted subjects
- Identification of costs and revenues
- Rectification of market prices
- Determination of shadow prices of intangible items
- Evaluation of economic return of project

The outcomes of each step are economic cash-flows necessary to evaluate complex economic impacts of project. After correction and extension of cash-flows according to possible impacts of project, it is possible to calculate basic economic indicators: ERR, ENPV and B/C. The final result of this chapter should be a summary of results and indicators calculated from cash-flows from economic and financial analysis.

Benefit/cost ratio – expresses the share of net profit and investment as a criterion for return of invested monetary unit. If the value is greater than 1, then project can be evaluated positively. The higher value the better return on investment.

$$\frac{B}{C} \text{ ratio} = \frac{\sum(\text{revenues } t - \text{operating costs } t)}{\sum I_t}$$

9.2.11 Risk Analysis and Risk Management

Throughout the lifespan of project there might occur many things that might influence or even disturb planned progress of project. The risk might be defined as indefinite phenomenon or condition which might have positive or negative effect on the goals of project. Various external factors of the environment can represent direct and indirect threats to project but also other opportunities. Risks for future project might be unresolved direct threats but also unpreparedness for opportunity. It is nearly impossible to avoid some risks. It is necessary to respect risk as a basic attribute of right decision making. It is reasonable to conduct estimation of potential risks in feasibility study.

9.2.11.1 Risk management

It is systematic approach to identify, evaluate and manage risk throughout the life cycle of project. Its purpose is to actively analyse risks of project, consequently solve adequately the situation occurred and contribute to goal reaching of project. At the beginning of risk management, it is important to realize the main goals of project and also take into account the environment of project. Process of risk management can be divided into three groups:

- Risk analysis (all possible risks)
- Evaluation of risks
- Solution of risks (possible precautions)

It is necessary to repeat the process due to changes in the environment as they bring different risks that need to be monitored, analysed and re-evaluated.

9.2.11.2 Risk Identification of the Project

The aim of identification of risk is to find out as many potential risks for project as possible, their nature and to describe them correctly. The quantity is the major goal for conductor of the study as it is better to find out more risks that might be inadequate than to overlook some. The outcome of this chapter should be a list of all possible risk factors. The risks might be divided into categories such as: Technical-technological (e. g. not

appropriate solution for a project), economic (increase of costs due to increase of price, material, etc.), market, financial, legislative, political, environmental and managerial, force majeure.

9.2.11.3 Importance of Risk Factors

Importance or significance of risk factors is possible to determine two ways – expert or sensitivity analysis.

Expert rating of risk factors – can be conducted by qualified person or group of experts. Factors are evaluated based on the extent of impact and probability of occurrence.

Sensitivity analysis – the aim of this analysis is to find out sensitivity of certain economic criterion of project (e. g. NPV, profitability) based on predetermined change in risk factor (e. g. volume of demanded services, prices of materials and energies).

The basic form of sensitivity analysis is so called one-factor analysis when impacts of individual risk factors on economic criterions are determined separately, all other factors remaining the same. Changes of values of each risk factor might be: deviation (from planned values) or optimistic and pessimistic estimations. Factors causing lower change of economic criterion are considered not important (sensitivity is small). Disadvantage of sensitivity analysis is that it considers factors separately and that is nearly impossible in reality. Nevertheless, sensitivity study can be very useful, especially in combination with other tools.

9.2.11.4 Final Evaluation of the Project

Every feasibility study should be concluded with thorough conclusion which summarizes all the findings and evaluations of project from all possible and significant aspects of implementation. Details are not necessary. Importance should be stressed on the crucial factors influencing implementation of project. Recapitulation of alternatives should be mentioned and commented on along with provision of results from financial and economic analysis.

Practical Part

10 Business Plan

Table 1 - Executive Summary

SpeakNow - Executive Summary								
<p>Contact information: Julius Fördöš Návazná 20, Prague 16500</p> <p>Industry: Language industry with focus on language education world-wide.</p> <p>Development stage: It is necessary to establish employment agency, to create a web page and set up social media, start marketing, recruit tutors and students, run business.</p> <p>Year founded: Proposed early 2016</p> <p>Funding opportunity: Amount of money necessary to cover the initial expenses is 25,610 CZK.</p> <p>Use of proceeds: Development of web pages (marketing, paid media)</p> <p>Financial Analysis and projections: Costs of Establishment of</p>	<p>SpeakNow</p> <p>SpeakNow is an employment agency located in Prague that has come up with a unique way and approach to tutoring of English language.</p> <p>Problem:</p> <p>English language is still more important nowadays as it is primary international language. More people are required to learn English, especially when they try to work for international companies. There are many agencies and language schools that offer language courses but they are time consuming, many times inefficient as they are not tailored for individuals and courses are taught by tutors that have no relations to students. New approach is required to solve this issue and to help people.</p> <p>Solution:</p> <p>SpeakNow has come up with a unique approach to tutor English language. This approach consists of professional English speakers (native or with certificates of proficiency) and students (anyone who would like to learn or improve their English skills). SpeakNow creates from, both, tutors and students a network that allocates tutors to students according to needs of students. It is very convenient, reliable, professional, family-like approach and that is why people will use it.</p> <p>Business Model: How business model of SpeakNow works:</p> <table border="1"> <thead> <tr> <th>Infrastructure</th> <th>Offering</th> <th>Customer</th> </tr> </thead> <tbody> <tr> <td> Key resources - web infrastructure Key activities - allocating tutors to students - promotion via web, social media </td> <td> English language courses </td> <td> Customer segment - People willing to learn English Distribution channel - web pages and online communication </td> </tr> </tbody> </table>	Infrastructure	Offering	Customer	Key resources - web infrastructure Key activities - allocating tutors to students - promotion via web, social media	English language courses	Customer segment - People willing to learn English Distribution channel - web pages and online communication	
Infrastructure	Offering	Customer						
Key resources - web infrastructure Key activities - allocating tutors to students - promotion via web, social media	English language courses	Customer segment - People willing to learn English Distribution channel - web pages and online communication						

<p>employment agency – 10 000 CZK Web – 5,610 CZK Laptop – 10 000 CZK Estimated revenue per month - 1200 CZK</p> <p>Implementation roadmap: At this stage, web page has been created and social media have been established, marketing and promotion is running, some tutors showed interest and some students have been found. The next milestone is to establish agency, increase the size of team, students and tutors and expand to the whole Czech Republic, and later on to foreign countries with low level of English education.</p>	Cost structure	Revenue streams
	- web maintenance - social media maintenance	- revenue from tutored classes
	Finance	
	<p>Product and Technology:</p> <p>We have discovered a way how to improve English language skills of people, who want to learn English, very unique way that is tailored for them. We created a web page that attracts tutors and students from around the world that want to teach or be taught and we create databases in order to allocate tutors to students and to provide the best possible services to both sides. The most important is our know-how and its implementation which is done via websites, social media and human interaction.</p> <p>Marketing and Sales Strategy:</p> <p>Our marketing is based on the internet – social media, especially Facebook, YouTube, Instagram. Also, we use a word of mouth, leaflets and recommendation systems. Satisfied students and tutors recommend us to others and this way marketing works for us too as we are perceived reliable when friends recommend us to their peers.</p> <p>Competition:</p> <p>The market with language courses is global and enormous, therefore, there are many competitors and it is tough market to get into. Although, no-one has unique idea as SpeakNow and that is what differentiates SpeakNow from competitors.</p> <p>Team:</p> <p>Julius Fördös (CEO) has come up with this idea and established SpeakNow at the end of 2015. Team consists of CEO and advisors. This team ensures the operations of SpeakNow.</p> <p>SpeakNow is very unique approach to English tutoring which might bring new insight to this area. It provides solution to students as it is tailored for them and it provides great opportunity for tutors to earn money and to get new experience. This will improve English level on a global scale.</p>	

Source: Own work

Company Overview

Company Profile

- SpeakNow is situated in Prague, Czech Republic
- It is proposed to be established in early 2016 as an employment agency

Vision/Mission Statement

- Our mission is to help people to improve their language skills
- Our vision is to create global network of people who have great English skills and who are willing to share them in order to improve global English education

Industry Analysis

Market Need

We focus on increasing need of mastering English language. More people want and need to learn this language for their lives – professional, educational or personal need.

Market Overview

We compete in one of the biggest market – language market – and one increasing market – employment agency. It is global and fast growing. Language education is serious and importance is bigger than before. Both markets are growing globally and in the Czech Republic. Therefore, there is a potential in doing such a business. The major players in the market are e. g. Tutor, Glossa, Jipka, Spevacek, Lite, etc. Those are the most popular language schools in Prague with good market share. The market is not fully saturated and unique idea like SpeakNow might benefit and gain competitive advantage. SpeakNow plans to expand to other big cities in the Czech Republic (e.g. Brno) and to other states (e. g. southern Europe, Asia).

Market Trends

The market is increasing in the size as more people demand better language preparation and education. There is also trend of native speakers travelling around the world and teaching English. According to European statistics, there is annual increase in mobility (3 million in 2012-2013) of students and Prague is one of the most popular destinations for Erasmus programme. The increase of foreign students generally is rapid – in 200, there

was about 9 thousand students in Prague, in 2010, it was nearly 38 thousand students. We could take advantage of this trend.

Relevant Market Size

Since SpeakNow is located in Prague, its initial influence will be focused on Prague and the Czech Republic. The number of people who want to learn English is the highest in the CR in Prague and the focused groups are students at elementary schools and high schools, but also students at universities. Therefore, the market size is big – estimation of 500,000 people according to Czech Statistical Office.

Customer Analysis

Estimated number of people who are targeted group is 411,126. Although, we cannot include infants and kids aged 0-3. Also, the main target group is included in the graph but it does not include the rest which consist of people older than 29 who might be also a big group of people who are interested in studying English too. So the rough estimate of total potential customers is 500,000 people. From the graph it is obvious that the biggest part of targeted group are people between 20-29 years who live in Prague. Those might be students who need English to pass exams, finish graduation, get ready for language exams or to be accepted to their desired occupation. Therefore, the main focus groups are students at universities, elementary schools and high schools.

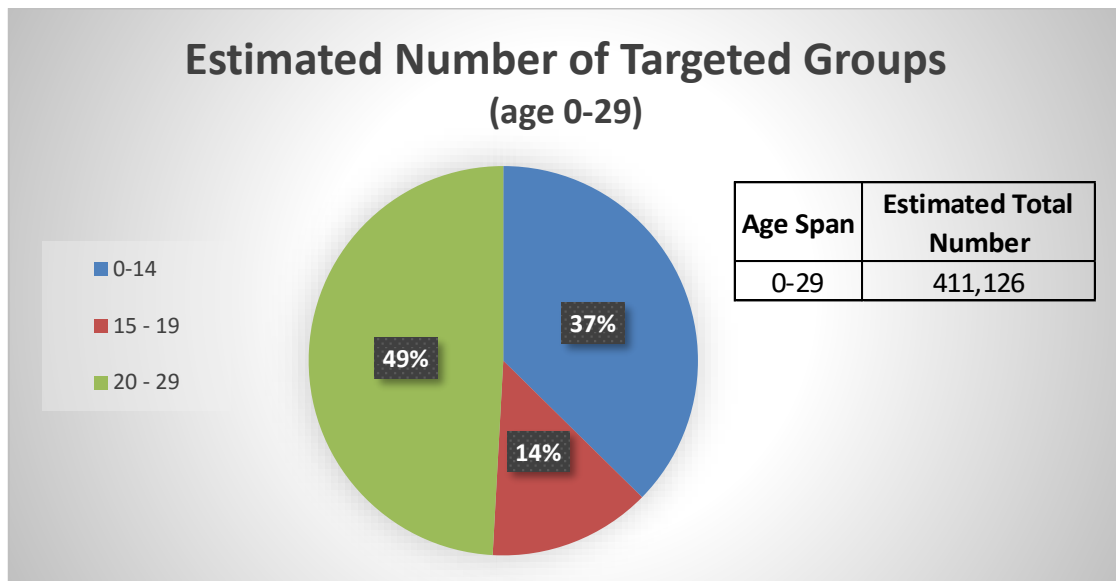
Customer Needs

There is a trend of increasing demand for language courses as it is needed especially for professional purposes, therefore, people who have this need will be potential customers. We cannot omit students from elementary schools, high schools or university students as they have a need to improve in foreign language for various reasons.

Target Customer Profile

The ideal customer is a person who has the need and the will to learn English or to improve his or her English skills. There is no age restriction, although, the biggest group will be students as mentioned above. The person should be located in Prague, since SpeakNow is not operating in a big scope yet (state-wise, internationally), he or she should be aiming at improvement of his or her English skills (for job, personal life, etc.).

Graph 3: Estimated Number of Targeted Groups



Source: Own work, Data from CSO available at: https://vdb.czso.cz/vdbvo2/faces/index.jsf?page=vystup-objekt&pvo=OBCR614A&vyhltext=&zo=N&krok=5&pvoch=&nahled=N&sp=N&nuid=&zs=&skupId=&z=T&f=TABULKA&verze=-1&filtr=G~F_M~F_Z~F_R~F_P~S~_null_null_&katalog=30710&u=v1050__VUZEMI__100__3018&&v=v1051__null__null__null&str=v1051&routka=true&clsp=null

Competitive Analysis

Direct Competitors

Direct competitors are language schools and language courses offering English in Prague. Also, people who tutor on their own are considered direct competitors.

Indirect Competitors

These competitors are for example other language courses than English – German, French, Spanish, etc.

Competitive Advantage

The main competitive advantage is unique idea of creating network of tutors and connecting them to students with ease, quickly and comfortably.

Marketing Plan

Product and Services

We provide services – English courses. We created a web page that attracts tutors and students from around the world that want to teach or be taught and we create databases in

order to allocate tutors to students and to provide the best possible services to both sides. The most important is our know-how and its implementation which is done via websites, social media and human interaction.

Branding and Promotions Plan

We created our own brand – SpeakNow. Our plan is to promote ourselves mainly via the internet (social media, etc.). We plan to implement 4 Ps – product is our service we provide, which is English classes, place is where we focus our aim (we focus on Prague and tutors will be visiting their students in public places or at their homes), price needs to reflect SpeakNow costs, willingness to pay of students, to satisfy also tutors and to stay competitive (usually the price for 60 minutes of tutoring is about 200 CZK), and promotion, as already mentioned, will be done via internet and social media.

Distribution Plan

Our marketing is based on the internet – social media, especially Facebook, YouTube, Instagram. Also, we use a word of mouth, leaflets and recommendation systems. Satisfied students and tutors recommend us to others and this way marketing works for us too as we are perceived reliable when friends recommend us to their peers. We communicate via internet with tutors (sometimes also personally) and arrange meetings and tutoring with students who communicate with us via telephone most of the time. When meeting is arranged, we make sure everyone arrives in the right place on the right time, introduce them and explain how tutoring works.

Operations Plan

Key Operational Processes

The key processes are communication with tutors and students, allocating tutors to students and ensuring smooth process of tutoring. Another very important activity is a promotion which is done mainly via internet and social media.

Business Milestones

Milestones that need to be reached are: increase the number of tutors and students of SpeakNow, become international agency, be profitable.

Management Team - Experience, ambition

Team Members

Julius Fördöš (CEO) has come up with this idea and established SpeakNow at the end of 2015. Team consists of CEO and advisors. This team ensures the operations of SpeakNow with experience of 6 years of tutoring in Prague and 5 months of tutoring in Taiwan.

Team Gaps

As SpeakNow grows in size, there is a need for assistants that will operate daily tasks such as communication with tutors and students, update web page and social media and arrange meetings and tutoring.

Financial Plan

Revenue Model – Estimated Cash-flow Statement

Table 2: Estimated Cash-flow Statement

Cash Inflow	Months (2017)												Total
	1	2	3	4	5	6	7	8	9	10	11	12	
Classes	1,200	1,200	1,200	1,200	1,200	1,200	0	0	1,200	1,200	1,200	600	11,400
Total inflows	1,200	1,200	1,200	1,200	1,200	1,200	0	0	1,200	1,200	1,200	600	11,400
Cash Outflow													
Web domain	150												150
Web hosting	360												360
Internet	425	425	425	425	425	425	425	425	425	425	425	425	5,100
Establishment (SpeakNow)	0												0
Software	0												0
Laptop	0												0
Total outflows													5,610
Net cash flow	265	775	775	775	775	775	-425	-425	775	775	775	175	5,790
Opening balance	0	265	1,040	1,815	2,590	3,365	4,140	3,715	3,290	4,065	4,840	5,615	
Closing balance	265	1,040	1,815	2,590	3,365	4,140	3,715	3,290	4,065	4,840	5,615	5,790	

Source: Own work

In the table above, there are depicted estimated cash flows for year 2017. In some months, there is zero cash inflow as the targeted customers are mainly students and they will have summer holiday.

Key Assumptions

The cash flows were based on estimation of tutors employed and potential customers from market research. The base of customers might grow (as English will be more important and demanded by schools and employers) which might result in increase of revenue over time.

Funding Requirements

The funds necessary (to purchase everything necessary to run the business in the beginning) is depicted in table below – about 25,610 CZK.

Table 3: Funds required

Item	Approximate Cost (CZK)
Web domain (yearly)	150
Web hosting (yearly)	360
Internet (yearly)	5,100
Establishment (SpeakNow)	10,000
Software	0
Laptop	10,000
Total	25,610

Source: Own work

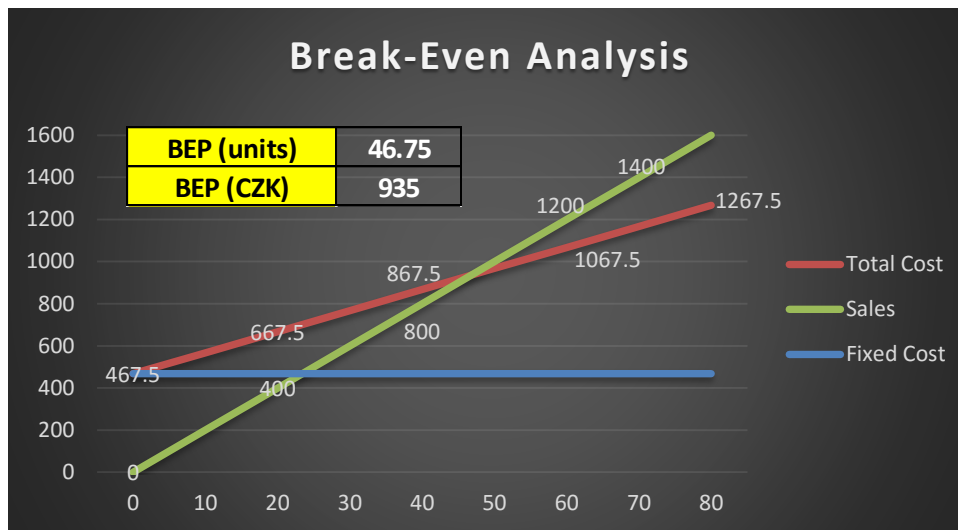
Later on, it will be necessary to fund monthly fee for the internet connection accordingly, yearly expenses (web) and other unexpected expenses.

Exit Strategy

The potential investors are not needed for SpeakNow but if there were any they will be paid based on agreed percentage from the income of SpeakNow. In case of non-profitability and inability to change that over time, SpeakNow can declare bankruptcy.

Break-Even Analysis

Graph 4: Break-Even analysis of SpeakNow



Source: Own work

The graph 2 depicts break-even analysis. It is clear that there must be sold 46.75 units (in case of SpeakNow units are classes tutored) or revenue must equal 935 CZK in order for the revenue to equal expenses. The analysis is made for one month of operating the business. Therefore, classes tutored (rounded 47 classes) are for one month which results in breaking-even.

Current Status

The current status of SpeakNow is at its investment phase, more precisely – promoting and marketing. The fees are yet to be paid, therefore, it is necessary to have at least 15 000 CZK in order to establish employment agency and to obtain all the necessary tools to start SpeakNow. The amount of 21 000 CZK will cover establishment, also the purchase of web domain and hosting and time necessary to finish activities in investment phase. If there is spare money, it will be reinvested in order to grow SpeakNow. Once it is operating, it will not be costly to run it, therefore, the biggest investment will be in investment phase. All the profit will be used to pay the team and to grow SpeakNow, once it reaches strong position in the market, the aim will be to use finance to grow internationally.

Risk Analysis

There are some critical success factors that help to identify risk and one can come up with possible way how to mitigate them.

Table 4: Possible risks

Type of Risk	Risk	Mitigation Strategy
Service	Service will not work as required	Service must adapt and evolve according to needs
Market adoption	Customers will not purchase it	Thorough market research to position service properly
Market size	Market is bigger than expected	Need of promotion and increase of competitiveness
Competitive	Competitors may lower their prices	Value of services to customers will be more important
Financing	Expenses will be higher than revenue	Increase in database of students and tutors will ensure higher revenue
Execution	Inexperienced team	Advisors from field were hired

Source: Own work

11 Feasibility Study

11.1 Introduction

There is an increasing demand for English language courses in the Czech Republic. This creates potential business opportunity - establish employment agency located in Prague that would focus on English education. Therefore, the feasibility study of employment agency with focus on English tutoring is worth conducting as it seems as a good business opportunity and it can be valuable information for investors. The purpose is to analyse the project and evaluate him appropriately. The feasibility study is required by Bc. Julius Fördöš who is also the author of the feasibility study.

According to calculations and analyses conducted in the feasibility study, project can be evaluated positively and that it can be started and implemented. After three years of running SpeakNow business will become profitable. Net present value with the interest rate of 5 % is 22,376 which is indicates very good investment project. A possible alternative could be investing the money to the bank. SpeakNow is still a better project with the interest rate of 5 % on return than the bank. The bank would have to offer more than 24.06 % interest rate in order to be a better alternative. Profitability index is 1.876

which only supports the decision to carry on with the project. It seems that it will not be difficult to sustain such a business as expenses are low and it does not seem very difficult to operate and obstacles with risks are small. 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 GDP and therefore it adds value to the society.

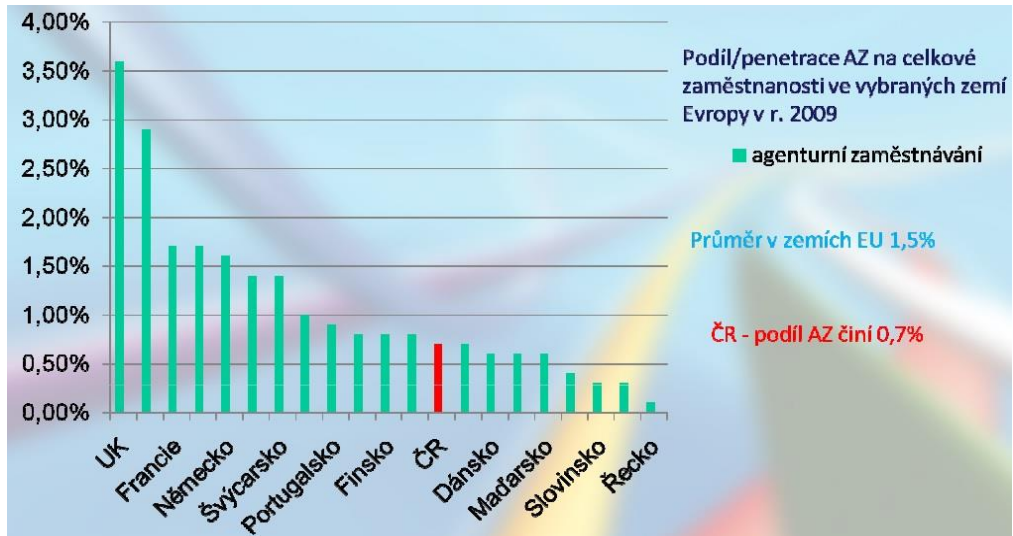
The project is called SpeakNow. Its mission is to help people to improve their language skills, particularly English language skills, by employing tutors and allocating them to clients in Prague. As was mentioned above, there is an increasing demand for English language proficiency and for English courses. Therefore, SpeakNow aims to focus on clients who have such demand and satisfy it by providing English tutors to them. The result should be a working employment agency which creates an easy and quick solution to acquiring English courses that are affordable and professional. The inventor of this idea and project is Bc. Julius Fördöš. The project will be situated in Prague, Czech Republic. It is a unique idea which could be attractive to many potential employees and clients.

11.2 Market Analysis and Marketing Strategy

Definition of market

In the case of this diploma thesis it is necessary to understand the difference between employment agency and personal agency. Personal agency is private mediator of work which seeks for clients (employers) suitable applicants for a job (employees) for work positions. Companies then employ employees for full-time employment or part-time employment as their own employees. Personal agency does not employ applicants; it only mediates employment to clients. On the other hand, employment agency employs applicants for a job and leases employees to clients (companies), more information was already mentioned in previous chapters. The market of labour is great in size and there are many employment agencies. In December, 2012, the CR had 1 658 employment agencies. In the following graph below, there can be seen the importance of employment agencies in the labour market – comparison of EU and the Czech Republic.

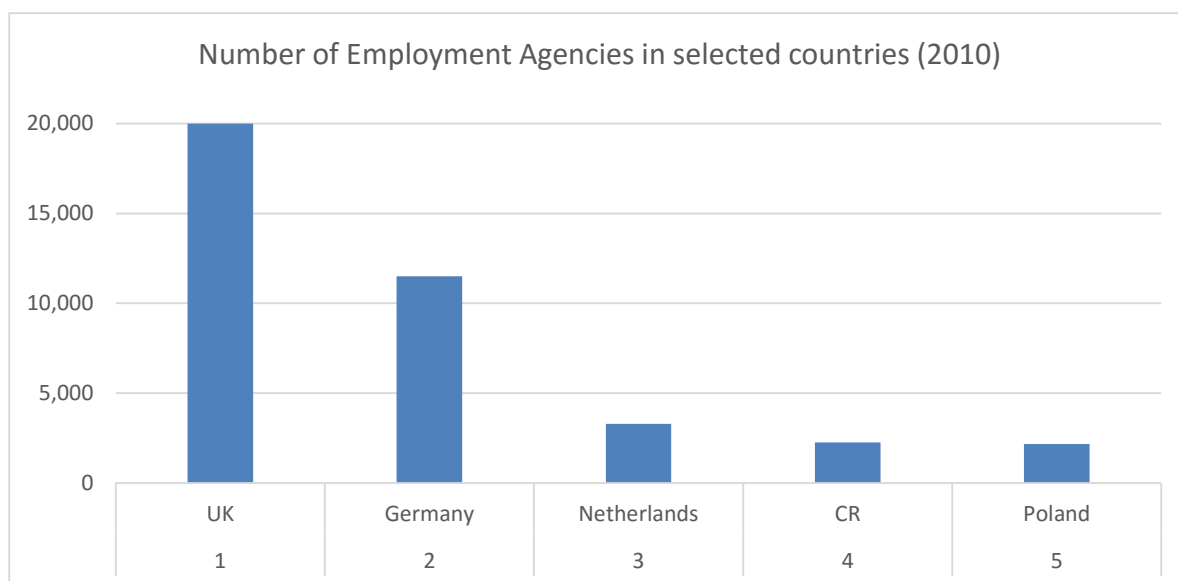
Graph 5: The role of agency employment – comparison of EU and the CR in 2009



Source: Available at APP (Association of employment agencies) - http://www.apps.cz/pool/files/trendy_na_%20trhu_prace_PJuricek.pdf

The graph depicts the share of AE on total employment in selected countries. The green bars present the percentage share of agency employment, the average of EU countries is 1.5 %, the CR share is 0.7 %. The CR is approaching the EU average but there is still a lot of place to grow and the number of employment agencies could clearly increase in the future. In the following graph, one can see the amount of employment agencies in selected countries in 2010.

Graph 6: Number of Employment Agencies in selected countries (2010)



Source: Own work resulting from data at: Available at APP (Association of employment agencies) - http://www.apps.cz/pool/files/trendy_na_%20trhu_prace_PJuricek.pdf

The Czech Republic could clearly increase the number of employment agencies as the number is not high, especially compared to the UK. On the other hand, Poland is behind the CR but by not much (about 100 EA).

It is necessary to consider whether such project, in this case EA, is necessary in the specific location, whether the market is not fully saturated and whether there is a potential for growth and to be profitable in the future.

There are many language schools/agencies but they are different from employment agencies. SpeakNow is unique in its way. Usually, language schools/agencies provide work and travel, study abroad, and language schools provide group or individual lectures. But it is not the same as with SpeakNow as it seeks to improve English skills of anyone who is willing to learn, does not require tutors to own certificates of English and connects them with students (people who want to learn English or get better at English). The demand for English language still grows and it is considered necessity. That might be the reason why this unique way might be successful.

Definition of targeted customers

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 e. g. meet the requirements for a company to work in. English skills increase the value of a person and opens the new possibilities to succeed in life. People who might be interested in improvement of their language skills are usually students (people aged 15 – 26). But parents realize the necessity of English language and that is why they want their kids to start early in order to be as good as possible and to gain advantage compared to others. Also, many people who are required to learn English due to demand of their occupation might be interested. Potential user of employment agency might be anyone who wants or needs to improve their English.

Definition of competitors

The competitors to employment agency employing mainly foreign students are mainly language schools because people are familiar with them and they know roughly what to expect from them. Also private tutors are competitors as they work on similar basis. When SpeakNow enters the market language schools might not react to the entrance as they might not know about SpeakNow. Once it becomes popular they might try to use some of techniques SpeakNow uses or, e. g. lower the price, offer sale, etc. to compete and gain customers.

11.2.1 Marketing Strategy

In case of employment agency focusing on foreign students tutoring English language, the best marketing strategy is a strategy of market expansion since the market is not saturated, it is possible to gain new customers and the demand according to trend will increase. All this can be achieved by effective marketing mix.

11.2.2 Marketing Mix

The marketing mix of SpeakNow is based on traditional tools such as 4 Ps – product, price, promotion and place.

Product

The service in case of employment agency SpeakNow is mediation of work to employees, and provision of skilled English tutors to people who want to learn or to improve their English skills (targeted group is mentioned in previous chapters).

Price and pricing policy

The price level regarding tutoring of English is usually based on the experience of English tutor, distance that tutor has to travel, required level of English for a client (beginner or intermediate), whether tutored is one person or group of people, the number of lectures per week or month, etc. Usually, the price for one class (60 minutes) is about 200 CZK when there is no commuting further than Prague.

Promotion

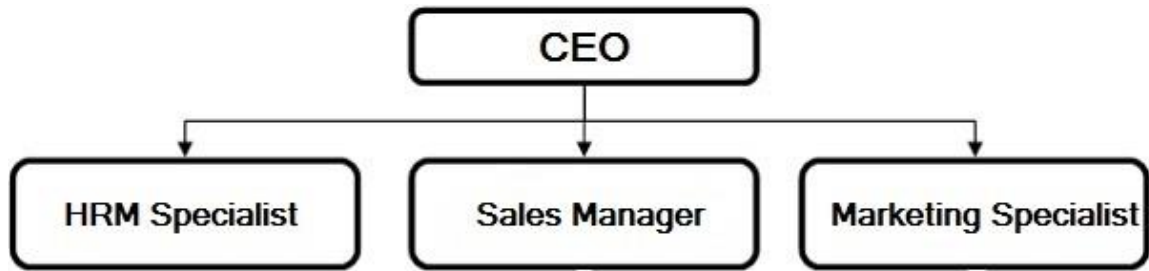
Since the targeted group of customers of employment agency is everyone who wants to learn or to improve English (main target group are discussed in previous chapters) it is very broad group of people. Employees of employment agency should be young (20 – 29), enthusiastic people who want to share their knowledge and skills. On the other hand, clients might be just anyone who is interested in studying English. Therefore, any communication channel is appropriate. Although, the main focus group is young people who need to learn English in order to improve their performance at school or at work. Therefore, the main channels are social media, web pages, leaflets and word of mouth. In the future, there might be used paid advertisements in public transportation and public places which are unfortunately usually expensive. Very important is monitoring of traffic on web pages as it helps as to adjust focus on different groups and to acquire information about visitors (email, some personal information). To evaluate such information, google analytics is a great tool to analyse web traffic. SEO (search engine optimization) is crucial tool that enables to direct more traffic to the web pages and to get potential customers to be interested in SpeakNow and its services.

Place

For SpeakNow, the most important channel for distribution of services is via web page, social media and email or telephone. The place, where the classes are tutored, are usually public places or homes of the clients. Great convenience of SpeakNow is that it operates mainly on-line and most of its activities can be done on-line. On the other hand, it might be also its disadvantage as some people may prefer personal attitude.

11.3 Project Management and Human Resources Management

Graph 7: Organizational Structure of SpeakNow



Source: Own work

From the Graph 5 above it is obvious that the organizational structure is basic. This might be due to short time of existence. At the top is the CEO who decides what and how it should be done, in lower level there are assistants – HRM, who takes care of recruitment of tutors and relationships of tutors, customers and team, sales manager, who makes changes to management of SpeakNow as it is required by development of SpeakNow and ensures that allocations of tutors and classes are appropriate and ensures quality of classes tutored, and marketing specialist, who improves the design of web pages, logos and overall look of SpeakNow.

11.4 Technical and Technological Solution of the Project

Regarding SpeakNow, it is necessary to have internet accessibility and computer or laptop. In order to create web pages, WordPress is a great tool to create free web content so it is necessary to download and one has to purchase web domain and web hosting. For social media – most of social media are for free, it is only necessary to establish them and promote them. For communication and organizational purposes, it is recommended to use Google Docs and Google Sheets as it is very similar to Microsoft Office that includes Excel, PowerPoint, Word, etc. that are very helpful when managing a business. Technology mentioned above is necessary for creation, operation and management of SpeakNow. There are some possible alternatives for investment as Microsoft Office (costly) or OpenOffice which is for free. The risk of investment is that it might not be paid back – there will be no return. It really depends on promotion and marketing of SpeakNow.

11.5 Schedule of the Project

In the table below, there is a proposed schedule of SpeakNow and its activities. It is obvious that in the year 2015 the preparation phase takes place. In 2016, investment phase along with operation phase should take place according to the schedule.

Table 5: Schedule of activities of SpeakNow

		2015											
Activity		1	2	3	4	5	6	7	8	9	10	11	12
Preparation Phase	Project study												
	Study investment opportunities												
	Decision about implementation												
	Documentation												
	Evaluation												
		2016											
Activity		1	2	3	4	5	6	7	8	9	10	11	12
Investment Phase	Choice of web domain and hosting												
	Choice of tools for management and communication												
	Marketing and promotion												
	Pay fees (establishment)												
		2016											
Activity		1	2	3	4	5	6	7	8	9	10	11	12
Operation Phase	Finish all implementation activities												
	Trial operation												
	Debugging												
	Open for business												

Source: Own work

11.6 Environmental Impact of the Project

Since SpeakNow project does not require any construction work, it does not require to have EIA. Therefore, this project can be implemented with ease. Total environmental impact of SpeakNow is negligible since no construction is necessary. Only one thing that could affect the environment is commuting – but tutors usually use public transportation and therefore the impact is really negligible.

11.7 Securing Long-Term Investment

In the table below, there are items that are necessary to purchase for proper operating of SpeakNow activities, which totals of almost 21 000 CZK.

Table 6: Individual items and its cost (necessary to purchase in 2016)

Item	Approximate Cost (CZK)
Web domain (yearly)	150
Web hosting (yearly)	360
Internet (monthly)	425
Establishment (SpeakNow)	10,000
Software	0
Laptop	10,000
Total	20,935

Source: Own work

11.8 Cash-flow Identification of the Project

Table 7: Estimated Cash Flows of SpeakNow in 2016

Cash Inflow	Months (2016)												Total
	1	2	3	4	5	6	7	8	9	10	11	12	
Classes									600	1,200	1,200	600	3,600
Total inflows									600	1,200	1,200	600	3,600
Cash Outflow													
Web domain	150												150
Web hosting	360												360
Internet	425	425	425	425	425	425	425	425	425	425	425	425	5,100
Establishment (SpeakNow)	0							10,000					10,000
Software	0												0
Laptop	10,000												10,000
Total outflows													25,610
Net cash flow	-10,935	-425	-425	-425	-425	-425	-425	-10,425	175	775	775	175	-22,010
Opening balance	0	-10,935	-11,360	-11,785	-12,210	-12,635	-13,060	-13,485	-23,910	-23,735	-22,960	-22,185	
Closing balance	-10,935	-11,360	-11,785	-12,210	-12,635	-13,060	-13,485	-23,910	-23,735	-22,960	-22,185	-22,010	

Source: Own work

In the table above, there are estimated cash inflows and outflows for SpeakNow in different months in 2016. The biggest outflow is during investment phase, beginning of 2016, especially in January. The inflow occurs in September as the school starts and many

of our targeted customers will require our service (it is trial period of SpeakNow according to the schedule). In December, estimated inflow will be lower as many customers will have Christmas holiday. In the following table, estimated cash flows in 2017 are depicted.

Table 8: Estimated Cash Flows of SpeakNow in 2017

Cash Inflow	Months (2017)												Total
	1	2	3	4	5	6	7	8	9	10	11	12	
Classes	1,200	1,200	1,200	1,200	1,200	600	0	0	1,200	1,200	1,200	600	10,800
Total inflows	1,200	1,200	1,200	1,200	1,200	600	0	0	1,200	1,200	1,200	600	10,800
Cash Outflow													
Web domain	150												150
Web hosting	360												360
Internet	425	425	425	425	425	425	425	425	425	425	425	425	5,100
Establishment (SpeakNow)	0												0
Software	0												0
Laptop	0												0
Total outflows													5,610
Net cash flow	265	775	775	775	775	175	-425	-425	775	775	775	175	5,190
Opening balance	0	265	1,040	1,815	2,590	3,365	3,540	3,115	2,690	3,465	4,240	5,015	
Closing balance	265	1,040	1,815	2,590	3,365	3,540	3,115	2,690	3,465	4,240	5,015	5,190	

Source: Own work

11.9 Financial Funds for the Project

As was already mentioned before, the funds necessary for establishment and proper operating of SpeakNow is estimated to be approximately 21 000 CZK in the investment phase of the project. There is no need of any funds in pre-investment phase as there are activities which do not require any money. There might be some recurring expenses that might be necessary to pay monthly or yearly, but they need to be paid in investment phase first, and later on every year (web domain or web hosting) or monthly (internet connection). There is also a team but it works for free as it consists of volunteers so far. Operation phase is expected to yield profit as there are almost no expenses necessary once the business is running (except taxes which need to be paid).

11.10 Financial Analysis

There were chosen several indicators for financial analysis of SpeakNow: **ROI**, NPV, PI and B/C ratio.

Profitability index

It is the present value of the future cash flows divided by the initial investment. It considers all cash flows, risk and the time value of money.

Net present value – is the sum of discounted net cash-flows over the period of evaluation of project. If $NPV > 0$ can be considered as acceptable, if it is 0 then it has neutral nature and it does not influence assets of investor.

ROI - is the benefit to an investor resulting from an investment of some resource. ROI is a performance measure used to evaluate the efficiency of an investment or to compare the efficiency of a number of different investments.

Return on Investment

Since SpeakNow is not in business yet (it is proposed to be established early in 2016) all the calculations are calculated from estimates. According to Table 7: Estimated Cash Flows of SpeakNow in 2016, return on investment can be calculated. Total revenue is 3,600 CZK; total cost is 25,610 CZK. Using formula for calculating ROI, it is - 86 %.

Table 9: ROI of SpeakNow in 2016

Total Revenue	3,600
Total Cost	25,610
ROI	-0.85943

Source: Own work

The negative ROI might be due to operating only for four months (September till December) and big initial investments in 2016 (establishment, laptop, etc.). In the following table, there is calculated ROI for year 2017 (according to According to Table 8: Estimated Cash Flows of SpeakNow in 2017).

Table 10: ROI of SpeakNow in 2019

Total Revenue	33,570
Total Cost	21,180
ROI	0.584986

Source: Own work

ROI for year 2019 is approximately 58.5 %. This means that for year 2019, the initial investment is covered by revenue from business after 3 years (in year 2019). In the following table there is depicted profitability of SpeakNow for years 2016-2019. SpeakNow becomes profitable after 3 years, in 2019.

Table 11: Profitability of SpeakNow

Year	Net CFs	Profit/Loss
2016	-22,010	-22,010
2017	5,190	-16,820
2018	12,390	-4,430
2019	12,390	7,960

Source: Own work

Profitability index

It is the present value of the future cash flows divided by the initial investment.

Table 12: Data for profitability index calculations of SpeakNow (6 years)

Period	Year	Net CFs	Discount Factor	PV
0	2016	-25,610	1.0000	
1	2016	3,600	0.9524	3,429
2	2017	5,190	0.9070	4,707
3	2018	12,390	0.8638	10,703
4	2019	12,390	0.8227	10,193
5	2020	12,390	0.7835	9,708
6	2021	12,390	0.7462	9,246
Sum of NPV				47,986

Source: Own work

According to the formula, profitability index is 47,986 divided by initial investment 25,610 which is **1.874**. That means that the project is profitable and it should be implemented.

Net Present Value

The next indicator for financial analysis of SpeakNow is chosen and it is net present value. It is calculated according to formula mentioned above and the data are from the following table:

Table 13: Net present value of SpeakNow

Period	Year	Net CFs	Discount Factor	PV
0	2016	-25,610	1.0000	-25,610
1	2016	3,600	0.9524	3,429
2	2017	5,190	0.9070	4,707
3	2018	12,390	0.8638	10,703
4	2019	12,390	0.8227	10,193
5	2020	12,390	0.7835	9,708
6	2021	12,390	0.7462	9,246
Sum of PV				22,376

Source: Own work

According to initial investment and cash flows from the table the present value can be calculated, given 5 % discount rate over the period of 6 years. The NPV is 22,376 which indicates that the project should be accepted (NPV>0 is usually acceptable project). NPV is 0 when the discount rate is 24.06 %. The lower discount rate is the higher is the NPV and therefore the project is desirable and there was added value to SpeakNow that is above 24.06 %. Money could have been invested elsewhere because discount rate might be interpreted as an opportunity cost to invest elsewhere. If the discount rate is below 24.06 %, e.g. 24.05 %, (NPV = 5) SpeakNow earns return that is higher than the discount rate. Therefore, SpeakNow with discount rate below 24.05 % does better than investing elsewhere where it would earn 24.05 % return. It is hard to imagine situation where the investment would earn 24 % return, especially in the bank which might provide 3 % return. If the return in the bank was 3 %, NPV would be 26,188. Therefore, SpeakNow is recommended as an investment.

11.11 Economic Analysis

For the economic analysis it is appropriate to provide economic background of the Czech Republic, starting with the basic economic indicators such as: GDP, inflation and CPI, unemployment rate, population, etc.).

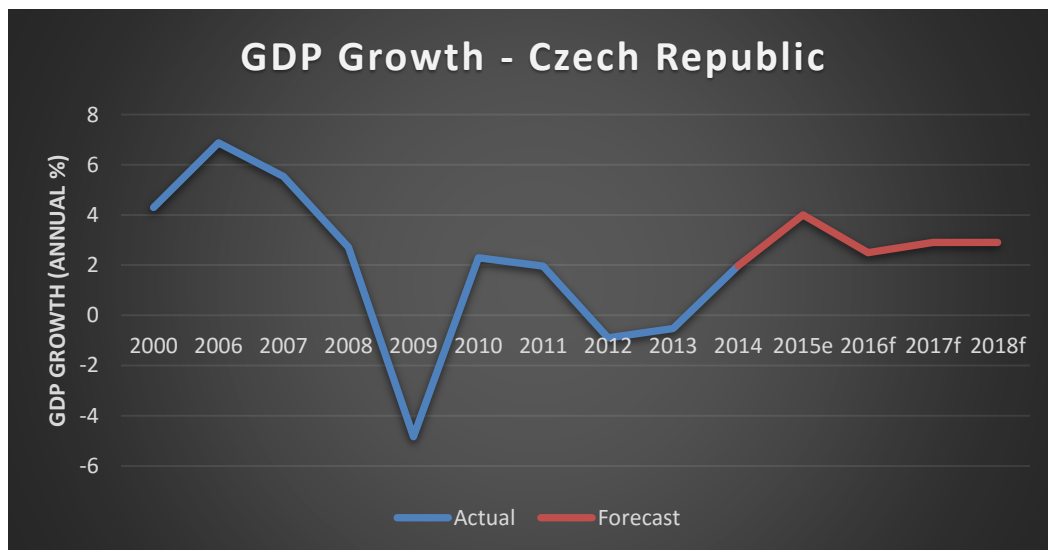
Table 14: Economic Overview of the CR (2015)

Population	10,546,120
Average gross wages	26,072 CZK
Inflation rate	0.33 %
Gross domestic product	3.9 %

Source: Own work, Data are from CSO

The total population in 2015 in the Czech Republic was 10,546,120, the average gross wages increased to 26,072 CZK, inflation rate was 0.33 % and GDP growth was 3.9 %.

Graph 8: GDP growth (annual %) in the Czech Republic

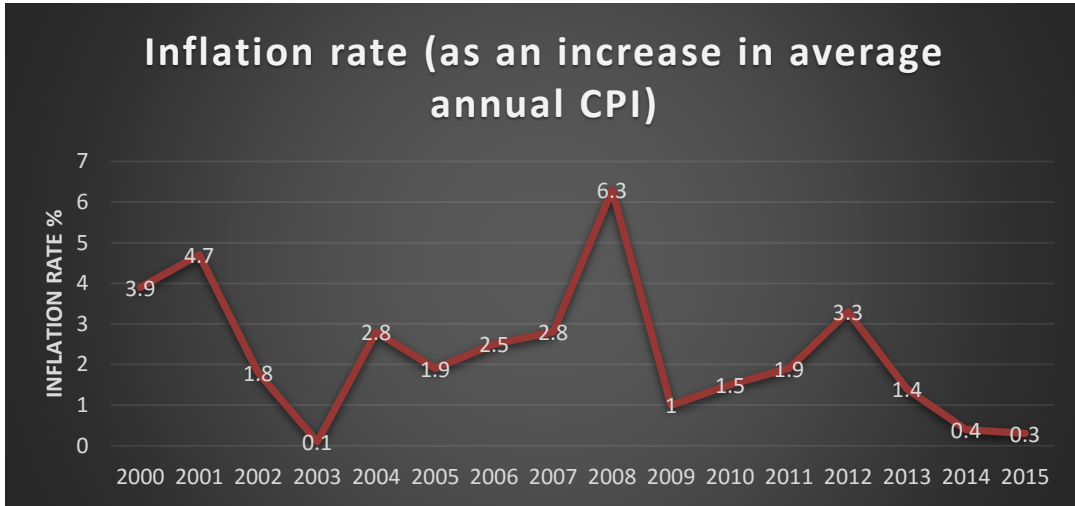


Source: Own work, Data are from CSO

The development of GDP changed a lot throughout the years. The lowest point was in 2009 due to world crisis. Since year 2012 it was increasing till year 2015. The estimation of GDP development for the following years (2016, 2017 and 2018) are that in 2016 it will drop to 2.5 % from 4 %, but in 2017 and 2018 it should be again 2.9 %. The forecast might

not be correct due to many economic factors that can take place and change the growth. It can be stated that the Czech Republic is economically growing.

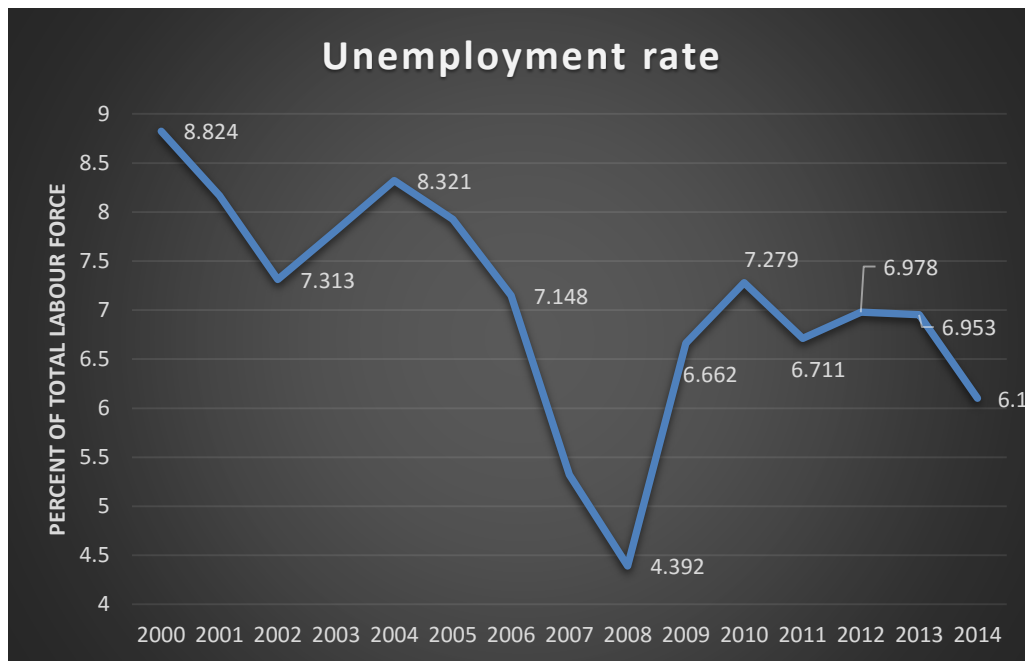
Graph 9: Inflation Rate (as an increase in average annual CPI)



Source: Own work, Data are from CSO

In the graph above, there is depicted inflation rate as an increase in average annual CPI which indicates percentage change in last 12-month average over preceding 12-month average. The average inflation of Czech Republic in 2015 was 0.33 % which indicates slight decrease compared to the rate of the previous year. Since 2000, inflation rate fluctuated, the highest was during crisis (2008-2009) and then it dropped to 1 %. In year 2012, it was 3.3 % and since then it is decreasing. This could be explained the way that the economy is not growing rapidly and it is not really stimulated, although, price level is lower which is generally good for consumers. A little inflation encourages consumers to buy sooner (now) and that boosts economic growth which is not really happening now in the Czech Republic. Moderate level of inflation increases employment, that leads to increase in wages and people demand more which consequently leads to increase in prices. That decreases the demand little bit. Overall supply increases and therefore price level decreases.

Graph 10: Unemployment Rate in the Czech Republic (2000 – 2014)

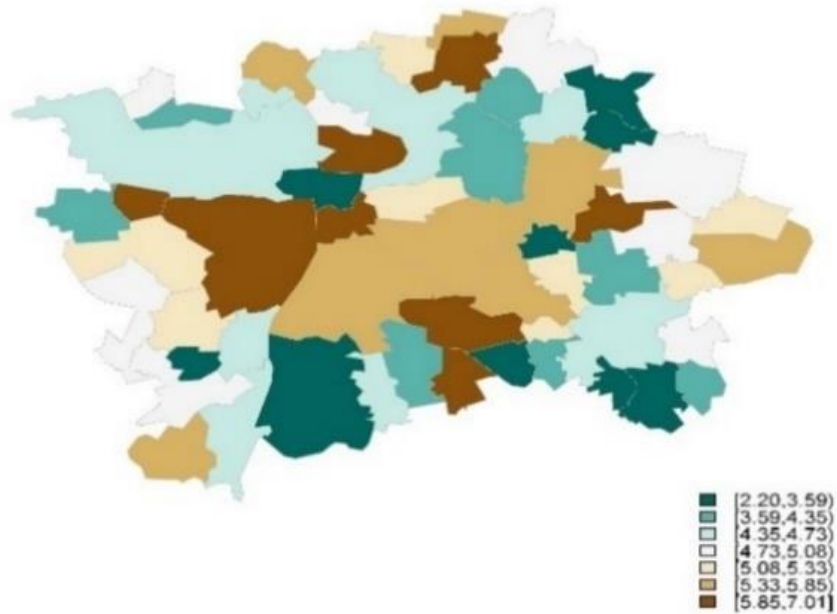


Source: Own work, Data are from CSO

The unemployment rate in the Czech Republic is between 6 to 7 % in years 2009 to 2014. It can be stated that moderate level of unemployment (around 4 %) is good in economy as it provides a reasonable flow of people who have the freedom to decide to quit their current jobs and look for something better. Also, if there were new job openings no one would be hired if the unemployment rate was 0 %. As inflation increases, GDP increases too and that leads to higher employment and lower unemployment rate as economy is doing good and people have jobs and they are able to spend which stimulates the economy. In year 2014, the inflation was 6.1 (decrease compared to the previous year) which is a good sign of the economy.

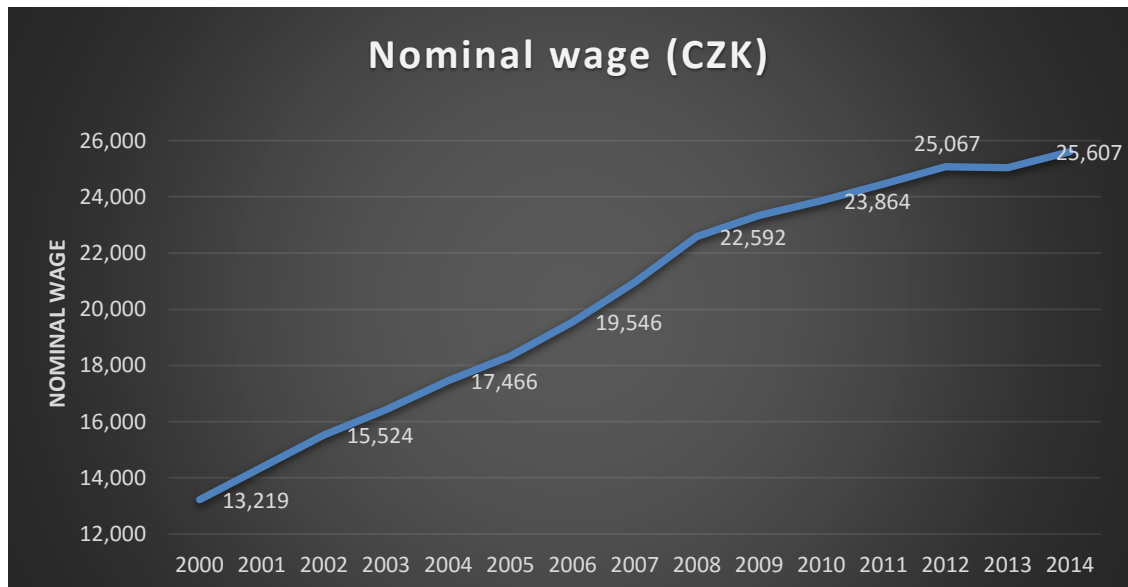
In the following graph is depicted unemployment distribution in Prague. Areas ranked in the lowest unemployment (shown in dark green) are found mainly to the south of the centre of Prague. Other areas with relatively low unemployment (shown in light green and green) are located in the Northern and Southern outskirts of Prague. Data are from year 2001 so it must be taken into account. This unemployment distribution might be valuable information for business where to focus their aim.

Graph 11: Unemployment Area Distribution in Prague (2001)



Source: <https://www.ucl.ac.uk/ineqcities/atlas/cities/prague/prague-sei>

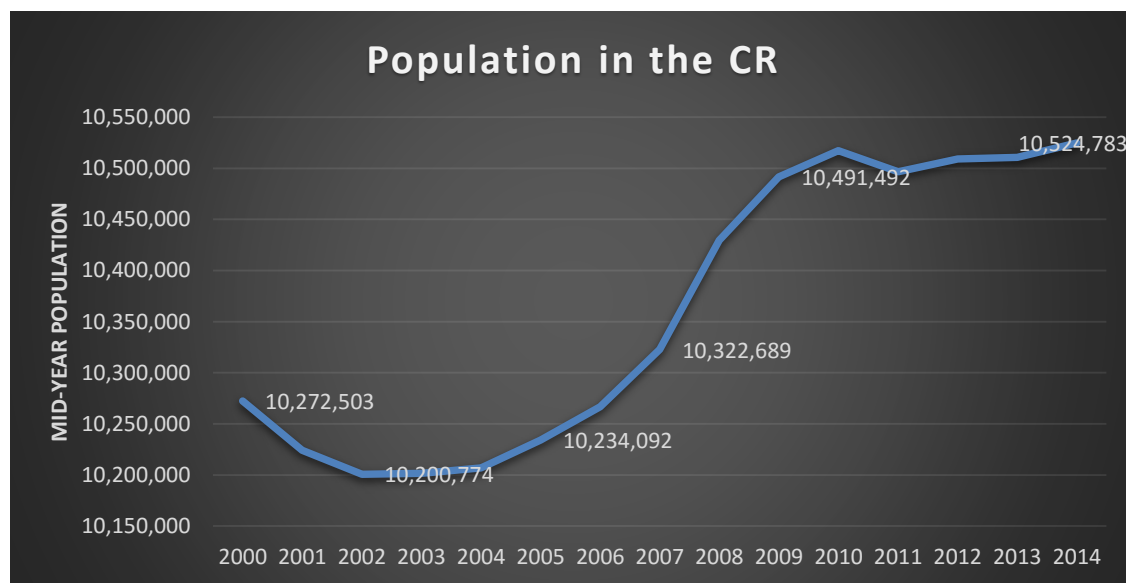
Graph 12: Nominal Wage in the Czech Republic (CZK)



Source: Own work, Data are from CSO

Nominal wage has been increasing steadily since 2000. It is a consequence of other economic factors such as inflation, GDP, etc. The higher wages the more people tend to spend which is good for businesses.

Graph 13: Population in the Czech Republic (2000 – 2014)



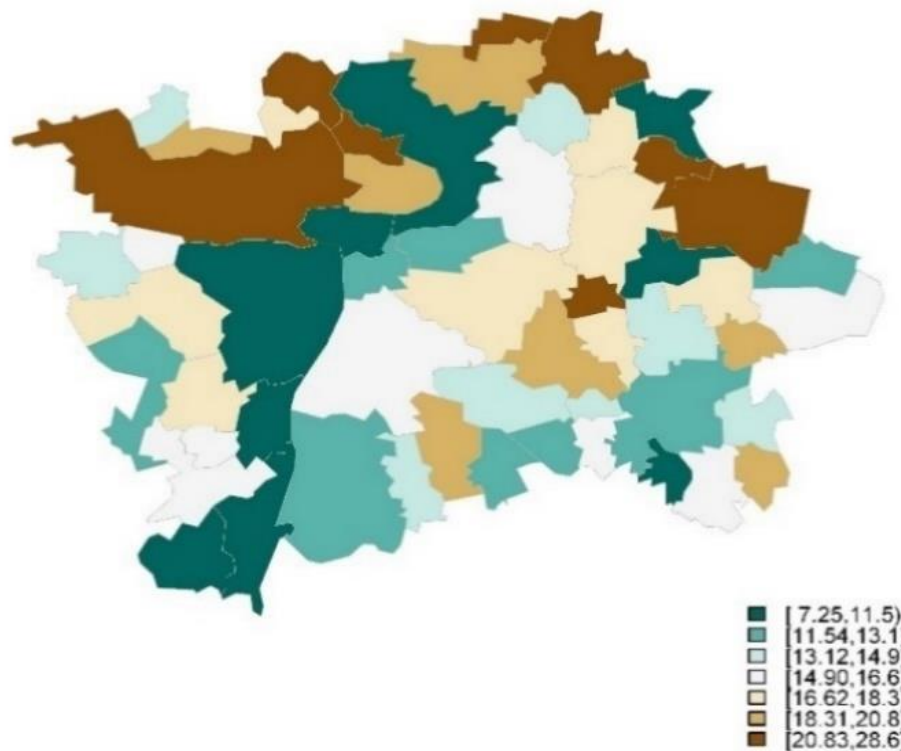
Source: Own work, Data are from CSO

In the graph above is depicted population of the Czech Republic for 15 years (2000 – 2014). The lowest population was in year 2002 and since then is population increasing till the year 2010. Since 2010, population is fluctuating. In year 2014, the population was the highest ever – 10,524,783 (total increase for year 2014 is almost 26,000). The bigger population might lead to more spending and it also creates more potential customers which is good for business. Natural increase in year 2014 was 4,195 which means that more people were born than people died. Also, net migration was 21,661 which increased total population increase.

In the following graph is depicted area distribution of the proportion of adults who obtained university qualifications in Prague for year 2001. Again, it must be taken into account that the data are old but still this information might be valuable for some businesses when deciding their focus groups. The northern areas of Prague are those with the highest proportions of university qualifications. Central and eastern Prague displays heterogeneous patterns of university qualifications (mix of brown, white and green areas).

Areas ranked in the lowest septile of university qualifications (shown in dark green) run from the North to the South-West of Prague.

Graph 14: Area Distribution of University Qualifications in Prague (2001)



Source: <https://www.ucl.ac.uk/ineqcities/atlas/cities/prague/prague-sei>

Benefit/Cost Analysis

All of the potential costs and revenues that may be generated if the project is completed should be analysed. The outcome of the analysis will determine whether the project is financially feasible, or if another project or alternative should be pursued. The opportunity cost should be included in the analysis.

SpeakNow will start operating in 2016. If it operates according to the estimations, in 6 years it will generate profit of 32,740 CZK. The sum of revenues (86,400 CZK) minus sum of costs (53,660 CZK) is therefore the profit. If the profit is divided by the sum of investment (25,610), it gives the value of **1.2784**. According to **benefit/cost financial**

analysis the project should be evaluated positively (it is higher than 1 which marks good project). If the initial investment was invested into the bank to earn e. g. 5 % interest rate for over 6 years, it would amount for 43,802 CZK. If the interest rate was 24.4 % over 6 years, it would be almost the same as the profit from operating SpeakNow for 6 years. 24.4 % interest rate is really unlikely, therefore, the use of money for SpeakNow is better choice. Although, this calculation does not include time value of money. Therefore, it must be adjusted accordingly. In previous chapter, there was calculated profitability index which is the same as benefit/cost ratio - the **PI** is **1.8737** and therefore the project is still acceptable and should be implemented from the financial stand point.

According to economic analysis, there should be also included social aspects in the calculations – what, who and how will be influenced by the project.

SpeakNow will definitely create more job opportunities as it will employ people, 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) which makes them more attractive for employers and that might lead for people to get better paid jobs which again leads to increase in wages and spending. 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 natural environment will not be influenced. The mission of SpeakNow is to improve English education world-wide in order to help people achieve their goals and the vision is to be global tool for fast and easy to arrange English classes. This is a great added value that SpeakNow will cause. The benefits are much higher than the costs and therefore the B/C analysis is positive and greater than 1 which means that the project is desirable.

11.12 Risk Analysis and Risk Management

Importance or significance of risk factors is possible to determine two ways – expert or sensitivity analysis.

Expert rating of risk factors – can be conducted by qualified person or group of experts. Factors are evaluated based on the extent of impact and probability of occurrence.

Table 15: Occurrence probability of risk (example)

Value	Probability of Occurrence
1	Almost impossible (0.1 - 1)
2	Seldom Possible (1.1 - 2)
3	Normally Possible (2.1 - 3)
4	Probable (3.1 - 4)
5	Almost certain (4.1 - 5)

Source: Own work

Table 16: Size of the impact of risk (example)

Value	Size of the impact
1	Almost imperceptible (0.1 - 1)
2	Minor (1.1 - 2)
3	Important (2.1 - 3)
4	Very Important (3.1 - 4)
5	Unacceptable (4.1 - 5)

Source: Own work

From the tables above, it is obvious that there are some scales that help people to assess size of the impact of possible risk factors and probability of occurrence of factors.

The importance of risk is equal to extent of impact times probability of occurrence $V = P \times D$. The final list of risks might look like this.

Table 17: The list of possible risks for SpeakNow

Category	Group	Description of risk	Probability	Impact	Importance
Financial	a	No profitability	3	3	9
Managerial	b	Inability to manage properly	2	5	10
Technological	c	Failure of social media	2	3	6
Marketing	d	Not accepted by customers	2	3	6

Source: Own work

The table above depicts some possible risks. The most important one, according to the table, is from managerial category – inability to manage properly. It speaks for itself. If business is not managed properly it is destined to fail. That is why it is important to pay attention to this facet of business. The lowest importance is from technological and marketing category – failure of social media and not accepted marketing by customers (people are uninterested, not reached). Probability of occurrence is low but the impact might have important influence on SpeakNow.

Table 18: Risks and mitigation strategy of SpeakNow

Type of Risk	Risk	Mitigation Strategy
Service	Service will not work as required	Service must adapt and evolve according to needs
Market adoption	Customers will not purchase it	Thorough market research to position service properly
Market size	Market is bigger than expected	Need of promotion and increase of competitiveness
Competitive	Competitors may lower their prices	Value of services to customers will be more important
Financing	Expenses will be higher than revenue	Increase in database of students and tutors will ensure higher revenue
Execution	Inexperienced team	Advisors from field were hired

Source: Own work

The table above depicts potential risks and their possible mitigation strategy that SpeakNow might undertake.

11.13 Final Evaluation of the Project

According to calculations and analyses conducted in the feasibility study, project can be evaluated positively and that it can be started and implemented. It is estimated that after three years of running SpeakNow business will become profitable. 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 is a possible alternative – investing the money to the bank. SpeakNow is still a better project with the interest rate of 5 % on return from the bank. The bank would have to offer more than 24.06 % interest rate in order to be a better alternative. There are always some possible risks when implementing a project. The biggest potential risk for SpeakNow is not proper management of agency. 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 GDP.

12 Conclusion

This diploma thesis dealt with the feasibility study of employment agency in Prague. The employment agency was SpeakNow which focused 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. The basic problematic questions were asked which the author of the study should take into consideration in order to arrive with conclusion whether to implement the project or not.

Based on the estimated economic data of SpeakNow, there was conducted financial and economic analysis of above mentioned employment agency. There were described the basic economic and financial indicators such as net present value, profitability index, benefit/cost analysis, break-even point and return on investment.

In the economic analysis there 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 were also researched and evaluated. There are always some possible risks when implementing a project. 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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Appendix

Extra tables for financial analysis – Cash flows (2016 – 2019)

	Months (2016)												
Cash Inflow	1	2	3	4	5	6	7	8	9	10	11	12	Total
Classes									600	1,200	1,200	600	3,600
Total inflows									600	1,200	1,200	600	3,600
Cash Outflow													
Web domain	150												150
Web hosting	360												360
Internet	425	425	425	425	425	425	425	425	425	425	425	425	5,100
Establishment (SpeakNow)	0							10,000					10,000
Software	0												0
Laptop	10,000												10,000
Total outflows													25,610
Net cash flow	-10,935	-425	-425	-425	-425	-425	-425	10,425	175	775	775	175	-22,010
Opening balance	0	-	-	-	-	-	-	-	-	-	-	-	
Closing balance	10,935	11,360	11,785	12,210	12,635	13,060	13,485	23,910	23,735	22,960	22,185	22,010	

	Months (2017)												
Cash Inflow	1	2	3	4	5	6	7	8	9	10	11	12	Total
Classes	1,200	1,200	1,200	1,200	1,200	600	0	0	1,200	1,200	1,200	600	10,800
Total inflows	1,200	1,200	1,200	1,200	1,200	600	0	0	1,200	1,200	1,200	600	10,800
Cash Outflow													
Web domain	150												150
Web hosting	360												360
Internet	425	425	425	425	425	425	425	425	425	425	425	425	5,100
Establishment (SpeakNow)	0												0
Software	0												0
Laptop	0												0
Total outflows													5,610
Net cash flow	265	775	775	775	775	175	-425	-425	775	775	775	175	5,190
Opening balance	0	265	1,040	1,815	2,590	3,365	3,540	3,115	2,690	3,465	4,240	5,015	
Closing balance	265	1,040	1,815	2,590	3,365	3,540	3,115	2,690	3,465	4,240	5,015	5,190	

	Months (2018)												
Cash Inflow	1	2	3	4	5	6	7	8	9	10	11	12	Total
Classes	2,000	2,000	2,000	2,000	2,000	1,000	0	0	2,000	2,000	2,000	1,000	18,000
Total inflows	2,000	2,000	2,000	2,000	2,000	1,000	0	0	2,000	2,000	2,000	1,000	18,000
Cash Outflow													
Web domain	150												150
Web hosting	360												360
Internet	425	425	425	425	425	425	425	425	425	425	425	425	5,100
Establishment (SpeakNow)	0												0
Software	0												0
Laptop	0												0
Total outflows													5,610
Net cash flow	1,065	1,575	1,575	1,575	1,575	575	-425	-425	1,575	1,575	1,575	575	12,390
Opening balance	0	1,065	2,640	4,215	5,790	7,365	7,940	7,515	7,090	8,665	10,240	11,815	
Closing balance	1,065	2,640	4,215	5,790	7,365	7,940	7,515	7,090	8,665	10,240	11,815	12,390	

	Months (2019)												
Cash Inflow	1	2	3	4	5	6	7	8	9	10	11	12	Total
Classes	2,000	2,000	2,000	2,000	2,000	1,000	0	0	2,000	2,000	2,000	1,000	18,000
Total inflows	2,000	2,000	2,000	2,000	2,000	1,000	0	0	2,000	2,000	2,000	1,000	18,000
Cash Outflow													
Web domain	150												150
Web hosting	360												360
Internet	425	425	425	425	425	425	425	425	425	425	425	425	5,100
Establishment (SpeakNow)	0												0
Software	0												0
Laptop	0												0
Total outflows													5,610
Net cash flow	1,065	1,575	1,575	1,575	1,575	575	-425	-425	1,575	1,575	1,575	575	12,390
Opening balance	0	1,065	2,640	4,215	5,790	7,365	7,940	7,515	7,090	8,665	10,240	11,815	
Closing balance	1,065	2,640	4,215	5,790	7,365	7,940	7,515	7,090	8,665	10,240	11,815	12,390	

Net Present Value (2016 – 2026)

	Year	Net CFs	Discount Factor	PV	Accum. PV
0	2016	-	1.0000	-25,610.0000	-
1	2016	3,600	0.9524	3,428.5714	3,429
2	2017	5,190	0.9070	4,707.4830	8,136
3	2018	12,390	0.8638	10,702.9478	18,839
4	2019	12,390	0.8227	10,193.2837	29,032
5	2020	12,390	0.7835	9,707.8892	38,740
6	2021	12,390	0.7462	9,245.6088	47,986
7	2022	12,390	0.7107	8,805	56,791
8	2023	12,390	0.6768	8,386	65,177
9	2024	12,390	0.6446	7,987	73,164
10	2025	12,390	0.6139	7,606	80,770
11	2026	12,390	0.5847	7,244	88,014

Break-Even Point

Units	Fixed Cost	VC	Total Cost	Sales
0	467.5	0	467.5	0
10	467.5	100	567.5	200
20	467.5	200	667.5	400
30	467.5	300	767.5	600
40	467.5	400	867.5	800
50	467.5	500	967.5	1000
60	467.5	600	1067.5	1200
70	467.5	700	1167.5	1400
80	467.5	800	1267.5	1600

GDP growth (2000 – 2018)

GDP growth (annual %)														
	2000	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015e	2016f	2017f	2018f
Czech Republic	4.29	6.88	5.53	2.71	-	2.30	1.97	0.90	-	1.98	4	2.5	2.9	2.9

Inflation (2000 – 2015)

Year	Average Inflation (%)
2015	0.33
2014	0.35
2013	1.42
2012	3.3
2011	1.93
2010	1.47
2009	1.04
2008	6.35
2007	2.98
2006	2.55
2005	1.88
2004	2.8
2003	0.11
2002	1.83
2001	4.75
2000	3.9

Unemployment rate (2000 – 2014)

Year	Unemployment rate	Percent Change
2000	8.824	0.78%
2001	8.166	-7.46%
2002	7.313	-10.45%
2003	7.812	6.82%
2004	8.321	6.52%
2005	7.927	-4.74%
2006	7.148	-9.83%
2007	5.32	-25.57%
2008	4.392	-17.44%
2009	6.662	51.68%
2010	7.279	9.26%
2011	6.711	-7.80%
2012	6.978	3.98%
2013	6.953	-0.36%
2014	6.1	-12.27%

Population in the CR (2000-2014)

Year	Mid-year population	Natural increase	Net migration	Total increase
2000	10,272,503	-18,091	6,539	-11,552
2001	10,224,192	-17,040	-8,551	-25,591
2002	10,200,774	-15,457	12,290	-3,167
2003	10,201,651	-17,603	25,789	8,186
2004	10,206,923	-9,513	18,635	9,122
2005	10,234,092	-5,727	36,229	30,502
2006	10,266,646	1,390	34,720	36,110
2007	10,322,689	9,996	83,945	93,941
2008	10,429,692	14,622	71,790	86,412
2009	10,491,492	10,927	28,344	39,271
2010	10,517,247	10,309	15,648	25,957
2011	10,496,672	1,825	16,889	18,714
2012	10,509,286	387	10,293	10,680
2013	10,510,719	-2,409	-1,297	-3,706
2014	10,524,783	4,195	21,661	25,856

Nominal wage (in the CR)

Year	Nominal wage (CZK)
2000	13,219
2001	14,378
2002	15,524
2003	16,430
2004	17,466
2005	18,344
2006	19,546
2007	20,957
2008	22,592
2009	23,344
2010	23,864
2011	24,455
2012	25,067
2013	25,035
2014	25,607