

What is a Feasibility Study?

As the name implies, a feasibility analysis is used to determine the viability of an idea, such as ensuring a project is legally and **technically feasible** as well as economically justifiable. It tells us whether a project is worth the investment—in some cases, a project may not be doable. There can be many reasons for this, including requiring too many resources, which not only prevents those resources from performing other tasks but also may cost more than an organization would earn back by taking on a project that isn't profitable.

A well-designed study should offer a historical background of the business or project, such as a description of the product or service, accounting statements, details of operations and management, marketing research and policies, financial data, legal requirements, and tax obligations. Generally, such studies precede technical development and project implementation.

Types of Feasibility Study

A feasibility analysis evaluates the project's potential for success; therefore, perceived objectivity is an essential factor in the credibility of the study for potential investors and lending institutions. There are five types of feasibility study—separate areas that a feasibility study examines, described below.

1. Technical Feasibility

This assessment focuses on the technical resources available to the organization. It helps organizations determine whether the technical resources meet capacity and whether the technical team is capable of converting the ideas into working systems. Technical feasibility also involves the evaluation of the hardware, software, and other technical requirements of the proposed system. As an exaggerated example, an organization wouldn't want to try to put Star Trek's transporters in their building—currently, this project is not technically feasible.

2. Economic Feasibility

This assessment typically involves a cost/benefits analysis of the project, helping organizations determine the viability, cost, and benefits associated with a project before financial resources are allocated. It also serves as an independent project assessment and enhances project credibility—helping decision-makers determine the positive economic benefits to the organization that the proposed project will provide.

3. Legal Feasibility

This assessment investigates whether any aspect of the proposed project conflicts with legal requirements like zoning laws, data protection acts or social media laws. Let's say an organization wants to construct a new office building in a specific location. A feasibility study might reveal the organization's ideal location isn't zoned for that type of business. That organization has just saved considerable time and effort by learning that their project was not feasible right from the beginning.

4. Operational Feasibility

This assessment involves undertaking a study to analyze and determine whether—and how well—the organization's needs can be met by completing the project. Operational feasibility studies also examine how a project plan satisfies the requirements identified in the requirements analysis phase of system development.

5. Scheduling Feasibility

This assessment is the most important for project success; after all, a project will fail if not completed on time. In scheduling feasibility, an organization estimates how much time the project will take to complete.

When these areas have all been examined, the feasibility analysis helps identify any constraints the proposed project may face, including:

- Internal Project Constraints: Technical, Technology, Budget, Resource, etc.
- Internal Corporate Constraints: Financial, Marketing, Export, etc.
- External Constraints: Logistics, Environment, Laws, and Regulations, etc.

Importance of Feasibility Study

The importance of a feasibility study is based on organizational desire to “get it right” before committing resources, time, or budget. A feasibility study might uncover new ideas that could completely change a project’s scope. It’s best to make these determinations in advance, rather than to jump in and to learn that the project won’t work. Conducting a feasibility study is always beneficial to the project as it gives you and other [stakeholders](#) a clear picture of the proposed project.

Below are some key benefits of conducting a feasibility study:

- Improves project teams’ focus
- Identifies new opportunities
- Provides valuable information for a “go/no-go” decision
- Narrows the business alternatives
- Identifies a valid reason to undertake the project
- Enhances the success rate by evaluating multiple parameters
- Aids decision-making on the project
- Identifies reasons not to proceed

Apart from the approaches to feasibility study listed above, some projects also require other constraints to be analyzed -

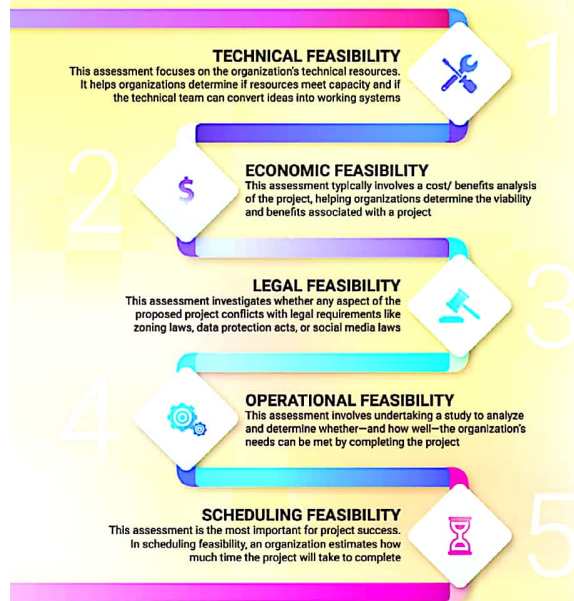
- **Internal Project Constraints:** Technical, Technology, Budget, Resource, etc.
- **Internal Corporate Constraints:** Financial, Marketing, Export, etc.
- **External Constraints:** Logistics, Environment, Laws and Regulations, etc.



What is a feasibility study? As the name implies, a feasibility study is used to determine the viability of an idea, such as ensuring that a project is legally and technically feasible as well as economically justifiable. In other words, it tells us whether a project is worth the investment

FIVE AREAS OF PROJECT FEASIBILITY

When these areas have all been examined, a feasibility study helps identify any constraints the proposed project may face, including:



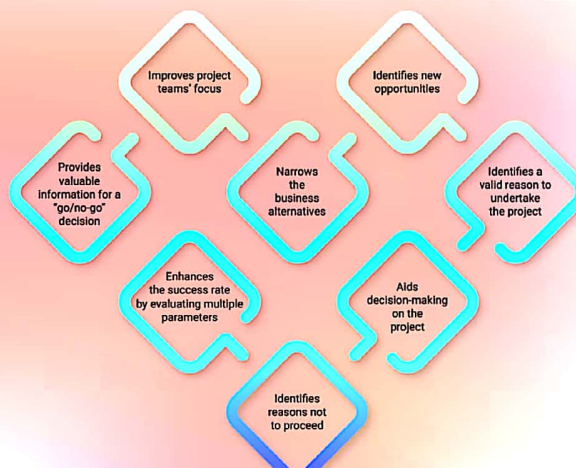
POSSIBLE CONSTRAINTS

When the project feasibility areas have all been examined, the study helps identify any constraints the proposed project may face, including:

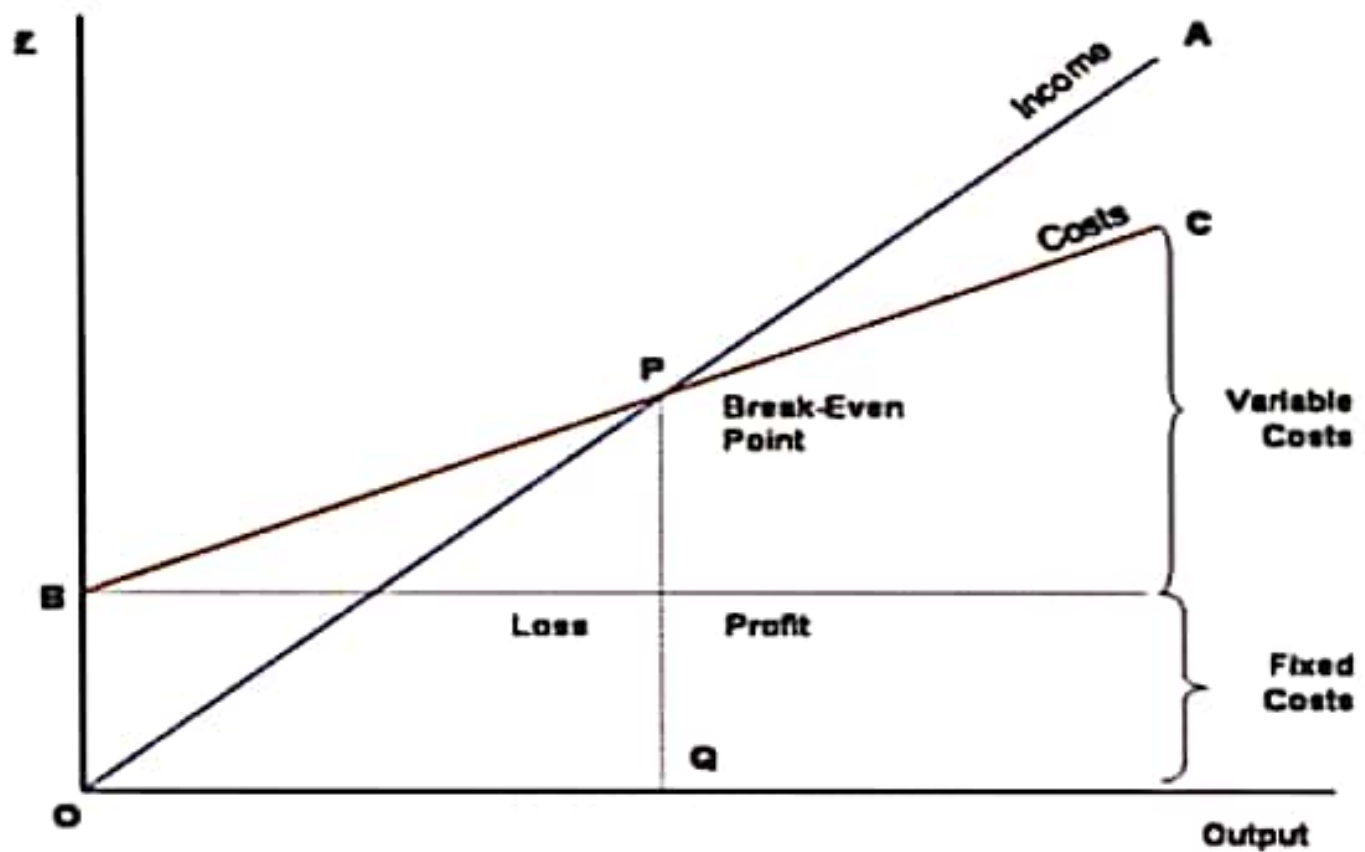


BENEFITS OF CONDUCTING A FEASIBILITY STUDY

The importance of a feasibility study is based on organizational desire to "get it right" before committing resources, time, or budget. Given below are some key benefits of conducting a feasibility study:



Break-Even Point Chart



What is Break-Even point?

Definition: The Break-Even Point (BEP) is the point at which cost or expenses and revenue are equal: there is no net loss or gain, and one has "broken even." A profit or loss has not been made. ([Wikipedia.com](https://en.wikipedia.org/wiki/Break-even_point)).

Importance: The BEP tells an owner the amount of revenue needed to cover all expenses, including fixed costs.

What is fixed cost and variable cost?

Fixed Costs (FC) The costs which don't vary with changing output.

Fixed costs might include the cost of building a factory, insurance and legal bills. Even if your output changes or you don't produce anything, your fixed costs stay the same. In the above example, fixed costs are always £1,000.

Variable Costs (VC) Costs which depend on the output produced. For example, if you produce more cars, you have to use more raw materials such as metal. This is a variable cost.