Materiale Feasibility Study

What is a Feasibility Study?

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As the name implies, a feasibility study is an analysis of the viability of an idea. The feasibility study focuses on helping answer the essential question of "should we proceed with the proposed project idea?" All activities of the study are directed toward helping answer this question.

Feasibility studies can be used in many ways but primarily focus on proposed business ventures. Farmers and others with a business idea should conduct a feasibility study to determine the viability of their idea before proceeding with the development of a business. Determining early that a business idea will not work saves time, money and heartache later.

A feasible business venture is one where the business will generate adequate cash-flow and profits, withstand the risks it will encounter, remain viable in the long-term and meet the goals of the founders. The venture can be either a start-up business, the purchase of an existing business, an expansion of current business operations or a new enterprise for an existing business. *Information File C5-66*, **Feasibility Study Outline** is provided to give you guidance on how to proceed with the study and what to include. Also, *Information File C5-64*, **How to Use and When to Do a Feasibility Study** will help you through the process and help you get the most out of your study.

A feasibility study is only one step in the business idea assessment and business development process (*Information File C5-02*). Reviewing this process and reading the information below will help put the role of the feasibility study in perspective.

Evaluate Alternatives

A feasibility study is usually conducted after producers have discussed a series of business ideas or scenarios. The feasibility study helps to “frame” and “flesh-out” specific business scenarios so they can be studied in-depth. During this process the number of business alternatives under consideration is usually quickly reduced.

During the feasibility process you may investigate a variety of ways of organizing the business and positioning your product in the marketplace. It is like an exploratory journey and you may take several paths before you reach your destination. Just because the initial analysis is negative does not mean that the proposal does not have merit. Sometimes limitations or flaws in the proposal can be corrected.

Pre-Feasibility Study

A pre-feasibility study may be conducted first to help sort out relevant scenarios. Before proceeding with a full-blown feasibility study, you may want to do some pre-feasibility analysis of your own. If you find out early-on that the proposed business idea is not feasible, it will save you time and money. If the findings lead you to proceed with the feasibility study, your work may have resolved some basic issues. A consultant may help you with the pre-feasibility study, but you should be involved. This is an opportunity for you to understand the issues of business development.

Market Assessment

Also, a market assessment (*Information File C5-30*) may be conducted that will help determine the viability of a proposed product in the marketplace. The market assessment will help to identify opportunities in a market or market segment. If no opportunities are found, there may be no reason to proceed with a feasibility study. If opportunities are found, the market assessment can give focus and direction to the construction of business scenarios to investigate in the feasibility study. A market assessment will provide much of the information for the marketing feasibility section of the feasibility study.

Results and Conclusions

The conclusions of the feasibility study should outline in depth the various scenarios examined and the implications, strengths and weaknesses of each. The project leaders need to study the feasibility study and challenge its underlying assumptions. This is the time to be skeptical.

Don’t expect one alternative to “jump off the page” as being the best scenario. Feasibility studies do not suddenly become positive or negative. As you accumulate information and investigate alternatives, neither a positive nor negative outcome may emerge. The decision of whether to proceed is often not clear cut. Major stumbling blocks may emerge that negate the project. Sometimes these weaknesses can be overcome. Rarely does the analysis come out overwhelmingly positive. The study will help you assess the tradeoff between the risks and rewards of moving forward with the business project.

Remember, it is not the purpose of the feasibility study or the role of the consultant to decide whether or not to proceed with a business idea. It is the role of the project leaders to make this decision, using information from the feasibility study and input from consultants.

Go/No-Go Decision

The go/no-go decision is one of the most critical in business development. It is the point of no return. Once you have definitely decided to pursue a business scenario, there is usually no turning back. The feasibility study will be a major information source in making this decision. This indicates the importance of a properly developed feasibility study.

Feasibility Study vs. Business Plan

A feasibility study is not a business plan. The separate roles of the feasibility study and the business plan are frequently misunderstood. The feasibility study provides an investigating function. It addresses the question of "Is this a viable business venture?" The business plan provides a planning function. The business plan outlines the actions needed to take the proposal from "idea" to "reality."

The feasibility study outlines and analyzes several alternatives or methods of achieving business success. The feasibility study helps to narrow the scope of the project to identify the best business scenario(s). The business plan deals with only one alternative or scenario. The feasibility study helps to narrow the scope of the project to identify and define two or three scenarios or alternatives. The person or business conducting the feasibility study may work with the group to identify the "best" alternative for their situation. This becomes the basis for the business plan.

The feasibility study is conducted before the business plan. A business plan is prepared only after the business venture has been deemed to be feasible. If a proposed business venture is considered to be feasible, a business plan is usually constructed next that provides a "roadmap" of how the business will be created and developed. The business plan provides the "blueprint" for project implementation. If the venture is deemed not to be feasible, efforts may be made to correct its deficiencies, other alternatives may be explored, or the idea is dropped.

Reasons Given Not to Do a Feasibility Study

Project leaders may find themselves under pressure to skip the "feasibility analysis" step and go directly to building a business. Individuals from within and outside of the project may push to skip this step. Reasons given for not doing a feasibility analysis include:

- We know it's feasible. An existing business is already doing it.
- Why do another feasibility study when one was done just a few years ago?
- Feasibility studies are just a way for consultants to make money.
- The market analysis has already been done by the business that is going to sell us the equipment.
- Why not just hire a general manager who can do the study?
- Feasibility studies are a waste of time. We need to buy the building, tie up the site and bid on the equipment.

The reasons given above should not dissuade you from conducting a meaningful and accurate feasibility study. Once decisions have been made about proceeding with a proposed business, they are often very difficult to change. You may need to live with these decisions for a long time.

Reasons to Do a Feasibility Study

Conducting a feasibility study is a good business practice. If you examine successful businesses, you will find that they did not go into a new business venture without first thoroughly examining all of the issues and assessing the probability of business success.

Below are other reasons to conduct a feasibility study.

- Gives focus to the project and outline alternatives.
- Narrows business alternatives
- Identifies new opportunities through the investigative process.
- Identifies reasons not to proceed.

- Enhances the probability of success by addressing and mitigating factors early on that could affect the project.
- Provides quality information for decision making.
- Provides documentation that the business venture was thoroughly investigated.
- Helps in securing funding from lending institutions and other monetary sources.
- Helps to attract equity investment.

The feasibility study is a critical step in the business assessment process. If properly conducted, it may be the best investment you ever made.

Link: http://www.extension.iastate.edu/agdm/wholefarm/html/c5-65.html

Feasibility Study

A feasibility study is a preliminary study undertaken before the real work of a project starts to ascertain the likelihood of the project's success. It is an analysis of possible solutions to a problem and a recommendation on the best solution to use. It involves evaluating how the solution will fit into the corporation. It, for example, can decide whether an order processing be carried out by a new system more efficiently than the previous one.

A feasibility study is defined as an evaluation or analysis of the potential impact of a proposed project or program. A feasibility study is conducted to assist decision-makers in determining whether or not to implement a particular project or program. The feasibility study is based on extensive research on both the current practices and the proposed project/program and its impact on the selected organization operation. The feasibility study will contain extensive data related to financial and operational impact and will include advantages and disadvantages of both the current situation and the proposed plan.

Why Prepare Feasibility Studies?

Developing any new business venture is difficult. Taking a project from the initial idea through the operational stage is a complex and time-consuming effort. Most ideas, whether from a cooperative or invest or owned business, do not develop into business operations. If these ideas make it to the operational stage, most fail within the first 6 months. Before the potential members invest in a proposed business project, they must determine if it can be economically viable and then decide if investment advantages outweigh the risks involved.

Many cooperative business projects are quite expensive to conduct. The projects involve operations that differ from those of the members' individual business. Often, cooperative businesses' operations involve risks with which the members are unfamiliar. The study allows groups to preview potential project outcomes and to decide if they should continue. Although the costs of conducting a study may seem high, they are relatively minor when compared with the total project cost. The small initial expenditure on a feasibility study can help to protect larger capital investments later.

Feasibility studies are useful and valid for many kinds of projects. Evaluations of a new business venture both from new groups and established businesses, are the most common, but not the only usage. Studies can help groups decide to expand existing services, build or remodel facilities, change methods of operation, add new products, or even merge with another business. A feasibility study assists decision makers whenever they need to consider alternative development opportunities.

Feasibility studies permit planners to outline their ideas on paper before implementing them. This can reveal errors in project design before their implementation negatively affects the project. Applying the lessons gained from a feasibility study can significantly lower the project costs. The study presents the risks and returns associated with the project so the prospective members can evaluate them. There is no "magic number" or correct rate of return a project needs to obtain before a group decides to proceed. The acceptable level of return and appropriate risk rate will vary for individual members depending on their personal situation.

Cooperatives serve the needs and enhance the economic returns of their members, and not outside investors, so the appropriate economic rate of return for a cooperative project may be lower than those required by projects of investor-owned firms. Potential members should evaluate the returns of a cooperative project to see how it would affect the returns of all of their business operations.

The proposed project usually requires both risk capital from members and debt capital from banks and other financiers to become operational. Lenders typically require an objective evaluation of a project prior to investing. A feasibility study conducted by someone without a vested interest in the project outcome can provide this assessment.

What Is a Feasibility Study?

This analytical tool used during the project planning process shows how a business would operate under a set of assumptions — the technology used (the facilities, equipment, production process, etc.) and the financial aspects (capital needs, volume, cost of goods, wages etc.). The study is the first time in a project development process that the pieces are assembled to see if they perform together to create a technical and economically feasible concept. The study also shows the sensitivity of the business to changes in these basic assumptions.

Feasibility studies contain standard technical and financial components, as discussed in more detail later in this report. The exact appearance of each study varies. This depends on the industry studied, the critical factors for that project, the methods chosen to conduct the study, and the budget. Emphasis can be placed on various sections of an individual feasibility study depending upon the needs of the group for whom the study was prepared. Most studies have multiple potential uses, so they must be designed to serve everyone's needs.

The feasibility study evaluates the project's potential for success. The perceived objectivity of the evaluation is an important factor in the credibility placed on the study by potential investors and financiers. Also, the creation of the study requires a strong background both in the financial and technical aspects of the project. For these reasons, outside consultants conduct most studies.

Feasibility studies for a cooperative are similar to those for other businesses, with one exception. Cooperative members use it to be successful in enhancing their personal businesses, so a study conducted for a cooperative must address how the project will impact members as individuals in addition to how it will affect the cooperative as a whole.

The feasibility study is conducted to assist the decision-makers in making the decision that will be in the best interest of the school food service operation. The extensive research, conducted in a non-biased manner, will provide data upon which to base a decision.

A feasibility study could be used to test a new working system, which could be used because:

- The current system may no longer suit its purpose,
- Technological advancement may have rendered the current system redundant,
- The business is expanding, allowing it to cope with extra work load,
- Customers are complaining about the speed and quality of work the business provides,
- Competitors are not winning a big enough market share due to an effective integration of a computerized system.

Although few businesses would not benefit from a computerized system at all, the process of carrying out this feasibility study makes the purchaser/client think carefully about how it is going to be used.

After request clarification, analyst proposes some solutions. After that for each solution it is checked whether it is practical to implement that solution.

This is done through feasibility study. In this various aspects like whether it is technically or economically feasible or not. So depending upon the aspect on which feasibility is being done it can be categorized into four classes:

- Technical Feasibility
- Economic Feasibility
- Operational Feasibility
- Legal Feasibility

The outcome of the feasibility study should be very clear. It should answer the following issues.

- Is there an alternate way to do the job in a better way?
- What is recommended?

Technical Feasibility, Economic Feasibility, Operational Feasibility, Legal Feasibility

Technical Feasibility

In technical feasibility the following issues are taken into consideration.

- Whether the required technology is available or not
- Whether the required resources are available -

- Manpower- programmers, testers & debuggers

- Software and hardware

Once the technical feasibility is established, it is important to consider the monetary factors also. Since it might happen that developing a particular system may be technically possible but it may require huge investments and benefits may be less. For evaluating this, economic feasibility of the proposed system is carried out.

Economic Feasibility

For any system if the expected benefits equal or exceed the expected costs, the system can be judged to be economically feasible. In economic feasibility, cost benefit analysis is done in which expected costs and benefits are evaluated. Economic analysis is used for evaluating the effectiveness of the proposed system.

In economic feasibility, the most important is cost-benefit analysis. As the name suggests, it is an analysis of the costs to be incurred in the system and benefits derivable out of the system. Click on the link below which will get you to the page that explains what cost benefit analysis is and how you can perform a cost benefit analysis.

Cost Benefit Analysis

Operational Feasibility

Operational feasibility is mainly concerned with issues like whether the system will be used if it is developed and implemented. Whether there will be resistance from users that will effect the possible application benefits? The essential questions that help in testing the operational feasibility of a system are following.

- Does management support the project?
- Are the users not happy with current business practices? Will it reduce the time (operation) considerably? If yes, then they will welcome the change and the new system.
- Have the users been involved in the planning and development of the project? Early involvement reduces the probability of resistance towards the new system.
- Will the proposed system really benefit the organization? Does the overall response increase? Will accessibility of information be lost? Will the system effect the customers in considerable way?

Legal Feasibility

It includes study concerning contracts, liability, violations, and legal other traps frequently unknown to the technical staff.

Kilde: http://www.freetutes.com/systemanalysis/sa3-feasibility-study.html