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Project Feasibility Study: Definition & Steps

Project feasibility studies evaluate the potential for success when implementing a project based on technical demands, budget, and profitability. Explore the steps of conducting a feasibility study to inform project decisions.

What is a Project Feasibility Study?

Do you drive to working knowing you will never arrive? Do you make a coffee knowing you will never be able to drink it?

Before planning any project, you must ask the question - Can this project be successful? If the answer is no, then the project should not commence. If there is only a very slight possibility for project success, then it is also unlikely the project should go ahead.

Some questions to ask in order to consider whether a project can be successful include:

- Is it technically possible?
- Is it achievable within budget?
- Will it do what it is supposed to do (e.g. make a profit)?

In order to answer these critical questions, a project feasibility study must be conducted. The **project feasibility study** is a document containing a detailed description of the project, followed by a set of different feasibility areas. These are aspects of the project that will drive the success or failure of the project. This study will provide the necessary information so that you can decide whether or not your project will begin or whether it has a shot at success.

Steps to a Project Feasibility Study

1. Description of the Project - What are the important details of the project?

The project feasibility study should start with the basic details of the project and provide a purpose or goal for the project.

A project description must include a detailed description of the project scope and what the project will do and how it will do it. Also included is information regarding the stakeholders; those who have a vested interest in the project or will be impacted by the project. The description of the project should contain a relatively detailed timeline and task breakdown, including what will be done, when, and by whom. It is also important to detail the end result of the project. What will the project produce or create for the company?

2. Market Feasibility - Does anyone need this product or service?

Does anybody want this product or service? Will anybody use it? Is there a similar product/service currently available that will prevent project success? If your project assumes customers will pay for use of a product/service, you must ensure that the market exists.

Where necessary, you must identify a pricing model and ensure similar products/services are not currently available at a lower price.

If you continue with the project, investing time, money and resources, and nobody pays for the service, the project will be a failure.

3. Technical Feasibility - Is the project even possible?

Is it even possible to create this product/service? Do you have the necessary expertise or technical resources (hardware/software)? Does the project rely on 3rd party products that do not already exist? For example, if your project scope requires a fridge that talks and walks, then your project is unfeasible since a walking, talking fridge does not exist. Assuming, of course, that a walking, talking fridge is outside the scope of your current project!

Also to be considered are logistical or geographical requirements of your project. For example, do you need resources in foreign countries; do you need bigger buildings?

4. Financial/Economic Feasibility - Do we have the money to complete the project?

You have determined that your project is technically feasible, and there is a market for your product or service. The next question is - will the project be prohibitively expensive? That is, will there be sufficient budget for your project? You will need to conduct a primary investigation into how expensive the project may be. Sample questions include:

- How many resources will I need?
- How long will it take to create this product/service?
- What additional resources does the project need (cars, software licenses, hardware)?

A high-level budget is essential in order to determine project feasibility.

5. Organizational/Managerial Feasibility - Do we have the right people to complete the project?

Who will manage and who will work on scheduled tasks? Project feasibility requires matching skillsets to individuals in order to ensure you have the correct expertise in order to actually do the project. This may introduce other project features; for example, outsourcing, which brings with it additional operational overhead.

Project feasibility should also be forward-looking. For example, if the project requires continuing management after it has been completed, those resources must be available.

Lesson Summary

A project should never be started unless there is confidence that it can be successful. Project failure is a risk to all projects, but obvious failures can be avoided if work is done up front in order to identify the possibility or probability of success. Creating a **project feasibility study**, which is a document containing a detailed description of the project, followed by a set of different feasibility areas, should assist in significantly reducing the risk of project failure as long as it provides accurate information.

Here's a quick recap of the steps we've covered:

1. Description of the project
2. Market feasibility
3. Technical feasibility
4. Financial/economic feasibility
5. Organizational/managerial feasibility

You're going to have to follow each of these steps, and ask questions regularly. Ask if the project will be feasible after every step and the answer should be yes. If, at any stage, the project becomes unfeasible or there is a barrier to entry, such as too expensive, no market, impossible to maintain, it is unlikely the project will continue. It is important to note that this will not be a decision taken by you alone. All project stakeholders must reach a consensus to move forward or cancel the project.