Feasibility Analysis

**Purpose:** To discover the business value of a system.

**Traits of a Successful Project**

* **Cost:** The project did not cost more than was originally allocated
* **Schedule:** Delivered on the original delivery date
* **Performance/Quality:** The project includes all of the functionality originally wanted.

**Project Identification**

* Projects are driven by business needs and are identified by:
  + Business people
  + IT people
  + Both
* **Project Sponsor:** believes in the system and wants it to succeed. Usually a business person and has authority to move things forward.

**Initiating Projects**

* Projects begin when someone sees an opportunity to create business value from IT

**Identifying Business Value**

* Small businesses are easier to plan for since they can take advantage of a lot of new opportunities
* Large businesses must be looked into carefully into the future outcome.

**Feasibility Analysis**

* **Feasibility Analysis:** Used to aid in the decision of whether or not to proceed with the project. (is it worth it?)
* Identifies: *Cost, Risk, Benefits*
* **Types of feasibility analysis:**
  + Technical (Can we build it?)
    - Familiarity with technology
    - Familiarity with application
    - Project size
    - Compatible with current systems?
  + Economic (Should we build it?)
    - AKA Cost-Benefit
    - Identify financial risks
    - Cost:
      * Development
      * Operational
    - Benefit:
      * Tangible: Can be quantified and measured (2% increase in revenue)
      * Intangible: cannot be quantified and measured (improved customer service) It is more of an intuitive feeling.
    - **Steps in Economic Feasibility:** 
      * Identify Costs, Identify Benefits, Identify Technique (ROI, Break-even)
      * ROI: (Total Benefits – Total Cost) / Total Cost
      * BEP: (Yearly Net Cash Flow – Cumulative Net Cash Flow) / YNCF
  + Organizational (Do we want to build it?)
    - Stakeholders consider:
      * Project sponsors
      * Managers
      * System users
    - Is the project right for the business?
      * Strategic alignment with business
    - Questions to ask:
      * Will the system result in layoffs?
      * Will the system require training?
      * Will performance decline?
  + Schedule (Do we have time to build it?)
    - Can the project be implemented in the proper time frame?
    - Questions to ask:
      * Can the company control factors that affect schedule feasibility? (Do we have slack?)
      * Will there be a project manager to manage the time?
* Evaluating Feasibility
  + Identify system requests that are not feasible
  + Determine if the system is really necessary
  + Look at alternatives such as other technologies, purchasing a solution, etc.
* Project Selection
  + Once analysis is done, it’s submitted to approval committee.
    - They either approve, decline or request more information
  + Once approved, it enters project management process.
* Approval Committee
  + Senior Management
  + Meet regularly to discuss new and existing projects
  + Resource allocation
  + Discuss benefits of overall project.

**Classifying a project**

* Size, Cost, Purpose, Length, Risk, Scope, ROI

**How NOT to select a project**

* First in, first out
* Any method that does not conduct an analysis
* Political clout of project inventor