

FEASIBILITY STUDY

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To start a business you need insight and vision in terms of the viability of the proposed project concept. Most rational decisions, taken either by existing or aspiring entrepreneurs to make a business investment, is preceded by an investigation of the feasibility of the project. In support of this, the functions of undertaking a feasibility study include the following:

- It provides the knowledge, conviction and specific operational insights into the viability of a project, in terms of market, financial, technical and other perspectives.
- A feasibility study provides the basis for developing the concept into a business plan and subsequent start-up.
- It allows the product/service to be tested in a practical marketplace setting without major resource commitments.
- The feasibility study document acts as a reference for support agencies, grant aiding authorities, potential partners, business associates and lending institutions, as a basis for generating interest and commitment for the proposed business.

The analysis of the project involves a certain number of stages during which a number of issues and elements are analysed, in order to reach decisions about the viability and direction of the business. The preparation of a project can therefore be seen as a series of activities culminating in the compilation of a feasibility study document, which permits decision making on both a macro and micro level.

Given the varying degrees of complexity, resource commitments and range of projects developed, there is no formal guideline for undertaking feasibility studies. In general though. Larger projects with high levels of investment require a more formalised investigation. Key to the effective development of a feasibility study is not so much the level it is pitched at, but rather that it is first systematic, in terms of information collection and secondly objective in its approach. The core elements of feasibility studies include:

MARKET ANALYSIS – involving market analysis of market conditions which affect product, price, promotion, place (distribution) and packaging. It also examines market trends relative to past, present, and future supply and demand issues regarding the product/service, including a review of industry trends, target markets, competitors, and other industry players.

TECHNICAL ANALYSIS – incorporates a review of the product, manufacturing/supply process, plant location, size and layout. It also aims to determine the raw material and services supply, labour requirements, and

increasingly important issues such as legislation, environmental controls, and other factors impacting on the production/supply aspect of the business.

FINANCIAL ANALYSIS – with emphasis placed on the provision of financial statements, so that the project can be evaluated in terms of various of commercial profitability and the magnitude of finance required. It requires combining market and technical data and costings into various pro forma statements.

Aspiring or expanding entrepreneurs should evaluate the various research and analysis forms available, and develop the most comprehensive feasibility study, given their resource limitations at this sensitive stage of project development. For example, promoters may have an in-depth knowledge on one or more aspects of the business (e.g. technical issues) but may not be expert in all of the issues necessary to determine the viability of their project. Thus recognizing this limitation, it is important to marry their own skills with those of industry experts so that the resulting study is objective and comprehensive in its focus.

The analysis of the feasibility of a project can be conducted at different levels of effort with respect to time, budget, and personnel, depending on the circumstances. Prior to undertaking a feasibility study, the promoter should be aware of the needs of interested parties (development agencies, lending institutions, etc.), and therefore tailor the analysis to their particular requirements.

Potential entrepreneurs should also realize that by undertaking the research and feasibility analysis themselves or in conjunction with expert support, they are building a profile of their business. Based on positive findings, they will then be armed with a multi-dimensional knowledge and understanding, for the successful development and management of their business.