

## **Lecture : Creation of a new business- Part II-** **Phase II: Feasibility analysis and assessment**

A **feasibility study** is an assessment of the practicality of a proposed project or system. A feasibility study aims to objectively and rationally uncover the strengths and weaknesses of an existing business or proposed venture, opportunities and threats present in the natural environment, the resources required to carry through, and ultimately the prospects for success. In its simplest terms, the two criteria to judge feasibility are cost required and value to be attained.

A well-designed feasibility study should provide a historical background of the business or project, a description of the product or service, accounting statements, details of the operations and management, marketing research and policies, financial data, legal requirements and tax obligations. Generally, feasibility studies precede technical development and project implementation. A feasibility study evaluates the project's potential for success; therefore, perceived objectivity is an important factor in the credibility of the study for potential investors and lending institutions. It must therefore be conducted with an objective, unbiased approach to provide information upon which decisions can be based.

### **Understanding Feasibility Studies**

A feasibility study is simply an assessment of the practicality of a proposed plan or project. As the name implies, these studies ask: Is this project feasible? Do we have the people, tools, technology, and resources necessary for this project to succeed? Will the project get us the return on investment (ROI) that we need and expect?

### **The goals of feasibility studies are as follows:**

- To understand thoroughly all aspects of a project, concept, or plan
- To become aware of any potential problems that could occur while implementing the project
- To determine if, after considering all significant factors, the project is viable—that is, worth undertaking

### **The Importance of Feasibility Studies**

Feasibility studies are important to business development. They can allow a business to address where and how it will operate. They can also identify potential obstacles that may impede its operations and recognize the amount of funding it will need to get the business up and running. Feasibility studies aim for marketing strategies that could help convince investors or banks that investing in a particular project or business is a wise choice.

### **Tools for Conducting a Feasibility Study**

#### **Suggested Best Practices**

Feasibility studies reflect a project's unique goals and needs, so each is different. However, the tips below can apply broadly to undertaking a feasibility study. You may, for example, want to do the following:

- Get feedback about the new concept from the appropriate stakeholders

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- Analyze and ask questions about your data to make sure that it's solid
- Conduct a market survey or market research to enhance data collection
- Write an organizational, operational, or a business plan
- Prepare a projected income statement
- Prepare an opening day balance sheet
- Make an initial "go" or "no-go" decision about moving ahead with the plan

### **Suggested Components**

Once you have finished your basic due diligence, you might consider the elements below as a template of items to include in your study:

- **Executive summary:** Formulate a narrative describing details of the project, product, service, plan, or business.
- **Technological considerations:** Ask what will it take. Do you have it? If not, can you get it? What will it cost?
- **Existing marketplace:** Examine the local and broader markets for the product, service, plan, or business.
- **Marketing strategy:** Describe it in detail.
- **Required staffing** (including an organizational chart): What are the human capital needs for this project?
- **Schedule and timeline:** Include significant interim markers for the project's completion date.
- **Project financials.**
- **Findings and recommendations:** Break down into subsets of technology, marketing, organization, and financials.