

Feasibility Studies Support

Description

Both CEDOs and local entrepreneurs can have what seem like good ideas for a viable business, but they need to be tested before much time, effort, and money is invested in them. Feasibility studies are that sort of test. While it is usual to think in terms of a single thorough test of the business idea, in fact the process of feasibility testing sometimes implies a series of tests, each a little more demanding than the previous.

Unfortunately, people who have a business idea that seems good (to them) may have difficulty subjecting their idea to a stringent enough test. It is under these circumstances that the entrepreneur or other sponsor needs to have some assistance in carrying out necessary feasibility studies. Moreover, the results of the testing need to be spelled out so that relevant others (such as a loan officer) can evaluate them. It makes good sense to invest some careful time in analyzing and reporting the facts about a business idea before going to the time and expense of developing a full plan to start the business.

Some business proponents need only a little guidance, perhaps just suggestions for a workable format or procedure for conducting their own testing process; but they all need someone to review what they come up with and raise any necessary further questions. It is that service that CEDOs may wish to provide. At the least, a CEO must be able to conduct feasibility studies for its own projects (or carefully collaborate with a feasibility consultant).

Benefits

Feasibility tests assure that resources are efficiently spent on the tasks of developing each particular business prospect. Also, a CEO offering business services needs to be understood as seriously interested in the facts and figures, not just the dreams of new business.

Major challenges

As implied before, it may be difficult to get a business proponent to do the hard work of pinning down whether the business idea has real merit or just sounds good. This can be the case whether the proponent is either an aspiring entrepreneur or a CEO staff or board member urging that the CEO take on the venture project. Further, doing the needed research is hard work, and it must be done systematically. Luckily, there are guides to make it a reasonable task. Still, it is probably worth noting that even well done feasibility studies that turn out reliable positive results do not guarantee that the business or other

development project is a good idea. The feasibility study can, however, be a useful source of information to strengthen the business and identify where the unavoidable risks and problems are.

Some practical steps

1. This, like the services in **Business Planning Aid**, needs to be a part of the larger CEDO business development activity picture, and it is necessary to determine just how important in that picture is offering aid on feasibility studies versus some other expenditure of CEDO resources. In any case, the CEDO staff should be aware of the salience of feasibility studies for business start-ups and communicate that to any entrepreneur who approaches the CEDO.
2. Systematic assistance itself can be arranged for entrepreneurs through other providers or, if a community survey justifies it, through the CEDO's own staffing. Incidentally, sometimes help can be arranged for free from a local businessperson.
3. In all cases, CEDOs must be clear that the study has to be done as far as possible by the entrepreneur, not just by a consultant, if it is to have credibility to the entrepreneur and increase her/his ability to create and manage the business.
4. In those instances in which the study is being done on the CEDO's own project, there still needs to be clear delegation of responsibility to the staff member who is the project's proponent.

Resource organizations & contacts

- If there is a nearby Community Futures organization, or Business Development Centre, it will likely be a source of help for any proposed ventures that would fall within its catchment area. Of course, the CEDO should have already established a good working relationship with any relevant BDC.
- You can check out the (often limited) provincial programs at the Canada/BC Business Information Centre (800-667-2272) or similar agencies in your provincial government.

Publications

- "The First Stage Analysis of a Product or Service Venture," an appendix in Stewart E. Perry, *Developing a Business Venture: A Manual for Community Groups* (fax 617-497-7614). Provides a format for doing a feasibility study to uncover any of the "fatal flaws."
- Most local libraries will have a range of guides. CCE Bookshop (toll-free 888-255-6779) will have suggestions for CEDOs.