

## Theme 04: Feasibility Analysis

Consider a business idea of your own and use the template to decide the potential of your business idea.

A Feasibility Analysis Template First Screen, shown below, is a template entrepreneurial firms use to complete a feasibility analysis. It is called First Screen because a feasibility analysis is an entrepreneur's (or a group of entrepreneurs') initial pass at determining the feasibility of a business idea. If a business idea is suitable at this stage, the next step is to complete a business plan. The mechanics for filling out the First Screen worksheet are straightforward. It maps the four areas of feasibility analysis described in this theme, accentuating the most important points in each area.

The final section of the worksheet, "Overall Potential," includes a section that allows for suggested revisions to a business idea to improve its potential or feasibility. For example, a business might start out planning to manufacture its own product, but through the process of completing First Screen, learn that the capital needed to set up a manufacturing facility is prohibitive in terms of both the money that would need to be raised and the extended time to break even for the business. As a result, two of five items in Part 5, "Initial Capital Investment" and "Time to Break Even," might be rated "low potential." This doesn't need to be the end of the story, however. In the column labelled "Suggestions for Improving the Potential," the founders of the business might write, "Consider contract manufacturing or outsourcing as an alternative to manufacturing the product ourselves."

The value of the First Screen worksheet is that it draws attention to issues such as this one and forces the founders to think about alternatives. If this particular suggestion is realistic and is determined to be a better way to proceed, a revised version of First Screen might rate the two factors referred to previously, "Initial Capital Requirements" and "Time to Break Even," as "high potential" rather than "low potential" because of the change in the business concept that was made.

Business ideas at the feasibility analysis stage should always be seen as fluid and subject to change. Little is lost if several versions of First Screen are completed for the same business idea; however, there is much more to be lost if a start-up gets halfway through writing a business plan and concludes that the business isn't feasible, or actually launches a business without having at least most of the kinks worked out.

Although completing First Screen does take some research and analysis, it is not meant to be a lengthy process. It is also not meant to be a shot in the dark. The best ideas are ones that emerge from analysis that is based on facts and good information, rather than speculation and guesses.

It is important to be completely candid when completing First Screen for your business idea. No business scores "high potential" on every item. There is also no definitive way of discerning, after the worksheet is completed, if an idea is feasible. First Screen, like the feasibility analysis itself, is meant to convey an overall impression or sense of the feasibility of a business idea.

## First Screen

From “Preparing Effective Business Plans” by Bruce R. Barringer

### Part 1: Strength of Business Idea

For each item, circle the most appropriate answer and make note of the (-1), (0), or (+1) score.

		Low Potential (-1)	Moderate Potential (0)	High Potential (+1)
1.	Extent to which the idea: <ul style="list-style-type: none"> <li>• Takes advantage of an environmental trend</li> <li>• Solves a problem</li> <li>• Addresses an unfilled gap in the marketplace</li> </ul>	Weak	Moderate	Strong
2.	Timeliness of entry to market	Not timely	Moderately timely	Very timely
3.	Extent to which the idea “adds value” for its buyer or end user	Low	Medium	High
4.	Extent to which the customer is satisfied by competing products that are already available	Very satisfied	Moderately satisfied	Not very satisfied or ambivalent
5.	Degree to which the idea requires customers to change their basic practices or behaviors	Substantial changes required	Moderate changes required	Small to no changes required

**Part 2: Industry-Related Issues**

		Low Potential (-1)	Moderate Potential (0)	High Potential (+1)
1.	Number of competitors	Many	Few	None
2.	Stage of industry life cycle	Maturity phase or decline phase	Growth phase	Emergence phase
3.	Growth rate of industry	Little or no growth	Moderate growth	Strong growth
4.	Importance of industry's products and/or services to customers	"Ambivalent"	"Would like to have"	"Must have"
5.	Industry operating margins	Low	Moderate	High

**Part 3: Target Market and Customer-Related Issues**

		Low Potential (-1)	Moderate Potential (0)	High Potential (+1)
1.	Identification of target market for the proposed new venture	Difficult to identify	May be able to identify	Identified
2.	Ability to create "barriers to entry" for potential competitors	Unable to create	May or may not be able to create	Can create
3.	Purchasing power of customers	Low	Moderate	High
4.	Ease of making customers aware of the new product or service	Low	Moderate	High
5.	Growth potential of target market	Low	Moderate	High

**Part 4: Founder- (or Founders-) Related Issues**

	Low Potential (-1)	Moderate Potential (0)	High Potential (+1)
1. Founder or founders experience in the industry	No experience	Moderate experience	Experienced
2. Founder or founders skills as they relate to the proposed new venture's product or service	No skills	Moderate skills	Skilled
3. Extent of the founder or founders professional and social networks in the relevant industry	None	Moderate	Extensive
4. Extent to which the proposed new venture meets the founder or founders personal goals and aspirations	Weak	Moderate	Strong
5. Likelihood that a team can be put together to launch and grow the new venture	Unlikely	Moderately likely	Very likely

**Part 5: Financial Issues**

	Low Potential (-1)	Moderate Potential (0)	High Potential (+1)
1. Initial capital investment	High	Moderate	Low
2. Number of revenue drivers (ways in which the company makes money)	One	Two to three	More than three
3. Time to break even	More than two years	One to two years	Less than one year
4. Financial performance of similar businesses	Weak	Modest	Strong
5. Ability to fund initial product (or service)	Low	Moderate	High

development and/or  
initial startup  
expenses from  
personal funds or via  
bootstrapping

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## Overall Potential

Each part has five items. Scores will range from -5 to +5 for each part. The score is a guide—there is no established rule-of-thumb for the numerical score that equates to high potential, moderate potential, or low potential for each part. The ranking is a judgment call.

	Score (-5 to +1)	Overall Potential of the Business Idea Based on Each Part	Suggestions for Improving the Potential
Part 1: Strength of Business Idea		High potential <input type="checkbox"/> Moderate potential <input type="checkbox"/> Low potential <input type="checkbox"/>	
Part 2: Industry-Related Issues		High potential <input type="checkbox"/> Moderate potential <input type="checkbox"/> Low potential <input type="checkbox"/>	
Part 3: Target Market and Customer-Related Issues		High potential <input type="checkbox"/> Moderate potential <input type="checkbox"/> Low potential <input type="checkbox"/>	
Part 4: Founder- (or Founders-) Related Issues		High potential <input type="checkbox"/> Moderate potential <input type="checkbox"/> Low potential <input type="checkbox"/>	
Part 5: Financial Issues		High potential <input type="checkbox"/> Moderate potential <input type="checkbox"/> Low potential <input type="checkbox"/>	
Overall Assessment		High potential <input type="checkbox"/> Moderate potential <input type="checkbox"/> Low potential <input type="checkbox"/>	

**Summary**—briefly summarize your justification for your overall assessment: