

Beyond your gut feel, just how feasible is your business idea?

By
Terry H. Hill

Gut feelings have always been a part of an entrepreneur's decision -making process. After all, it is the entrepreneur's gut feelings about a particular business idea that sets his idea into motion. From his creative idea, a product/service evolves - the product becomes a business, the business becomes an industry, and the industry becomes a way of life. Alexander Graham Bell, Thomas Edison, Henry Ford, Walt Disney, and Bill Gates are just a few of the many entrepreneurs that began with an idea that eventually evolved into a way of life.

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If you follow the business career of any of these revolutionary entrepreneurs, you'll find a common thread that weaves its way through the evolution of their business idea. This common thread begins with an idea and a gut feeling about the idea. Call it what you will – intuition, a hunch, or even, a sixth sense. This gut feel tells them that their idea is viable, that it has a possibility of working. A strong belief in their idea, along with an intense passion, generates further resource commitments of time and money which are necessary to bring their idea to life.

In many cases, an entrepreneur uses his gut feelings as the support and justification for the viability of his business idea. After all, his gut feelings about other things have served him well in the past. So, why change? This is, perhaps, the most precarious time in the entrepreneurial business process! With gut feelings and passion in hand, the entrepreneur lunges forward without regard for concrete facts. This is not to say that there are instances when "pulling the trigger" and launching a new business idea, based on a gut feeling, has not proven to be successful. However, that is the exception, rather than the rule! Making decisions based on gut feelings alone is like playing Russian roulette.

No entrepreneur, in his right mind, wants his idea and/or business to fail. Likewise, no lender/investor wants to risk their capital based on gut feelings and/ or passion alone. An entrepreneur must be open to an honest and factual assessment of the viability of his idea. It is at this time that an entrepreneur is advised to initiate a Feasibility Study. A **Feasibility Study is a controlled process** that identifies problems and opportunities, describes situations, defines successful outcomes, and assesses the range of costs and benefits associated with several alternatives. This Study provides a detailed investigation and an analysis of factors that influence your idea to determine if it is viable, not viable, or needs revision. The Feasibility Study takes the guesswork out of the decision-making process.

A Feasibility Study is an effective way to safeguard against the waste of resources (time, people, or money) which may be exhausted before an idea or project is deemed viable. The Feasibility Study helps you analyze possible risks and rewards of a business idea and increase probability of its success. The Study is based on a cost benefit analysis of your actual business idea or project. It is an analytical tool that includes recommendations and limitations. The results are then used to assist decision makers in determining if a new business concept is viable, not viable, or needs revision.

The Feasibility Study forces you to examine the real circumstances that your business idea or project is likely to encounter. In performing your feasibility analysis, you will investigate the impact that each of following issues can have on your idea or project:

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- **Economic (labor, utilities, transportation, economic impact, etc.)**
- **Marketing (availability, plans, competition, targets and potential)**
- **Technical (site, equipment, modernization, constraints, etc.)**
- **Financial (cash flow, costs)**
- **Managerial (assessments, recruiting, training, and development)**

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The **Feasibility Study** consists of supporting evidence for its recommendations. The strength of the recommendations is weighed against the study's ability to demonstrate the continuity that exists between the research analysis and the proposed business idea or project. Recommendations are reliant on a mix of numerical data with qualitative, experience-based documentation. The Study is heavily dependent on market research and analysis.

The Feasibility Study documentation consists of the following sections:

- **Cover Page:** Provides your detailed contact information.
- **Request Letter:** Introduces you and your business concept to prospective lenders and/or investors.
- **Table of Contents:** Provides a by subject index that enables your readers to easily find specific information.
- **Executive Summary:** Includes a brief summary that highlights the major points of the study. Provides background on your business concept, the market, your value proposition, key team members, projected ROI (Return on Investment), internal rate of return, and current and potential risks.
- **Product/Service Offerings:** Describes your offering (s), relevant business benefits, stage of development, and competitive product/services that satisfy a real business need.
- **The Market:** Describes your target market(s). Substantiates statements with facts and supporting detail. Includes market research on initial and future markets, key market segments, past growth rates, anticipated trends and changes.
- **Pricing and Profitability:** Includes projections of future revenues and profits for three to five years. Summarizes financial data: cash flow, income statements, and balance sheets, banking relationships, terms and rates of loans, financing plans, and working capital requirements.

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- **Plan for Further Action:** Describes how to translate the Feasibility Study into actionable results. Lists steps to obtain licenses to do business, open an establishment, hire employees, and forge partnerships.

The result of the Study is a *thorough analysis* of the feasibility of your proposed business idea or project. If the idea or project is deemed feasible, then the next step is to proceed with a [Comprehensive Business Plan](#). The research and information presented in the Study can be transferred directly to your Comprehensive Business Plan. Therefore, there is no need to duplicate costs to generate a detailed market analysis and financial projections for the Comprehensive Business Plan since they already exist within the Feasibility Study.

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Whether you are applying for a SBA business loan, seeking funds for startup or expanding your business, a Feasibility Study provides professional support and factual information necessary to make your case to employees, suppliers, lenders, and investors.

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