

Project Management Fact Sheet:

Conducting a Feasibility Study

Version: 1.2, November 2008

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What is a Feasibility Study?

A Project *Feasibility Study* either refines a *Business Case* by examining the range of possible options and potential issues, or forms a basis for its development. It is usually an activity carried out in the Project INITIATION Phase. A *Feasibility Study* should address issues that could influence the success of a potential project and assess the advantages and disadvantages of each option so they can be ranked. It includes a cost/benefit analysis and results in the development of a *Feasibility Report*, sometimes referred to as an Options Paper.

What is the purpose of a Feasibility Study?

The *Feasibility Study* should provide a good foundation to allow early project analysis and design activities to commence in a focused manner. The end product of the study should be a clear, concise *Feasibility Report* to senior management, which presents the proposed project's original specifications and objectives, with conclusions and recommendations for the next phase. This report should highlight the advantages and disadvantages associated with each option and cover issues such as cost, revenue, strategic considerations and other issues. It should provide senior management with a firm basis to determine whether the project has sufficient merit to continue into more detailed phases. It should especially highlight changes that may need to be made to any existing *Business Case* due to the study.

Why conduct a Feasibility Study?

If a *Feasibility Study* is completed as the project is being initiated, one of its outputs could be a preliminary *Business Case*. If it is completed after the *Business Case* has already been developed, it can help refine the scope. In either case, it should narrow the range of options, assess each of the remaining options and propose solutions to issues raised.

How do I conduct a Feasibility Study?

In many ways, a *Feasibility Study* can be treated like a mini-project in its own right; its outcome being a decision on how the larger project should be managed. Sometimes a *Project Proposal* or *Project Business Plan* is developed to scope the feasibility activities if it is a major undertaking.

A *Feasibility Study* can be broken down into the following steps:

Step 1 - Appoint an experienced Manager and team, the membership of which depends on the nature of the project. The team should include a range of specialists, and should not be dominated by one type of specialist. It should also be as small as possible, as smaller teams are easier to coordinate. The Manager of the Feasibility Study will probably not be the Project Manager for the remainder of the initiative, but it is a good idea if the future Project Manager is a member of the Feasibility Study team. This inclusion will help ensure ownership of, and commitment to, the directions established.

Step 2 - Examine the scope of the study to assess the work involved and any constraints, such as quality, cost, time and so forth. A resulting work plan, or Project Proposal/Project Business Plan should outline the study's delivery time, interim and final reports required.

Step 3 - Appoint external advisers to supplement team resources, if required.

Step 4 - Create a plan for the study. This plan might take the form of a Project Proposal/Project Business Plan or work schedule, and should include a milestone plan and assigned responsibilities. The milestone plan should be robust, but flexible enough to cope with emerging or unexpected issues and adequate time should be allowed for possible procurement processes, requesting and collecting information, as well as interpreting and analysing the results.

Step 5 - Set a timetable and budget for the study. The timetable and budget should be sufficient to allow options to be explored and thoroughly evaluated.

Step 6 - Collect relevant information and write the Feasibility Report.

What are the main aspects of a Feasibility Report?

- *Exploring the options* - the first step of a *Feasibility Report* is to examine all possible options. Each option should be thoroughly reviewed. If it already exists, the project's *Business Case* should help scope this task, but it should not stifle imagination.
- *Ranking the options* - the options identified should then be ranked according to the Sponsor's goals, project constraints and other external issues.
- *Outlining the way forward* - the *Feasibility Report* should result in a clear definition of future directions.

How should a Feasibility Study be managed?

The following three main elements should be managed in relation to the *Feasibility Study*:

1. Organisation - there should be a clearly focused, but flexible structure built around the milestone plan. Roles and responsibilities should be clearly defined and a responsibility chart or governance structure model is one way of doing this definition.
2. Communication - the Manager should maintain good contact with the Project Sponsor to ensure the study remains on target and any required changes are made. Internal team communication is also important to ensure delays are tracked, duplication is avoided and information is shared, especially between different areas of specialty.

3. Control - the Manager should ensure milestones adopted are appropriate for achieving the aims of the study and are reached on time. Costs should also be monitored, and timing and budget changes made so that the study still meets its aims.

Who is responsible for conducting the Feasibility Study?

The Manager or a Project Officer will usually conduct the *Feasibility Study*.

Who approves/endorsees the Feasibility Report?

Generally, the *Feasibility Report* will be approved or endorsed by the Project Sponsor.

So what's next?

The *Feasibility Report* should be submitted to the Business Owner(s)/Senior Management to consider the options and recommendations. The Business Owner(s) should then make a decision regarding the future of the potential project and how the project should be managed.

Where to get additional help

- Refer to the *Tasmanian Government Project Management Guidelines*
- The Inter Agency Policy and Projects Unit offers further advice and assistance, including a formal Advisory and Review Service
- Contact Project Services at project.management@dpac.tas.gov.au
- Further information and resources are available from www.egovernment.tas.gov.au

Acknowledgements

This Fact Sheet contains elements of the *Tasmanian Government Project Management Guidelines* prepared by the Department of Premier and Cabinet.

References: Turner, J.R (1993) *The Handbook of Project-Based Management*. Maidenhead, McGraw Hill