

Feasibility Checklist for Starting a Small Business

This publication is a checklist for the owner-manager of a small business enterprise or for one contemplating going into business for the first time. The questions concentrate on areas you must seriously consider to determine if your idea represents a real business opportunity and if you really know what you are getting into. You can use the checklist to evaluate a completely new venture proposal or an apparent opportunity in your existing business.

Perhaps the most crucial problem you will face after expressing an interest in starting a new business or capitalizing on an apparent opportunity in your existing business will be determining the feasibility of your idea. Getting into the right business at the right time is simple advice, but advice that is extremely difficult to implement. The high failure rate of new businesses and products indicates that very few ideas result in successful business ventures, even when introduced by well established firms. Too many entrepreneurs strike out on a business venture so convinced of its merits that they fail to thoroughly evaluate its potential.

This checklist should be useful in evaluating your business idea. It is designed to help you screen out ideas that are likely to fail before you invest extensive time, money and effort in them.

Preliminary Analysis

A feasibility study involves gathering, analyzing and evaluating information with the purpose of answering the question: "Should I go into this business?" Answering this question involves a preliminary assessment of both personal and project considerations.

General Personal Considerations

The first seven questions ask you to do a little introspection. Are your personality characteristics such that you can both adapt to and enjoy small business ownership/management?

	Yes	No
Do you like to make your own decision?		
Do you enjoy competition?		
Do you have will power and self-discipline?		
Do you plan ahead?		
Do you get things done on time?		
Can you take advice from others?		
Are you adaptable to changing conditions?		

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The next series of questions stress the physical, emotional and financial strains of a new business.

	Yes	No
Do you understand that owning your own business may entail working 12 to 16 hours a day, probably six days a week, and maybe on holidays?		
Do you have the physical stamina to handle a business?		
Do you have the emotional strength to withstand the strain?		
Are you prepared to lower your standard of living for several months or years?		
Are you prepared to lose your savings?		

Specific Personal Considerations

	Yes	No
Do you know which skills and areas of expertise are critical to the success of your project?		
Do you have these skills?		
Does your idea effectively utilize your own skills and abilities?		
Can you find personnel that have the expertise you lack?		
Do you know why you are considering this project?		
Will your project effectively meet your career aspirations?		

The next three questions emphasize the point that very few people can claim expertise in all phases of a feasibility study. You should realize your personal limitations and seek appropriate assistance where necessary (i.e. marketing, legal, financial).

	Yes	No
Do you have the ability to perform the feasibility study?		
Do you have the time to perform the feasibility study?		
Do you have the money needed to have the feasibility study done?		

General Project Description

Briefly describe the business you want to enter.

List the products and/or services you want to sell.

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Describe who will use your products/services.

Why would someone buy your product/service?

What kind of location do you need in terms of type of neighbourhood, traffic count, nearby firms, etc.

List your products/services suppliers.

List your major competitors - those who sell or provide similar products/services.

List the labour and staff you require to provide your products/services.

Requirements for Success

To determine whether your idea meets the basic requirements for a successful new project, you must be able to answer at least one of the following questions with a "yes."

	Yes	No
Does the product/service/business serve a presently unserved need?		
Does the product/service/business serve an existing market in which demand exceeds supply?		
Can the product/service/business successfully compete with existing competition because of an "advantageous situation", such as better price, location, etc.?		

Major Flaws

A "Yes" response to questions such as the following would indicate that the idea has little chance for success.

	Yes	No
Are there any causes (i.e. restrictions, monopolies, shortages) that make any of the required factors of production unavailable (i.e. unreasonable cost, scarce skills, energy, material, equipment, processes, technology, or personnel)?		
Are capital requirements for entry or continuing operations excessive?		
Is adequate financing hard to obtain?		
Are there potential detrimental environmental effects?		

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Are there factors that prevent effective marketing?		
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Desired Income

The following questions should remind you that you must seek both a return on your investment in your own business as well as a reasonable salary for the time you spend in operating that business.

How much income do you desire?

Are you prepared to earn less income in the 1st - 3rd years?

What minimum income do you require?

What financial investment will be required for your business?

How much could you earn by investing this money? (A)

How much could you earn by working for someone else? (B)

Add the amounts in (A) and (B). If this income is greater than what you can realistically expect from your business, are you prepared to forego this additional income to be your own boss with the prospects of more substantial profit/income in future years?

Supply

	Yes	No
Can you make a list of every item of inventory and operating supplies needed?		
Do you know the quantity, quality, technical specifications, and price ranges desired?		
Do you know the name and location of each potential source of supply?		
Do you know the price ranges available for each product from each supplier?		
Do you know about the delivery schedules for each supplier?		
Do you know the sales terms of each supplier?		
Do you know the credit terms of each supplier?		
Do you know the financial condition of each supplier?		
Is there a risk of shortage for any critical materials or merchandise?		
Are you aware of which suppliers have an advantage relative to transportation costs?		

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Will the price available allow you to achieve an adequate markup?		
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Expenses

	Yes	No
Do you know what your expenses will be for: rent, wages, insurance, utilities, advertising, interest, etc.?		
Do you need to know which expenses are direct, indirect, or fixed?		
Do you know how much your overhead will be?		
Do you know how much your selling expenses will be?		

Miscellaneous

	Yes	No
Are you aware of any major risks associated with your product, service and/or business?		
Can you minimize any of these major risks?		
Are there major risks beyond your control?		
Can these risks bankrupt you?		

Venture Feasibility

	Yes	No
Are there any major questions remaining about your proposed venture?		
Do the above questions arise because of a lack of data?		
Do the above questions arise because of a lack of management skills?		
Do the above questions arise because of a "fatal flaw" in your idea?		
Can you obtain the additional data needed?		
Can you obtain the additional managerial skills needed?		
Are you aware that there is less than a 50-50 chance that you will be in business two years from now?		



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Growing communities one idea at a time.