

Feasibility Studies and Business Plans: Critical Success Factors in Value-Added Businesses

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Road Map

- Brief overview of the Value-Added Business Development Program at K-State
- Feasibility studies
- Business plan
- Getting results
- Q&A



Value-Added Business Development Program

- The growing importance of value-added in agriculture
 - Aimed at enhancing producer net incomes by increasing share of total value of production
 - Presents risks/rewards structures different from what pertains at production level
- Evidence
 - Producers uptake of VA initiatives has increased
 - Some decision errors have led to significant losses
 - We believe some knowledge about VA business development can minimize these errors and losses

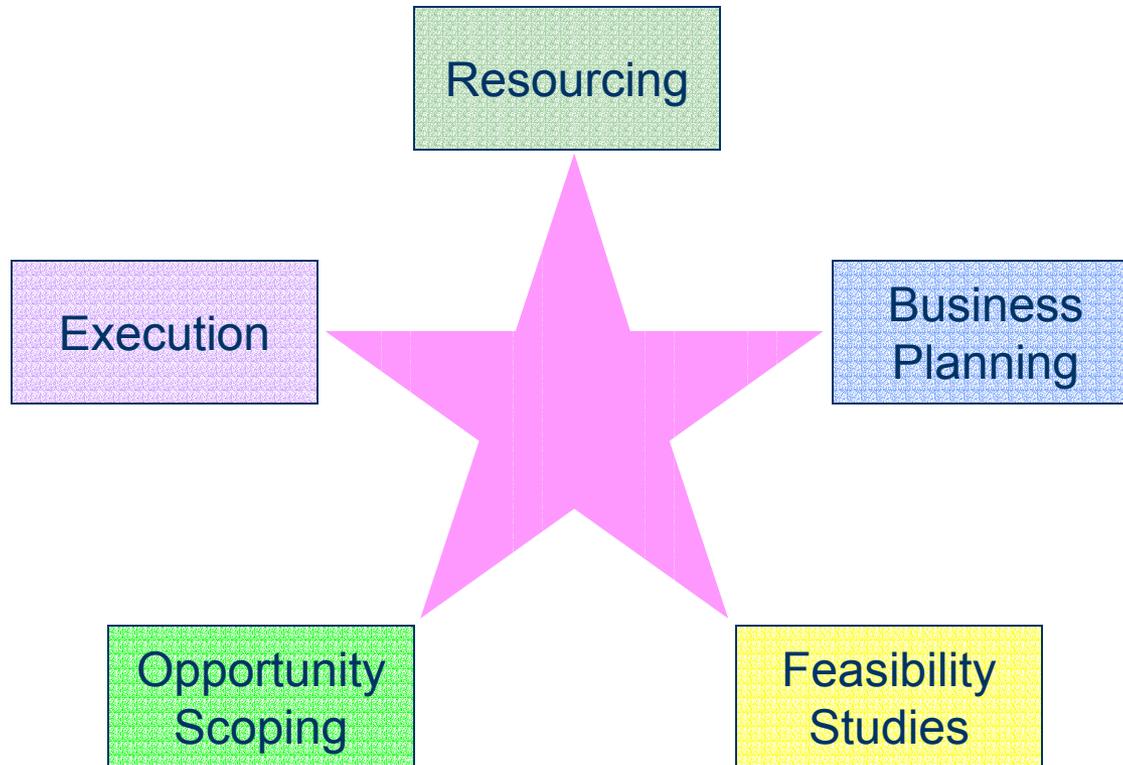


Value-Added Business Development Program

- The VABDP mission is to improve producers' business development and management skills through research, education & outreach
- We will achieve this mission if we succeed in
 - Increasing producer knowledge about the business opportunity slate
 - Helping producers enhance business selection decisions
 - Improving producers' management skills and knowledge
 - Improving their governance skills and knowledge



The Value-Added Business Development Model



Feasibility Studies



What is a Feasibility Study?

- A feasibility study is the disciplined and *documented* process of thinking through an idea from beginning to end to determine its practical viability potential, given the realities of the environment in which it is going to be implemented



Why Conduct Feasibility Studies

- Feasibility studies seeks to answer the simple question: Will the idea work?
- Therefore, feasibility studies fulfill more than funding requirement
- A good feasibility study will:
 - Help decide whether an idea is worth pursuing
 - Assess the performance of an idea under different realities
 - Show the range of realities for which the idea performs well
- An idea that fails to perform well over the desired range must be deemed to have failed the feasibility test

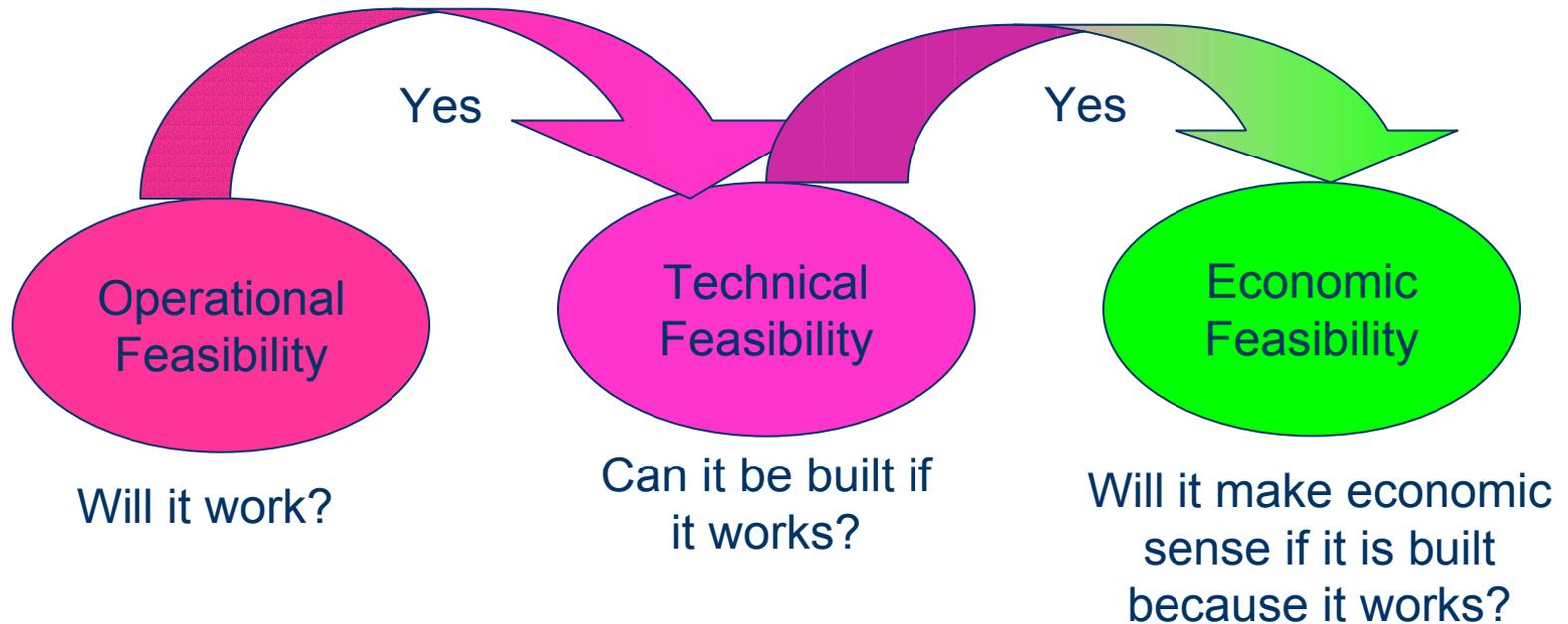


Why Conduct Feasibility Studies

- If an idea fails a feasibility test, it must be abandoned
- Abandoning a failed idea minimizes sunk costs
 - Time
 - Money
 - Effort
 - Relationships



Typology of Feasibility Studies and the Decision Flow



Potential Outcomes of Feasibility Studies

Outcome: Infeasible
Decision: Abandon

Outcome: Feasible
Decision: Move forward

Outcome: Feasible with Changes
Decision: Rework



Business Planning



What is a Business Plan?

- The business plan is a written summary of what we hope for the business to accomplish and how we intend to organize resources to transform hope into reality
- It should act like a road map that helps business leaders guide the business to its desired future
- It outlines the current state of thinking about the future of the business, helping readers to assess its ability to achieve its stated objectives



What is a Business Plan?

- A good plan can transform an elusive dream into reality by focusing thinking, energies and resources in the right places, on the right things and at the right time
- A good plan can bring smart resources to the business
- A good plan will not guarantee success, but it will reduce the probability of failure

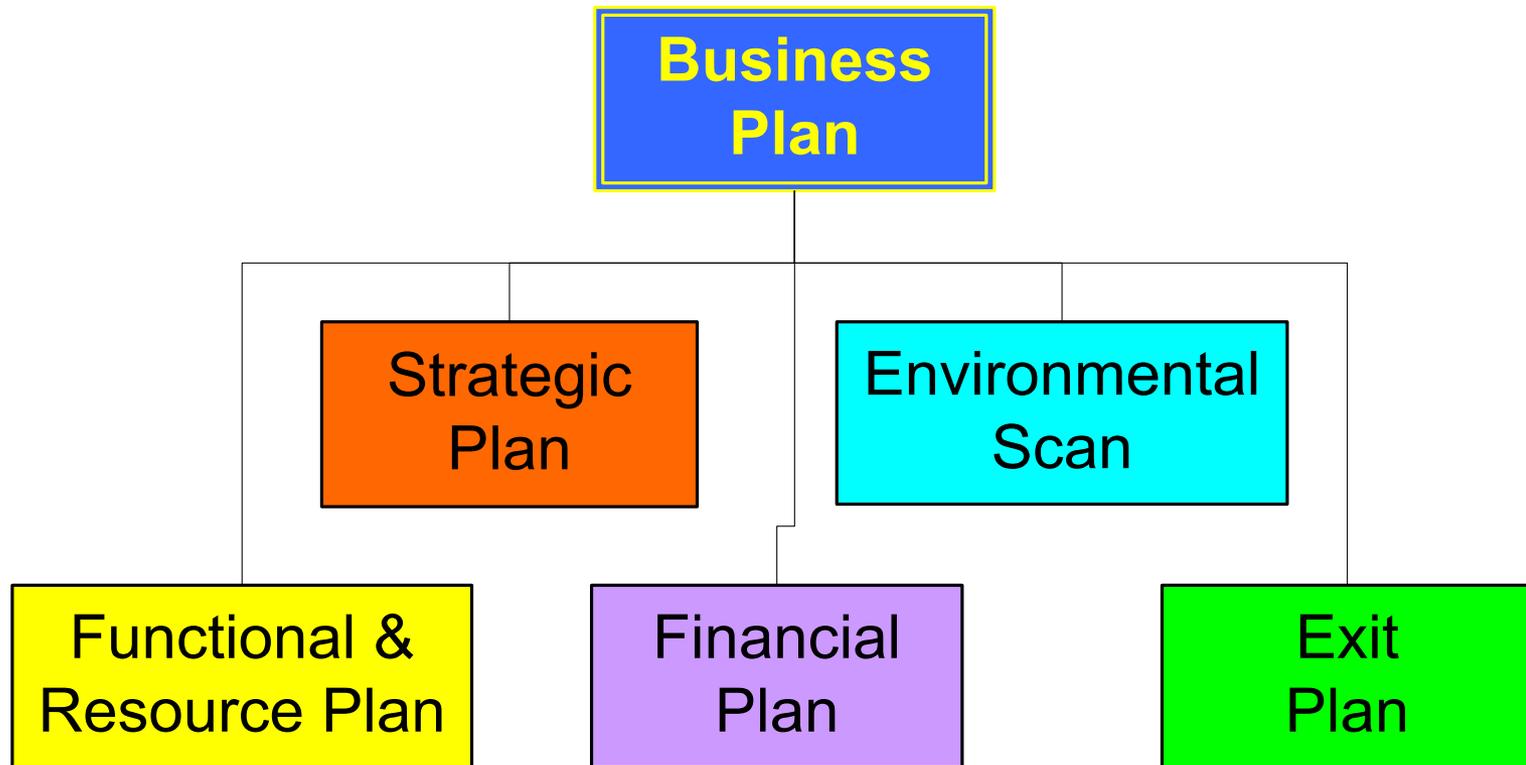


Point of Clarification

- Business plans are not only important for new businesses
 - They are important for all initiatives that have desired outcomes that are affected by uncertainty
- Business plans are important communication tools for all organizations that involve decisions that need to come together to achieve desired objectives



The Business Planning Process

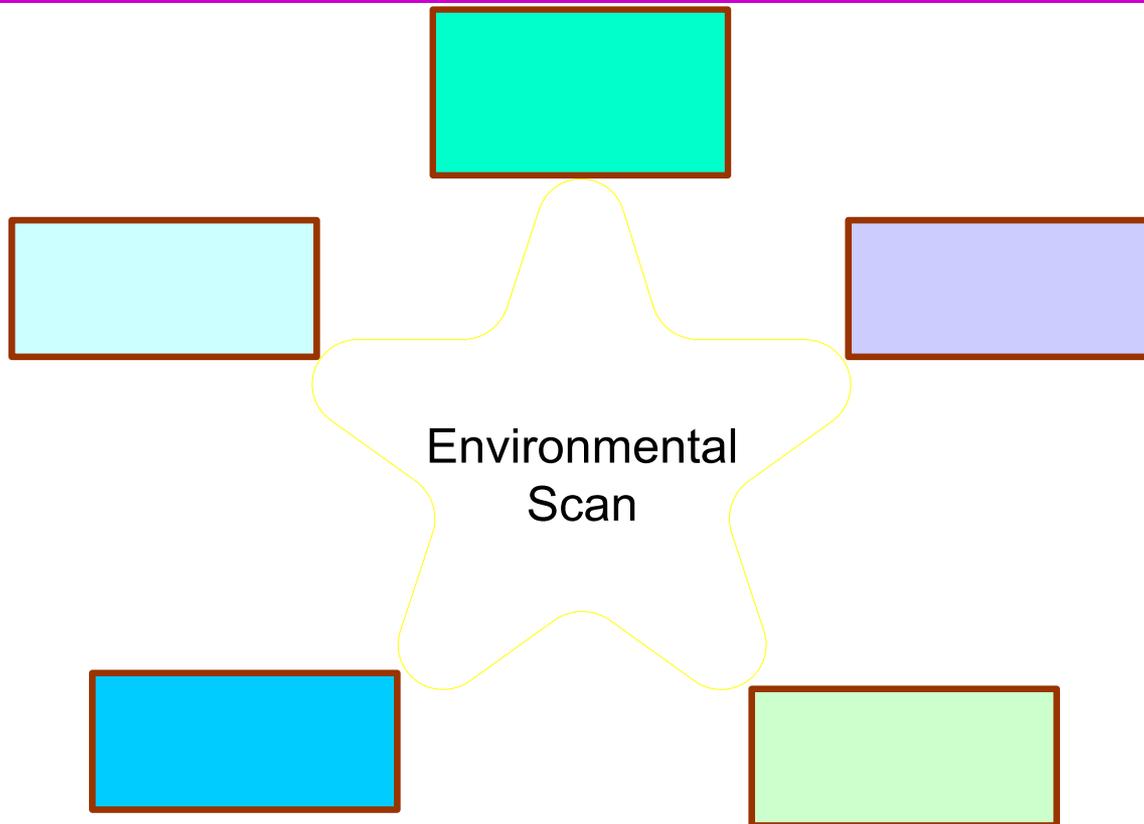


Strategic Plan

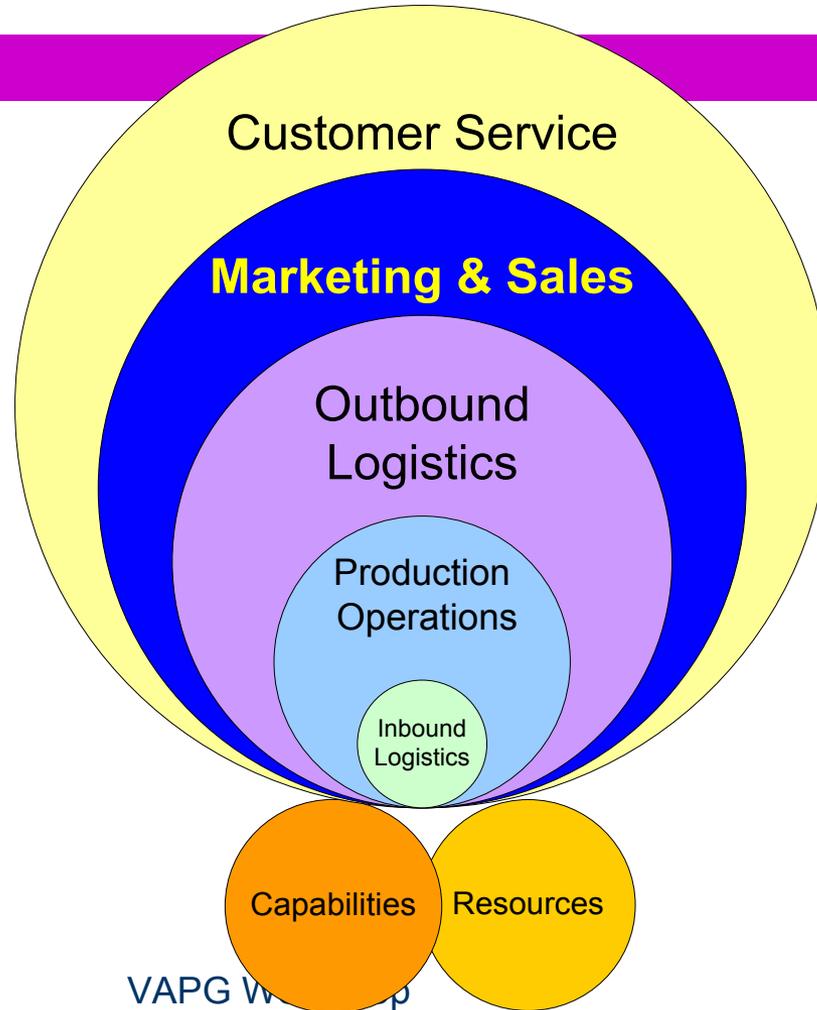
- The strategic plan has to be developed by the entrepreneurs with the help of a facilitator
- It defines what the business is going to be and what culture is going to prevail



Environmental Scan



Functional & Resource Plan



Financial Plan

- Financial Projections

- Assumptions

- Sales
- Prices
- Costs

- Projections

- Sales
- Prices
- Costs
- Profits

- Scenarios

- Rationale

- Best case
- Expected
- Worst case

- Analysis

- Sales
- Prices
- Costs
- Profits



Uses of the Business Plan

- Apart from providing guidance in managing the business, a good business plan can also
 - Improve lenders' confidence
 - Attract investors
 - Attract good management
 - Attract partners and allies
 - Attract good directors



Getting Results

- Producers will often need help with feasibility studies and developing business plans
- Knowing what these formal documents are and what role they play in the success of your business will help you
 - Define what you want from service providers
 - Assess the quality of services provided



The Value-Added Business Development Program Role

- Through our research, information, education and outreach programs, we will help you
 - Understand the value of formally undertaking feasibility studies and developing
 - Define the terms of reference for consultants who develop these documents for you
 - Assess the quality of service you receive
- Our objective is to enhance your success at value-added business initiatives



Thank You

