

Idea Assessment and Business Development Process

An important aspect of successful business development is to follow a process of how you will assess a business idea or concept (project), decide whether to move forward with the project and build a business if it is decided to move forward. The five steps below help outline a simple process you can follow. The steps are not a rigid structure to follow. Rather they identify issues you need to address and when to address them.

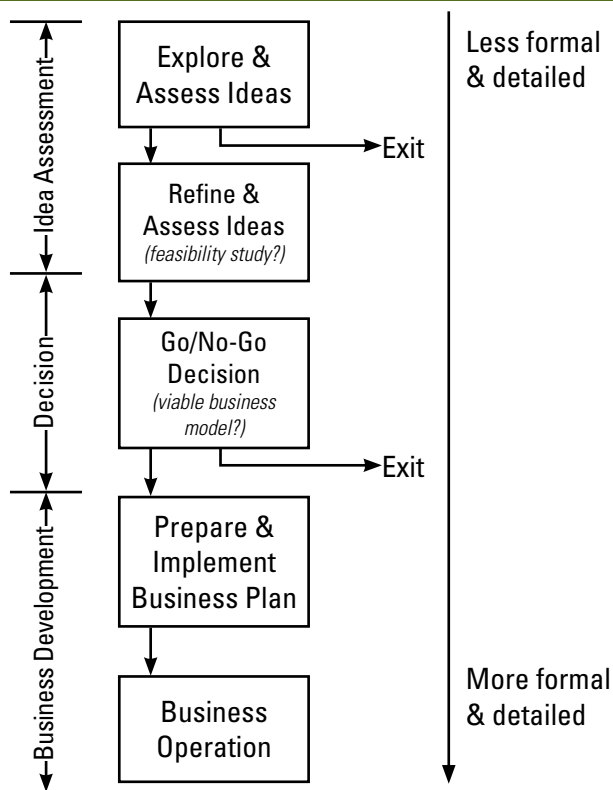
If you do not follow a process, you will find yourself going in circles and revisiting the same issues over and over without making progress. In addition to wasting time, the frustration may cause you to make poor decisions that can haunt you later.

Following the steps outlined here does not guarantee business success. However, it can greatly increase your chances of success.

Step 1 – Initial Idea Exploration, Identification and Assessment

The origination of a new business idea can come from a variety of sources. It may come from the board room of an existing business or a group of producers sitting around the kitchen table. Regardless of the setting, you may want to use the following approach to formulate the business concept. Anytime during Steps 1 and 2 you may decide that your idea is not viable, in which case you may want to abandon the idea.

Figure 1. Idea assessment and business development process



- **Form a project committee** – Creating a good project committee involves bringing together individuals who have the business development skills needed to investigate the idea/concept and carry through with business formation if the concept is viable.
- **Formulate general business idea(s) or concept(s)** – Define your business idea or concept and describe why it has merit. Your idea may involve filling an unmet need in the marketplace with a new product, providing an existing product in a new form, producing a product better or cheaper than competitors, or other ways in which value can be added. Remember, an idea is only viable if people are willing to pay you for what it provides. For example, a premium product is only viable if someone is willing to pay more for it.
- **Identify alternative business models or scenarios for the idea(s)** – A business model describes how the business will function in producing the product or service and providing it to the customer. A business scenario is a logical assemblage of the essential business elements starting with raw materials procurement and ending with the sale of the final product, and all the stages in between.

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- **Investigate idea/concept and alternative business scenarios** – Conduct an initial informal investigation of the validity of your idea. Investigate the scenarios or models. Early in the process this may be nothing more than a series of telephone calls to knowledgeable individuals. Does your idea make sense? Identify business scenarios/models for further study and eliminate those that are not viable.
- **Formal investigation** – You may want to conduct a formal assessment such as a pre-feasibility study or a marketing study of the idea and various scenarios or models. This may involve using consultants to investigate various aspects of the project. It may involve eliminating additional scenarios/models or identifying new ones.
- **Refine scenarios** – Select those scenarios that are viable for further study and eliminate the rest. As you go through Step 1 you should accomplish two things:
 1. Through the process of elimination you will reduce the number of scenarios/models under consideration for further study.
 2. Refine and flesh-out the remaining scenarios/models.

Step 2 – Idea/Concept and Scenario/Model Deliberation and Assessment

- **Further refine the business scenarios/models** – If you have conducted any of the formal assessments described above, you have information that can be used to further refine your business scenario/models. So by now you should have refined your idea to one or a small number of specific and detailed business scenario/models that you want to assess. This is critical before you move to the next step.
- **Conduct feasibility study** – A feasibility study will provide a comprehensive and detailed assessment of the market, operational, technical, managerial and financial aspects of your business project. These factors will feed into the economic assessment of your project (is it profitable?). If you have already

conducted a pre-feasibility study, marketing study or other study; these materials can be used in the feasibility study. Feasibility studies are usually prepared by consultants, so you will need to investigate consultants who are familiar with your type of business and experienced in preparing feasibility studies.

- **Analyze the feasibility study** – When you receive the feasibility report, the first step is not to begin deliberations on whether to proceed with the project. Rather, you need to determine the completeness and accuracy of the study. Does it address the issues you want addressed? Was there a thorough investigation of the critical issues? Challenge the assumptions and conclusions of the study. Only after you have accepted the study as being complete and comprehensive can you move to Step 3. For more information, see Information File C5-64, [When to Do and How to Use a Feasibility Study](http://www.extension.iastate.edu/agdm/wholefarm/pdf/c5-64.pdf), www.extension.iastate.edu/agdm/wholefarm/pdf/c5-64.pdf.
- **Further refine the idea and scenario/model** However, before you proceed you may see the need for further study of various aspects of the business project. It is not uncommon for the feasibility study to uncover new issues that need to be investigated. This may create the need for additional negotiations with your consultants to expand on the original scope of the feasibility study.

Step 3 – Go/No-Go Decision

This is the most critical step in the entire business development process. In a sense, it is the point of no return. Once you start down the path of creating a business, it is difficult to turn back. If you have unresolved doubts or reservations about the project, you should not proceed. That is why it is important to have an open, honest and thorough discussion when making this decision.

You may find that there is division in your committee. Some members may want to move forward while others may want to end it. This is not uncommon. Each needs to take an honest look

at the other side's arguments. If the issues cannot be resolved, each side needs to go its own way with no bad feelings. At this point, the remaining members need to determine if they want to proceed with business creation.

Commitment to the project is another important factor to consider before you proceed. Most beginners to business development greatly underestimate the time and effort required to start a business. A financial commitment by project members at this time (everyone throws some money in the pot) is an important sign of commitment to creating the business.

This step involves making one of the three possible decisions listed below:

- Decide that the project is viable and move forward with it.
- Decide to do more study and or analyze additional alternatives.
- Decide that the project is not viable and abandon it.

Step 4 – Business Plan Preparation and Implementation

If you decide to proceed with creating a business, you will need to prepare a business plan. A business plan is an outline or blueprint of how you will create your business. If you conducted a feasibility study, it will provide some of the information needed for your business plan. Also, business planning often involves the use of consultants. However, don't turn the process completely over to a consultant, you need to stay integrally involved in the planning process. Remember, it is your business.

Although planning can involve considerable time and effort, it is the easiest part. Implementing the plan is much more difficult. Many prospective businesses experience problems or failure due to the improper implementation of their business plan. This step requires commitment and dedication. Unforeseen problems will emerge. Your persistence is critical.

Implementing your business plan will include, but is not limited to:

- Creating a legal structure
- Securing market access
- Raising equity and securing financing
- Hiring management and staff
- Constructing facility
- Other

Step 5 – Business Operations

Now that you have successfully started your value-added business, your work has just begun. Producer groups often forget that once the business is created, it takes constant attention for it to remain healthy and viable.

Operating a business is very different than starting a business. It requires a different set of skills. So the people who create the business may not be the best people to manage the business.

Conclusion

These are the five steps you will want to follow for taking an idea and making a viable business from it. These steps will not guarantee success. However, they will increase your odds of success. Also, you will make more efficient use of your time.

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