

From Validation Tool to Decision Tool:

Rethinking What a Feasibility Study Is For



Most investment failures are not caused by a lack of analysis.

They are caused by analysis designed to confirm rather than challenge, and that distinction carries enormous consequences.

A few years ago, we were engaged by an investor evaluating an opportunity in white mushroom production in the UAE. The business case appeared well-constructed. The total market stood at approximately 8,500 tons annually. Of this, around 5,500 tons were imported — primarily from a vertically integrated producer in Oman — and the remaining 3,000 tons were supplied by local UAE producers.



The client's plan was grounded in a genuine competitive insight: by vertically integrating mushroom compost production with mushroom cultivation, they could achieve a cost advantage of approximately 20% over local producers. On that basis, the feasibility study concluded that the client could capture a significant share of the local producers' market and potentially displace some of the import volume as well. The numbers, when built on these assumptions, pointed to a viable and attractive project.

However the game changed when we examined the study more closely and it became evidently clear that the cost advantage had been treated as sufficient evidence of market accessibility — and it was not.

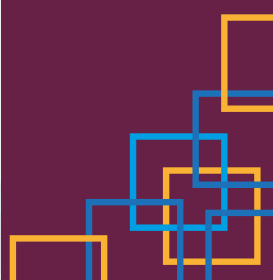
Against the import segment, the Omani competitor was not a standard importer. It was also a vertically integrated facility, operating in a lower-cost environment. It was already the lowest-cost producer in the market. The client's 20% advantage over local producers did not extend to the imported product, and the study had never tested this.

Against the local producer segment, the challenge was structural rather than financial. Local producers did not supply mushrooms in isolation. They supplied mushrooms as part of a broader basket — lettuce, tomatoes, herbs — through established relationships with distributors and retail outlets. Those relationships were built on the full basket, not on any single product. A new entrant, however cost-competitive on mushrooms alone, would be asking distributors to split their supply relationships. That is a fundamentally different commercial proposition from simply offering a lower price.

The feasibility study had confirmed a logical chain of reasoning. What it had never done was examine whether the conditions required to convert that reasoning into revenue existed. The cost advantage was real. The market accessibility assumption was not. What struck us most was that this was not a careless mistake. The client's thinking was coherent. The error lay in assumptions that looked reasonable on the surface but had never been stress-tested against the realities of how that specific market operated.

This is not an isolated case. Across many engagements — across industries, geographies, and business sizes — we encounter the same pattern: projects that appeared viable on paper, which then underperform or fail once capital has been committed. In most cases, the problem is not that a feasibility study was absent rather the problem is what the study was designed to do.

The issue is rarely the absence of a feasibility study and largely the absence of questioning the validity of the assumptions within it.



Two further cases — and one common thread

The mushroom case above is the first illustration of this pattern. The following two cases highlight that the failure is not limited to a single sector or type of assumption. It is consistent enough to be considered systemic

Case study 01 • Assumption sensitivity **Building a financial model on inflated enrolment**

A client planned to establish an Indian curriculum school in South Dubai. The financial model was benchmarked against a well-performing school elsewhere in the region, with student enrolment, fee levels, and growth projections assumed based on that competitor's performance — without adjusting for the specific conditions of the location being evaluated. When we analysed local demographics, household income profiles, and parental preferences in the actual catchment area, it became clear that the projected enrolment was significantly overstated and the study had not asked whether those figures were realistic for this particular market. The client had not tested a more conservative enrolment scenario and therefore had no visibility into what a realistic downside would look like. When we ran that scenario, it became clear that even a moderate shortfall in student numbers would make the project financially unviable.

Case study 02 · Viability thresholds

A payback period that doubled under real conditions

A client in Ras Al Khaimah commissioned a third-party feasibility study before entering the steel fabrication business. The study assumed stable raw material prices throughout the projection period and arrived at a payback period of under four years. No stress-testing was conducted on input costs.



When market conditions shifted — as they do — the realistic payback period extended to nearly seven years. The point at which the project would become unviable had never been defined. As a result, the client had no basis for understanding the level of risk they were accepting at the time capital was committed.

Three different sectors. Three different types of assumption failure.

In each case, the study answered the question it was given however nobody had thought carefully enough about whether it was the right question. Most feasibility studies function as validation tools. The cases above illustrate what happens when they do not function as decision tools.

Why feasibility studies confirm rather than challenge

Understanding the pattern requires understanding the conditions under which feasibility studies are typically produced. There are two contexts, and each carries its own structural bias.

Internal studies: The Problem of Incentive

When assessments are conducted in-house, those responsible for the analysis are frequently the same individuals who originally proposed or championed the project. In founder-led businesses, in particular, there is an additional layer of pressure: the project often originated with the founder, and questioning its viability carries a personal dimension. In such environments, teams are incentivized — subtly or explicitly — to validate management's assumptions rather than interrogate them. The study becomes a justification document rather than an evaluation tool.

External studies: The Problem of Depth

Third-party studies introduce a different risk. When consultants lack deep sector experience, face resource constraints, or are under pressure to deliver quickly, the result is analysis that is structurally sound but substantively shallow. Assumptions are benchmarked against current or ideal conditions. Scenarios are not genuinely stress-tested. The output looks rigorous, while it is not.

In both contexts, the root cause is the same: the study is treated as a process to complete rather than a question to answer honestly. And that distinction — between completing a process and answering a question — is precisely what separates a study that protects capital from one that puts it at risk.



A feasibility study treated as a process to complete will confirm. One treated as a question to answer honestly will challenge.

The Viability Boundary Framework

Looking back across these cases — and many others — the failures share a common structure. In each instance, one or more of the same three questions was never seriously examined. These are not novel questions but in our experience, they are the questions most frequently overlooked — often because the answers are uncomfortable, and the study was not designed to surface them.

Question 01 — What conditions must hold true for this project to succeed?

Defines the assumptions the project depends on and forces an honest assessment of whether each is realistic.

In the mushroom case, the client's cost advantage was real but the condition required to convert it into market share was never tested. Distributor relationships, import competitiveness, and the basket-buying behavior of retailers were all conditions that had to hold true. None of them were examined.

Question 02 — How much deviation from those conditions can the project withstand?
Determines resilience.

In the school case, the client had not tested a more realistic enrolment scenario and therefore had no understanding of how much downside the project could absorb before becoming unviable. A project that has never been tested against a conservative scenario is not a robust project. It is an untested one.

Question 03 — At what point does the project become unviable?

Establishes the threshold below which capital cannot be justified.

In the steel fabrication case, that threshold was never defined, leaving the client with no basis for understanding the risk they were accepting. Knowing where the line is does not prevent a project from crossing it. But it allows the decision-maker to know what they are betting on.

Every element of a feasibility study — market analysis, cost modelling, financial projections, sensitivity analysis — should be structured to answer these three questions. When they are answered honestly, a feasibility study becomes what it was always intended to be: a decision-making tool, not a justification document.

What applying this framework looks like in practice

Each of the three boundary questions requires a specific type of analysis to answer it properly. The following four elements, applied with genuine discipline, are what make the difference between a study that challenges assumptions and one that merely organizes them.

Market accessibility assessment (addresses question 01)

It is not sufficient to size a market. The analysis must examine how that market is actually accessed — the relationships, supply structures, competitive dynamics, and behavioral patterns that determine whether a new entrant can realistically capture the share being projected. In the mushroom case, the total and local market figures were accurate. What was missing was an understanding of the mechanisms that controlled access to each segment.

Common mistake: treating a cost or product advantage as automatic evidence of market accessibility, without examining the structural barriers that govern how the market works.

Comprehensive stress testing (addresses question 02)

Key assumptions — raw material costs, labor, pricing, interest rates, enrolment, occupancy, market share ramp-up — must be tested against genuine downside scenarios, not just base cases. A feasibility study that models only favorable conditions is not a risk management tool. It is a business plan with additional formatting.

Common mistake: presenting a single scenario as the basis for a go/no-go decision, with no examination of what happens when core assumptions shift.

Realistic benchmarking (supports questions 01 and 02)

Projections should be anchored to what comparable operators have actually achieved under similar conditions — not what the strongest performers have achieved under ideal ones. The choice of benchmark shapes every assumption that follows. Selecting the wrong one inflates the model before the analysis has even begun.

Common mistake: benchmarking against best-in-class performers without adjusting for differences in location, scale, market maturity, or competitive context — as in the school case.

Explicit viability thresholds (addresses question 03)

The study must identify, in concrete terms, the point at which the project transitions from viable to unviable — and assess whether the organisation has the capacity to respond if conditions move in that direction. Without this, decision-makers are committing capital without understanding what they cannot afford to lose.

Common mistake: concluding with a single payback or IRR figure without identifying the conditions under which that figure no longer holds — as in the steel fabrication case.



The real cost of unchallenged assumptions

There is a natural tendency, particularly in fast-moving markets, to treat urgency as a reason to compress rigor. The fear of missing an opportunity accelerates decisions built on assumptions that have never been properly examined.

In our experience, the projects that have destroyed the most value were rarely conceived in bad faith. They were conceived in optimism and then evaluated in a way that protected that optimism rather than tested it. The mushroom case is a precise illustration of this: the client's reasoning was coherent, the cost advantage was genuine, and the market opportunity was real. What was missing was a serious examination of the gap between having a competitive advantage and being able to convert it into revenue in that specific market.

In such cases, the feasibility study does not protect the business from a poor decision — it simply records the reasoning behind it.

A project does not become viable because it looks attractive under favorable conditions. It becomes viable because it can be tested against unfavorable ones, and still hold. The role of a feasibility study is not to validate ambition but to establish the boundaries within which that ambition can realistically be pursued.

When those boundaries are defined honestly, and the analysis is built to find them, feasibility studies stop being a prerequisite for investment decisions and start being the reason those decisions are made well. That is the difference between a feasibility study used as a validation tool and one used as a decision tool and it is a difference that shows up directly in outcomes.

