

Lesson 4:
**Use of Feasibility Studies and
Consultants**

Objectives

At the completion of this lesson, students will be able to:

1. Define feasibility study and describe its purpose.
2. Describe the components of a feasibility study.
3. Explain the development and use of pro forma income statements.
4. Develop or respond to a request for proposals for hiring a consultant or service provider for a project.
5. Develop an evaluation process for selecting a consultant.
6. Describe the responsibilities of a project manager when working with a consultant.

Student Reading Assignment

A Guide to Centralized Foodservice Systems, Chapters 4 and 6

Presentation Outline

Estimated time: This classroom presentation will require about 50 minutes. Depending on the use of learning activities, a second class may be needed.

- I. Use of feasibility studies
 - A. What is a feasibility study?
 - B. Who conducts a feasibility study?
 - C. Components of a feasibility study
 1. Executive summary
 2. Background information
 3. Proposed foodservice system

4. Comparison of current and proposed foodservice systems
 5. Projected schedule
 6. Final recommendation
 7. Pro forma income statement
 - a. Revenues
 - b. Expenses
- II. Use of consultants
- A. Developing a request for proposals (RFP)
 1. What is a request for proposals?
 2. Outline for a RFP
 - a. Cover sheet
 - b. Proposal instructions and requirements
 - c. Statement of work
 - d. Qualifications of provider
 - e. Evaluation criteria
 - B. Selecting the consultant
 1. Written proposal
 2. References
 3. Interview
 - C. Working with the consultant

Suggested Learning Activities

1. Have students visit a foodservice operation (or provide them with a case study scenario) and propose a change in foodservice system. Based on data gathered from interviews and other sources, have them develop a RFP for a consultant to study the feasibility for the new system. (Estimated time: 2-3 hours outside class, 1 hour class time).
2. Provide students or groups of students with the following scenario, have them complete the assignment, and present their results to the class. You could have one group complete the scenario for a school and one for a restaurant.

You are the manager of a district school foodservice operation (or a small restaurant chain). You recognize the need to provide systematic training and certification of employees in food safety but you don't think that you or your managers have the required background or time to provide this training.

- Develop a RFP requesting consultants to bid on providing this training.
- Develop evaluation criteria, weighted appropriately, that you would use to evaluate the proposals received.
- Explain the evaluation process that you would follow to determine which consultant to hire, including who you would involve in the process.

(Estimated time: 4 hours outside class, 20-30 minutes per presentation class time)

3. Invite a foodservice consultant as a guest speaker for your class. Ask the consultant to discuss the following points: identifying potential contracts, developing RFPs, working with clients, and rewards and challenges in being a consultant. (Estimated time: 1 hour)

Examination Questions

Short Answer

1. List and describe briefly the six major components for a feasibility study.

A. _____

B. _____

C. _____

D. _____

E. _____

F. _____

2. List the five parts of a request for proposals (RFP).

A. _____

B. _____

C. _____

D. _____

E. _____

3. What three sources of information would you use in the process of selecting a consultant?

A. _____

B. _____

C. _____

Discussion

1. A school foodservice director considers centralizing food production in a school district. She visits with a director of a centralized foodservice system, who advises her to develop a comprehensive feasibility study. This is a new process and she needs to do some research.
 - A. Define a feasibility study.
 - B. Describe the purpose of the feasibility study.
 - C. Describe the components of a feasibility study.

2. One component of a complete feasibility study is a pro forma income statement.
 - A. How would the pro forma income statement be developed?
 - B. What uses would the foodservice director have for the pro forma income statement?

3. You developed an RFP to solicit proposals for a consultant to provide customer service training for your schools (restaurant, hospital, etc.).
 - A. Describe the components you included in the RFP.
 - B. What criteria would you use to evaluate the submitted proposals?

4. The local Head Start program has released an RFP for providing foodservice and some nutrition education. As the foodservice director at the local school (hospital), you believe that you could easily provide those services and generate additional revenue for your department. What would you include in your proposal to the Head Start program?

5. A foodservice director recently hired a consultant to work with him and his school district on planning a new central kitchen. To ensure that the consultant is effective in meeting the needs of the school district, what are the responsibilities of the project manager (foodservice director)?

Answers to Examination Questions

Short Answer

1. List the six major components for a feasibility study.
 - A. Executive summary**
 - B. Background information**
 - C. Proposed centralized foodservice system**
 - D. Comparison of current and proposed systems**
 - E. Project schedule**
 - F. Final recommendation**

2. List the five parts of a request for proposals (RFP).
 - A. Cover sheet**
 - B. Proposal instructions and requirements**
 - C. Statement of work**
 - D. Qualifications of provider**
 - E. Evaluation criteria**

3. What three sources of information would you use in the process of selecting a consultant?
 - A. Written proposal**
 - B. References**
 - C. Interview**

Discussion

1. A school foodservice director considers centralizing food production in a school district. She visits with a director of a centralized foodservice system, who advises her to develop a comprehensive feasibility study. This is a new process and she needs to do some research.
 - A. Define a feasibility study.

An evaluation or analysis of the potential impact of a proposed project or program.

- B. Describe the purpose of the feasibility study.

The purpose of the feasibility study is to provide decision makers with objective, well-researched information upon which to base a decision.

- C. Describe the components of a feasibility study.

Executive summary—a 2-3 page summary of the main points of the feasibility study, including the final recommendation. This executive summary may be the only thing read by some decision makers, so it should include advantages, disadvantages, and cost information.

Background information—provides a summary of the school district, the foodservice program, mission and goals of the school district, trends in the environment, and impetus for the proposal.

Proposed system—provides an in-depth description of the proposed system, including the menu, advantages and disadvantages, staffing, space requirements, basic layout of the central kitchen and satellite kitchens, equipment needs and costs for all kitchen sites, computer software requirements, and site possibilities.

Comparison of current and proposed systems—compares the staffing numbers/hours, staffing costs, food costs, equipment costs, building costs, and total costs. May also discuss operational issues.

Project schedule—presents a realistic proposed schedule for the entire project.

Final recommendation—a final recommendation is given based on all of the data collected.

2. One component of a complete feasibility study is a pro forma income statement.

- A. How would the pro forma income statement be developed?

A pro forma income statement would project the anticipated revenue, expenses, and excess or loss for the current and the new foodservice system so that a comparison of operating costs can be made. The standard list of accounts, developed by the National Food Service Management Institute, would be used for presenting the data. Often, the pro forma income statement is projected for a 5-10 year period.

- B. What uses would the foodservice director have for the pro forma income statement?

The pro forma income statement provides the cost information that decision makers would need to have to make a decision about whether to change systems. Costs on both a short-term and a long-term basis must be considered when making a decision and this information is provided on the pro forma income statement.

3. You developed an RFP to solicit proposals for a consultant to provide customer service training for your schools (restaurant, hospital, etc.).

- A. Describe the components you included in the RFP.

Cover sheet—include name and location where services are needed, type of services required, financial terms, dates for services

Proposal instructions and requirements—contact person and information, proposal due date, delivery date, evaluation criteria, format instructions

Statement of work—description of need for training, summary of school district and foodservice operation, description of project, schedule for training

Qualification of providers—training, credentials required

Evaluation criteria—for written proposal, credentials, and if an interview will be conducted

- B. What criteria would you use to evaluate the submitted proposals?

Criteria such as understanding of the problem, description of major tasks, technical approach, suitable plan, realistic timeline, communicates well through organized presentation, convincing, and appropriate grammar. Experience in working with school districts and in providing customer service training. Education and background of trainer.

4. The local Head Start program has released an RFP for providing foodservice and some nutrition education. As the foodservice director at the local school (hospital), you believe that you could easily provide those services and generate additional revenue for your department. What would you include in your proposal to the Head Start program?

Provide a cover sheet with relevant information such as name of responsible person, name of organization, and bid price.

Write an executive summary.

Describe the need/problem.

Provide a detailed plan of work—how you are going to meet the needs of the organization.

Schedule for the project

Budget

Description of the provider's organization—type of business, financial status, resumes of key staff members, description of support staff (how many, skills, etc.), and references

5. A foodservice director recently hired a consultant to work with him and his school district on planning a new central kitchen. To ensure that the consultant is effective in meeting the needs of the school district, what are the responsibilities of the project manager (foodservice director)?

Answers would include:

Provide prompt feedback of work submitted by the consultant.

Provide candid feedback.

Reply promptly to telephone or e-mail requests for information.

Provide relevant information to consultant.

Provide and receive briefings prior to meetings with other groups.

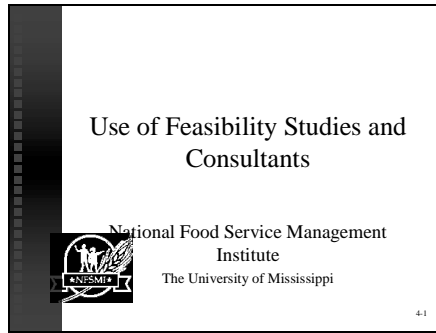
Provide informal feedback after meetings.

Examination Items by Objective

- Objective 1 Discussion questions 1A,B
- Objective 2 Short answer question 1, discussion question 1C
- Objective 3 Discussion question 2
- Objective 4 Short answer question 2, Discussion questions 3A, D4
- Objective 5 Short answer question 3, Discussion questions 3B, D4
- Objective 6 Discussion question 5

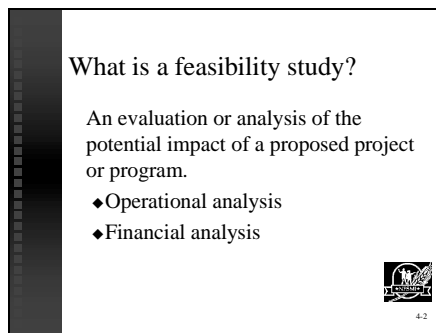
Lesson 4 Slide Notes

Slide 1



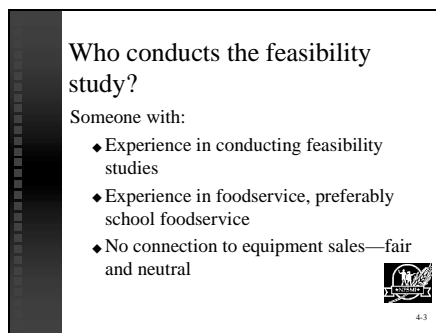
Note: These slides were developed to accompany Chapter 4, Writing a Feasibility Study, and Chapter 6, Consulting Services. Feasibility studies are conducted to determine the best use of resources in the decision-making process. Consultants often are hired to conduct the feasibility studies for school districts.

Slide 2



The definition of a feasibility study is presented. Both an operational and a financial analysis are needed for a comprehensive feasibility study. Refer to p. 55 and Glossary p. 190.

Slide 3




A feasibility study needs to be conducted by someone with appropriate experience in developing feasibility studies and in foodservice, preferably school foodservice. The individual conducting the study also should have no connection to the recommendations made in the study (for example, has no connection to a contractor or an equipment manufacturer). Refer to p. 56.

Slide 4

Components of a Feasibility Study

- Executive summary
- Background information
- Proposed foodservice system
- Comparison of current and proposed systems
- Projected schedule
- Final recommendation




4-4

A feasibility study should have several components to provide adequate information for making a decision. The executive summary should be concise and include the major findings of the study, followed by a recommendation. Other components will be described in subsequent slides. A proposed outline is presented in Exhibit 4.1 (p. 61). Refer to p. 56.

Slide 5

Background Information

- Description of the organization and services they provide
- Mission of the organization
- Goals of the organization
- Trends in the environment/organization
- Impetus for the proposal




4-5

The background information section of the feasibility study would provide context for the feasibility study. This section would include a description of the organization, mission and goals of the organization, environmental and organizational trends, and the impetus for the proposal under consideration. Refer to p. 57.

Slide 6

Proposed Foodservice System

- Description of the system
- Advantages and disadvantages of the proposed system
- Staffing requirements
- Space requirements




4-6

The largest section of the feasibility study is likely to be information about the proposed foodservice system, including a description of the system, advantages and disadvantages of the system, staffing requirements, and space requirements. Refer to pp. 57-58.

Slide 7

Proposed Foodservice System, cont.

- Basic layout and design
 - ◆ Central kitchen
 - ◆ Receiving kitchen (Satellite)
- Equipment needs and costs
- Computer software requirements
- Site possibilities




4-7

The proposed foodservice system section also would include a basic layout and design of the central kitchen and a receiving kitchen. Equipment needs and costs, such as computer software requirements, would be included. Possible sites for a central kitchen also would be discussed. Refer to pp. 58-59.

Slide 8

Comparison of Current and Proposed Systems

- Staffing
 - ◆ Number
 - ◆ Skills
 - ◆ Labor costs
- Food costs
- Equipment costs
- Building costs
- Total costs




4-8

The feasibility study would include a comparison of the current system and the proposed system. Comparisons would be made for staffing requirements, including the number and skills of employees. Costs for labor, food, equipment, building, and total costs would be compared. Food quality, customer acceptance, and other factors also should be considered. Pro forma income statements would provide a good comparison of the two systems. Refer to p. 59.

Slide 9

Project Schedule

- Considers all steps in the process
- Realistic




4-9

A comprehensive project schedule should be presented in the feasibility study. The project schedule should present all steps in the process and be as realistic as possible. Refer to pp. 59-60.

Slide 10

Final Recommendation

- Rationale for recommendation
- Financial data to support recommendation



4-10


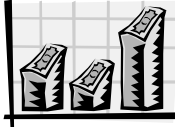
The individual writing the feasibility study should present a final recommendation based on all of the data collected for analysis. The rationale for the recommendation should be presented along with financial data to support the recommendation. Refer to p. 60.

Slide 11

Pro Forma Income Statement

- Revenue
- Expenses
- Excess/Loss

Use uniform chart of accounts




4-11

Pro forma income statements are developed to present financial projects for 5-10 years. A uniform chart of accounts for schools (see p. 62) should be used in developing the projected revenue, expenses, and excess/loss.

Slide 12

Sample Revenue Categories

- Interest
- Student Meal Sales
- Adult Meal Sales
- Other Meal Sales
- Contract Meal Sales
- Other Local Source Revenue
- State Source Revenue
- Direct Federal Sources
- Federal Reimbursement
- Market Value Commodities Revenue
- Other Sources Revenue
- Fund Transfer-In Revenue



4-12

This list indicates some revenue categories that might be used for tracking revenue for school foodservice operations. The U.S. Department of Education publishes a book, *Financial Accounting for Local and State School Systems*, that is used widely by school districts to track revenue and expenses. Refer to p. 62.

Slide 13

Sample Expense Categories

- Purchased Food Expense
- Wages & Salaries Expense
- General Operating Supply Expense
- Purchased Technical Services
- Property Operation, Maintenance, & Energy
- Other Services Expense
- Capital Equipment
- Indirect Costs
- Fund Transfer-Out Expense
- Employee Benefits Expense
- Market Value Commodities Expense
- Property & Liability Expense
- Administrative Overhead Expense




4-13

Sample expense categories are illustrated. Refer to p. 62.

Slide 14

Using Consultants

- Developing the request for proposals
- Selecting the consultant
- Working with the consultant




4-14

Consultants often are retained to develop the feasibility study for a new project, including building and implementing a central kitchen. A consultant also may be hired to develop specific plans for a central kitchen. A Request for Proposals must be developed to solicit potential consultants. A consultant must be selected from those who submit proposals, and a working relationship must be established. Refer to pp. 71-77.

Slide 15

What is a Request for Proposals (RFP)?

A formal written document developed to invite potential bidders to submit a proposal to provide the services that are requested.




4-15

This definition of a Request for Proposals (RFP) provides a sense of the purpose and use of the RFP. Refer to p. 71 and Glossary p. 190.

Slide 16

Outline for RFP

- Cover sheet
- Proposal instructions and requirements
- Statement of work
- Qualifications of provider
- Evaluation criteria




4-16

A basic outline for an RFP is presented. Each of the components in the RFP will be discussed in more detail. Refer to p. 72.

Slide 17

Cover Sheet

- Name and location where services required
- Type of services required
- Financial terms
- Dates for services, when project starts and ends
- Dates and times for any pre-proposal meetings
- Address where meeting will be held




4-17

The cover sheet provides basic information about who requires services, where the services will be rendered, type of services required, financial terms, dates for the project, and any related meetings. Refer to p. 72.

Slide 18

Proposal Instructions and Requirements

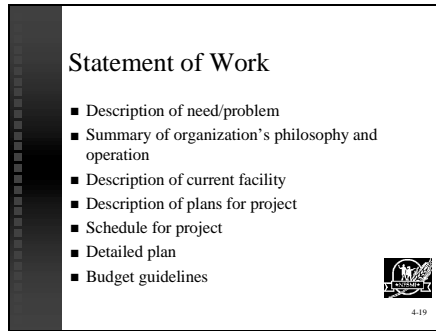
- Contact person (name, address, e-mail, telephone)
- Proposal due date
- Delivery date for completion of project
- Proposal evaluation criteria
- Format instructions



4-18


The proposal instructions and requirements provide information about the contact person, when the proposal is due, when the project should be completed, how the proposals will be evaluated, and any instructions of format for proposals. Refer to p. 72.

Slide 19



Statement of Work

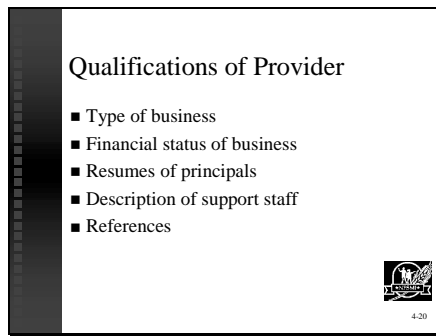
- Description of need/problem
- Summary of organization's philosophy and operation
- Description of current facility
- Description of plans for project
- Schedule for project
- Detailed plan
- Budget guidelines



4-19


The statement of work section of the RFP provides specific information to potential bidders about the project, including a description of the problem, summary of the organization's philosophy and operation, description of the current facility and plans for the proposed project, project schedule, detailed plan, and budget guidelines. Refer to p. 72.

Slide 20



Qualifications of Provider

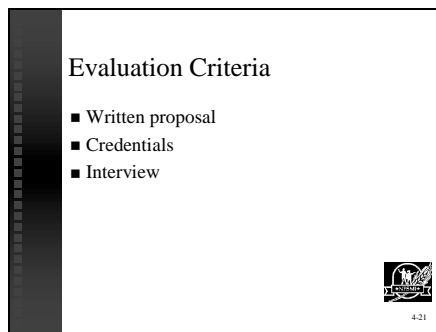
- Type of business
- Financial status of business
- Resumes of principals
- Description of support staff
- References



4-20


The qualifications of providers of services (bidders) is summarized in the RFP. There is information about the organization and individuals bidding on a job that must be provided, including the type of business, financial status, resumes, support staff, and references. Refer to p. 72.

Slide 21



Evaluation Criteria

- Written proposal
- Credentials
- Interview



4-21


The criteria for evaluating proposals is included in the RFP. The quality of the written proposal is considered as well as the credentials of the individual or individuals proposing to do the work. Many times an interview also is used to evaluate proposals and consultants. Refer to pp. 73, 77.

Slide 22

Selecting the Consultant

Three major areas of consideration:

1. Written proposal
2. References
3. Interview




4-22

There are three major areas considered when selecting a consultant. Each area will be discussed in more detail in subsequent slides. Refer to pp. 73-77.

Slide 23

Written Proposal

- Document work with foodservice
- Communicate understanding of the problem/need of the organization
- Present appropriate technical approach
- Present realistic timeline/schedule for work
- Demonstrate good written communication skills



4-23


Written proposals are evaluated first. If the written proposal is not strong, other areas would not be considered. The written proposal would document the consultant's previous work with foodservice and communicate an understanding of the problem being addressed. The technical approach should be appropriate and the timeline for doing the work realistic. Good written communication skills are demonstrated in the written proposal. Refer to pp. 73, 77.

Slide 24

References

Checks the following:

- ✓ Reputation of consultant
- ✓ Follow-through of consultant
- ✓ Satisfaction of former clients
- ✓ Capabilities of consultant




4-24

References of the consultant should be checked to determine quality of previous work. The reputation of the consultant with regard to their follow-through and capabilities would be determined. The overall satisfaction with the consultant's work would be determined when checking references. Refer to pp. 73-74, 77.

Slide 25

Interview

- Listening skills
- Oral communication skills
- Ability to work with foodservice director and other staff



4-25


If the written proposal is good and the references are positive, an interview may be conducted with finalists. In the interview setting, evaluation can be made about the consultant's listening skills, oral communication skills, and ability to work with the foodservice director and other staff. Refer to pp. 74-75, 77.

Slide 26

Working with Consultants

Responsibilities of Project Director include:

- Provide prompt feedback
- Provide candid feedback
- Reply to telephone or e-mail requests
- Provide relevant information related to project
- Provide briefings before meetings
- Give feedback after meetings



4-26

Once a consultant has been selected, the project director (often the foodservice director) needs to develop a good working relationship with the consultant. Several tips are provided to ensure that the relationship is productive. Refer to p. 76.