

Business Plan Assessment Instrument

When business consultants, bankers, or other investors read a business plan, they focus on the risk/return relationship: the greater the risk in the business, the more return they expect. The following twelve factors are a representative set of the typical criteria that business experts and investors consider. For each assessment, pick a number between one and seven that best captures your response to the item. A three or four, for example, represents a moderate rating.

1. This business plan describes an idea for which a market either exists or can be developed.
1-----7
Customers are a fiction Real customers have
 committed to buy the
 product or service
2. The plan promises good profit potential in a short time—often a year to eighteen months.
1-----7
Annual rate of return Annual rate of return
Of 10% or more of 50% or more
3. The plan contemplates a clearly defined market of sufficient size and buying power to afford a profit.
1-----7
Small, specialty market with Large market with high
little growth potential growth potential
4. The plan clearly explains the basis for competing favorably with competitors' rival products or services.
1-----7
My product is "me-too"
And poorly differentiated My product or service is
from the competitors' both new and unique
comparable offering and offers real customer
 benefits
5. The plan explains the firm's ability to effectively manage the delivery and quality of the product or service.

- 1-----7
Relies on outside contractors
and sales force to make and
and service
Control of all resources
distribute the product
6. The plan demonstrates that managers and employees have the skills, ability, and relevant experience to help the business succeed.
- 1-----7
Managers and employees are inexperienced
in operating their own business
All managers and
employees are deeply
experienced in running
this business
7. The business idea is no more complex than is required to launch new products and services without confusing investors, customers, and other important stakeholders.
- 1-----7
Large number of complex products
sold to customers who must be told
about their benefits
One or a few products
sold to customers who
understand and value
their benefits.
8. The plan includes “skin in the game,” or a personal investment on the part of the founder or founders.
- 1-----7
Entrepreneur is not risking any
any personal assets
Entrepreneur has almost all
personal assets at stake
9. The product or service upon which the firm is basing their entry into the marketplace offers customers a valued and long-term benefit.
- 1-----7
Product or service could be
dangerous to the world
Product or service is both socially
useful and safe
10. The plan develops a clear, well-reasoned, practical strategy for getting the new business up and running.
- 1-----7
No real strategy exists except
in the entrepreneur’s head
No time to everything down in
Writing...blind faith
A well-designed, clearly
developed business strategy is
included in the business plan.

11. The plan contains believable, sound financial projections that address most likely, pessimistic and optimistic scenarios (sensitivity analysis).

1-----7
 No financial projections or Complete financial projections
 Only optimistic projections including cash flows based on
 Included clearly identified, reasonable
 assumptions

12. The plan conveys the founders' vision for the business and why it will succeed in a clear, logical, and concise fashion. Moreover, the plan details and assumptions present a persuasive prospect for success.

1-----7
 Business plan is messy and reflects Business plan is polished and
 little attention to appearance and professional; oral presentation
 audience reaction is confident, thorough, and
 enthusiastic.

Scoring:

How well did your business plan measure up? Use these common-sense scoring guidelines to assess whether your plan is likely to win financial support or if you need to rethink your approach.

POINTS	COMMENTS
75-84 67-74	The "gold" standard. Your plan is likely to get funded. The "silver" standard. Your plan needs improvement, but you will be likely to attract some financing though perhaps not all that you want.
59-66	The "bronze" standard. There is a chance that your plan will be funded, but you will have trouble finding a source. You may have to rely on friends and family.
58 and below	You must start developing your plan over. Funding is very unlikely unless you can supply it yourself. You have much work to do!

Source: Adapted from Bruce J. Blechman, "Go For The Gold," *Entrepreneur*, April