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**Article:**

**10 Secret Private Equity & Venture Capital Business Plan Assessment Ratings**

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A business contact approached me at a business social networking event and asked me how he could maximise the potential from his business plan, in order to raise external investment. After attending numerous events hosted by contact networks I know this question is on the lips of many business contacts.

I asked this business contact if he had ever had any previous success at raising investment and he admitted he hadn't. After discussions around topics relating to private equity, venture capital and how to write a dynamic business plan it was clear that this chap was punching above his weight category.

It's worth noting that despite this my contact was a very good business advisor. Unfortunately, he made the mistake that many business advisors occasionally make. He thought he was a master of all business trades. In reality he had by default become a jack of all business trades, and a master of none.

It is important to dispel many of the easy fix ideas thrown around at small business networking and other corporate network events about sourcing a pre-formatted or generic template business plan which any business advisor can complete.

It was clear to me that this was what my business contact had done. In my experience this process is pre-programmed for failure by virtue of the fact that any private equity or venture capital due diligence officer can spot a generic business plan template from a thousand paces. These types of plans lack originality, spontaneity, passion and mission-specific information. By definition a generic business plan is not unique.

When I broached the subject of whether my business contact has any idea of how private equity or venture capital due diligence officers scored their rating of a business plan he looked at me as if I was talking Swahili. He had no idea about the 10 assessment rating secrets adopted by most senior accountants, financial directors or private equity or venture capital due diligence officers, when considering a business plan asking for private equity or venture capital funding.

I made a point of asking lots of other business contacts this question at various other small business networking and business social networking events. I was surprised that although a very small minority of business contacts were aware of such a system, none of them knew what the 10 assessment rating secrets were.

It was on this basis I decided to offer the following information to every business owner considering writing a business plan for investment.

Before writing the most basic business plan, it's worthwhile knowing how private equity & venture capital gatekeepers apply assessment ratings to your business plan. Satisfying private equity & venture capital due diligence officers provides a strong indication that your plan is on target for raising finance. Through contact networks & business social networking I advise every business contact about the 10 secret business plan rating system.

Frequently any private equity and/or venture capital Investment brokerage receiving multiple business plans will delegate the initial assessment rating to a junior or subordinate to act as a filtration system to prevent clogging up the senior partner's desk.

When any business owner submits a business plan to anyone seeking financial investment then whoever studies the plan first, typically works to an assessment scoring system of between 0 to 10 points. Zero is bad and 10 is the highest score.

**10 Secret Private Equity & Venture Capital Business Plan Assessment Rating #01: Vision and Strategy**

Your business plan must demonstrate a dynamic vision, and a clearly defined business strategy to qualify for private equity and/or venture capital investment.

**10 Secret Private Equity & Venture Capital Business Plan Assessment Rating #02: Business planning**

If your business plan fails to map out a coherent road map of your business planning, then no private equity or **venture** capital due diligence officer will ever give you a decent rating.

**10 Secret Private Equity & Venture Capital Business Plan Assessment Rating #03: Management**

When considering any business plan for private equity or venture capital the due diligence officer reading the business plan places great emphasis on the management of your business and your management team.

**10 Secret Private Equity & Venture Capital Business Plan Assessment Rating #04: Sales/Customers**

Every business plan should clearly identify how sales are going to be generated and how customers are going to be found. Every private equity and venture capital agency are looking for a return on their investment, so this is a critical issue.

**10 Secret Private Equity & Venture Capital Business Plan Assessment Rating #05: Marketing**

A senior financial director for a private equity and venture capital funding agency recently informed me he was amazed at how many business plans land on his desk with very little marketing information included in them.

**10 Secret Private Equity & Venture Capital Business Plan Assessment Rating #06: Supply Chain**

Any private equity or venture capital due diligence officer worth their salt wants to see your business supply chain succinctly mapped out in your business plan.

#### **10 Secret Private Equity & Venture Capital Business Plan Assessment Rating #07: HR & reward**

If your business plan fails to outline your HR and reward to risk ration, then it will be difficult to attract private equity or venture capital investment.

#### **10 Secret Private Equity & Venture Capital Business Plan Assessment Rating #08: Technology**

Given the birth of the online digital revolution it is most important to address any areas of technology you intend to exploit for your business growth. List this information clearly and in a non-technical format for the benefit of the perceived technophobic private equity or venture capital due diligence officer.

#### **10 Secret Private Equity & Venture Capital Business Plan Assessment Rating #09: Controls & KPI's**

Your business plan should clearly outline how you intend to control the growth of your business. Every private equity or venture capital due diligence officer will be keen to read about all the relevant key performance indicators KPI's, and the relevant time frames with which you intend to meet them.

#### **10 Secret Private Equity & Venture Capital Business Plan Assessment Rating #10: Integrated Financial Model**

Incorporating an Integrated Financial Model into your business plan is crucial when seeking private equity or venture capital investment. Pay out for the very best accountancy firm you can afford to generate your financials. But a word of warning, make sure you fully understand your financials because this segment of your business plan will receive the most scrutiny.

I once had a discussion with a senior partner in a large venture capital agency. He told me that every business owner who writes a business plan in order to source private equity or venture capital investment should understand that; 'money isn't everything, but in business terms, it's right up there with oxygen.'

Whenever you write a business plan for which you are seeking any form of private equity or venture capital investment it is well worth considering addressing the 10 assessment secrets above before you write a single word.

It is really useful to create a chart with the 10 assessment secrets in the left-hand column and assign your own 0 to 10 points assessment system in the middle column and then include a right hand column for comments.

When your business plan is complete, put yourself in the shoes of a senior financial or investment decision maker. Read through the entire business plan scoring it as you go. Once you've complete this exercise have a look at how many assessments points your business plan scored. Then as you sit back so pleased with your score deduct 50% of the points, because you are by definition too close to your business and your business plan to provide an unbiased score.

<b>EXAMPLE: Private Equity &amp; Venture Capital Business Plan Assessment Rating System</b>			
<b>Number:</b>	<b>Your Business Plan</b>	<b>Rating 0-10</b>	<b>Comments</b>
01	Vision & Strategy	6	A clearly defined vision & strategy identified
02	Business Planning	4	No 3 to 5-year plan or projections identified
03	Management	6	Strong on technical side. Weak in sales/marketing/finance
04	Sales/Customers	6	Great B2B proposition
05	Marketing	6	Most important areas from a commercial / investment perspective
06	Supply Chain	5	through networks
07	HR & Reward	2	Insufficient Information
08	Technology	8	Great technology
09	Controls & KPI's	1	Weak on finance information & unrealistic projections
10	Integrated financial model	1	Poor. Needs a chartered accountant to prepare financial model
	<b>Total Score from 100 =</b>	<b>45</b>	<b>Due Diligence Officers Summary:</b> Good solid business plan. Financials need re doing. Funding request looks light. Recommended for investment consideration after further work to business plan.

Now you can redraft your business plan to address weak and low scoring areas.

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