A CRITICAL EVALUATION OF THE STANDARDISATION POTENTIAL OF BUSINESS PLAN EVALUATION AIDS (BPEA) USED IN VENTURE CAPITAL INVESTMENT DECISION-MAKING

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ABSTRACT

The research objective was to perform a critical evaluation and comparison of four, representative Business Plan Evaluation Aids (BPEA) to facilitate constructive discussion of the proposition that greater standardisation of venture capital decision-making might be both desirable and possible.

The four BPEA were systematically compared using a structured, taxonomic process employing seven key criteria. The evidence of this investigation suggests a clear superiority for BPEAs, which are based on the known attributes of successful ventures and use actuarial modelling. Discussion centred on the importance of using BPEAs in a quest for greater consistency of venture capital investment decision-making.

EXECUTIVE SUMMARY

The research objective was to perform a critical evaluation and comparison of four, representative Business Plan Evaluation Aids (BPEA) to facilitate constructive discussion of the proposition that greater standardisation of venture capital decision-making might be both desirable and possible.

The screening and evaluation of business plans submitted by entrepreneurs is a major component of the decision-making process employed by venture capitalists (VC) when they decide whether or not to invest in a new venture. As the principal tool of the screening decision, VC rely heavily on the entrepreneurial business plan (Roure and Keeley 1990; Hindle 1997; Zacharakis and Meyer 2000). Venture capitalists employ a variety of criteria when evaluating potential investments in the screening phase (MacMillan, Siegel et al. 1985). The process of entrepreneurial business plan screening in the venture capital field can best be characterised by the “vital few and trivial many rule” (Pareto 1896). Pareto’s Principle, the 80-20 rule suggests that just 20% of the companies VC
invest in generate 80% of the total benefit to the fund (Zider 1998). The VC challenge is to distinguish the right 20% from the trivial many by using an effective evaluation process to screen out good investments from bad. Henceforth, the terms “screening” and “evaluation” are used as virtual synonyms. The screening/evaluation process involved in the investment decision was the focus of this study. It sought to contribute toward answering two questions fundamental to the field. What should be the basis of a BPEA used by VC to screen investment opportunities? How can BPEA be operationalised to improve accuracy and consistency?

INTRODUCTION

Venture capitalists reported devoting 8 to 12 minutes on average to evaluate a business plan (Sandberg 1986). Much of the evaluation is purely intuitive, despite the existence of several decision aids, which might be expected to aid both efficiency and consistency in the decision-making process. Zacharakis and Meyer (2000) concluded that “decision aids are under-used in the VC industry” (p. 340) and that only 24% of VC interviewed used some sort of checklist or tool to aid in the evaluation of entrepreneurial business plans. The goal of any decision aid is to provide assistance and structure to improve the accuracy and consistency of human judgment. Expert scripts are knowledge structures that, once developed, enhance the decision-making process. The sequence of an expert script is relatively standard (Abbott and Black 1986) and forms the basis for any standardised decision model. The effectiveness of a standardised BPEA hinges on the quality of its decision cues (Mainprize et al 2002) and its ability to decompose and recombine the essential cues to form a prediction of venture success (Zacharakis & Meyer 2000).

The importance of decision aids

Zacharakis and Meyer (2000) suggest that decision aids in the form of actuarial models may be useful tools for improving VC decision-making. Before examining the relevance of actuarial models (i.e. models that use specified criteria to derive an answer through an algorithm) a summary of the two principal schools of thought concerning VC decision-making are presented.
COMPETING THEORIES AND PRACTICES: “ESPOUSED CRITERIA” VERSUS “KNOWN ATTRIBUTES”

Do what I say – the “espoused criteria” school

Over the past 18 years, the majority of the empirical research into VC decision-making has produced lists of criteria, which VC practitioners say that they use for this purpose (Tyebjee and Bruno 1984; Hall and Hofer 1993).

Recent research on the VC investment decision process suggests that VCs lack a strong understanding of how they make decisions (Zacharakis and Shepherd 2001). In addition to lack of introspection, VCs are overconfident in their decision process and that overconfidence negatively affects VC decision accuracy (Zacharakis and Shepherd 2001). So, VCs “espoused criteria” – what they say that they do – may be a very poor basis for either understanding actual decision criteria or building guidelines and systems for improving performance in investment decision-making.

The majority of extant studies in the VC investment decision-making field belong to what may be called the “espoused criteria” school. Research based on espoused criteria has relied on the results of surveys and questionnaires that provided “decision cues” for the researchers to create and test the effectiveness of their models of VC investment decision-making. A decision cue is a decisive factor that elicits a response in the judgement process. In seeking relationships between decision cues and the performance of the new venture, such studies have made important contributions to the understanding of VC decision-making. Prior research focused on VC decision-making has determined criteria espoused by VCs using different emphases. These include: some form of counting (Benoit 1975; Tyebjee and Bruno 1984); rating scale (Wells 1974; Dixon 1991); ranking scale (Poindexter 1976; MacMillan, Siegel et al. 1985); trade-offs (Muzyka 1996). However, investigators agree that espoused criteria from VCs often are not used in their entirety when investment decisions are made. Even if all criteria are used, the results of VC decisions suggest that VCs’ espoused criteria may not be optimal as the basis of either real world decisions or attempts to
explain those decisions using research. Is there a stronger basis for studying VC investment decision processes?

**Do what works - the “known attributes” school**

At the firm level of analysis, one of the goals of many entrepreneurship researchers has been the articulation of clearly recognisable attributes that distinguish viable, successful ventures from ventures prone to failure. The venture performance stream of entrepreneurship research, as a sub-unit of business strategy research, has concentrated on this task. Strategy researchers propose that superior performance arises from a fit between the competencies of a venture and the key success factors of an industry (Andrews 1987; Shepherd 1999). When applied to the study of VC investment decision-making, this emphasis may be held to constitute the “known attributes” school, where success factors or viable venture attributes represent the requirements necessary for success within a particular industry.

A new venture team must commit to a number of viable venture attributes that, they believe, will lead to success within the competitive environment (Slater 1993; Shepherd 1999). Viable venture attributes within an industry tend to remain stable. Hannan and Freeman (1977; 1984) argue that organisations seldom succeed in making radical changes in their core strategy and structure in the face of environmental threats, because they are subject to strong inertial forces. Changes in the core lead to an increased probability of organisational failure and death (Hannan and Freeman 1977; 1984). Therefore, if a new venture is to succeed, the needed attributes at or near the time it is founded will vary little over its life. Accordingly, detecting the presence of attributes known to enhance venture viability and likelihood of success becomes critical to predicting the performance of a new venture.

**EXPERT DECISION MODELS**
The goal of any decision aid is to provide assistance, structure to improve the accuracy and consistency to human judgment. Expert scripts are knowledge structures that once developed enhance the decision-making process. The sequence of an expert script is relatively standard (Abbott & Black, 1986). Expertise comes from understanding the norms. Even (and sometimes especially) failure contributes to an increased understanding (McMullan & Long, 1990) of sequences and norms in venturing (Mitchell, 1996). The ability to follow the sequence of an expert script while heeding the norms defines expertise. Mackay and Elam (1992) assessed the effects of decision aids on experts and novices. The results indicated that decision aid expertise is required to successfully apply functional expertise. Previous research has also demonstrated that the use of decision aids is invaluable to executives (e.g. Alavi, 1982; Houdeshel and Watson, 1987; Belcher and Watson, 1993; Leidner and Elam, 1993; Vandenbosch and H Higgins, 1995; Elam and Leidner, 1995; Vandenbosch and Huff, 1997). Executives using decision aids were found to have faster and more extensive analysis in the judgment process (Leidner and Elam 1993). Decision aids have been applied to improve performance (van Bruggen et al., 1998; Hoch and Schkade, 1996; Blattberg and Hoch, 1990). The business plan evaluation process can benefit from the use of a specialised schema (decision aid) that is related to the capability to project venture outcomes.

**Actuarial Models as tools for investigating decision-making**

Psychology researchers Elstein and Bordage (1988:123) state that “actuarial (statistical) models refer to the use of any formal quantitative techniques or formulas, such as regression analysis, for . . . [deciding] clinical tasks” (c.f. Zacharakis and Meyer 2000). An actuarial model enables the judge to consider and rate individual cues independently and the actuarial model optimally combines the values assigned to each cue using a weighted algorithm to derive the answer. In several studies across a variety of fields, decision aids (actuarial models) have proven to be robust: only 6 of 117 studies found that clinical or intuitive decision-making equalled or outperformed actuarial models (Grove 1986; Zacharakis and Meyer 2000).
Applying actuarial modelling to the “espoused criteria” school of decision-making theory

Zacharakis & Meyer (1998; 2000: 331) developed and tested what they called a “bootstrap” actuarial model based on espoused criteria. They found support for their hypothesis that “a bootstrap actuarial model of VCs decision process better predicts actual outcomes than the VCs own intuitive decision process”. However, if things were left here, one would still be lingering in the area of the “espoused criteria” school of VC decision-making. Can actuarial modelling be applied to the “known attributes” school?

Applying actuarial modelling to the “known attributes” school of decision-making theory

The percentage of correct (where “correct” means the venture proved profitable for the investor) decisions is referred to in the VC industry as a “hit-rate”. The effectiveness of VC decisions can be determined using the hit-rate. The average hit rate for VC decision-making is 20% at best (Zider 1998). To improve this general level of hit rate, it would seem desirable to test an actuarial model based on the decision-making principles of the “known attributes” school. Mainprize et al (2002) compared the hit-rates of a BPEA based on known attributes of venture success to the Zacharakis & Meyer (2000) model based on espoused criteria. Business Plan Evaluation aids (BPEA) based on known attributes yield significantly higher hit-rates than BPEA based on espoused criteria (Mainprize et al 2002).

EMPIRICAL COMPONENT OF THE STUDY

Research Objective

The research objective was to perform a critical evaluation and comparison of four, representative Business Plan Evaluation Aids (BPEA) to facilitate constructive discussion of the proposition that greater standardisation of venture capital decision-making might be both desirable and possible.

Theoretical Framework

The theoretical framework employed in the paper consisted of a distillation of the literature cited above.
Unit of analysis, population and sampling

The unit of analysis in this study was the BPEA. It is unclear from searching the literature exactly how many different BPEA are currently being used by practitioners. The sample is more akin to the case research method - generalising to theory (Yin, 1989) rather than to survey research – generalising to an estimated numeric population. A sample of four BPEA was purposively selected from the population of all BPEAs. They were: The Venture Opportunity Screening Guide (Timmons 1994); the Bell-Mason Diagnostic (Bell, 1991); ProGrid Venture (Bowman 1997) and the New Venture TemplateTM (Mitchell 1995). This sample of 4 cases was considered to be symptomatic of the population. Two BPEA - the New Venture TemplateTM and ProGrid Venture - are actuarial decision models and belong to the “known” attributes school. The other two are judgmental systems from the “espoused criteria” school.

Investigative technique

The empirical investigation was fundamentally taxonomic (Hemphel, 1965). It involved a classification and comparison of the four BPEA exemplars. The research task was to classify each BPEA as a prelude to systematic comparison of their dominant, salient attributes. Following the theoretical framework constituted by the venture capital decision-making literature, seven key aspects of each BPEA were examined and classified: (1) format, (2) number of cues (independent variables), (3) dependent variables, (4) visual output, (5) practitioners using the decision aid, (6) basis of cues and (7) rating of standardisation potential. A summary description of each BPEA follows. The comparisons are presented as a table of findings (see table 3, below).

Venture Opportunity Screening Guide (VOSG)

Venture Opportunity Screening Guide (VOSG) (Timmons 1994) is a paper-based decision aid that is comprised of 2 stages. The first stage, the Quick Screen is designed to enable a potential investor to screen several plans (e.g. 100 plans) down to a select few (e.g. 5 plans) using an abbreviated version of the complete criteria. After the initial screening stage the full version of the VOGS includes 55 cues that are rated on a continuum from high potential to low potential; 43 cues
use qualitative anchors at each end of their continuum and the remaining 12 cues are anchored with quantitative values. Timmons derives the 55 cues from a list of criteria for evaluating venture opportunities based on his experience plus a variety of citations from articles from authors in the field of Entrepreneurship. Therefore, the VOSG uses “espoused criteria” as the basis for the decision aid. The VOSG does not provide a summary of the analysis in graphical form.

**Bell-Mason Diagnostic (BMD)**

The Bell-Mason Diagnostic (BMD), released in 1992, has since gained growing acceptance among investors, multi-nationals, corporate advisors and government bodies. Among them are companies like Philips, Motorola, Mitsubishi, Coopers & Lybrand, the Canadian Business Development Board, NanYang Venture Capital (Australia) and the Scottish Enterprise Board. The BMD quantitatively evaluates companies seeking venture capital. Gordon Bell, and Heidi Mason, with Coopers & Lybrand over a five-year period, developed the BMD. The BMD is a rule-based tool that is applied manually (paper-based) to characterise and plot the status of high-technology venture at each stage (discovery, definition, development and deployment) in its growth. BMD is designed to evaluate 12 dimensions (independent variables) (see Figure 1) and plot them against an “ideal” at each stage using a twelve dimensional relational graph.

[INSERT FIGURE 1 ABOUT HERE]

The diagnosis is carried out by “answering a series of 100 yes/no questions that are derived from 600 “rules” for the success of a new venture” (Bell 1991 p.271). Bell does not cite any literature, academic studies, or empirical research in determining the 600 rules that the 100 cues are based upon. The rules used to drive this decision aid are based on Bell’s “experience and understanding” from working with hundreds of ventures and are consider to be “espoused criteria”. Responding to the cues is a dichotomous yes or no without any flexibility for relative responses.
ProGrid Venture (PGV)

ProGrid Venture (Bowman 1997) is a software based decision aid that comprises 12 cues that concentrate on three characteristics (4 cues/characteristic) of an opportunity, (1) the venture, (2) the connectors, (3) benefits/impact (see Table 1).

[INSERT TABLE 1 ABOUT HERE].

The evaluator responds to the 12 cues using a 4-point ordinal scale. Each of the 4-points is qualitatively anchored. Bowman derives the 12 cues based upon his experience and testing with commercial clients. No literature on venture capital or decision-making is cited as the basis for development of the cues. However, Bowman states that years of field testing has been the basis for the decision cues. After responding to the 12 cues, the software uses a predetermined algorithm to generate two graphic displays summarising the results of the analysis. The first graph (Venture Grid) plots the current grid position for the venture using two axes (dependant variables): the venture attributes and the expected commercial value of the venture. This graph also compares the “position” of the venture being analysed to other ventures that have been previously evaluated using the tool (see Figure 2).

[INSERT FIGURE 2 ABOUT HERE]

The second (Venture Profile) graphical display is a bar chart indicating visually the evaluator responses to the 12 cues (see Figure 2).

New Venture Template™ (NVT™)

The New Venture Template™ (NVT™) (Mitchell 1995) is a web-based software decision aid that purports to enable a venture capitalist to standardise his/her approach to the business plan screening process. Mitchell focused on venture attributes that are associated with profitability and survival. A full literature review of the 15 cues described in Table 2 that were derived from the 6 attributes can be found in Mainprize, Hindle and Mitchell (2002).

[INSERT TABLE 2 ABOUT HERE]
The decision aid uses 15 cues to assess the 6 viable venture attributes. The person evaluating business plans enters his/her responses to the 15 cues (into the software) using a 9-point Likert scale. From the responses to the individual cues, the software generates two graphs to summarise the analysis. The first graph determines the “profile” of the venture by plotting the current grid position for the venture using two axes (dependent variables): (1) the potential profit (labelled as “Is it a business?”) and (2) the expected survival (labelled as “Can you keep it?”) of the venture. Within this grid, a set of 14 venture prototypes are compared to the venture being evaluated to determine which prototype it is most highly correlated with (see Figure 3).

[INSERT FIGURE 3 ABOUT HERE]

The second graphical display is a radar chart indicating the evaluator responses to the 15 cues. It positions the venture under scrutiny in relation to the closest prototypical venture (indicated by grey shaded areas) with which it is most highly correlated (see Figure 4).

[INSERT FIGURE 4 ABOUT HERE]

The 14 prototype profiles are scattered in four general categories: long-term/lower profit, long-term/higher profit, short-term/lower profit, and short-term/higher profit. In an extensive survey of prior work, Mitchell (1998) determined six independent attributes of viable ventures: (1) innovation, (2) value, (3) persistence, (4) scarcity, (5) non-appropriability, and (6) flexibility.

FINDINGS

The New Venture Template™ and ProGrid-Venture were identified as potentially beneficial to VCs because these BPEA possessed attributes that may lead to increased consistency and accuracy of the business plan evaluation process (see Table 3). The Venture Opportunity Screening Guide (Timmons 1994) and the Bell-Mason Diagnostic (Bell 1991) were viewed less effective business plan evaluation tools. Table 3 encompasses the comparisons.

[INSERT TABLE 3 ABOUT HERE]
DISCUSSION

General

Business plan evaluation aids based on espoused criteria hold out little hope of producing standardised approaches to decision-making. And standardisation of business plan evaluation is important because it will, as previously discussed, enhance the likelihood of achieving the desirable goal of consistency. Research in the VC decision-making field should, as one of its aims, seek to indicate guidelines, which if consistently applied, might enable a range of analysts to produce the same “invest” or “don’t invest” decisions based on known, viable venture attributes. Mainprize, Hindle and Mitchell (2002) used the analogy of high-jumping. The desirability of greater standardisation and less caprice in the VC investment process is analogous to enhancing the results of all high jumpers through creating uniformity, discipline and efficiency in the techniques (based on known biomechanical attributes) that they use to approach the bar. Standardisation of good technique (improving methodology) enables every athlete to jump higher. Champions and freaks will still perform wonders – but general application of better technique raises the standard of the whole sport. This is an entirely different concept from the crude view of “standard setting” as just arbitrarily setting the bar higher without helping people to reach the new height.

The potential value of standardisation

Seeking and using similar information to evaluate a business plan is an important step towards standardising the screening process. And standardisation is consistency’s greatest friend. Using the common cues provided by business plan evaluation aids such as ProGrid Venture (Bowman 1997) and the New Venture TemplateTM (Mitchell 1995) to rate each business plan enables the evaluator to consistently seek relevant information from each plan during the screening process. This consistency provides the potential to improve an evaluator’s hit-rate and thus increasing aggregate rate of return. Within the VC industry, enhanced standardisation might provide more widely accepted “ground-rules” and cues for analysis and diagnosis. It might also help establish guidelines for the minimum acceptable standards in business plan writing for
entrepreneurs, the financial community and Academe. This could have the potential to reduce wastage of economic, human and emotional resources associated with business failure.

**Future research directions**

This study’s comparison of business plan evaluation aids began with two questions. What should be the basis of a BPEA used by VCs to screen investment opportunities? How can BPEA be operationalised to improve accuracy and consistency? The taxonomic investigation has provided some answers but important new questions arise. What are the optimal decision criteria that should be included in an ideal BPEA? How can these criteria be most effectively communicated to VCs through an entrepreneurial business plan? Future research should also extend the taxonomic comparison task to include other BPEA used by practitioners.

This comparative focused on the decision-making process itself. What about the key preludes to this process: the material that should or should not go into an entrepreneurial business plan as it is written? Could there be benefits from greater generic consistency in the writing as well as the reading (evaluation process) of entrepreneurial business plans? It seems at least possible that what Hindle calls “The Enhanced Entrepreneurial Business Planning Paradigm” (Hindle 1997), or another theoretically substantiated paradigm of the new venture articulation process, could be adapted to increase standardisation of any business plan’s content and format (decision inputs) in much the same way that the model represented by Generally Accepted Accounting Principles (GAAP) did for financial reporting. This could be a very fruitful area of investigation.

**Conclusion**

This comparative study suggests that, business plan evaluation aids based on known, viable venture attributes that use actuarial modelling have the potential to improve the likelihood of predicting the success of a potential investment when they are applied by a venture capitalist to the process of screening business plans. Business plan evaluation aids that are in the form of checklists that use espoused criteria as the basis for decision cues appear to be limited in their potential. These findings may stimulate further research into both the VC decision-making process and the content
and utility of entrepreneurial business plans as vital inputs to that process. The focus of future research should progress towards facilitating greater process standardisation as the key to better performance in VC decision-making.

REFERENCES


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**TABLES AND FIGURES**

**TABLE 1: ProGrid Venture Decision Cues**

<table>
<thead>
<tr>
<th>The Venture</th>
<th>The Connectors</th>
<th>Benefit/Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advance: Validation</td>
<td>Market Size</td>
<td></td>
</tr>
<tr>
<td>Advantage Business Plan</td>
<td>Market Share</td>
<td></td>
</tr>
<tr>
<td>Status Business Team</td>
<td>Competition</td>
<td></td>
</tr>
<tr>
<td>Capability Investors</td>
<td>Rate of Return</td>
<td></td>
</tr>
</tbody>
</table>

**TABLE 2: Viable Venture Attributes, Variables and Rating Criteria**

<table>
<thead>
<tr>
<th>Dependent Variable</th>
<th>Independent Variable (Venture Attributes)</th>
<th>Cues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potential Profitability</td>
<td>Innovation</td>
<td>1. Is it a New Combination?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. Is there a Product-Market Match?</td>
</tr>
<tr>
<td></td>
<td>Value</td>
<td>3. Is there a Net-Buyer Benefit?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4. What are expected Margins for Company?</td>
</tr>
<tr>
<td></td>
<td>Persistence</td>
<td>5. Are expected Sales Volume sufficient?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6. Does product lend itself to Repeat Purchases?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>7. Is there a Long-Term Need?</td>
</tr>
<tr>
<td>Potential Survival</td>
<td>Scarcity</td>
<td>9. Is it Non-Imitable?</td>
</tr>
<tr>
<td>-------------------</td>
<td>-------------------------------</td>
<td>-------------------------------</td>
</tr>
<tr>
<td></td>
<td>Non-Appropriability</td>
<td>10. Is it Non-Substitutable?</td>
</tr>
<tr>
<td></td>
<td>Flexibility</td>
<td>11. Is there No Slack? (No waste and inefficiency)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>12. Is there No Hold Up? (No small numbers bargaining)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>13. Is Uncertainty minimized?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>14. Is Ambiguity reduced?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>15. Level of Core Competence?</td>
</tr>
</tbody>
</table>
**TABLE 3: Table of Findings**

<table>
<thead>
<tr>
<th>Basis of Cues</th>
<th><strong>Venture Opportunity Screening Guide</strong> (Timmons 1994)</th>
<th><strong>Bell-Mason Diagnostic</strong> (Bell 1991)</th>
<th><strong>ProGrid Venture</strong> (Bowman 1997)</th>
<th><strong>New Venture Template</strong> (Mitchell 1995)</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Espoused Cues” experience and understanding</td>
<td>“Espoused Cues” experience and understanding</td>
<td>“Known Attributes” experience, understanding and testing</td>
<td>“Known Attributes” Venture viability Attributes from Economics, Business Administration and Strategy literature, testing</td>
<td></td>
</tr>
<tr>
<td>Format</td>
<td>Paper-based</td>
<td>Paper-based</td>
<td>Software (resident application)</td>
<td>Software (web-based, ASP)</td>
</tr>
<tr>
<td>Number of Cues (independent variables)</td>
<td>55</td>
<td>100</td>
<td>12</td>
<td>15</td>
</tr>
<tr>
<td>Dependent variables</td>
<td>Four: 1) Value Created to end user, 2) Market Demand for idea, 3) Robust markets, margins and returns, 4) Fit with Team and Market for optimal risk/reward balance</td>
<td>Four: 1) Technology/Product, 2) Business Plan &amp; vision, 3) People, 4) Finance/Control</td>
<td>Two: 1) Venture attributes, 2) expected commercial value</td>
<td>Two: 1) Potential Profitability, 2) Potential Survival</td>
</tr>
<tr>
<td>Visual output</td>
<td>Manual via a paper continuum</td>
<td>Manual via a paper graph</td>
<td>Computer generated graphs</td>
<td>Computer generated graphs</td>
</tr>
<tr>
<td>Standardisation Potential</td>
<td>ZERO</td>
<td>LOW</td>
<td>MEDIUM</td>
<td>HIGH</td>
</tr>
</tbody>
</table>
Figure 1: Bell-Mason Diagnostic Output

Diagram showing stages of business development:
- Stage IV: Market Development
- Stage III: Product Development
- Stage II: Concept
- Stage I: Seed

3 Manufacturing
2 Product
1 Technology
12 Control
11 Financeability
10 Cash
5 Marketing
6 Sales
7 CEO
8 Team
9 Board
Figure 2: ProGrid Venture Graphical Outputs

ProGrid VC – an evaluation of the “investment readiness” of a new Venture:
Name of Entrepreneur: Brent Mainprize
Venture Title: Brent’s Sample Venture

Summary of the Venture:

Chart 1 - The Venture Grid
This chart shows the current grid position for the venture, in terms of the two overarching criteria - the Venture Attributes and the expected Commercial Value of the venture. The chart also compares the current grid position of the venture to a sample of other ventures that have been evaluated using the same criteria.

The location of the venture in the Venture Grid is:
- Commercial Value = 6.2
- Venture Attributes = 6.7
- Overall Score = 64%
(The overall score represents the distance towards the point 10,10 and 0,0, with the point 10,10 representing 100% and the point 0,0 representing 0%)

Chart 2 - Venture Profile
This chart shows the ratings for each of the performance criteria as rated by the evaluator. This chart is very useful in identifying the strengths (tall bars) and weaknesses (short bars) of the proposed venture.

The next step in obtaining venture funding is to have your assessment validated by three external reviewers. If you would like to proceed with this evaluation, please contact ProGrid Ventures Inc. by e-mail at:

info@progrid.nu
FIGURE 3: New Venture Template Profile Diagram

Can You Keep It?

K = 7

Prototype: Is it a Business?

"High Potential Venture"

B = 7
FIGURE 4: New Venture Template Radar Diagram

B7 - K7

CORE COMPETENCE

FLEXIBILITY

Ambiguity
Uncertainty
No Holdup

NON-APPROPRIABILITY

No Slack
Substitutable

SCARCITY

Imitable
Resources
Product Longevity

INNOVATION

New Combination
Product/Market Match
Net Buyer Benefit

VALUE

Margins
Volume
Purchase Frequency

PERSISTENCE

Prototybe: "High Potential Venture"