

QUESTIONNAIRE: Is Venture Capital Right for Your Business?

Venture capitalists are looking for certain types of investments. Does your business fit their criteria? Even if it does, you may not want to make some of the commitments that come with venture capital. This self-assessment will help you decide whether you and a venture capitalist would consider each other a good match.

THE VENTURE CAPITALIST'S DESIRES

Yes/no

- _____ Does your company have a strong management team?
- _____ Do members of the management team complement each another?
- _____ Do members of the management team have experience in the key areas of the company?
- _____ Do the owners have a significant financial stake in the business?
- _____ Has the company made a realistic forecast of its financial requirements for the next three years?
- _____ Is there evidence of a growing sustainable demand for the company's products or services?
- _____ In the company's market, does it have, or is it positioned to have, a clear competitive advantage?
- _____ Is there a national or global marketing niche strategy for the core business?
- _____ Is there a commitment to research and development?
- _____ Is there a potential for a consistent above-average growth rate in sales and revenue?
- _____ Is there good potential for a high rate of return?

_____ Is there a clearly stated exit strategy for the venture capitalist?

YOUR COMPANY'S DESIRES

Yes/no

_____ Are you willing to give a venture capitalist an ownership position in your business?

_____ Are you willing to give a venture capitalist a seat on the board of directors?

_____ Are you prepared to treat a venture capitalist as a business partner?

_____ Have you prepared a comprehensive business plan?

_____ As part of courting a venture capitalist, will you develop a list of issues with special significance to your business?

_____ Will you make whatever investigations are needed in order to address those special issues?

_____ Are you willing to spend time with a venture capitalist to discuss all aspects of your business?

_____ Can you let go of some of your emotional involvement as the founder/owner of your business?

_____ Are you willing to make future decisions only after discussions and negotiations with others?

If you have answered "yes" to all or most of these questions, venture capital may be a financing option for your business. If not, venture capital may not be for you, or may be an option only with a great deal of preparation on your part.