

# Keys to Successful Failure

Joseph Garber, a best selling author, Forbes columnist, and investment advisor, offers the following advice in critiquing a business plan.

## Initial Review

Common criteria used in evaluating a business plan and entrepreneur's presentation are:

- How will the money be spent?
- What is the company vision?
- What is the ability of the management team to handle difficulties, obstacles, and problems?
- From where were the statistics obtained?
- What is the investor exit strategy?
- What is the two-year return on investment?

## Common Errors and Omissions

Common errors include:

- Linear forecasting of numbers
- Failure to account for competitive effects on the market opportunity
- Assuming a steady state economy
- Calculating numbers for only one scenario

Serious omissions include:

- No pricing analysis
- Failure to account for after-sales service costs
- No acknowledgment of foreign market opportunities or competitors
- No discussion of alternative technologies fulfilling same market need
- No objective discussion of risks

## Due Diligence

In doing due diligence, common red flags are:

- Math errors
- Resume inflation
- Nepotism
- Dubious business practices
- High compensation
- High expenses
- Too many partners
- Legal problems
- Dangerous products
- Greed

- Other agendas
- Living dangerously (rock climbing, skydiving, )

If the company has customers, it is common to contact them to determine:

- Do they have chronic shipping delays?
- Do they have good product quality?
- Are they over reliant on certain customers?
- How difficult is it to do business with the company?
- Are customers considering buying from competitors?

## Traits Common to Incompetence

Common human errors in running a start-up are:

- Over-confidence
- Failure to follow through
- Inadequate or ignored intelligence
- Intimidated subordinates
- Perfectionism
- Poor priorities and planning
- Analysis paralysis

The best advice that management in a startup can take?

***“Admit your mistakes and fix them immediately!”***