

Introduction

Starting a new business can be an exciting, life-changing experience. However, the unfortunate reality is that a startup business is more likely to fail than it is to succeed. Most startup businesses do not realize the expectations established by the owner, and they ultimately shut down (or go dormant), usually within the first few years. There are many different reasons why new businesses have such a high false-start rate. The vast majority of new business terminations are caused by unforeseen factors, including material issues that were either discounted or ignored. Many of these disruptive factors could have been anticipated, and therefore, should have been avoided, had they been properly considered. That is the purpose of this exercise.

The most commonly recommended strategic planning tool for startup businesses is a business plan. A business plan documents how and why the business will (hopefully) be successful. However, a business plan does not address how not to fail. And by the way, not failing isn't the same as succeeding. Business failures are very expensive, from a real and opportunity cost standpoint. The purpose of the business case analysis is to help startup businesses avoid costly failures by anticipating the realities they'll likely face on the entrepreneurial road ahead.

The information gathered during this exercise also forms the foundation for the development of the business plan, should the findings support the decision to launch. Writing a business plan can be difficult work, and it takes a lot of time. The questions contained herein will provide the content needed to help you assemble your plan more quickly, and produce a higher-quality, more effective document. If you can answer these questions - which you should absolutely be able to do, by the way - you'll be able to write your own business plan, in a fraction of the time it would otherwise take.

This business case analysis uses critical thinking, discussion-oriented questions to help the entrepreneur reach a logical conclusion about the viability and feasibility of the subject business. Viability is a measure of whether or not something can be done, whereas feasibility is a measure of whether or not something should be done. The business case analysis provides an opportunity to test the idea 'on paper' to determine if it is prudent to launch this particular business. See what you think by answering the following questions. Contemplate each question carefully — really think about them — and be honest in your answer. Expound on each response (i.e. don't just answer 'yes' or 'no'). The primary purpose of this exercise is to help you make the best possible decision concerning your new business. Regardless of which direction you take, you'll have greater confidence in your decision.

General Information

Business name: Owner(s) name: Business type: Contact info.: City, state: Online address: Legal entity type: Business start date:

Product / Service

Describe the product / service that your business will offer (what are the features)?

Why is your product / service relevant; what is the unfulfilled need / desire that it will be satisfying (i.e. what is it that customers want that they can't presently get from other products / services)?

What benefit(s) does your product / service provide; what is the value proposition to your customers (i.e. why should people buy it); what is unique about your product / service; what makes it special?

What was it that changed in the market and brought about the opportunity for this new business (i.e. what created the demand for the product / service)?

How will your product be made (and by whom / where); how will your services be provided?

How will your product / service be made available (i.e. delivered / presented) to your customers?

How will you determine the price for your product / service?

Is the company's product / service a discretionary consumer purchase, subject to recession risk, or is there likely to be any cyclical, seasonality, or other sales volatility that could impact the company's performance (positively or negatively); how will the company sustain itself through the dips and troughs?

Customers & Intermediaries

How large is the market for your product / service (what is the market potential)?

Who are your customers (ex: B2B vs. B2C, what is their demographic and geographic profile, target persona etc.)?

Are there businesses that can serve as an intermediary between you and your customers (ex: wholesale distributors, retailers, complementary service providers, referral entities, etc.)?

How easy / difficult is it to connect with the people who might be interested in purchasing your product / service (i.e. do you know who they are, where they are, and how to reach them)?

What is your plan to connect with your target market (i.e. how will you promote your products / services); are you good at marketing and sales, including social media, and do you enjoy performing these sort of activities?

Is engagement with customers strictly transactional, or is the purchasing decision contingent on establishing a relationship with the customer; how long does it typically take to build such a relationship?

Does this business require a physical customer engagement location, virtual (online), or both?

Can you afford a physical location of appropriate size that will provide the access, visibility, parking, and interior finish that is necessary to make your business successful?

Does the company expect to do business with any branch of the government, or export their products; if so, what assistance programs are available?

Employees, Independent Contractors, and Partners

Does the business have any partners; do any of the partners have an existing relationship; do all of the partners have an operational role in the business?

Is the business owned (in the majority) by women, minorities, veterans, disabled persons, or other disadvantaged groups; if so, what incentives or assistance programs (public or private) are available?

What skills and talents are needed to run this business (ex: sales, digital marketing, production, operations, accounting / bookkeeping, IT, scheduling, team management, administrative paperwork, legal, taxes, etc.)?

How many of these critical business functions are you and your partners (if applicable) able and willing to do on your own; does the ownership team have the necessary expertise to run this business; if not, are you willing and able to learn them?

Which business functions will you do yourself and which will you hire employees for, outsource to vendors, or collaborate with alliance partners on?

What is your contingency plan if you become sick, injured, or are unable to work because of an unforeseen emergency; how will the business continue without you?

Who will be responsible for hiring, training, and managing the company's workers?

Do workers require special skills; how easy / difficult will it be to secure qualified people to work for your business (i.e. are such skilled workers readily available)?

Do you have enough money (can you afford) to hire people to work for you, as either an employee, outsourced professional service provider, or contractor, particularly for the most critical functions?

Have you reached an agreement with your partners about who will perform each business function, how much each partner will receive in compensation for their labor (before profit-sharing), how day-to-day business decisions will be made, the direction the business will go in the future, etc.?

Suppliers / Vendors

Where will you get the necessary raw materials and supplies for your business?

Are ample supplies / raw materials readily available (i.e. are there any supply shortages and/or shipping delays)?

Do qualified vendors have available capacity to take you on as an additional client?

Competitors

Who are the businesses that provide identical, similar, or substitute products / services (i.e. how many are there, where are they located, etc.)?

Is the market for your product / service expanding, contracting, or remaining flat (i.e. are existing companies going out of business or are new businesses starting up)?

Is there adequate unsatisfied demand in the market to support your business (i.e. can the market absorb another competitor)?

How is your product / service better than the current offering in the market (i.e. what is your competitive advantage)?

In what ways are your competitors better than your business (i.e. how are they different; what is their competitive advantage)?

What is unique about your business; what is it that makes you distinctive?

How does the price of your product / service compare to the price that the competition charges?

Considering other businesses of this type, what was it that made them successful, and what was it that caused others to fail; what can you do to mimic their success, and avoid their failure?

Experience / Skills / Talents of the Individual(s) Running the Business

How much experience do you have running this type of business, as well as knowledge of the product / service to be sold?

What licenses, permits, and certifications are required for this business (ex: sales tax); do you possess them; if not, how easy / difficult are they to obtain and maintain?

How have your past professional successes and failures prepared you to launch this business?

How have your life experiences - personal, professional, and educational - prepared you to launch this business?

What is it about you that makes you uniquely capable of making this business successful?

Available Resources (Time, Money, and Talent)

Given your current personal and professional commitments, how many hours per day do you have available to work on this business; will this be adequate, particularly if you plan to keep your current job (i.e. will you have enough time to run a business, on top of everything else you have going on)?

How much money do you need to start this business; do you have the capital needed to launch this business?

Are suppliers / vendors willing to extend credit to your business; if not, do you have adequate working capital to fund operations?

After you pay for the upfront capital costs and initial operating expenses, will you have enough remaining money to meet occasional shortfalls until the business gets to the point of cash flow stabilization (i.e. where income at least equals expenses)?

Are you willing and able to invest more money into the business, if needed (ex: if it costs more, takes longer than expected, if new opportunities come up, or if unforeseen challenges come along, etc.)?

If you don't have adequate financial resources, where will you get the requisite capital?

Are you financeable (i.e. do you have good credit, adequate collateral, etc.)?

Are there any grants available that your type of business could qualify for?

Is your business located in a designated enterprise zone, low income community, historic district, or opportunity zone (i.e. are grants, low-interest loans, or tax incentives available from the federal, state, or local governments)?

Are you a good financial manager of your household (i.e. are you able to live within your means, responsibly use debt, pay your bills on time, increase your savings, etc.)?

Financial Projections

Given your overhead costs, will you be able to sell at a price that will generate a profit; how much flexibility do you have if costs are higher than expected, or if you can't charge as much?

How many sales do you need to make each year in order to generate a profit; how many customers does this translate into (is this a reasonable expectation)?

What is the expected profit margin on each sale; will you be able to make enough money to support the business, based on the price(s) you expect to charge?

How many months will it take to get to the point of cash flow stabilization (i.e. where the initial ramp-up of the business is complete)?

Will profits have to be reinvested back into the business to support growth?

How long can you afford to go without receiving a paycheck (i.e. do you have other sources of income to cover your living expenses until the business is producing enough excess profit to pay you)?

Analysis of the Viability of the Business

Have you conducted any test-marketing of your product / service (do you have a proof of concept, prototype, MVP, or a finished product), and if so, what did you discover; do people like it enough that they're eager to buy it (ex: pre-orders)?

What are the greatest risks associated with the operation of this business, as well as the consumption of the product / service; is insurance needed to mitigate any of these risks?

Are you paying a fair price for the business assets (or the business itself), and are you buying only the assets you truly need?

Describe your plan to achieve success (i.e. the steps you will take to not only launch your business, but develop it to the point where it can sustain itself)?

What are the most important things you need to accomplish in order for your business to be successful?

What are the pitfalls you need to avoid, and how will you do so?

What benefits will your business provide to your stakeholders (ex: customers, employees, special interest groups, etc.) as a result of the success you expect to achieve?

Why do you want to start this business (what are your motivations); what do you hope to get out of this business; how will you define success, in terms of a return on your investment (ex: is there strictly a profit motive, or is there also a social element to the business, whereby you're hoping to help certain people, the environment, etc.)?

How confident are you that this business will achieve your expectations and desires (i.e. are your expectations reasonable and realistic)?

Why do you believe that this business will be successful (list the various reasons)?

How did you come up with the idea for this business (ex: have you been doing this type of work as a paid employee, is it a hobby, were you inspired by a loved one, etc.); does the origin of this business have an interesting story?

What have you learned from the research you have done about the industry you're thinking about getting into, specific businesses that are already in the industry, customer preferences, etc.?

What are the future expectations for the industry (i.e. describe your vision)?

What advisory resources do you have available to help you make this business a success (ex: a SCORE mentor, family and friends, etc.)?

How will starting this business change your life; are you prepared for the changes this business will likely have on your lifestyle?

What growth opportunities do you see down the road for this business; what are your future ambitions (ex: hire more people, add new products / services, expand to multiple locations, buy other businesses, etc.)?

What will you do to prevent your growth aspirations, and other opportunities that come along, from becoming a distraction that cause you to lose focus (i.e. how will you avoid dilution of your resources)?

What are the greatest challenges you see ahead (i.e. that could impede your success), and what will you do to overcome them?

What are the greatest risks of failure associated with this business, and what will you do to prevent them?

As opposed to launching a new business from scratch, would it be more beneficial for you to buy an existing business, in whole or in part?

What is your eventual exit strategy (i.e. how long do you expect to run the business for, who will you eventually sell it to, etc.)?

If the business doesn't seem to be gaining adequate traction, at what point will you call it quits?

What's your backup plan if this business isn't successful; how easy / difficult will it be for you to transition to something else?

Conclusion

Is the business idea viable (i.e. is it likely to produce an adequate and appropriate risk-adjusted net profit)?

Is launching this business feasible (i.e. should you proceed to launch; does it make sense to start this business; how likely is it that you will be able to capitalize on the perceived opportunity, and overcome the associated challenges)?

What assistance does your business need (i.e. human and/or financial capital)?

Why is your business worthy of receiving such assistance; how do you intend to utilize the support, if you receive it?

Is there any other material information that hasn't been addressed in your responses above, or is there anything else you want to mention about your business?