



## Virginia Business Lawyers

### Point Number 5 on How To Pursue Venture Capital

By: Thomas L. Bowden, Sr. *This was posted Monday, August 30th, 2010*

Have a plan.

Last time, we talked about [being prepared](#). An extension of that attitude and orientation is our next tip. To raise venture capital, you must have a business plan. In that plan, you must address certain key issues, directly and without fudging or fooling yourself.

Your plan need not be long and detailed. It is not meant to be a full operational plan for running the business. By the time you raise your venture capital, any number of variables may have changed, and if your plan does not change in response, you are wasting your time. and probably someone else's money.

Fortunately, there are literally thousands of examples available on the web. You can start with the [SBA website](#), where there is [good advice](#), as well as many other resources for small businesses. Many companies offer software packages designed to make the process easier. I have not used them, but it's safe to say that fancy software is no substitute for serious thought. By all means use them, if it helps breaking down writer's block, or in preparing projections and performance. Just don't expect miracles. There are more resources and ideas [here](#), [here](#) and [here](#).

Here's what your plan must have at a minimum:

- **Mission statement.** Make it memorable and short. Avoid jargon. If possible state the problem in human terms, as opposed to technical gobbledygook. Example – "We give doctors a real-time test to diagnose [fill in the blank], instead of existing tests that require two-week turnaround."
- **Executive Summary.** Preferably no more than a page or two. This can be in the form of bullet points, possibly the first line or paragraph of each of the four sections.
- **Bios of Key Personnel.** Emphasize their relevant experience and skills. Your blue ribbon team may have more degrees than a thermometer, but solid industry experience is what really counts.

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- **Reason for existing.** A straightforward description of the problem your business will solve. Tell the reader why it matters, how you'll do it, and what obstacles you will face.
- **Competitive environment.** An unblinking assessment of your existing and potential competition. And never, ever say that you don't have any competition. Even if you have perfected antigravity underwear, you still have competition from airlines, parachute manufacturers and lingerie companies.
- **Investment financing required.** A conservative estimate of the funds you will need to attain your goals. Take into account the near certainty that you will have unexpected delays, minor catastrophes, personnel defections and supplier disappointments. As always, Murphy's Law applies.
- **Market structure.** A description of the market structure for your product or service, and an explanation of how you will navigate that landscape to bring your product to market. Distribution is one of the biggest obstacles for startups and new products. Direct sales to end-users are rare. So an understanding of the existing channels of distribution is critical. Failure to address this point, will demonstrate a lack of understanding that may be fatal to your prospects.
- **Expense projections.** Professionally prepared and detailed projections of expenditures, preferably on a monthly basis for the first 12 months following funding, and then quarterly or annually thereafter. You might try to do this yourself, if you have significant training or experience. Ordinarily it is much better to hire a consultant or CPA. They understand the format, the relationships between the various line items, and the best methods for pulling it together. If possible, choose someone who has been involved in successful fund-raising activities.

Perfection is not your goal here. You must produce a plan, but its value is realized chiefly in the process of producing it, and modifying it. Planning is an ongoing process. Your plan is your baseline against which decisions large and small will be analyzed. By all means, don't be sloppy, but remember your goal is to get started, a fact well known by some famous generals.

“A good plan violently executed now is better than a perfect plan executed next week.”

[George S. Patton](#)

“In preparing for battle I have always found that plans are useless, but planning is indispensable.”

[Dwight D. Eisenhower](#)

“No plan survives contact with the enemy.”

[Colin Powell](#), paraphrasing [Helmuth Karl Bernhard Graf von Moltke](#)

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