

## **AVOIDING NONSENSE IN YOUR BUSINESS PLAN**

Writing a business plan is very hard work. You can find all the software and the templates to assist, but you as the entrepreneur have to write this very personal diary of your passion and vision of your business model. As an attorney who specializes in emerging growth technology companies, a judge for several years for the Minnesota Business Plan Competition (MNCUP), and a private investor who has reviewed thousands of business plans; here are a few tidbits of experience that may assist as you sit down to write this document.

A well crafted business plan should be concise, succinct and *scream passion*. That's not an easy task to accomplish in a two dimensional framework. So try to highlight the following:

- **Management team**. Make sure the reader knows that you have the moxie, and networking capabilities to pull together a management team or an advisory team, or a board that is accomplished, well connected and has the skill sets to achieve your business goals.
  - **Do not** rely on buddies or relatives unless they have very specific capabilities for your business. If you are seeking outside investment, this category will be more than 51% of the risk mitigation for investors in evaluating your ability to succeed.
- **Market**. Highlight in your business plan the breadth and depth of the market you hope to achieve. It is important that this is well researched and designed once again to highlight your capabilities to achieve market penetration that creates revenue quickly.
  - **Do not** create a marketing statement indicating from a top down analysis that if you only had a small percentage of a very large market you would be a really successful company. Build a bottom up approach-- sales person by sales person, territory by territory, to determine the likelihood of achieving your sales projections.
- **Technology**. You need to highlight with clarity the distinguishing features of your technology or service with an eye towards describing what makes the secret sauce. If you have intellectual property protection, state that clearly either through trademark, copyright or patent protection. If you do not, then describe why you do not and how you plan on protecting your product or service with barriers to entry from competition.
  - **Do not** state that there's no such thing that has ever been developed or designed, because in this fast changing flat world it's almost a certainty that someone else is working on a similar idea. It may not be exactly the same size or scope, but rest assured there is almost always competition biting at your heels.
- **Fundability**. If this business plan is being written for a small family business or a lifestyle enterprise, this section will not be relevant. If you are writing a business plan for outside investors whether they are angels, venture capitalists, strategic

partners or friends or family, then you need to create a valuation model for your business that is rational and defensible. Venture capital players want a return on their investment which means they want to participate with companies at very low valuations in order to achieve their economic outcome. Plan on a discounted cash flow analysis as well as a review of a set of comparable businesses to create a valuation model that not only will bring in a first round of capital but successive rounds if you need it.

- Do not describe that every investor will make 20 times on their money if they get in on the ground floor now. Those types of comments display naivety that will result in your business plan ending up at the bottom of a trash barrel.
- Presentation. It's amazing how many business plans look and read like academic journals. Go crazy --- use some color, use sidebar columns, use photos, use plenty of white space on each page, and feel free to use a large font so it's easy to read. The plan should be no more than 20 pages, have no more than a two page executive summary and a one summary page of financial projections.

Once you have covered these basics and asked some trusted friends and advisors for editing and constructive commentary, your business plan will be ready for prime time and a document that you can be proud of in representing your passion and goals.

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