

BUSINESS PLANS THAT WIN \$\$\$

Lessons from the
MIT Enterprise Forum

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MAIN IDEA

Preparing a business plan that appeals to investors sufficiently to have them reach for their checkbooks is one of the great challenges to building a successful business. Yet the process of developing a business plan also serves another important function -- it forces business owners and entrepreneurs to focus on company excellence and profitability in the marketplace above all else.

Although investor decisions sometimes appear to defy logic and reason, there is order and structure in the way they analyze potential investment opportunities. The business plan is the starting point for all such discussions, and opportunities to progress matters further. In essence, business plans have become the entry point to funding markets -- without one, you won't even get a foot in the door.

The key to winning funding with a business plan is to look at things from the potential investor's perspective -- and being able to make a viable case for the investment.

Before Starting -- What Investors Look For -- And Look Out For Page 2

The key elements investors look for in a business plan are:

1. Evidence of consumer acceptance
2. An appreciation of the investors financial return goals
3. Evidence of focus on a limited number of products
4. Proprietary positioning, reinforced by patents, copyrights, etc.

Investors also watch for the following warning signals:

1. A company that loves its product rather than serving a market
2. Financial projections at odds with accepted industry ranges
3. Growth projections out of touch with reality
4. Impediments that will make substantial growth difficult

The Preparation Process -- How Investors Will Judge a Business Plan By Its Cover Page 2

A good business plan will convey professionalism, clarity of thought and completeness by its appearance and organization. In addition, suitability to the task should also be kept in mind.

The Company -- What Does The Business Want To Be When It Grows Up? Page 3

This section should clearly and concisely state where the company expects to be 5-years from now. The answer to this question should flavor and influence the entire business plan.

Markets and Competition -- What's the User Benefit? -- and Other Marketing Issues Page 3

Investors generally prefer marketing-driven companies. Therefore, this section must demonstrate the company's grasp on the real-world marketing issues involved.

Sales and Support -- How Will The Product Be Sold and Supported? Page 4

Companies that can demonstrate a viable sales channel exists and that they are sales-oriented and set up to adequately address obvious service and support issues stand a far better chance of securing investment backing.

Manufacturing -- How Investors View Development and Manufacturing Page 4

The higher the level, the lower the risk and the more information that should be provided. Conversely, the lower the level, the greater the risk and the less information that should be included.

Management -- What Is The Management Team Like? Page 5

Ideally, the business should be managed by three-to six-people with complementary skill sets and a mix of previous experience, who are motivated, committed and appropriately rewarded.

Financials -- Those Darn Financial Projections! Page 5

Investors naturally anticipate the company's financial information will be optimistic and present a best-case scenario. They also anticipate the data will be logical, well researched and assembled carefully and thoughtfully.

The Investment -- Shopping For Funds Page 6

The key decisions to be made when shopping for funds are:

1. Are investment or debt funds preferred?
2. Who are the most likely sources for those types of funds?
3. How can they most effectively be reached.

Making The Pitch -- And Now, It's Showtime Page 6

Making a good oral presentation which supports the written business plan is a must-have.

How Do Potential Investors Value A Business They Would Like To Invest In? Page 7

Business Plan Check-List Page 8

Basic Business Plan Outline Page 8

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