The West Virginia Jobs Investment Trust

(The State's venture capital fund)

The Jobs Investment Trust is pleased to provide this guide to business plan preparation. The author is unknown but we believe that this is an excellent primer for use in preparing a useful, fact filled business plan.

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PREFACE

In a time when the economy is dependent on the world market, when the trade deficit has exploded into billions of dollars, when scarce assets and increased competition has made planning as important as performing, every company needs a business plan. The initial questions that come to mind are:

- What Is A Business Plan?
- What Purpose Does A Business Plan Serve?
- Who Reads A Business Plan and Why?

In this booklet we show you how to go about writing a successful business plan, not only for outside third parties, but also for internal management purposes.

Most of the comments in this booklet apply equally to manufacturing and service companies. For convenience, however, we refer only to manufacturing and products rather than to service and services. It will be readily apparent which comments apply to both types of industry and which refer to manufacturing alone.

In accordance with our policy, when giving advice relating to nonspecific problems, we cannot assume legal responsibility for the accuracy of any particular statement. If specific problems beyond the scope of this book arise, we recommend that the reader seek professional advice.

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Some suggestions for improving your business and some pitfalls to avoid.

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CHAPTER 1. INTRODUCTION

What Is A Business Plan?

In simple terms a business plan is a document which:

- Discusses your company's plans;
- Shows that the plans can be achieved;
- Demonstrates that the outcome satisfies the reader's requirements.

The business plan should describe your company and the particular project concisely and accurately. To a degree though, a business plan is a selling document and your description should, therefore, be directed as such.

While you should recognize that your project's direction will change over time in response to a number of circumstances, the business plan should reflect the project's current status and current needs, as welt as future plans. The plan should also emphasize the strengths of your company, but at the same time be realistic about its problems, and how you propose to overcome or minimize them.

What Purpose Does A Business Plan Serve?

It is increasingly common for any fund raising application to require the submission of a business plan. This applies equally to banks for financing, government grants, and venture capital investments.

As a consequence, business plans should be thought of as documents for your company's own management.

We briefly discuss below what each of these potential readers of a business plan will want to see covered in order to satisfy their particular requirements.

Who Reads Business Plans And Why?

Every reader will want to be attracted by the potential of your company or project, but at the same time be aware of the risks involved. But what are their particular criteria for making this judgment?

Small Business Loans:

The Small Business Administration has loan money available for small businesses in targeted areas. The loans vary in amount and repayment terms depending on how the loan is used.

Banks:

Any lender will want to know:

- How much you want to borrow.
- What you want the money for.
- When you will be able to repay the loan.
- When you will be able to pay the interest.
- If your company can survive a set back in its plans.
- What security is available for the loan, if required.

Venture Capitalists:

More companies are applying for this type of financing, which usually takes the form of a combination of equity capital and loans. Venture capitalists are often the most critical readers of a business plan since, by definition, they generally invest in riskier situations, but also because they usually have no background knowledge of your company. The following statistics quoted by one venture capitalist are typical of the industry and show what happened to a sample of 100 business plans received.

BUSINESS PLANS RECEIVED …………………………………………………………	100
Rejected after a quick scan …………………………………………………………………..	60
Rejected after a few hours study ………………………………………………………….	25
Remained after the initial study and were investigated more fully …………………....	15
Rejected after further investigation ……………………………………………………….	10
Were deemed investment-worthy ……………………………………………………………	5
Were eliminated after unsatisfactory price negotiations ……………………………….	3
PROPOSALS WERE FUNDED …………………………………………………………….	**2**

Only 2% of the applications were successful--not very good odds. Your business plan is the first step to improving the odds. In addition to "how much?" and "what for?", what do venture capitalists want to see?

A very high return. This is usually between 25% and 60% per annum compounded, depending on the risk of a project. In other words, taking a 35% example, the venture capitalists would want to earn approximately four and half times their original investment, before inflation, over a five year period.

They also want an "exit vehicle". In other words, they want to know how they will get their money back, and when. Examples could be the Vancouver stock exchange, acquisition by a larger company, or a management buy-back. A typical period for an exit is between three and seven years.

Venture capitalists want to assess their exposure to risk based on thefo1lowing:

The Track Record Of:

- The company
- The management.
- The market

The Forecasts:

- Are they achievable?
- What can go wrong?

The Critical Factor:

- Management

Accordingly, the venture capitalists want to see that the company satisfies the needs of both the market and the investors.

- **Will the customer buy the products offered?**
- **How will the investors make an adequate return?**
- **Venture capitalists often consider their investment in people not projects.**

It is a commonly heard cliché that the three most important factors in any project are **"Management, Management, Management."**

Your business plan is often the first opportunity the venture capitalist has to study your proposals in detail. It is your opportunity to impress and to show that your company is special and worthy of further investigation.

Internal Use:

We have now discussed the investor's viewpoint, but a business plan is important not only for obtaining financing; it is also an important management tool. It enables management to plan, in a structured way, the growth of its company and to anticipate any changes that might be needed.

To prepare a business plan, management must think through its business in detail and set objectives, Preparation of a business plan will also enable benchmarks to be set against which the company's future performance can be monitored.

A business plan should also highlight the resources the company needs to achieve its plans: These resources will not only be financial but could also include for example, additional management/ skilled labor or projection capacity, project development needs/ or marketing drives, etc.

A business plan should not be viewed as a static document. It should be updated every year. An analysis of the variances in actual results compared with previous plans is a rewarding exercise in itself and a good starting point for future plans.

Summary:

Every reader is going to have a different use for your business plan and it is important to tailor the plan to meet those particular needs. However, in overall terms your business plan should answer:

- **Where Are You Now?**
- **Where Are You Going?**
- **How You Propose To Get There?**
- **And, It Should Demonstrate The Project's Worthiness.**

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CHAPTER 2. THE FINANCIAL FORECASTS

The financial forecasts are the core of most business plans and usually the starting point in preparation. The forecasts express your intentions in terms of profit and cash. To prepare the forecasts you will have to make certain assumptions and projections about what will happen to your company in the future. It will also be necessary to have a clear picture of your company's present position in order to define the starting point.

The following forecasts should normally be included in your business plan:

- Income Statement
- Cash Flow Statement and Sources and Applications of Funds Statement
- Balance Sheets
- Statement of Assumptions Underlying The Forecasts

A profit forecast without accompanying cash and balance sheet forecasts will not normally be acceptable because It would give only a portion of the picture.

"I Can Not Forecast That Far Ahead!"

Except for the case of a small increase to an existing line of credit, where one year forecasts might suffice, it is usual to include forecasts for three years in a business plan. However, it might be necessary to include five-year forecasts. Management's reactions are sometimes typified by the following quote: “I have no idea where we will be in five months, let alone five years!”

Imagine the effect of this comment on a potential lender who wants to be sure he is not throwing his money away and that he is going to get a return on his investment. It is important to understand why an investor might ask for forecasts of between three and five years:

- An investor needs to understand , in financial terms, the long-term implications of your intentions for your company
- An investor needs to understand whether the targeted growth is within management's capacity.
- An investor wants to judge the effects of exceeding or failing to reach the sales or gross profit forecasts.
- An investor wants to be able to assess the time required between making the investment and earning income through sales, and to be convinced that every link is in place from development to production to distribution to payment.
- An investor wants to be certain that enough money is being requested to fund the project.

How To Forecast

Generally speaking it is best to start with the sales forecast:

- How Many Will Be Sold and In What Time Frame?
- What Will The Price Be?
- When Will You Be Paid By Your Customers?

Once the sales forecast has been completed you will need to project your production levels, the direct costs of production and overhead levels.

To arrive at each of these figures, a number of assumptions will have to be made. It is important that the assumptions you make are based on carefully researched information.

It is normal to prepare the forecasts for the year on a monthly basis and for subsequent years either on a quarterly or annual basis.

"How Conservative/Optimistic Should I Be?"

The answer to this question is to be realistic. It is important to strike a balance. Do not undersell yourself. Investors will usually discount your forecasts anyway, and if they are too conservative the proposal will be unattractive.

However, do not be too optimistic because your application will lack credibility, which may result in being rejected.

Bear in mind that any investor or lender will base the assessment of his risk (and anticipated return on investment) on the forecasts you are presenting to him. The outcome of this assessment will be the price charged for the funds you are seeking.

It is therefore important to be as accurate as possible.

Sensitivity Analysis

You should be comfortable with the idea that your forecasts are not "gospel." There may be genuine reasons why it is not possible to prepare a realistic three-year forecast. How do you show this in your business plan?

There are a couple of options. First, include separate "realistic" and "conservative" forecasts based on different assumptions. Alternatively, prepare "what if' sensitivity analyses showing, for example, the effect of a 10% reduction in sales or the effect of introducing a new product three months later than planned. As will be discussed later in this booklet, it is important to identify the risks associated with your company, and you should show the effect on the financial forecasts of each of the material risks. As part of this analysis, your break even point should be identified.

Sensitivity analysis is usually more easily undertaken on a microcomputer using a modeling or spreadsheet package. The advantage of using a microcomputer is that changes can be made, for example, to the sales forecast which results in changes to the profit, cash, and balance sheets being made automatically.

On the other hand, the disadvantage is that unless you are familiar with the use of the modeling packages it can take a significant amount of time to design and setup the forecasts on the computer .

Alternative Options

You may have recognized that sometime in the future your company will be faced with alternative options depending on the outcome of certain events in the early stages of your forecast. If this is the case, you should include details of the alternatives and comment on their relative effects.

"How Do I Threat Inflation"

There are two alternatives:

- Ignore inflation and show all figures at Current prices. This may distort the calculation of future returns.
- Assume an inflation rate and apply this to your forecasts. The drawback here is that it is difficult to predict accurately what will happen to the rate of inflation in three years' time.

Either option is acceptable but in time of low inflation the first alternative is probably preferable. Always provide your assumptions.

Contingency

Regardless of how diligently you carry out your planning and forecasting, it is not possible to predict all events. It is therefore advisable to provide a certain amount for contingencies in your cost estimates. This figure can be based on a certain percentage of sales. However, you should not include too high a figure because of the credibility of management in preparing realistic forecasts might be called into question.

CHAPTER 3. THE NARRATIVE

Although the financial' forecasts may be the core of the business plan, the reader's perception of their achievability depends on the detailed plans set out in the narrative. It is important that the narrative and the figures are consistent and support each other. They are both equally important - on its own neither tells the whole story.

The narrative provides the opportunity to argue your case and justify the assumptions you have made in arriving at the forecasts.

When writing any report, it is essential to plan in advance what it will look like. This will be discussed in the next chapter entitled "Practical Hints".

In this chapter we will assume that the business plan is for an existing manufacturing company seeking venture capital funds to expand. A typical table of contents for this example would be:

- Section 1. Summary
- Section 2. Background
- Section 3. Product Description and Analysis
- Section 4. Management and Personnel
- Section 5. Markets and Marketing
- Section 6. Manufacturing Process
- Section 7. Financial Information
- Section 8. Risk Factors and Rewards
- Section 9. Timetables and Benchmarks

It is important that every business plan be tailored to the concerns of the particular reader. A great deal will depend on how well your proposed reader already knows your company, whether the business plan is being used to support a financing application, and how much funding is being requested and its proposed use. It will not always be necessary to include all of the suggested sections - some could be combined and new sections added as required.

The following is a discussion of what information the nine sections should contain.

Section 1. Summary

Although usually written last, the summary should appear at the beginning of the business plan and provide a concise overview of your proposals. The summary should indicate why this application is unique --"the success ingredient." It should never be more than two to three pages long.

Do not forget that you are trying to attract the attention of a busy reader and convince him that he should take time to read the rest of your business plan. The summary should be designed to do just that. Do not forget that 60% of the business plans sent to venture capitalists are rejected after a quick scan.

The Summary Should Include:

- The rationale for writing the proposal.
- A statement of how much money is required and for what purpose.
- Brief descriptions of product and markets highlighting the benefit to your customers.
- Management experience and relevance to the proposal.
- Financial highlights.
- Details of the proposed exit vehicle.
- Return expected and when, showing how the investor will benefit.

Section 2. Background

You should state the company's date of incorporation and a brief history of subsequent years. You should provide not only financial details but also a commentary highlighting significant successes of your business in the past and their relevance to the future.

You should outline the company’s present financing, including details about its present shareholders and any security given to lenders.

Section 3. Product Description and Analysis

You should normally cover the following topics under this heading: Description of the main products and services; stated in layman's language, precisely what it is you sell and how it will be consumed.

The Advantages Of Your Product:

- Is it less expensive?
- Is it better quality?
- What unique features does it have?
- What advantages do your customers derive from using it?
- Does it have any disadvantages?
- What is the current status of the product? For example, is It still in the research and development state, or is it already established in the market?
- What is the likely life span of your product?
- What new products will your competitors be introducing and when?
- What protection do you have for your product? Do you hold any patents and what proposals do you have for obtaining any in the future?
- Does your product require any government approvals and does it have them?
- Are there any industry standards to be met?

- What are your future product plans, including the time scales for their introduction?
- What are your research and development policies? Are there any competing technologies?
- What is the profitability of each product or service?

It is important to remember that the creditably of your sales forecast is often dependent on the investor's perception of the product being sold.

Section 4. Management and Personnel

As we have mentioned, an investor's assessment of management's capability is an important factor in his decision making. A comment often heard is: "It is better to back good management with a bad product than a good product with bad management."

Overall your business plan must communicate management's capabilities and confidence that the objectives they have set can be achieved.

This Section Should Include The Following:

- A summary description of key managers;
- Their roles. demonstrating you have a balanced team:
- Their age, experience, and expertise;
- Their past track record and achievements and how those affect your future plans-- past track records are important; mention the size of their previous companies and tasks undertaken;
- Detailed resumes should not be included here; attach them in an appendix.

Also include characteristics of your internal environment, which include:

- A discussion of the relationship between ownership and management term aims and objectives of key individuals.

- A description of remuneration policies. How many of the key managers have performance-related packages? How many have employment contracts?

- The existing organization chart as well as the one proposed in three years time. The charts should show the number of people supervised by each manager and should be included in the appendices.

- A list of non-executive directors and a description of their roles. An assessment of the need for additional managers in the future; explain how they will be selected.

An Honest Appraisal Of:

- Vacant positions or weaknesses in your team and your plans to rectify the situation.
- Previous mistakes--it is a strength to show that you have learned from them.
- A description of current management information systems and an assessment of anticipated changes in the future.

In this section you should also include brief details about other managers and employees along the following lines:

- Analysis of their roles and skills (presented in a tabular format)
- Remuneration policies
- Unionized employees
- Future requirements
- Recruitment and training policies

Section 5. Markets and Marketing

In many investors' eyes, this section is second only in importance to their assessment of management's capabilities.

It is usually the sales figure that is the most difficult to forecast accurately, and, as a result, it is most important top justify.

Too often business plans are written from the company's perspective. The company may be so enthusiastic about its products that it does not explain why or how a customer will purchase them, thereby expecting the investor to recognize the market need for the products.

A simple estimation that your company will achieve a certain percentage of its market is not sufficient. You must justify the estimate, and show that you understand your market and your role and position in it. The investor will want to know whether your company has a lead over its competitors and whether you can maintain that lead.

As a result, your market analysis should include the following information:

- A description of your market.
- Describe your market generally and its future prospects: include the market size and its anticipated growth.
- Clearly define your particular niche in that market in terms of product, territories, customers, etc. Include summaries of the statistical data available on your particular market niche. Justify your decision to target that particular niche and outline the prospects for that niche in comparison with the market generally. Note that it may be necessary to commission a market research study to obtain this information.

An Analysis Of Your Customers:

- Who are they?
- Where are they?
- Why do they buy?
- When do they buy?
- Do they have standing orders or do they pay cash?
- Who makes the decision to buy?
- What is the typical order size?
- What are the requirements of each customer? For example, 80% of your particular niche may be dominated by only 20% of your prospective customers. You should demonstrate that you recognize this fact.
- Who are the ultimate customers and what influences on their purchasing habits are beyond your control?

An Analysis Of Your Competition:

- Who are they?
- Where are they?
- What is their size and potential?
- How much of the market do they enjoy?
- What are their strengths and weaknesses?
- How will you compete successfully against them?
- What is the anticipated response by competitors to your market plans? Note that a realistic and honest appraisal of your competition adds creditability to your business plan.

A Description Of Your Marketing Plans:

- What are your geographical objectives? Domestic? International?
- What is your pricing policy? Is it cost or demand based? How do you expect prices to move in the future? You should show that the pricing policy will allow penetration of the market, an increase in market share, and generate a profit.
- What are your support and after-sales services and warranty arrangements?
- What is your minimum order size? Your credit terms?
- What are your proposals for advertising and promotion?
- What percentage of sales does this cost represent? When will the cost be incurred and what is the anticipated benefit?

Do They Include:

- Public relations
- Advertising
- Trade shows
- Sales incentives
- Promotional literature
- How will you distribute your product?

For Example:

- Sales force: Number of salesmen, independent sales reps, location and territory covered?
    - Remuneration policy?
    - Productivity (orders per call, average order size)?

Distributors:

- How are they selected?
- Remuneration policy?

Retail:

- Size and location of shops and their staff?

Export:

- To which countries?
- Distribution arrangements?
- What is the cost of delivering your product?
- What is the status of your present orders and backlog?

In connection with new products, are you able to provide endorsements from potential customers? If so, is it that they just like the idea or have they seen a prototype?

These items are crucial to the accuracy of the sales forecast and require substantial thought and effort to complete. The company must show a market for its product, that it understands the customers' needs, and that its product meets these needs.

In writing this section you should try to look at your company anc;j product from the viewpoint of your customer.

Section 6. Manufacturing Process

In this section you need to explain your manufacturing process and anticipated future enhancements, details of the facilities available to you, and what resources are required. In particular you should address the following:

- A brief step by step description of the production process.
- The facilities available (property and plant).
- Production capacity:
    - Now
    - Future
    - Steps required for expansion

- The percentage of yield and waste: how you optimize the processing steps; quality control procedures.
- The security of your supply of raw materials and what alternative sources you have identified.
- The availability of skilled labor.
- Do you make all parts required for your product, or do you buy some or all of them?
- Production advantages you have over your competitors.
- How costs are affected by production volume.
- If yours is a new product, you should carefully describe the transition from prototype to volume production and discuss the areas where delays may occur.

Section 7. Manufacturing Process

The appendices should include the latest audited financial statements. In Chapter 2 we discussed the financial forecasts to be included in the business plan. These detailed forecasts (normally for a three-year period) should also be included in the appendices. However, you should include a summary of the most Important data in the body of the business plan.

This can be shown in tabular form and for each year might include:

- Sales
- Gross profit margin
- Net profit before tax
- Retained earnings
- Cash generated / used
- Capital expenditure

You should also include a commentary on the forecasts to explain, in layman's terms, what the data means. This commentary should, if appropriate, address any early losses as well as the transition to profit. It should also relate the timing of the investment from initial outlays to the generation of sales, profits, and finally to cash. It should comment on, the strength of the balance sheet and draw attention to any off balance sheet assets (e.g., intellectual property rights) which might affect a valuation.

In the appendices you should include a statement of the assumptions underlying the forecasts. In the narrative, highlight the key assumptions and justify them by reference to other sections of the business plan. For example, the sales forecast should be clearly justified by reference to Section 5 - Markets and Marketing.

State the amount and timing of the funding required and include anticipated future funding requirements. Outline the type of financing you are seeking, although it is best not to be too specific initially. If you are seeking financing from several sources, it is helpful to indicate the progress being made with each.

Finally, you should discuss the proposed exit vehicle for the venture capital investor.

Section 8. Risk Factors and Rewards

Do not hide the problems! Remember that you and the investor have common aims and concerns. You are both risking money on the same project.

Highlighting the risks adds credibility to your business plan. It shows that you have seen the risks in advance and have given thought to how you propose to overcome them, or at least minimize the effect.

As one investor put it: "Although I expect to run risks when I invest, I also expect to know what the risks are that I am running."

You should therefore state the risks inherent in each part of your business plan and your opinion of the likelihood of their occurrence. You should also show what steps you have taken, or propose to take, to minimize any impact these risks might have on the performance of your company.

Assuming the risks cannot be overcome altogether, you should also include an analysis of the effect on both profit and cash. The best method of demonstrating this is by carrying out the sensitivity analysis referred to in Chapter 2. You should include only a summary of the results. No investor will want to look through reams of computer print-out based on numerous and varying assumptions! However, it is important to include your comments on the analysis.

Don't be all doom and gloom. In any selling document you should keep a sense of proportion in discussing the risks. Do not put the investor off.

Instead, demonstrate how you plan to overcome the particular risks of your business. Always consider Murphy's Law: If it can go wrong, it will go wrong!!

A useful way of presenting the risks is to include them as part of a "SWOT" analysis:

- S-Strengths
- W-Weaknesses
- O-Opportunities
- T-Threats

As part of the "Opportunities" section, mention the rewards to the investor if the plan is achieved. Demonstrate the worth of the company in three to five years' time and the resulting return on investment.

You should understand any other criteria that the particular investor has and demonstrate how your plans meet them.

If you are seeking a financing package from more than one source, it would be helpful to demonstrate that each of the funding source's criteria are satisfied by your plan.

Section 9. Timetables and Benchmarks

In this section, you should summarize your company's objectives. Not all of them will be financial. For example, by increasing production capacity it might be necessary to take on additional skilled workers. A business plan being prepared for management's own internal use might contain far more detail than a business plan being presented to an outside body. It should probably also deal with the sub-objectives to be met to attain the main objectives.

You should Include:

- The objectives set by each department-
- The timetable for major events and the resources needed to achieve them.
- It is often helpful to represent this information graphically.
- Stating your timetables and benchmarks not only shows that you have carefully planned the steps of your proposal, but also aids subsequent monitoring.

Appendices:

Glossary of terms used

- Product literature and technical specifications
- Organization charts
- Resumes of key managers
- Market surveys
- Patent details
- Financial Forecasts:
- Profit and loss
- Cash/funding
- Balance sheets
- Assumptions
- Latest annual financial statements
- Latest internal financial statements
- Third party confirmations, where available

CHAPTER 4. PRACTICAL HINTS

In this chapter, we will discuss several problems commonly encountered by people writing business plans for the first time and suggest ways of dealing with them.

Who Should Write The Business Plan?

If the business is to be effectively managed, it is important for the management to have a thorough knowledge of plans for the future. Since investors want to know management's philosophy, the business plan should not be written by an outside advisor. It needs to put across management's enthusiasm and determination to succeed, and it should, therefore, be written by that group.

How Long Should It Be?

This is a difficult question to answer because it will depend on the stage of the company's development and the purpose of the plan. It should be comprehensive, tailored for a specific reader, and as short as possible.

There is a tendency today to write shorter business plans. Remember your proposed reader is likely to be a busy person and you will need to retain his attention. Any supporting detail should be relegated to an appendix.

However, as an example, a business plan for a $10 million high tech start-up project might run to 70 pages whereas a $1,000,000 .00 expansion project for an existing company might be adequately covered in 10 to 15 pages.

Planning The Plan?

If your business plan is to be a success, it is important that the writing of it is carefully planned.

The Main Steps In The Planning Process Are:

- Read Chapter 3 and understand what information should be included in your business plan.
- Decide on the section headings for your plan and prepare an index.
- Decide who is to coordinate and write the plan.
- Agree on who is to provide the necessary information:
    - Management
    - Advisers

- Gather information for each topic and jot down ideas
- Organize the information logically.
- Start writing.
- Challenge the assumptions.
- Expect revisions. Business plans are not written, they are rewritten.

Don’t Use Jargon

Your proposed reader may know very little about your particular product or your market. Your business plan should, wherever possible, be written in layman's terms and avoid the use of jargon. Should this prove to be impossible because of the nature of your business, a glossary of the terms used should be included as one of the appendices.

Don't Repeat Yourself

In order to keep your business plan as concise as possible, try not to repeat yourself. For example, try not to repeat what you have said in the product section in the section dealing with marketing.

Support Your Claims

Where you have made claims in your business plan or have made assumptions which may not be readily accepted by your proposed reader, include copies of any third party confirmations that you may have. It also helps if you are able to include copies of product endorsements by your customers and confirmations of the availability of other parts of the financing package.

Worried About Confidentiality?

You may be concerned that sending your business plan to a potential lender or investor might result in your company's trade secrets becoming known to your competitors.

However, if you are not prepared to reveal your secrets at an early stage, one option is to send only the Summary to your potential investor or lender and disclose the remainder of your plan if serious interest is expressed. Consider using confidentiality agreements and always mark your business plan "Confidential." Always inventory all information distributed and have the recipient acknowledge receipt.

Don't Be Selective

We have indicated that you should analyze the risks facing your company or project. In so doing, you should ensure that all risks are discussed and that you do not just select those for which you have a ready answer. If your reader were subsequently to discover these other risks, your proposal might suffer a serious loss of credibility .

A Second Opinion

It is important to have your plan objective reviewed before submitting it to your potential investor. After all, you would not want to waste four or five weeks preparing the plan only to have it rejected after a twenty minute scan by the investor.

Suitable people to review your plan would include your accountants, your attorney, or a trusted business colleague. We would suggest that, if possible, at least two people not directly involved with your company be involved in the review.

The role of the reviewer is to put himself in the place of the investor, to ensure that the business plan is credible, and that it meets the known criteria of the proposed reader. The reviewer should suggest improvements to the contents of the business plan and to the presentation of the case to make the proposal as attractive as possible to the proposed reader.

First Appearances Count

The reader should be attracted by the appearance of the plan. The business plan should therefore look good, but not too good --the expensively produced plan might be considered wasteful extravagance. We would suggest some form of loose-leave or spiral binding which would allow any subsequent up-dating.

Your Do's and One Don't:

- Do provide an index.
- Do provide a summary.
- Do number each copy.
- Do show who the business plan is submitted by. It is surprising how many do not!
- Do not produce too many copies. If an investor were to receive copy number 65, he might consider that your plan had already been rejected by 64 others, or that 64 other parties were currently looking at your plan. In either case, he is unlikely to give it much attention.