

## Writing a business plan

Writing a business plan is a very complex matter, but a key tool in helping to raise financing. It is very easy to make mistakes or leave out important elements.

The following information will help you to create your business plan in a way which is both informative and appealing to potential investors.

One needs to see the business plan as the entry pass to Venture Capitalists. It enables potential investors evaluate - with the help of your business plan - the prospects of your company, it is usually the first point of contact and therefore it is vital to get it right! The plan needs to be exciting, interesting and easy to understand - for non-industry specialists.

### EXTERNAL VS INTERNAL

Should you get a specialist to write your plan or better write it yourself? We would advise you to always write the business plan yourself. Not only do you know your business the best, but investors expect you to know the content of your plan by heart and that you can answer any additional questions. However, we suggest that you have a third party review the plan - ideally someone who is not linked to the idea/company. This way you can test whether the plan is understood easily by others.

### MANAGEMENT TEAM AND ORGANIZATION

A key mistake in writing a business plan is to underestimate the importance of the management team of the company/project. Though this is one of the first questions for an investor! Why? It shows them the credibility of the plan. It answers key questions such as what experience and competence level is within the team, such as are there advisors, a good understanding of the market, leadership, etc.

## TECHNOLOGY/PRODUCT

It is very important to transmit the technology/product in the right manner - it should be not be too technical but needs to be explained clearly enough. Do not give an excessive amount of technical details; this can follow at a later stage or in the appendix. Another common mistake is to forget to mention the obvious - for example the customer benefits - they might be obvious for you but not to the reader. Therefore, make sure you clearly state the market opportunity, your product, and its value proposition supported by evidence.

## MARKET AND COMPETITION

You need to provide the reader with a clear picture of your market and this includes also your competitors. One might think that having no competitors is a good sign, but it is the contrary. It opens the question whether there is a market for the product at all. Define a specific market with a solid economic value proposition. Speak to a lot of specific customers, collect testimonials and maybe even list contact information in the appendix. Furthermore, demonstrate that your chosen target customers are well funded and have compelling reasons to buy. You should deeply understand existing competitors and their vulnerabilities. Show that you are flexible to move quickly as new scenarios might unfold in the future.

Through a business and sales model describe how you will reach your market. Will you plan to have corporate partnering? Furthermore, you need to cover promotion - how to attract interest, selling - how to convert interest into sales, and distribution - how to deliver to the customers.

## OPERATIONS

This section needs to cover the production, resources, timeline and current status (e.g. agreements with suppliers, etc.). A common mistake is to have unclear milestones and no dates, as well as the lack of flexibility to act on potential delays in

product development. Therefore, create a contingency plan which is optimistic but yet realistic.

## FINANCIAL PROJECTIONS

Probably one of the best approaches is to have two versions of financial forecasts - one 'target' version, assuming everything goes according to plan, as well as one 'survival' version with some adaptations to potential problems. For this section we would advise you to get some professional help if this is not your strong point.

Furthermore, it is very important to get the top line right with assumptions (units, price, etc.) clear. State separate revenue streams such as one time, recurring, government funding, etc. The most important part is always the cash flow - create a summary of a 5 year cash flow chart.

## FUNDING

You will need to demonstrate how you will be using the funding you have requested, or already obtained. The biggest mistake is to allocate the money to a broad header such as Operations, Production or Marketing. For an investor it is important to see how much money is needed for what, when and in what stages and in which form (debt, equity, a mix). If you are going to contribute some of your own money towards the funding you need to include this in your budget. This shows an investor your own commitment to the product!

## EXIT STRATEGY

The key question for each investor is when and how they could get their money back and what rate of return can be expected. It is very valuable to show that you understand the investors' needs and wants. Prove when the company can potentially break even and generate positive cash and profit. Evaluate comparable businesses - what did they achieve. Is there a potential IPO or Sale of the company!

## RISK

The main aim of this section is to identify, analyse and minimize all potential risks. List all potential risks not only relevant to the product or your company but also to the market, technology or even the management team. Out of these identify those with higher or lower risk and come up with a plan how to avoid these.

## EXECUTIVE SUMMARY

Even though you find this section at the beginning of all business plans, it needs to be written at the end. There are no guidelines on the specific length of an executive summary - it will depend on different readers/investors. Maybe write 3 different versions - 1/2 page, 1 page or 2-3 pages to cater to the specific needs and interest of the individual investors you want to present your business plan to. The main goal is to persuade the reader to keep on reading!