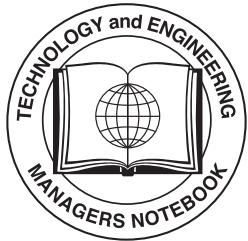


Entrepreneurship Your Business Plan

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USUALLY you would contact investors with an introductory letter to initiate a discussion on financing, and send a business plan when asked. The hope is you'll be given the opportunity to make a PowerPoint presentation. We will discuss the business plan and briefly cover the PowerPoint presentation.

The main **purpose** of a business plan is to raise money. And an abbreviated version of it is often used internally as a roadmap for the organization to focus and everyone in the company to work in sync. Be well prepared to make your case bulletproof. You only have one chance with a given investor because investors rarely revisit a rejected business plan.

EXECUTION

The overall quality of the material is an indication of your work standard. Keep it brief; anything more than necessary to make your point only serves to distract the reader. Information overload drowns out the main message; worse, it provides thoughts for objection. This is especially true when dealing with investors who tend to be skeptical and risk adverse. Save the details for subsequent meetings. ***Write it, sleep on it, and edit it again and again.*** A 20% reduction with each pass is not an overly demanding discipline.

POSITION THE PITCH

Do not expect the business plan to do more than pique investor interest for them to want to continue the process of due diligence. Avoid selling too hard; rarely if ever would an investor invest solely based on the strength of the business plan.

Do not make unsubstantiated claims because one single misstep could discredit the entire document. Have backup material for your claims on hand to be able to present it promptly when asked.

WHAT DO INVESTORS LOOK FOR IN A BUSINESS PLAN?

Investors want to have their main concerns addressed quickly. Write the business plan from their perspective and in the language and at a level of detail that caters to your targeted investors' familiarity with your industry; customize if necessary.

Investors want to know that the business makes sense, and want to weigh the risks versus rewards. They will poke holes in your story using inconsistencies between different parts of the document, and by comparing what you wrote and what they know of industry benchmarks. Therefore, align all parts of the business plan to your goals and strategy based on the reality of the business environment and the resources you realistically expect to get.

CONTENT

Write a vivid story as if you are walking a reader through all of the departments of your company. Write succinctly and pay attention not only to what you write but also to what readers may read into it. Be brief, but provide adequate information for investors to form their own opinions. Address thoroughly what is important to investors with conviction. Always back up your claims to build trust. Being able to trust the entrepreneur

is a big consideration in making an investment decision.

Executive Summary This is the 30-second elevator pitch to get investors interested. All is lost if the executive summary cannot capture investors' imagination and pass their "smell test". Investors want to know what the company is setting out to do, its products, whether the business makes sense, business potential, and whether it would have sustainable competitive advantages to succeed.

Vision and Mission Vision is what you aspire to become, whereas mission is a broad-brush description of your approach to make the vision a reality. The vision can be an audacious goal whereas the mission statement provides a synopsis of how you are able to make the plan a reality.

PRODUCT/CUSTOMER Provide a vivid image of the product, its purpose, salient features, and price range for investors to develop an excitement for the product and form their own opinion of its potential. Also say a word about the product development stage for them to make their own assessment of the capital required to bring the product to market. Briefly describe follow-on products, investors want more than a one-trick pony.

State why each segment of the population may want the product, how it is used, comparable products, and anything that's relevant that enables readers to form their own opinion about the market potential. Endorsement by opinion leaders may enhance your credibility, and having potential orders, however small, would add a degree of comfort to investors that you are on the right track.

Business Case Investors like "secret sauce" competitive advantages that can give you an edge in the

marketplace. A business could succeed due to technological advantage, but in many cases it is by having adequate capital, ability to execute, special relationships, product features, cost advantages, exclusive supplier relationships, clever modes of distribution, etc. Therefore, provide a balanced argument rather than dwelling on technology.

Market and Marketing Investors look for data to support your assertions. Therefore, present market research results, opinion leader comments and customer feedback. Provide tidbit details about industry dynamics, such as how established companies react to new entries to the market and typical adaptation rates to imply you know the market and have done your homework.

Segment the market, indicate why certain kinds of individuals and how many of them might be attracted to features "a, b, and c" based on your research, and repeat the process for those who want features "d, e, and f." Projections such as "we expect to get 1% of a billion-dollar market" do nothing more than turn investors off.

Operations and Manufacturing Investors look for cost effectiveness in your operation because that means the ability to face potential competitive pressure. Specificity in your operations and manufacturing strategy can provide investors with a feel for your team's experience. Investors want to know whether you use outsourcing or vertical integration to do their own estimate of the capital required. Add color by describing your organizational strategy, management philosophy, and cultural vision.

Financial Projections Investors look for a minimum of three-year financial projections. They want to see your estimate of how much investment is required to bring the product to market and the time to

positive cash flow to compare with their own estimates. Knowing the total investment required to see the company through to its goals is important to investors. They also look for consistency between your description of the business with the story told by your financial numbers. Projections based on "we can grow 25% per year" are not going to be well-received.

IP and IP Strategy Legal issues are a bottomless pit in money and energy. Investors want to know if you have "freedom to practice" in addition to having IP (intellectual property) of your own. Do a patent search to know there is no prior art that prevents you from conducting your business. Give an overview of your IP strategy in general terms, and be prepared to address IP issues in depth during follow-up meetings.

Founding Team The quality of the team is high on investors' lists of concerns. Describe the attributes of your executive team and influential advisors. Provide tidbits about key individuals to enable investors to get a sense of the experience of your team. Also describe how you intend to cover the responsibilities of the missing slots.

In Passing Do not dwell on technology unless it still has remaining challenges. Investors can assume you have that under control. Also do not dwell on an exit. While that is of great interest, investors know that's an uncontrollable event and is something to deal with when the time arrives. They would rather not have that issue distracting the management. However, a brief discussion of recent exits of similar companies in your industry could provide a hint of possible returns and could also allay investors' fears that you may be unwilling to let go.

What to Avoid Leave out details that can be controversial, such as valuation which is putting the

cart before the horse. Establish a rationale for valuation in your mind and save the discussion for the due diligence phase.

POWERPOINT PRESENTATION

You might as well generate a PowerPoint presentation while you are at it.

There should be no more than ten slides to address what's important to investors. Start with a what I-am-going-to-tell-you slide to keep

the audience focused and prevent having their attention hijacked due to lingering concerns.

Ideally, you want the PPT to be used by an internal advocate to spread your pitch to other individuals in their organization. Therefore, make it simple and easy for them to look good when they present the PPT on your behalf.

The ten slides: (1) Title; (2) Product description and the problems it addresses; (3) Unique features and

competitive advantages that enable you to prevail; (4) Customers, market size; (5) Marketing and distribution strategy; (6) Operating strategy; (7) Financial projections; (8) Financing strategy; (9) Team; (10) Contact information.

In the future, I will describe the dynamics of interacting with potential investors to raise money.



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