



THE TEN COMMANDMENTS OF BUSINESS PLAN DEVELOPMENT

By:

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The common denominator of all successful companies is a business plan. Chutzpatent™ is proud to provide you with our "Ten Commandments of Business Plan Development".

These commandments have helped companies develop business plans for internal use -- and to raise millions of dollars.

Chutzpatent's rules (commandments) should act as your guide in your quest to develop the best possible business plan.

I. I AM YOUR BUSINESS PLAN. THINK ME THROUGH

The business plan development process forces you to think through all of the aspects involved in your start-up venture or expansion. The discipline involved in putting your plans into a structured document will enable you to organize your thinking and make fundamental strategic decisions.

It also assures that you cover all of the bases. In preparing the business plan, you must objectively examine and analyze all of the ramifications of your marketing, operations and financial strategies. You must also determine what human, physical and financial resources are required.

By doing this on paper, you are not only forced to deal with the business realities of your new venture, but you save the time, energy and resources you would have consumed through actual trial and error.

The business plan is the first step in the investment process. Without a well-written and hard-hitting business plan, serious investors will not meet with you. The business plan is your company's ambassador to all potential investors. Your business plan must speak to investors in the language that they understand and appreciate. Moreover, because you only have one chance to make a good first impression with potential investors, your plan must be highly professional and customized to show your company's unique advantages and abilities. Investors look at a myriad of business plans and yours must stand-out and be flawless.

II. THOU SHALT NOT CREATE GRAVEN IMAGES. CUSTOMIZE YOUR PLAN

Many entrepreneurs try to save the time and expense involved in preparing a proper business plan by utilizing "substitutes." If you expect investors to invest their most valuable resources - their time and money in you -- you better do the same and provide them with a business plan that shows you respect them and appreciate their time.

III. THOU SHALT NOT SWEAR FALSE BUSINESS PLAN. DO IT RIGHT

Investors expect to see a business plan that was developed, customized, and tailored for the business at hand. Moreover, developing a business plan is more an art and a process than it is a simple fill in the blank writing assignment. There is a wide spectrum of far-reaching issues facing the individual company that must be specifically addressed if your plan is to have any impact - both in-house and externally.

IV. GUARD YOUR CASH FLOW AND KEEP YOUR PROJECTIONS HOLY

If you want your company to succeed from both a business and capital raising point of view, your business plan must contain realistic cash flow projections - and you must do your best to abide by them. Focus more of your time on receipts - projecting cash expenditures is much easier.

Investors will look at your cash flow projections to determine the amount of capital you require, and to learn if you can see the big picture. You must be reasonable and not overly optimistic. When you meet with investors, they will expect you to be able to provide support and backup for your forecasts. Make sure that all forecasts are realistic. Investors can easily check your projections against the industry norms.

V. HONOR THY READER AND HIS/HER SHORT ATTENTION SPAN

Investors are incredibly busy and will initially only skim your plan. You must include an Executive Summary that needs to capture the entire essence of your business in only two pages. The rest of your plan must also be as brief as possible, organized logically and written to grab and keep the readers' attention.

For example, The Table of Contents must be user-friendly and enable the reader to quickly locate any topic in the business plan. It must also act as an outline of the entire business plan, so that the reader can quickly grasp the "big picture." You must avoid typographical errors and spelling mistakes, raw spreadsheets, and cumbersome Appendices. You should summarize the product descriptions - focusing primarily on the user benefits. You should not simply cut and paste from brochures and product specifications.

VI. THOU SHALT NOT BE A PRODUCT – YOU ARE A COMPANY

You must demonstrate that you are indeed a company and not simply a product. You must explain what business you are in, and the image you are creating for your company. You must also provide long-term strategies, explain how the company will grow, and how it will expand its markets and product lines.

To prove you are a company, you should focus very hard on identifying and describing your potential customers – who they are, what do they value, what kind of brand loyalty exists among them, who participates in the purchasing decisions, and how you will get you product directly into your customers' hands.

VII. THOU SHALT NOT NEGOTIATE IN THY BUSINESS PLAN

You must be very careful to avoid negotiating in your business plan. For example, do not state that you will sell 20% of the company for \$1 million, because you will establish the upper end of the negotiating range. Sophisticated investors will realize that this is their worst case scenario and that they should be able to negotiate a better price. Your company is also worth more to different types of investors, so leave the negotiations for face-to-face meetings. This should not be confused with the amount of money you are asking for - which should be stated in the plan, along with its proposed usage.

VIII.. THOU SHALT NOT SAY: "ALL WE NEED TO SUCCEED IS 1% OF A HUGE MARKET."

The above words are very familiar to investors, and are a very quick turn off. The marketing section is one of the most important in the entire business plan. The percentages, in and of themselves, are irrelevant. You must not only state which market niches you will focus on, but what determines that niche - price, quality, performance, geography, patents, etc. You must discuss competition and never state that there is no competition. You must also deal with market penetration, sales force, and other marketing and promotional issues. While many business plans contain expert opinions regarding the technical feasibility of core products, it is very rare to find a business plan that contains an expert-based market analysis.

IX. THOU SHALT NOT AVOID POTENTIAL RISKS

Every business faces risks and potential problems. You must deal with them in the business plan if you want to be credible. By identifying and discussing the risks, you demonstrate to investors that you have thought about them, factored them into projections and can deal with them professionally. In identifying the risks, include a description of those pertaining to the industry, your company and the market. Indicate which business plan assumptions or potential problems are most critical to the success of your venture.

X. THOU SHALT NOT SHOP THE PLAN AROUND

It is very important for the business plan to get into the hands of the most appropriate investors. All investors have their own specialties and if your plan is rejected because it does not meet that particular investor's known criteria, then you have lost credibility in the investment community and your plan could get a "shopped around" reputation. Furthermore, valuable time has been wasted simply because someone forgot to do their homework. Companies must learn as much as they can about investors before approaching them - especially their investment criteria including their methodology, industry preferences and investment criteria.