

Preparing your business plan

Reading and digesting a plan and then assessing its merits takes time, so anything over and above this length is more likely to lose the reader's attention, when what you're really trying to do is convince them to set up a face to face meeting with you. Assuming that the investor's desk is piled high with other such documents, getting yours right in terms of length goes some way to ensuring it is read from cover to cover.

How you physically present the plan will also help determine its fate. It may detail the best product in the world, but if it is poorly presented and riddled with typos, you may put the investor off.

Technical jargon can be as off-putting as typos and tempting as it may be to detail your product in every conceivable light, it is worth remembering that most readers will lack your level of expertise. Treating them as intelligent amateurs is a good rule of thumb when deciding which content is important to their understanding of a product and which is not.

How you organize your content is just as important as the content itself. Even in a plan that is just 20 pages long, chapters and page numbers make it so much easier to navigate the document and find key facts and figures, names, addresses, website details and telephone numbers.

What (and what not) to include in the plan can also be determined by issues of confidentiality. In the absence of any costly patents and confidentiality agreements, it is probably best leaving out any sensitive material that could assist the endeavours of your competitors.

Having proofed and spell checked your plan, get it read by a trusted colleague and listen to (and implement) their feedback (good or bad). Finally choose a font size and style that is easily legible (especially in figures across spreadsheets) and easily printable. Most investors these

days prefer digital copies of the business plan, though often print and read it at their own leisure.

Although just like the deck there are plenty of great templates business plans available, here is an outline of the key sections you should have in your business plan:

History of The Business

Even the newest, smallest business began somewhere, so your opening section should really be to sketch out the origin of yours to give the larger plan context. Try and define what drew you to the idea in the first place and outline what you have achieved so far in terms of bringing it to life.

As well as detailing its origins, those entrepreneurs at the helm of more established businesses might want to elaborate upon notions of ownership: its history, the current state of play, how it's divided up, their individual stake and role. Think about any problems that have arisen in the past, how they were dealt with and how the lessons that have been learned inform where the business is going in the future.

Your Product or Service

Defining exactly what your business does is obviously an important element of this chapter but going on to define how you have the edge over competitors will really set your plan apart from others. Practicalities are also important, so this is an ideal opportunity to detail who holds which patents (if any) and whatever licensing arrangements are already in place. Other patent-related issues might include how technological advances could affect your business in the future.

Depending on your type of business, an overview of production might also include any operations that are relevant to the service or product you're offering, including details of suppliers, supplier dependency and any legal issues that have (or might go on to) affect your business.

Understanding Your Marketplace

The marketplace you hope to operate within is one of the most important considerations of the whole plan, so your attempt to pinpoint exactly who it consists of should be very persuasive. Ask yourself who your customers are and try to pinpoint their geographic and demographic profile.

An understanding of the marketplace is, of course, as much about your competitors, so getting a real handle on who they are is also really important and pre-empts some further consideration of how your product is both different and better and what you can do to remain ahead of the game.

Any additional information you can put forward to support your understanding of the marketplace – macroeconomics, marketing strategy, advertising budgets and so on – does much to support the credibility of your plan.

Although it may well feel that your marketplace is still taking shape, any potential angel who is considering whether to run with you financially will be looking for some solid foundations for market growth. Detail which customers you already have in place and what value they represent in sales terms, what your marketing strategy is and how you plan to develop it.

The People

It is easy to forget that business is first and foremost people oriented and that many private investors will consider the who before they consider the what. Understandably so, given that poor human relations can cast a bad light upon the very best entrepreneurial idea. As such it is crucial to dedicate some of your plan to the people at the heart of your business.

Besides their role within the company, potential investors will be looking for experience with positive results, so biographies for all the directors (including non-executives) should therefore outline all their key achievements. As part of the plan's appendix you can expand upon this by

including full CVs, with details of length of service, current remuneration and benefits, as well as any relevant contract details.

While it is tempting to overlook any previous financial problems, such as insolvency or bankruptcy, these should also be detailed. Since an investor's due diligence will inevitably reveal such issues, transparency gives an opportunity to expand upon the circumstances and the lessons learned from the outset.

Financial Analysis

Offering up a detailed financial analysis of projected profits is a crucial way of illustrating that you have understood key facts and figures, although it's worth noting that overly ambitious projections won't necessarily win over potential investors. On the contrary many take rather a dim view of future profits that are not in line with past performance. Much more useful and realistic is a break-even analysis, since it allows investors scope to gauge risk and assess the levels at which a depleted turnover equates to the company making a loss.

Since most investors will typically want to see how a business performs before they are comfortable with making an investment, the ability to justify your profit and cash flow projections should therefore underpin the whole financial analysis. Realistic projections will also substantiate your argument for how much funding is required, whether it can be received in instalments and when the peak cash flow requirement is.

Other questions that your financial analysis should seek to answer include who the current borrowers are and what their facilities cover, whether (and under what conditions) any future funding will come from a bank, factoring company or grant and what steps have been taken to explore these avenues.

If you need help in putting some of this together you can always speak to an accountant. Firms with a lot of experience in working with start-ups can be found in our [membership directory](#).

The Deal for the Investor

Although the whole business plan is geared towards striking up some kind of financial deal, in practice few cover the issue properly. Ultimately, any deal is subject to negotiation, but there are a number of factors which will pre-empt it, such as whether the finance will take the form of equity, loans or mezzanine, how much equity is offered and how this proportion can be suitably justified.

It is often the case that investees will overestimate the value of their business by much the same amount that investors will undervalue it. To win greater financial confidence from potential investors, it is important to detail how an exit route could be achieved and demonstrate your understanding of what your business needs to look like in order to achieve it.