The Entrepreneur's Guide to Financial Maturity ®
Common Business Mistakes to Avoid When Presenting a Business Plan

Often entrepreneurs do not realize that the person that will be reading their business plan may be reviewing hundreds of other business plans during the course of a year. As such, I have outlined below are some common problems that I have encountered while reviewing business plans.

First Impression:

"You only have one chance to make a good first impression." I am that sure you have heard this cliché hundreds of times, yet many people do not understand its significance. Any document you send out is a refection of the person or company sending out that document. If your sound unprofessional on the phone, or allow your letters, brochures, image or the products or services you deliver to appear unprofessional, potential customers, investors or other stakeholders will remember you, in a negative way.

If you have not built a strong logical case, if your business model weak, or if you do not feel good about the content and appearance of your plan, do not send it out. Your reader will feel the same way you do. Generally, once a potential stakeholder has formed a negative impression it is difficult to change it.

Speed Dating Your Stakeholder - Value Your Reader's Time:

The business plan should be well thought and concise. People are busy. If you do not give people a compelling a reason to read your business plan, they will not. This is especially true when drafting a transmittal letter and the executive summary. Once the reader's interest is piqued, then they will try to find out more about you and your company, by reading or reviewing your business plan. If you fail to pique your stakeholders' interest, they may move onto the

next prospect.

Speed Dating Your Stakeholder - Value Your Listener's Time:

If you are asked about your business, have your "commercial" ready. It is appropriate to have a different commercial for different audiences. Highlight the important facts not the minor details. You are trying to create a favorable impression with that stakeholder. A potential customer's paradigm is different than an investor's paradigm. Focus on what is important to that category of stakeholder.

Proof of Concept:

Entrepreneurs often have great ideas. These ideas can involve innovations, new products or distribution channels. Ideas are great; however, delivering the results is what creates value. When concepts have not been proven it means there is a higher risk than if they are proven. A prototype that can be used to show potential customers, investors or Board members, goes a long way towards proving the viability of your idea and company. However, actual orders or sales go much further in proving that customers are ready, willing and able to purchase your products or service.

Underestimating the Importance of the Management Team:

When investors are asked would they rather have a great idea and a mediocre management team or a mediocre idea and a great management, invariably the vast majority of professionals will invest in the team, not the idea. Ideas might be "a dime a dozen" but, having the proven ability to execute creates real value. You might have great personnel, but have they worked together as a team?

You may have a "proven" staff, but not a proven team. It is not unusual where incompatibility among team members divert management's attention from executing the plan. You should show that you have a cohesive team, not just a team. A great way to prove team's compatibility is to have the team working together in drafting the business plan.

Inconsistencies and inaccuracies:

Generally, stakeholders will not invest time, money or lose reputation in a venture if they do not have confidence and trust in the venture's management. When a business plan contains inconsistencies and inaccuracies, a reader will lose confidence in the management team's objectivity and ability to deliver the goods, services, or returns on investment that management is proposing.

Asking Potential Stakeholders to sign a Nondisclosure Agreement:

The business plan should not contain proprietary information. Although you might feel that the concept or strategy is proprietary, investors general take the position that if a concept or strategy is proprietary, there are limited barriers for competitors to enter the marketplace and your model is not sustainable. This is not a position you want to put your company if you are seeking investors, or trusted counsel.

Most investors, consultants, accountants and attorneys will not sign a Nondisclosure Agreement (NDA). Although each person may have different reasons as to why they will not sign the agreement, sophisticated investors or sought after advisors know that if they sign the NDA they have increased their potential of a lawsuit. Investors and consultants often see different companies presenting similar ideas. By asking an investor or consultant to execute the NDA you are asking them to restrict their business. You are requesting professionals (investors and consultants) place restrictions on their operations before they have a compelling reason to do so. I do not know of any seasoned professional that will agree to that.

Further, most professionals feel that a business's strategy or concept is not confidential. The investor is looking to the management team to execute the plan. Execution is what makes a company successful, not the idea.

When proprietary technology is involved, the confidential aspects of the technology should not be included in the plan; the benefits of the technology should be discussed. A serious investor will review the actual technology during the due-diligence process and discussion regarding signing an NDA would be appropriate at this point.

Overly Aggressive Financial Projections:

Entrepreneurs are optimistic. It is not unusual for entrepreneurs to oversimplify the complex, and underestimate the amount of time, effort and money needed to accomplish their objectives. Rarely do you see business plans that adequately address "learning curves," competitors' reactions or alternatives for when management "hit roadblocks."

Often to get the attention of investors, team members, customers or advisors, entrepreneurs are aggressive in their projections. Entrepreneurs become overly aggressive to enhance the value of their enterprise. When entrepreneurs are too aggressive, it impeaches their credibility. It is amazing how readily entrepreneurs are prepared to change their aggressive position when I ask them the following question:

> **Are you prepared to lose X% of your equity for each % of (sales/ profit or other measure) you fail to deliver?**

When entrepreneur understand that often they will be penalized for failing to deliver what they project, they tend to be more realistic.

Not Building a Strong Enough Case:

Another way of looking at a business plan, especially for start-ups and small companies, is for the entrepreneur to develop a business case justifying opening or how to proceed in business. For start-ups, obviously, I recommend building a case for opening the business. The business plan details how the management team integrates:

- Sales and Marketing
- Operations
- Finance
- Company Management

In building a case, entrepreneurs must present the basis for their reasoning. This typically includes;

- Goals and objectives
- Current situation
- Proof of concept (for startups or when new product development becomes a significant portion of the business plan)
- The company's existing or proposed "infrastructure" supporting your ability to achieve your goals
- A complete understanding of how the team will achieve those goals
- Industry research supporting the achievability of your objectives
- A thorough understanding of your industry and your competition
- Alternative plans, in the event the original plans do not work as projected

Remember, the stronger your case and the more members of your team that buy into your plan, the greater your likelihood of success.

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