

# Creating a Business Plan

Investors and bankers review a company's business plan to evaluate the company's prospects for success.

1. Identify and reinforce the compelling need for product or service in the marketplace
2. Highlight and deal with key issues to overcome for successful execution
3. Highlight the people required and their skill sets to accomplish #2
4. Be thorough, thoughtful, organized, succinct, well written
5. The company's plan should be supported by separate marketing, sales, distribution, production, R&D, and financing plans with measurable goals and objectives
6. Most investors assume that the team can "build" it, their decision is whether the team can sell it and manage uncertainty
7. Spend the majority of planning effort on marketing strategy, not development or production

## Business Plan Organization

| Section           | Content   | Comment   |
|-------------------|---|---|
| Cover Page        | <ul style="list-style-type: none"> <li>• Company name</li> <li>• Amount and structure of proposed financing</li> <li>• Key contact information</li> </ul> | <ul style="list-style-type: none"> <li>• What's the company</li> <li>• What's the deal</li> <li>• Who can get questions answered</li> </ul>   |
| Table of Contents | <ul style="list-style-type: none"> <li>• Major sections and exhibits only</li> <li>• Page numbers</li> </ul>  | <ul style="list-style-type: none"> <li>• Quick reference guide</li> </ul>   |
| Executive Summary | <ul style="list-style-type: none"> <li>• Brief synopsis of each of the key points in the plan</li> </ul>  | <ul style="list-style-type: none"> <li>• Keep to 2 pages</li> <li>• This is the 20 second elevator pitch</li> <li>• It needs to capture and hold the reader's attention</li> <li>• Include top level financial summary</li> <li>• Should be capable of acting as a standalone document</li> </ul> |
| Term Sheets       | <ul style="list-style-type: none"> <li>• Specific outline of amount, structure, and terms</li> </ul>  | <ul style="list-style-type: none"> <li>• 1 page</li> <li>• Conveys the Company's expectations</li> <li>• Establishes the ceiling on valuation</li> </ul>  |

| Section                   | Content   | Comment   |
|---------------------------|---|---|
| Investment Considerations | <ul style="list-style-type: none"> <li>• Key reasons to become involved financially</li> </ul>  | <ul style="list-style-type: none"> <li>• No more than 5 points with short proof statements supporting each</li> <li>• Points should be significant, e.g., what management has done successfully before</li> <li>• Proof statements need to be factual, impressive</li> </ul>                              |
| Business                  | <ul style="list-style-type: none"> <li>• Include a brief history of the Company to date</li> </ul>  | <ul style="list-style-type: none"> <li>• Focus on obstacles to success and formulas to overcome</li> </ul>  |
| Products                  | <ul style="list-style-type: none"> <li>• Identify the specific products or services to be offered</li> <li>• Follow-on product strategy</li> </ul>  |   |
| Market Opportunity        | <ul style="list-style-type: none"> <li>• Size of market opportunity today</li> <li>• Growth and expectations for future development</li> <li>• Price/demand elasticity</li> </ul>   | <ul style="list-style-type: none"> <li>• Independent, corroborative research very important</li> <li>• Why hasn't someone else filled the need</li> </ul>   |
| Marketing Strategy        | <ul style="list-style-type: none"> <li>• Competitive product or service positioning</li> <li>• What are channels</li> <li>• Who are customers</li> <li>• Who makes the buy decision and why</li> <li>• Launch strategy</li> <li>• Pricing strategy</li> <li>• Advertising and promotion strategy</li> <li>• Service and support strategy</li> </ul> | <ul style="list-style-type: none"> <li>• In terms of execution risk, this is the one most responsible for success or failure</li> <li>• Very specific and detailed planning here will significantly reduce the risk of failure</li> <li>• Do not assume because you build IT, "they will come"</li> </ul> |
| Sales Strategy            | <ul style="list-style-type: none"> <li>• Who will sell the product or service</li> <li>• How will they be compensated</li> <li>• How will it be distributed</li> <li>• What contractual relationships will be established</li> </ul>  | <ul style="list-style-type: none"> <li>• The strategy here should be clear from and support the Marketing Strategy</li> </ul>   |

| Section                       | Content   | Comment   |
|-------------------------------|---|---|
| Production Strategy           | <ul style="list-style-type: none"> <li>• What resources are needed for production</li> <li>• Will they be owned or contracted</li> <li>• How will the Company acquire these resources</li> </ul>  | <ul style="list-style-type: none"> <li>• Own control of critical and high value-added elements, contract others</li> </ul>  |
| Research and Development      | <ul style="list-style-type: none"> <li>• Strategy for technology development and productization</li> <li>• Strategy for intellectual property protection</li> </ul>   | <ul style="list-style-type: none"> <li>• The reader will assume that if the company can architect and plan its technology development, it can build IT</li> <li>• Leverage contract resources when possible</li> <li>• Copyright, patent protection can be valuable, but strategy needs input from key business and legal advisors</li> </ul> |
| Employees                     | <ul style="list-style-type: none"> <li>• Identify the numbers of people and skills required for each primary company activity, e.g., Marketing, Sales, Production, etc.</li> <li>• Hiring plans</li> <li>• Specify compensation, incentive plans for key resources</li> </ul> |   |
| Management                    | <ul style="list-style-type: none"> <li>• Identify key management and responsibilities</li> <li>• Include complete backgrounds through college</li> </ul>  | <ul style="list-style-type: none"> <li>• Arguably the most important part of the Plan, because it's the people who make things happen</li> <li>• The stronger this team is, the greater the probability of achieving success and securing financing</li> </ul>  |
| Board of Directors / Advisors | <ul style="list-style-type: none"> <li>• Identify the members of the Board in the same detail as the Management team</li> <li>• Who else does the Company rely on for advice: bank, legal, accounting, patent, etc.</li> </ul>  | <ul style="list-style-type: none"> <li>• An investor will measure the Company by the "company" it keeps</li> <li>• Is the Board structured for meaningful contribution to management and the Company, or to protect the interests of the CEO</li> </ul>   |

| Section             | Content   | Comment   |
|---------------------|---|---|
| Capitalization      | <ul style="list-style-type: none"> <li>• Detail how the Company is owned by Class of Stock</li> <li>• Indicate key outsider investors as well as management</li> <li>• Include any option plans or other contingently issuable capital stock</li> <li>• Describe the principle terms of the capital securities, e.g., preferences, conversion rights, voting rights, dividends, etc.</li> </ul> |   |
| Financial Statement | <ul style="list-style-type: none"> <li>• Include historical financial statements in summary form for prior years to date</li> <li>• Include projections for no more than 5 years with key assumptions</li> </ul>  | <ul style="list-style-type: none"> <li>• If there are prior period audits, include in the Exhibits</li> <li>• Projections should derive from the Business Plan</li> <li>• Projections should be in summary form, i.e., Income Statements, Balance Sheets, Cash Flow Statements</li> <li>• Include quarterly summaries for the first projected year, annual thereafter</li> <li>• Resist the temptation to overwhelm with numbers and spreadsheets</li> <li>• Additional detail can be secured from the Company if the reader is interested</li> </ul> |
| Exhibits            | <ul style="list-style-type: none"> <li>• Include key, pertinent information</li> </ul>  | <ul style="list-style-type: none"> <li>• Audited statements, marketing materials, independent research, news articles, or other information which materially contributes to the reader's understanding of the Company's Plan</li> </ul>   |

## Guidelines

1. Assume the reader knows nothing about the company, its industry, technology, or products
2. Target no more than 30 pages, excluding Exhibits
3. Pay attention to grammar, spelling, and organization
4. Format nicely, but don't overdo

5. Prepare a presentation outline from the Plan (Powerpoint) and try it out on peers and mentors for a “reality check.”
6. Print and bind professionally

Prepared by The Brenner Group for Silicon Valley Bank.