PREPARING A BUSINESS PLAN

INTRODUCTION

The most successful businesses are, more often than not, the ones that plan well. A business plan is a document which can assist your company in its future planning, and is essential for entrepreneurs starting a new business as well as for existing companies seeking finances.

A business plan can be an invaluable management tool, if it is well prepared, reviewed and updated on a regular basis.

Business plans are most often prepared to support an application for outside financing. Every established source of financing, including venture capitalists, banks, governments and franchisers, will expect you to go through the rigorous process of developing a business plan.

A business plan is also an excellent internal management tool and can be used as a guide for making day to day decisions with regard to your business.

What is a Business Plan?

A Business Plan is a written document which:

- Describes your businesses goals and objectives
- Shows how your business will achieve these objectives, and
- Demonstrates how the outcome will satisfy the reader's requirements (for example, how a loan will be repaid).

The Business Plan should concisely and accurately describe your company. Although your circumstances may change in the future, your Business Plan should reflect the current status, needs and outlook of your business.

If your plan is to support an application for financing, it should clearly outline the particular purpose for which the financing is sought. In these situations, your Business Plan is a selling document and your decision should, therefore, be directed to that end. However, while it should emphasise your business' strengths, it must be realistic about its problems and how you propose to overcome or minimise them.

What purpose would a Business Plan serve and what do readers want to see in a Business Plan?

Bank Financing

Banks have traditionally not required formal business plans from applicants for business loans, relying instead on past and current financial statements. However, due to various reasons, bankers are now more cautious about traditional business loans. A written business plan can help a company stand out favourably in the increasingly intense competition for loan funds.

Bankers want information not only on how the company wants to borrow and for what purpose, but on exactly when and how the debt and interest will be repaid. Moreover, they want to know how the company would survive possible setbacks and what collateral is available to guarantee repayment of the loan.

Investment Funds

Private investors and venture capital firms will most likely not consider backing a company that does not have a written business plan. Unlike bankers, who are mainly concerned with recovering their loan plus interest, investors are seeking evidence of very high returns over a specified period. In addition, they want to know how they will realise their investment returns.

To assess the likelihood of high returns, investors look hard at the following:

- The track records of the company; the market, and the key executives
- The feasibility of achieving the forecasts
- The uniqueness of the product and its technology
- The quality of the management.

While bankers tend to be most interested in the existence of hard assets to guard against loan losses and in cash flow to recover debt repayments, investors are most interested in the quality of the people running the company and its longer-term profitability.

Strategic Alliances

These arrangements covering joint research, product development, and marketing have become increasingly common during the last few years. A strategic alliance is likely to occur between a major corporation and a young, growing company. For the growing company, this arrangement often includes a combination of financial backing and access to well-established distribution channels. The joint effort may last for three years or more and as you can imagine, can ensure that the growing company is successful. The major corporations invariably want to examine the company's business plan before committing themselves to such long-term arrangements, and it is therefore vitally important that your business plan is written correctly.

Mergers and Acquisitions

As companies increasingly look to acquisitions as a means of expansion, and to divestitures as a means of gaining liquidity, business plans become more necessary. A company in the position of either making an acquisition or seeking to be acquired, is likely to find it useful to have a business plan.

Internal Uses

As mentioned previously, a business plan is an important management tool. It enables management to plan company growth and to anticipate changes in a structured way. Writing a business plan forces management to think through the business in detail and to set objectives, and allows benchmarks to be set against which the company's future performance can be measured.

Perhaps most important, the business plan commits the entire management team to the same goals. The process of working out the plan's objectives will force executives to reconcile different visions of where the company stands and where it is headed.

The Business Plan Process

Writing a plan can be managed just as most other business tasks are managed. It requires advance preparation, delegation, refinement and discipline, as do most important business functions. The process of preparing a business plan involves gathering accurate and convincing information and carefully outlining the plan before writing it.

Below is a sample business planning process:

1	Determine your plan’s section headings and prepare an index.
2	Designate a co-ordinator for your plan.
3	Establish timeframes for the completion of each step.
4	Identify people responsible for providing any necessary information.
5	Gather the required information.
6	Organise the information in logical fashion.
7	Identify people within your organisation to be responsible for writing the sections of your plan.
8	Write the plan.
9	Distribute, review and discuss the plan. Challenge its assumptions.
10	Revise your plan as required.
11	Polish your plan’s executive summary.
12	Draft a covering letter.
13	Send a copy of your plan to a selected list of potential investors or lenders.
14	Present your plan.
15	Follow up on all requests for further information.

The kind of data that needs to be collected before even starting the writing process is included in the following Planning Information Checklist:

- **Company Description**
    - Name
    - Date of Incorporation
    - Legal form
    - Subsidiaries
    - Location
    - Financial highlights
    - Shareholders
    - Brand and trade names

- **Management and Organisation**
    - Organisation chart
    - Key management
    - Roles
    - Age, experience and expertise

- Track record and achievements
- Long-term objectives
- Curriculum Vitae
- Board of Directors
- Consultants and advisors
- Compensation plans and policies
- Staffing plan by department
- Culture

- **Market and Competitors**
  - General description
  - Market statistics
  - Size
  - Growth projections
  - Segmentation
  - Seasonality
  - Economic factor vulnerability
  - Customer data
  - Demographics
  - Needs
  - Loyalty
  - Buying behaviour and purchasing criteria
  - Competitor data
  - Type and number
  - Location
  - Strengths and weaknesses
  - Turnover
  - Barriers to entry
  - Strategy
  - Potential future competitors
  - Market and customer surveys
  - Pricing
  - Sensitivity
  - Segmentation

- **Product or Services**
  - Product literature and technical specifications
  - Competitive advantages
  - Patent, license and trademarks

    - Regulatory approvals or industry standards
    - Operations plan
    - Research and development plans

- **Marketing and Sales**
    - Marketing plan
    - Marketing vehicles
    - Marketing materials

- **Financial Information**
    - Financial statements for the past five years
    - Financial forecasts and projections and assumptions
    - Amount and timing of funding required
    - Break Even Analysis

The key sections of the Business Plan are as follows:

- Executive Summary
- Background / Company Description
- Management and Organisation
- The Market and Competitors
- The Product or Service
- Marketing and Sales
- Financial Information

Each of these will be discussed in detail in the next few sections.

Once all of these sections have been formulated, the plan is ready for final rewriting and presentation. Extensive editing is highly recommended, so go through your checklist and follow all the procedures. The plan should also be tailored to the preferences and concerns of its readers, and it is therefore important to review and update this document on a regular basis.

CONTENTS OF A STANDARD BUSINESS PLAN

2.1 Executive Summary

The most significant single section of the business plan intended for outsiders is the Executive Summary. Venture capital investors, bankers and corporate investment officials typically receive many business plans each week. There is no way that they could possibly read each business plan from beginning to end. To help determine the plans worthy of review, financiers will begin by reading the Executive Summary. If the Executive Summary suggests a promising business for investment or loan funds, then the experts will read further. If not, then they quickly reject the plan.

Your primary objective in the Executive Summary is to entice and convince the reader to delve further into your business plan.

Keys to an Effective Summary

It is important to remember that this section is a much-shortened version of the business plan. It is the business plan in the most concise form possible. An effective Executive Summary will describe all the key elements of the business plan in two to three pages, and must include the following essential information:

- A synopsis of the company's strategy for succeeding.
- A brief description of the management team's qualifications that make the company successful.
- A brief description of the market.
- A brief description of the product or service.
- A capsule summary of key historical and forecasted financial data, such as annual revenue and net income, for five years.
- An estimate of the amount of funds you need, a statement of how you will use the money and how lenders will get their money back.

This is a lot to explain clearly in two or three pages and will prove to be the most difficult writing task that any executive will face.

2.2 Background / Company Description

In this section, it is vital that you include the mission of your company. The mission must be more than just a desire to sell more products and services. It is really the core statement about why you are in business, what “valuable formula” will distinguish you from your competition, and how you relate to your customers and employees.

This section should also allow anyone reading it to understand the company’s history and current status in order to project what lies ahead. It should contain information on the company’s past, present and future, e.g.

History – When was the company founded? Why was it founded? What have been its chief accomplishments? How has its direction changed? Equally important, what are the company’s failures and shortcomings?

Current Status – What are the existing product lines? How many employees does the company have? Where does it stand in its industry and marketplace? Are sales on an upswing, level, or in a decline?

Future – This, of course, is the most difficult section to write, but it should provide a sense of where the company is headed. What are the objectives and goals? Briefly, what does the company plan for new markets and products?

2.3 Management and Organisation

Before agreeing to finance a company, venture capitalists and lenders will often conduct a thorough reference check on each member of the team, focusing special attention on the person at the top. If the team does not pass this test, you will find it difficult to raise the funds you seek.

Your business plan should describe how the company is organised and what each individual’s duties and responsibilities are. An organisation chart can therefore help the reader to understand this section better.

Remember to also include any shortcomings in your management team, and explain how and when you will recruit people possessing the skills which are currently lacking. Although this may seem negative to you, it shows the investors that you have carefully analysed your management team’s abilities and your company’s needs.

In this section of the business plan, you should include a brief synopsis of each team member’s background, including relevant employment and professional experience, significant accomplishments and educational background. At the end of the business plan, you should include a complete Curriculum Vitae of each member as an Annexure.

At this point, you should also describe the compensation packages that you offer to the key members of the management team. These compensation packages should include salary, bonuses, profit sharing, stock ownership opportunities, and deferred compensation.

Other necessary details in this section include the number of employees in the company and needs to expand the workforce. A discussion of unique human resource programs, any union contracts, and a description of pension and incentive plans should be included.

You will also need to mention any outside advisors, which may include a formal Board of Directors or an informal group of counsellors.

2.4 The Market and Competitors

Every day, brilliant and innovative people come up with ideas for fantastic products. The ideas are worthless, however, unless there is a market for these items. This section of your business plan must therefore convince potential backers that a market does exist for your product or service and that you understand the market forces affecting your company.

In order to show that you understand these issues, you should answer the following questions in this section of the business plan:

What are the trends in your industry? - It should begin with an assessment of the industry in which you will operate, including a description, an analysis of trends, and an assessment of the business opportunities. If you will be affected significantly by regulation, you should be asking questions about the risks of increased regulation or the opportunities that may be created by deregulation.

What is the target market? - This question is usually answered in terms of a particular category of buyer, e.g. consumers between the age of 28 and 40. Beyond that, each market has characteristics that determine customer location, and purchase and payment preferences. These should be described in as much detail as possible.

How large is the market? - You need to provide some data on how many individuals or businesses make up the market you are trying to reach. Your assessment of the size of the market should also take into account market trends, demographics, geography, etc. You must assure the reader that the potential market will be large enough to support your business.

What is the competition? - Readers of the business plan will definitely be concerned about the competition, so this issue must be addressed directly by listing the companies that will be your primary competitors and assessing their strengths and weaknesses. Describe how you intend to compete with them and what you expect their response to be. You should also address potential future competition, especially if there are relatively low barriers to entry for new competition.

A few additional questions which you could answer in this section would include:

- What motivates buying decisions?
- How is the market segmented?
- How will your product or service be positioned in the market?

2.5 The Product or Service

Your business plan should completely, yet concisely, describe your products or services and explain how they are produced or delivered. You need not describe every nut and bolt or service provision, but you should explain what your product or service is and what need it fills. It should also give the reader some idea of how your product or service differs from that of the competition. The potential investor MUST be convinced that your product or service is more effective or efficient than that of the competition.

In addition, this section of the business plan must convince potential backers that you can do what you say you can do with regard to production or service delivery. They must feel confident that your company can produce the product or service described, on schedule, with high quality, and at the cost anticipated.

Presenting the Product

If you have already built a working model or a prototype of the product, you may want to include a photograph of the product. If not, it would be helpful to include an artist's rendering or at least a conceptual diagram.

In describing your product or service, keep in mind that most investors and bankers are not scientists. You should therefore endeavour to explain your technology in lay terms.

Product Development Issues

The following will help in addressing the subject of product development:

- Describe the R&D requirements fully.
- Assess competing technologies.
- Explain where the product or service will lead the company.
- Explain what is proprietary – how can you delay or even prevent competitors from jumping in once your product or service has shown signs of success. Discuss issues such as patents and copyright.

Manufacturing and Operations

At this stage you must explain how you will manufacture the product or perform the service. This means answering a number of essential questions about site selection, capacity, manufacturing processes and suppliers. The reader will want to know how much of the process you will do yourself and how much will be contracted out to others. You may need to describe key processes, the impact that technology may have on those processes and other investment needs to support production. You should also address how you will package and ship your product and what level of inventory you will need to carry in order to meet customer needs and expectations.

Your discussion of manufacturing and operations should also cover manufacturing costs and what plans you have to reduce or control these costs.

Quality Control and Ongoing Service

You should describe your philosophy and approach to quality control, including how you intend to avoid defects and what monitoring or inspection is built into the production process. You should then explain how your company will deal with products that develop defects or that require further attention to make them operate as the customer requires. Include issues such as whether you will have an in-house service department or whether you will outsource this function.

Risks and Regulations

You should explain fully any governmental regulations that may affect your business, e.g. waste disposal, worker safety, etc. Insurance questions should also be addressed, and you should discuss what steps you have taken to cover buildings and valuable machinery and equipment.

2.6 Marketing and Sales

Marketing and sales are two distinct but related activities. Marketing involves creating customer awareness, delivering a message about your product or service, and identifying customer prospects. Selling involves various efforts to convince those potential customers to buy your product or service.

This section should include the following sub-points:

Marketing Plan

The marketing plan should be built on the results of your market research and the specific value proposition of your product or service. Armed with all this data, you can devise a plan to reach the market and deliver a targeted message to your key prospects.

The marketing plan should consider the following:

- Product (Understand your product)
- Price (Decide what pricing strategy you will use)
- Place (Where will your product be sold?)
- Promotion (What marketing vehicle will be used, e.g. advertising, brochures, direct mail, public relations, etc.)
- People (Who will be involved in marketing your product?)
- Performance measures (How will the people and the processes be measured?)

Sales Strategies

Without sales, there is no business, no matter how well production, marketing research and other functions are handled. Your business plan must explain in detail how you will sell your product or service. The description of the selling process should cover two aspects: selling methods and serving the sellers.

Selling methods – Here you should explain exactly how your product or service will be sold – the distribution channels and methods. Will you use independent distributors? If you use internal sales people, how many will be required? What is your expected sales efficiency? How large will the average order be? How will the customer pay for the product or service? By answering all these questions, you will be able to prepare a sales plan.

Your business plan should also address international sales, including issues such as how you will sell to these markets.

Serving the Sellers – However you sell your product or service, those doing the selling need help, An in-house sales force needs training, descriptive materials, and other selling aids. Manufacturer's reps need these plus demonstration models. Telemarketers need training and approved answers to commonly asked questions and objections. And most importantly, everyone involved in the selling process needs incentives. These incentives must be properly structured and clearly explained if they are to be effective.

2.7 Financial Information

The financial section of the business plan is written last, after key data on costs and potential revenues have been assembled. The amount and type of financial information necessary for your business plan depends on the company's stage of development and what the plan's objectives are. The more mature the company, the more historical data it will have available, and the more complete its financial statements are expected to be.

The Financial Statements

The financial statements are the core of the business plan's financial information section. They present both the company's past results and its forecasts for the future. For an existing company seeking additional finance, the prospective investors will want to see the balance sheets, income statements and cash-flow statements for the previous three years, along with five-year cash flow, income statements and balance sheet forecasts. For new companies seeking start-up capital, sales forecasting along with information on cost of operations, selling and administrative costs, and cash flow may be sufficient.

Preparing these statements requires expertise in finance and accounting. The following are the main considerations in putting forecasts together:

Time Frame

The typical business plan forecast covers five years, and at a minimum your forecast should be for three years. Cash flow and income statements should be shown on a monthly basis for the first two years, and they can thereafter be shown on a quarterly basis. The prospective balance sheets should be prepared on at least a quarterly basis for the first two years and annually thereafter.

Forecast Assumptions

A forecast should represent your best estimate of future operations. In order to enable the reader to evaluate the reliability of your estimates, you must provide the assumptions used in preparing the forecast. Remember to be conservative and always keep the risk factors in mind.

A key aspect of the forecast is internal consistency. The cash flow statements, income statements and balance sheets must be based on the same assumptions. For example, your sales forecasts will appear on your income statement.

Sales

Sales assumptions are generally the most critical in a forecast, as they establish the volume of activity. You should also explain the basis used for forecasting sales. Remember that the sales forecast should conform to your description of the market, your marketing strategy, and anticipated position in the market as described in the marketing section of the business plan.

Sales may be forecast on either a unit or a percentage-of-volume basis. If you forecast sales by unit, you should also describe your assumptions as to the unit sales growth, initial unit sales price, and the timing of subsequent price changes. Since many products have distinct seasonal patterns, it is important to make specific assumptions and assure that the pattern is followed consistently throughout the forecast.

If you will have more than one product line or service offering and the composition of sales by product line will change over time, show separate forecasting and assumptions for each line. Similarly, if you have a product designed for more than one segment of the market, show sales to each segment separately.

Cost of Sales

Rather than merely assuming costs to be a percentage of sales, you should analyse the material, labour and overhead elements that go into making the product. Your forecast should be based on the production plans that you have developed and should take into account all cost components.

Develop detailed bills of materials based on engineering estimates and on vendor quotations. Labour costs should be prepared on the basis of an assumed production time and an estimated hourly wage.

Marketing Expense

For the first two years, marketing expenses should be based on a detailed marketing plan that builds on the marketing section of the business plan. This plan should include a personnel forecast and the related costs, sales commission arrangements, trade-show costs, promotional campaigns, and overall advertising costs. For subsequent years, you can estimate marketing expenses as a percentage of sales if your distribution channels and marketing activity is expected to be similar.

Research and Development Costs

Investors view research and development costs as an investment in the future and these costs are critical to the long term healthy growth of your business. If your product carries a high margin and a short life, significant R&D costs should be expected in order to maintain continuous development of new products.

General and Administrative Expenses

To forecast these costs, prepare a detailed schedule of the major general and administrative expenses, such as salaries for administrative and support staff, communications, rent and supplies.

Taxes on Income

Estimate each year's effective tax rate. Include all forms of taxes as well as any tax credits available. If certain years generate losses, subsequent years' effective tax rates should be adjusted.

Inventories

Estimate the level of inventory needed to support your estimated sales volume. This will depend on the length of the manufacturing process and can be expressed either as a turnover rate or a production cycle. The timing of your inventory purchases will be a major factor in forecasting your cash needs.

Accounts Receivable

Estimate the length of time between a sale and collection of the related receivable. This can be expressed as an average collection period, e.g. 60 days, or a turnover rate per year.

Cash

Estimate a minimum amount of cash to be maintained over the forecast period. Most business owners prefer to maintain enough cash to cover three months' disbursements, to allow some cushion for unexpected problems and costs.

Property and Depreciation

Describe the major assets you plan to buy and when you will buy them. Indicate the useful lives of the equipment and the method you are using to depreciate them. If you are planning to lease equipment, be sure to take into account lease payments when developing costs of sales and other income statement items.

Accounts Payable

Estimate the period over which you expect to pay your bills. A business may initially have to pay promptly to establish a good credit history.

Debt and Interest Expense

You should also indicate the expected sources of borrowed funds and the assumed interest rates. Try to be realistic in setting the interest rates.

The Funding Request

Companies seeking financial backing are expected to include a funding request in the financial section of the business plan. It should state how much money you need, why you need it and what you will do with it. Here are some general points to keep in mind:

Be consistent – Make your explanation of how you plan to use any financing consistent with your financial forecasts. If you state that you want seed capital to develop the product or service and set up a marketing organisation, your financial forecast should illustrate these expenditures.

Provide for Slippage – When considering how much money to ask for, allow some room for flexibility, so that small deviations from your plan won't put the company in a cash squeeze.

Show how the capital structure will be affected – If your business is already in operation, explain the company's capital structure and what effect the anticipated funding will have on it. If you are a new company, explain how you have been capitalised, who the shareholders are, what their positions in the company are, how much share capital they own and how much they paid for it.

Describe additional financing plans – You should explain any plans for obtaining financing besides the venture capital or loan funds described in the immediate funding request. Many companies arrange a blank line of credit, or a bank term loan or equipment lease to finance their short-term working capital needs and capital equipment expenditure.

Monitor debt – In deciding on the mix of debt and equity capital, many trade-offs must be considered. Debt capital may be cheaper, but obtaining such capital depends on your ability to repay and perhaps your ability to provide adequate security for the loan. Be careful not to become too leveraged as this makes your company appear riskier in the eyes of the financial backers. Lenders will want to be sure that your cash flow is adequate to meet your debt service requirements.

Describe future needs – You should explain, clearly and concisely, anticipated future funding needs.

Break-even Analysis

Fixed Costs

Rent
Salaries and Wages
Motor Vehicles
Other lease contracts etc.

Assume R227 000 per annum

Variable Costs per unit

Raw material
Packaging
Distribution Costs
Energy Consumption

Assume R1.85 per unit

Break Even Analysis

$$number\ of\ units = \frac{Fixed\ \text{cos}ts}{selling\ price - \text{var}iable\ \text{cos}ts}$$

$$number\ of\ units = \frac{227000}{3.5 - 1.85}\ units$$

$$= 137\ 600$$

The break-even point tells one that for the company not to run at a loss at least 137 600 units need to be sold per annum.

Payback and Exit Strategy

Investors will want to know what kind of a return they can expect for their investment. Different investors have different goals. Returns that are acceptable to lending institutions will not excite venture capitalists to invest in some business. Remember that different investors also have different time frames. For example, a venture capitalist will generally want to liquidate their investment in a reasonably short period of time, while a lending institution may want a longer-term relationship. You should think carefully about your long-term plans and be explicit about your intended exit strategy.

PRACTICAL HINTS WHEN PREPARING A BUSINESS PLAN

In this chapter, we have tried to identify problems commonly encountered by people writing business plans for the first time, and suggest ways of dealing with them.

Who should write the Business Plan?

If the business is to be managed effectively it is important for the management to know thoroughly the plans for the future. It is equally important to gain buy-in from the entire management team. This can be achieved by getting input for the business plan from each member of the management team. The plan will then also convey the enthusiasm and determination of management.

How long should the Business Plan be?

This is a difficult question to answer, as the length of the Business Plan will depend on the stage of the company's development and the purpose of the plan. In short, it should be sufficiently comprehensive for the reader, tailored to the purpose and as short as possible.

Planning the Plan

If your business plan is to be a success, it is important that the writing should be carefully planned. Use the checklist shown in the first chapter to guide you through the process.

Don't use Jargon

Your proposed reader will most likely know very little about your particular product or your market. Your business plan should therefore be written in layman's terms, avoiding the use of jargon.

Don't Repeat Yourself

In order to keep your business plan as concise as possible, try not to repeat yourself. For example, don't repeat what you've said in the product section when dealing with marketing.

Support your Claims

If you have made claims or assumptions which may not be readily accepted by your reader, include copies of any third party confirmations that you may have. It helps if you include copies of product endorsements by your customers and confirmations of the availability of other parts of the funding package.

Worried about Confidentiality?

You may be concerned that sending your business plan to a potential lender or investor might result in your company's trade secrets becoming known to your competitors. However, if you are dealing with reputable organisations there should be no need for concern. Such lenders are used to seeing details of companies' secrets daily and are used to keeping confidences. You should, however, always mark your business plan "Confidential".

Don't be Selective

When discussing the risks facing your company or ideas, don't be selective and only list those for which you have a ready answer. If your reader discovers these other risks via another source, your proposal will suffer a serious loss of credibility.

A Second Opinion

It is important to have your business plan objectively reviewed before submitting it to your potential investor. Suitable people to review your plan would include your accountant or a trusted business colleague. We would suggest that at least two people not directly involved with your company are involved in the review of the business plan. The role of the reviewer is to put himself in the place of the investor, to ensure that the business plan is credible and that it meets the known criteria of the proposed reader.

First Appearances Count

A reader should be attracted by the appearance of the business plan. A scruffy looking document is hardly likely to whet his appetite for the contents. The business plan should therefore look good, although not too good, as an expensively produced document might be considered a wasteful extravagance.

Do's and Don'ts

- DO provide an index
- DO provide an executive summary
- DO number each copy
- DO show who the plan is submitted by.
- DO include a covering letter.
- DON'T produce too many copies.

PRESENTING YOUR BUSINESS PLAN

If your business plan is successful in convincing outsiders that your business has a solid future, they will want to know more. They will want to meet the key executives and be able to ask questions raised by the plan.

When the big day arrives, your presentation may be a short, give minute opportunity to introduce yourself and your plan to a banker or it may be a longer presentation to a group of venture capitalists.

The opportunity to present your business plan puts you in the advantageous position of “having your lender’s ears”. Not only is your business and product on display, but so are you.

One key criteria investors and lenders use in choosing to finance a company is their evaluation of management. Your presentation is an excellent opportunity to introduce your management team. The chief executive should provide a strategic overview of the plan, leaving the functional managers to talk about their particular section of the plan.

If your presentation is logical and well planned, you will project a positive image of your management style. There are several things to consider in presenting your plan:

Before the Meeting

Your plan should satisfy as many of the needs of your lenders or investors as possible BEFORE the meeting because it will form the basis of your meeting. Some lenders or investors may ultimately approve financing in spite of a weak business plan if they like the people and the project. However, these situations are rare and it is more likely that you will not be asked to present your plan if your written proposal is poor.

Make sure you know the names and positions of the lenders/investors you are meeting. Try to get to the decision-maker as soon as possible.

A presentation to a group of venture capitalists requires extensive planning and rehearsing to be sure of covering everything you desire in the time allotted to you.

Be sure your business plan presentation:

- Is focused and to the point;
- Doesn't overemphasise the product and its technical aspects and sufficiently discusses the marketing and financial aspects; and
- Properly uses props, e.g. overheads or slides should not detail, word-for-word, your discussion.

During the Meeting

As in any selling situation, you are trying to create an atmosphere in which the customer will part with his or her cash. It is important to:

- **Be business-like**: Conduct the meetings in a business-like, directed fashion. Be enthusiastic and honest, but don't ramble or be either arrogant or self-effacing.
- **Expect penetrating questions**: Lenders and investors will unleash a barrage of searching and negative questions. Because you are very optimistic and enthusiastic about your project, this may seem disappointing. But remember, they are merely trying to establish the risks they are taking; tough questions don't mean the proposal has been rejected.
- **Listen**: Answer the actual question being asked and try to assess what criteria will determine the interviewer's decision; and
- **Respond to questions in a straightforward manner**: If you don't know the answer to a question, say so; don't try to guess!

After the Meeting

Follow up quickly. If you promised to send further information, do so promptly. Reinforce the positive features of your meeting in a covering letter.

Invite the investors or lenders to your place of business and invite them to inspect your product and environment. It gives them a good opportunity to assess your management style and staff relations.

Invite the financier to meet your colleagues. Although lenders and investors prefer dealing with the chief executive, they will expect to meet all members of your senior management team at least once, to assess whether they work as a cohesive, committed team and whether they believe in the business plan and can defend it in a rational, confident manner.