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Cover story/**EXPERT ADVICE**

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Getting your business plan right the first time

Dot.com fever has struck the region with a vengeance and everyone from the waiters at The Palm to former CEOs are pursuing the next "new new thing." As visions of webMethods like IPOs abound, the only thing standing between you and your venture capitalist is your business plan.

Ideally, of course, you wouldn't need a plan, just a few minutes on the phone that would earn a $3 million commitment. But the venture guys are too busy meeting with their own personal financial planners to take your call. Sadly, you must write a plan to get their attention.

What many entrepreneurs don't understand is that the first few pages of the plan often determine the fate of the entire venture. Do it right, and you may be hanging out with Michael Saylor. Do it wrong, and you'll never see your stock in Section 3 of the Journal.

As chief operating officer of a private equity investment firm and chairman of Saga Software, a publicly traded software company, I review a couple hundred plans a year. And I'm always amazed by the many ways entrepreneurs damage their own cause by submitting a lousy or not credible business plan. But out of this experience, I've developed several rules for writing better plans. If you follow these, I can't guarantee you'll be on CNN. But I'm fairly sure your plan won't be in the trash bin seconds after the venture capitalist opens it.

Rule 1: Less is more. Venture capitalists are swamped and see hundreds of plans a week. They take 10 minutes at most to get the flavor of the plan. It doesn't need to be 100 pages long to be credible or of interest. It just needs to get the key points across in a forceful way. If your plan is more than 40 pages, it probably has too much detail.

Rule 2: Long live the executive summary. This is a corollary to Rule 1. Do not start your business plan with a single spaced description of the Java code in your new browser. Start with a summary in bullet form, with headers, describing the entire opportunity in one page, two at most. Trust me, if it's more than two pages, it's too long and your idea isn't well conceived. The bullets should look like this:

•**Objective:** Raise $3 million of equity financing.

•**Business:** Internet services startup focusing on the health care sector.

•**Business Model:** Hourly billing of IT consultants targeting middle market hospitals in the Northeast.

•**Market Overview:** The market totals $15 billion and is growing at 25 percent per annum.

•**Management:** CEO, Joe Block, formerly CEO of IBM; CFO, Ed Block, formerly CFO of Microsoft; Chief Technology Officer, Michael Saylor.

•**Competition:** None that we can identify (more on this in Rule 3).

•**Proposed Pre-money Valuation:** $150 million (see Rule 3).

•**Summary Financial Projections:**

	2000	2001	2002
Revenue	$3M	$7.5M	$15M
Pretax profit	(150k)	$1.5M	$2.5M

•**References/Board of Advisers:** Andrew Carnegie and Bill Gates

Rule 3: Credibility is everything. A credible plan is essential to getting capital. I see far too many business plans blow this credibility by page 3. And once you've blown it, you'll never get it back. Every day I read plans that make one of these classic credibility mistakes:

•**"We have little or no competition."** This is just a joke. And while it's a nice try, it doesn't make the plan more attractive, it makes it less attractive. There are competitors in every sector and everyone knows that. Name them and get on with it.

•**"We want a valuation of $150 million."** Unless you really are Michael Saylor, there's just no way. Be aggressive, but realistic. What is your plan worth? How are comparable companies valued?

•**"We conservatively project third year revenues of $200 million."** Please, avoid financial hockey sticks. Make projections that can be supported by real world math, like, "The total market is $500 million and we expect to gain a 4 percent share through 150 customers, generating third year revenue of $20 million."

Rule 4: Don't mention your IPO. This is a corollary to Rule 3. Please don't talk about your prospective year two IPO with Goldman Sachs as lead manager and the closing dinner scheduled for Sparks Steakhouse before you've even raised your seed capital. This drives investors crazy. Your goal should not be an IPO; your goal should be to build a great, long-term company. The IPO is a byproduct of your business execution, not a holy grail in itself.

Rule 5: Do research. Start researching before you write even one word of your plan. Know every competitor and what they're doing. Know the size and growth rates of the markets you're attacking. All of this information is readily available on the Web or from your stockbroker. Wall Street research is the greatest source of data. And make sure you've researched the leading analysts in your space and reviewed all their work.

Rule 6: Be tenacious. Once you've gotten your plan in front of the venture capitalist, be tenacious in following up. Do not take an unreturned call as a "no." Believe me, they won't call you back the first time. Remember, they're swamped. Your expectations should be as follows:

•**Level A:** If the venture capitalist is your spouse, they may return your first call.

•**Level B:** If the venture capitalist is your spouse-in-law, they won't ever return your call.

•**Level C:** If you met the venture capitalist at a conference and got his card, he may return your seventh call.

•**Level D:** If you cold-mailed the plan to the venture capitalist, his secretary may return your sixth call. It may help to "run into him" at the grocery store.

So, would-be entrepreneurs, I hope this helps. My goal is to give your plan a fighting chance and to stop you from shooting your own plan in the foot (a mixed metaphor with the best of them). Of course, there are other hurdles. One well known Silicon Valley venture capitalist will not invest in any manager whose name is a vegetable. Another won't invest when the CEO is more than 30 pounds overweight (shows lack of discipline!) and a third won't invest in CEO's who wear pinky rings. Go figure! And best of luck with your (short, tight and punchy) business plan. ■