

THE C & D NEWSLETTER



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THE BUSINESS PLAN

Every business should have a business plan, setting forth the goals of the management team and a direction for reaching those goals. There are numerous books, easily available at your local book store, which give the key elements to the business plan.

These elements include 1) General Summary, 2) Background for the Company, 3) Product(s), 4) Management and Personnel, 5) Markets and Marketing, 6) Manufacturing Process, 7) Financial Information, 8) Risk Factors and Rewards, and 9) Objectives, Timelines, Milestones and Benchmarks.

There are several purposes for developing the business plan. Most commonly, it is written in order to raise capital for a business. In this regard, it is important to keep in mind that the plan needs to be created and modified in such a way that takes into account who is going to read it. The same idea and business can be described in many different ways to cater to the distinct qualities prospective sources of capital (i.e., the private investor, banker or venture capitalist) are looking for.

Another purpose for the business plan is to provide direction for your management team and employees. Establishing goals is a key element to business success. Many businesses have an evolving business plan, in simple form, which is adjusted to the realities of the marketplace on a periodic basis, sometimes as often as monthly. The new movement towards Internet businesses almost requires this periodic updating because technology is moving so fast, and so is the competition.

If the business plan is intended as an internal document to provide management direction, it can be in outline form. However, if it is to be used to raise additional capital for your company, the plan should be reviewed and commented on by as many people as possible. Allow the red flags to be discovered by friends before taking the plan outside for fundraising.

The business plan can be reviewed but should not be written by a person outside the management team. The business plan should be an expression of the entrepreneur's vision, not that of an outside writer. Sophisticated investors know the difference between a plan that has been written by a professional outside consultant, and one that is written by and pronounces the vision of the founders of the business. If your management team does not have the expertise to draft the plan, expand your management team to include those people who fill in the management gaps.

The business plan is a management tool, which you can use not only to direct the business and raise capital, but also to attract management talent. Many investors go right to the resumes within a plan before reading the plan. They want to see a well-rounded and experienced team of full time people, and complementary consultants and advisors. The better your management team and support personnel, the greater the chance for success. You can take a fabulous idea or product and mix it with an inexperienced management team, and create a formula which will have difficulty succeeding. On the other hand, with an experienced management team and an average product or idea, the chance of success is much higher. Solving problems takes experience, and people like to see that experience mixed in with the entrepreneurial founders of a company.

In summary, the stronger the business plan, the stronger the management team, the more likely your funds will come in, and the more likely you will be able to obtain the valuation you want from your investment source and be able to control your company's destiny.

This complimentary newsletter is intended to provide general information. Because of the complexities and constant changes in the law, it is important to seek professional advice before acting on any of the matters covered herein.