

Investment applications under our [Venture Capital Fund](#) require the submission of a business plan. This model expands our [Business Plan Outline](#), and is provided as a guide only. We understand that some early-stage enterprises may not be able to complete all sections until they are operating or in a position to obtain certain kinds of information. However, the more complete the business plan is, the easier it will be to understand and evaluate your proposition. Speculation should be clearly stated, with reasoning for any assumptions made.

NOTES ON DEVELOPING AN EFFECTIVE BUSINESS PLAN

Outsourcing of Business Plan Development

There is much controversy over whether or not a business plan should be developed by senior management or by consultants. It is widely accepted that a business plan is a company's strategy to execute on a given market opportunity. Without senior management actually drafting the framework of the business plan themselves, it can be difficult to articulate the company's vision to a consultant. If consultants craft too much of the business strategy and management are not completely onboard investors may begin to doubt management. Certain aspects of the business plan may be outsourced. Market research, for example, is often better left to consultants. While consultants can play an integral role in the crafting of a business plan, it is important that senior management own the plan.

Business Plan Length

It is often said that a business plan must be whatever length to excite and prove to the investor that management has a solid understanding of the market and is able to capitalize on it. A business plan that is too lengthy will generally cause the investor to skim over it and may result in key information being missed. Conversely, if the plan is too short, it may leave investors feeling that management do not fully understand all aspects of the business or that the plan has not been fully developed. It is necessary to present all the essential facts that will pique interest of the investor. The investor will request between 25-35 pages.

Non-Disclosure Agreements (NDAs)

At this point investors typically will not sign an NDA as they are only interested in the public aspects of the venture. Namely the business case or the execution strategy outlined in the business plan. An NDA may be offered to the company once the investor understands the business case and is interested in a possible investment. Until the NDA is offered, it is advisable to focus solely on the features and benefits of the proprietary technology.

Common Pitfalls

1. A weak Competitive Analysis that does not fully disclose all of the competition. In an effort to positively portray the company few (if any) competitors are analyzed. Some interested investors may do their own research and could discover competition. This could possibly cause them to doubt management's awareness and conclude that they are out of touch with the market.
2. The management team's biographies do not highlight enough of the members' venture start up experience, possibly creating doubt that the founders can execute on the business plan. Unproven management teams should include and highlight experienced advisors and consultants associated with the venture.
3. An overly positive emphasis on future valuations and predictions with little or no mention of past performance. A successful history is one of the best indicators of future performance and helps to mitigate risk for an investor. For an early stage company with no past performance, the experience of each management team member is usually substituted for the company's history.
4. Too much focus on proprietary technology. Investors are interested in the business case and market needs. Management must prove that it understands what its customers demand and that they have a superior solution, not simply a better technology.
5. Inaccurate financial projections. Either the projected financial statements do not agree with the written aspects of the business plan or the projections are simply too aggressive and unrealistic. No company will achieve 100% market penetration. These inconsistencies can cause the investor to seriously question the business case. It is advisable to base projections on past performance or on the performance of existing companies.
6. Weak articulation of the assumptions made in the development of the financial plan. In order to fully assess the business case, investors must understand all relevant information used to formulate the business strategy.

BUSINESS PLAN MODEL**EXECUTIVE SUMMARY**

The executive summary is the most important section of the business plan. In a few concise pages the reader should have a complete picture of the business opportunity so they can immediately assess it without reading the entire document. Most investors are inundated with business plans and only read the executive summary at first. Therefore, a concise and persuasive two to three-page overview is essential for capturing their interest. The first page must pique the investor's interest by outlining the opportunity in terms of the market's size and need, the company's solution and its sustainable competitive advantage. The remaining pages should briefly summarize the following points:

- Company Description
- Sales and Marketing
- Revenue Model
- Management Team
- Financial Summary

SUMMARY OF OPPORTUNITY & COMPANY

This section provides insight into the company's history, its founders, and operational base. It is also used to highlight the market opportunity, the company's solution and the innovation.

Company History

- Founders' names and date of incorporation / launch
- Location of incorporation, head office and facilities
- Company's development stage
- Past accomplishments (milestones completed, financing, partnerships, revenue/sales, sales funnel)

Business Opportunity

- Briefly describe the target market
- Market needs, current solutions and their inadequacies
- How the product/service fills the gap

Value Proposition

Why the market needs the product/service—outlining advantages and value to the customer

OVERVIEW OF THE PRODUCT, SERVICE OR TECHNOLOGY

This section portrays the product or service and presents the technical concept in laymen's terms. At this early stage in the opportunity assessment, investors are not seeking to understand the inner workings of a product or technology. Non-proprietary technical documents should be appendices. This section should focus on the features and benefits of the product or service as opposed to providing a detailed technical description.

Description

Customer features and benefits
Brief technological explanations, in non-technical terms
Current development stage of technology and/or product or service
Current and future products or services
General technological advantages and innovative aspects of the opportunity

OVERVIEW OF THE PRODUCT, SERVICE OR TECHNOLOGY

Intellectual Property(IP)

- Strategy for IP Protection
- Current and future patents (if applicable)
- Existing patents in similar fields (if applicable)
- Trademarks

MARKET OPPORTUNITY

This section begins by describing the broader environment in which the company operates and narrows to the specific market segments. Identified markets should be large enough to sustain the company’s growth projections without capturing all of it. Investors often demand that companies understand their clients’ purchasing behavior and motivating factors. It is also important to identify the source of this information as it provides external validation to investors.

Description of the market and opportunity

- General descriptions of the marketplace (regulatory conditions, customer needs, general economic factors)
- Market size
- Market growth and trends (past and future)

Target Market

- Primary market segments within the broader marketplace
- Other potential segments the solution will address

Customers

- A specific description of the primary targeted segments including:
 - *Demographics*
 - *Purchase criteria & process*
 - *Past behavior*
- Revenue potential
- End users (if different from customers) –brief outline and analysis
- How the products or services meet the needs of all targeted segments

COMPETITIVE OVERVIEW

Specifying the product or service’s competition, this section demonstrates who is currently serving the market and what similar offerings exist. Both direct and indirect competition should be reviewed. A business plan that states that there is no other competition can greatly undermine the credibility of the management team. Most viable ventures have some indirect competition meeting at least part of the target market’s needs. Fully developed business plans will review competitors without damaging the product’s uniqueness and target market appeal.

Industry Analysis

- Review each competitor’s strengths and weaknesses with a description of how the company plans to overcome them. Sub-categorize indirect competition.
- Predictions on the future of competitors (a change in numbers and the likelihood of companies from other sectors extending themselves into the company’s space)
- Competing technologies that seek to satisfy the same customer need
- Any known emerging technological projects from competitors
- Relevant M&A activity

Competitive Advantages

- Description of the sustainable competitive advantage that the business exhibits over its competition and the strategy for maintaining it over the long term (examples may include: experienced management, innovative technology, key partnerships, etc...)
- How the company’s competitive advantage increases the barriers to entry

Lower pricing, while potentially appealing, generally does not qualify as a sustainable competitive advantage; nor does operating in a space with little or no competition.

COMPANY MANAGEMENT AND HUMAN RESOURCES PLAN

Management’s ability to execute on the business plan is possibly the most important factor for investors. This section must prove that the management team is experienced and qualified to operate a new venture. Most investors will understand that at an early stage a complete management team has not been assembled and is usually not required. Outline any area where management lacks expertise and plans to address them. Investors may be able assist in this area.

Management Team

- Briefly outline company founders and other executives’ backgrounds and experiences (Resumes may be included as an appendix)
- Highlight start-up and other relevant industry experience

Key Hires

- Necessary management appointees
- Identify post-financing hires

Board of Directors

- Provide brief biographies for each member
- State members’ ownership (if any)

IMPLEMENTATION PLAN

At this point investors are completely aware of the business opportunity and need insight into the execution strategy. By fully detailing the sales & marketing and operational strategies, the implementation plan exhibits management’s ability to successfully commercialize its products or services. This section describes how the company will function and the specific actions it will take to meet its goals.

Sales & Marketing

- Pricing model
- Proposed revenue model
- Sales strategy, including the identification of possible sales channels and partnerships and how the relationships may be cultivated
- Barriers to sales and means to overcome them
- Identification of key clients (potential and existing)
- Sales cycle duration
- Promotion strategy: public relations and advertising campaigns
- Customer relationship management tactics

Operations Plan

- Short term plans describing the daily processes for serving customers
- Outline responsibilities of management and key employees
- Long term vision (including financing requirements and milestones) for the following:
 - *Key customer contracts & revenue*
 - *Technical and product development program*
 - *Future research and development plans*
 - *Potential product release dates (latest versions, new products)*
 - *Key partnerships*
 - *Employee hires*

Charts detailing milestones on the vertical axis and dates along the horizontal axis are often used for this section. Milestones outlined in the implementation plan must be consistent with the financial projections.

FINANCIAL PLAN

This section is often the most scrutinized section of a business plan. It is imperative that all figures in the financial plan flow from the analysis made in the previous sections. Projections must also be reasonable. Most experienced investors will compare your statements and claims with those of other similar public companies. An essential component for the investor is an exit strategy. Make sure financials show how potential returns will be made.

Financial Projections

- Projections and past performance (if available):
 - *Income statements*
 - *Balance sheets*
 - *Statements of cash flows*
 - *Other financial projections used explicitly in the business plan*
- Key assumptions must be clearly stated and reasonable (external validation is recommended)

Financial Requirements and Exit Strategy

- Current financing requirements
- Prior investment received, when and by who (include founder contributions)
- Current ownership structure
- Long term financing requirements
- Timeframe (for this investment round and future ones)
- Exit strategy

APPENDIX

The appendix supports the business plan. It may include:

- Other documents often referred to within the business plan, but too detailed and complex to be included in the body of the text.
- The resumes of founders and/or key employees