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Got Growth?

Put passion into your business plan for investors

For the nontraditional investor, you are the most important variable

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This is the second of four columns about business plans. Future topics include developing a business plan for bankers and how to develop an internal business plan.

There are certain types of business that don't fit into traditional roles and have difficulty raising money from traditional sources such as banks.

If you find yourself in one of those businesses and need funding from nontraditional sources such as family, friends and angel or venture capital investors, you need to come to grips with one simple truth: Those types of investors are only interested in investing in one thing -- you.

Of course you have to have a good idea and be able to make some money, but be clear on this one point -- they won't invest in your idea until they are comfortable investing in you.

Have you ever lent money to someone? Did you do it because you thought they would pay you lots of interest or you'd get a windfall profit on some idea they had? Did you do it because you had more money than you knew what to do with? Have you ever invested in someone you didn't trust? Of course not.

Nontraditional investors invest in people first, ideas second. When someone gives you their hard-earned money, or even someone else's hard-earned money, they must be convinced you are an honest, ethical and competent businessperson.

What Are They Thinking?

Before you build your business plan to help make a compelling argument to a prospective investor, it helps to have some insights into how they think.

According to Roger Akers, managing partner of **Akers Capital LLC** in Fair Oaks, a key factor is the passion you have for your business. "Don't forget to project your passion and the fun you're going to have building the company," he advises. Akers is speaking of the importance of being true to yourself and making the investor feel comfortable with you. They want to see your passion, so show it to them.

Once trust is developed, other concerns begin to surface. Akers recognizes that good ideas have short lives and recommends creating a sense of urgency. "Make the investor feel as if the train is leaving the station and that they had better get on," he said.

Some other key thoughts investors sort through in their minds include:

- Are the company goals really congruent with the founder's personal goals?
- What values will the company incorporate into its culture?
- What other successful companies is this one modeling itself after?
- Who is on its advisory board and why?
- Will the management team be able to evolve as the business changes?

Components of the Plan

Begin with an executive summary with a high-level overview of who you are, what you sell, why it is valuable and what you need money for -- just a page or two -- and give them your vision. Begin planting those first seeds of passion.

Start the body of your plan with your management team. Credibility is critical, and once they know and trust you, they want to know who else will be working with their money. Put it out there right up front and use it to let them know the missing components as well. Understand the positions you will need to fill and provide detailed information about the kind of people you want to fill them.

And don't ignore your investor; they have many people they can call on to help with a wide variety of skills.

The next components are relatively straightforward and include:

- Products and services -- an overview with history and benefits
- Target markets and their size, potential
- Competition -- and be honest here. There is no such thing as "no competition." If you think you don't have any, you are being naive and you will lose all credibility. There is always an option to what you are offering, and there will always be competition.

Besides, competition is a good thing. It gives you something to be compared to that will make you look good.

- Sales and marketing strategy -- include high-level information about current sales and key clients.
- Milestones and timelines -- be specific and make sure they are measurable.
- Financials -- of course sales are important, but your balance sheet is the key. Make sure it covers an appropriate amount of time -- typically three years --and include just enough detail to be clear without being confusing. The red flag here? Assumptions. You will make many, so be sure to include them in your financial reports. Any set of financials should be considered incomplete without a list of all assumptions clearly outlined and explained.

A red flag for any investor is unrealistic expectations or lack of accuracy. "Experienced early-stage investors dissect plans for a living. Make accurate statements, know your numbers, never lie, don't be too unique and be very clear as to what the team wants to accomplish," Akers said.

One size does not fit all when it comes to a business plan. It must be written for its audience, just as a resume must be written for a particular job.

Have fun with the process, be proud of what you have accomplished and enjoy the experience. It will be one of your richest memories when you look back on it after you have reached your goals.

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