

BUSINESS IDEAS TO MAKE EVERY MINUTE COUNT

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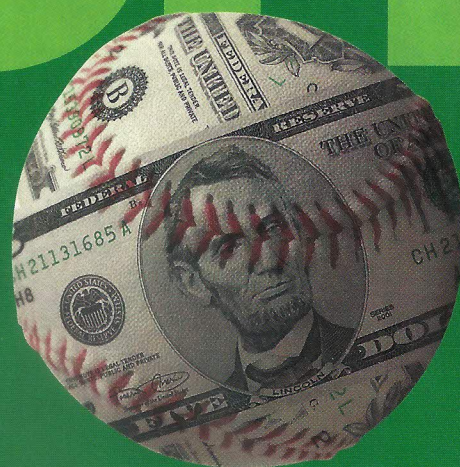
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The PERFECT PITCH

Today's investors are looking for something extra before they agree to back a business. Find out how to separate your plan from the pack—and secure financing.



By DOUG BARTHOLOMEW

For Jim Poss, founder and CEO of Sea Horse Power Company, the third time was the charm.

While Poss was earning an MBA at Babson College several years ago, he and several colleagues drew up a series of ambitious business plans for a startup company that would provide renewable energy technology. Unfortunately, two different drafts fell on deaf ears. Investors weren't interested. The problem, he says now with 20-20 hindsight, was that the initial business plans were too ambitious. "There's a difference between an idea and an opportunity," Poss explains. "What was reflected in those first two plans was an idea that was out of reach at that juncture."

On the third go-around, however, Poss harnessed the clean energy concept to a specific product, a solar-powered waste compactor. The result: The plan not only won the \$20,000 first prize in Babson College's Douglas Foundation Graduate Business Plan Competition, it also enabled Poss and his colleagues to grab investors' attention and launch Sea Horse Power with \$250,000. Today, the Somerville, Mass.-based venture has rolled out its solar compactor and is preparing to wow investors with another, far larger quest for financing. Meanwhile, the fledgling firm has been named a finalist in *Fortune* magazine's small business contest. "That third business plan took us across the finish line," Poss says.

as attracting new employees or ensuring that you as a business owner keep your eye on the ball.

In theory, at least, one business plan is pretty much like another. After all, they all contain basically the same kind of information and follow the same guidelines:

- An executive summary that provides a description of the business concept.
- A description of the target market and the competitive advantages of whatever service or product is being touted.
- The all-important financial projections, which include cash flow analysis, a break-even chart and the

SIMPLY EFFECTIVE

There's no magic formula for coming up with a winning plan, but effective business plans do have certain things in common. "To be truly effective, a business plan has to address all the critical issues," says Michael Pierce McKeever Sr., author of the book, *How to Write a Business Plan* (Nolo Press, 2003, Sixth Ed.). "What makes your business plan stand out from the others is not the plan itself, but how well it shows people that you've thought through all the things that can happen—rightly or wrongly—to the business."

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"The best business plans are able to present the entrepreneur's personal objectives, to define the business and to lay out what they plan to accomplish."

—Jeffrey Babin

BUSINESS PLAN BASICS

So, just what exactly is a business plan and why do you need one? Simply put, a business plan describes and analyzes your business, forecasts its future and lays out its finances, including—and especially—future projections. The idea is to present a clear and compelling picture of the business and its plans for growth and capital spending.

Plan documents come in many sizes, and businesses often produce several versions that may differ in length. Poss, for instance, put together a 20-page plan along with two- and five-page summaries for potential investors who hadn't the time nor interest to wade through the entire document.

The primary purpose of such a document is to raise money from angels (individual investors), venture capital firms, banks and institutional investors to finance the launch of a business or move an existing company to the next level. Then, too, a solid plan provides additional benefits such

crucial estimate of investor return. Potential investors and bankers not only want to know exactly what you plan to do with the cash you're asking them to put up, but how, when and how much they will be repaid.

That said, the vast majority of business plans often don't get their entrepreneur-authors out of the starting gate, let alone across the finish line. Indeed, the business plan so powerful that it reaches out and grabs the investor or lender by the purse strings is rare, especially among those seeking funding for startups. "It's very hard for one business plan to differentiate itself from the rest of the pack," says M.R. Rangaswami, venture capitalist and managing director of the Sand Hill Group in San Francisco. "At the peak of the high-tech bubble, I saw about 150 business plans annually, and I still look at about 50 a year. I'd say only about one in 50 might warrant a personal meeting or a follow-up telephone call."

ness and to lay out what they plan to accomplish," adds Jeffrey Babin, entrepreneurial fellow at the University of Pennsylvania's Weiss Tech House. Wharton, like Babson, offers a \$20,000 prize for students who come up with a blue ribbon plan. "They also must present a compelling business idea that somebody wants and is willing to pay for," he continues. "Just because I like something doesn't mean there's a market for it."

Above all, though, business owners and entrepreneurs should be brief and to the point. "You're telling a story," advises Babin. "Sometimes we call it the 'elevator pitch,' meaning that you should imagine that you've got a few moments with a venture capitalist on an elevator, and you've got to tell your story in that time frame." The point? Tell a very simple story. If it's so complex that you can't explain it in a few sentences, Babin says, "No one's going to want to buy it or invest in it. It's got to be compelling."