

The 3 Legs of a Business Plan to get Financing

Any quick online search on Google or Twitter will reveal a million pages with the rights and wrongs about writing business plans.

However whether you are writing your own plan or getting some help from a professional business advisor or company you will need to convince on three main areas, or legs to stand on as we call them, if you want to secure financing to take your business idea forward – the market opportunity, the product or service and the

management team.

The 3 Legs of a Business Plan

The Market Opportunity

There just HAS to be a need in some market that is generating a business opportunity. This is the basic bottom line, without it we're stuffed before we start. However it must also be said that there are lots of needs within any given marketplace that just do not provide commercial opportunities and will not generate any significant Return On Investment (ROI) ever. So, we have to start with this said up front, and need to be very clear why we are doing all this... The business idea has to be commercially viable. i.e. it must generate a profit! At this stage of the process we normally advise a Feasibility Study to confirm this.

We all also need to consider other market drivers – things that are shaping the nature of the chosen market and its future development and how that will affect the proposed business. This could be new legislation, developing environmental issues, specific economic or social factors as well as the ever changing

technology factor. Define the chosen market (which should include key players in the market) determine the factors driving it and clearly describe the commercial market opportunity within it.

The Product or Service

So, you KNOW there is a market need (of course you do...) but where does your product fit in exactly? Having definitively and clearly defined the opportunity, the most important next step is to link what you will offer to that opportunity. You need to be clear why your product or service will not only meet the need but also be able to sustain Competitive Advantage over other products and services in the market.

You need to show how your offer will be positioned in the market place, how does it compare with others out there and clearly show

where its clear advantage lies. Your advantage could be any one of an endless number of factors including technical or functional difference, quality or down to basic bottom line price. Whatever it is you need to without doubt demonstrate that it is clearly differentiated in a way that will be valued by the market you are targeting, or the reality is that your market just won't buy it!

The Management Team

Okay so now you've shown that there is a clear market need for your product, what's the number one way businesses fail to convert this opportunity? Well, the #1 way is by not having the necessary skills and experience in your management team. Brutal I know, but that's what

we see.

In the end, investor or financing decisions often come down to the “execution risk” of the business plan often referred to as Operational Risk in the business. Unless you have a SOLID management team that is well aligned and extremely knowledgeable with your market opportunity there is a real significant risk in your plan. You need the in-house skills relevant to your target market and product or service to execute on the opportunity.

Operational risk also extends to the internal controls, systems and processes. Where the internal management skill-set does not cover these you will no doubt need to hire some specialist help – this could be legal advice, accounting or simple secretarial services.

Plan on More Management

You should definitely think about how to build your broader management team. This should include Non-Executive Directors and independent Advisers that will give an investor or lending bank the confidence that their money is indeed in safe hands and that the business will be managed in line with best practice, not just emotionally by one possibly family team.

Integrating these Legs

into your Business Plan

In order to convince yourself and others that your business plan adds up, you need to link these three key elements to the other parts of your business plan.

So for example, you as well as linking the Market Opportunity to your product or service, you also need to show how you are going to reach your target market through your sales and marketing strategy and action plan.

Throughout your business plan you need to show that your plan and the thoughts behind it are “linked up” if you are going to convince an investor or lending bank to part with their cash.