GETTING STARTED

HOW TO WRITE A BUSINESS PLAN

Six tips for writing a plan investors will love

Many entrepreneurs put off writing a formal business plan. But a smart plan can be a real asset. Amber Ratcliffe, who co-founded a Seattle biotech company called NanoString Technologies, found that writing a plan gave “the start-up process extra momentum.” Here are six points to remember when you sit down to write up your idea:

1. Be Clear on Your Purpose It sounds obvious, but many business owners can’t articulate their raison d’être. Your executive summary should be clear and concise. “It’s just as important that the entrepreneur be clear on the mission and value proposition,” notes Jay Ebben, professor of entrepreneurship at the University of St. Thomas in St. Paul, Minn., “as it is to be able to describe it to a bank or investor.”

2. Calculate the Return on Investment Investors want to know how they will make money—and how much. “The return on their investment can get lost in 23 pages of spreadsheets,” says Stephen Spinelli, the director of the center of entrepreneurship at Babson College in Wellesley, Mass. Provide a range of ROI figures and explain what variables will affect those numbers positively or negatively.

3. Size Up the Competition Entrepreneurs rarely back away from a fight and yet, when putting together a business plan, they have an odd tendency to shy away from rivals. That’s a mistake. Selling your competitors short may signal to investors that you don’t fully understand the marketplace. “Make sure you know the competitive landscape of your product,” advises venture capitalist Molly Pieroni, of the firm JatoTech. “Your company doesn’t exist in a vacuum.” Take a few pages to assess your rivals or potential rivals, and sort them into two groups: those that could become acquisition targets down the road, and those that could become acquirers.

4. Call In Some Editors Shakespeare probably didn’t submit Hamlet to the Globe without having a few of his drinking buddies give it the once-over, and neither should you. Though your natural instinct may be to keep that killer idea close to the vest, a consortium of trustworthy advisers—other entrepreneurs, academics, potential employees—can provide you with great feedback. “You need to lay out where there is a void in the market and what trends exist that are creating opportunity where others are lacking,” says Ebben. The more input from smart people, the better.

5. Think Big Ratcliffe’s plan for NanoString won a prestigious business plan competition in part because the judges thought that it had the most potential to transform its industry (in her case, pharmaceuticals). So don’t shy away from portraying your idea in epic terms. Just be careful not to leave investors feeling that your grandiose plans are virtually impossible to carry out. “It’s great to shoot for the moon,” says Spinelli, “but make sure you build the rocket ship first.”

6. Have Fun (Just Not Too Much) Though business plans tend to be staid documents, there’s no reason you shouldn’t have the same enthusiasm for the crafting of one as you do for running the company itself. If it’s written half-heartedly or sloppily, it’ll read that way (and God help the entrepreneur who doesn’t know the difference between their and there). Treat the document like a key piece of sales collateral, and aim to make it exciting and compelling. Just don’t overdo it. Bragging never pros-

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