

## A LEADER'S GUIDE TO WRITING A FUNDABLE BUSINESS PLAN: 10 COMMON MISTAKES TO AVOID

The following are 10 common mistakes that we see when companies show us their business plans. Each one is deadly when it comes to fundability. Avoiding them all is critical to successful presentation of your plan to investors or other key stakeholders.

### 1. Poor articulation

Some company executives are so excited by their companies that they bubble over with enthusiasm – but forget to clearly articulate what they are actually doing, leaving the reader/investor confused – and unlikely to invest. **Don't talk down to investors (or anyone) but do take the time to explain your business clearly – don't assume anyone else is an expert in your specific field.**

### 2. Style over substance

Your plan may be pretty, but is it based in fact and careful analysis? Too many company founders are so excited about the possibilities that they go straight to fluffy language before they are grounded in facts. Investors will shoot holes through this – if they give you more than a minute to begin with.

### 3. Lack of focus

Is your invention the hottest new business concept on the planet that will solve everyone's needs? If you answered 'yes', you must focus! Especially if you are leading an early stage company, you can only focus on one or at most two markets at a time. **If you plan to be everything to everyone, no investor will believe you.**

### 4. Poor understanding of the market

How well do you understand your target market? Are you realistic about how your customers' needs and willingness to pay? What about market dynamics and trends? **Even if the reader already knows the market, you must demonstrate your own understanding of it in order to earn a place at the negotiating table.**

### 5. Poor understanding of the competition

Many company executives believe they have no competition. This is never true; it just means they have too narrow a definition of the concept of competition. True leaders will understand that competition can come in many forms, sometimes well disguised.

### 6. Unrealistic growth strategies

Are you trying to prove that you will be able to match that classic "hockey stick"? Don't – unless you can back it up with a strong track record and a compelling argument. Most companies don't reach that level of growth, especially on the time scales that founders hope for. **Be realistic in your assumptions (remember your bottoms-up financial model).**

### 7. Problem is not painful enough

You might have a great product that solves a problem that is a mere inconvenience but not a severe pain point. If so, your revenue projections may be too high. If the realistic market opportunity is not



large enough to provide a substantial return, your business may make money but may still not be of interest to certain types of investors, such as venture capital (VC) investors. **VC portfolios end up with a fair number of failures; the wins they have must be very large in order for them to reach acceptable levels of return.**

#### **8. Opportunity is not addressable for a small company**

You may have identified a great market opportunity where someone (but not you) is going to make a lot of money. Sometimes those market opportunities are only addressable by companies with much deeper pockets than your own. If you are just getting started, **you might be better off patenting and licensing your idea, rather than building a business around it.**

#### **9. Timing is everything**

Great market, too early? You'll waste a lot of money, if someone gives it to you at all, and not acquire many customers. Too late? Sit back and watch someone else make the money you dreamed you would make. **Timing is critical to your market success.**

#### **10. Confidence, too much or too little**

Most company leaders have an abundance of confidence; confidence is great and a necessary part of business success – but too much of it is unattractive to investors; **temper your ego if you have this problem.** On the other hand, some entrepreneurs are intimidated by VCs – remember, it takes money AND it takes a business to turn that money into more money for all. **Neither party can do it on its own.**

For more information about or assistance with writing and presenting fundable business plans, please feel free to review the remaining articles in this Leaders' Guide series or contact either of the authors.

Authors: Authors: Karin Hollerbach and Schuyler Morgan bring financial and transaction expertise as well as real-world management experience to work with companies to complete successful financings, mergers & acquisitions, and strategic partnerships. To us, deals are not just financial and legal transactions; they are relationships among organizations powered by humans.

Karin Hollerbach, PhD  
+1 510 482 3427 tel  
karin@takugroup.com

J. Schuyler Morgan, PCC  
+1 510 653 6868 tel  
schuyler@takugroup.com