



THE UNIVERSITY OF ARIZONA

**TECH LAUNCH  
ARIZONA**

## Business Plan Overview

**Kevin McLaughlin**

**Mentor-in-Residence, Tech Launch Arizona**

Your great idea - starts with the problem statement. Here you describe what's wrong in the current environment - setting up your great solution. The problem statement is the cornerstone for your business plan. If a bricklayer places that first brick straight and level the rest of the bricks fit nicely together in the building. If that first brick is askew, then every subsequent brick has to compensate. The same is true for your problem statement. If you TRULY understand the problem (the causes, NOT the symptoms) then your solution along with the rest of the business plan will come together coherently. If you don't get the problem right, you'll be band-aiding the rest of your business plan and treating symptoms. So be diligent here. Ask yourself - why is this a problem? Then ask again, and again, five times, until you arrive at the true essence and real causes.

Next, think about the environment - who are the stakeholders, how does this problem manifest in the lives of each stakeholder? How big is the problem, how often does it occur? You need convincing, quantifiable evidence and trends to defend your problem. Is the problem getting bigger over time - that's the best scenario. If the problem is flat over time, can you really make an impact, a relevant socio-economic change? If the problem is trending down with time - ask yourself - can we get to market in time and make a significant improvement - or are we too late?

OK, you have the problem and the context understood. How often does it occur? Pareto discovered that 80% of wealth was controlled by 20% of the population - the 80-20 rule. Once you separate causes from symptoms, rank order your causes in a Pareto chart and go after the big hitters.

NOW it's time to pose a solution - your great idea. Make sure your solution treats every aspect of the problem and for every stakeholder. Play a day in the life of each stakeholder and evaluate how a stakeholder's life is better with your great idea in play. Are there any unintended (negative or positive) consequences? Go back and fine-tune your solution.

So you've nailed your problem statement - it rolls off the tongue. You have impeccable evidence supporting the growing nature of your big \$ problem and your solution is brilliant. Let's look at the competition.

Who else is solving your problem, how well is their solution received, what are the shortcomings, and how do you stand out from the crowd? This is your (unique) value proposition. Be clear about it, be ready to pitch it on a moment's notice, exploit it - it's yours. Do competitors have pieces of the solution you can adopt? It's advantageous to use best-practices from others inside or outside your space. Don't reinvent the wheel. Focus your time and energy on the unique aspects of your solution.

But, will the dogs eat the dog food?

Time to see if the market also thinks you have a great idea. Will you poll the market, can you use competitor data, develop a prototype, a demo or test market? Choose a method and test the waters. It's easier and cheaper and faster to validate your offering early in the development cycle, so again be diligent. Now that you're smarter, go back and refine your problem and solution statements - yet again.

Just to set context - this is a multi-step flow (7 steps to be exact) - what's the problem, why is it a problem, how often does it occur, what are the trends, what's the value proposition, who are the competitors, and how do we prove the solution?

Next we'll cover operations...

OK the idea is crystal. Let's look at how the operation functions. Here we'll consider all the things you can control within your microcosm of the world. This is straight forward - what do you need, what do you deliver to the marketplace and what process do you use for the transformation? On the input side you have money, people, a place to live, and technology perhaps. On the output side you have tangible things like your product or service. You might also have some less tangible items - like adding jobs in the community. Or perhaps you plan to donate some of your profit to help your favorite charity - also an important intangible benefit for society.

In the middle is your operation. It's what you do day in and day out. Time for a thought exercise - put yourself in play with your new venture. What do you do in the morning, at lunch, in the afternoon? And be diligent and thorough in your thinking. Do you have all the inputs you need; did you forget an output? Detail here will help later when you develop the financials - since it all costs money. Think-through and include all the necessary functions: sales, marketing, customer service, engineering, finance, legal, leadership, HR, etc. What can you outsource and what should stay in-sourced?

Now let's turn our attention outward. What's happening in the world right now that shapes your business? Identify a few world-wide drivers that are important for your business. Think about how these drivers might trend in the future - what are the high and low values over a time period that's relevant for your business. Consider all the forces around you including economics, technology, the environment/ecology, changes in societal values, and of course politics. You can include any other drivers that are important for your business.

Now rank these drivers in order of likelihood of occurrence. Choose your top two drivers and create a 2 by 2 matrix. Put one driver on the horizontal and one on the vertical. In each quadrant add some headlines describing that future. Then add bullets describing that future from the perspective of your business. Finish the other three quads. One quad should be the here-and-now starting point for your business - aka Plan A. From the other three quads choose the most likely alternate future - this is your Plan B. Describe each in more detail - why did you choose this plan A, what does it mean for your business. Do the same for Plan B.

Good, but how do you know when to switch from Plan A to B? That's your canary in the coal mine. You need leading indicators. What reports or trends will you monitor closely and regularly so you see the tipping point and can react quickly? Well-run businesses seem to anticipate change and this will help you focus and thrive while others react. Developing these scenarios is like writing science fiction, but generally less fun than building something. Take the time, do it and watch it. It's a small, recurring time investment.

Now you have the idea polished and the operation is clear. How much investment is needed to start and sustain the operation?

Let's look at the financials...

Here we turn your great idea into numbers - and numbers don't lie, so credibility is key. Let's develop your cash flow and income statements.

Cash flow includes all your expenses (think back to the items listed in the operations model) and income (primarily from sales). Since the point where you reach profitability is very important be sure you run your monthly statement well beyond break-even. Your income statement should reflect Plan A at a minimum, but including Plan B is also recommended.

The income statement is a not as fine grained as the cash flow, typically reflecting income and expenses on an annual basis. Consider running this analysis for a period of 3-5 years depending on the nature of your business (how quickly might things change). Again, complete these statements for both Plan A and Plan B.

But where do I get cash to start, and how much do I pay myself, how fast will sales ramp and grow? Tough questions and they ALL need substantiated answers.

Startup funding and cash on hand...

What's the source of your funding? Friends and family are your most accessible "Angel" funders followed by Angels in the community. VC's are looking for a track record of sales and

product development deliveries so typically not a good place if you're just starting out. Banks generally want lower risk (hence collateral/secured) and start-ups are high risk.

Don't forget to apply GAAP as you acquire and depreciate assets, pay taxes, defer losses etc. There are certain financial advantages depending on your corporate type (S-corp, C-corp, LLC etc.).

All the pieces are now complete. Time to pull it all together in one succinct document and short pitch. It's a daunting task, but it's your business and your story, so tell it convincingly. In the end you're developing believers in your idea and importantly YOU (and your team). These are the most important items an investor will consider. Good luck.

Copyright © 2015, 2016 Kevin McLaughlin