

## VCs want to see a well-charted, 'billion-dollar' plan

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Venture capitalists are much more careful about how they lend their money these days, which makes it much more challenging for startups — especially those without a killer business plan.

"Where money has gotten scarce is early-stage ventures. If you're starting a brand-new company, and have just a business plan, nothing else, there is less money available for that," said Vinit Nijhawan, a venture capitalist and Boston University School of Management lecturer.

How does your business plan get noticed?

Ideally, a business has a seasoned, proven management team with experience or demonstrated knowledge of the market being addressed. However, Nijhawan said, even a business without an established track record stands a chance, as long as they demonstrate they know enough about the market being addressed.

That brings us to market. Every business plan needs a market opportunity. The bigger the opportunity, the better.

"I call it the 'billion-dollar idea,'" Nijhawan said. "VCs are generally looking for markets of a billion-plus. There's a feeling that in a billion-dollar market, you are able to build a million-dollar

market. You need to show that's possible. Niche ideas and markets don't cut it for VCs. VCs are built on big wins. You only get that in big market opportunities."

Stephen M. Andress, a partner in the emerging companies group at Nutter, McClennen & Fish in Boston and a member of Boston Harbor Angels, said successful startups have a focus on the current economic environment: Their plans represent a less-than-favorable economy — making things more efficient for customers, providing substantial savings on energy consumption — and they address cost. Cash, he said, is king in this environment.

"How many rounds of financing does it seem you will need to be cash-flow positive?" Andress asked. "Angels are very concerned about a company's possible need for VC funding. In this economic climate, they know it's hard to find VC investors. Angels like to see companies that don't need future financing to be profitable."

Andress said would-be startups need to show they understand the value of capital by demonstrating an efficient approach to business expenses to get to break even or profitability.

David Sullivan, a partner at accounting firm DiCicco, Gulman & Co. LLP in Woburn, said the scope of due diligence is significantly higher than it was a few

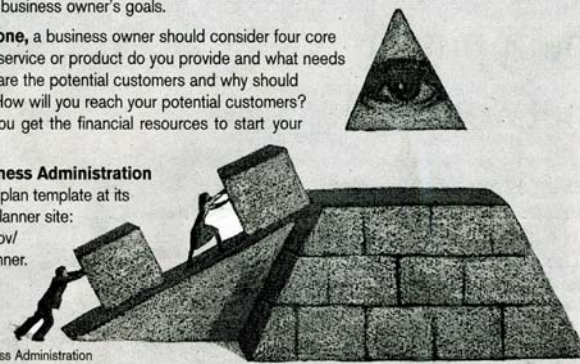
### BUSINESS PLAN BASICS

**Much hinges on a comprehensive business plan:** credit from suppliers, operational management, promotion and marketing, and overall achievement of a business owner's goals.

**Before writing one,** a business owner should consider four core questions: What service or product do you provide and what needs does it fill? Who are the potential customers and why should they go to you? How will you reach your potential customers? And where will you get the financial resources to start your business.

**The Small Business Administration** offers a business plan template at its Small Business Planner site: <http://www.sba.gov/smallbusinessplanner>.

Source: Small Business Administration



years ago. Investors want to know everything from how you're going to get your idea off the ground to who your management team is, to how much the whole shebang is going to cost. Sullivan said entrepreneurs need to sharpen their pencils more than ever before when constructing a business plan.

Venture capitalists are also looking closely at whom you surround yourself with. Sullivan said picking the right advisers, lawyers, accountants, coaches and mentors is critical to getting a

business plan noticed and funded.

Finally, it's important to remember that out of difficult funding climates, great opportunities can emerge.

"In these difficult situations like we face today with a recession and early stage capital harder to find, the next generation of great companies are formed," said Nijhawan. "Precisely because it is harder to start a company these days, it means that the ones that do get going are stronger. It's worth remembering that."