Writing a Winning Business Plan

Structural Guides & Practical Hints

What it takes to write a business plan in 2024!

Jack Derby, President, Derby Management
Professor of the Practice, Tufts University
Derby Entrepreneurship Center@Tufts

jack@derbymanagement.com
jack.derby@tufts.edu
617-504-4222

Why We Wrote This Guide

At Derby Management, we're in the business of coaching the senior management teams of our customers through various growth stages. Just as a point of reference, our experience at Derby Management is based on…

- 40 years in business and multiple hundreds of customers focusing on…
    - Business & Strategic Planning with emerging and middle-market companies
    - Sales & Marketing productivity improvement in companies of all sizes and markets
    - Senior Management Coaching one-on-one with C-level management
- A current customer base of around 400 companies largely in New England and New York although 2023 was a year for new customers in Phoenix, Houston, Chicago, Kansas City and Tokyo.
- Growth companies with revenues roughly between $10 and $250 million

  Prior to Derby Management, each of us has spent 15 to 20 years running companies in the positions of CEO, CFO, VP of Sales and VP of Marketing in a wide variety of markets from healthcare to consumer products, from tech to no-tech, from commodity products to specialized capital goods and from physical products to professional services.

Frequently when we begin working with a new client, we find that the company is either stuck in its growth cycle, or that it's behaving erratically, like a rudderless ship being buffeted by the crosscurrents surrounding it. When we suggest *"Let's take a look at your current business plan so that we can see how you are measuring up against your growth plan,"* our new client's response frequently is… *"It's a bit out of date,"* or simply… *"We don't have one."*

That situation was bad enough back in *"the old days"* of 2019 pre-Covid. Now that we are working and living in the "new normal" environment of 2023, when, in fact, there is no "new normal", *the issue*, and better stated, *the opportunity* for well thought out business and sales planning is not only necessary, it's absolutely critical to our survival and growth as successful 2024 business managers.

Since we work very closely with our customers, other service providers and venture and private equity investors that provide us with most of our references, we focused most of our customer work between the Covid years of 2020 and 2021 to first achieve survival, then build on stability in 2022 and only at that time did we move to incorporate new strategic directions into accelerated growth and profitability in 2023. In 2023, in spite of all of the naysayers and media hype of recession beginning in January, we knew based on our own forecasts and internal that it would be impossible to move to a recession, and we planned accordingly with our customers, most of whom had very successful outcomes.

For the primary reason of internal direction among your own management team, we strongly believe that short…*but complete*…individual six-month business plans for the first and second halves of 2024, which have been researched, analyzed and debated and challenged among your own senior management team and your board members are absolutely critical to keeping your company on its planned growth track. Business plans also provide a means through which your employees…no matter if there are 20 or 2,000-can fully understand both the company's current status and its 2024 direction during a year in which between international wars and domestic elections could potentially provide uncertainty at best and chaos at worst.

Right now, think of your business plan and your accompanying sales and marketing plans as absolute necessities, but only as working documents as measuring sticks every 90 days but most importantly to provide the leadership view of the senior management team for your employees, your directors, and your investors.

I'm not naïve to the fact that your board members and your investors (if you have them) will want a complete and detailed 2024 business plan, and, in the reality of running the business, you need that also. Just keep in mind my strong recommendation is to formally refresh that overarching plan along with its accompanying Sales and Marketing plans every 90 days.

The result may well be that you will need to continue to keep to the commitments that you detailed in your January plan, which is exactly why you need to be both realistic and pragmatic about those commitment. Personally, we believe that 2024 will be another solid growth year; however, there are the strategic unknowns of the Ukraine and Israeli wars plus all of the craziness surrounding the 2024 elections. For us, we're projecting slower inflation and a leveling off of increased labor demands. We are also projecting significant positive growth impact as a result of the still-nascent unfolding of AI in 2024.

Recently, we were approached by the management of a $40 million company in an industry we just happened to know a lot about to assist them in raising financing that they planned to use for growth of their sales and marketing activities.

An interesting company, but after listening to them during two meetings and reviewing disjointed pieces of materials, I finally told them that it made no sense for us to proceed any further without a formal business plan in which everything was written down, their tactics would fit more logically into their strategies, plus their sales and marketing plans would be detailed such that their financial projections would be more logical.

Having noted this as an example, we've found that unfortunately most business plans we review are no better than "fair" in their structure and presentation. Typically, the average business plan's content is reasonably good at a higher strategic level, but problems arise because it's simply too difficult to dig out the important information from reams of unnecessary material. *"Business Plan Clutter"* is a widespread disease, and in our experience, it's rampant in the world of most emerging businesses but also it occurs too often even in more established companies with revenues in excess of $50 million.   I would add to this that in the great majority of even established companies, what is called *"our business plan"* consists of little more than reams of excel sheets providing the gross margin detail of every product out to two decimal points and a 20-page PowerPoint with lots of images and very little detail on the five most critical components of every business:

Tell me 8 Things

1. What are the detailed markets where you're focused this year?
2. In those markets, what is your product focus today and next year?
3. Who are your buying personas who need the value you provide, and exactly what are those specific value propositions which directly apply to those specific personas?
4. How, when, and where do your prospects and customers want to be marketed to and sold? What is the exact Buyer's Journey you are planning on for 2024?
5. How will you market your products in an increasingly highly competitive world?
6. What is your exact go-to-market/s sales model and how are you going to actual sell and close orders that bring you to the monthly and quarterly financials you are projecting?
7. What are your future product and services directions?
8. Show me the financials.

All of these 8 existed as "the classic standards" prior to 2020. With Covid, all the old rules of Sales and Marketing changed drastically, and they've been rapidly changing ever since with dramatic Generative AI changes expected in 2024 and in 2025. The bottom line is there needs to be a well-thought out and highly communicated business plan that has been totally agreed to among all your senior management team…and your board members.

The reality is that, too often in fact, one of our larger clients, with revenues just north of $80 million and a healthy bottom line, has never written a business plan, and not one of its divisions has an operating business plan beyond a few PowerPoint slides and detailed financial plans.

Our reaction to this success is that while we have been impressed with the results, it also begs the question of what would the performance have been if there were a written business plan that all of the company's senior managers had participated in creating and each of them-separately and collectively-had fully bought into the overarching plan along with their own individual annual operating objectives and tactics? In fact, since that level of detailed planning did not exist, given a very difficult year for capital goods in their market, they did not experience any revenue or EBITDA growth other than that realized by price increases. Realizing this, our quarterly strategic planning process for most of 2023 became highly focused on management structure changes. As a result, we now have a solid revenue plan for execution in 2024…along with a new CEO.

There should be little that is very strategic about your business or sales planning as we look into the market unknowns of 2024 since this year will be *"highly complex"* given three overarching external factors none of which any of us can impact through our businesses:

- "The Washington Political Factor" of highly negative non-conciliation
- The Ukraine and Israeli wars
- The U.S. debt overhang and its interest rate payment requirements

Don't get me wrong, strategy is great, but in a year of so many unknowns and a still-fragile economy, tactical month-by-month, quarter-by-quarter planning is much more important than multi-year strategies. 2024 will be a long-term battle that has just begun, and battles are fought and won by the mostly highly trained warriors that have *excellent,* not *"just good enough"* business planning processes augmented by detailed sales and marketing processes, tools, technologies, and people.

So that's why we wrote this **How to Write a Winning Business Plan** ebook, and why we rewrite it every January and every July. In 2020, it underwent two major rewrites, two in 2021, 2022 and 2023 and now this edition in January 2024. This book is meant to guide you, the senior manager of an established business or the entrepreneur of a startup, in structuring, formatting, and presenting your own business plan. It's meant to supply you with a few *"Rules of the Road"* as to how investors, bankers, board members, and, *most importantly*, your own managers will work within the architecture of your own business plan.

Plus, it's meant to push you to reduce your thoughts into simple language that will excite and move the reader of your business plan (whether that reader is a potential investor, an outside director, an internal manager, or a new member of the senior team that you're trying to recruit) to clearly understand where you're headed, what strategies and tactics you plan to follow, and what you plan to do when you arrive at the future end points that you outlined in your business planning process.

This is the 21st year we've updated this guide with new content being constantly added as a result of our experiences. Having been in the business of working with senior managers for 30+ years in planning their businesses, and now having the privilege of being a professor of Marketing and of Sales at The Derby Entrepreneurship Center@Tufts, while still continuing as and an instructor at MIT, I have never felt more strongly about the importance of encouraging our clients and our students to both create and consistently update their business plans no matter what the state of their business is. This opportunity to provide clarity through intense planning is much more so during this period of unknown market factors in 2024.

We look to a company's 2024 business plan as the primary document for providing management the basic building blocks for framing the company's future as you and the other managers on your team look out over the next three, six, nine and twelve months in terms of the tactics and activities that you're going to use to get to your revenue, margin and bottom-line numbers.

A business plan <u>must</u> answer …*at a minimum*… these questions:

What is the business?

Sounds so simple…and it should and needs to be! Very simply, just define the business in easy-to-understand language. This is not about your Mission or Vision statements, nor is it about the technology or the market or anything else. This is a simple, but definitive statement of what the business is and the value it provides to its customers. Describe this in words that you could comfortably say in less than 30 seconds to a manager you were trying to recruit into your company or to an investor or marketing partner.

Where is the business headed?

Define this using metrics and percentages of what you have achieved in growth over the past 12 and 24 months and where you're headed during the next 24 months.

- ✓ Where arethe growth opportunities? What are they in priority order: 1-2-3-4-5?
- ✓ What are the growth challenges or even roadblocks? … and, most importantly…
- ✓ What new management, sales and marketing tactics will you use to create growth?

Who are your specific customer personas and what is the value you provide them?

Define your specific personas in detail using **the Hubspot model of persona creation** and define the specific value propositions that apply to each of those personas.

As management coaches who have been involved in hundreds and hundreds of strategic and business planning sessions, we've learned that success in our clients' businesses is all about choosing and combining *a few* well discussed strategies with *a few* very detailed tactical plans. The key words here are *"a few."* It's relatively easy for all of us to talk about and develop various strategies. Choosing and winnowing them down to a selected few is the *very* difficult part and that is at the very heart of the best practices we've experienced among the more successful management teams who undertake real business planning. As a unified team, they make choices, they prioritize, they execute on those choices, and they formally review the results in day-long offsite planning sessions at least twice a year.

Better to concentrate on perfectly executing two or three strategies with a very few well-honed tactics over the next 3-6-9-12 months, than to attempt too many initiatives over the next 18 to 24 months. Plus, in this unknown global, political and economic environment of 2024, your planning horizon needs to be very short-quarterly at most-and then with every quarter, take a very critical look at what you have achieved relative to the business plan you introduced in January and then update your go-forward plan for the next two and three quarters. Our experience is that "*less is always more."* Trying to get your managers and your employees to successfully attack more than a *very few* new tactics nearly always leads to confusion, poor results and demoralization.

Personally, we always like to employ "The Derby Rule of 3":

(1) It's unrealistic to believe that any management team is going to execute well on more than three *major* strategic directions in the period of 12 months.

(2) Three is about the limit of what most managers can burn into their DNA and drive to planning and executing tactical plans on a day-by-day/month-by-month basis.

(3) In terms of blocking and tackling on executable tactics, again, better to keep the list of tactical plans to *"Short & Memorable"* compared to *"Long & Forgettable".*

Having worked in the planning and the writing of hundreds of business plans and having read thousands-*yes, thousands*- more, we have found that if you really want to write a business plan, you'll get there. It just takes a fair amount of dedicated time. Writing a business plan is similar to writing that thesis back in college or in graduate school. The hard work and the real challenge is in your own management planning and your commitment to time management leading up to the creation of the written plan itself.

In any planning process, you, as a member of the senior team, must reach total *agreement* as to the strategic directions and the primary tactics, not just "consensus."

- "Agreement" means just that: you *agreed*…and the others *agreed.* That level of agreement and commitment is at the very heart of the most successful business plans.
- "Consensus" means that you only decided *"to go along"* with everyone else's agreement. I realize that this sounds like a nuance, but it is a critical differentiation in determining if everyone is working together as a fully engage team.

Building your plan will require a series of honest, sometimes difficult, and always very objective discussions and decisions based on the best available data you have:

- Quantifiable secondary market research from leading providers. Can't afford it? Try connecting with your university library.
- An analytical and objective assessment of your customers' needs through primary research and Customer Voice interviews. Annually have someone in Marketing survey your customers. It really doesn't take a lot of work. Hire an intern or two majoring in marketing to do this for you or come to me in my professor role in my Marketing course, and we will do the work for you.
- Your actual sales results by channel, by market, by quarter for eight quarters
- Your detailed Value Propositions that you deliver to your specific personas.
- Plans for a complex mix of sales and marketing tactics and activities.
- Product and Engineering plans for both new products and expansion of services.

With this in hand, good managers *in normal times* would focus on both long (3 to 5 years) and short (2 to3 years)-term growth in planning their company's future. Those rules went out the window in February 2020. In 2021, the planning horizon became 12 months. In 2022, it stretched to 18 months. In 2023, given the uncertainties of inflation, supply and hiring, we moved all of our planning sessions back to six months for two six-month periods.

- **Outline your Strategies!** This word, "strategy", is simply defined as your "longer term directions". A strategy could be a sales model, a pricing plan, a new product, a new marketing initiative…and so on. An example of a sales model would be if your current go-to-market plan is through distribution, in 2024, you were now planning to add direct salespeople in addition to the existing distribution model. Another example of an overarching strategy would be that you and the team decided to outsource a portion of your product development.

- **Focus** your tactical actions and activities in 90 day quarterly chunks and fit those into your overall annual planning architecture of the 12 months of the plan. Bottom line here is that there is only such much time available, and you need to focus on what works at a tactical level of execution. "Focus" should be your key operative word throughout all of your business planning. Focus in markets, focus in customers, focus in products, focus in hiring, and finally focus on the most critical of your metrics in your business plan: revenue, margin, EBITDA, and cash.

As a leader in the company, you want your peer senior managers in the business to actively engage in a hands-on planning process to achieve complete and total agreement regarding your company's direction. Inability to reach genuine and honest acceptance of direction will typically lead to slow growth. It's absolutely critical to understand that this goal of "complete and 100% agreement" is not easily reached and requires a tremendous amount of transparency and trust on the part of you and your entire senior team.

Bottom line: You will achieve success ***only*** when your senior managers join one another in a unified battle plan…especially now in the complex year of 2024. If this comment sounds like a Sun Tzu adage, it's meant to since we are disciples of his teachings, both in running our businesses and in creating high performing business teams and especially sales teams. When I begin speaking about the importance of business plans, I am always reminded of this quote from General Sun Tzu, China's first great master of modern warfare:

"The general who wins a battle makes many calculations in his temple before the battle is fought. The general who loses a battle makes but few calculations beforehand. Thus, do many calculations lead to victory, and few calculations to defeat; how many more do no calculations at all! It is by attention to this point that I can foresee who is likely to win or lose."

—General Sun Tzu from The Art of War

So, given that success in warfare, in sports and in business often comes down to the reality of the fact that the senior leadership has spent more time planning its offense, the best business planning process often consists of taking a series of planned "time outs" from your frantic twelve-hour days that consume you and most of your managers' calendars. Successful planning actually *requires* that the senior management periodically step away from the day-to-day and commit themselves periodically to the task of "*figuring things out".*

It is not uncommon for me to hear with new clients that "right now, we're just too busy to even think about getting away for a planning session. Maybe in a couple of months? In comparison, our best companies schedule their two or three planning sessions a year in advance. This planning process, whether it occurs virtually or at the company's offices (not recommended), or at a nearby offsite retreat location is your opportunity to really think through, debate and "argue out" the strategic and tactical issues and opportunities that you and the other members of the senior team must resolve in order to manage the growth of the business … rather than having the business, or more typically the unknowns of the current market environment and the competition, manage you.

The end result of the business planning process is an actual business plan, the document that details management's fundamental strategies and its primary tactics for execution…in essence...management's plan for success. That plan should clearly describe the basic reasons not only for the company's present status, but also the expectations for its progress over the next 3-6-9-12-18 months. Forget three and five-year business plans for 2024! The world is currently in too much turmoil geopolitically and then there's the rapidly increasing drama associated with the U.S. election. Right now, there are just too many unknowns out of our control to deal with. Our expectation is that what we used to call "normal" business planning looking out 24 and 36 months will not return until 2025, and by that time, we will be actively using an entirely new arsenal of generative AI tools in our sales, marketing, and product development planning.

Putting on my venture capital hat, of course, as potential investors, we will ask you for three-and five-year business plans complete with financial projections. Simply, don't overthink this request since it's impossible to do. To a large degree, as potential investors we're just making this request to understand how you think and to form initial reactions as to your management style. Eventually, if we're interested in possibly investing, we're going to work directly with you using our own financial formats to put together every possible set of "what ifs". Assuming that we do move ahead and invest in your company, once you are up and running, you're going to need to do this reforecasting on a rolling basis each quarter and then formally for the approval of your next year's business plan.

Your business plan must include at least the following points:

✓ It should be the vehicle through which you and the senior team managers define your total buy-in for the future direction of the business.

✓ It should provide the basic strategies and their corresponding tactical plans for the period of the next 12 to 18 months broken into quarterly tactics.

✓ It should provide a conservative set of detailed performance measurements, checkpoints, timelines, and financial projections.

✓ Most importantly, it should state what management defines as success, including the tactics and activities that will truly set your business and your managers apart from the competition and provide a unique value proposition for your customers and for your employees.

At the end of the day, your business plan needs to be about the success of the business as you and your other senior managers have defined it. Nothing more … but absolutely nothing less.

One last comment…

Focus first on making sure that you have an "A" level management team, and then conduct your planning process to the point where you and the team reach full, absolute 100% commitment on the business plan…even if it's a B+ plan.

Here's our experience from hundreds and hundreds of business planning processes:

1. An "A" team will create "A" level results with even a "B+" level business plan.
2. A "B+" team will achieve "C" level results with a "B+" plan.

Have fun reading this. We had fun putting it together. Give me a call or better yet directly email me at jack@derbymanagement.com or text to 617-504-4222 and let me know what you think of our ideas, and we can confidentially discuss some of your own experiences. We are always looking for new ideas and comments that we can share with our readers. We also welcome additional contributors to this e-book, so if, at any time, you have ideas, just give me a call, and we can discuss them.

Jack Derby, CEO, Derby Management

jack@derbymanagement.com 617-504-4222

Jack Derby, Professor, Tufts University

Derby Entrepreneurship Center@Tufts

Why Bother?

<u>The Do's & DoNot's for Writing Business Plans</u>

Do:

- Grab the reader <u>immediately</u>. Explain up front in simple language what the business is, your products, your markets, and the business model by which you are going to make money.
- Be <u>brief, direct, and detailed</u>. Get to the bottom line quickly!
- State clearly <u>the compelling reasons</u> why the business will grow and customers will buy.
- Talk details about the <u>customer pain points</u>.
- Cleary define your V<u>alue Proposition</u> *as seen by the impact on your personas.*
- Clearly define the <u>barriers to entry</u>.
- Be compelling! Why this business? Why will customers buy? Why now? What data?
- Be <u>realistic</u> with yourself. You're investing your career and reputation, not just money.
- State clearly the company's short- and long-term objectives for the next 3-6-9-12 months.
- Describe <u>just three</u> primary strategies that will enable the company to reach its objectives.
- Then do the same detailing the primary tactics you will employ in the 12 months.
- Be realistic in making projections and in assessing your market and revenue potential.
- Support your primary strategies and tactics with detailed, quantified assumptions.
- Substantiate statements with underlying business data and accepted market research.
- Include detail regarding both traditional and online sales and marketing strategies.
- State clearly how much money you will need and how the funds will be used.
- State clearly how you will create value for your investors and your "exit strategy".

Don't:

● Write too much about history. A business plan is about the future.

● Forget to focus on your customers' needs. <u>This plan is not about you or your technology</u>.

● Forget to focus on the customer value you will deliver. Nothing more; nothing less!

● Include internal financial plans and detailed budgets. You are just presenting summaries.

● Use overly technical descriptions of your products, processes, or operations.

● Forget about the importance of detailed market data and objective customer research.

● Make vague or unsubstantiated statements or claims.

● Assume anything. Question everything. Your boss and all your potential investors will.

● Forget the audience that you are addressing. What they care about is…

✓ Experienced management	Large and growing markets
✓ Focused Value Propositions	Proven sales channels & tactics
✓ Financials and especially cash	Leadership
✓ Exit strategies	Innovative technologies

…and most importantly, highly scalable, and sustainable competitive advantage.

● Think only about the United States. Most growth businesses must look worldwide.

● Define valuations in the actual plan. This will come later as part of many negotiations.

● Attempt to write the business plan by yourself without major input from others.

● Try to write over a protracted period of time. Commit to a timeline of one month or less.

● Include copies of resumes, technical papers, or reams of marketing materials.

● Forget to proofread, edit out unnecessary phrases … and then proofread three more times.

Preparing the Plan

Getting Started: The Company Self-Appraisal

A company self-appraisal must be performed in conjunction with establishing an operating budget for the next three years wrapped inside your business plan. You can't develop a plan or a budget in a vacuum. The following questions, although they may sound simple, are meant to evoke specific responses that are fundamental to the company's present position and its future direction.

These questions are meant to provoke you and your management team to think. They're not necessarily intended to be answered in your business plan. We've found time and time again that these are the types of questions that a management team honestly needs to appreciate, discuss, confront and come to agreement on before they jump into actually writing their business plan. They are listed here in no particular order. We just want to get you to think about your new business, not to follow a formulaic process.

●**What business (be very specific here) are we really in or do we want to be in?** Even though this business plan needs to define a financial plan for three years, you should be using a three-year time horizon within which you are going to define what the business will become in three years from now and then back into where you are today, especially if you are at the concept-only stage. Always in this process you can state your future assumptions as to where you see inflation and labor availability for examples. These assumptions need to be part of your business plan for your financials, and for your sales and marketing activities.

Objectively answer questions such as:

- What are our real Value Propositions that we bring to our customers?
- How do they differ for each of the personas who actually make buying decisions?
- Is our mission and culture clear for our employees? What about our customers?

Is our mission and culture clear for our employees? What about our customers?

- Do we have a scalable business model and the most effective sales and marketing models?
- What markets are we serving and not serving, and what are we planning to do?
- What are the very specific needs of our customers? How do we know? What do we know about the needs of our customers' customers? Should we think one customer link ahead?
- How do our prospects and customers actually view us? Have we surveyed them?
- Do we fully understand our markets and our customers' market challenges?
- What's the nature of our markets: trends, size, competition and risks in today's unstable geopolitical world?
- What are the most valuable and unique skills that we have and that we need? What are our core competencies, and if we don't have that talent today or those skills today, what are we going to do to attract that talent or skills either through hiring additional employees or creating outsourced partnerships?
- Are we committed to making the difficult changes? Describe that commitment.
- What changes are likely to occur during 2024?
  - ...in our products and services that we're planning for in 2025 and beyond.
  - ...in our rapidly changing online world of virtual selling and Inbound Marketing
  - ...in the AI technologies or manufacturing processes in our industry?
  - ...in the nature of our competition?
  - ...in our customers' buying habits?
- What market share do we want in 2025-2026?

- Since most businesses slow down because management has not sufficiently thought through their sales channel selection effectiveness, what do we need to know about sales performance metrics for our industry in a world of virtual selling? Not many salespeople by the way, are going to go back to the office full time to work! Data shows that salespeople will quit a company that demands that they come back to an office full time even taking jobs at lower compensation!
- Do we know the sales and marketing performance metrics of our best (or other tangent direct and indirect) competitors? If there are public company competitors in or near your space, this information can easily be gleaned from their results. If not, we can guide you as to how to acquire this market research efficiently.
- How can we best finance the growth that we're planning?
- Where are the holes in our management structure? How can we plan our management depth and experience we need not just for today but for the next 12 months?

Obviously, you do not have to exhaustively answer all of these questions. These are examples that you and your management team need to think through before you actually meet offsite for your business planning process. Through this process, you and your senior managers are beginning to assess your business strategies and understand-hopefully objectively-whether your strategies will support your various departmental tactics.

At the end of the day, **long-term financial value** for the company and for your own wealth will be created *only* because your underlying strategies make economic sense over the longer term. Perhaps your product will become the next Google or McDonalds or Zappos, Zoom, Uber or Home Depot. Given that, you need to keep this focus on your personal long-term financial value foremost in your mind, given the amount of risk and investment of time that you are going to take on.

What might make sense before you jump headfirst into writing your business plan is to conduct a formal (this does not have to be a long process) SWOT assessment of your business idea, especially if you have an existing product or service-no matter how small or large your revenue is. Having you and other members of your management team and your advisors participate in a classic, objective, and clinical assessment on your business often represents a very meaningful jumping off point for both your business plan and your periodic planning process.

The output of this exercise will look like the classic SWOT 2-by-2 graphic below. To learn more about creating a SWOT, the best source is any of the materials on the subject **at the Harvard Business School Press.**

Strengths **[Internal]**	**Opportunities** **[external]**
Weaknesses **[Internal]**	**Threats** **[external]**

There are two key components to arrive at a complete SWOT outline. The first is the individual thinking by all the managers on your team as to what they individually believe are the primary Strengths, Weaknesses, Opportunities and Threats. Have your managers think about these in advance and just individually bullet list them down and then go back and do the same in a priority order of 1, 2, 3…

The second is the prioritization by the entire group to agree on what are the top three in each category. Why three? One is simply "*The Rule of Three*", but more importantly, the company management, no matter what its size, cannot deal with creating more than three strategic or tactical responses to each of these categories and even at just three, you will be *very* challenged to tactically execute solutions…especially in 2024.

The objectives of this process are...

1. You want to know, protect, and enhance your core strengths.
2. You want to eliminate your weaknesses (internal), *over time.*
3. You want to invest in your opportunities, *over time.*
4. You want to continuously be aware of your threats (external)

***Just a few* categories of Strengths and Weaknesses to think about as a guide:**

- Resources: financial, intellectual property, location, and people
- Cost advantages from proprietary know-how
- Management experience
- Exclusive access to high grade natural resources
- Favorable access to distribution networks
- Competitive differentiators
- Creativity, innovation, and your ability to develop new products.
- Product range and diversity
- Cooperative ventures.

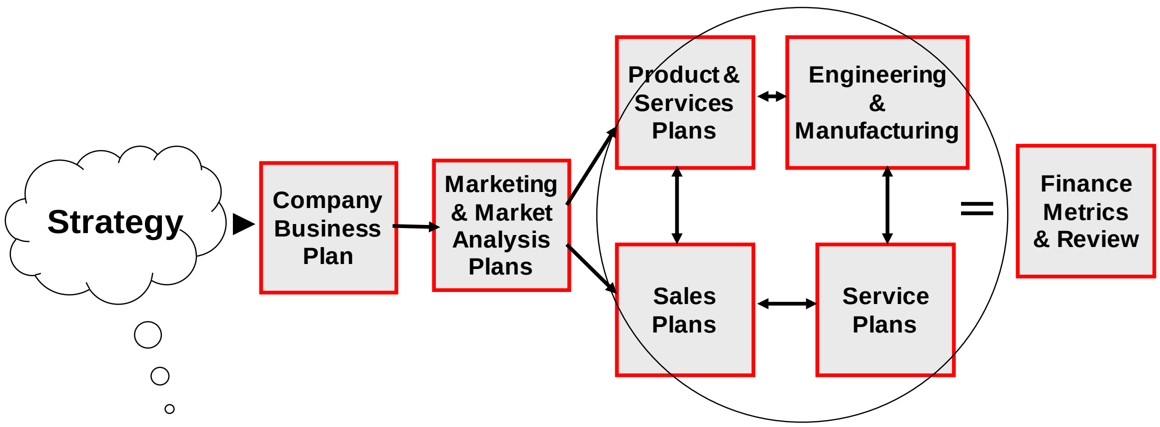
And *a few* categories of Opportunities and Threats:

- Market Trends
- Economic condition
- Buyouts or Mergers
- Joint ventures and strategic alliances
- Expectations of stakeholders
- Technology
- Public expectations
- Competitors and competitive actions
- Poor Public Relations development
- Global Markets
- Environmental conditions and regulations

Just a note as to Threats-*do not overthink the threats*. Yes, of course, your competitors are threats, and yes, they are external. If there are one or two major competitors, you might want to identify them with just their names, but you are going to cover that in your market competitors' sections. Yes, the wars are threats, but that's obvious, and from your actual business, there's little that you can do, unless of course you are selling into those actual geographic markets or you have critical sources of supply in those regions.

A Business Planning Architecture

(Everything needs to fit)



The CEO's Job is One Simple Thing:
Create Highly Scalable Growth

Developing Operating Strategies

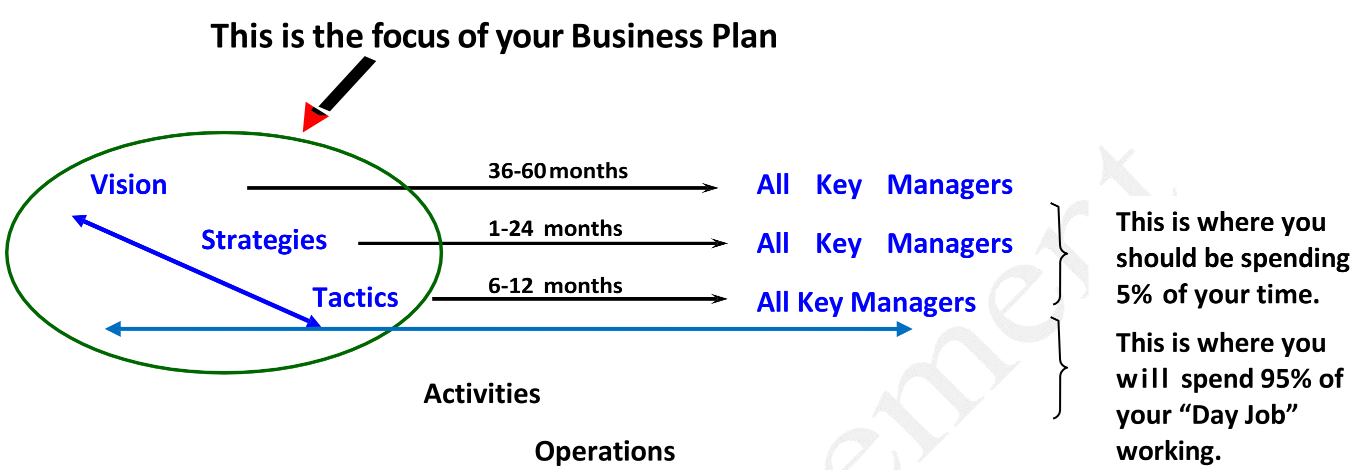
Figuring out your company strategies:

Don't be put off by this often-confusing word, ***"Strategy"*.** Just translate this commonly misunderstood and incorrectly used word, ***"Strategy,"*** into the phase of ***"Primary Future Directions"***. You need to be concerned about your ability to clearly define the ***primary future directions*** and the primary tactics that will lead you into the vision of the future that you have set for your company and for yourself.

There are going to be five components of your plan …

1. Clearly state your vision of your company's future.
2. Define your three to five key strategies that will support that vision.
3. One ***Vision***, three to five ***Strategies***
4. Everything else becomes highly integrated ***Tactics,*** their ***Objectives,*** *and their* ***Activities.***
5. The sum of all of that becomes your business plan.

Business Plan Architecture…



We created the graphic above to visualize the differences between the words ***"Vision"***, ***"Strategies"*** and ***"Tactics."*** Management's primary responsibility is to create a totally integrated balance within the circle. Too loose a Vision or too many Strategies, and there will be chaos since it will become impossible to tie the Tactics together. On the other hand, too few Strategies or weak and marginally effective Tactics will not lead to significant growth for your business.

Key points:

- All **Tactics** have **Objectives**.
- All **Objectives** have dates and metrics.
- **Activities** are where the rubber hits the road. What you can manage best is your and your team's activities, all of which need to have definitive timelines with specific metrics.

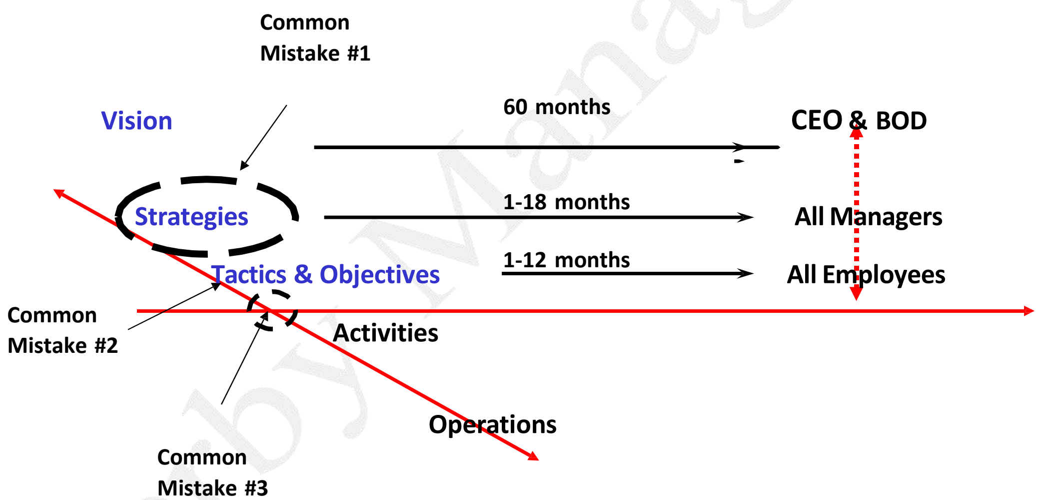
There are no set rules about the timelines for Visions, Strategies and Tactics, but here are a few guidelines that we have found useful over the years in conducting 30-40 strategy and business planning sessions a year.

- ✓ Visions should look out 36 to 60 months. Do not waste time with a ten-year vision. Again, even in "normal times, there are simply too many market changes for visions of more than five years, and you have a business to run…*today.*
- ✓ Strategies (The "Primary Directions") tend to look out for 12-18-24 months.
- ✓ Tactics typically work well if they are locked in for your 12-month operating plan.

In 2024, you are going to heavily lock down your planning and your investment into both Tactics and Activities There may be 10-year Visions somewhere-indeed, one of our clients, Steinway & Sons, in business for 165 years, clearly has a well-defined vision, but typically, Visions morph over time and certainly Strategies and Tactics will change significantly over two and three years.

Let's take a slightly different view of the same graphic…

Business Planning Architecture



Derby Management Proprietary Content-2010 ©

We have found three common mistakes that companies make in their business planning process and in their business plans.

Mistake #1

The most grievous mistake is that management, and especially management in early stage and mid-market companies, does not formally come together at least once a year to decide what they will and won't do strategically and tactically. The best companies that we know do this religiously a minimum of two times a year, and the most successful take a full day once per quarter. The planning architecture that we currently want all our companies to incorporate, no matter what their size is that of "a rolling planning process". Once a year, typically early in the first half of the year, management convenes a two-day offsite meeting to work through their primary directions for the next 12 and 18 months. Then once a quarter, typically during the first week of the new quarter, they assemble again for what we call "a long half day" to talk through how they're doing against the strategic plans that they set out earlier in the year. Finally, they spend another day or two in early October going through strategic assumptions in preparation for the following year's business plan that will be submitted to their board in December. The result of this is a natural rhythm reflecting the flow and ebb of the business which leads directly into the actual financial planning for the subsequent year. Done well, this planning rhythm works all the time in producing consistent results that either make or surpass their annual business plans.

In 2024, given the abnormal amount and type of changes that will be taking place, we are strongly recommending that plans of all types-business plans, sales plans, marketing plans and product development plans be developed for the full year and then reviewed and replanned for the next 90 days. The primary issue often comes down to choosing the longer-term investments, the strategies, the directions, and the business thrusts, where the wood goes behind the arrow, and then getting all the management team, the directors, and the investors to agree that these are the best choices. "Choosing" is the critical operative word here when producing a business plan. But in our experience making declarative statements of "choosing what not to do" is even more difficult, and it is equally important…especially today.

Mistake #2

The senior managers must be able to document, for the company as a whole, their tactical operating plans for at least 12 months. Too often these plans are just financial plans or are so general or are just "big bullets" in PowerPoint deck such that they are meaningless.

We like to see activity and battle plans for the company for the entire year and most importantly, very detailed plans at the departmental level for each of the upcoming quarters. At the beginning of each quarter, there should be a peer review of performance against expectations among all the senior department managers in QBRs (Quarterly Business Reviews). Why peer reviews? Because discussions among peers provide extraordinary learning platforms and a series of "lessons learned" and "best practices" for the entire management team.

Mistake #3

Mistake #3 comes down to the issue of planning in general. The horizontal red arrow on Page 33 above "Activities" points to the dividing line that managers take between *planning* for the company and *running* it. The most successful entrepreneurs we know adopt annual structures in their planning process budgeting with enough time to gather the senior managers, go offsite and align their primary strategies and tactics for the future 12 months. In this environment of 2024, very often these sessions go immediately to the "Activities" level.

Think about this issue in terms of hours. Consider that the average manager will work on average 60 hours a week, or 3,000 hours a year, more for many senior managers and for entrepreneurs, more still. What percentage of that time does the senior team devote to planning the business for the next one and two years? We believe that the correct answer is 5% or about 150 hours a year, planning for the long run of the next 12-18 months. In actuality, the number we experience in our companies for true strategic planning is probably more like 100 hours a year. But even 100 hours is an improvement over the zero hours that all too many business managers spend planning.

Besides integrating and balancing Vision, Strategies and Tactics, it is also critical for senior management to consistently explain and involve all the employees in the architecture of the business linking Vision to Sales, Marketing, Product Development, Operations and Finance. Everything within this architecture must tie together and be balanced with the expectations of management, growth objectives and the company's financial resources.

Any good manager can run a company on the basis of short-term objectives and the actions that are necessary to achieve those objectives. This is merely "management maintenance". It's always necessary to some degree, and it's a teachable skill. There is nothing wrong with managers who possess this skill, and in this year of 2024, this ability is a prized skillset since we must be focused on the short periods of 3-6-9 and 12 months. Until the geopolitical problems are tamed and the results of the U.S. elections are known, 2024 will be a period of hunkering down on one hand and on other, planning for what we believe will be a sharp increase in business overall in 2024 and 2025 even given these challenges.

At the same time, maintenance is not very exciting for entrepreneurs in general, and, as importantly, a slow growth company is not attractive to professional venture or PE investors. It does nothing, moreover, to build growth or longer-term value in the enterprise. And most importantly, it's not the real job of senior management. We call this "screwdriver management" because when we first observed it several years ago, the founder-CEO of our client, an early-stage $2 million box manufacturer, literally always had a couple of screwdrivers in his back pocket so that when he was out in the factory, he could check things out and tweak the adjustments on the manufacturing equipment. Although he had been successful in designing innovative production equipment, when the company was smaller, we recommended to the board of directors that he be replaced since he was not the right person to grow the business. The company recruited a new CEO, who had previously founded and managed a $30 million business, and he successfully led our client through three years of very rapid and profitable growth.

The founder, by the way, stayed with the business in a different role, participated heavily with management and made a lot of money at the exit.

Senior management's most important rue job is planning the business strategically and leading it to a new plateau of growth. By working in hundreds of companies, we've found that long term success cannot be achieved without a thoroughly analyzed, multi-year business plan and the foundation of any planning process is to focus on integrating Vision with strategies and tactics. Modifying this process for dealing with the unknowns of 2024, the underlying planning foundation should be to pay attention to strategy, of course, but the business execution focus needs to be on tactics and activities that are ten feet off the ground and not 100. We often use the term "fingers in the dirt" more and more to describe our best management teams. These are the teams that are able to move quickly from the top of the forest, where they can envision all of the trees, and then move immediately down to the planting of new seeds for new trees that will begin to grow 12 and 24 months from now.

As an exercise, take a couple of hours for yourself and your managers and answer these questions to get the planning juices flowing for you and your senior managers. This self-evaluation typically begins with an objective analysis of the company's strengths and weaknesses. Let's start there.

Gather your team of managers and advisors together either physically or virtually with Zoom. This is an exercise that can be easily accomplished online with an experienced facilitator and whiteboarding and brainstorming tools. Ask each of them to describe the top three strengths and weaknesses of the business as a whole. Then ask them to do the same for their own departments. When you complete this strengths and weaknesses exercise, go through the questions listed below. By the way, this entire process should take no more than half a day and requires little preparation except individual thought, but it's an excellent way to begin engaging the senior team to think through the important issues for your business plan.

General Planning Process:

- Do we have a well-defined and written Vision of what this company will become?
- How can we translate this Vision more effectively to our customers and employees?
- Do we have a “Command of the Message” that fully describes what we do?
- Does everyone in management and In Sales use that same message? They must!
- Do we have a concept of a single OST- **the one simple thing-** about our business?
- Do we have effective Value Propositions tied directly to our personas?
- Do the strategies and tactics we use play to our primary strengths and competencies?
- Do we have integrated Sales and Marketing processes with measurable steps?
- Do we have a documented planning and quarterly business review process?
- Do we have an “A” level senior team? Where is our bench strength going to come from?
- Do we know enough about our market to define three new growth opportunities?
- Do we need outside assistance to help us develop this plan or would that slow us down?
- Do we have the right skills internally to be able to answer these questions objectively?

Market Planning:

- Do we sufficiently understand our markets, our customers, and our competitors?
- Do we have a firm grasp of customer needs today and for the next two years?
- Have we created specific personas for our customers and understand their needs?
- Does our current product portfolio keep pace with expected technology changes?
- Do we have a two-year product development and customer success plan?
- Do we fully understand how to create online marketing lead generation and branding?
- Do we have the right skills internally to be able to answer these questions objectively?
- Where do we go to find the expertise we need?

Sales & Marketing Planning:

- Do we have a cost-effective, detailed sales process in place?

- Do we have documented selling tools, checklists, and presentation templates in place? You should read The Checklist Manifesto if you want to learn about checklist successes. Having said that, checklists are only one of the many tools that you will need today in a documented and fully committed to sales process by everyone on the team.

- Do we require formal sales processes, with written games plans and certification? The answer to this question is *"yes",* by the way!

- Do we have the correct sales organizational structure in place for the next two years?

- Do we have the right sales correct channels for cost effective growth? What are the alternatives we should explore? Do we need field salespeople either direct or through channel partners?

- Do we have the right Sales & Marketing team currently in place? Are they really "A" players?

- Do we have an effective online sales strategy, both internally and for our customers?

- Do we have the skills to develop cost effective online and traditional marketing tactics?

Financial Planning:

● Do we have a detailed one and two-year plan for revenues, margins, EBITDA, and cash?

● What's the probability of our success? What must we do to improve our margins?

● Can we raise capital? What's our experience? How long will it take?

● What support do we need from our investors, suppliers, and bankers?

● What are the key dashboard metrics that we need to measure for finance, for sales, for marketing and for customer success?

Management and Organizational Planning:

● Do we have the necessary management experience and skills?

● Where are our weak points? Where do we need to upgrade and bring in new talent?

● Am I the best person to lead this company/department as its senior manager?

● How long will the implementation of this new business plan realistically require?

● What are the risks of following these strategies?

Again, these lists are not meant to be exhaustive. There are many, many more questions that should be asked in a full strategic planning process. The intent here is merely to get you thinking through the types of issues and growth opportunities that will need to be addressed as you start writing a multi-year business plan and most importantly, growing your business.

Reviewing Assumptions

Business Assumptions:

Before you jump directly into the process of actually writing your business plan, you need to provide a few guidelines or boundaries, and these are called assumptions. It is critical for yourself, the entire management team, and the external readers of your plan to describe the assumptions that define a few of these guidelines and define your planning environment ***at the time*** you are writing your business plan. Given that, and given that it's 2024, and we are looking into both this year and next with foggy glasses regarding the Fed and interest rates, the debt ceiling, inflation and, of course, the U.S. elections, you will need to define your assumptions relative to your timing of events and your related financials. A simple example would be in your marketing planning relative to attending trade shows and conferences. Another example would be a tactical decision about holding national and regional sales meetings and their related travel, and then, of course, the bigger decisions as to your selling models.

Your assumptions should be realistic. They should not include everything that could possibly go wrong in the business. Murphy's Law is going to impact your business in any event. You cannot build a healthy, fast growth business by delineating everything that *might* go wrong. There should be a managed balance between what the business and its markets can realistically expect, and the unknowns involved in forecasting. Your assumptions must be rooted in a supportable pattern of logic and quantifiable data. The primary assumptions you should consider before you begin writing your plan—not all of which are applicable to your company—are:

External Assumptions Primary Issues You Need to Consider

The first and most critical thing that you need to think through and clearly state is what are your internal business and customer assumptions regarding the pandemic. This does not need-and should not be-a long treatise about geopolitics or Covid and their related impact on the markets and the overall economy. It can be as direct as two well-constructed paragraphs with some underlying bullets outlining the assumptions you have made as a management team at the= time of writing your business plan.

Additional Assumptions:

Competition	What's new/ looming in our two-year outlook?
Energy & Environment	How will these affect our margins?
Inflation	Who knows? Start listening to Bloomberg daily for objectivity
Market	What are the primary analysts forecasting for your market?
Materials	What's the cost/supply impact of critical suppliers?
People	Do you expect a market shortage of critical people?
People	What are the 3-6-9-12-18-month critical hires?
Regulations	What's the government planning 1-2 years from now?
Technology	What are the implications of future technologies?
Taxes & Tariffs	Are there upcoming changes?

Internal Assumptions	The Detail You Must Know
Value Propositions	Specific Value Props for specific personas
Market data	Both primary and secondary sources.
Customer data	Survey data from individual categories of personas.
Sales forecasts	by period, unit, anticipated price changes and major customers.
Sales metrics	by sales/salesperson, cost of acquisition, lifetime value.
Cost of Sales	By channel and expected margin. CAC/customer type
Sales Expenses	By sales channel, commissions, and promotional activities.
Cost of Goods	By detailed primary cost components, lead times, inventory.
Margins	By product line, critical materials, sales activities.
G&A	By specific department, headcount, leases, benefit plans.
Receivables	By forecasted sales, days outstanding.
Capital	By specific expenditures.
Financing	Timelines and type of capital.
Technology	Product roadmaps and timing strategies.
Marketing	All of the waterfall math of marketing campaign to closed sale

The Business Plan Outline

What's Included?

7 to 8 Sections:

1. Executive Summary
2. Introduction to the business
3. Overview of the markets
4. Overview of Sales & Marketing plans
5. Overview of products and roadmaps
6. Summary of Manufacturing or Operations
7. Management team bios
8. Four pages of financials

This is the content outline & flow that you need to keep in mind through this entire process of writing the plan.

This section describes a typical outline for your business plan, and I'd like you to keep the eight points above, and their relative flow, in your head as you're creating your own busines plan. There are typically seven to nine sections, but we have also been involved in preparing many plans containing from six to ten sections. A number of sections—like the "Executive Summary" and the "Financials"—are ***always*** presented in the order that we recommend here-first and last. At the same time, depending on what's most important to the future of your own emerging business, you may want to reorder some of the other sections. The most critical point is that you must continue to ask yourself if the order of presentation will make sense to a reader who does not know anything about your business and may not know much about your market. Think of yourself as the author of a wonderfully complex novel that you expect to hit the best seller list. You should regard this plan in the same light. Every successful novelist first outlines the flow of the book. You should do the same before you start writing your plan.

You must first explain your business. If I am on page two of any business plan, and I cannot easily describe the business, the market, the target customers and how the business is going to make money (referred to as "the business model"), then I may just put the plan aside and go on to something "easier", *and probably never pick up that plan again*. It all depends on my time, which I don't have much of, and who referenced the plan to me to review.

In my management consulting business, running Derby Management, teaching every semester at MIT and at Tufts, where I have been teaching at the Derby Entrepreneurship Center, plus my role as a venture partner at Converge Venture and in the past as Chairman of Common Angels, while facilitating 20-30 planning sessions a year, I also personally review 500-600 business plans every year. I am also currently launching a new medtech business as a co-founder, and in 2022 co-founded a new beverage business. Once an entrepreneur, always an entrepreneur!

My own decisions on moving ahead with any business plan often come down to my own level of interest, my available time and who referred the business plan to me. Typically, our 1,000 plus Tufts students taking our entrepreneurship courses will get priority over anything else, with 80 of those being part of my own two courses in Marketing and in the Science of Sales. The primary point here is for you to understand the priorities of an investor-either for venture or private equity. What I do know from 30 years of being in the investing game is that there's no one just sitting around with nothing to do or just dying to read yet another business plan.

Do you succinctly explain the business and also explain why you and your management can make it a success? In order to do this, I do what I call "a quick investor's read". If I'm five minutes into the plan, and I can't understand the business model and how the founders plan to make money, I will simply set it aside and possibly pass it on to someone else, or more likely just respond that I'm not interested. By the way, unfortunately I'm never going to meet *"just for coffee"*, unless you are already a customer, or one of my students, or you have come highly recommended from one of our customers or my co-investors. Other than that, I am simply way overscheduled already, which is exactly why your business plan must speak for both you and your business. The same applies to *"jumping on a Zoom meeting."* Just don't ask if you're not an existing customer, a co-investor or from Tufts or MIT. Nothing against you personally, it's just that I simply don't have the time. If you're being referred from someone that I know well, have them connect me first to do the intro.

Once you have explained the business model on the first page or two, you should continue to excite the reader with either the market opportunity or the products or the services that are central to the company's success. If you begin with the product or the service, then you must follow that section immediately with the Market section, typically followed by the Sales section and the details of how you plan to penetrate the markets.

You are going to write the Executive Summary last, after everything is finished. In 100% of the best business plans, a two-page Executive Summary is essential. It is your calling card when someone asks you to send them a business plan. Tease the reader two pages before you send them 30.

The bottom line is that you must think like an outside reader. How will an angel or a venture or PE investor…or a potential key manager that you are trying to recruit…assess your business based on your business plan? What's the most logical flow of information that immediately provides outsiders, not only with a firm understanding of what you're attempting to do, but also encourages them to be part of your success.

- What's compelling enough about your business that you're willing to risk everything plus raise outside capital and take on debt and look for attention from outside partners and advisors?

- What's compelling and differentiated enough in your products and services that prospective customers, who don't even know that you exist today, (and are already spending their dollars elsewhere) are going to stop doing whatever they're doing and pay attention to you for ten minutes of a telephone sales call or take one minute to read past your blog headline?

- What's the differentiated value that you bring to your customers? Why this and especially now in 2024 considering the challenges surrounding us? What makes the financial return of doing business with you more attractive than doing business with the other guy? The issue is not whether you are "unique" as much as it is whether you can create value for the new prospect to purchase and for your existing customers to purchase more. In today's world, value creation in terms of what value do you bring me, and my customers is measured by two types of managers.

One of those, as you would expect, are the financial managers and their language is ROI. And you might as well build into this business plan with specific but simple ROI and TCO (Total Cost of Ownership) models that demonstrate a return. In addition to the standard ROI type metrics, extend your thinking to business metrics such as reducing the CAC (the sales and marketing cost of acquisition), increasing the retention rate of your customer and your customer's customers and the LTV (lifetime value) of a customer.

Today, there's a myriad of financial and non-financial business metrics that are commonplace in ROI measurement, and your plan needs to be in line with how business managers in general, and investors and bankers specifically, measure ongoing performance. Besides, your salespeople can use some of these standard financial tools in their own sales presentations to their customers.

The other manager is the head of Sales or Marketing, who in today's world, is almost totally focused on selling customer value. What is your product or your service going to provide in financial terms as business drivers to your new prospect or existing customer?
Compelling Value Propositions have become the new currency in both Sales and Marketing.

A Value Proposition has 3 critical components:

1. What are the business drivers that you move? (revenue, expense, time, profit)?
2. Add a verb, typically “increase” or “decrease?
3. By how much? You must have a metric or an approximate range of metrics.

Let me give you an example of the primary value proposition we use for our own business:
“At Derby Management, we can increase the effectivity of your salespeople by 30% in one year. At one of our clients with 50 salespeople, we were able to assist in increasing sales by 20% in 12 months while reducing the sales cycle by two months.”

If you remember to answer these questions relating to "compelling need" and “differentiated value creation” all the way through your business planning process and the actual writing of your business plan, and then your sales and marketing plans, we guarantee you that your plan will be more compelling to your audience whether that audience consists your board of directors, potential investors and, most importantly, your leadership team.

In terms of the business, always focus your considerations on the minds and wallets of the key decision makers of your prospective customers.

- What's unique about your product and service offerings?
- What is it that demands the attention of those individuals?
- What is it that encourages those people to keep coming back for more?

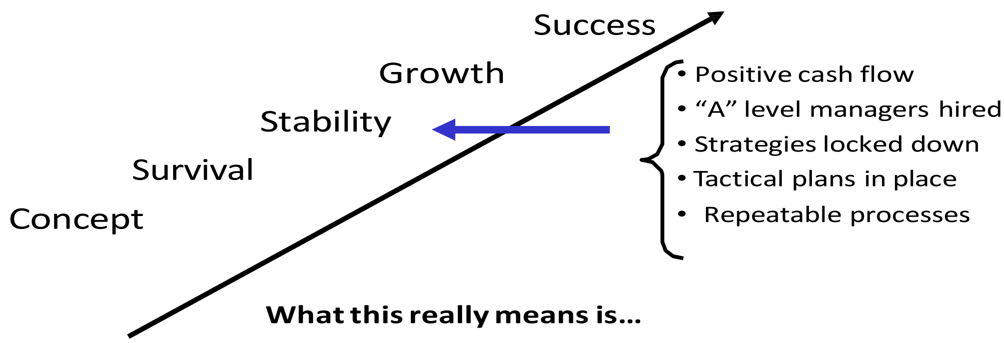
In the world of angel financing and venture capital, entrepreneurs and even experienced managers of later stage companies typically lose out and don't get funded or their business plans get approved not because their ideas were poor, and not because they didn't have many of the necessary ingredients for success, but because one of the hundreds of competing business plans that had nothing to do with their specific product was more interesting, more compelling, and presented a potentially larger financial return opportunity for that investor. I would point out here that the most typical failure point for not getting the interest of potential investors is the lack of detailed understanding of the customer value propositions and an inability to tell that value story in sales, marketing, and financial terms. All of this applies equally to both startups with investors and established companies with boards of directors or advisors.

As long as we are on the subject of approaching investors, one of the initial keys to success of having your business plan read is to have a trusted advisor present your plan to potential investors on your behalf. The very best introduction is through an existing or prior CEO of one of the venture/angel/angel group portfolio investments or a limited partner for their fund.

Last Comment:

As an architect of your business plan, you want to take the reader along this path of value creation. Move the reader from "Concept" to "Stability" very quickly over the first two years. Through the words of your business plan, let that person know exactly how you are going to achieve the five-key metrics of Stability as quickly as possible.

The Five Stages of Growth



What this really means is…

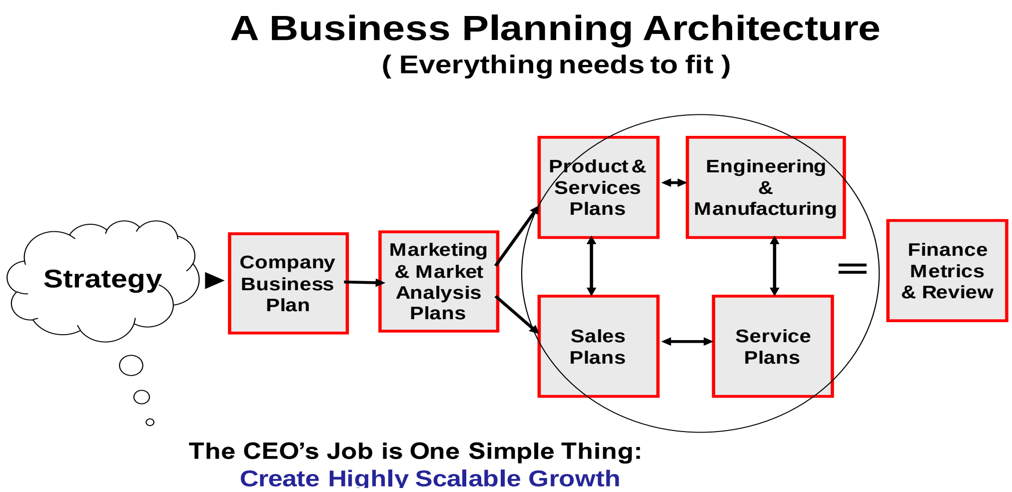
- There must be metrics at every stage
- New businesses must reach **Stability in 24 months**
- In order to succeed every business must grow

34

Working through the plan sections

Creating the Architecture where you are the Architect.

There are two points to consider here. **First**, where in the overall structure of the business does my business plan fit? The best way to think about this is to look at the graphic below:



Everything begins with your company's business plan. Every aspect of your marketing plan in terms of product direction and market definition, every component in your sales tactics, every strategy of how your products and services are going to be developed and ultimately sold and supported will be based on the fundamental architecture of your underlying business plan. And of course, all those details will lead the reader to understand the financials which will be the final component of your business plan.

Second, understand the basic architecture of the plan's content and how it flows. What is bulleted below provides and outline of the points that will be discussed in more detail later in the section-by-section part of this book.

Section 1: The Executive Summary

You're going to write this section last since it's meant to be just what it's called - *"a summary".*

Section 2: Introduction to the Business

1. A simple-to-understand description of your business, the industry, and the markets.
2. An overview of the business opportunity … What is it? Why is it compelling?
3. A clear definition of the revenue and profit model. How are you going to make money?
4. A succinct outline of the market and the customer profiles.
5. An attention-grabbing definition of your products, systems, and services.

Section 3: The Market

1. Market analysis and penetration strategies. You must in this section address the financial and health realities of 2024 and, as best as you can, those of 2025.

.1 Market Opportunity	What's the growth rate and trends: US and worldwide?
.2 Customer Analysis	What are the specific customer needs? Pain points?
.3 Compelling Attributes	What's innovative? Why will your customers buy?
.4 Competitive Analysis	What are the competition's advantages and risks?
.5 Value Proposition	What's the clear, differentiating customer value?

Section 4: Sales & Marketing

1. Market strategy: *'The Marketing Plan'*

.1 Situation Analysis	This is a very brief classic SWOT analysis.
.2 Business Opportunity	What's your basic business opportunity?
.3 Pricing Analysis	Why will your pricing strategy work?
.4 Marketing Tactics	Must be rich in content, innovative and highly efficient.
.5 Persona Definition	Detailed definitions of who you are targeting/market

2. Sales strategy: *'The Sales Plan'*

.1 Distribution Channels	What are the channels? Why and when?
.2 Sales Models	Define the financials and metrics of your models.
.3 Primary Tactics	Detail the primary tactical penetration plans.
.4 Organization	Discuss the go-forward organization structure
.5 People	Define the structure and who you will recruit and retain

In a post-Covid world, sales processes, selling tactics, tools and models have changed forever. There is no "going back" to pre-2020 in terms of how products are sold so make sure that your plan is reflective of what has become "the new normal" of very limited travel time, and online communication and video tools. Ask for our e-book "Selling in 2024"!

Section 5: Products, Engineering and Product Development

1. What are the company's core technical competencies?
2. What's the product roadmap over the next two and three years?
3. What's the current status of research and development?
4. What's the project development status: timetables and projected costs?
5. What's unique, innovative and blocks or slows down the competition?
6. What's the proprietary status of the technology? Any patents, copyrights, trademarks?

Section 6: Manufacturing or Operations

1. Cite experience and core competencies if production and operations are internal.
2. Identify in detail your outsourcing potentials, competencies, and timelines.
3. Specify costs and cost reduction plans.
4. Identify any important sole source or critical production engineering situations.

Section 7: Management Team

1. Do not include resumes. There will be plenty of time later to provide these.
2. Do hyperlink names to their Linked Ins
3. Create a very short, one-paragraph bio for each key manager.
4. Identify key “To-Be-Hires” and your timetable to hire these key managers.
5. Include very short bios for *primary* advisors if any and Directors.

Section 8: Financials

1. Provide the highlights of the financial plan and your overall financing strategy.
2. Provide standard 3-year pro forma statements in standard *investor-ready* formats.
3. By month for the first year and by quarter for years two and three.
4. List the primary underlying business assumptions before you dive into the details.
   .1 Profit and loss
   .2 Balance sheet
   .3 Cash flow- (assume that funding you are looking for is shown in this) .
   .4 Primary uses of funds

5. Exit Strategies. This should be a very short summary of how you would exit if and when you decide to sell the business.

<u>Valuation should never be mentioned</u>! (Did you notice **the bold** and **<u>underlining</u>** here?)

If you attempt to do this, at this stage, your idea of your valuation will always be wrong no matter how you present it! It might be too high or too low, but the reality of valuations is that the time to discuss them is once you have real interest and at least a couple of meetings completed with your potential investor. As an investor, all I want to know at this point is that you will be “reasonable” to work with if we decide to invest. There will be ample time to discuss valuation in detail as your funding process unfolds. It is just not now, and it is never in your business plan!

Section 9: Appendices

There normally is no need to have an appendix. If you do decide to include one, make it very brief. Remember the adage: "One picture is worth a thousand words". This is not a place for "everything else." We usually prefer not to include an appendix at all.

Below is a good summary of the flow of your business plan.

There will be 7 to 8 Sections

1. Executive Summary
2. Introduction to the business
3. Overview of the markets
4. Overview of Sales & Marketing plans
5. Overview of products and roadmaps
6. Summary of Manufacturing or Operations
7. Management team bios
8. Four pages of financials

This flow is also the architecture for how you are going to construct your 20-minute PowerPoint deck.

Section 1: The Executive Summary

The Executive Summary is a two to three-page summary of the company's highlights. It allows the reader to determine quickly if he or she has any interest in your plan. Stay true to ***The Three Rules about Executive Summaries.***

1. **Most readers do not go beyond the Executive Summary.**
2. **All readers will be biased, positively or negatively, by this section.**
3. **All readers will prepare for their first call or meeting with you by re-reading this section.**

<u>**The Components**</u>	<u>**The Focus**</u>
1. The business idea.	Be brief and get to the bottom line quickly.
2. What's compelling?	Answer in market and customer value terms.
3. The market opportunity.	Summarize size, trends, and real opportunities.
4. The target markets.	Define focused market/s and the specific personas.
5. The competitive advantages.	Focus on opportunities but point out the known risks.
6. The management team.	Summarize who they are and their track records.
7. The offering.	State the amount that you need in equity or debt.

This section must be sufficiently appealing and compelling for the readers who will be your potential investors and of equal importance potential new members of your senior team that you are trying to recruit into your company. It's not as easy as it sounds to create a two or three-page document that succinctly describes the business, its long-term value, the overall market and your plan for achieving sales and high margin in that market. These are the salient points on which you must focus your time and writing skills. And remember: **PREPARE THIS SECTION LAST.**

Hints:

• Focused brevity is the most important attribute of this section.

•Four full pages is not a summary. Make it shorter! Being concise is hard work.

•Most investors, bankers and potential acquirers will read this section.

•Many readers will not go beyond this section before they meet with you.

•Ask yourself...

• "What's our compelling business opportunity?" "Why us?"

• "Where's the differentiated value creation?"

…for our customers, investors, managers, and all employees?

• "Can I put this definition of the business on a bumper sticker?"

• "What's the OST-The One Simple Thing-about this business?"

Force yourself to write and review this section with the following points in mind: Think like an overworked investor whose first priority is to their existing portfolio of companies and their management teams.   If you can, have an experienced investor work with you as an advisor through the creation of your plan. Think about taking yourself 100 feet above the deck and looking down at this business plan very objectively. Remember that your carefully contracted and elegantly written summary is only one of the 10 to 20 other business plans and executive summaries that an investor will see during any given week.

• **Focus yourself** to provide total focus everywhere in your plan:

 Focus on your customers, their pain, and their needs. Be specific. Explain these needs.

 Focus on the markets today but also for three years into the future.

 Focus on the specific methods that will allow you to penetrate your customers.

 Focus on doing one or two things really well. Don't confuse the reader.

 Focus on the core of the business and what you need to do to make it a success.

 Focus on the strength of the management team and how you will hire “A” levels.

 Focus on pragmatic answers and conservative financials.

 Focus on creating the most efficient and logical sales models for your customers.

Section 2: The Introduction to the Business

You are at the beginning of the business plan. Explain specifically what the business is and how it will make money. Don't get lost in defining the market yet or dive too deeply into the technology. All that will come later. Focus on just describing the business…and do it succinctly with the recognition that in this somewhat chaotic period of time in 2024, there are other pressures and realities of life and business that will definitely impact your business.

UNLESS YOU EXCITE THE READER, WHO COULD BE A POTENTIAL INVESTOR OR SALES PARTNER OR CRITICAL HIRE, HE OR SHE WILL SIMPLY PUT DOWN YOUR PLAN AND FORGET ABOUT IT AND MOVE ON TO SOMETHING MORE COMPELLING!

Although different in their roles, that highlighted in bold statement above also applies to your board members or the senior management of the larger corporation if you are the head of a division of that company. You want them to be both intellectually and emotionally involved in your business providing their guidance, experience, and connections as part of the success of your business.

Now go into detail regarding your business model. How will it make money? What are the long-term value enhancers that make this business a worthwhile investment? Write about the industry, the company and its products and services. This section should contain:

1. An industry analysis of its current status and, most importantly, its future trends.

2. **The specific target markets and specific target primary customers.** Support these comments with hard data. Never tell the reader: *"… because it's a huge multibillion-dollar market, and all we're seeking is 1% of that market."* If you make general statements like this, you are really telling the reader that you haven't got a clue as to where to go to sell your product or service. I might as well say it here: **Never!** define success as "first mover advantage." That might have been ok in the early Internet years, but most of us lost money on that concept.

3. **A clear description of the products and the value-added services.** Be "technical enough" without being overbearing and losing the reader in confusing terminology. One of my best friends, a very successful venture capitalist in Boston for 30 years, tells management teams that when it comes to technology, he basically understands how a toaster works. The message here: If you lose your audience in techtalk, you will lose your audience in the business model.

This section should provide the following <u>in general overview terms</u>. The next sections will go into the necessary detail. Let the next sections grab the reader and pull them down into the interesting details.

- 3.1. Customer needs, product features, customer benefits and business advantages.
- 3.2. Primary advantages and disadvantages compared to the competition.
- 3.3. Current status, trends and prospects of the industry.
- 3.4. General market size and growth trends. Details will be in the Market section.
- 3.5. Future products, developments, markets, and economic trends.

Hints:

• Reread whatever you have written with the eye of an outsider who may not know the market to the degree that you do…even if that person is a current director or an investor in your company.

• Have you quickly and specifically explained the business, the business model, and how you are planning to create a scalable, highly valuable company? Have you done this in the first paragraph or two of this section? Too many times we have seen business plans go on for a page or two without defining what the business really is. This is not only confusing but also very irritating to the reader.

• Use industry-accepted data and well-known analysts' research, such as Forrester or Gartner in tech, to support your claims and comments about the market and your target customers.

• If you have them, use direct quotations from brand name customers supporting your business and your business directions. You can also do the same with well-known industry analysts, senior managers in the market, and your own business and scientific advisors.

• Be data rich in this section. ***Wow*!** and excite the reader with hard compelling facts.

Section 3: The Market

Market Analysis

This section of the business plan is one of the most difficult to prepare; however, it is also ***the most important section.*** All the other sections of the business plan depend on the market research and analysis that is presented here. Present the facts to convince the reader that the company's products and services have a BIG market opportunity in an expanding industry and can win sales both efficiently and effectively. The information must support your assertions that your company venture can capture a substantial part of the market over the next three years, but also win new business somewhat immediately during the next 6-12-18 months. This statement applies in its thoroughness to emerging startups and existing businesses in any market whether the offering is a product or a service.

So … what's BIG? If your business plan shows solid three-year growth in your startup's sales from nothing to $10 million, that may not be a bad business, but it won't excite most venture investors. The math behind this conclusion has to do with the economics of creating venture funds and assessing the expected rates of return for venture firms. Suffice it to say that the typical venture capitalist will be looking for five-year revenue growth of $50 to $100 million. Whether they will believe you can achieve this goal is another question, but the fundamentals of the market must require this level of year-over-year potential growth. As long as we are on the issue of market size, an investor needs to believe that the overall market already is, or is going to be, north of $500 million; otherwise, the venture or private equity economics just don't work.

If you want to go through the math on why this is so, give us a call at any time. Just email me at jack@derbymanagement.com to set up a telephone call appointment with me or one of my managers, and we'll walk you through the math and the venture issues of limited partners, deal risk and fund returns.

Let's walk away from venture economics since the same thought process of your share of your market applies to any business and how that market defines growth. Is that revenue growth number 10%, 20% or more? The answer is in the data that defines your market, and that market research is available, and what you want to do is to make sure that your business plan is outpacing the market…just a bit. Business plans for turnarounds are also going to be guided by the market growth of the specific industries. Botton line on this is that all the follow-on financial projections in your business plan depend on the validity of the market data and the resulting sales, marketing and product strategies and tactical implementation models that are outlined in this section.

Even after the first of your business plan with potential investors or with your existing directors and bosses, we have seen more business plans abandoned or returned for more work due to the lack of compelling market growth and the lack of a detailed understanding of how to sell into that market, than any other two reasons.

This section of your plan must address:

1. **Customer analysis.**

Customer research and hard data are absolute necessities. You need to discuss customers' specific needs and how you know that these are their needs. Also, you need to identify both your current and your targeted customers. You cannot afford to be general or vague in this section. Verifiable primary survey data goes a long way toward building credibility with the reader. In today's world of easy-to-do online surveys surveying the needs of potential customers and prospects does not have to be an expensive or difficult process.

Any good junior or senior college intern with a marketing major at a good university in your geography will be able to do this for you. Connect with me if you want examples. All my interns are excellent, and since we focus in our courses in "the real world", yes, you will need to pay them. An extension of this tactic is for you to connect with a marketing professor of your alma mater, tell them what you are doing and ask for interns. Any good professor always knows not only skills but those individuals who would appreciate in-depth marketing work.

2. **Market size and trends.**

Verifiable and industry accepted data is an absolute necessity!

Don't even try to explain that since this is "a new market," reliable data doesn't yet exist. You may be correct in that data for a brand-new market may not *yet* exist, but it's out there somewhere either in market data that's analogous to yours or in market data from which you are going to be stealing "*a share of wallet"* and customers. Somebody somewhere is spending money on something similar.

The best example of this issue of unknown market data continually occurs with respect to products and services promoted and sold online. Go no further than Facebook, Instagram or Linked In and any other social networking site or the entire SaaS market in general to convince yourself that dollars have been redirected from traditional areas to markets undreamt of just a few years ago! Still unconvinced, then think about the rapidly evolving world of self-driving cars, the entire industry of "Connected Health" …and, of course, new communication tools where "Zoom" has simply become a verb. Still, still unconvinced? What we will see in generative AI during the next three years will be analogous to the invention of the wheel.

Even though there were, and still are, a multitude of unknowns, our experience is that market sizes and trends can be forecasted with relative accuracy. You must be able to define market forecasts and trends in this section.

Never say that the business is difficult to forecast or that forecasting is hard in an inflationary world of unknowns. Neither your board members or your bosses want to hear that, and from the standpoint of investors, it's the kiss of death since you're really saying, "this is tough work, and I don't know how to do it". Sales forecasts are necessary in building any scalable business, and it's simply unacceptable to say… *"but, in this industry, forecasting is impossible".* One, it's never true, and two, if you really believe that, then you're simply not going to be able to build an investable business. And reason #3 is reason #1: it's never true!

Where do you go to get market data? Get your hands on the market research reports from the large research companies either through friends or associates at large corporations who buy this stuff or go directly to the librarians at the university you attended. If you can, visit the head librarian there, or simply connect with them online. They are wonderfully helpful, and every well-established university already subscribes to the data you will need from companies such as:

-Gartner

-IDG

-Nielsen

-Forrester

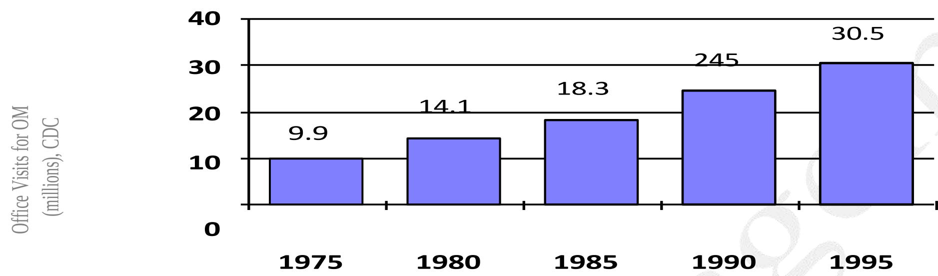
-Hoovers

-Pitchbook

There are countless others, so these names are just to give you a perspective of what's out there. Again, our best advice is to reach out to your university, talk to the research department there and enlist an intern or two to assist you.

Use graphs to show market size. The chart below based on CDC data which we found buried in other data, made a huge impact when we successfully pitched for venture capital at EarCheck, where I was a co-founder and CEO. We successfully conveyed that the disease of Otitis Media was an epidemic … not just "more earaches in kids."

Otitis Media is Epidemic…



- Most frequently diagnosed illness among preschoolers.
  - Children < 2, office visits more than tripled.
  - Children 2-5, office visits more than doubled.
- Cost: $3-$4 billion annually in U.S.
- 25+ million U.S. antibiotic prescriptions annually.
- 1 million P.E. tubes, 1997.

Another source of meaningful market data is to dig into analysts' reports from the large investment banking firms. Referencing market statistics from the bigger firms makes a significant difference as to the veracity of your market.

3. Competitors' strengths and weaknesses.

This includes estimates of your key competitors' market shares and total sales, along with an objective analysis of their strategic directions. Will you be able to get all this information? Maybe, maybe not, but you must give ranges of revenue and what is known about the competition. If all you know about their competitors is their location and their website, you then define yourself as a manager that goes into battle totally unarmed.

Make a realistic assessment of your competitors' strengths and weaknesses. Assess your indirect competition by analyzing the existing substitutes and other alternative products, listing the primary companies that supply them, both domestically and internationally.

In general language, but with specific data, compare competing and substitute products and services based on market share, value, quality, price, performance, delivery, timing, service, warranties, and other related features.

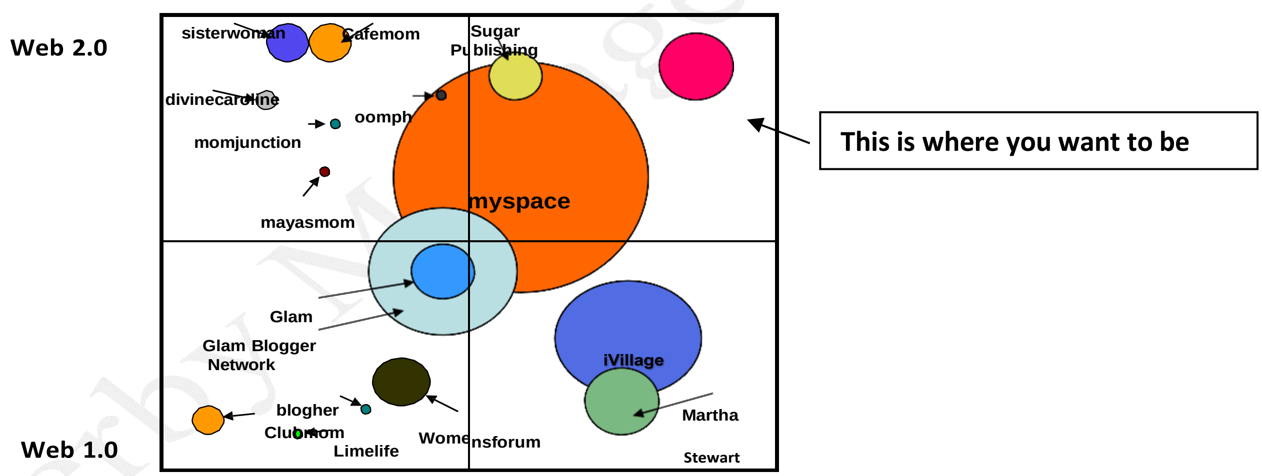
You don't need to include all these details, but you do need to be informative. Convince yourself and your potential investors that you thoroughly understand the competitive landscape. **Never** state that your product is unique and has no competition! And Never, Never tell anyone that "it will sell by itself." First, it won't in any volume, but more importantly, you mark yourself as someone who does not understand the complexities of marketing and selling in 2024.

Discuss the three or four key competitors and why customers buy from them. Discuss why customers will leave them. Explain why specific competitors are vulnerable and how you will capture their business. Indicate any knowledge of your competitors' actions that could lead you to new or improved products and a better position. In essence, you need to anticipate and answer two questions: "What makes your products "better?", and "Why will these customers buy from you and not your competition?"

You should use graphics to represent where your company is and where you want it to be in the competitive grid when it gets funded. This information can be displayed in many ways, but a couple of the most common ways are described below:

The first is a scaled 2-over-2 matrix. You want to be positioned in the upper right-hand quadrant. The other is a table listing you and your competitors across the top and the areas in which you compete in the left-hand column. Your ratings in each block show how you stack up against the competition. Note in this very old graphic below, which was meant to show the power of MySpace, there was no mention of Facebook even though it was already on the market.

Competitive Landscape



The reason that I showed this very old example above is because this entrepreneur (and the rest of the market analysts at that time) clearly regarded Myspace as the 800-pound gorilla at that time. Obviously, that's not so today, and in fact, My Space disintegrated very quickly. The point here is that competitors change, markets change, pricing strategies change and marketing tactics change-today more than ever before. The point here is that you need to constantly stay on top of your competitors and the volatile nature of your markets and the world around you.

This next table example would show your company in the first column and the competition in the following columns. Along the rows, you would list items such as benefits, technical differentiation, ease of use and other attributes demonstrating the superiority of your products and services.

		PhD	Tendril	Greenbx	Contol4	CES	Brultech	TED
Measure	Whole House	✓	SM	SM	SM	✓	✓	✓
	All Circuits	✓	X	X	X	✓	X	X
	Outlets	✓	✓	X	X	X	✓	X
Display	Web Portal	✓	✓	✓	✓	✓	X	X
Monitor	Control Therm./Dev	✓	✓	?	✓	✓	X	X
	Efficiency/ Renew. Anal	✓	X	X	X	X	X	X
	Proactive Alerts	✓	✓	X	X	X	X	X
Mon. Other Sources	Gas/Oil	✓	X	X	X	X	X	X
	PV	✓	✓	X	X	✓	X	X
	Integrate EV	✓	X	X	X	X	X	X

4. **Differentiated Value Creation.**

Compare the fundamental value added or created by your products and services, stating clearly why that value meets the customers' needs both today and two years from now.
Value creation is **THE** key differentiator when comparing your products and services to your competitors.

Let's assume for the moment that your products and services are the same as those of your competitors. We know you believe that your products and your services are far better, but let's assume just for a moment that all are equal.

Ask yourself: What will differentiate your products and services and, most importantly, what specific value will customers derive from purchasing them?

Actually, the best way to do this is to visualize yourself moving to the buyer's side of the table and listen to your own words that you are saying about your products and services. Would you be listening attentively or sarcastically thinking, *"So What? What's in this for me"?*

In today's world of disintermediated channels and seemingly limitless variety of features and pricing options, where a buyer can purchase a product or a service just as easily in Mumbai as they can in Cambridge, value for the buyer is *the* name of the game.

- Where is the value created in your business and your customers' businesses?
- Is it in the business model itself?
- Is it because your products or services are less expensive or faster or create a better return?
- Is it in your sales processes or in the level of your customer service?
- Just where do you create lasting financial and personal value for the buyer?

You must also demonstrate in financial terms specific ROI or TCO models. Buyers and sellers have always discussed projected returns, but most of these discussions have been general and hypothetical. Today, with the uncertainty of the worldwide economy, politics, tariffs, interest rates and international trade in general, creating and demonstrating ROI and TCO models is absolutely essential. Given that, if creating financial value is the buyer's primary decision-making criteria, then make your primary selling criteria the value creation that you create specifically for their company.

Hints:

• Prepare the market analysis section first. Use extreme care in researching and preparing its content and validating all the data.

• This is another great place for the use of charts and graphs. Let the picture tell the story.

You can use this to your advantage, especially in two areas. The first is industry trend data. The second is comparing you with your competitors.

• Do not limit your description to today's products or services. Your market analysis must support future product enhancements. Show where you plan to take your company over the next three to five years.

• Typically, this section is the most difficult to write and takes the most time. Prepare yourself organizationally and mentally when you undertake it.

• Do your research first. Organize all your collected data into folders and browser bookmarks before you sit down to write.

• Try to answer that interesting question that goes around in the heads of venture investors: *"Will the dogs eat the dog food?"* The phrase comes from a case study that was done years ago where a large corporation thoroughly analyzed the market. As only large consumer product companies can, they scrutinized the competition and digested (pun intended) all the data that existed in their quest to develop a new organic dog food with all the wonderful attributes and benefits of smell, color, and vitamins.

Unfortunately, most of the dogs, other than the few in their doggie focus groups, hated the taste. The product was a disaster. I am sure you can add your own examples here. As a marketing guy, I have a long list of product failures even from major companies like Apple and GM.

What you need to do with your products and services is convince yourself and your management team first—then your potential investors, board members and corporate bosses that you have thoroughly answered that question. You may be managing a small business, but there's no reason that you can't do the research and answer that question. Quite frankly, if you don't answer it, the readers of your business plan will form their own answers which will probably be "no deal" or "send me another draft with more detail?

How do you do this? It's relatively simple: Ask your targeted prospects!

- Use focus groups, formal and informal.
- Conduct formal customer or potential customer surveys either by telephone or online.
- For surveys use any of the Google tools. They are the most versatile.
- Talk to everyone you know and record the data.

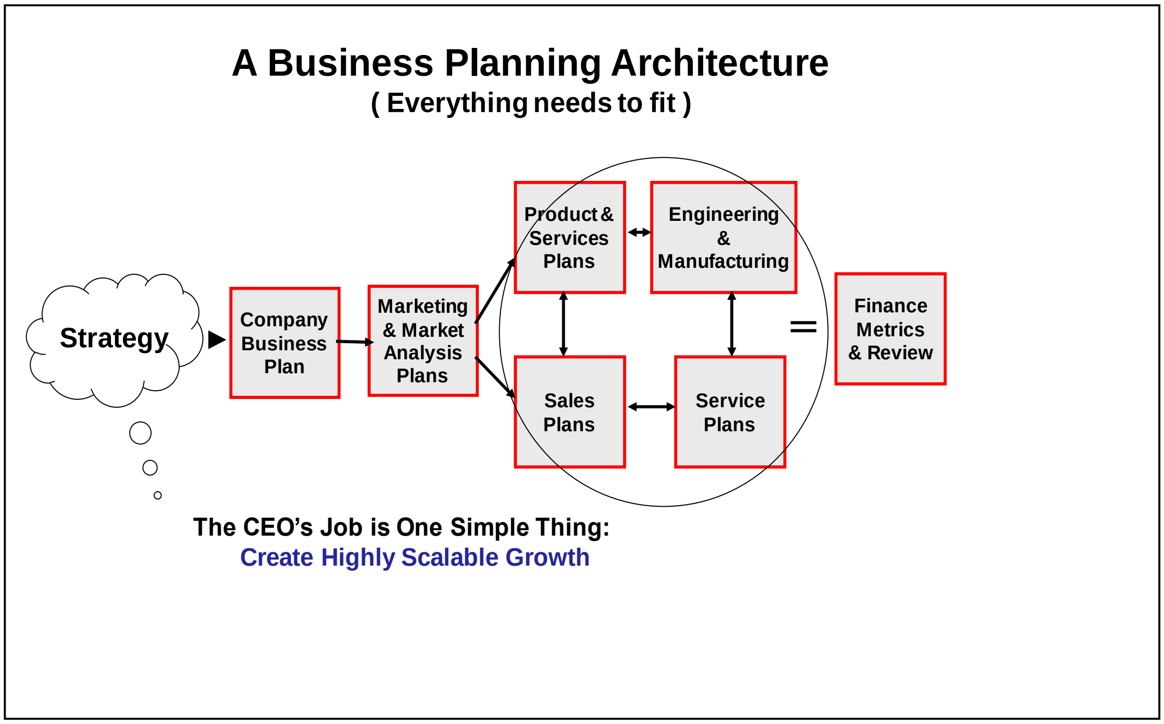
As a professor of marketing at in the Derby Entrepreneurship Center at Tufts and as a lecturer in business planning and marketing at MIT, I would strongly encourage the use of marketing project teams or interns to assist in this process. Go directly to the marketing professors or department heads to ask the question of *" Who are your best students?"* and use that person's guidance to assist you.

Do not believe that focus groups and surveys of prospects are only for large corporations. Well done, they will answer any question that you need answered.

Although surveys and any credible market research will cost you a couple of bucks and may be a possible challenge given the nature of your business, you will find that these will be the most important expenditures of your company's life. Again, my strong advice here is to go back to your university's libraries and ask for their assistance. You need this level of customer, or prospective customer, intimacy if you are planning to commit your career and the careers of your management team, let alone the investment dollars and time of friends, investors, and board members.

Section 4: The Sales & Marketing Plans

Think about Marketing and Sales in terms of their fitting into your company's business architecture. Once you have completed the marketing plan portion of the business plan, outlining market size, segmentation, and competition, you now shift to your sales plans.



The sales plan portion of your business plan is just an outline, but in 2024, it is a detailed outline since during these times tactics and activities count more than strategies. This is not a deep dive into detailed quarterly territory plans and key account plans which you will require your salespeople to construct and present to your senior management team every single quarter.

The sales plan presents the third most critical strategic component of the entire enterprise. It answers the question: ***"How are you going to sell whatever it is that you sell cost effectively and with a scalable and efficient sales model and sales process?"***

The Sales Plan Section should include:

1. Distribution channel strategies.

Convince the reader that you know what you are talking about in terms of your sales model and channels. Assure that person that you know how to hire the best players to execute your plan and that the company's management culture is totally (and we mean *totally*) customer-focused, and customer-intimate. Give examples throughout your plan forcefully demonstrating this principle. Those examples could include the math behind how long it will take to hire, train and coach a new sales hire before that person reaches their planned quota. There should also be specific sales models of what it takes to ramp a new manager, an AE (Account Exec), or a BDR (Business Development Rep) who works as a lead qualifier. During 2024 into the future, assume that all of what we used to call "field" sales reps will be mostly operating out of their home offices. Sales reps are never going back to *"the old days of 2019"* for their sales tactics, processes, and tools. As to their "time in the company office", it will range from "none" to some rhythm of one/two days a week.

Channel strategies need not be singular. You can simultaneously explore both direct sales and sales through leveraged channels such as manufactures reps, dealers, distributors or OEM partners, or combinations of any of these channels. You must make critical strategic decisions to demonstrate your capabilities in this area:

• What is the management bandwidth and margin impact on your company if you choose to use either a direct or an indirect channel?

• Do you need to utilize an indirect channel from the outset, or can it evolve to an indirect model over time?

• Does "direct" mean face-to-face or telephone/zoom or a combination? We know plenty of excellent, senior level salespeople, who close hundreds of orders worth hundreds of thousands of dollars and never leave their home office.

The challenge is to continuously break down the old ways of thinking about salespeople traveling and being on the road and consider how to make that process more cost effective for your company and more time effective for your customers and prospects. What we learned during the first 100 days of Covid is that online sales using Zoom or Teams did not substantially slow down sales volume. With the arrival of more robust AI-based tools, 5G and advanced demo and whiteboarding apps, what we knew and termed in pre-Covid times as “sales travel”, and especially airline travel, will become very selective in 2024.

• Focus on your management’s bandwidth and the amount of money that you have to spend. Channel strategies are not immutable. They change over time as a result of your experience and the company’s growth. Your needs will change, and the resulting sales models will change.

Convince yourself, your management and your potential investors or board members that you have the experience to hire people who can make sales channels decisions cost effectively and then manage the channels to the level of revenues that you’re forecasting while paying attention to the industry norms for your sales and marketing expense model.

Channel selection comes down to being able to define the COS (the cost of the sale-not the cost of the product) needed to make the average sale of a specific period of time. Should you field a direct sales force considering expense, customer impact, and the time to close, or an indirect sales force of manufacturers’ reps, distributors, dealers, or OEMs? This decision can only be made by talented and heavily experienced sales and sales channel managers.

There are exceptions to the rule, but we normally suggest that, if possible, you begin with a direct sales channel if you are executing a startup or a small business. Part of this decision is based on the fact that you may not be able to identify anyone who wants to sell your product at an early stage. Perhaps the more important reason for you to begin with a direct channel, however, is your need for a direct connection with your customers.

The most common argument to use an indirect channel is always the expense of creating a small inside or outside direct salesforce with upfront expenses and long ramp periods. The counterargument for starting with a direct channel using your own people is that you get….

- ✓ 100% interest, attention and focus.
- ✓ Direct feedback regarding your offerings and market data
- ✓ 100% share of mind, rather than splitting that with reps who carry multiple lines.
- ✓ Direct translation of your prospect's and your customer's needs.

Crack the code regarding the most effective sales channel, and we believe that there's no better way to do that than on a direct basis…*at least for a while*.

There will be plenty of time to evolve the sales model to one that is potentially more cost effective … but not at the company's inception or in a small business less than $10 million given the magnitude of change that will occur. If you feel that the business ultimately must adopt an indirect model, that's fine. Just show this process as a natural evolution. Clearly explain in your business plan why, when, and how you are going to make this happen.

Your sales channels—especially more cash consuming direct channels—must be focused on just one thing**:** ***How can I reach our forecasted sales levels in the most cost effective, repeatable, and scalable manner, while achieving the highest level of customer satisfaction?*** There are excellent processes, metrics, sales tactics, and performance measurement tools that enable your sales management to do just that. Your sales plan does not need to go into all the specifics. However, you must convince your potential investor or your board of directors that you and your management team have the experience to make your forecasts happen. More companies fail to achieve their forecasted results because of the inexperience and inadequacies in the sales management than for any other reason.

After serving over 1,600 Derby Management clients in over 30 years, we have never seen a company fail because its product was inadequate! Sure, there have been plenty of product and technology issues, but they have never been the primary reasons for underperformance. The #1 reason for company underperformance, time and time again, is incorrect strategic and tactical decisions in the world of Sales. To this end, you should be guided by our experienced adage, which is…

You must hire major league ballplayers for your sales management. Just "good enough" is absolutely not "good enough"!

Here are a couple of important final points about creating a direct channel.

The first is that a direct channel does not necessarily mean that you are going to fill geographic territories with field people on the street-either physically on the street or even virtually using Zoom or Teams. We like to see a model with a very small number of people "*on the street" (even virtually)*, to reach the required level of customer intimacy-in small, focused geographies, but later, as the company matures, we want to see a larger telephone and online inside sales organization concentrating on sales support and expansion of existing accounts. The classic "hunter/farmer/scout" model we used to use in our terminology has salespeople referred now to as AEs (old term being "Hunter") who are responsible for the sale itself in the funnel from "Discovery" to "Close." These AEs are the primary salespeople in any organization at the top of the funnel under "Qualify" as the first step, you will find a BDR (sometimes labeled "SDRs") whose job is to qualify a sales or marketing lead and set up a Discovery meeting for the AE.

The other category of salesperson then depends on the sales model itself and the decisions that you will make as to whom will be responsible for follow expansion or upselling functions. In every case, the selling skills will be different and will need to be considered in whatever model you use in your business plan. All of this becomes very detailed in your accompanying Sales Plan.

The second point is that in the beginning, there is no need to sell across the entire U.S., let alone the world. Our **“Streets not States**” model is critical to experimenting and proving out your sales models, selling tactics, best practices, and messaging. It is much easier and far less expensive to accomplish that in a few states rather than across the country.

One of our most profitable investments was in a healthcare company about eight years ago that when we sold it, had revenues north of $125 million, was very profitable and never sold outside New England although, it could have sold its products and services anywhere. To most managers, it would have been natural to expand into New York, whether it was NYC or Upstate. To this highly successful management team, New York was never a consideration, and they decided to limit their expansion strictly to New England. In fact, the penetration really focused on Maine, New Hampshire, and eastern Massachusetts. “The Streets-not-States Model” proved to be very effective and very profitable for us as investors.

2. Online Sales Strategy.

You must incorporate ecommerce and online sales and marketing strategies based on using multiple social networks. This does not simply mean marketing banner ads or creating keywords for search optimization or other “standard” components of Inbound Marketing. I’m assuming that you’re already an active corporate user of LinkedIn Navigator, and that your business has an active social media presence since these tactics are absolute baseline requirements today. Strategies of how you are planning to utilize blogs and online communities in the future do belong in the marketing section of your business plan.

Read Dan Tyre’s and Jeff Hockenberry’s book **Inbound Organization** to understand what today’s future is.

Your online business-to-business strategy will employ the same level of tactics and selling tools you will have in your direct-to-business salesperson channel. If you have not thought through this component of your sales and marketing plan, that's going to be a problem, and in the new world order of selling in 2024, you will be totally out of touch. Additionally, you must recognize that in most businesses, you would be operating at a distinct cost and sales cycle disadvantage without utilizing robust online Sales and Marketing processes, tactics, and tools.

3. Sales tactics and customer support mechanisms.

Define the *primary* tactical plans through which you will enter, penetrate, and ultimately become a leader in your specific markets in your defined geographies and in your specific segments of your targeted customers. At the same time, create balance. Remember that you are writing a longer-term business plan, not a 12-month sales plan for which you will require much more detail in terms of tactics, quarterly plans, targeted key accounts, channel selection, customer segmentation and performance metrics.

Do not omit from your business plan the important sales functions of customer success and customer service, lead qualification, and technical support. It's our experience that well-trained business development sales and customer support people *always* provide the most cost-effective sales solutions for both new and existing customers. Plus, by far, they are the most cost-effective solution for upselling and the retention of your existing customers.

Most of your customers will spend most of their time interfacing with your internal sales and support associates, not with the salesperson who visits them occasionally either face to face or over the phone. Spend wisely on your internal people and their technologies, their marketing software systems such as Hubspot (our personal favorite) and Sales CRM systems such as **Hubspot** (our personal favorite for “one single source of truth”) or SFDC or MSCRM, plus their communication support and video tools.

A rule of thumb: the most successful selling organizations today in companies with more than $10 million in annual revenues typically spend approximately $5,000 a year per salesperson for sales technology tools including CRM subscriptions and sales enablement integrated platforms that bolt seamlessly into their CRM platforms. You will discover that these expenses significantly optimize and enable your salesforce.

In today's most highly performing sales organizations, three key phrases are you will hear are "Sales Optimization", "Sales Enablement" and "Sales Readiness" and there's volumes of research behind these new methods to make your sales organization both more efficient and more effective. Even if you're not *exactly* there today, your potential investors and your board members certainly are therefore, you need to quickly become an expert in today's selling and marketing tactics which are steeped in math, metrics, processes and seamlessly integrated technologies.

4. Salesforce Profiles.

You must define the requisite skills, experience and business attributes of your sales management and sales personnel, in the field (if you go there), online and in terms of internal support. A business plan that does not talk specifically about the makeup of the salesforce and its internal support associates, is unrealistic. It betrays management's understanding of the sales process. Relying on your definition of the type of salespeople you plan to hire, potential investors may also be able to identify potential key salespeople from their arsenals of contacts.

Hints:

• Convince the reader you know how to create the exact fit between your customers and your selected sales channels.

• Remain focused on viable procedures, but at the same time avoid allowing your sales tactics to become "cookie cutter" repetitions of other sales channels in your industry. Besides field-tested tactics, include innovations and technology tools linking your salesforce and your customers to your CRM and marketing automation systems.

• Ensure that your customers always have direct access to your representatives through their cell phones and communication tools such as Zoom/Teams and other support apps.

• Explain why your tactics will be more cost effective than your competitors.' Convince your reader that you'll achieve the margins you've forecasted.

• Decide which companies could be your best allies and indirect channels in the future. Whether it's a straight OEM deal, or a much larger business that interacts synergistically with your company, or a licensing arrangement, you will evolve to a multitude of sales methods and partner channels providing you with additional leverage. These may be more effective than fielding your own direct salespeople or even independent reps.

• Just a word about independent reps or, as they are known, "manufacturer's reps". This channel has been a foundation for many industries. More and more, however, it is rapidly falling out of favor because it doesn't provide the necessary customer intimacy. It's easy to think that you have a variable cost of only 5% to 10% on a sale, and that you don't need to actually pay direct salespeople cash until the product ships.

Those facts are true, but you must also consider the significant negative impact of the share-of-mind issue in terms of the actual salesperson who is a manufacturer rep themself. By definition, since time is money, that rep needs to focus on their primary companies that pay the majority of their income. The good news is that if it you and your products, you will reap the benefits of the time that the reps put into closing deals for you. The flip side of that is that if you are not at the top of their list of products, you will not only not get attention, you will most probably be presented with confusion and no value.

We absolutely do not recommend independent reps for young companies, or for that matter, for most established businesses with the exception of a few markets such as retail or commodity products, and even in those traditional markets there are many more, much more effective online models being employed. We believe reps ultimately cost you more in lost business because they typically are not positioned to develop new companies or even new products. Using reps as lead generators may be an opportunity, but they are not as effective as your own direct salespeople representing you and your product on the phone and in front of prospective customers. And don't forget that the qualified lead you receive from a manufacturer's rep is actually much more expensive a lead because your own technical people must often intervene in the majority of most complex sales and complete the actual closing.

• Although you may be able to hire an untested salesperson for a $60,000 base salary, an experienced AE (Account Executive) salesperson will typically cost a total of $150,000-$300,000 per year, including a competitive base, expected commissions, benefits and travel and entertainment expenses. For an experienced BDR who is providing experienced lead generation and detailed product support to the AE, expect to pay between $80,000 to $90,000 in total (base plus benefits-typically no commissions; maybe small quarterly bonuses).

• For field salespeople in 2024, plan on paying travel (car included) expenses. Plan on paying for the use of a cell phone. For air travel and accompanying hotel costs plan on $1,200 a day unless the travel is very regionalized. We will see what unfolds in 2024 regarding sales travel, given that the world of Sales has already totally changed, we never see it returning to the pre-Covid world of 2019.

• For each new salesperson, plan on three months until they become "initially effective," and at least 12 (more like 18) months until they become "fully cost effective" and are reaching their quota consistently. We call this point "full ramp" meaning that they have then reached that point of experience and training that they will consistently be on quota.

For those first three months, you will pay full costs without the new salesperson generating any revenue. In our experience, the "three-month rule" applies even when the person comes from the direct competition. It's our experience that customers typically don't change their allegiances when a salesperson changes to a competitor … especially a smaller competitor.

Following the initial three months, plan on an additional nine to eighteen months of "ramp time" before the new salesperson becomes "fully ramped." During that time, the salesperson is learning and personalizing the company's sales processes and tools. The "Mean-Time-to-Cash-Recovery" for a new salesperson may often be 18-24 plus months after the time of hire.

Creating Sales Optimization

Hire extremely well & "on time"

- Assumes 3 month sales cycle
- Assumes "standard" relationship sale
- Assumes B+ hires

• We have found that when the sales plans of small and emerging businesses fail, it's usually because the company didn't hire heavily experienced, battle-tested sales management. Other than hiring the CEO, filling sales positions are *the most critical* decisions you will make. They will directly determine your company's success.

• For fast growth companies to succeed in selling, they must arm their salespeople with powerful laptops and tablets, networked contact databases, immediate email and text access to the company's CRM system and Zoom/Teams video tools that quickly take the salesperson directly to product data sheets, sales templates, and detailed technical support. Keep in mind that we are still in the very early stages of development of our online video and other communication tools.   Add to this comment that AI will change this landscape dramatically during the next two years.

• There are just a few metrics you should include in your sales and financial models. Build a sales model process using Excel from the bottom up reviewing your AE and BDR math on a monthly basis and then extend that out to each quarter and then annually, figuring in, of course, customer buying seasonality. Ultimately, all of this will direct-report out of your CRM system. Begin, in the short term, just track this in Excel if that all you have and you are not using a CRM.

- **Understanding Sales Models**
  - You must calculate…
  - Hiring rate — time to recruit, hire and onboard
  - Sales ramp #1 — to first sale and #2 to full selling effectiveness
  - Attrition rate — % leave: voluntary and involuntary
  - Average cost — base + plan + benefits + expenses
  - Sales cycle — "hello to close from Discovery to Close
  - Trigger point rates — time between steps in your sales process

This is also a great place for the use of graphics describing your sales and marketing models

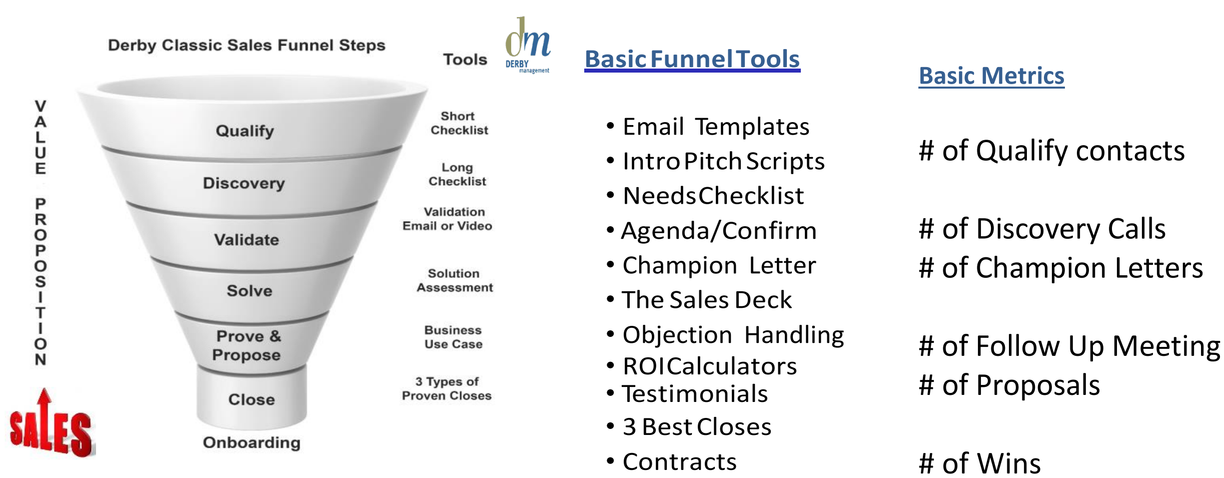
The examples of Sales and Marketing process funnels we've included above are more than just graphics. These are examples of what become *"the way you sell".* Whatever the design becomes of what you design and use for your company, they are meant to be strict processes created for the purpose of discipline, uniformity, and the ability to measure and build on best practices across the entire salesforce. Use them with your CFO, your head of sales and your salespeople in sales planning and in financial modeling of your sales cycles. The trigger points coincide with the six (typical) steps in the sales process.

- The trigger point "# of calls/contacts" fits into "Qualify," the first step in the sales process.
- The second step in the sales process, "Discovery," is measured by the number of actual Zoom calls and then the number of validation letters sent out following the call.
- The third step, "Validate," what occurred during Discovery.

- The fourth step, “Solve,” is accomplished through a wide variety of customized activities that best suit your own requirements. This step typically is the longest.
- And the fifth step, “Proposal,” is measured by the number of “proposals out.”
- And then “Close” is just that.

We are not suggesting that you must reach this level of detail in your sales plan section. It is typical, however, for the specifics of the sales process and the underlying math models to be addressed during early meetings with potential investors, and all of this must tie back to your overall revenue model, and of course to your financial assumptions and forecasts. Add to this that any venture capitalist is steeped in this knowledge and has a deep understanding of all of the sales and marketing metrics used along whatever funnel steps you will be using.

The Classic Derby Process Funnel



Finally, pay attention to ***Jack's Law of 3,000,*** which is based on an ideal *of* a dedicated salesperson actually working 60 hours a week, or about 3,000 hours a year.

3120	Salesperson's Hours/Week/Year
- 180	15 days' vacation
- 40	5 sick + personal days
- 80	10 company holidays
- 180	training, sales + company meetings
- 15%	standard non-utilizable time (breaks, getting started, etc)
= 2,244	total ***Available Hours to Sell***
x 50%	sales effectiveness (50% of the time they sell, they close, which is a *very* high rate)
= **1122**	available selling time or management time

The bottom line of **Jack's Law of 3,000** is that *good* salespeople, only have about 1,000 to 1,200 hours a year to actually sell and effectively close business for you, so your most important job as a manager is to make that time highly effective and to eliminate everything else from their activity that takes away from their effectiveness as sales warriors.

3.3 The Marketing Plan:

This section should describe how the sales projections in your financials will be attained in terms of product and market segmentation, positioning, marketing activities and promotional campaigns. It summarizes the content of your company's more detailed company marketing plan in a condensed fashion. Yes, you do need a written Marketing Plan!

It should include:

1. Your market segmentation strategies-what, why now, evolution over time?
2. Your overall marketing strategies. These include your primary tactics, events, materials and a summary of their costs and expenses.
3. Your pricing strategy. Convince your reader that there is a relationship between price and margin to market share, growth rate and profits. Thoroughly explain your present pricing strategy. How will it change over time? What is its relation to your planned product extensions and new products?
4. Your Value Propositions. What are they? How will they change? How are you planning to deliver them? Your marketing message may be different in form and in methods from your selling message.
5. Your promotional strategy and your primary tactics. Don't fall into the trap of "all other."

Many business plans we read list marketing tactics, especially promotional tactics like an all-inclusive shopping list: *"We will do PR along with national and regional ads plus banner ads, national and regional trade shows, and, of course, social media…, which sums up our marketing plan."*

What that really shows is the inexperience of a management group that is divorced from the reality of marketing in today's environment of cluttered messages and hundreds, actually thousands, of media opportunities that are going after the exact same customers as you are…*every single day.* Specificity and metrics count in creating effective marketing plans today.

The contents of this very short (a page or page and a half at the most) section must be very focused and convince sophisticated readers that you know what you're talking about. At the end of the day, you won't have much money to spend on marketing programs, so you need to maximize the impact of these expenditures. As a result, the reader needs to understand that you understand the math and the buyer's journey along the path from awareness to lead generation to qualified opportunities and finally to closed orders.

As a growing company up to around $50 million, the marketing activity you define will be used for one thing and one thing only-lead generation-not PR, not branding, just simple lead generation. Marketing's job is to fuel your experienced and expensive salespeople with qualified leads. This is actually the primary goal of any marketing organization. This is not to say that PR and company and product branding are not important. It is to say that those activities and their related expenses need to be taken into larger consideration of the required lead gen metrics needed to get to the revenue projections for 2024.

Hints:

This section must be highly focused. Show your various strategies and related activities are…

well linked together

directed at specific markets and penetration tactics

tactical and action oriented

measurable in terms of leads generated

cost effective

• Describe what's to be done, how it will be done, when it will be done, and by whom. Don't go into overwhelming detail that will numb the reader. Hit the high points. You can always go into greater detail later during one of your follow-on meetings.

• On one hand, you need to be "standard and true" using the time-tested standards of classic Outbound and of Inbound Marketing and PR. At the same time, however, create balance in describing your Inbound and online approaches. A marketing plan without a fully fleshed out Inbound strategy is worthless!

• In an era when an increasing number of messages fall on the ears and eyes of potential buyers who have no spare time, you must be convincing. Make your ideas different. Make them stand out from the rest of the pack. Basic components in your sales and marketing plans are linked and highly interactive websites, ecommerce tools, open and closed social networks, database marketing programs, marketing automation systems such as our personal favorite, HubSpot, optimized search words and salespeople with networked communication tools and platforms.

• Focus on those geographies that you know best but recognize that most businesses are global. If you are presently focused on the U.S., be prepared to discuss if or when you plan to move into Canada, Europe, Japan, and East Asia. Having noted that here, one of my most successful companies never expanded out of New England.

Section 5: Engineering and Product Development

This section should explain the nature and the extent of the design and development requirements for your products and services over both the short and long term.

1. **Core technologies.** In which technologies does your company excel? Point out your core skill sets. Explain why they are central to your company's success.

2. **Current development status**. What are the costs, and how long will it take to deliver a fully marketable product? Answer these questions whether this is your first product or a new generation of existing products. Also outline the risks. Investors always ask: *"What will you do if the product is 6 or 12 months late?"* Your response cannot be: *"It won't be."* Potential investors also ask: *"What would happen to your schedule if I gave you twice the amount of money that you are requesting for product development?"* The timetable should graphically illustrate the major milestones of your primary development projects.

3. **Product strategy for future products.** What are the funding requirements for the next generation of future products and services … especially in terms of people, skills, and tools?

4. **Intellectual Property.** Describe any patents, trademarks, copyrights, or intellectual property rights you own or will seek. Describe the agreements and alliances providing the company with development rights or those that pose risks. We have not seen many deals flounder because of the lack of patents, but we have seen management suffer because they did not have a well devised strategy for intellectual property. Rule of thumb: hire a very strong intellectual property law firm like Wolf Greenfield in Boston at the outset, then involve them in your strategic planning for patents.

5. **Product Roadmap.** Include an overview of your product roadmap, along with a graphic outlining deliverables for the next three years.

Hints:

• Focus first on your company's current core technologies.

• Define your plan for acquiring or outsourcing the technologies that you don't have but need for the success of the business.

• Create a balance between building your internal development activities and outsourcing functions that are not critical or could be done more efficiently outside.

• "Speed to Market" is the key to successful growth in most markets. In product and service development, always ask: *"How do I assure that this product will get to market when I need it?"* Be extremely conservative in your planning. Don't understate your capital requirements. Seek enough capital to make sure your timetables will be met. **Money's cheap. Delays aren't!**

There is no reason for the delay except that management was overzealous in his or her forecasting or lacked the resources or experience to hire the best developers or the best head of engineering.

• To take a lesson from the Sales section, ask the question: *"What technologies could you import from an alliance partner faster than you could develop internally?"*

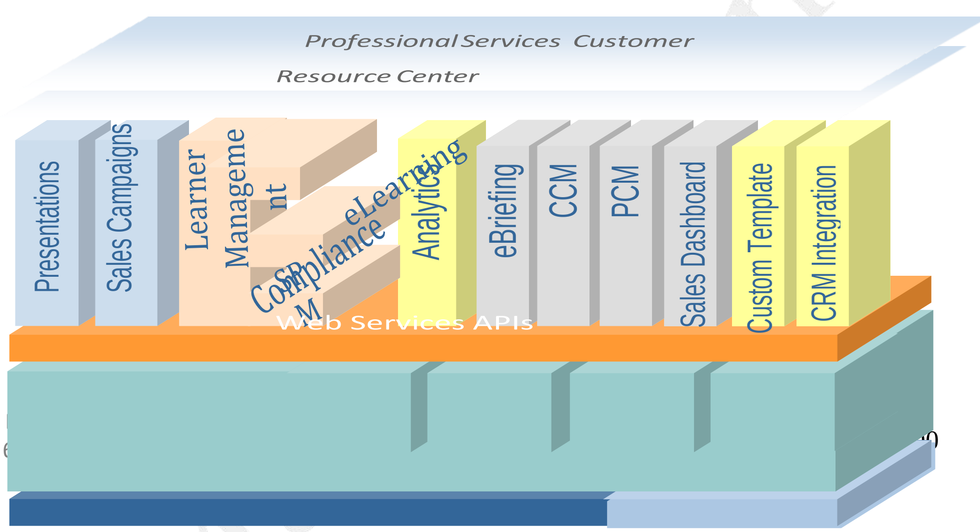
Case in point: We advised a medical company that concentrated on developing hardware while it negotiated a joint development agreement for its new disposables with a much larger corporation …a corporation that could be viewed, under "normal" circumstances, as an indirect competitor. By so doing, our client partnered with a potential future competitor while reducing its overall development time by 60%. Did our client spend more money? Probably not overall, but it spent more in a much shorter period of time than if it had completed the project internally, but it was well worth it since they kept to their product launch schedule! Experience counts. It gets you to market on time!

A second case in point: Another of our clients virtualized all its product development. It was technology and patent rich with 26 issued patents. We hired a superbly experienced VP of Engineering-MS in electrical engineering from MIT, Harvard Business School, Bain Consulting, and Raytheon, plus experience gained from two startups, who also had extensive experience in overall product management and scheduling. After that we never hired another full-time person in the department. We outsourced everything.

As the company’s revenues grew from zero to $8 million during year one, the "engineering" department engaged in strategic planning and managed projects through a virtual department of highly skilled engineering companies and individual engineers for hire. Cash outlay was significant in that first year…but we progressed from a concept to the successful introduction of sophisticated products, including a successful FDA acceptance in record time.

• Use graphics where possible to show how your product’s expected evolution is. Below, you will find an outline of a “new product plan” created by one of our customers following the adage of a picture being worth 1000 words. The client then added to this timelines and cost and was then able to take a very complicated development process with overlays of time, people, outsourced services and all the related costs in summary fashion.

What is shown here to the right is just an example from one of our old business plans that became an opportunity for a discussion with potential investors or partners.



Section 6: Manufacturing or Service Operations

Interpret this section broadly in describing the standard production of widgets, the generation of software code or the back-office operations of your service company. Provide a general overview of your production and operation strategies for the short term and over the next two to three years.

- Will you produce products internally? If so, why? Why not oursource?
- What's your concept of “Customer Quality”?
- That same question as it relates to “Customer Success”?

How do you plan to implement your strategy at a tactical level? If it is a widget company, where and how will you distribute and ship your products? You should be able to provide in this section an overlay of your complete supply chain through to the successful onboarding and repeated use of your products by your customers.

Include:

1. Your core manufacturing capabilities and processes if these are applicable.
2. The company’s quality strategy and its primary tactics.
3. The balance between in-house production and outsourced suppliers.
4. Inventory planning … your concepts, financial objectives, and tools.
5. Your logistics strategies with key suppliers, including any key sole sources.
6. Your logistics and distribution strategies for warehousing and shipping.

Hints:

• Some of the most successful companies we advise outsource their entire manufacturing process including warehousing and shipping because engaging in manufacturing is not central to their business models or because they have entered into agreements with partners with greater manufacturing experience. Success today is defined by "Speed to Market."

• Describe any critical safety and regulatory issues—FDA, FCC, ISO, EPA, OSHA, EC and so forth—that must be addressed in production. Explain how you will minimize the risk of non-compliance.

• Be as precise in defining your cost of goods and your future plans for cost reduction. For your venture investors, revenue is the initial metric of success, but shortly, margin will become the more important name-of-the-success-game, and an analysis of margin begins with cost-of-goods and the potential for future decreases.

Think about this: The answer to improving your cost of goods and your cost of sales should be peppered throughout your business plan, from your financial projections to your sales strategies.

Section 7: The Management Team

1. The organizational model. If it is innovative, such as a virtual organization, describe your management philosophy, the culture that you have or will create, and why you've reached those decisions.

2. Provide concise, one-paragraph biographies of your key senior managers, your most important outside primary advisors, any official scientific advisors, and your Board of Directors, including industry awards and any life achievements.

Make it clear that you already have, or will have, enough experience on board to guide you over the inevitable speed bumps.

What if you don't have a built-out management team? When you don't, and yet you do have the money or stability to attract key managers, detail the tactics and the timing of your plan to fill these positions as soon as funding is available. Similarly, you can profile the types of experience that you'll be seeking in filling these key positions.

Hints:

• Don't include the full resumes of the key management. They take up space. They may also create questions and misperceptions. There will be plenty of time to get into detail later. Begin with overviews and highlights. Focus on why their experience will help you manage the company.

• If you do not have a Board of Directors, acknowledge that you will create one and will want your new investors' guidance and contacts in so doing in addition to some of them being on your board of directors, of course.

• List only those advisors who have clout and name recognition in the community. If your accounting firm is one of the larger firms, list it. If it's a small local firm, don't. The same goes for your law firm. When raising professional money, it’s much better to have recognizable regional or national CPA and law firms. If you’re in Boston where we’ve practiced for 40 years, just email us, and we can give you our recommendations of the most cost-effective firms.

If you have a business with obvious potential, you may be able to negotiate low fixed fees for several years with some accounting firms and law firms. You will comfort professional investors if you retain well-known service providers with whom they’re familiar and have worked with in the past.

Section 8: The Financials

This section represents the conservative and achievable management projections of revenues, costs, expenses, margins, cash flow and, most importantly, EBITDA.

"Cash is King." You often hear that phrase for good reason. Your management must appreciate that cash is your most important weapon when you are pushing your emerging business, or even your well-established business, to grow quickly. This doesn't mean you must be conservative in your use of cash in all areas. It does mean you need to spend the cash you have available very wisely, applying all you need in critical areas and being downright cheap in other areas.

There should be three subsections in the Financials section of your business plan:

- "Assumptions"
- "Financials"
- "Exit Strategy."

The "Financials" subsection will provide an overview of your current financials and your objectives for the next five years. It should include…

1. P&L projections for five years: by month for the first year, by quarter for years two to three, and by year for years four and five. Directors and investors will ask for five years; we only ask for three. If you get asked for more than three just extrapolate the numbers unless there is a major shift in product or an acquisition you are planning

2. Corresponding cash flow projections for five years.

3. Proforma balance sheets for the first year with annual summaries for the next three.

4. Major capital equipment requirements.

5. If this business is already operating and not a startup, the latest summary P&L and balance sheet for the past year, with brief statements of the major operating variances and sales and margin data. (Don't include the entire financial statements for past years … only the P&L and the balance sheet for each year, individually and comparatively.)

6. Definition of your overall headcount year-by-year including full and part time as FTEs

Hints:

• Before you crank up your Excel spreadsheet, check with your bosses, your directors, and any primary investors. Listen to their ideas of the format that they would prefer to see. If possible, use their formats if they also assist in your business planning. Understand how they will assess your financials and where they will place their primary focus.

The key to success is do not just go off and use your own financial format without checking with a professional.

• Prior to the financials, it is important to bullet list on one page the primary assumptions that provide underpinnings for the financials. For example, include in that assumption list items that define the gross margin assumptions you are making over this period. Similar items would be the sales channels that you plan, and what your decision as to whether to outsource or not.

Here are a few formats that we would like to see. The first is a P&L; the second is a balance sheet; the third is a cash flow statement, and the fourth is a summary you should use in the Executive Summary at the beginning of the business plan:

Start-Up, Inc.
Income Statement

(in thousands)	Year 1	Year 2	Year 3	Year 4	Year 5
Product Sales	$ 1,197	$3,699	$7,500	$16,685	$37,349
Service Revenue	81	572	1,509	2,499	3,934
Total Revenue	**1,278**	**4,271**	**9,009**	**19,184**	**41,283**
Cost of Sales					
Product Cost	638	1,699	3,330	6,390	14,365
Service Cost	41	286	755	1,250	1,967
Total Cost of Sales	**679**	**1,985**	**4,085**	**7,640**	**16,332**
Gross Margin	**599**	**2,286**	**4,924**	**11,544**	**24,951**
Operating Expenses					
Research & Development	270	462	618	1,158	1,958
Sales, General & Administrative	1,816	2,489	3,759	5,914	10,142
Total Operating Expense	**2,086**	**2,951**	**4,377**	**7,072**	**12,100**
Income (Loss) Before Interest and Taxes	**(1,487)**	**(665)**	**547**	**4,472**	**12,851**
Interest Expense	-	-	-		
Interest Income	33	21	44	118	340
Income (Loss) Before Taxes	**(1,454)**	**(644)**	**591**	**4,590**	**13,186**
Tax Expense	-	-	-	1,231	5,268
Net Income (Loss)	**$(1,454)**	**$ (644)**	**$ 591**	**$ 3,359**	**$ 7,918**

Start-Up, Inc.
Balance Sheet

(in thousands)	Year 1	Year 2	Year 3	Year 4	Year 5
Assets					
Cash	$ 365	$ 657	$ 548	$ 363	$ 2,332
Accounts Receivable, Net	256	1,452	2,152	5,522	10,991
Inventory	211	910	1,317	2,782	6,777
Total Current Assets	**832**	**3,019**	**4,017**	**8,667**	**20,100**
Property, Plant & Equipment, Net	50	87	133	215	324
Other Long-Term Assets, Net	3	1	-	-	-
Total Assets	**$ 885**	**$ 3,107**	**$ 4,150**	**$ 8,882**	**$ 20,424**
Liabilities and Stockholders' Equity					
Accounts Payable	114	282	473	999	2,609
Accrued Expenses	201	349	534	890	1,401
Taxes Payable	-	-	-	308	1,317
Short-Term portion of Long-Term Debt	-	-	-	-	20
Total Current Liabilities	**315**	**631**	**1,007**	**2,197**	**5,347**
Warranty Reserve	24	74	150	333	747
Long-Term Debt	-	-	-	-	60
Total Liabilities	**24**	**74**	**150**	**333**	**807**
Stockholders' Equity:					
Preferred Stock	15	40	40	40	40
Common Stock	5	5	5	5	5
Additional Paid-In Capital	1,980	4,455	4,455	4,455	4,455
Retained Earnings	(1,454)	(2,098)	(1,507)	1,852	9,770
Total Stockholders' Equity	**546**	**2,402**	**2,993**	**6,352**	**14,270**
Total Liabilities and Stockholders' Equity	**$ 885**	**$ 3,107**	**$ 4,150**	**$ 8,882**	**$ 20,424**

Start-Up, Inc.
Statement of Cash Flows

(in thousands)	Year 1	Year 2	Year 3	Year 4	Year 5
Cash Flows from Operating Activities					
Net Income (Loss)	$(1,454)	$ (644)	$ 591	$3,359	$7,918
Adjustments to net loss to net operating cash					
Depreciation/Amortization	16	38	66	100	151
Changes in assets and liabilities					
Accounts Receivable, Net	(256)	(1,196)	(700)	(3,370)	(5,469)
Inventory	(211)	(699)	(407)	(1,465)	(3,995)
Other Long-Term Assets	(5)	-	-	-	-
Accounts Payable	114	168	191	526	1,610
Accrued Expenses	201	148	185	356	511
Taxes Payable	-	-	-	308	1,009
Warranty Reserve	24	50	76	183	414
Net Cash (Used In) Provided By Operating Activities	**(1,571)**	**(2,135)**	**2**	**(3)**	**2,149**
Cash Flows from Investing Activities					
Capital Expenditures	(64)	(73)	(111)	(182)	(260)
Net Cash Used in Investing Activities	**(64)**	**(73)**	**(111)**	**(182)**	**(260)**
Cash Flows from Financing Activities					
Proceeds from Long-Term Debt	-	-	-	-	100
Repayment of Long-Term Debt	-	-	-	-	(20)
Equity Investment	2,000	2,500	-	-	-
Net Cash Provided By Financing Activities	**2,000**	**2,500**	**-**	**-**	**80**
Net change in Cash	**365**	**292**	**(109)**	**(185)**	**1,969**
Cash, Beginning of Year	-	365	657	548	363
Cash, End of Year	**$ 365**	**$ 657**	**$ 548**	**$ 363**	**$2,332**

98

Primary Assumptions. Also included in your Executive Summary

Start-Up, Inc.
Summary Financial Forecast

(in thousands, except units)	Year 1	Year 2	Year 3	Year 4	Year 5
Headcount	**10**	**17**	**30**	**55**	**100**
Unit Sales Forecast	**42**	**137**	**300**	**710**	**1,690**
(the following figures are in thousands)					
Unit Price	**$ 28.5**	**$ 27.0**	**$ 25.0**	**$ 23.5**	**$ 22.1**
Product Revenues	1,197	3,699	7,500	16,685	37,349
Service Revenues	81	572	1,509	2,499	3,934
Total Revenues	**1,278**	**4,271**	**9,009**	**19,184**	**41,283**
Unit Cost	**15.2**	**12.4**	**11.1**	**9.0**	**8.5**
Unit Margin	**13.3**	**14.6**	**13.9**	**14.5**	**13.6**
Product Cost	638	1,699	3,330	6,390	14,365
Service Cost	41	286	755	1,250	1,967
Total Cost	**679**	**1,985**	**4,085**	**7,640**	**16,332**
Gross Margin	**599**	**2,286**	**4,924**	**11,544**	**24,951**
Income (Loss) Before Interest and Taxes	**(1,487)**	**(665)**	**547**	**4,472**	**12,851**
Net Income (Loss)	**$ (1,454)**	**$ (644)**	**$ 591**	**$ 3,359**	**$ 7,918**

To summarize, the "Financials" section of the business plan should include:

1. Assumptions
2. Financials
3. Type of financing structure: equity and/or debt
4. Involvement of corporate or supplier alliances, if any
5. Use of funds
6. Exit strategy

If you don't have or can't afford a CFO, plan on hiring a part-time CFO who is well known and has impeccable references. The cost is not high, and you and your company are now dealing with an expert with whom the community is already comfortable. How do you find a person like this? Give us a call directly or ask your potential investors who they would recommend.

The subsection, *"Exit Strategies,"* defines the amount of funding needed from investors, the securities offered and the use of the funds. The financial models should be formatted such that you optimize the possibility of attracting the funding you're seeking.

• The format of the *"Use of Funds"* section must be general, but it must also tie back to the details of your financials, including your cash flow plan. An investor should be able to discern your primary tactics by correlating the text of your business plan and your descriptions of *"Use of Funds"* and cash flows.

• Remember, a banker is not an investor. An investor is not a banker. You will need to have a banking instrument in your planning at the right time.

Valuation.

Don't include your thoughts about valuation unless you can back them up with well accepted data, recent investment criteria, and reliable experience. **In most cases, you will not be able to do this, so don't create a problem by attempting it!** Valuation discussions will come … but far down the road in the follow-on meetings.

Outlining a valuation strategy that is clear, logical and accepted by management is more important than attempting to see a valuation.

Pricing venture capital and private equity placement deals involves estimating the future value of your business. It is highly subjective and you need to work very closely with your CFO on this.

Typically, unless there has been a recent financing, theoretical approaches must be used to estimate the company's future value, the investor's percentage of ownership and the investor's return on the investment. You and your potential investors will negotiate the valuation, balancing their mathematical formulas against your vision and their experience. At this stage of planning don't be hard-nosed. You may be underselling your company's value just as easily as overpricing it. Retain an experienced management coach who has been through this process many times to advise you.

The best way to build value in a company is to achieve your objectives and milestones within the timetables in your business plan. As the milestones are achieved, risk is reduced, and subsequent rounds of financing can usually be raised at more attractive valuations. No statement is more potent than: *"Every month, for the last two years, we've met the milestones identified in the business plan!"*

When you're thinking about valuation, always remember that a large ownership percentage of nothing is nothing!

• Your financial numbers are extremely important. They must be objective, well presented and conservative. When you initially introduce your business plan and during your initial meetings, no one will believe your numbers anyway. The specific numbers—the magnitude of the revenue line or the profit line—are not critical at this stage. On the other hand, your financials must be:

• Accurate	Mistakes and over-reliance in formulae in Excel sheets are deadly sins!
• Logical	Look at the numbers from 100 feet above the day-to-day
• Cash centric	*Cash is King.* When it runs out, it becomes *very* expensive!
• Tied	The numbers must be tied together within the text of the plan.
• Scalable	The business, sales models and metrics must show margin improvement.
• Substantial	Investors only invest in big ideas, not $10 million businesses.
• Substantiated	Hire an experienced part-time CFO rather than a full-time CFO lite.

You, your management team, your product ideas, and your understanding of the market and its growth are more important than the numbers in the eyes of your future investors and bankers. The numbers must be interesting. They also must be accurate and logical, but no one will invest in your company solely on your numbers no matter what story they tell.

Add to this that in all our deals done and investments made, we have yet to find a company that has met its original business plan numbers. Actually, one of our better companies recently achieved $100 million in profitable revenue. Management's happy, the investors are happy, and no one needed to be reminded that the $100 million benchmark was actually 15 years later than the original business plan had projected.

Section 9: Appendices

We don't encourage appendices, but if you absolutely need an appendix, include:

1. One or two technical one-page product data sheets for your primary products only.

2. One very impactful publication or two references from very well-known industry leaders, but only if they are very focused and compelling. A page from a well-respected market research report is an example, but this should have been shown in the Marketing section of the business plan.

Hints:

• First, you probably do not need an appendix.

• Don't include "everything else," material that did not fit in any other section, but which you think readers should see. When you reach follow-on meetings, the time and the need to present this level of detail will arise.

• We often like to see a brief one-page "glossary of terms" if the product, technology or market descriptions include critical, nonstandard terms the typical investor may not understand.

• Don't include technology, market or customer references for investors to contact. These requirements will develop as your follow-on meetings unfold. You will then know enough about your investors and their issues to provide them with the most appropriate references.

Formatting and Presentation Hints

"Back in The Day", we gave the guidance that the best business plans weighed no more than a quarter of a pound. Investors tend to read them on trains, planes, and in front of the television on weekends watching the game. Even today, if you make your plan unwieldy, or "unusual" in its size or format, readers will need to spend more time on it or simply never look at it.

• Use ample white space to make the important points … 11 or 12-point type, margins wide enough for notes, and standard word processing formats from Microsoft or Google so that when an investor asks for a copy to be sent by email to another investor, there will be no formatting problems. PDF all your documents.

• Thank your readers up front for taking the time to read your plan. Remember to send them thank you notes at the end of the process … even if the process ends with… *"Thanks, but no thanks."* By the way, when this happens, *always* go back to the individual, ask for a critique, and ask where else he or she believes you might approach potential investors. Although they may not tell you or answer your follow up calls, they may well tell your trusted advisors or other investors. Find that person to ask on your behalf.

• Maintain a detailed database of all individuals to whom you have sent plans. Note the dates you sent the plans, their exact responses, meeting, cell numbers and email addresses.

• Understand that almost no one will read your plan thoroughly. Investors will typically read the Executive Summary and the Market section, then jump right to the Financials.

• Remember that an equally important audience for your business plan is for your managers. They will read the plan much more thoroughly. Frequently, however, they will fail to understand your specific strategic directions unless they have been actively involved in the process, so be sure to involve all of them through the entire process.

• You, your managers, and your closest advisors will create the final business plan. You will have worked on it for weeks, even months, writing and rewriting, simultaneously refining your company's direction. No one outside your company knows this. It's your job to communicate the plan and its excitement.

• Understand the way that investors and bankers think about business plans. If you have close friends in the financial industry, ask them how they assess businesses. If not, ask us; we're in the industry, and we individually review the 500-600 plans that come to us every year. We would be glad to take a quick read of yours. Both I and my senior partner, George Simmons, are members of the larger angel network groups in New England, and I'm a Venture Partner at Converge Ventures. Besides being a Tufts professor in entrepreneurship, Marketing and Sales, I also teach business planning and marketing in the Mechanical Engineering Department at MIT. The bottom line here is that we see hundreds and hundreds of plans a year.

• Understand that your business plan is being compared to tens, and at the larger firms, to hundreds, of other plans that have nothing to do with your business, your markets, or you. This is your competition. Make sure that you get your "share of mind" from your potential investor or banker and, of course, that you ultimately close the sale.

• Understand that your business plan is being balanced against the internal demands and objectives of the investment firms and banks in addition to the personal objectives of the individual investors and bankers. Ask yourself: *"How and why do I fit their needs?"*

Final Hints

When sending business plans to potential financing sources...

• Include your mailing address, your cellphone number, and your email address *everywhere*.

• Spell check, spell check again, and read every word three times.

• Your cover letter should be very brief and inviting, stating that you plan to follow up within a week just to confirm that the plan was received. What you really mean, of course, is that you are going to call and ask for a Zoom meeting.

• Plan to follow up after sending your plan within a couple of days-shorter than one week. Make sure that it was received. Ask what happens next. Listen carefully to the comments and advice. Write it down in the database tracking file that you've created for this funding.

• Remember that you have only one initial objective: *Get an initial meeting*. Then remember that you have only one more objective, and that is to simply… ***"get to the next meeting".*** We learned this initially from Dan Holland, a very successful co-founder of One Liberty Ventures, 35 years ago soon after the formation of Derby Management, and it still rings to be very true today.

• If you run out of meetings, or you can't schedule the first meeting, ask the investor's advice. Where could you go next? What should you do? Write down their comments. Compare them later.

• Be selective in sending out your plan. Initially target 20 to 25 firms or individuals…that's right, 20 to 25. Unless you've been the CEO of two or three other successful startups and investors have pre-invested in you, don't try to get by with sending out only a few plans. Raising money is a war. It must be fought in a series of battles and skirmishes.

Plan on a six- month campaign, during which you will suffer lots of rejections and setbacks. Preferably use a trusted advisor to the angel groups and venture firms for an introduction.

• Many entrepreneurs shy away from sending out more than five plans at a time. They want *"to see how they will do."* Or they do not want to be caught up in "too many meetings" while running the business. Bottom line is that that strategy is just plain wrong, and especially in a world of uncertainty and a corresponding requirement to harbor cash for existing portfolio companies.

• On the other hand, don't "shop your plan around" with too many mailings … 50 or more. It will become well known negatively in the financial community if you are approaching every investor and bank. The professional investor community is tight and confidential. They talk … they do deals together …they're bright people with strong convictions and connections.

• Raising money is a full-time event. It requires *an extra* 50%-100% of your time. Don't be casual about the process. Fred Smith of FedEx visited over 300 potential venture investors before he was funded. Furniture-legend, Judy George of Domain over 100. As advisors we like to believe that we're very experienced in this arena. We typically contact 20 to 25 potential investors on the first day of any fundraising campaign just to begin the process, and it is not uncommon for us to make more than 100 outreaches.

• Link a specific reason for contacting every potential investor. Ideally list a reference contact. Most plans need an introduction.

• Develop your presentation pitch in PowerPoint format. This is your abbreviated business plan. It focuses your sales effort at every meeting. Assume that no one has carefully read your plan and, even if they did, it was weeks earlier, so that by the time of your first meeting they have forgotten it. An experienced salesperson would not go into an initial sales call without sales tools. Neither should you.

A PowerPoint presentation can be hard copy or on your laptop. Today, all initial meetings will be online using Zoom or Team. Rule of thumb is to have both Zoom and Teams. That PPT should consist of 20 or fewer slides formatted with bullet point text, graphics, trend lines and tables. What you are doing in these initial very short and very critical meetings is attempting to capture your audience's attention in the first five minutes. The story must be compelling. Your presentation must be professional and without apologies! There's absolutely no excuse for a comment such as *"I know that this slide is hard to read, but…"* If that's the case, then do not show that slide. Use something else!

Even when the potential investor says that they don't need to go through your presentation, gently force the issue. Your presentation is your storyline. You have put it together logically. If you don't use a formal presentation, you'll be at the mercy of random and unconnected questions and answers, which is never healthy. You may eventually come out with the same content, but it will not be presented well and may be replete with inconsistencies and misunderstandings. Use a presentation pitch and you won't be disappointed. If you want a video slide deck that takes you through building "The Perfect Pitch," just email us at jack@derbymanagement.com.

• Review your plan with industry and investor-knowledgeable people before you send it out. Listen to their advice. Adjust your plan where appropriate.

• Be prepared for lots of criticism and lots of rejections. Accept it constructively. No one will believe your financial projections even though you have prepared them "very conservatively."

• Track your progress through this process. Log comments detailing the results of meetings and moving your plan along to its final conclusion: *Get the deal done!*

• Be prepared for a minimum of four to six months of hard work and intense time demands in completing your financing. While you're hard at work doing this, remember that your other full-time job is running the business!

• We've been involved in investment financing that has occurred in 90 days, but after reading literally thousands of plans and working with hundreds of companies, and successfully raising over $840 million in both small and large pieces, the six-month rule is typical. If you're not getting to any initial meetings after six weeks, something is wrong with your business model, your business plan … or even possibly, you. Get a professional to look at your plan and your presentation pitch.

Fundraising is a process, not an event. Your business plan will evolve. So, will your methods of presenting it, both in content and in style. You cannot afford to stick to all your initial ideas and concepts unless they are fundamental to the business model. Use the fundraising process as a learning process. Adapt rapidly, taking criticisms and reflecting them where appropriate in your business idea and strategies.

✓ Define 20 to 25 potential targeted investors or firms.
✓ Understand their investment criteria.
✓ Determine a means of entry with a respected reference.
✓ Above all: Get those first meetings! Then get to the next meetings!
✓ Think of this as a football season. Every week—every meeting—you need to win.
✓ The list will quickly narrow down to three to five potential investors.
✓ Bring one to three of these to conclusion.
✓ Involve your law and accounting firms up front. It's more expensive to do so only at the end.
✓ Negotiate valuation objectively and with outside advisors … never by yourself!
✓ Set up timetables with everyone.
✓ Push through the legal documents to closing.

• At the beginning of your investment campaign, devote a minimum of 50% of your time to organizing, preparing, and working through the initial meetings. During the middle of the campaign, devote 25% to 40%. And during the final stage, devote 75% to 100%.

• Stand up for what you believe in. At the same time, don't rely on weak arguments with unsupported data.

• **Finally, luck counts … but connections count more.** Ask everyone you know about fundraising connections. Keep driving this process hard throughout the entire campaign. Connections are effective in getting your plan reviewed a little more intently, especially in the beginning when you need to break through the clutter.

- ✓ Have a strong and experienced advisor close to you during the entire process.
- ✓ Look for connections in the financial community. Ask your law and accounting firms.
- ✓ Look for contacts everywhere: college alumni, business associates and friends.

Take a look at this from one of the most successful venture firms

Video Series: How to Raise Seed Funding | Underscore VC

Ending comments…

We believe that what we have written and collected provides not only entrepreneurs, but any business manager, with a comprehensive guide to creating a highly effective business plan. Based on the direct experience of both our team and our partners, this document is meant to serve as a guide for how to (and how not to) write a thorough business plan. In addition, our own backgrounds in successfully raising approximately $840 million in both venture and private equity, we've also thrown in several recommendations regarding best practices for fundraising.

It may also be that you could find this book daunting if you've never written a business plan, or perhaps, you want more of a personal, hands-on involvement. If that's the case, one of the best recommendations we can make is to come to Boston and experience one of our day-long "WhiteBoarding Sessions**"** during which we take apart your business model, intensively investigate all your primary assumptions and provide you a variety of recommendations, follow up assignments and detailed homework that will help you move more quickly through the actual business plan writing process. We can also easily do whiteboarding online using Zoom and our brainstorming tools.

The WhiteBoarding Session typically involves me or my senior partner, George Simmons, so that you're receiving heavy emphasis on sales, marketing, operations and finance from two guys who have co-founded more than a dozen companies and continue to be active investors in the early stage market. We created these sessions in response to a number of requests that we received once people had finished this guide, but then found the task of *"What do I do now?"* and recognized that this was often too daunting to begin by themselves. Whiteboarding provides them with that exact balance between "instruction" and "learning" in an environment of "hands-on" experience from individuals who have done it before.

Give me a call at any time, and I will walk you through the details and logistics.

I hope you enjoyed the book. As always, I welcome your comments, edits, and additions. Just email me at jack@derbymanagement.com. In the meantime, take care…and be safe!

Jack Derby, President, Derby Management
Professor of the Practice, Tufts University
Derby Entrepreneurship Center@Tufts

jack@derbymanagement.com
jack.derby@tufts.edu
617-504-4222

About Jack Derby

Prior to forming Derby Management in 1990, Jack's background included positions as CEO of Mayer Electronics Corporation, President of CB Sports, President of Litton Industries Medical Systems, CEO of Datamedix Corporation and Executive Vice President of Becton Dickinson Medical Systems.

Jack is extremely active in the New England emerging and middle market business communities. He is currently or has been an active board member in 20 companies including 14 companies that he has either co-founded or managed as the CEO. He was instrumental in restructuring the Board of the MIT Enterprise Forum where he held the position of Chairman. Additionally, he has been the Vice Chair of the Smaller Business Association of New England where he was the recipient of New England's *"Pro Bono Publico Award"* for his significant contributions to the business community. Jack has also been a Director of MIT's Technology Capital Network, and the President of the University Club of Boston. Jack served for 10 years as the Chairman of the Association for Corporate Growth of Boston and also served as a Director of ACG's Global Board, where he was twice awarded their annual Meritorious Service Award. In 2019, Jack was presented with the first-ever Lifetime Achievement Award by ACG Boston.

Jack is currently a Director of the Associated Industries of Massachusetts, Aviant Hospice, and Loci Controls. Jack has been an active director of 20 boards including a Chairman of the MIT Enterprise Forum, and Common Angels, one of the largest angel groups. Jack left the boards of Beacon Hospice, Hybricon Corporation, Brainshark, and Chase Corporation sold in highly successful transactions.

Jack was named to Mass High Tech's *All-Star Team.* He has been quoted in The Wall Street Journal, The Boston Globe, The Boston Herald and has published numerous articles and editorials in The Boston Business Journal. He has been a frequent speaker at business organizations including the MIT Enterprise Forum, the Association for Corporate Growth, the Small Business Association of New England, The Associated Industries of Massachusetts, The Harvard Business School, Financial Executives International, the annual Advanced Drug Development Conferences, and a myriad of corporate meetings.

Jack is a Professor of the Practice at the Derby Center of Entrepreneurship@Tufts where he teaches two courses-"Entrepreneurial Marketing" and "The Science of Sales." Previously, he was the Director of the Center, which is the largest minor on campus teaching over 1,100 students a year in the fundamentals of entrepreneurship and what it takes to create an entrepreneurial mindset in any business or social enterprise. Jack stepped down as its Director in January 2020 due to family health issues and continues to teach marketing and sales at the Center. In 2021, Jack and his wife, Jan provided a $10 million gift to endow the Derby Entrepreneurship Center. Jack is also a Lecturer at MIT where, for the past 21 years he has taught classes in business planning and marketing for undergraduate and graduate students in the Mechanical Engineering Department.
Jack is a graduate of Boston College and the United States Peace Corps.

About Derby Management

Derby Management was formed in 1990. Since then, we have worked with approximately 750 clients. Our firm focuses on four competencies:

1. Strategic and Business Planning Coaching

We provide senior management with extensive strategic and tactical skills resulting in the creation of operating business plans used internally as planning guides and externally as fundraising vehicles. Specializing in the venture capital and private equity communities, Derby Management has been the architect of numerous fundraising campaigns totaling more than $840 million with approximately 55 of its clients.

While the primary focus of the firm is working directly with entrepreneurial starts ups, emerging growth companies and established corporations, Derby Management has provided extensive strategic planning and fundraising coaching services for numbers of Boston-based venture capital firms and deal-related transaction service providers.

2. Sales and Marketing Optimization

Derby Management provides services in sales and marketing planning and execution. With a strong focus on reducing sales cycles and increasing sales and marketing productivity, we furnish detailed hands-on tactical plans in sales channels analysis, objectives and quota assignments, forecasting, compensation planning and actionable events. We also provide extensive marketing planning and market research.

3. Financial Planning and Fundraising

We have played an active role in creating financial plans, establishing controls and procedures, and providing interim CFO management for many clients. We have taken a leadership role in facilitating and building many fundraising campaigns totaling over $840 million for a variety of companies ranging from entrepreneurial start-ups searching for Series A venture capital to established companies who are seeking expansion capital.

4. Senior Management Coaching

We provide extensive one-on-one and one-on-team direct coaching to our clients' senior managers. These services provide the senior managers with skills in management development internally and externally with directors, mentoring capabilities, conflict resolution skills and continuous guidance in other management skills necessary to create successful CEOs. From time to time, these services evolve into situations where we assume direct assignments in portfolio companies as interim CEOs, Vice Presidents of Operations and Vice Presidents of Sales.