

The Business Plan

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In this series of articles on how to plan a new biomedical venture, we have reviewed three of the four phases of the planning process—idea generation, idea assessment, and opportunity assessment. If you have completed these three steps and are ready to move ahead with your new venture, congratulations! You are now ready to write your business or product commercialization plan.

There are several significant differences between the feasibility analysis and the business plan process. As we explained previously, doing a feasibility analysis before writing the business plan forces you to evaluate your idea, identify risks, and develop strategies to overcome them. In addition, since most new ideas have several major flaws or pitfalls, it gives you the opportunity to opt-out while you are still in the early planning stages, thereby avoiding wasted hours and money on an idea that is doomed to fail.

In addition, once you do a feasibility analysis, you might decide that the best commercialization strategy is not to start a new company or spin-out. You might rather pursue an alternate route like licensing or selling your technology, creating a strategic alliance with a partner with a dominant market presence, or a joint venture that might not require writing a business plan at all, thus saving you time and effort.

In fact, some research indicates that there is no correlation between writing a business plan and the eventual success of the venture. Instead of planning, some entrepreneurship and business gurus encourage acting instead. By using techniques of rapid prototyping, laser-focused marketing, and customer segmentation, and quickly getting your product to market for a carefully chosen customer; you will generate critical early cash flow and get invaluable feedback about your product and other potential customer segments. What's more, most business plans, like battle plans, are worthless once the shooting starts and will have to be updated once the venture is launched.

Despite all that, if you need money, you will likely need to write a business plan. Its purpose is to get stakeholders interested in your idea, tell your business story, and make an argument for investing in your company. The plan should further develop your feasibility analysis and add more detail to the areas listed at right.

When writing your business plan, there are a few things you should clearly understand. Investors usually bet on the jockey, not on the horse. They are not nearly as infatuated with your technology as you are. They are more impressed with an experienced team who understands the market and has a successful record of accomplishment, than with a gee-whiz idea.

Investors invest for different reasons. Some do it to change the world, some to satisfy a personal need, and others just to be in the game. Most, however, invest to make a return consistent with the risk involved. Others, like venture capitalists, have a duty to yield the highest returns for their investors within a reasonable period of time. Your business plan should explain clearly how you intend to generate enough money with your business and provide a liquidation or exit event that will return the expected yields to your investors.

Keep your plan succinct and focused. Like a good novel, most readers won't get past the executive summary on the first page if they are not "hooked" by the opening paragraphs. Make a compelling argument why your opportunity is different, disruptive, or paradigm-changing.

Lastly, be careful what you ask for. It is better to under-promise and over-produce than vice versa. Remember, when you get the money, the really exciting and difficult work begins!

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Steps in the Plan

1. Having a management team with the right industry experience and expertise to execute the plan;
2. Designing a compensation and incentive plan to retain top talent;
3. Creating an effective marketing plan that addresses your product, pricing, distribution, sales, and promotion;
4. Developing a plan to finance the new venture, including how much money you will need, how you intend to structure the assets of the company using equity, debt, or other financing vehicles;
5. Explaining how you intend to spend your company's money;
6. Developing a five-year pro forma statement with projected revenues, costs, and cash flows, based on validated assumptions;
7. Designing a well-thought-out operational and manufacturing plan;
8. Defining regulatory and reimbursement benchmarks and timelines for how you will reach them;
9. Offering a strong exit plan; and
10. Clearly explaining to potential investors how they will make money by investing with you, rather than in an alternate investment.