

Business Plan Writers

“Get your plan out of your mind and on paper.”

by Mike Elia

If you don't have a business plan yet or are overwhelmed by the prospect of pulling one together from scratch, maybe it's time to consider interviewing business plan writers. Your choices range from consulting firms to retired professionals that specialize in assisting companies with their business plans. Fees can vary from as low as \$500 for a business plan writer's objective review of your business plan to over \$30,000 to research and write the entire business plan. The average fee business plan writers charge is about \$10,000. But before you start talking with business plan writers, you have to understand where you are in the business plan process itself.

Determine Where You Are In the Business Plan Process before Talking to Business Plan Writers

Whether you have someone else write your plan or you write it yourself, you'll want to be involved in its creation. Otherwise, how will you answer those tough questions investors fire at you? However, getting your plan out of your mind and on paper is time consuming and not easy to do if you've never written one before. This is when most people start thinking about business plan writers.

But, before you start writing or talking to business plan writers, it's important to understand the three steps to selling your business idea to investors. They are: have something good to say, say it well, and say it often. Your skills and how much of each step you can complete on your own will tell you how much and what kind of assistance you'll need. Here's how you can use each step to determine the type of business plan writer you'll need.

Have something good to say: discovery. At least 75 percent of the writing effort for your business plan consists of the process of research. You cannot write a business plan that will pulsate with a vital message unless you study your proposition in detail. If you don't have time to do your own research or don't know how to research a business plan you may want to hire business plan writers who can help you gather a mass of evidence – facts, figures and specifications on which to base your arguments – and then help you select the particular talking points that will appeal to your prospective investors. A large part of your research involves evaluating your business plan financially and presenting the numbers clearly to investors. If you don't know how to do this, you'll want to hire a business plan writer who has experience compiling financial projections and estimates.

Say it well: presenting your case. If you've already gathered your evidence, it's now time to prove your case. To do this, write your plan in a concise style that paints a picture of your business, followed by convincing arguments and supporting evidence. Usually accountants and lawyers are not good business plan writers. They typically write in what is called legalese rather than plain English. Plain English business plan writers think and write in a new style. They start with questioning whether the business plan tells investors what they need to know to invest knowledgeably – without using legalese or jargon but with everyday words that communicate complex data clearly. You may want to write the first draft of your business plan then have an experienced editor or business plan writer review it. Conversely, you can give your research to a qualified business plan writer and ask them to write the first draft for your review.

Say it often: communicating with investors.

What if you've done your research and have a written business plan? Then, you can move on to step three – communicating your business plan. This step involves developing an “elevator pitch” and preparing for investor meetings. An elevator pitch is a 60-second, to-the-point, verbal pitch for your business and is a great way to introduce your venture to business investors. But in order to have someone to pitch to, you'll need to know how to find potential investors and which investors to contact. Use this step to assess your experience and personal contacts to determine if you'll need someone to help you accomplish this.

If you hire a business writer to help you with your business plan don't be misled into thinking you get to go on vacation for four weeks and when you return your business plan writer will have your business plan waiting for you. Also, be sure that any business plan writer you hire understands the investment process from the investor's perspective.

As the old saying goes, if you want to know why an investor buys what an investor buys, then you have to see the world through your investors' eyes. To learn more about the mindset of investors and what they must find in your business plan and face-to-face presentation in order to invest in your venture, I put together a special report, “Understanding the Mind of an Investor,” (<http://www.business-plan-secrets-revealed.com/business-investors.html>). It is available free when you subscribe to my newsletter.

How to Pay for Business Plan Writers When You Can't Afford Them

Arrange for a deferred or contingent payment

Some consultants and business plan writers will complete your business plan for you at no out-of-pocket cost, or a very minimal charge, if you also hire them to find the capital you need. In these cases you'll be asked to sign a finders or intermediary agreement with the consultant. This agreement requires you to pay the consultant certain fees, sometimes called finders,

contingency or success fees that can range from 5% to 15% of the total amount of the capital they raise for you. You only pay the “success fee” when the funds become available to you. For a sample finder's fee agreement, go to this website:

http://www.tannedfeet.com/Finder_Fee_Letter_Agreement.doc. A consultant or business plan writer acting as an intermediary typically may offer a substantial discount on the business plan preparation fee, defer the majority of the fee until the funding is completed, or refund the business plan fee completely from the finders or success fee.

Note: Federal securities laws generally govern whether a finder must register as a broker-dealer, or conduct its activities through a registered broker-dealer. Section 3(a)(4) of the Exchange Act defines "broker" as "any person engaged in the business of effecting transactions in securities for the account of others." Section 3(a)(5) of the Exchange Act defines "dealer" as "any person engaged in the business of buying and selling securities for his own account, through a broker or otherwise." Section 15(a)(1) of the Securities Exchange Act of 1934 (the "Exchange Act") provides that it is unlawful for any broker or dealer to effect any transaction in, or to induce or attempt to induce the purchase or sale of, any security unless such broker or dealer is registered with the Securities & Exchange Commission. Be sure to consult an experienced lawyer before you sign any agreement.

Trade an equity position for services

Some consultants or business plan writers are willing to take equity in your company as payment for all or part of the business plan services they provide. The only problem with this is that it is difficult to determine whether or not the company will even make it let alone the fair market value of the equity being exchanged.

The Question of Fees

Most business plan writers charge fees for preparing business plans based on the complexity of the project, how much research they'll have to do and how much help you can

provide. Ask potential consultants and business plan writers to explain how they'll approach your project and what they'll require of you. Some may provide you a questionnaire to complete, others may hold a series of "work shops" to develop your plan, and still others may require a series of interviews. Whatever the approach be sure its one that fits your work style. If you hate filling out forms don't go with a business plan writer who requires you to complete questionnaires.

The fee amount is based on the number of hours the business plan writer believes it will take to complete your project. Be sure to get a firm proposal which includes the total fee, completion date for the draft of the business plan, completion date for the final business plan, a payment schedule and roles and responsibilities of all parties. Most good consultants will insist that you contribute as much as possible to the business plan and know it inside and out. After all, it is your business, not your consultant's.

Typical Consultant's Compensation

Typically consultants and business plan writers agreeing to a contingent or finders fee payment set their fee based on the Lehman formula. This fee formula initiated by Lehman Brothers for investment banking activities, was originally structured as follows: 5% of the first million dollars involved in the transaction; 4% of the second million; 3% of the third million; 2% of the fourth million; and 1% of everything thereafter (i.e. above \$4 million).

Because the standard Lehman formula does not adequately compensate for smaller deals, and has a diminishing incentive for higher results, a number of variations of the formula and even some new creative approaches have become more common. For example, one approach is to increase the percentages on smaller deals (e.g. a 7-6-5-4-3 formula on deals under \$5 million in purchase price.). Another variation is applying the percentages to larger dollar increments (e.g. 5 percent of the first \$2 million, 4 percent of the next \$2 million, etc.). Others have gone so far as

to use a "double Lehman," or 10-8-6-4-2 formula for smaller deals.

To create more incentive to raise more funds, a so-called "reverse Lehman" or 1-2-3-4-5 formula can be used. This approach applies higher percentages to the higher increments of funds that are raised. This type of fee structure provides a strong incentive for the consultant to raise the necessary funds.

At the discretion of the consultant, compensation may be paid half in cash and half in equity or warrants.

Where to Get Assistance and Find Business Plan Writers

On-line Assistance

The Small Business Administration (SBA) has a business plan guideline and workbook available. You can get it here at their web site: <http://www.sbaonline.sba.gov/starting/busplan.txt>.

American Express Small Business has a workshop to help you create a business plan and guide your business through the start-up or growth phase, a search for capital, or any other endeavor your small business undertakes. It's available here: http://home3.americanexpress.com/smallbusiness/tool/biz_plan/index.asp

Bizreference lists top business plan writers, business plan samples and software. Useful and accurate information on starting a business online. Here's their site: <http://www.bizreference.com/category.php/1>

Live Local, State and Federal Assistance

Local Small Business Programs Offices or Small Business Assistance Offices
Your state's department of commerce may have an office nearby to assist you or may have publications on business plans and starting a small business in your state.

The Service Corps of Retired Executives (SCORE) often offers free counseling and presents workshops on a regular basis. Check your local newspapers or go here to learn more <http://www.score.org>

Your local Chambers of Commerce often offer business plan guidance and review and may offer assistance with finding.

Check with your public libraries to see if they offer a free seminar on business planning.

Your state Small Business Association may offer business planning workshops.

Check with the *Small Business Development Center* in your area to see if they offer free business planning consulting or regular workshops and seminars.

Summary

It's easy to get overwhelmed with writing a business plan. When you break the process down into three steps – having something good to say, saying it well, and saying it often – the task becomes more manageable. It also helps you determine who to hire to help you write your business plan.

Mike Elia is the president of Elia and Partners, LLC, the author of Business Plan Secrets Revealed and has served as the Chief Financial Officer for companies owned by major equity sponsors like Citibank Venture Capital Group, DLJ Merchant Banking Group, and Jordan Industries. He's helped business owners complete \$967 million worth of merger and acquisition transactions and arrange for \$760 million in financing from 1997 to 2003. Business Plan Secrets Revealed provides in-depth guidance on preparing a business plan that earns credibility for your business and wins the confidence of investors. <http://www.business-plan-secrets-revealed.com>.