

# The practical entrepreneur: The all important business plan (part 2)

By MANNY DRUKIER

By all means, make a proper business plan. Like chicken soup, it can't hurt, and you may get lucky the first time out.

It is better to talk business with a prospective investor with no detailed plan than to have one that can be shot full of holes. Such was the case with a plan presented to me by a couple of hotshot "hi-tech" promoters. Their syndicate would offer telephone subscribers the ability to jump a single area code, by fax or phone, incurring no long distance charges. The fee for the service would be a flat ten dollars a month. The initial investment called for a limited number of telephone lines and a few PCs. The idea was clever, and would be profitable if it were possible to put into practice.

I poured over their business plan. There was little mention of how, and at what cost the thousands of new customers would be signed up. The promoters had absolutely no handle on how the ten bucks a month would be collected or at what cost. Their projection to year five showed only a slight increase in staff salaries but a huge jump in customers. The plan took no notice of competition, present or future. It did provide though for generous salaries for the two co-managers with yearly increases (not tied to volume or profit). Another blunder was to enclose a letter citing the urgency of the matter, which began, "Dear Dave." I got the impression that the promoters were cranking out business plans and covering letters by the trunk full hoping to snag a sucker. In their haste, peoples' names got switched around.

I bought the gentlemen lunch and thanked them for their presentation. What I learned from the meeting was worth the price of the lunch. Even when one is totally sincere in their business plan he will look like a schlemiel if the plan is shot full of holes. Be careful, especially on your first try.

Obtaining private funding or



Assuming that your product or service is in demand and the venture capitalists show interest, you will need to convince them that your management team is not just yourself. PHOTOS.COM

through a venture fund can be either complicated or easy. The venture fund, or the investor, will want details of your operating budget, data on economic viability, a time frame for exit and expected profit. By exit they mean with how much, and when they'll get out. There is nothing wrong with this, just so you know that while you are in it for life, they are in it only for the bucks.

You'll find that when dealing with venture capitalists (VC) you do not get an outright rejection.

They will keep taking notes and remain non-committal. They are extremely careful and seldom want to be the first to put money into a deal. You need to be patient; prospective investors have learned to smell desperation.

Assuming that your product or service is in demand and the VC show interest, you will need to convince them that your management team is not just yourself because, if you were to drop dead next month, the business would be a

goner. You need to show management experience and some depth. At the same time, you should realize that the VC look for a big return on their investment, and will only take a deal on if your plan promises it. There is also a product called "mezzanine" financing (junk bonds), which does not require the entrepreneur to give up chunks of equity. The interest rates that "mezzanine" folks expect are in the 18 - 20 percent range. It is not as bad as it sounds, if your business is generating a strong cash flow and profit, and you can't get the funds from a bank. Of course,

in this credit environment, good luck on finding such financing.

You will want to change your business plan if you don't get any bites. When first approaching potential investors make no more than a handful of copies. Through discussions you will learn what re-evaluation is needed in order to sell your proposal. Incorporate them into a revised plan. Keep making changes until you come up with the right formula.

Until recently, none of the above applied where "dot-com" ventures were concerned. In that bygone era, a couple of nineteen year olds, with

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an idea for a revolutionary service would get funding to the tune of millions of dollars.

I questioned a number of men and women about their reasons for going into business. The assorted answers were: "I prefer to give rather than take orders." "It's about time I made some real money." "I hate to see my paycheck shrink with all those deductions." "It's the only way to retire young and get to enjoy life."

Not the best reasons to take a chance on business. If one is irritated with office politics, hates paperwork, has an excess of under-utilized energy, and is, at the same time brave, he/she is ready to venture out on their own. Business people list pride and independence, ahead of money. The ambitious want to be in a line of business that provides a living, and satisfaction.

What about fear of failure? In baseball, if you get a hit 30 percent of the time, you're a hero. Why should you expect to succeed every time? There is nothing wrong with fearing failure if the fear makes you work harder. As long as you do not waste your energy and time worrying about where the economy is headed.

Manny Drukier has been in business, from manufacturing to publishing, retail to real estate, stocks to stockpots for the past 60 years. He is the author of two books and resides in Toronto, Canada.

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## A professional approach to stopping conflicts before they start

By ZHANG SUN  
Epoch Times Staff

Conflicts can arise at any moment in our lives. Some we'll be able to see coming and some we won't. But we can all agree on one point: whenever conflicts arise, they're usually not much fun.

In this column I'll discuss a few simple things that you can do while you're in the middle of a conflict, or even before it starts, that will save you the unnecessary grief.

The following advice may appear simple, but the skill will be in your ability to control the urge to argue or defend, and have the discipline to submit to what may be a foreign method of negotiation for you.



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**QUESTION:** Probably the best place to start this series is with the most common tendency I notice in conflicts or arguments. This is an all-too-familiar situation where one or both parties try to force their opinion onto the other person. What is a more productive approach?

**ANSWER:** Try to make a point of understanding the needs and desires of the other person, first, before you ask them to understand you.

Instead of spending your time presenting your side of the story and the perfect logic behind your point of view, and why you think you're right, it is best to take the time to find out how the other party views the problem or conflict.

Why is this important? Because one of the greatest needs a human being has is the need to be understood. If you make the effort to understand the other person, you are validating their feelings and opinions. This is a very respectful approach to problem solving.

When a person feels heard and understood, they feel better about themselves and as a result, they'll

feel better about you. They are also more apt to drop their defensiveness and open up to you. In an atmosphere of openness, respect, and mutual understanding, both parties are more likely to come up with a wise solution that improves their relationship and fairly addresses each other's needs and concerns, instead of only their own.

Here's an example of how I was able to use this approach myself: I recently visited a restaurant in China's Shanghai business district and ordered dinner. Halfway through my meal, I smelled this awful smell coming from the kitchen and my eyes started to water uncontrollably. Seeing that it was near impossible for me to enjoy my meal, I approached the manager to ask for a refund.

He stared at me with a blank look on his face and replied: "Sir, I just can't do that." My head filled with thoughts of how unfair and unreasonable this man was being and that under the circumstances,

I was perfectly justified in asking for a refund.

Resisting the urge to launch into my side of the story, I lowered my voice and asked: "Look, I know you must have a good reason to refuse my request, but I cannot understand why, so can you please tell me what it is?"

He replied: "I'd love to give you a refund sir, but this is my first day working as a night manager and if the owner knew that a fire extinguisher accidentally went off in the kitchen, while I was on duty, and that I had to refund a customer's money, I would be fired. Is it OK if I issue you a credit for the meal we served you tonight and offer you a complimentary dessert and drink when you return?"

Of course I agreed. Win win.

If you have any feedback, questions, or interesting conflict resolution stories that you would like to share with our readers, please email [info@etimes.com.au](mailto:info@etimes.com.au).

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