

The five deadly investor sins

A sharp business plan will impress potential investors, but the risk for the investor is not always in the plan but in the people who are going to implement it, writes Alan Manly.



Alan Manly

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Personal character and motivation of the entrepreneur is often the defining issue for an investor. To establish the character of the entrepreneurs who are proposing the business plan the investor will often seek a personal interview or presentation of the business plan. What guide could a potential investor use in this challenging environment? The old “deadly sins” springs to mind.

Traditionally deadly sins have come as a neat package of seven, however, entrepreneurs appear to be more readily tempted by what we will call the “five deadly sins for entrepreneurs”.

Pride. Top Sin #1

Definition*: a high or inordinate opinion of one’s own dignity, importance, merit, or superiority.

Symptoms: inflated ego, super confidence whilst making derogatory references about others. Happily alludes to be being better than all others. It’s not the fulfilment of the business plans goals and by the use of modern leadership in motivating skilled staff that will lead to success. It’s the one and only person who really “gets it”. You guessed it, it’s the presenter. Investors can either love the ego or it may just bring out the ancient fear that not only does pride come before a fall, it often needs a fall guy.

Greed. Top Sin #2

Definition*: excessive or rapacious desire, especially for wealth or possessions.

Symptoms: setting of targets that are plain greedy. Rewards greater than usual for what has been promised to be achieved. The discussion often goes to the need for professional image...expensive officers, the “vision” moves from customer satisfaction with the product or service to the material rewards for staff and management. Investors may feel as if they are funding someone’s personal need to be rewarded...rapaciously

Wrath. Top Sin #3

Definition*: strong, stern, or fierce anger; deeply resentful indignation; ire.

Symptoms: plain old resentment at where they are today compared to where they should. A as some would say. Will rational behaviour prevail over that chip on the shoulder? What if things start going wrong and our presenter feels threatened? Logical decision making may be hijacked. Wrath could take over that nice entrepreneur giving the presentation and turn them into a God like monster seeking revenge against a perceived enemy. The business plan may be the first victim of this war.

Lust. Top Sin #4

Definition*: A passionate or overmastering desire or craving.

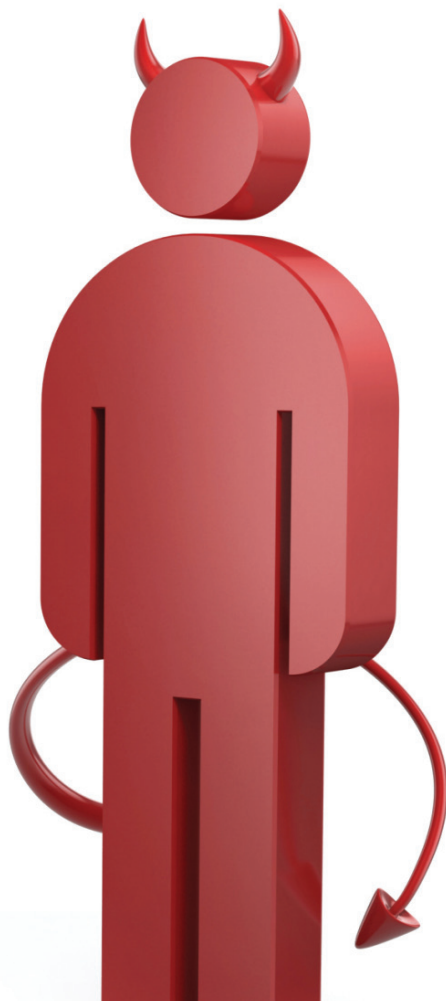
Symptoms: the presenter talks to the satisfaction of the end game. It will be overwhelmingly good when we do it. The business is not really getting a mention... it’s the passion. This business plan would not be the first to lie in ruins thanks to hard edged passion for the business being redirecting to individuals personal lives. Questions by investors about the team socialising and working together is often a probe to gain confidence that the investor will not be watching from the sidelines in a divorce court sometime in the future.

Envy. Top Sin #5

Definition*: a feeling of discontent or covetousness with regard to another’s advantages, success, possessions.

Symptoms: frequent mentions of how lucky the competitors have been. The competitive product is not worthy of the recognition it receives. Competitor success is only because a product like ours was not on the market. Not to mention the poor skills level of the competitors staff. Once our business plan is actioned this injustice will be righted. .

There are many advantages of writing a business plan for those who are investing their intellectual property and emotion in a business. It puts those great ideas under the microscope allowing others to read in



the cold light of day what you have been enthusiastically chatting about at every meeting. There are even more advantages for an investor to read the business plan. A presentation by the entrepreneur explaining the business plan is often when the personal character and motivation of the entrepreneur is really on display. If that person is you or your business partner be aware of these deadly sins. Maybe a practice presentation could be beneficial for you and your business partners even before an investor gets involved. After all, the devil may not be in the detail but exposed in the presentation.



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