



Small Talk

Bring Your Vision to Life with a Business Plan

IT'S A BLUEPRINT FOR SUCCESS AND A TICKET TO FINANCING APPROVAL

Every small business has a story. Understanding your company's story — where you came from, where you want to go, and how you're going to get there — is essential to running a successful business and meeting your goals for growth. Capturing this through a business plan is key to making real progress toward your business goal.

Beyond serving as a blueprint for your own success, a business plan is also an important requirement to obtain financing. When you apply for a business loan or line of credit, lenders use your business plan as one tool to assess your creditworthiness (i.e., your ability to pay back the loan). If you can't justify the viability of your business, you may have a hard time qualifying for financing.

If you have yet to write a business plan, don't be discouraged. There are plenty of resources available to make the process easier. To that end, here are some business plan tips that will not only help you run a more effective operation, but also give lenders what they need for financing approval.



UNDERSTAND THE FUNDAMENTALS

You don't need an MBA to write a good business plan, but it does help to be familiar with some foundational business concepts. Among other things, you'll need to have a firm grasp on your business's financial position (accounting), how you make or deliver your product or service (operations), how you differentiate yourself from competitors (marketing), and how you win new customers (sales).

Few small business owners are experts in all of these areas, so there's no shame in asking for assistance. Consider networking and seeking guidance from more experienced people in your industry, or take advantage of educational resources, like those offered by the Small Business Administration, and mentoring programs such as SCORE. If you need more in-depth and personalized help, consider hiring a small business consultant, or visit with a Frost advisor who can take a look at your business plan.

WHAT TO INCLUDE IN YOUR BUSINESS PLAN

Every company is unique, but most business plans should include at least these key components:

- **Executive Summary:** a concise overview of the entire business plan.
- **Business Description:** a summary of the history of your company, the products or services you provide and to whom, and what differentiates you from competitors.
- **Management Team:** key personnel, their experience and qualifications.
- **Operational Plan:** how you run your core business on a daily basis.
- **Market Analysis:** a breakdown of your target customer groups, the market size and growth potential, your competition, and where you fit into the big picture.
- **Marketing and Sales Strategy:** how you plan to build awareness of your business, attract new customers, win their business and earn their loyalty.
- **Financial Statements and Projections:** balance sheet, income statement, and cash flow statement, break-even analysis or other information to show how you expect your business to grow over the next three-to-five years.



You'll want to include enough hard data and evidence to show your business plan has been thoroughly researched and shows viability, and you'll want to be sure you understand the data and evidence in your plan.

BE REALISTIC

It's great to be optimistic about the future, but it's also important to approach your business plan objectively. Inflating financial projections or underestimating your expenses won't help to demonstrate your creditworthiness to lenders, and it could lead to misguided decisions that undermine your company's success.

You should also consider that even the best laid plans can be derailed by unfortunate circumstances — a natural disaster,

a disruptive technology or a global pandemic, for example. You can strengthen your business plan by identifying the most likely risks, including those specific to your business' industry, and explaining how you'll deal with them, operationally and financially.

MAKE IT AN ONGOING PROCESS

Even if your small business is already established, it's never too late to go back and write a more complete plan. In fact, it should be a living document that evolves along with your company, your customers and your industry. After a year or two of lackluster performance, you may realize that your business model needs adjusting. Or, if you're experiencing greater success than you imagined, it may be time to set more ambitious growth targets.

LOOKING BEYOND THE NUMBERS FOR FINANCING APPROVAL

As you write your business plan and prepare to present it to potential lenders, keep in mind that banks may differ in how they view your plan. While some base financing approvals solely on rigid calculations, other lenders may take a more personal and flexible approach and consider other factors.

At Frost, we know there's a human story behind every venture, and everyone's situation and business are different. To learn more about our relationship-based approach to business banking and financing, give us a call — we're here to connect your small business with the tools and people you need.