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An inside look at business plans from a lender's perspective

01.01.2013 | Los Angeles

In today's regulatory environment, banks are no longer lending based on collateral; they are focusing more on business history, the owners, their future plans and how they'll repay the loan.

"A business plan is an excellent way to tell bankers about the story behind the numbers and let them know you have a good handle on the future of your business," says Betty Uribe, executive vice president for California Bank & Trust.

Smart Business spoke with Uribe about how to develop a business plan to increase your chances of obtaining a business loan.

Betty Uribe, Executive Vice President, California Bank & Trust

Why are business plans important?

When presenting a loan package to a lender, an organized, well-thought-out business plan can make the difference between getting and not getting the loan.

A business plan will show the lender if the business has a chance of making a profit and in what time frame. It also provides a well-thought-out estimate of how much the business needs to grow and defines the market, customers and the percentage of the market the business plans to reach, providing a clear revenue estimate. Importantly, a business plan can convince the lender to fund your business and show them potential issues and how they'll be addressed.

What are the steps involved in creating a good business plan?

Start with an outline and fill in the blanks as you learn more about the process. Your plan should be only as big as necessary for your firm to run smoothly. In fact, the outline alone may suffice, particularly if you are not submitting the plan in a package to obtain financing.

Many seasoned entrepreneurs calculate a break-even analysis to predict future viability in their respective fields. This is a formula based on the relationship between revenue, fixed costs, variable costs and profit. The analysis can show you how much money you must bring in to stay solvent.

Another preliminary tool is a feasibility plan, a basic document that features a summary, mission statement, market analysis and required success factors. It also might include an initial cost analysis addressing pricing and potential expenses. This can help you determine whether starting a business can work for you.

What resources are available to help?

An abundance of user-friendly business planning software is available that is designed to help strategize, sort and calculate related financial data.

Also, agencies like the Small Business Administration and SCORE, the Service Corp of Retired Executives, offer detailed information on developing a solid plan.

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How do you get started?

Most experts outline 10 key components for a basic business plan. Key components include:

• Cover sheet

• Table of contents

• Executive summary

• Company description

• Product or service description

• Market analysis

• Strategy and implementation

• Timetable

• Management team

• Financial analysis

What should a business owner do with the business plan once it's written?

Start by recording overall business or long-term goals on a spreadsheet, setting the bar high enough to grow. Make sure your goals are specific, measurable, attainable, relevant and time-bound (SMART). They must be easily identified, quantified and understood by you and your management team or you won't know when you reach them. Also, set quarterly, monthly, weekly and daily objectives, then record your progress but don't share or discuss goals with negative individuals who might impede progress. Lastly, keep asking yourself, 'Does this decision take me closer to my goal?'

Growing a business takes commitment and systematic planning. Educate yourself. The more you learn about your industry, competitors, finances and time management, the greater your chances of success.

Betty Uribe is executive vice president at California Bank & Trust.

For a full scope of tools and information through to help businesses get started, visit www.calbanktrust.com/team. Another valuable source of information for business owners is at www.calbank trust.sbresources.com.

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http://www.sbnonline.com/2013/01/an-inside-look-at-business-plans-from-a-lenders-perspective/?full=1