Financial Planning

In order to put together financing, you will be best advised to go through the following steps. This will prepare you with necessary documents and understanding to make the case with a banker, investor or grantor. Common goals and objectives unite an organization. The strategies you develop will help you execute your action plans. The measures you put in place will generate accountability and objectivity. You need to approach this process as a cyclical matter: plan, do, check and act. This way you never stop reaching to improve.

The steps outlined here have some overlap and include some looping back to get them right, so we shouldn't think of this as a step-by-step, linear process. You will find yourself in cycles of decisions and discovery. If you begin at the beginning you will be prepared to understand those things you discover about the market, your group and yourself.

Begin at the beginning

A common thread runs through any marketing challenge. Whether it is a small business, or a regional development group seeking to expand commercial activity, the beginning of the project is determining the right questions to ask. These questions will drive the need for further research, development of tools, identification of additional resources, etc.

The market development exercise is really a project management, with goals, objectives, strategies and measures. But before these issues are addressed, a cool assessment of capability is needed. It is a mistake to go forward in planning by simply doing a marketplace scan with the idea that "we'll just do whatever looks hot today." Before a group or company looks to the marketplace, they need to understand precisely what capabilities exist in their organization or region.

Assessment of resources

The first step is to inventory your resources. Begin broadly by placing your perceived assets under areas such as: a) human resources; b) financial; c) technical; d) management; and e) physical. The process must be objective and can be most efficiently done with the help of an experienced facilitator.

Next, create a list to include accessible, relevant resources that could be attached through alliance or associations with other entities. For instance, as a small business, you may need to identify outside trucking or sub-contractors or perhaps do a labor shed analysis. You need to look for resources you may need to add inputs or service to the business. This is a second layer of resources that would be available. Be objective.

You now have the beginnings of an asset inventory in two layers: primary and secondary. These can be analyzed to express your capabilities. If these resources are organized in a database format, they are then available through sorting mechanisms and accessible for analysis. Don't add much detail until you've done the following.
Rank Your Resources to the Marketplace

Even before you boldly go out into the marketplace you need to compare your resources to what you believe "is" the market. A third step is to sort these resources into rankings so that the strength areas become obvious. Notice the weakness areas and determine if these can be shored up either with internal changes or by identifying outside resources. Ask yourself if the weaknesses threaten or negate the strengths.

Be innovative in how to value-rank these resources. You could begin by ranking your resources simply by what you have the most of. Then start comparing these assets with other realities to determine which resources might have the most impact or value. Don't take anything off the table yet.

Goals

You now understand what you have to work with. Next, you are ready to express your identity and goal. If you do this exercise before you've assessed your capabilities, you may develop your mission and goal based on myths.

Conclusion

Each of the targets explored at left for capital will require the same information, evidence of planning and personal presentation. The formats will be somewhat different from one to the next. Certainly the needs of each will vary substantially as discussed above. Know your audience. Consider this your first marketing challenge.

Financing Objectives

What is your mission? Who are you as an organization? By clearly stating who you are and generally where you are going, you have taken a vital step. This is the pivotal communication point for your organization. Both insiders and outsiders should be able to clearly see what centers this entity. Where are you now? Where are you going? How will you get there?

Objectives

Objectives are not the same as the goal. Objectives take you into more detail about moving toward your overall goal. Stay at a high level with these objectives and continue to do first things first. For instance, examples of early objectives might be to establish action teams and to write a marketing plan. Examples of next level objectives might be growth, advanced capabilities or coordinated events. Objectives lead to measurable targets, which are discussed later.
Strategies

The goals and objectives will drive the strategic decisions of the company. Strategies establish the direction and begin to define the detail and actions taken to achieve the goals and objectives. The three categories of goals, objectives and strategies don't emerge one after the other. In fact, these tend to develop concurrently and in final form these must be clearly complimentary. Strategy is not dictated by any one set in your planning, but clearly your assessment of resources comes in to play here.

Measures

How do we know we made progress unless there is a measurable outcome? We can't. So, even the high level objectives we established above need to be measurable. For instance, when the marketing plan is done, you've met a measured objective. When the action teams are established, you've met the objective. When you establish targets, as we talk about below, you will also come back to the measures because those targets will each be a project in itself. Targets have to be measurable.

Marketplace Assessment

Now you can appropriately scan the market for opportunities. These will more clearly sort themselves into priorities since you've established the basics of your organization. The key aspect of this process is that you can sort out needs versus wants, always working with your strengths. It is human nature to operate from beliefs or even myth. The objective of working through this process is to eradicate the myths and establish the facts. "Just the facts Ma'am." You are creating the tools and the decision environment to make fact based decisions.

A market assessment can be done at two basic levels. First is a "desktop" assessment. This might be Web research, phone calls, networking, etc., that can give you some sense of trends, relationships and all relevant realities of the market(s) you are looking at. Next comes the guerrilla phase. This is when you get in the car or the airplane and go where the action is. It is essential to be in the mix and part of the active networks so that the potential targets know you are out there. But, you are really still in the research mode with this activity. You are armed with a sense of self in terms of goals, objectives and capabilities. So, now you are trying to get feedback to focus on the priority targets.

Stay with the program. Don't get ahead of yourself expecting to get big deals yet. You are still preparing, learning and sorting who you are against what needs are out there to be filled. True marketers are confident, but very humble. Humble is the opposite of arrogant. Arrogance is another way to spell doom in marketing. The humble person will accept what he sees and let the market tell him what it wants.

Targets

Now we know what our goals, objectives, initial strategies and measures will be in general form. We now know generally what our present capabilities are. And we've been creating a sort of
asset map to help us visualize our resources. As we research and understand the market, we can fill in other layers of information so that we overlay resources with market targets.

It is only now that we can appropriately start to target the market. Yes, we may have learned some cold facts that cause us to go back and re-evaluate the objectives and strategies, but if we don't do the first things first, we will taint the process and bias our self-assessment. We now have a baseline of who we are and generally where we'd like to go. By looking at the marketplace now, we can begin to see what we need to change or what we should emphasize.

**Securing a Loan**

Most small businesses look to a commercial bank for capital at some point. It is important to realize that this is not the first stop when assessing your capital resources. Before going to a bank you must have a business plan that has objectified all aspects of the business and determined with as much certainty as possible that you need a certain amount of money and for specifically determined needs.

A banker needs to know several things:

1. Who are you and what are you trying to do?
2. Have you done your homework and is your documentation credible?
3. What is your capacity to successfully execute your plan?
4. Have you got enough collateral?
5. Can you provide enough equity capital into the business?

A banker has two important characteristics to remember. First he is a “bottom line” individual. This means you need to bring your discussion quickly to a bottom line which shows him how much money you need and how it will be used. Second characteristic is that a banker will accept no risk in your business. If the banker says he needs to see 40% equity before he’ll loan the other 60%, this is precisely what you must provide. He will also file liens on your assets to further secure his position. There is always risk but his goal is to eliminate risk to his bank.

Develop a sheet that shows sources and uses of cash. You should work out your cash flows carefully and in great detail if possible. Then reduce the detail by combining costs and revenues into a few larger headings so that you create a simpler version of your cash flow. This will make it quicker for a banker to review your financial model and likely it will be more understandable. If the banker needs more detail you can pull out the detailed version and discuss how you came up with certain numbers. The idea is to be prepared for whatever questions the banker will have.
Seeking Investors

Investors come in many sizes, colors and flavors. Finding the one that can fit your needs is the challenge. Investors seem to have similar characteristics to a banker but with a difference…investors take risk. In return an investor expects a higher rate of return on his money than a bank. Sophisticated investors will calculate an “internal rate of return” (IRR) which may be as little as 12% and as high as 25% or more. It depends on their assessment of the risk/reward picture and what their appetite for risk is.

One class of investor is the angel investor which is usually a silent partner who has some affinity to you or your project. Look close to home for this one. Perhaps family and friends will step up. Sometimes there are community members who do this. Work your networks.

Another class includes various types of investment pools that will have criteria that define the type of business or sector they will participate in. These will be sophisticated and demanding partners. You must jump through some serious hoops to access this money. All the business planning material you prepared for the bank must be in order for these guys as well. But there is more. You must be able to make them understand your business model and help them trust you. They will invest based on the people they see managing this project. Once they are satisfied you’ve defined a market space with products and services that make sense, they will look at the management and ownership to see if they want to partner up with you. If you’ve never done this before, you should consult with a lawyer or other expert on financial structuring.

Venture capital funds are similar to the investment pools above but generally have tougher rules. Like the other funds they will generally look to structure an exit from the business that may be in three to five years. This means they want a plan that meets their IRR goals in that length of time and they are bought out. Think about this as their primary need. Your need is to have their capital to work your plan. Their plan is to get a return, get out and move on to the next thing.

Accessing Grants

Grants emanate from many sources. Foundations, government agencies, working groups are examples. There are simple things to remember. You must understand what the motivations and goals of the grantor are. You need to know when the grant application window is and how long it will be before a decision comes down. It is important to realize how competitive a grant really is since you will invest time and resources on something you may not get.

Think of how to best use grants for your benefit. Don’t let a grant opportunity drive your planning timeline and don’t plan for your business to live off grants. Sometimes money is available for planning. This is a super opportunity since it can finance the use of experts and bring your business plan to a high level quickly. Sometimes a grant can help supply working capital. Again, this is a super opportunity but guard that capital like it’s the last dollars on earth.
Don’t think of this as free money to be blown. The third use is generally for capital investments such as buildings or equipment.

Think carefully how a grant can help you achieve your goals. There will be a lot of paperwork and often difficult requirements. For example, some grants require public disclosure of the whole project. If you are protecting intellectual property or otherwise don’t want your business revealed to all and sundry, you may shy away from a grant.

There are professionals who write grants and if you’ve never done it, it is best to access this help. This comes at a cost but your chance of success goes way up with a pro. The main rule of grant writing is to slavishly follow the grantor’s format and stick strictly to their needs, answering each item succinctly and fully. Don’t stretch the facts and write to the motivations of the grant program itself. These will be clear in the [Request for Proposals] document.