



Ohio Small Business Development Center (SBDC) at The Ohio State University South Centers





Business Planning & Financing Options



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Agenda

- Becoming an entrepreneur
- What questions does your business plan need to answer?
- Business Planning Outline
- Access to Capital
- Grant Talk
- Question and Answers



Becoming an entrepreneur
Questions to ask yourself...



Assess Yourself - What you should know

Starting and owning a business is exciting in many respects, however can be somewhat confusing as well as a consuming process.



- Entrepreneurs work long hours.
- You'll typically draw little income from the business for the first 2-5 years.
- Strong interpersonal, leadership, and organizational skills keep you and your workforce focused.
- An optimistic, but realistic, approach to business will weather storms.
- Experience in your proposed industry is important.



Questions to answer! The Business Plan Process



Developing Your Business Plan

Your business plan serves as a road map. Helps answer such questions as:

- Who
- What
- When
- Where
- How





Business Planning



Business Plans usually consist of:

- Executive Summary
- Business Description
- Marketing
- Management
- Money





The Executive Summary

- Brief Overview of the Business Plan – This is read first but should be written last!
- Provides a brief overview of the rest of the plan.
- Includes the compelling reason the business will succeed.
- If being used to seek financing – include how much money is needed, for what, and from where.



Business Description

- Describe the Company
 - Why does the company exist?
 - What need does the company fill?
 - What is the status of the business?
 - New start-up, or existing business planning expansion?
 - What is the current state of the industry you serve?
 - Characteristics and trends
 - What are your products/services?
 - What sector of the industry are you in?
 - Wholesale, Retail, etc.



Marketing

- Who is your target customer?
 - Age, Income Level, Level of Education, etc.
- What is your competitive advantage?
 - Why will customers buy from you?
- What is your marketing strategy – how will you position your products/services?
 - Best Value, Highest Quality, Cheapest, Most Convenient
- What are your 4 P's?
 - Product, Place, Price, Promotion



Marketing

- Develop a detailed marketing plan and budget.
 - How will you market your business?
 - TV, Newspaper, Radio, Flyers, Billboards, Social Media, etc?
 - How much will you budget for marketing?
 - How you market depends on what your customers 'look like'.
 - Age, income, location, interests, psychographics
 - How will you manage your image?
 - Everything You do sends a message to your customers - Signs, Employees, Complaint Resolution, Pricing, Public Relations, etc.



Management

- Key Owners/Managers
 - Demonstrate their experience, education, etc.
 - Organizational Chart
 - Who's responsible for what?
 - How does the decision making process flow?
- How Many Employees will you Hire?
 - What skills do they need to possess?
- How do/will you manage risk?
- What Professional Support do you have/need?
 - Accountant, Attorney, Insurance Agent, etc.



Owners Personal Experience

- Why will you be able to successfully manage this business?
 - Resumes of key owners/manager
 - Ability to hire/fire
 - Ability to manage business finances
 - Ability to maintain your personal financial stability until the business is established
 - Ability to recognize your weaknesses and develop a plan to deal with them (accountant, SBDC counselor, etc.)



Money

- Most important thing for new start-ups...
 - Cash Flow Projections
 - Sources & Use Statement
 - Break Even Analysis
- Cash Flow Projections should be
 - Reasonable & Realistic
 - Supported by Your Market Research
 - Demonstrate ability to repay the loan!

Begin these early in the business planning process! They will provide information you need to develop your plan.



Money

Things a Financial Institution Looks at

- Credit
- Character
- Capacity
- Collateral
- Conditions
- Capital
- Confidence

Credit History

- ✓ Be prepared to offer reasonable explanation for blemishes
- ✓ Repair and rebuild prior to applying
- ✓ Keep tax obligations current



Money

- There are 5 main areas lenders focus on
 - Cash flow projections
 - Financial Stability of your...
 - Personal Credit History
 - Collateral
 - Personal Financial Statement
 - Personal Experience
 - Business Plan
 - Cash Contribution





Access to Capital
Where am I going to get my money...



Funding your Small Business

- Self-financing
 - 15+% is normally required as your “skin in the game”
- Friend/Family
 - Although it’s normally frowned upon to mix business with family and friends, if pitched and treated appropriately this could be a very lucrative funding source especially in today’s economy
- Banks
 - Hometown Banks, Traditional Lending, Commercial Lending
- Government Loan Programs/Partnership Loan Programs
 - USDA, FSA, OEFFA, SOACDF / SBA, growNOW & ag-LINK
- Other Lending Organizations
 - Gap Lenders, Micro loans, Community Revolving Loan Programs
 - Local Chamber of Commerce, Economic Development Office or Small Business Development Center.



Funding your Small Business continued...

- Investors
 - Venture Capitalists, Angel Investors, Go Public, Crowd Funding
- Suppliers
 - Discounts for quantity, terms, consignment, guaranteed sale
- Customer Deposits
- Factoring & Accounts Receivable Financing
- Credit Cards
 - Take advantage of 0% – low interest for period of time however run the risk of high interest in the future.
 - Make sure you are paying down your balance during the low interest time period and not just the minimum payment/interest due
- Grants
 - Specific requirements for eligibility



Grants for Small Business

“Where can I find a grant to start my business?”

The answer is, you usually can't find a grant to start your business. However the following slides will provide you with general information about a few grants that may be available, and tips on how to decipher between a credible program and a scam.





Grant Myths & Facts

- ❑ **Myth** - You may have heard advertisements that suggest the government will "give" you money to start or expand your business.
- ❑ **Fact** - No government agency is handing out free money to start a business, regardless of your gender, ethnicity or economic status.
 - Some government grants are available, however they are designed for very specific programs such as:
 - Highly technical areas of industry
 - Schools and training programs
 - Other state and local government programs
 - Small Business Innovative Research (SBIR) program – Tracey Bell
 - Sustainable Agriculture Research and Education (SARE) – Bob Calala



Grant Myths & Facts continued...

- ❑ **Myth** – The U.S. Small Business Administration (SBA) has grants available for small business owners.
- ❑ **Fact** – The (SBA) does not provide grants for starting and expanding a business, though it does offer a wide variety of loan guarantee programs which must be applied for by an approved SBA lending institution.
 - Government grants are funded by tax dollars and require very stringent compliance and reporting measures.
 - 100% financing is a thing of the past and just isn't available.
 - The harsh reality is that 95% of small businesses are started with personal savings, loans from friends or relatives, or commercial lenders.



Grant Resources

The following are valid resources for information about government grants and benefits:

- The Catalog of Federal Domestic Assistance www.cfda.gov
 - Resource for types of assistance & writing grant proposals
- The U.S. Small Business Administration (SBA) www.sba.gov
 - Federal loan and grant resources
- The Foundation Center <http://Inp.fdncenter.org/finder>
 - Use the Foundation Finder to search for basic information about more than 70,000 private and community foundations in the U.S.
- Society of Research Administrators <http://www.srainternationl.org>
 - Resource for government & private funding and general research
- Grants.gov www.grants.gov
 - Federally operated website for finding & applying for federal grants



Grant Writing

Here are some tips if you find a grant opportunity:

- **Identify the funding source**
 - Grant applications must be responsive to the needs of the grant agency.
 - You must DO what the agency is funding.
 - Research the granting agency and its requirements.
- **Get the correct application forms**
 - Legitimate grants normally have an identified application process and they do not charge you fees to apply.
- **Follow the application guidelines**
 - Include the required information and meet the deadlines.
- **Get help**
 - Use the websites previously mentioned as well as accountants and attorneys.
- **Develop a well-prepared business plan**
 - Demonstrate your understanding of the business. This will help outline how your business will benefit the agency offering the funding.



Websites of Interest

The Ohio State University South Centers
Business Development Network

<http://sbdc.osu.edu>

Ohio Small Business Development Centers

www.ohiosbdc.org

Ohio Development Services Agency

www.development.ohio.gov

The Ohio Secretary of State

www.sos.state.oh.us

Ohio Department of Taxation

www.tax.ohio.gov

Ohio EPA Small Business Assistance Office

www.epa.state.oh.us

Internal Revenue Service

www.irs.gov

Ohio Bureau of Workers' Compensation

www.ohiobwc.com

Southern Ohio Agricultural & Community
Development Foundation (SOACDF)

<http://soacdf.net>

Ohio Ecological Food & Farm Assoc. (OEFFA)

<http://www.oeffa.org>



Questions or Comments??



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