

## **Connecting with a bank, following a plan is crucial for entrepreneurs**

*By Pat Sisneros and Lynne Munoz*

New entrepreneurs need bankers to be a part of their network of business professionals in support of their business.

Unfortunately, it is difficult for banks to fund start-up ventures. Banks make low risk-loans. The high failure rate of new businesses makes these loans high risk, thus the conflict between the role of a bank and the needs of a new entrepreneur.

As a result, it is likely the initial funding for your business will come from savings, family, friends or relatives. But as your company grows, the financial assistance of a bank may be critical to your long-term success. Since building a relationship with a business banker can take time, entrepreneurs should get started near the beginning of their business planning process.

### **Building relationships**

Where should you begin?

Mike Deller, CEO and president of Bank of Everett and Nancy Holiman, senior vice president at Frontier Bank, agree you should start with the bank where you have your personal checking or savings accounts.

"Expand on your existing banking relationships. Sit down face-to-face with the business banker and find out how easily accessible they are and whether they will be willing to work with you," Holiman said.

Deller agreed.

"The business banker really needs to become your business partner who understands the ins and outs of your business," he said.

Deller suggested that even if you get turned down for a loan, that isn't wasted time, since you started to develop an important relationship. You also benefit from having someone show you the potential holes in your plan.

He emphasized that you shouldn't take this criticism personally, but should listen to why you were turned down and use the information to improve your plan.

### **The business plan**

Both bankers agreed on a number of items related to the content of a business plan. It shouldn't be lengthy. If it is, you're not communicating a clear vision for the business. They offered a test: Can you draw the concept of the business on the back of a napkin?

The financial projections need to be conservative and based in the reality of the marketplace you are entering.

"Don't go with pie-in-the-sky numbers," Deller said. "It's not realistic to predict you will have a 10

percent market share in your industry after your first year."

The marketing section of your plan should demonstrate how your product or service is uniquely different, where your customers are coming from and how you will support them.

And, finally, the development of the business plan takes time and requires patience.

"Along with your business plan, you should be prepared to fill out a laundry list of items about your financial background, including your personal credit score. You'll also need a resume," Holiman said.

She noted you should be prepared to pledge personal assets as collateral and that the loan decision may be primarily based on the value of these assets and your credit score.

### **Best advice from bankers**

We wrapped up our conversation with our two bankers by asking them for their best piece of advice for new entrepreneurs. Both came back to the importance of developing a long-term relationship with a bank, because so few business owners do.

"Find a banker that you can talk to ... a person that can be part of your circle of advisers throughout the life of your business," Holiman said.

Deller added, "Start early and be patient in developing both the banking relationship and the business plan and be a good listener."

*Pat Sisneros is the dean of Everett Community College's Business and Applied Technology Division. Lynne Munoz is the director of EvCC's School of Business Design. Send comments to [economy@heraldnet.com](mailto:economy@heraldnet.com)*

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