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## Start Your Business with a Plan

Last month I discussed the steps you should take to prepare your business idea before making a monetary investment and hanging the “Open” sign in your window. Even if you know exactly what you want to do and how you want to do it, you will still need to consolidate all of the information you’ve researched into a document called a business plan. This plan will not only guide you during the development of the business, but it is an integral part of obtaining financing.

If you are seeking a capital investment from a bank, an individual you know, or an investment firm, they will all require you to provide a business plan. If you don’t need initial financing support to get your idea off the ground, starting with a written plan will force you to organize your thoughts. This will assist you and others identify weak points so they can be avoided.

The first component of the plan should be a summary of the business, its operations, and a synopsis of your past performance and/or goals for the future. Keep in mind that whoever reads your plan will not want to sift through ten pages of information just to determine what the business does and what you want. Remember that this is only a summary so limit it to just 1-2 pages.

The next section should include a much more detailed description of the business and must at least answer some basic questions investors will have. What product or service will you offer? How many locations do you have or plan to have? How will you distribute your product or service to customers? Do you have supplier relationships established? What are your growth goals and how will you make a profit?

The following section is generally the largest and arguably the most important because it outlines your analysis of the market you will serve, the competition, and how you will market and sell your product or services. How will your company’s product be different and what will be your advantage? Established industries can be very hard to enter and investors will want to know that you have a clear plan detailing how you will overcome these barriers.

Investors will also want to know how the company will be managed and staffed. What is your background and how does it complement your business idea? There is a point very early in the growth stage where one individual cannot run the entire business all by themselves so who will be your management and support staff? Provide biographies for each team member and make sure to discuss how the staffing needs will change as you achieve growth goals.

The financial section of the plan includes projected profit & loss statements for at least the first 3-5 years, the balance sheet, a break-even analysis, and a cash flow analysis. The key here is to be realistic. Investors want to see that you have run several different scenarios outlining results under worst-case, normal, and best-case circumstances. Your accountant and banker can be a tremendous help while developing your financial projections so make sure to access these resources.

While you are in no way limited only to the sections described above, these can be used as the framework for your plan. The most important factor is your preparation and passion for your business. Remember that there are numerous resources out there to assist you in your planning process so don’t hesitate to ask.

Please feel free to contact me with any questions or comments you may have by email at [mdaily@p-s-b.com](mailto:mdaily@p-s-b.com) or by phone at 309-385-4375.



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