The Founders' *Roadmap* to Funding & Sustainability

The Founders Roadmap to Funding and Sustainability

The principles of a sustainable small-business model and the priorities of your Funders are intrinsically linked. Funders seek fortified Founders. Fortified Founders build sustainable companies. Use the Founders Roadmap to assess your company's sustainability and in turn, your readiness to apply for funding/.

Step I: Invest in Founder Readiness

Step II: Cultivate an Authentic Idea

Step III: Evaluate Your Profitability

Step IV: Assess Your Marketability

Step V: Establish Comprehensive Financial Tracking

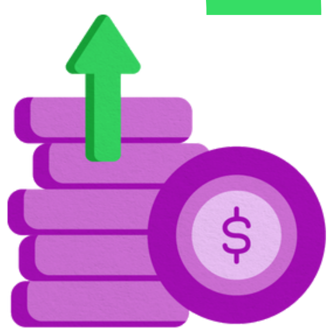
Step VI: Formally Organize and Legally Establish the Company

Step VII: Conduct Comprehensive Business Planning

Step VIII: Conduct Financial Planning

Step IX: Build A Comprehensive Business Portfolio

Step X: Leverage Your Portfolio with Favorable Funders



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I. Invest in Founder Readiness

Founder readiness involves gaining the skills, experience, and savvy necessary to successfully navigate entrepreneurship. While there are no prerequisites for arriving at entrepreneurship, professional trainings, certifications, and/or licenses help to protect your operations and gives your customers confidence in your products. No matter the stage of your business, Founders should constantly reinforce intrapersonal, interpersonal, professional, and industry specific skills through continuing education.

<u>Evaluate to Elevate</u>

Conduct an honest evaluation of yourself and your company. Ask questions such as:

- How can I benefit from interpersonal communication classes, team building courses, leadership seminars, or industry specific trainings?
- What kind of additional experience will I need to professionally navigate my industry?
- Have I executed the proper planning and organizing to fortify the foundation of my company?

In order withstand Funder scrutiny, your company should be able to demonstrate answers to the above and other questions through the quality and integrity of your written communications, professional resume, business plan, retails plans, and financials.

Need help? Assess your readiness with the D-SOURCE Founder Readiness Guide.

Resources

The D-SOURCE Founder Readiness Guide

II. Cultivate an Authentic Idea

An authentic business idea can serve your long-term sustainability in multiple ways. When you build a company in an industry that you already know, love, or regularly experience, you are positioned for improved success.

Entrepreneurship is no easy journey. And the path ahead is a lot more satisfying when you are invested in your product or service beyond its potential for financial return.

interested in entrepreneurship, but don't know where to start? Look inward. Your passions, talents, gifts, and hobbies are the best foundation for your next business idea.

Demonstrate how your business idea aligns with who you are personally and/or professionally. Remember, "Great companies start because the Founders want to change the world, not make a fast buck" - Guy Kawasaki.

Need help? Cultivate your next big idea with the D-SOURCE Idea Cultivation Guide.

Resources

The D-SOURCE Idea Cultivation Guide

III. Evaluate Your Profitability

Testing pricing allows Founders to evaluate the profit margin of your operations.

Profit margin is the measure of your company's revenue after covering all business expenses. A healthy profit margin indicates a "low-risk" involved with investing in your company - a sign of your financial health.

Founders can use past, current, and projected financials to assess their company's profit margin. A profit margin under 5% is considered low; average profit margin is generally 7-10%; a 20% profit margin is high.

What does your current and/or projected profit margin say about the health of your company's financials?

Need help testing the potential profitability of your startup? Test your profitability with the D-SOURCE Profitability Testing Workbook.

Resources

The D-SOURCE Pricing Model Worksheet

The D-SOURCE Test Your Profitability Workbook

IV. Assess Your Marketability

Establishing a market presence requires much more than simply developing a product or service and pushing it in the market. It involves constantly observing your customers - who they are, what they like, where they go, and more. You should be constantly gathering this information and using it to make informed decisions about how and where to sell to create the best outcome for your business. Go beyond data, dumps and industry jargon and put your gut instincts to work. Reflect on your favorite experiences with similar businesses in your industry. When you invest time in making direct, personalized connections with your customers, you will inevitably improve your product and learn how to best position your offerings as an opportunity for their unfulfilled need,.

Before putting your products on the market for sale, ask yourself;

- Who am I selling to?, What are their needs?
- Where is the best place to sell my products? Where can I get constant access to customers at this stage of my business?
- Who will I be competing against? What companies exist in my immediate circles that sell the same products as my company? What are they doing well? What could they be doing better?
- What does my company offer that is special or unique? What do we offer that other companies don't?

Funders like to support Founders who acknowledge their customers and their pain points; set up shop in advantageous (digital or physical) locations; learn from their competitors; and understand how to leverage this information to authentically demand their customers' attention. Need help getting started? Download the D-SOURCE Market Testing Guide.

Resources

The D-SOURCE Market Testing Guide

The D-SOURCE Beta-Testing Workbook and Budget

V. Establish Financial Tracking

Comprehensive financials should illustrate the complete picture of your company's fiscal health - that is, the elements impacting your ability to achieve a healthy profit margin. Past and current financials allow Founders to understand their company's strengths and weaknesses. No matter the stage of your business, you should always have the following financials on hand, up to date, and in a digital format:

- Balance Sheets
- Profit and Loss Statements
- Business Bank Statements
- Digital Payment Records (e.g. Square, Shopify, PayPal)
- Formal Cash Revenue Receipts and/or Records
- Federal, State, and Local Tax Filings

Funders will review financials to understand the current state and the growth potential of your business. Open a business bank account, initiate sales, accept payments, and formally track your cash flows. Funders will undoubtedly request detailed financial records. And they expect them to be organized and in a digital format. Start tracking early and reconcile often. Need help? Develop your balance sheets with the D-SOURCE Comprehensive Cash Flow Workbook.

Resources

The D-SOURCE Comprehensive Cash Flow Workbook

VI. Legally Establish & Organize

Organize your business legally, develop professional plans, map your activity, and document your progress along the way. Establishing consistent internal organizational and planning processes can have great long-term benefits.. Founders may find it beneficial to utilize an ongoing action plan with organized steps to track their progress and goals. Your action plan might include items such as:

- Incorporate business entity with the state;
- Obtain certifications and insurance to legally and professionally operate
- Develop a business plan and retail plan
- Determine the sources of funding to support startup costs

Properly incorporated and organized companies are eligible for more grants and loans than companies that are not. This critical documentation can make all the difference in how a Funder views your preparedness. Like your financials, your planning and organizational documents should always be on-hand, up-to-date, and in digital format.

Resources

The D-SOURCE Startup Planning Workbook

The D-SOURCE Professional Services Guide

VII. Conduct Comprehensive Business Planning

A comprehensive business plan is your company's key to fruitful partnerships and funding opportunities. A comprehensive business plan includes complete information about your company and its

- Products and Services;
- Leadership;
- Current and Future Operations;
- Current Financial State and Growth Plans;
- Marketing Strategies; and
- Retail Development Plans

Your business plans are living documents that you should constantly update as your company grows and changes. Your business plan is not just for you. It's for all the stakeholders who want to use it to make a determination about whether or not they want to support your company. Your business plan is where you demonstrate the capability knowledge, and preparedness of your leadership. If executed properly, your business planning process should do more than get you writing. It should get you moving - thinking about and mapping out all the elements necessary to take your company from simply running to growing and thriving.

Need help? Assess your readiness with the D-SOURCE Founder Readiness Guide.

Resources

The D-SOURCE One-Page Business Planning Guide

The D-SOURCE One-Page Operations Planning Guide

The D-SOURCE One-Page Marketing Plan Guide

The D-SOURCE One-Page Retail Development Planning Guide

The D-SOURCE Fillable Business Planning Template(s)

VIII. Conduct Financial Planning

Developing financial plans is a critical step in building your company's growth strategy. Your company's financial plans should use numbers to illustrate exactly how you plan to execute your growth strategy. This includes

- Detailed Startup Costs
  - An accounting of everything that you need to purchase before your grand opening/launch day. Each line item in your startup costs should be tied to "Sources" - that is, who the money will be coming from - and "Uses" - how the funds will be spent.
- Revenue assumptions
  - An accounting of every item that generates revenue.
- Expense assumptions
  - An accounting of every item that absorbs any portion of your revenues. Your expense assumptions should demonstrate your ability to budget, minimize your spending, and maximize your investment.
- Monthly projections;
  - Monthly projections consistent with figures in your startup costs and assumptions.
- Annual projections.
  - 3-5 years of annual projections that demonstrate your planned growth year to year.

Using these figures, your partners and funders should be able to gauge a complete picture of your financial needs, your plans to secure funding, and how your company will employ capital resources to achieve specific sales outcomes.

Need help? Develop your financial plans with the D-SOURCE Financial Projections Workbook.

Resources

The D-SOURCE Comprehensive Financial Projections Workbook.

Step IX: Build A Comprehensive Business Portfolio

A comprehensive business portfolio is a file that details critical information about every aspect of your business. At a minimum, It includes:

- Legal and Professional Documentation
    - Documents demonstrating legal and professional due diligence for your company.
- Comprehensive Business Plans
    - Demonstrating the capability of your leadership and the value of your product.
- Active Marketing Mechanisms
    - Marketing strategies currently used to generate sales.
- Financials
    - Financial records that demonstrate both financial literacy and growth potential.
- Property Information and Development Plans
    - Data pertaining to all existing and/or proposed retail operations
- Partnerships
    - Details of external relationships required to achieve the highest and best sales outcomes
- Founder and Management Information
    - Details about all leadership involved in the company
- Branding Guides.
    - Illustrations of the mood, voice, tone, and style of your company's market messaging

Not coincidentally, these are also the items that Funders look for most.

Need help? Prepare your company's portfolio with the D-SOURCE Comprehensive Business Portfolio Checklist. Use this manual to build a business portfolio that helps you stay "Funder Ready" as you grow.

Resources

D-SOURCE Comprehensive Business Portfolio Checklist

X. Leverage Your Business Portfolio with Favorable Funders

A "Favorable Funder" is one who is likely to support your company. Favorability is most often a product of the organization's mission. Access to funding is not always a reality for small businesses but with the right preparation, you can significantly improve your outcomes with grant makers and lending institutions. Gathering information about the Funder, their values, and past awardees helps you gauge their likelihood of supporting your business. This is a simple yet critical step to ensure you are maximizing your portfolio with Funders who want to support you.

Small-business Grantmakers are public and private institutions that provide debt-free funding to entrepreneurs. Success with Grantmakers requires both meeting the Funders' service scope and "standing out from the crowd" on multiple meticulously rated metrics. Learning about your small business Grantmaker and the metrics they use to evaluate your business is key to submitting a successful cash grant application. Non-traditional lenders are also known as Character-Based Lenders or Community Development Financial Institutions (CDFI's). These are organizations that provide financing for borrowers who may experience difficulty securing funding from Traditional Lenders (i.e. banks and credit unions). While Character-Based Lenders are known for making capital more accessible for the Founders who need it most, their underwriting processes can be even more scrupulous than traditional lending, requiring a host of organized documentation, planning materials, and bona fide project information to evaluate your character and the integrity of your company before a Lender will approve a loan.

Need help? Learn how to find and assess the best Grantmakers and Lenders for your business using the D-SOURCE Funder's Toolkit.

Resources

The D-SOURCE Funder's Toolkit Part I: Small Business Grantmakers

The D-SOURCE Funder's Toolkit Part II: Small Business Lenders

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