

# KEYS TO FINANCING A BUSINESS EXPANSION

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Finding capital to finance expansion of a small, successful business is one of the major challenges faced by the "green industry" in today's economic environment. Financial institutions are highly tentative about our industry because of their previous experience with it and because of lack of knowledge of the industry now and its challenges and opportunities.

Your response to the situation should include four areas of activity. First, **educate your banker about our industry.** Obtain, read, and give your banker a copy of ALCA's reports I and II titled, "Landscape Contracting Today and Tomorrow." We have found this tremendously helpful in broadening our banker's visibility and knowledge about our industry. Also, obtain and compare yourself to industry statistics on operating costs and financial performance. This will give both you and your banker additional perspective on the industry and your place in it.

Such data has been accumulated by several trade associations including the Associated Landscape Contractors of America (ALCA) at 1750 Old Meadow Road, McLean, Virginia 22101; American Association of Nurserymen (AAN), 230 Southern Building, Washington D.C. 2005; and the Horticultural Research Institute (HRI) also at the above Washington D.C. address. Most banks have access to their own industry data, but it is limited in scope for the green industry. ALCA and HRI data is more relevant to the landscape contracting and wholesale growing segments of the industry and firms compare more favorably to this data.

We have found that membership in the national or state trade association which is most relevant to your operation is highly valuable. The associations have much relevant published data and sponsor a growing number of specifically targeted management seminars. This is an excellent way to upgrade our industry and personal professionalism.

Second, **develop a business plan.** This is essential and should be developed in your own terms so that you know where you are going and

can convince sources of financing that you do. The plan should include a description of what you plan to do to expand, how you plan to do it operationally, how much money is required to finance it and, finally, how you plan to pay it back.

Third, **obtain qualified help to express your financial plan.** If you don't have the knowledge to work with the facts and figures yourself, retain the services of a qualified local accountant or consultant who can organize an efficient accounting system with periodic financial reports. With his help convert your operating plan to its financial implications in the form of cash flow projections, projected income statements and projected balance sheets. This will be some of the best money you ever invest in your business.

Bankers or any source of money, including yourself, will need to be convinced that you know where you have been, where you are now, where you are going, and that either you personally or your business will have the ability to repay loaned or invested funds. Your ability as a manager and your ability to demonstrate it are of great importance.

The U.S. Small Business Administration has many "how to" publications covering the above subjects for the small businessman. These should be available through your closest SBA office and are valuable sources of information. Small business counselling assistance is also available through the SBA.

Finally, after you've done your own homework, **go looking for sources of financing.** These can include yourself, by remortgaging your home or other borrowing, a commercial bank who sees the merits of your presentation, relatives or friends who believe in what you are doing, the Small Business Administration either directly or through a guaranteed bank loan, or a venture capital oriented Small Business Investment Corporation (SBIC). The sources you choose will be influenced by whether you are looking for debt financing, equity financing or combinations of both.

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