

BUSINESS INSIGHTS

10 PRACTICAL TIPS FOR BUILDING A SUCCESSFUL BUSINESS



Learning how to build a successful business can make all the difference. These 10 practical tips and strategies will help you create a solid foundation.

Creating a thriving business requires more than just a spark of inspiration. True success demands careful planning, strategic thinking and relentless dedication.

Whether you're launching a startup or looking to expand an existing company, understanding how to build a successful business can make all the difference.

From crafting a solid business plan to effectively managing your finances and operations, following these 10 strategies will help you approach your business goals with confidence and clarity.

1. Write a Business Plan!

Before you can create a successful business, you must have a plan. If you require yourself to craft a written business plan before you launch, one of three things will happen.

- The plan will organize your thoughts and reinforce your thesis. This will make it easier to raise capital, get launched and build a successful business.
- The plan will disprove your thesis. In this case, you will need to tweak and refine the original idea or abandon it. Either way, you will have saved yourself time, effort and heartache.
- You won't ever get around to writing the plan. This is a good indicator that you were not passionate about the idea, and it would have eventually failed. If this happens, you're better off focusing your time and resources on a more viable project.

2. Carefully Review Your Business Plan Before Borrowing

Whether you're starting a new venture, taking on a project or considering an acquisition or expansion for your current business,

make sure it's part of your business plan.

- Your plan doesn't have to be fancy and filled with color charts and graphs. It just needs to validate your assumptions and outline how your business idea is going to work.
- If your plan shows you can't pay back the money, don't move forward. Revise the idea or step away from it.

3. Don't Confuse Debt and Equity Capital

Understand how each fits into the business cycle of your venture and which is appropriate for your particular business and situation.

DEBT requires less cash from the business up front but needs to be paid back out of operating funds. Credit is easier to get when your business is established and could be a challenge if you're just getting started.

- A line of credit can help smooth out seasonality and lag times in your business cycle.
- Acquisition or real estate loans can be a good way to leverage your cash, maximize tax savings and provide growth and stability to your business. A long-term, higher-leverage, fully amortizing loan maximizes your business potential.
- Just because you can get a loan doesn't mean you should. See point #2 above.

EQUITY is more patient. The payback typically comes from future profits or the success of the company. Paybacks may also be higher in the end. Just keep in mind that equity typically requires sharing ownership, which usually also means giving up some control.

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4. Don't Try to Grow Your Way out of Operational Deficiencies

Smooth operations are a big part of what makes a successful business sustainable. If your company isn't thriving, figure out your business model before doing anything else. Growth without a solid foundation will only set you up to fail.

5. Learn Financials — the Language of Business

Like it or not, you need to understand how to read the vital signs of your business. Regularly run and review cash flow, profit & loss and balance sheet reports.

At a minimum, you should understand and carefully monitor your money in, money out, money earned and money owed. Track your services, accounts receivable and accounts payable.

6. Don't Start Several Businesses at Once

It's hard enough to get one idea up and running. Make sure any additional products or services you add truly support your core business.

7. Get Things in Writing Whenever Possible

Don't take the chance of relying on handshake agreements. Whether you're dealing with partner and investor agreements, leases, supply contracts or other important engagements, always insist on a written, signed contract.

8. You Do Not Want Uncle Sam as a Partner!

Never use payroll tax and/or sales tax you have collected to fund cash shortfalls in your business. This is a slippery slope, and the consequences are disastrous.

If you find yourself struggling to make ends meet and asking, "How long does it take to build a successful business?" refer back to your business plan.

9. Carefully Consider Your Choices

You may have many ideas and options when launching a product or growing your business, but not all are worth pursuing. There is a time-proven adage that says: You can do it well, you can do it fast, and you can do it cheap — but you only get to choose two out of the three!

10. Realize That Each Situation Is Different

When it comes to learning how to build a successful company, there are no "hard and fast" rules. Be smart and take advice with a grain of salt. Assess your unique situation, strengths, personality and goals to make informed decisions. Ultimately, trust your

judgment and be willing to adapt as needed to meet your business objectives.

Find the Right Banking Partner to Support Your Business

With smart planning, attention to detail and a bit of patience, you'll be well on your way to creating a successful business. While the steps above can help you build a strong foundation, getting the right support is equally important.

Behind every thriving business is a great business banker. At Banc of California, we provide the financial expertise and business-focused solutions you need to achieve your goals. [Connect with a banking relationship manager](#) today.

About the Author



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George Harrop is the managing director of Banc of California Small Business Lending. The small business lending team at Banc of California has originated over \$6 billion of small business loans. Lending capabilities include:

1) loans ranging in size from \$500K to \$8 million; 2) SBA 7(a), 504 and conventional loans anywhere in the U.S.; 3) higher loan to value than traditional loan products; and 4) lending to dozens of industries, including franchises, physicians, veterinarians, pet boarding and grooming facilities, professional offices, insurance agencies and many more. We are a designated SBA Preferred Lender.

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