



Cadence Bank Podcast: In Good Companies

Episode #1: New Beginnings: Getting Ready to Start Your Business

Starting a new business is one of the most exciting and nerve-wracking moments in a person's life. The stakes are high: depending on your situation, your whole net worth could be on the line. So how can you make sure that you're in a position to succeed?

On this episode of *In Good Companies*, we're talking business beginnings—the things you can do to prepare for what's ahead. Guests Alan Thomes (Managing Director of [SBA Banking, Cadence Bank](#)) and Allan Adams (State Director, University of Georgia SBDC) join us to discuss bulletproof business plans, funding options, and developing relationships with key stakeholders. Together, we'll uncover key resources, like expert consultation (for free!) from the Small Business Development Center and low-risk loans through the Small Business Administration. You'll learn who you need to talk to and how to avoid the pitfalls of overexcited entrepreneurship.

Business isn't a sprint, it's a marathon—and nobody rolls out of bed and runs a marathon without training. Preparation is essential and the more prepared you are, the more confidence you'll have as issues arise. So let us guide you to the starting line, and when the bell rings and you open your doors, you'll be ready.

Episode Transcript

Alan Thomes: No one has ever done a business plan that says, you know what I plan on failing at the end of nine months, right?

Patrick Pacheco: Let's start where all good stories start: at the beginning. You know what? Let's go back even further; before the beginning.

Alan Thomes: Every business plan has a plan to succeed. but if something goes wrong, if something happens in that term, what is your ability to weather that?

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Patrick Pacheco: I'm Patrick Pacheco and you're listening to *In Good Companies* from Cadence Bank, the podcast where we answer the toughest questions facing your business and guide you through the company life cycle from start to sale and success to succession.

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Patrick Pacheco: Today, we're going to be talking about beginnings, how to take the idea of your company and turn it into a reality. Of course, you can't know everything before you start your business, but the better prepared you are before you open your doors, the more successful you'll be down the line. To discuss this, we brought in the best; not just one man named Alan, but two. And we've come up with a foolproof way of telling the two Alans apart.

Alan Thomes: This is Alan Thomes, Alan with one L, Managing Director of SBA Banking for Cadence Bank.

Allan Adams: My name is Allan Adams, Allan with two L's. I'm the State Director of the University of Georgia Small Business Development Center.

Patrick Pacheco: Alan with one L comes from a family of business starters.

Alan Thomes: My father, my uncle, my grandfather were all entrepreneurs. And so I watched them and I'm the corporate guy working for a bank compared to my family, but I have an affinity for those that are willing to make those risks and challenges, and I want to see them be successful.

Patrick Pacheco: As exciting as it is to have an idea for a new business, Alan warns you to be cautious because the excitement can only get you so far.

Alan Thomes: Look it's exciting. It's new. You may be passionate about it, whatever the area is. But have either the discipline or have people around you that, may be a little more skeptical, um, that will ask them those questions. Don't get overly caught up in the hype or the excitement of starting it, uh, although it is exciting, you need to enjoy it. Make sure you reflect on, you know, the demands that it's going to have on you personally, on your family, on you financially, and think about those doesn't mean not to do it, but certainly give it the opportunity to reflect on that.

Patrick Pacheco: I know you're not in the mode of crushing dreams, but do you ever have people come to you and you just think this is a really bad idea? The best thing I can do is tell you don't do that.

Alan Thomes: Yeah, I've got a couple of those stories. Some I'll share some I won't here. But you know, I've got everything from someone wanting to start a strip club to a guy that wanted to start a hydroponic farm, which is interesting. But when I met with him and we started talking about the hydroponic farm, all he could really share was how great hydroponic plants are and how everybody needs to eat these plants. There was no business, um, meaning there is a business there potentially, but he hadn't analyzed it. He was caught up in the area of the field that he was passionate about and rightfully so, but he had not sat down and say, you know, who do I sell it to? Who are my buyers? How do I fund it? Where do I grow it? What that's going to cost? What are the water costs? What are the, you know, he hadn't really put the



business hat on. He was caught up in the passion and we had to tactfully—I tried not to crush his passion—but try to encourage him to go to like the SBDC and sit down and say, look, there's gotta be a business behind this passion and let's get your arms around the business.

Patrick Pacheco: Alan with two L's also warns against the dangers of OE: overexcited entrepreneurship.

Allan Adams: you can't just be all passionate and enthusiasm. That's not enough. You've got to be able to sell it on paper for somebody else to take think through analyze and make sure it makes sense to them. Passion's important, but it can lead you astray if you're not careful as well. It's going to be a lot of work. Some people get frustrated in their job, their day job or whatever they're doing and feel like, you know, I'd rather not have the frustrations of this other environment. I'd rather work for myself. Well, as we tell people, well, you're about to go to work for everybody when you go to work for yourself. So it is a lot of work. It's a lot, it's a 24-hour seven concern. In a typical job, you can go home at night, put it out of your mind. Not for small business owner. Again, this may be your entire net worth. personal assets are tied up in collateral in the business. And so it's going to be on your mind, 24/7. You know, and if something's going wrong and it's on the weekend, or you're trying to be on vacation, you may be engaged with the business because it's very much your personal life.

Patrick Pacheco: I used to practice law. And, uh, when I went in, I, I joined a group of lawyers. And even though we had a partnership, it's really a partnership of five different businesses. And one of my friends asked me, he said, "So, how's it now not working for the man?" I said, "Well, I still work for the man. It turns out it's me and he's a real jerk."

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Patrick Pacheco: So what's the antidote for overexcitement? How do you get your head out of the clouds and your feet back on the ground? According to Alan, it's an answer you'll remember from school. Yes, that's right: Homework.

Alan Thomes: I would tell you the first steps in my mind, um, if you're going to try to get on that path is to write it down. and that sounds kind of crazy, but the exercise of putting it down on paper and doing your homework. It makes you think, gives you an opportunity to reflect on it and then you can share it.

I'm a firm believer in asking yourself, kind of "Why?" You know that, that infamous question, "Why?" You know, "Why me? Why now? Why here? Why this?" and, and challenge yourself and, and have answers to this question. So, it doesn't mean to be sarcastic or, or discounting the idea. But I think doing that, you know, "Why is this going to work and why are customers going to come to me? And why do I want to do



this now?" are things that would help you kind of reflect on what you're doing and you recognize the challenge ahead of you.

Patrick Pacheco: This is the stage where Allan with two L's and the Small Business Development Center comes in.

Allan Adams: Basically, we provide business consulting and training to small business owners and prospective entrepreneurs. They need to know something more about how to market their business or manage the finances or source suppliers, things like that. Really, people come when they feel a need. If everything's going great, money's coming through the door, customers, whatever, they're happy. Things are good. You throw a little recession on or just a change in the market and it's not what it is. Then they're looking for some advice. One of my favorite stories, one of our former clients, who's now a national company. He tells the story of, he started out. He thought he was doing so well. He came in, he left the office literally in tears because our person pointed out to him, money was not cashflow in the way he thought, and his business was not going to go anywhere if he didn't get on top of it. So, he's really funny when he tells it, cause he's quite successful now, but he said he literally left crying because he thought he was doing so good and she crushed him, but that's, that's not really what we're here for, but.

Patrick Pacheco: No, I think that's, that's an interesting take. I've always thought that people really make it big. It's not somebody like me that has a job and has kids and has a house. And I, I know what I have to lose and I'm afraid to lose it. It's, it's usually the people that are either the big risk takers they know, and they can quantify it or they don't realize they have anything to lose. So they just go for it without the, without concern. And that's, uh, somebody like me, I'll always be just getting the, drawing a salary from somebody else. And that's just the way it will be.

Allan Adams: Yeah, there's a lot of us are sort of company-minded people. And you know, there's a lot of studies on sort of the psychology of entrepreneurs. And it's not that they're wild, reckless risk takers. They have a, a tolerance and a calculation about risk and their passion. They don't typically do crazy things, but their passion to achieve makes the risk not so intense to them. And they're willing to take calculated risks.

Patrick Pacheco: What are some of the other resources you have at the Georgia SBDC that you wish more people would utilize or take advantage of?

Allan Adams: Well, we do, purchase proprietary commercial marketing data to help people understand, you know, what is the market potential? Where might new customers be? That kind of thing? were my customers coming from and how does that look for my market? So we have a lot of data that we can help people customize for their purposes. Look, analyze, provide, are thinking and planning for their business. We also, can help people with financial analysis of how their business is



going. How does their business look compared to other firms in their industry of similar size and market conditions, just to see how things are going, how money's coming and going in and out of the business, sales assets, et cetera, just to have, um, a sense of, are they making good decisions? Are they doing things that seemed normal and worked for others? That doesn't mean that your business can't be so unique that you're doing different, but can give you some parameters, benchmarks, perspectives. So that's kind of the data we have. We can help people that they normally wouldn't have access to on their own.

Patrick Pacheco: Right, right. I think that reality check probably is really important for a lot of business owners. They're not sure if it's going good and having something to bounce ideas off of and balance what you're doing with what your peers are doing. Probably gives them a sense of comfort or, or a sense of, I better change some things and, and get the show on the road. One way the SBDC can hopefully save you some tears is with a solid business plan: something that Alan with one L says is invaluable.

Alan Thomes: The SBDCs in Georgia and there's SBDC in every state. They're a great resource to sit there with you and go through that business plan and ask the questions, that the banks would want answers to. And the more thorough you address those, the more likely this is going to be successful in getting financing because those answers questions will tell you if it's a good idea, it'll tell the bank of it's an idea. And it helps predict the likelihood it's going to succeed. Let's put it this way: a well-done business plan can very much help your success. Using that hydroponics scenario again, a gentleman had a business plan, but it was about eight pages of the benefits of hydroponic lettuce and two pages of financials. And it just didn't, it didn't show a capacity to understand the business side of it. It's the roadmap, right? And so, the better the roadmap, the more detail, probably the better, more likely you're going to succeed.

Patrick Pacheco: So, I've, I've heard of the, "Five C's of credit." When somebody says that, what exactly are they talking about?

Alan Thomes: Yeah. So that's a, longstanding, industry term and what it stands for is its character. So the character of the borrower. Capacity. So that's your ability to repay a loan? It's capital, the you know, the funds available to support the business. There's conditions, which is, the economic conditions in the macro view of your business. And then collateral, which we just talked about. So Character, Capacity, Capital, Conditions, and Collateral are the 5 C's of Credit. And that is a good starting point. I mean, if you're doing a business plan, it wouldn't hurt you to take those five C's and write your answer down for each one of those and kind of where you meet that for yourself and as a potential borrower.

Patrick Pacheco: And if you're wanting to get even more detailed, Alan has some tips for that as well.



Alan Thomes: We'll see business plans often that have a fairly rudimentary, profit-loss statement and balance sheet. It'll be very basic and, you know, you really need to look, especially if it's a startup, you need to look at that business month to month. And I mean, and go out 24 months, you know, and say, all right, what does it look like month one, month two, month three. And be honest with yourself about the revenue and be honest with yourself, about the expenses. And then I would even tell you the shock it to sit there and go, okay, I think I'll do this, but at 60% of it, this is what that would look like and how long it would take me to get stabilized and put some of that in it.

Patrick Pacheco: Now you have your idea, you've done your homework, but you still need something to get started funding. And this is where having a solid business plan can set you apart.

Allan Adams: Now, if you're going to approach an investor or a lender, then the documented aspect of that becomes more important because at that point, that plan is going to demonstrate or prove to somebody else, you know what you're doing, and you're a reasonable risk. And particularly if you're looking for financing, you've got to have reasonable assumptions in your proformas, you've got to have a realistic expectation on sales. You know, making sure you're really accounting for costs your overhead and all of that. Because if you're going to ask somebody else to take a chance on you with their money, they're going to want to know.

Patrick Pacheco: So I guess a pro forma budget that says that "At the end of year one, and then I win the lottery" probably is not going to be a good, a good budget.

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Patrick Pacheco: So, you know, businesses, you know, they need some type of money, some type of capital to get started. And if, if they don't have it, what are the options?

Alan Thomes: Obviously to the extent that you have capital available yourself through savings, equity in, in potentially real estate or some other asset, you know that's a great place to start, but generally that's limited. And so, we often encourage people to find, um, some investment partners, and we call them partners. And I think you need somebody in there that's going to recognize their role in the company. They're an investor. They're here to provide capital but there'll be a partner in the business at some level. And I think that's very helpful because they get counsel that way. They get access to capital they wouldn't otherwise have. And often in a startup scenario, they're not ready for bank debt. especially without that kind of backing to help them out. Often banks, you know, it's a risk and return, formula, right? And so the investors are willing to take a little more risk and they get a little more return. Banks have relatively low returns and therefore they expect relatively low risk. And, uh, you got to get the, you gotta get your business to that point that it's perceived to



be a relatively low risk to get bank debt. So, I always recommend, if you can find it, someone with some means to help you financially. It's a good partnership and a good way to start growing the business. And then you get generally they're successful for a reason. They have access to professionals or others that might be able to help you as well.

Patrick Pacheco: Okay. And how about loans? is that a possibility for first true, true startup or is that usually pretty tough road to get?

Alan Thomes: We do startups, we do them regularly within our group. And it's generally someone we look for experience, right? Why, why this person is going to be successful? And you know, they, they're 20 years in a field and that company that's being sold or, or they have an opportunity to buy the company or they, have an idea that their current company doesn't embrace and want to take it, but they've got the expertise, the experience, and all they need is some financing. Those are much easier for us, to get our arms around. Loans are again, a risk and return item. And you kinda, you got to look at, okay, what's this guy's probability of success? And that generally comes with some experience and an understanding of their business or their industry, that we can get behind. Back to my prior comment of risk and return. I mean, the investors are taking a higher risk, so they're going to be more expensive. They have a higher return requirement because they're taking that risk. Savings isn't going to cost you anything because you have the money, but it's got a lot of risk for you because it's your savings. And so how much of that do you want to put on the line? A loan is going to be their cheapest option. Probably your easiest option from a paperwork and just the ability to execute the loan. And it'll be low cost, but they also expect relatively low risk. So, have you gotten your business to a point that you can, um, demonstrate a fairly low risk?

Patrick Pacheco: So if you're a startup looking for funding, you can seem risky to a bank, but there's a solution for that. In fact, that's what Alan with one L is in charge of at Cadence Bank. So you're the Managing Director of [SBA Banking](#). So let's talk about the small business administration. For those that don't know what the small business administration does, can you kind of give us a broad overview?

Alan Thomes: It's a cabinet position agency. And, uh, it, it's here to provide loans, provide counseling, provide, contracts, for people that want to do business with, federal contracts. It's truly just its mission is to support small businesses in the United States.

Patrick Pacheco: It's funny, as you said, it's a cabinet level position. so I was a little bit of a Special Assistant with the us attorney's office. Nice to work with the SBA. And, Phil Lader got appointed to be the head of SBA and they had a very nice reception at the white house for all the appointees and on the way he stopped at a gas station to put gas in his car in Virginia and a nice, attractive young lady was behind the counter. And she said, "You're Phil Lader, aren't you?" And he kind of



puffed up and said, "Well, yes I am. How did you know?" And she said, "That's what it says on your name tag."

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Patrick Pacheco: The way that SBA loans work is a little different from a typical loan.

Alan Thomes: In your conventional borrowing, The SBA works through banks. So, the SBA is not a direct lender. So you don't go to the SBA and get a [7a loan](#). You go to a bank and at that function, the SBA essentially serves as an insurance policy for your loan. So, if you want to borrow a million dollars, The SBA comes in and provides a 75% guarantee. So, they're basically insuring that loan for 750,000. So, the idea is to help the banks get comfortable to make loans that may not meet their conventional lending policy. So, you either are light on collateral, cashflow coverage is less than what's conventionally the standard. It's a startup. It could be a good example, um, where the bank would want to see three years of operating history, with an SBA guarantee, we might be comfortable with something less or even a startup. So, it's a relationship that, allows the banks to put the capital out to the borrowers and really help get their financing.

Patrick Pacheco: But just because SBA loans can bridge the gap doesn't mean it's a handout.

Alan Thomes: Some people assume the SBA is a grant that we're giving you money, but it's a loan and the SBA expects to be repaid and therefore we have to underwrite it, to be repaid. We kind of tongue and cheek, we'll say internally, SBA does not make a bad loan good. It needs to be a good loan, a good idea that has a weakness and it helps subsidize that weakness. When I was working primarily with the disaster program, that was one thing we had to tell people: "This is a loan program. Don't lie on your application. The US Attorney's office is looking to go after you for criminal fraud." I mean, and people sometimes didn't take it too seriously because they thought it was just, a government giveaway and it's not, and that's probably even more so in the regular program.

Alan Thomes: Yeah, I would agree, but I don't want to scare anyone either. It's not as long painful process. If you've done your homework upfront, it can go through pretty quickly. It's just a matter of making sure you've done your homework and that's always a good thing for a borrower to try to do when they come in for financing, whether it's SBA or otherwise. You do your homework, show your work and be ready to share it with the bank.

Patrick Pacheco: But whether you're looking for funding right now or down the line, Allan from the SBDC suggests creating a relationship with your bank and your bankers.



Allan Adams: You need to be thinking ahead because you can't typically, you're just not—unless you've already established a line of credit with your lender—you're, you're not gonna, you're not, you may not necessarily walk in and I had this great opportunity or something's gone wrong and I need a bunch of money and you're going to walk into the lender of the day and walk out with it. And you may have an asset base you can do that with depending on your relationship and whatever else, but most people need to be thinking ahead, because it can take some time to, again, prepare paperwork, look at different options. Allow the lender to process, consider what they're going to do. They may not be willing to lend you as much as you want, based on their analysis. So, thinking ahead is generally better than waiting until the moment of that. That's not the best way to proceed.

Patrick Pacheco: It sounds like in, in every aspect of this planning, whether it's at the very start as your ongoing, that the successful business owner is really going to be planning all the time. Is that a fair statement?

Allan Adams: Absolutely. And we're certainly going to encourage people, you know, if you're, if you can, if you're going to have a business that you intend to grow, have employees, and you've got a growth mindset to it. You're going to want to have an ongoing relationship with a lender and a business attorney and a CPA.

You're going to want to have them as part of your regular team that you're keeping them apprised of what's going on, help that help getting them to help you think ahead about what your needs are. And, and a good lender is going to do that. If you're staying in touch with them about the progress and the evolution of their business, they're going to be thinking ahead for that and helping you look at those opportunities or prepare yourself for when you, when you have the need.

Patrick Pacheco: In fact, both Alans agree that entrepreneurs will benefit from a relationship with their lender.

Alan Thomes: Think of your bank as a partner, you know? Come in and talk to your banker and be candid about it. And if you get a partnership with a bank, somebody that gets to know you understand your business, that can really help you. You know, you don't want to come to the bank in a crisis moment. That's the worst time to come to a bank, try to borrow. So build that relationship, have a partner that understands. And then when something does go bump, you've got that relationship to fall back on.

Patrick Pacheco: I think that's great advice. So, you should have a bank that's a, that's a partner, not a vendor. If they're a vendor, then you need to go somewhere else.

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Patrick Pacheco: There's an old saying. "Plan ahead. It wasn't raining when Noah built the ark." And that's especially true for businesses that are just starting out. You can't just rely on the excitement and novelty to carry you through. You've got to really do your homework and map out every single scenario. But you don't have to do it alone. Places like the SBDC are there as resources and any lender worth their salt would be there to guide you because when you succeed, we all succeed. Thanks to all Alan's with any number of L's in their name, but especially to Allan Adams State Director of the University of Georgia SBDC and Alan Thomes, Managing Director of SBA Banking right here at Cadence Bank. *In Good Companies* is a podcast from Cadence Bank, Member FDIC, Equal Opportunity Lender. Sheena Cochran is our production coordinator. Our executive producer is Danielle Kernell, with writing and production from Andrew Ganem and sound design and mixing by Alex Bennett at Lower Street Media. I am your host, Patrick Pacheco. If you've made it this far, and you got something out of the episode, why don't you go out and give us a five-star rating in your podcast app? It's the best thing you can do to help the show grow and reach more people and join us next week, because when you're with us, we're *In Good Companies*.

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