Financial planning for scaling

Managing cash flow, securing growth capital and budgeting for expansion

Scaling requires excellent financial management to avoid cash flow problems. You don't want to over commit and find yourself running out of money. Budgeting and securing growth capital early are 2 important factors here.

Cash flow

As you scale, make sure you have enough money to manage increased operating expenses such as salaries, inventory and marketing costs. Create a plan to account for seasonal changes and new expenses that might pop up.

Growth capital

Secure funding before expanding. Whether that's through loans, venture capital or revenue-based financing. Make sure you have the capital to invest in the necessary infrastructure, people and technology.

Budgeting for expansion

Create a detailed budget that includes new hires, marketing campaigns and investments in technology or physical space. Consider scenarios like a 10%, 20% or 30% increase in demand and plan how each would impact your budget.

Funding options

Venture capital

This can be a viable option if you have a high growth business. You can get substantial capital in exchange for equity.

This funding is usually paired with mentorship and networking.

It comes with expectations of rapid growth and a clear exit strategy.

Bank loans

Traditional loans offer predictable repayment schedules and typically have lower interest rates than alternative funding.

You'll need steady revenue and a strong credit history to access bank loans.

Alternative funding

Crowdfunding, peer-to-peer lending and revenue-based financing provide flexibility if your business doesn't qualify for traditional loans.

These options might suit if you have an innovative product or service and an engaged audience. However, they can have high interest rates or fees. They might not offer the same consumer protections rights as traditional funding options.

Overdrafts

They give you extra funds when your account balance runs low.

They can have high interest rates. So might be more suited for managing short-term cash flow issues, like covering unexpected expenses or seasonal dips.

Commercial lending

If you're looking to expand your business premises or invest in property, commercial loans can provide the funding you need.

These loans are designed for property purchases and often come with longer repayment terms and competitive interest rates.

Credit cards

They provide quick and easy access to funds for everyday expenses or emergencies.

They can have high interest rates. So might be more suited for short-term needs where the balance will be paid off quickly.