Managing Business Growth

Most business owners want to see their business grow but without astute management, business growth can turn into business failure. Why?

**Increased Sales = Increased Costs**

i.e. More cash coming in = more cash going out via variables such as more stock, more staff, more equipment and more space

When it comes to business growth, preparation is key, otherwise the cash you need to fund increased sales can use up the cash that covers your daily operating costs, which can lead to one of the main reasons for business failure: cash flow shortage.

**How can you prepare for business growth?**

In order to better prepare for business growth, you need to consider three things:

1. How much funding will you need?
2. Where will you get it?
3. Does it look like the right solution for you?

**How much funding will you need?**

An increase in sales income often leads to a need for more assets. This might be current assets such as stock and debtors, or fixed assets such as more equipment. By understanding how efficiently assets are being used in generating income, a forecast of what level of assets would be required to support a given level of sales can be calculated. This can then be used to identify what additional funding the business may need to acquire those assets.

**Where will you get it?**

There are 4 main options for sourcing the capital required for growth:

1: Profits  
2: Equity  
3: Creditors  
4: Finance

Options 1, 2 and 3 are often insufficient, which means business owners are often reliant on finance to help fund their business growth.

**Does it look like the right solution for me?**

Any form of external finance or debt creates more risk. Whilst everyone’s level of acceptable risk and return differs, you need to feel comfortable with your decision about the level of risk you are taking and return you expect to receive when it comes to funding your business growth.

*Any information provided is of a general nature. Before making any decisions please ensure you seek appropriate professional advice to ensure it is appropriate to you.*