Financing a growing business.

Supporting you on your business journey.

Growing your business can be an exciting and nerve-racking time. Give your expansion plans the best chance of success by doing some careful planning beforehand.

This guide will show you how to:

- Decide if your business is ready to grow.
- Achieve growth.
- Understand the implications of growth.
- Funding growth.

Is your business ready to grow?

When it comes to expanding your business, timing is crucial.

To decide whether your business is in a sensible position to embark on a growth strategy, ask yourself:

- How is your business performing against budget?
- How does your business use available resource to generate profit?
- Is your market expanding or contracting?
- How are your competitors behaving?
- How much cash have you got that's readily available?

How to achieve growth.

There's no one right way to achieve growth. The most important thing is to make sure your strategy suits your business and the markets you're in.

Common growth strategies include:

Diversification.

Extend your brand's reputation and its range of products and services to reach new customers and move into new markets.

Exporting.

Could be a great option if your UK growth has peaked.

Franchising.

Licence your business format to third parties seeking a business opportunity. You'll incur some costs but will earn a share of all revenues earned.

Mergers and acquisitions.

Buying or joining other companies can enable a move into a new market or an increased market share. Consider this strategy if you want to quickly:

- Remove competitors from the market.
- Buy experienced staff.
- Acquire technology.
- Obtain access to a better performing business.

Settled on a strategy? Impress any financial backers and confirm to yourself your plans can work by drawing up a budget to show projected profitability in the short, medium and long term, and modify it for a series of "what ifs" (such as "What if a new entrant to the market undercuts our prices?" or "What if a key piece of technology fails?").

The implications of growth.

Growing a business can mean increased revenues and profits. It can also mean increased costs. Other things may need to change too in order to support your expansion.

Consider the need for and practical implications of:

- More staff (both from a salary and tax perspective).
- Employing specialists.
- New buildings, equipment, machinery and systems.
- International trade.
- Moving premises.
- Increasing your management team.
- Changing management structure.
- Increasing the amount of inventory you hold.
- Implementing new controls.
- Taking on new suppliers and customers.
- Professional assistance.
- Integrating a new acquisition.

Funding growth.

It's likely you'll need to obtain funds to finance your expansion plans.

Establish if there are any funds, which could be released internally to assist your growth. Then you can assess how much you'll need to borrow or get from investors.

Methods of releasing cash include:

- Using spare cash.
- Cutting costs.
- Offering share options.
- Selling assets you no longer need.
- Managing your working capital more effectively.
- Borrowing money.

Use spare cash.

If you're lucky enough to have money in your business bank accounts, not required for the day-to-day running of the business, use it for your expansion – it's cheaper than keeping it and borrowing the money.

Cut costs.

Perform an analysis of where you spend money and then consider how to cut costs. Think about:

- Using cheaper suppliers.
- Negotiating bulk discounts.
- If you have too many staff in an area which is declining.
- If you could be paying less for utilities such as electricity.

Offer share options.

Selected employees work for reduced pay in exchange for the option to buy an equity stake in the business at a fixed price at some point in the future. This keeps staff motivated to achieve targets whilst cutting the wage bill for the business.

Sell assets you no longer need.

Analyse your asset base and consider if anything could be sold for cash:

- Investment property that's not providing a great returns.
- Inefficient or underused plant/machinery.
- Pool cars which are rarely used.

Manage your working capital more effectively.

Get an injection of cash by shortening the cash operating cycle. To do this:

- Collect cash in from customers more quickly.
- Pay your suppliers more slowly.
- Hold less stock for a shorter period.

Borrowing money.

Need to borrow money? There are a range of sources available to help you, including:

- Bank overdrafts.
- Loans.
- Leasing.
- Factoring.
- Private equity.
- Friends and family.
- Grants.

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