

Knowledge Of Founders Will Increase The Odds Of Business Funding

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In brief

As a founder of a business, if you want proper funding for your business, you will need to have adequate knowledge of the fundraising process, the best ways to choose the most effective ones, and also the working process of each available option. All this knowledge will help you to increase the odds.

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Ideally, there are three common aspects that you should know to raise funds for your business more effectively and productively. These basics are simple but are often underrated. It includes:

- Telling stories: You must tell stories as this is perhaps the best idea and way to make things obvious to the other person. You must ensure that the things are explained easily for the other person to understand. You must simplify complexities no matter how technical your idea is. Make sure you turn it into a story.
- Being hyper-responsive: It is human nature to procrastinate. If you follow your nature, you will convey the wrong message to the other person. You will be misjudged as a person lacking interest or an incompetent one. If you are well prepared and know the art of prioritizing things, you can avoid procrastination easily. Remember, if you are late to respond to any inquiry from the lender or investor, you will fail in pitching them. Reassess your situation and priorities beforehand so that you can answer all the questions asked to you. You must never fabricate an answer to any question you are unaware of. On the contrary, consider it as your learning curve.
- Asking 'why' more: The more you ask the question 'why,' the clearer the picture will be to you. Therefore, go deep into it and ask why your business is good to fund, why people will buy your product or avail of your service, why you need the fund, why you should expand or build a company, and why you think you will win, and others. This will prevent you from taking a simple approach to your funding process which will depict a message that you are lazy, lack motivation, and possess several other negative perceptions.

Well, these are no magic formulas but will surely help you in a great way to strike a good deal. These will not hurt you in any way, as most great founders unequivocally suggest and exhibit these traits without exception when funding their business.

Cash is the key

To run a business, cash is the king and rules in all aspects of it. However, funding your business and financial management are the most significant aspects you should consider. It is for this reason that you will find a lot of banks loans, government programs, and even private lenders such as liberty lending USA are available to support small, startup or an existing business and help them to grow.

This means you are only to blame if your business is struggling or rewarded if it is growing and flourishing. It all boils down to financial management of your business that includes availing funds, allocating it properly to all areas required and monitoring the flow of cash, both in and out of your business.

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The fact that managing your business cash flow planning effectively is essential for the survival of your business is further corroborated by the statistic that over 60% of apparently profitable businesses inevitably run out of cash due to mismanagement of cash.

Therefore, if you have already used up a substantial portion of your working capital, do not sit on it but make arrangements to obtain more funding. If not, you will eventually end up with a cash crunch making you unable to pay the suppliers, buy materials, and even pay your employees' salaries.

Ideally, the main problem is the time delay between the time you receive a fund from your customers and the time you have to pay your suppliers. The only solution to this is proper and decisive cash flow management.

For this reason, it is paramount that you maintain a suitable level of working capital in your business, as that will allow you to survive through the crunch times and help you continue to operate your business. In simple words, cash flow management means encouraging your customers to pay you as quickly as possible and delaying outlays of cash as long as possible. This will ensure steady business funding from your customers without needing help from banks and other lenders or venture debt funding.

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Basics Of Cash Flow Management

To ensure that you know all about the money coming in and going out of your business, you must follow the most basic approach to cash flow management. For this, you will have to track your business's cash flow quarterly, monthly, or even better, weekly if time permits.

Typically, there are two kinds of cash flows:

- Positive cash flow: This happens when the cash coming into your business from sales and accounts receivable is more than the amount of the cash leaving your business through accounts payable, employee salaries, monthly expenses, and others.
- Negative cash flow: This, on the other hand, occurs when the situation is just the reverse of positive cash flow. In here the outflow of cash is greater than the incoming cash to your business.

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Negative cash flow usually means trouble for the business as you will eventually fall into a debt trap if you leave this situation unattended for a long time. However, there are steps in which you can fix the negative cash flow issue. Of course, cutting business expenses is the most significant and effective way to turn your business into a positive zone. However, there are other practical ways as well.

Lastly, and most importantly, it would help if you did not consider your business profit to be a positive cash flow for your business as there are other factors like accounts receivable, accounts payable, inventory, capital expenditures, and taxation.