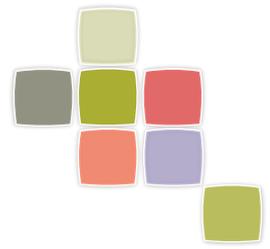


# FINANCIAL DYNAMICS

Chartered Certified Accountants & Business Advisers



## *Business Insights*

NOVEMBER 2012



## SEIZE THE DAY

**Many businesses experience rapid growth at some stage of their life cycle. For some, this may happen soon after they are launched. Others have multiple spurts, level out or sometimes decline. A characteristic of the growth stage is that demands exceed existing resources. Consequently, business owners must be creative in acquiring and managing the resources needed to seize growth opportunities.**

Many successful entrepreneurs are initially fairly astute, identifying opportunities and taking action to pursue those opportunities. However, for all small businesses a planning process is a vital ingredient to any assessment on growth opportunities.

### THE ACID TEST

Enterprises that have been functioning for a period of time have strategies that were either formulated or which emerged. The first test of whether to seize an opportunity is to evaluate whether it is consistent with company strategy. However, before pursuing the opportunity the business must ascertain the conditions that produced it and ask the following questions: Will they persist? Is there a market of sufficient size to make the opportunity attractive? What resources are required to succeed in exploiting the opportunity? Failure to consider the last question can lead to disaster. Many small and medium enterprises do not have the resource base to embark on high-growth strategies as such growth may demand significant capital.

### BE CREATIVE

Indeed, many smaller firms may not have access to traditional sources of capital. Financing at this stage requires creativity. It is not unusual for business owners in the early growth stages to rely first on their own resources or personal savings or funding from family and friends.

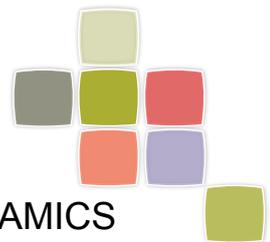
A family member with a steady income and solid credit record may be the co-signer on a bank loan. For some businesses financing may not be available at all. In such situations it is essential to optimise cash-flow.

### CREDIT HISTORY

The willingness of banks to provide financing is usually a function of the credit history of the business in association with the current and economic conditions. In the case of small businesses, banks will often look to the assets of the owner rather than the revenue-generating ability of the business.

### CHECKING OUT ALTERNATIVES

There are alternative organisations that engage in lending. For those businesses whose growth phase has true value-creating potential, wealthy individuals known as business angels may be a source of funds. Angel investors often bring the added benefit of business management expertise, and may serve in formal or informal advisory capacities with an enterprise to which they provide money.



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For further help and advice

Please telephone us on

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