

Picking the Right Paths to Capital & Cash Flow



About US Business Strong – www.usbizstrong.org

USA Business Strong is a non-profit corporation. By providing expert mentoring and sharing proven business resources, USA Business Strong's nationwide initiatives help entrepreneurs at various stages in their professional lives. USA Business Strong's business partners make many of these small businesses initiatives possible. Their support and guidance allows us to offer a complete range of opportunities across the county.

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Paths to Capital

Taking your big idea from proof-of-concept to growth.

The Path: Critical Milestones Required to Succeed – every startup company that continues to progress with experience these stages of growth



These stages typically span the first three to five years of a company's life

- **Proof of Concept** – business concept developed
- **Seed** – product or service in early stage
- **Startup** – management team in place; business functions created; prototype developed
- **Early** – beta testing; approaching breakeven
- **Growth** – approaching revenue and profitable
- **Later Stage to Maturity** – product or service widely available; continued operations as a private company, acquisition, or IPO

The Path: Match Sources of Capital to Milestones – successful entrepreneurs target the right source of capital at the right stage.

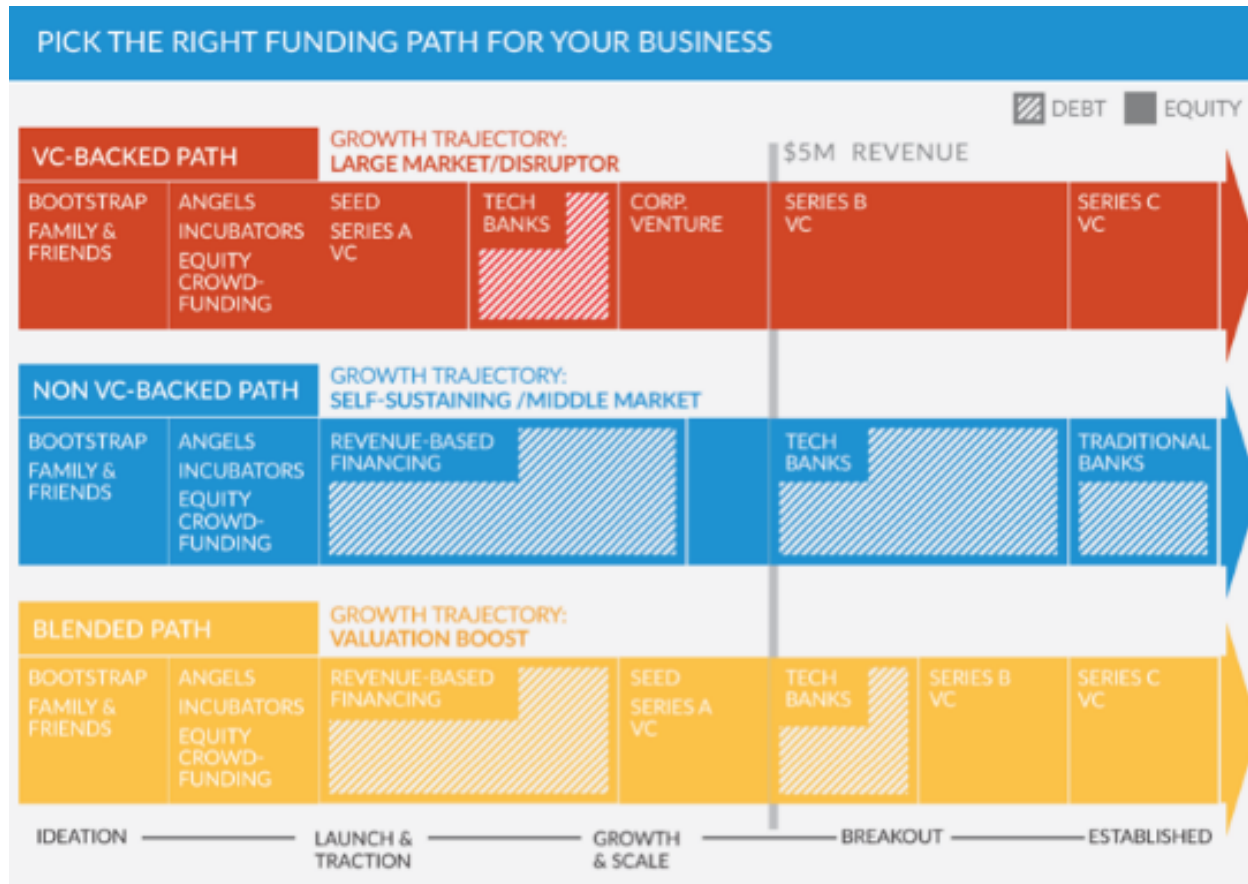


The Path: The Valley of Death

- The Valley of Death is the time in the life of the startup when the company is spending more money than it is taking in
- Capital is used for critical milestones – usually to build product and conduct market development
- The Valley of Death is so named because many companies don't make it out of this stage

The Path: Matching Sources of Capital to Milestones

Don't Panic its not as bad as it looks – break it down in stages



Breaking In Down...

Proof of Concept – Funds incorporation, IP protection, limited prototype

Seed – Capital to prove product feasibility and quantify market

Startup – Funds pilot to market, verification of business plan economics

Early – Funds product and market development

Growth – Funds expansion and growth

Later Stage to Maturity – Support expansion and growth, next generation product development, market expansion

The Path: Sources of Capital

Founders, Friends, Family and “Fools” – Entrepreneur is first investor; individuals who trust the entrepreneur and have interest invest at this riskiest and most unpredictable stage

Banks – Lines of Credit, traditional borrowing, or convertible debt. The greater the entrepreneur’s personal resource, the more likely this source

Grants – From public and private sector and not-for-profit foundations. Typically use for research. Do not require repayment

Bootstrap – The most interesting and creative entrepreneurs figure out ways to pay as they go without outside capital

Angel Investor – Private high net worth individuals who invest their own capital individually and in groups

Venture Capital – Institutional investors with \$2mm threshold of \$2mm in exchange for equity.

The Path: Developing a Capital Plan

- “Starting a business can take twice as long and cost twice as much as you think it will”
- There are lots of ways to progress through the early stages of building a business without raising large amounts of capital
- The entrepreneur always takes the first financial risk
- Never raise more capital than required to accomplish the milestones of the business plan
- Seek the advice and mentoring of business people, investors, and other entrepreneurs
- The SBA’s SBIR/STTR programs can be excellent sources of non-dilutive capital
- Stay tuned to state and local incentives for new company development
- Angel investors who syndicate produce larger, more efficient capital rounds
- Very little seed and startup capital comes from venture capitalists
- The investor controls the capital raising process

The Path: Conclusion:

- Every company and entrepreneur is unique
- The milestones of the entrepreneur's path are common to all
- Most startup companies do not survive the Valley of Death
- The best startup companies find ways to reduce their seed and early stage requirements for external capital
- Less than 2 percent of venture capital is invested in early stage firms
- Angel investors can be an entrepreneur's best friends
- Matching achievable milestones with appropriate capital sources can simplify the raising capital

Trending Small Business Funding Resources

Most small business owners can identify with the challenges of getting financing for their business or funding for a new product. There's no short, easy road to funding, most of the time, but these small business funding resources can help.

Kabbage

[Kabbage](#) has to be the most unique small business funding source found recently. They have created a powerful platform that, in my understanding, is creating a real-life look at how your business is doing to help you grow it.

They don't only look at credit scores, as so many traditional lenders do. They look at things like your Paypal, Ebay, Amazon, or Intuit QuickBooks account to figure out if you qualify and how much of a credit line you can receive. It is impressive.

Kiva Zip

Another innovative program and approach is found with Kiva, the microfinance platform. Etsy [wrote about it](#). There is official information about zero interest (0%) with the [Kiva Zip](#) program (in Alpha, not even in Beta), and success stories on the main page.

The Lending Club

The [Lending Club](#) is a name that many consumers and business owners have heard before, but it is a site worth checking. Their peer-to-peer approach has taken the banking world by storm and it looks likely to continue in the business loan sector.

SmartBiz SBA Loans

[SmartBiz SBA Loans](#) (\$5,000 – \$150,000) is a small business lender, but one that [promises a much better process](#) than traditional banks, on SBA type loans. If you've ever gone through the SBA formal process, you know that it is rather comprehensive.

Funding Circle

[Funding Circle](#) has a large UK presence as well as a US site. It is an online marketplace for small business loans. The site explains you can find out in approximately one week if you qualify for a loan.

MultiFunding

Ami Kassar CEO of [MultiFunding](#) has a useful website on how the different funding options work and his consulting brokerage serves as a matchmaker for businesses that need more than just the "best rate" and need help with more complicated loan options.

OnDeck and BoeFly

Here are a couple of other small business loan providers that are promising an easier process, lower rates, and other options that might make their loans more appealing to you. [OnDeck](#) and [BoeFly](#).

Wells Fargo and SBA Bank of America

There is no shortage of traditional lenders where you can walk into a branch and talk to someone about an SBA loan, so we'd would be remiss for not including at least a couple that we see as helpful. The [Wells Fargo small business loan page](#) offers a range of good information. And the [SBA Loan page at Bank of America](#) may help you sort different SBA options.

PayPal Working Capital

[PayPal Working Capital](#) lets you pay your loan back as you get paid. A factoring method, of sorts.

Small Business Events

One of my favorite places to look for less traditional financing options is the [Small Business Events](#) on Small Business Trends. We recommend you use it to help compile this list, so you know there are some great funding options, often awards or contests, worth considering.

Government Grants

You may need help to understand [if a Government grant is worth pursuing](#). There are some large scale federal programs that pass funds through to universities and other nonprofit type institutions where you can sometimes find just the right help for your company.

City and State Level Resources

As mentioned above, there are many city and state level resources, but too many to explain. If you search for your city or state combined with economic development, small business funding, and other related terms, you may find a niche program that serves your needs.

Here is a page from the [Nevada Small Business Development Center](#) where you'll get an idea of what you find at the state level. There are community-focused programs, as an example of a city program, for the Philadelphia area, Loan Programs – City of Philadelphia Business Services Center. Scroll down through the long list to find the smaller loan amounts.

Opportunity Finance Network

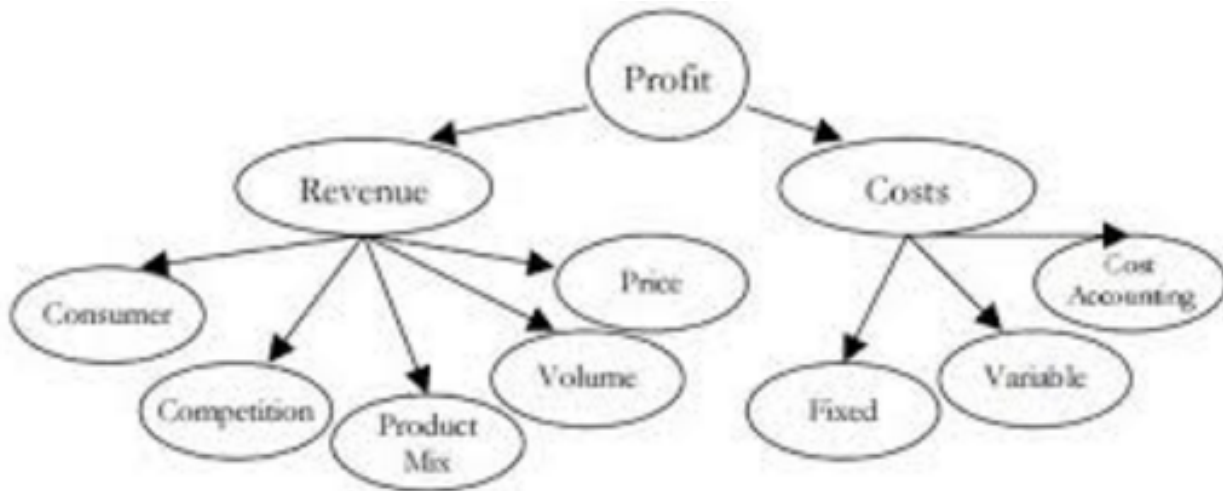
[Opportunity Finance Network](#) (part of Goldman Sachs 10,000 small businesses initiative) is a big initiative sponsored by Goldman Sachs. The goal is to help educate business owners on a wide range of topics, to give you the best chance for success, in addition to access to capital. You must have an established business, with revenues.

There are plenty of sites that offer business loans – too many to try and list. There are resources at the State and City level, depending on where you live, that can help you financially. There are also lists of USA State websites that offer resources or details around funding and details available on [what it takes to qualify for a small business loan](#) as well as [sources of start-up funding](#).

We welcome you to list resources in the comments. We want to see the path to funding get easier, more transparent, and understandable for small business as a whole and we hope these resources do that for you.

If you have discovered a great resource that can help a small business owner find financing or a grant, please share it below.

Paths to Cash Flow



10 Ways to Improve Small Business Cash Flow

Cash flow is the lifeblood of any small business. A healthy stream is essential if a business is to succeed. In general, the key is to accelerate the flow of money coming in and delay what goes out. Having written credit and collection policies can also help. Here are 10 tips a business can use to improve cash flow.

1. **Establish sound credit practices.** Before dealing with a new customer, always get at least three trade references and a bank reference. Credit reports, available from Dun and Bradstreet and others, report on a company's general financial health as well as how quickly—or slowly—it pays its bills. Never give credit until you are comfortable with a customer's ability to pay.
2. **Expedite fulfillment and shipping.** Fill orders accurately and efficiently, and then use the quickest means available to deliver products or services to customers. Unnecessary delays can add days or weeks to customer payments.
3. **Bill promptly and accurately.** The faster you mail an invoice, the faster you will be paid. Where possible, send an invoice with the order. If deliveries do not automatically trigger an invoice, establish a set billing schedule, preferably weekly. Check invoices for accuracy before mailing them. All invoices should include a payment due date. An invoice without payment terms may fall to the bottom of a customer's pile of bills.

4. **Offer discounts for prompt payment.** Given an incentive, some customers will pay sooner rather than later. Trade discounts typically give 1% to 2% off the total amount due if customers pay in 10 days.
 5. **Aggressively follow up on past due accounts.** As soon as a bill becomes overdue, call the customer and ask when you can expect payment. Keep a record of the conversation and the customer's response. Set a follow-up date in the event the promised payment is not received. Ask delinquent customers with genuine financial problems to try to pay at least a small amount every week. When necessary, don't hesitate to seek professional help from an attorney or collection agency.
 6. **Deposit payments promptly.** Don't let checks sit in a drawer waiting to be deposited. The sooner you make a deposit, the sooner you can put the money to work for your business. If you are really serious about speeding up your cash flow, a post office box or bank lockbox can accelerate receipt of checks.
 7. **Seek better payment terms from suppliers and banks.** Better payment terms from suppliers are the simplest way to slow down a company's cash outflow. While most suppliers provide terms of 30 days, 60 or 90 days are sometimes available, though it might mean changing suppliers. Better credit terms translate into borrowing money interest-free. Some banks also may be willing to restructure business loans to make them easier to repay.
 8. **Keep a tight control on inventory.** Less cash tied up in inventory generally means better cash flow. While some suppliers offer deeper discounts on volume purchases, if inventory sits on the shelf too long, it ties up money that could be put to better use elsewhere.
 9. **Review and reduce expenses.** Take a critical look at all expenses. If you're not sure an expense is necessary, hold back until you are confident it will have a favorable impact on the bottom line. Consider ways to decrease operating costs, such as switching from a weekly to a biweekly payroll to reduce payroll processing costs. Be careful not to cut costs that could hurt profits. For instance, rather than cutting the marketing budget, redirect the money to areas where it will have a more positive impact.
 10. **Pay bills on time, but never before they are due.** The basic rule is to take as long as you are allowed to pay bills—without incurring late fees or interest charges. Make an exception to this rule only when you are offered a trade discount for early payment.
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Outsourcing Works - Keeping Costs Down & Improving Efficiency

Entrepreneurs wear lots of hats. That's a given. But there comes a time when an entrepreneur has to weigh the pros and cons of wearing all the hats versus outsourcing. To help with this decision, we bring outsourced back-office people, processes and software tools to reduce costs and run more efficiently and effectively.

Let's start by pointing out a distinction between two kinds of outsourcing and how our service offerings are designed:

Business Process Outsourcing – People and Processes. Ranging from providing selected business process services to providing entire back office and department support. Your need for business process outsourcing may be as simple as interim staff support, or as complex as a complete outsourcing of your department functions with high-level support and oversight by experts. We tailor our services to each of our client's needs and become an extension of their organization's team - regardless of the service level.

Software Managed Outsourcing (“SMO”) - Software Tools. SMO resources have become an essential tool for small businesses looking to run more efficiently and effectively. After all, businesses don't have to make the permanent, large investment of purchasing software. Instead, you pay a monthly fee for software hosted elsewhere and is delivered via the Web. All good news! However, making the initial decision to turn one or more business application over to a SMO offering can be daunting. For every business application aided by a SMO solution, there are a slew of providers competing for your business. Over many years working with small businesses we have develop a proprietary database of what technology solutions work, when and for whom they work best.

More on Business Process Outsourcing

The very idea of outsourcing may scare you since it involves handing away the responsibilities of a part of your business to someone else who is not even on location. While you do not want to outsource the very core of your company, there are ways that outsourcing certain parts can be of great benefit.

Below, you will find four different ways that outsourcing certain areas of your business can be quite helpful and can even lead to your company growing and prospering.

1. **You will be able to centralize the important operations.** Often, in a small business, each employee is asked to do several different jobs. The problem with this is that your employees will be constantly switching between duties. They can become distracted and they could more easily make mistakes. If you outsource certain areas of your company, your employees will be able to better focus better on their specific jobs instead of being pulled into too many different directions.

2. **Your finances will be best taken care of when handed to a professional.** Instead of trying to do your own books, you can hire a quality accountant and trust that your books are being done right. Unless you are an accounting professional yourself, there may be parts of the financial areas of the small business that you may not be able to handle.
3. **You can save money when you outsource certain areas of your business.** Since you will be freeing up employee time to handle the integral parts of your business, you could save a great deal of funds. Saving money is highly important during times of recession. By allowing other companies to handle certain areas of your company, you will be able to raise your revenue.
4. **You can leave the professional jobs to the professionals.** Chances are, there are certain aspects of your company that are being handled by people who do not specialize in that area. This could lead to subpar work simply because the employee is not properly trained.

More about the best areas to outsource (click to link to resources)...

- [Accounting & Bookkeeping](#)
 - [Records Management](#)
 - [Compliance & Risk Management](#)
 - [More of Marketing](#)
 - [Recruiting](#)
 - [Personal Organization](#)
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