Money

MY MONEY

Six things every start-up needs to know

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Behind every start up is an aspiration to do something different.

The attraction to do something different attracts fellow travellers all keen to be different and break with the boring services, products and maybe procedures of more established companies.

This can be a trap for young players.

Behind every successful and exciting company is a boring administration department with cunning concepts that keep companies trading.

So if you're thinking of going it alone, here's what you need to consider first.

Cash flow

The three most important things in business; are cash flow, cash flow and cash flow.

Most start-ups have seed capital or reserves contributed by supporters. Many start-ups do not worry about cash flow. They draw comfort from having cash as their reserves.

This reckless disregard for the value of cash is a sure sign of a start-up.

Start-ups don't have reserves, they only have time to make money before the cash crisis that awaits is recognised.

Many good businesses cease to exist, not because their products don't work, nor lack of sales. They simply run out of cash.

Get sales

Most start-ups have a key customer or two.

The risk is that these few customers will keep the start-up captive at the expense of any new sales.

The start-up owner/s may have accidentally put their deposit down on buying themselves a job, complete with a licence to work lots of unpaid overtime. The point? Sales to new clients are vital for a company to survive - diversify your interests.

Get paid

Debtors are people who owe you money, are in debt to your company for the goods and/or services you provided. Debtors owe your company

cash. By not paying on time a debtor is saying that they don't mind if you go broke.

Each week that they don't pay, your cash reserves are further depleted. If you have enough slow payers you will run out of cash and be broke. It is vital to avoid clients becoming debtors longer than the agreed terms.

Start-ups need clients and must not confuse non payers as clients. Bad payers are worse than the company's competition.

They are the enemy within. To manage slow paying debtors withdraw your service and suggest that they try your competition.

Then send the debt to a debt collector. That way you are free to sell to customers who will pay on time.

Buy and pay wisely

Whilst purchasing equipment and services for start-up is time consuming it can be a vital part of the long term survival plan.

Naturally you want the best deal possible. But remember that price is not everything.

Look for suppliers who offer a monthly account. Any account is better that paying cash.

These suppliers that you are approaching for an account are about to become your creditors because they are about to give you credit. Therefore, when they give your start up a monthly account you owe then money.

This is a golden opportunity for good managers.

Debtors are to be collected quickly and creditors are to be managed, slowly.

The goal is to have a fast debt collection, you get the cash in and give it a good long term home.

Paying creditors as slow as the supplier will allow keeps your cash in your bank account. Managing your creditors skilfully can assist in funding your start up.

Work-life balance

The folks who advocate this are usually full time employees rightfully claiming that life is good because they are satisfied. Power to them.

They should not be involved in a start-up. Commencing a start-up is the exact opposite of balance of anything.

It is total commitment to the goal. Nothing but nothing replaces total commitment.

The desire to give it your all was the reason behind setting up a start-up.

So when you meet the life balance advocate, remember – they have lesser goals than you. Their choice.

It's about you

Start-ups may seem friendlier than large organisations because they often have a small number of staff who openly share the enthusiasm for the new product or service.

Happy staff will not always provide the best outcome for any business.

Productive staff with set goals that produce outcomes of the business will.

Remember that you go into business for yourself because you want more than you could get by working for others.

A risk when managing a small team is that the owner can be working to keep the staff happy at the businesses' expense.

Remember, the goal of a start-up is to survive the start-up stage.

The highest risk is not always whether the market accepts your product or service but will you have enough capital to see the business be viable.

No matter how exciting your venture, to survive it will require good old fashion management of cash.

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