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Business bootcamp #8: how to spend company money

Want to start a business? The internet is full of advice for entrepreneurs, whether that's detailing the lifecycle of a startup, how to raise investment, how to manifest success and which 'meal in a can' is best for those on the go. Here is part 8 of 10 in your business's 10-day bootcamp.

The end is in sight for our 10-step bootcamp. You've *validated your idea*; got your *business plan* in shape; *honed your networking*; mastered your *legal* and *financial obligations*; *built a C-suite* and a *wider team*… Now let's look at what a healthy approach to spending looks like for business owners – new ones and seasoned pros alike.

You might be excited to spend £1000 on a laptop, or hesitant to spend the same on targeted ads: either way, money must be spent and, as a business owner, it's down to you to decide how.

Mark Braund, business adviser and investor, says that 'your investment of time and resources should almost exclusively focus on delivering value to your customers.'

That insights work you're doing (see '*Business bootcamp #1: validate your idea*')? It'll be instrumental to this.

Mark says, ‘Focus attention on your ideal customer’s requirements and how these will evolve over time. Many people mistakenly believe that a competitive proposition ‘today’, will remain competitive next month, next year and even five years from now. Markets constantly evolve with changing needs and innovation, the frequency of which is dependent on how innovative the sector you operate in is.

‘Invest time understanding precisely what they need, what problems you help them solve and the value of your solution to them.

‘This is critical in helping you craft a compelling proposition and essential to understanding how you prioritise funding and resources going forwards. It is the essence of every successful business plan.’

For this, Mark says, you should get insights from a minimum of 10-25 unique customers, depending on the average deal value of your proposition.

‘Typically, the bigger the deal-value the fewer the number of unique customers you need to research. For example, at one end of the spectrum you could have high-value technology at the other, low-tech clothing.’

If your product seems up to muster, Mark says it’s important you ‘pre-close’ the customer. This question, to be effective, needs to be answered with the correct level of expectation.

‘It is not a hypothetical question, it is a ‘pre-closing question’. As an example, ‘If we build a solution that successfully delivers what we have just discussed, can I rely on you to buy it?’ The answer will likely come with provisos like, ‘It depends what it costs.’

‘If you can clearly understand the value of your proposition to your customers, you have a better chance of understanding the cost base you need to work to, and thereby be able to provide an outline cost (‘in the region of’). Armed with this you should be able to successfully ‘pre-close’ them.

‘Get this right and not only will you have a clear idea of how best to invest in your business, you will also have a ready-made order book against which to build the early stages of success.

So, preparation is key before you sign the cheque or get your crypto password out from its hiding place. But when you do, you could be thinking about recruitment (including your own salary – you do have to eat, after all), sales and marketing, PR, R&D (research and development), logistics… the list goes on.

‘These questions,’ Mark says, ‘can be thoroughly tested against what you have learnt (and captured in the business plan), making certain you prioritise those things that are of critical importance, so the things without which you cannot meet customer expectations or successfully sell your solution and without this you cannot generate revenue and profits.

‘As you face each investment decision, ask yourself and your team how it advances your company’s ability to deliver what the customer wants, add value, and importantly, how much the customer will be willing to pay for it.

‘As you build success,’ – taking the time to recognise the wins. Not bad for all those sleepless nights, eh? – ‘then move your priorities towards how to scale the business and create a sustainable business model.’

Because it’s not as simple as setting your business up *adequately*, then letting it run itself. The strategic thinking and leadership has only just begun, really. Remember that money in an idea does not mean money in the bank.

> *‘Cash preservation and cash generation – it’s a matter of balance,’ Mark says.*

‘Cash is a priority at this stage (probably never changes); companies go out of business when they run out of cash, regardless of whether they are profitable or not. This is why a clear understanding of cash flow is so important when pulling your business plan together.’

How are you going to ensure that your cash doesn’t run out, then? ‘This can include financing options for some of your expenditure and modifying the financial model of your proposition.

‘There are many businesses with compelling propositions who trade a small amount of margin for advanced or early payment.’

Useful links:

Venture debt: a legal guide for startups (Maddyness)

Top tips to drive financial inclusion and better cash management for SMEs (Maddyness)

You don’t need investment to start a successful company (Maddyness)

Cash flow apps to support small business (Xero)

By this point in the process, would you say you've 'launched' your business? What does that really mean, and what does a 'launch' look like? Find out in our next post.

(Can't wait? We've put the whole 10-step programme *here* for you.)

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Read also

The ten commandments for launching a startup

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