Identifying and accessing finance to scale your business starts with understanding your needs.

Need growth funding?

Scaling a business takes money. You can self-fund or you can tap into the resources on offer. Here's what you need to know to access funding. **BY NADIA RAWJEE**

MOST ENTREPRENEURS envision their business growing and providing them with enhanced returns. Some take a traditional view of growth while others plan and build their business for scale.

The traditional purpose of increasing financial returns in a business is to grow. Growth is defined as adding resources at the same rate as adding revenue, while scaling allows a business to grow its revenue and profits through a system that requires less resources, time to grow and overheads in achieving the desired financial returns.

Most entrepreneurs with whom we have consulted have failed to take into account the investment or financial requirement for scaling their businesses, as well as the requirements of the partners/stakeholders, such as franchisees they plan to bring on board. To successfully implement a scale strategy, an entrepreneur must plan these financial requirements carefully.

A core strategy to grow revenue is through market expansion or penetration. Scaling uses the same fundamentals, but is focused on sharing resources through collaboration and leveraging partnerships.

Whilst leveraging existing platforms or distribution channels allows for a faster route to scale and market, a business may want greater control over its distribution channel. This could be in the form of franchising the existing business and identifying franchisees or developing an agency/distributor model.

For these to be scale strategies, the business must understand and identify solutions for financing its financial models and requirements, as well as those of its franchisees, agents and distributors.

SCALING BUSINESS CHECKLIST

- » Replicable proceduralised business model
- » Track record showing profitability and, in the case of franchising, that there are multiple sites
- » Marketing strategy to attract the right franchisees/agents/distributors
- » Human resource capacity for rollout
- » Technology requirements for scaling
- » Legal framework and agreements to be entered into
- » Financial backing for the above.

FINANCING SOLUTIONS FOR THE SCALING BUSINESS

Reinvesting profits. We all do this as business owners, but rarely with a structured plan that will allow us to leverage the investment towards accessing additional finance. Whether considering traditional commercial finance or developmental finance, a business must demonstrate its own investment in the expansion or scaling project, in addition to a good business plan.

For all commercial banks, and even some developmental banks, surety is needed, so build this up as well. The Small Enterprise Finance Agency (SEFA) may lend money without surety, but the process is a bit longer and more intense. The Industrial Development Corporation (IDC) may consider taking a small share in your business if the risk is high, which may be the case with a scaling project at its infancy.

For entrepreneurs without their own capital and/or surety, finding the right partner(s) to support the requirements of funders may be necessary.

FRANCHISEE/AGENT/DISTRIBUTOR CHECKLIST

- » The biggest challenge will be to find the right jockey for your brand:
  - Do they have the necessary industry/product knowledge and network?
  - Are they going to be fully operational or dedicate resources to the agency?
  - Do they have the financial resource to commit?
- » Market and location – identifying suitable and viable markets to penetrate
- » Financial backing to establish and grow the business.

FINANCING SOLUTIONS FOR FRANCHISEES, AGENTS OR DISTRIBUTORS

SEFA is a subsidiary of the IDC with a mandate to fund small businesses. SEFA has a wholesale loan which can be allocated to a pool of these partners.

For example, Chicken Stop is a Quick Service Restaurant offering flamed-grilled chicken with local delicacies, such as pap, gravy and beetroot salad, and its uniquely flavoured Smokey Chicken. The average franchise set-up cost is about R1,5 million. SEFA (through its wholesale loan) has partnered with Chicken Stop to provide business development loans to qualifying candidates who can receive up to R1,5 million debt financing with a personal investment of R300 000 to R500 000, allowing Chicken Stop to scale its network with up to 30 additional stores.

Businesses that accept card payments with a point of sale (POS) device can raise growth finance from service providers such as Merchant Capital, which allow businesses that have been trading for at least six months and have more than R30 000/month in card transactions to obtain a cash advance on future card sales with future repayment linked to trading activity.

At the end of the day, scale is a more profitable and less resource intensive strategy to grow your businesses in the long run, but it requires good governance, compliance and planning. **EM**

"We all feel some level of impatience that our businesses are not growing fast enough. Every time I look at the latest iteration of my DIY website or the stack of big ideas still in the to-do bin, I think 'man, I'm so not where I want to be yet!' But the beautiful thing about being in business for yourself is that you get to direct your own evolution. And allowing that evolution, however organic or stunted it may feel in the moment, is a stellar strategy in itself. Like a conductor with a symphony, you learn the rhythms and movements over time. You've got to grow at your own pace and feel out the bumps along the way."

– Amy Birks, The Strategy Ninja

Nadia Rawjee is the co-founder of Uzenzele Holdings, a facilitator of a range of non-traditional, developmental grant and loan funding applications. Visit www.uzenzele.com