Every high growth founder faces these 4 financial tests - this is how you pass them

In business, every growth story is unique. But there are some universal challenges - from funding to hiring and culture - that every founder must overcome.

Temps de lecture : minute

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It's often these basic challenges that determine the success or failure of a business. Just look at how *Peloton* and *The Hut Group* (THG), once media darlings, were rocked by strategic missteps and poor corporate governance, seeing their market value plummet as a result.

Most businesses won't get anywhere near the size of Peloton or THG if they don't have the fundamentals nailed down early on. I've broken these fundamentals down into four key financial tests every high-growth business will face - and my top tips for overcoming them.

Spending investor cash sensibly

This might be difficult for some founders to hear, but it's important: never forget that you're spending other people's money. Yes, your business is your baby, and selling off chunks of your company can be an emotional experience. But the reality is that your business is only afloat because other people believe in its potential.

This should have a bearing on how you choose to spend that money. Most founders are sensible enough to hold off on the private jets and helicopters (although not all), but there are still plenty of temptations - some that may even seem prudent at the time.

Your product is one such example. These days companies like to say they're 'product first' – industry lingo that means investing time and money in new features and product development above all else. It's a nice idea, but remember that you're trying to build a business, not just a product.

Knowing when to ask for help

The early days of starting a business can be gruelling. But doing things yourself helps keep costs down and will give you a thorough understanding of your business that can serve you well for years to come.

Still, there will inevitably come a point when there are too many plates to keep spinning. A Chief Financial Officer (CFO), or Financial Director (FD), should be one of your first hires (the two terms are often used interchangeably).

Finance, along with the legal department, is one of the most specialised areas of a business. Once you progress to the point where you're taking other people's money, it's risky to handle all of that yourself. But more than just being a buffer against risk, a talented CFO can be a major boon by acting as a window of communication between the founder and investors. Experienced financial professionals can advise founders on both sources of funding and how to make the business look more *attractive to investors*, potentially boosting your company's valuation.

Hiring the right finance personnel

Deciding the right time to invest in financial talent is only half the battle. At an early stage, you may only have the resources to make a single, bigticket, full-time hire. But there’s a risk that you end up in a kind of Goldilocks situation.

Hire an experienced head and they might get demotivated when carrying out basic administrative tasks. Hire fresh talent and they won’t have the experience to tackle complex financial decisions, and you won’t be able to trust them to handle key tasks independently.

That’s why I always advise businesses to hire senior financial experience on a part-time basis. Not only is this cheaper, but it will still ensure you have the appropriate resources available when you need them. You can spend the cash you save on a team of less experienced admins who can carry out rote tasks.

Fostering a culture of financial discipline

If there’s one thing I’ve learnt after 30 years of advising companies, it’s that the tone of financial discipline is set at the top. Communication is absolutely key. A founder who doesn’t communicate proper oversight on spending is risking their business running out of control.

Product development and finance teams should also be in regular communication and should be encouraged to help negotiate on spend. Encouraging negotiations between different business segments, rather than relying on the CEO to act as an intermediary, should contribute to a more collaborative environment.

Having trust in your finance team is an absolute must. They should be your sounding board and your voice of reason. Establishing a cadence of regular communication on financial issues and making sure other employees have a regular point of contact sets a precedent that can carry on as the business expands.

Get your finances in order – the rest will follow

Reinforcing your financial foundations may not have the allure of tinkering with products or jet setting to meet new customers. But it can be the difference between a mediocre valuation from investors and a great one. And for shareholders, that means a better payout on exit or IPO.

A healthy dose of frugality never hurts. The helicopters and private planes can come later.

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