

You're Growing Fast – But Is Your Money Keeping Up? Here's the Capital Strategy You Need.

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Key Takeaways

- Sudden business growth is exciting, but the mechanics of growth often outpace the funding needed to sustain it.
- Think of your capital stack as three distinct layers – internal, external and contingent. You must orchestrate these layers so they work in harmony with your business.
- To ensure your capital is on track, you must forecast cash flow regularly, identify your triggers, match capital to purpose, build lender/investor relationships early and keep a contingency layer.

Growth often comes faster than expected, and many businesses struggle to keep pace with the rate of demand. A common challenge many fast-growing companies face isn't a lack of opportunity but capital misalignment.

Let's look at why capital often lags behind growth, the risks it creates and how companies can close the gap by calibrating their capital stack.

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Why capital falls behind growth

Sudden business growth is exciting, but one frustrating aspect is that the mechanics of growth often outpace the funding needed to sustain it. There are several reasons why that is, but a big aspect is simply timing.

Revenue and cash don't always arrive at the same time. For example, you may have sales lined up, but if receivables are delayed, the money won't be there when your suppliers and employees expect to get paid. The lag between booking revenue and collecting it can create short-term strain on your business.

Plus, expansion often eats into working capital. Adding new staff, carrying more inventory or opening a new location all require upfront spending before the new revenue fully kicks in. That creates a cash gap right when the business should be leaning into growth.

To make matters even more challenging, traditional financing channels often move slowly. Bank loans and SBA programs can take weeks or even months to close, and by the time funds arrive, the opportunity that sparked the need may have passed.

The 3 layers of capital

It's helpful to think of your capital stack as having three distinct layers, each with its own role. The challenge isn't simply having access to all three, but orchestrating them so they work together to fuel your business.

The first layer is internal capital, which includes cash flow, retained earnings and reallocating resources from within the business. It's the most flexible form of funding because you have complete control over it, and it can be deployed quickly. However, it has a limited scope, and overextending internal funds can weaken your day-to-day operations; therefore, this

layer is best suited for urgent needs.

The second layer is external capital, and it comes from outside sources like loans, lines of credit, equipment leases or investors. External funding expands your reach and unlocks bigger opportunities, but it comes with obligations like monthly payments and interest charges. It's important to ensure this type of capital is matched carefully to its purpose and timeline, so it supports growth without creating long-term strain.

Contingent capital is the final layer, and it includes vendor terms, undrawn credit facilities and emergency reserves built into agreements. These aren't typically used in day-to-day operations, but they provide a safety net when conditions shift unexpectedly. Think of contingent capital as backup funding that's there when you need it, but stays in the background when you don't.

Most businesses already use some combination of these layers, but few take the time to arrange them intentionally. The real advantage doesn't come from having access to capital, but from orchestrating these layers so they work in harmony with your business.

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Balancing the core tensions

As companies scale, growth brings both opportunity and complexity, and one of the biggest challenges is learning how to manage the natural tensions that come with financing.

Timing vs. volume

First, you need to find a balance between timing and volume. Many owners focus only on how much capital they can access, but when the funds come can be even more important. A business

that secures funding months before it's needed risks paying for idle cash, while one that waits too long may lose ground to competitors.

The most effective way to manage this tension is by forecasting cash flow regularly and setting clear triggers that signal when it's time to draw down funding. That way, money moves in sync with demand instead of guesswork.

Flexibility vs. fit

The second tension is flexibility versus fit. On the surface, a line of credit may seem like a great fit if it has low rates, generous limits or favorable repayment terms. But if the structure is too rigid for how your business actually operates, it can quickly become a burden. Strict covenants, inflexible draw schedules or repayment obligations that don't match your cash flow can limit your ability to pivot when conditions change.

That's why the best financing isn't always the cheapest, but the one that aligns with your business model and growth timeline. Flexibility matters, but so does making sure the financing tool you choose truly fits your needs.

Preparation vs. over-planning

The final tension is finding the balance between preparation and over-planning. On one hand, it's tempting to lock in large, long-term financing to feel ready, but too much structure can weigh a company down. On the other hand, waiting until the last minute often forces you into reactive decisions that carry higher costs or less favorable terms.

A more effective approach is to fund growth in stages, aligning each round of capital with specific operational needs and return-on-investment goals. By taking only what's needed and when it's needed, businesses can stay nimble and avoid unnecessary debt.

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A practical checklist

If you're growing fast, here's a simple framework to check whether your capital is keeping up:

- **Forecast cash flow regularly:** Don't just rely on your annual budget. It's important to update your cash flow projections at least quarterly.
- **Identify your triggers:** Important events like contracts and seasonal surges are often signs that signal capital will be needed.
- **Match capital to purpose:** Use short-term financing for short-term needs and long-term funding for strategic investments.
- **Build relationships early:** Lenders and investors respond faster when you're already on their radar, so it's important to start building those relationships before you need them.
- **Keep a contingency layer:** Even healthy businesses need backup access to liquidity for unplanned expenses or new opportunities.

Growth doesn't wait, and neither should your capital strategy. The question isn't just whether you have enough funding, but whether your capital stack matches your pace of growth.

When your money is properly timed, layered and calibrated, it helps you stay ahead of the competition.

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