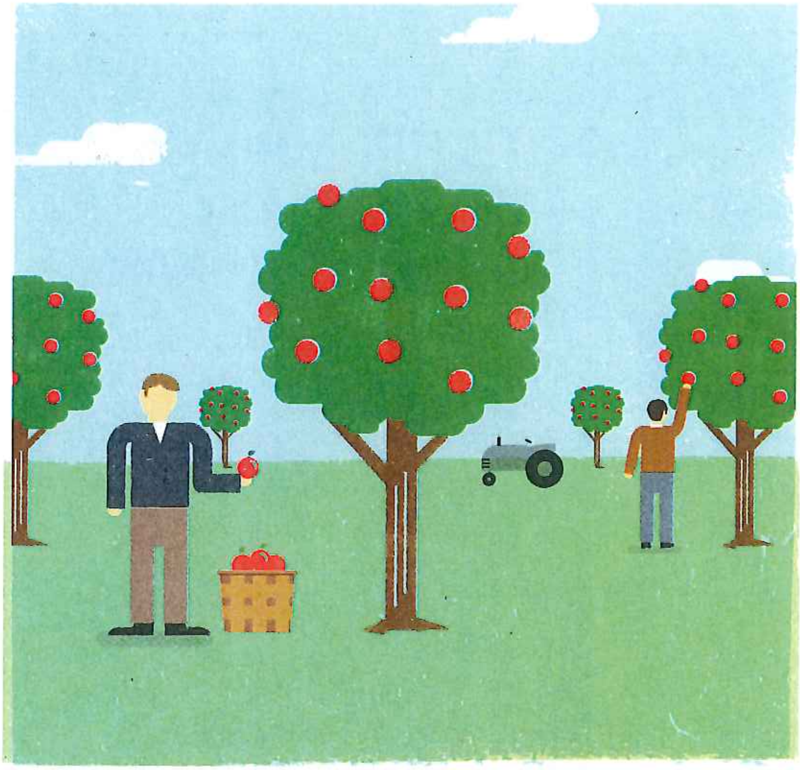

Finance YOUR GROWTH WISELY

BE RELENTLESS WHEN IT COMES TO PRESERVING YOUR CASH.

IF YOU GROW FASTER than planned, even a momentary cash crunch can have a lasting effect. "Not stocking enough cash is probably why the majority of firms go out of business," says Bill Klein, president of Consero Global, a financial consulting and outsourcing firm that works with small and midsize companies.

To avoid a cash crunch, take a page from SpareFoot, an online search firm based in Austin that is trying to become the Hotels.com for self-storage space.

1 Monitor your cash flow maniacally

Part of making your firm attractive to a lender down the road is ensuring that there aren't wide gaps between money flowing in and out. At SpareFoot, owners check their cash flow statement every day.

Then they do something rather unusual: They let all of the company's 88 employees look at those financial reports too, says CFO Lucas Walters. That way, when it comes to spending decisions, "everyone on the team is rowing in the same direction"—and focused on savings, he says.

John Egan, editor-in-chief of SpareFoot's website, agrees. "Because we know the financial situation and feel like we have a stake in it, we are careful with how we spend our money," he explains. "If I have to book a plane ticket, I'll look for the best deal. Why wouldn't I?"

2 Keep staffing costs as low as possible

Since labor is one of your biggest expenses, maintaining tight cost controls over your payroll will go a long way toward protecting your cash. Sure, you can always hire full-time staffers now and lay them off down the road should business slow. But that approach can get expensive, says Jaime Klein, president of Inspire Human Resources.

SpareFoot's owners avoided this by relying when they could on temporary workers and by outsourcing early on. When the company did need to add permanent employees, it tried them out for 90 days—without benefits—before committing.

Today, as SpareFoot plans to increase its workforce to 96 by year-end, "we still evaluate every position to determine what solution makes sense, including outsourcing," says Walters, who himself started out as an outsourced CFO for the firm before joining permanently later on.

3 Line up financing before you expand

The time to position yourself for a low-interest bank loan isn't when you're running out of money and struggling, says Klein of Consero Global. Obtaining credit is a lot like landing new customers. You have to invest time and effort to build a real relationship with potential lenders—and you have to cast a wide net.

SpareFoot's owners did just that. They kept deposits in several local banks for years knowing that they'd eventually need financing for expansion. That day came in 2012, when the firm required a seven-figure loan to pay for two acquisitions (one of which it did not complete). By maintaining relationships with lenders for years, says Walters, "we got the loan on more favorable terms than we could have otherwise." M