

The 4 questions every entrepreneur should ask themselves before making their next big investment

Issued by [Business Partners Limited](#)

23 Aug 2022

Every entrepreneur will at some point in their journey find themselves at the daunting crossroads of whether or not to invest more money into initiating the next phase of their business' growth.

As much as you may believe in the viability of the business and the failproof nature of your plans, there are a few important questions to consider and answer before taking the plunge:

Which financial goal will this investment help me to reach?

Before investing capital into any venture, have a clear idea of the financial gain you're hoping to achieve. Consider this both in terms of what you want for the business as well as what you want for yourself.

For example, your goal might be to realise enough profits to pay off the business's property bond in five years, or it may be to make enough profit in five years to be able to take a sabbatical and invest time into developing a passion project. You may also plan to use a portion of your profits to pay off personal debts or start a new business. These are objectives to outline from the beginning, in order to have a clear vision to work towards.



Ben Bierrman

Can I afford to lose this money?

One of the oldest adages around investing in the stock market is that you should never invest money that you cannot afford to lose. When investing in a business, the same principle applies.

The South African socio economic environment presents a number of challenging hurdles for aspiring entrepreneurs, and the reality is that the majority of small businesses do not survive beyond their first few years of operation.

Investing further into any business, no matter how well considered the idea is, always carries risk. So before making your next big move, ask yourself what would happen in the worst case scenario, where all the funds invested are lost. Can you bear the financial implications? This is a crucial consideration to make.

Will working with a partner make this investment more financially viable?

For entrepreneurs who find themselves in a position where potential failure could have devastating financial consequences, this doesn't have to mean it's the end of the road. Sharing the capital outlay with a business partner could be a viable option.

In this case, there are several legal, ethical and professional factors to consider. Beyond those factors, there is the question of financial viability, because a shared investment may necessitate profit-sharing as well as a clearly defined set of roles and responsibilities. Working with a partner can make it easier to reach your financial goals as an entrepreneur but it comes with a complex human dynamic that will require a degree of compromise.

Will I need financing? If so, how will I obtain it?

Some businesses are relatively easy to kickstart and require little more beyond a cash injection because the venture doesn't need to support a big staff complement or because there are ways to keep expenses to a minimum. Other businesses require a more sizeable investment to grow, and in these cases, you may need to acquire additional funding to boost the value of the business.

The current business and economic environment provides for several options, including pitching your idea to a venture capitalist or an angel investor, taking out a business loan with a bank or independent financier, borrowing money from an associate or working with an incubator. Each of these options will come with its own financial risks, so take time to weigh up your options and what they will mean for you as a business owner in the long-term.

" New SME survey results reveal upcoming national elections a deep concern for SA small business owners

25 Apr 2024

" 30 years on, entrepreneurs are making the most of SA's enduring miracle 24 Apr 2024

" 3 ways SME owners can cultivate a culture of human-rights in their businesses 25 Mar 2024

" SA entrepreneurship event sheds light on the need and the value of women in business 14 Mar 2024

" 4 ways to turn your business idea into a thriving business 12 Mar 2024

Business Partners Limited



We're Business Partners Limited, one of the leading business financiers for viable small and medium enterprises (SMEs) in the world. We provide business finance ranging from R500 000 to R50 million to established entrepreneurs with a viable formal business.

[Profile](#) | [News](#) | [Contact](#) | [Twitter](#) | [Facebook](#) | [RSS Feed](#)

For more, visit: <https://www.bizcommunity.com>