CHAPTER 20

What now? - Financials - Funding Strategy and Capital Structure

What	Define Your Optimal Capital Structure and Protect Founder Leverage
Why	This step ensures you never trade sovereignty for short-term survival.
Background	The chapter warns that the Dilution Trap begins when founders raise too early, too cheaply, or without a structural plan.
	This step forces clarity on the mix of equity, debt, and alternatives that preserves control while fueling growth.
How	Conduct a full audit of your current debt-to-equity ratio and model future dilution scenarios.
	Define your target capital mix for the next 24–36 months (e.g., 70% debt/alternative, 30% equity for expansion).
	Identify which type of capital aligns with your current Execution Architecture (patient vs. aggressive capital).
	Establish a “Founder Leverage Threshold”—the minimum ownership required to maintain strategic control.

What	Build a Staged Funding Roadmap Tied to Execution Milestones
Why	This step ensures capital is fuel for a proven engine—not a lifeline for chaos.
Background	The chapter emphasizes that funding must be raised because you hit a milestone, not because you ran out of cash.
	This step turns fundraising into a predictable, strategic sequence.
How	Define the next three major milestones:
	Product-Market Fit Validation
	Market/Geographic Expansion
	Capacity Scaling (tech, automation, talent)
	Map each milestone to the exact amount and type of capital required.
	Set valuation targets for each stage to avoid premature dilution.
	Build a 12-quarter capital timeline that anticipates needs six months ahead.

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What	Evaluate Every Funding Decision Through ROIC and Cost-of-Capital Discipline
Why	This step ensures every dollar deployed increases enterprise value.
Background	The chapter states: “If the cost of inaction is higher than the cost of capital, you must move aggressively.”
	This step ensures capital deployment creates value rather than destroys it.
How	
	Calculate the implied cost of equity vs. the interest cost of debt.
	Compare each investment’s expected ROIC to the cost of capital.
	Approve funding only when ROIC > cost of capital and the investment accelerates Velocity.
	Build a Capital Deployment Scorecard that evaluates:
	Impact on Leading Indicators
	Payback period
	Systemic gain (automation, margin improvement)
	Strategic moat creation

What	Use Capital to Strengthen the Three Engines of Growth
Why	This step ensures capital is deployed with surgical precision.
Background	The chapter’s “Three Ways to Grow a Business” become the filter for all capital allocation.
	This step ensures funding accelerates the revenue engine, not overhead.
How	Allocate capital to:
	Customer Volume: sales capacity, demand generation, new markets
	Transaction Value: premium products, pricing systems, upsell paths
	Purchase Frequency: lifecycle automation, retention programs, customer success
	Reject any spend that does not directly strengthen one of these engines.
	Tie each capital deployment to a Leading Indicator (e.g., LTM Ratio, CAC Payback, NRR).

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What	Build a High-Trust Investor System Through Transparency and Cadence
Why	This step builds trust long before you need the next round.
Background	The chapter emphasizes that investor fear is rooted in uncertainty, and transparency is the antidote.
	This step turns investors into strategic allies rather than oversight burdens.
How	Implement a monthly Impact Report focused on Leading Indicators and Systemic Gains.
	Standardize financial reporting across all board and investor communications.
	Frame all decisions within the Strategic Alignment Map to maintain alignment.
	Use investors for competence enhancement—bring them strategic problems, not operational noise.

Closing Thought	Funding is a strategic weapon, and capital structure is the backbone of scalable freedom. It ensures you raise the right money, at the right time, for the right reasons—without sacrificing control or velocity.

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