Erasmus+

Creativity + Innovation & Technology

LESSON CONTENT TEMPLATE

Erasmus+	Project funded by: **Erasmus+ / Key Action 2 - Cooperation for innovation and the exchange of good practices, Knowledge Alliances.**

1. Template

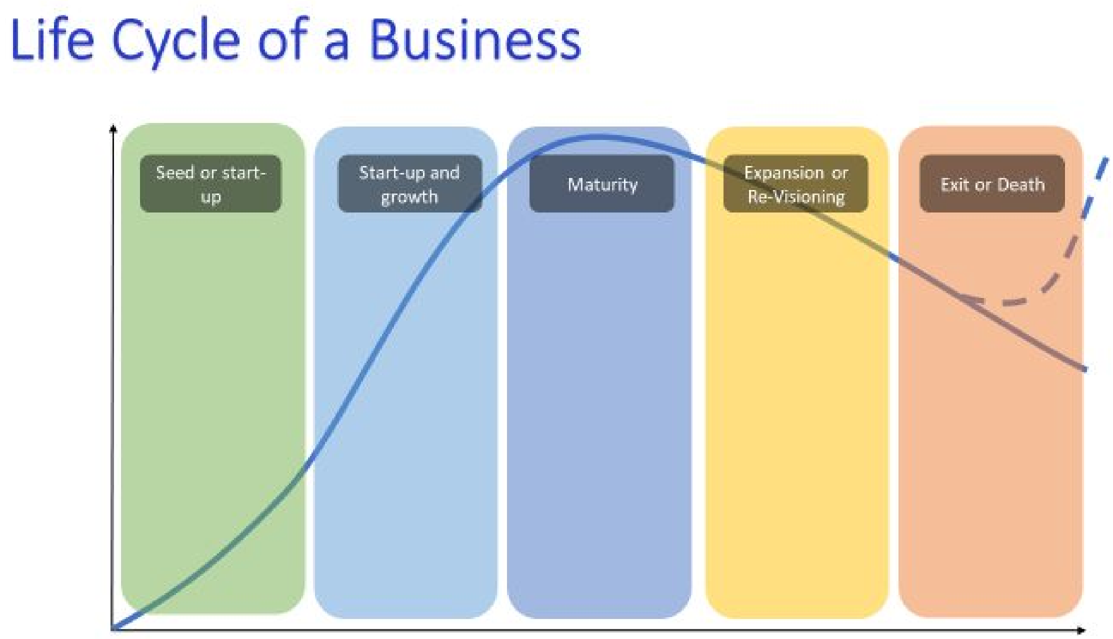
Topic 3: Financing a Business
Lesson 1

Life Cycle of a Business

Introduction

Finding money to finance a new business is a huge challenge for almost all entrepreneurs. Some of them use their own savings and borrow from friends, to begin with, but sooner or later businesses will have to obtain funding from external sources. In this lesson, we will learn what is Life Cycle of a Business, what phases include, and why is important to understand the life cycle of a business.

The life cycle of a company is the progress of a company in stages over time and includes at least five phases:



1. **Seed or start-up** - It involves generating an idea, making a plan, acquiring initial capitalization, and all activities before the actual start of the business. Funding at this stage usually comes from the funds of the entrepreneur with the help of family and personal friends as needed.

2. **Start-up and growth** - The business owner produces and launches products or makes its services available to the public. Rapid growth leads to an increase in the number of employees and complex business structures,

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along with significant financial activities during this period of time. The business at this stage is not necessarily profitable, but it requires access to greater financial resources than the founder can usually provide. Borrowing or foreign investment is often needed for the first time.

3. **Maturity** - By this stage, the company may have diversified its product or line of services, it may have expanded geographically. The business now brings income and positive cash flow and finances are required to maintain a smooth business.

4. **Expansion or Re-Visioning** - The company must reconsider its purpose in order to maintain its sustainability. Sometimes the job encounters opportunities for expansion, sometimes adapting to the changing market, and sometimes for the full development of new directions. All these changes require significant investment and often require external financing again at this stage.

5. **Exit or Death** - If the owner skips phase 4 and does not redefine his work, he will gradually disappear and die. However, if develops an exit strategy, he will generate a steady income or earn a lump sum to provide personal expenses.

Conclusions

Understanding the business life cycle is crucial for everybody and especially for entrepreneurs, bankers, financial analysts, and other professionals in the financial services industry. If you know the product life cycle, you can easily determine where you are currently and what stage you are in, and also what steps you can and should take.

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