

How to invest your first company profits

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The goal of entrepreneurship is to turn a profit but how you spend this money will determine whether your business flourishes or struggles to survive

Executive Business Coach, Penny Holburn, says it's important to have a strategy in place. "Running a business should not involve ad hoc financial decisions. What you do with profits must be deliberately thought out and must be part of your overall business plan as knee jerk actions usually don't bode well.

Different ways to reinvest your profits

Holburn says there are a plethora of ways to reinvest your profits. She suggests analysing your company's performance and determining your strengths and weaknesses. "Reinvesting money should go towards capitalising on opportunities and eliminating weaknesses to ensure that your company grows and achieves sustainable profits."

Expansion

You could use your profits to introduce more products or services, or expand your footprint to other parts of the country or abroad. Your profits can also be used to fund the research and development required to expand.

Settle your debt

Interest rates can really eat away at your profits, so it's advisable to pay back your debt and avoid taking out any more.

Save

Having some savings in a business is as important as it is for a household. Should unforeseen expenses occur or any opportunities present themselves, you will have enough cash to act accordingly.

Invest in marketing

When executed well, marketing can yield an increase in sales so spending money on digital or content marketing or advertising could result in a return on investment.

Invest in education and development

It is advisable to invest in educating yourself and developing your staff and management. You are more likely to retain your star performers if you do this, and it will save the costs of having to hire and train new employees.

Improve your IT infrastructure

By beefing up your hardware and software, you stand to increase productivity and profits. The better equipped your staff is to work efficiently, the better service you can provide to your clients.

Consulting or coaching

Hire an expert to give advice on improving your business and increase profits.