
BLACKTECHSTARTUP EDUCATION

Finance Growth Before the Customer Pays: Use Working Capital Without Starving the Business

How to map receivables, inventory, contract milestones and borrowing capacity so a growing technology or services company does not win work it cannot afford to deliver.

How to map receivables, inventory, contract milestones and borrowing capacity so a growing technology or services company does not win work it cannot afford to deliver.

Revenue can grow while cash collapses

A company can be profitable on paper and still run out of money because payroll, cloud bills, hardware, subcontractors and travel are due before the customer pays. Government and enterprise contracts make this especially visible: you may need to staff a project for weeks before the first invoice, then wait through approval and payment terms. The answer is not automatically debt. The first answer is understanding the cash-conversion cycle. Map the date cash leaves the business, the date an invoice can be issued, the date the customer historically approves it and the date money actually lands. That timeline tells you the real financing gap.

Match the facility to the cash cycle

SBA's 7(a) Working Capital Pilot is designed around monitored lines of credit, including asset-based borrowing against accounts receivable and inventory. That structure is different from taking a term loan and hoping the amount is enough. For a services or technology company, the relevant asset may be eligible receivables generated by signed work. For a hardware or integration business, inventory and purchase-order timing may matter too. The strategic question is whether the borrowing base expands and contracts with the operating cycle. If the loan survives long after the working-capital need disappears, you may have chosen the wrong instrument.

Bring a lender a contract economics file, not a pitch deck

A lender needs to understand how money moves through the deal. Build a file that includes signed contracts or purchase orders, billing milestones, customer payment history, gross margin by project, payroll burden, subcontractor terms, aged receivables, backlog, concentration by customer, current debt and a 13-week cash forecast. Stress the forecast by assuming the largest customer pays 30 days late. If that breaks the company, you have identified the real risk before the lender does. The better the cash evidence, the easier it is to discuss the appropriate facility and covenant structure.

Do not borrow to hide bad pricing

Working capital is useful when timing is the problem. It is dangerous when unit economics are the problem. If a contract produces only a thin contribution margin after delivery labor, cloud usage, support, insurance and financing cost, debt can make a bad contract look temporarily survivable. Model the interest and fees into the job before accepting the work. A customer that pays slowly should either support enough margin to finance the gap or provide better payment terms. Growth financed by permanently negative project economics is not growth; it is delayed failure.

Negotiate the customer before you negotiate the bank

Cash flow can often be improved at the contract table. Ask for an implementation deposit, milestone billing, shorter payment terms, prepaid annual software, reimbursable pass-through costs, or direct billing for large third-party expenses. For subcontracting work, negotiate invoice timing and acceptance criteria. For hardware, use purchase orders and supplier terms deliberately. Every dollar of customer-funded working capital is a dollar you do not have to borrow. Strong operators design the commercial terms and the financing terms together.

The 30-day move

Week 1: produce a 13-week cash forecast and a receivables aging report. Week 2: model the next two large contracts from first payroll dollar to final collection. Week 3: calculate the maximum financing gap under normal and delayed-payment scenarios. Week 4: speak with an SBA-participating lender or working-capital specialist about facilities that match that cycle, including the 7(a) WCP where appropriate. Do this before the new contract starts. The best time to arrange liquidity is when the company still has choices.

Match the financing instrument to the cash conversion cycle

Draw the cash cycle for one representative customer from signed order to final collection. Mark when you pay labor, cloud vendors, inventory, subcontractors and taxes, then mark when invoices are issued and when cash actually arrives. That timeline tells you whether the financing problem is a short receivables gap, a larger project ramp, seasonal working capital or a structurally unprofitable contract. For each financing option, compare advance rate or borrowing base, interest, fees, collateral, reporting burden, personal guarantees where applicable, and the consequences if the customer pays late. A line of credit can be efficient for recurring short gaps; purchase-order or contract financing may fit a specific delivery; equity is usually a costly answer to a predictable 45-day receivable. SBA's Working Capital Pilot is designed around monitored lines of credit and can support asset-based and transaction-based structures through participating lenders, but eligibility and underwriting still matter. Build a lender package before urgency: trailing financials, accounts-receivable aging, customer concentration, signed contracts, backlog, margin by job and a 13-week cash forecast. When a Black-owned firm can show exactly why cash is temporarily trapped and how the facility repays, the financing conversation becomes about a controlled cycle rather than desperation.

SOURCE DESK

Research behind this guide

Use the primary sources below to verify current rules, eligibility and program details before acting. Program terms can change.

SBA — 7(a) Working Capital Pilot



SBA — 7(a) loans and WCP



SBA — WCP Program Guide



SBA — Lender resources



Important: This article is educational information, not individualized legal, tax, investment or compliance advice. For decisions with legal or financial consequences, use a qualified professional who can review your facts.

SHARE THIS GUIDE ↗

POWERED BY: BLACK TECH STARTUP

blacktechstartup.com