

# The Success Trap

## Why Fast-Growing Companies Fail





**OneWeb** looked like the darling of the satellite connectivity world. Backed by \$3.4 billion in funding, they had launched 74 satellites with contracts for hundreds more. But production costs soared and the firm quickly realized they lacked the cash to build and deploy the remaining 90% of the global network. As investors shied away, OneWeb failed to secure financing to scale manufacturing and was forced to file for bankruptcy.

Growth, not starting up, is the most dangerous phase for industrial suppliers and manufacturers. Companies gear up R&D and product development with funding such as venture capital, SBA loans, seed investors, and the SBIR military program for technology innovation. Then orders ramp up and production kicks in, creating a cash flow crisis.

In this whitepaper, we'll look at the challenges of scaling, why traditional financing doesn't work for many growing companies, and how technology is disrupting supply chain financing.

For companies that sell physical goods, fulfilling large orders means paying upfront for materials, labor, and shipping—and then waiting months for revenue from customers. When the average Days Sales Outstanding (DSO) for manufacturer billing is [28-53 days](#), small suppliers struggle to bankroll their growth.

Across U.S. manufacturing firms, [93%](#) have fewer than 100 employees, and yet it's those fast-growing young companies that are driving the most exciting innovations across aerospace, defense, energy, robotics, autonomous systems, transportation and telecom. How can growing businesses optimize working capital to successfully navigate growth?

**The “success trap”**  
is when strong demand outpaces growth financing. It's one of the biggest barriers for small and rapidly-scaling industrial suppliers.

### [Missed delivery deadlines harm the entire supply chain](#)

Financing is a critical but overlooked part of any supply chain. The book *Freedom's Forge* talks about how America's military dominance in WWII was driven by our manufacturing capability. But the key to that dominance was unlocking the financial model for American companies to build.

Fast-forward to today, however, where the U.S. has grown reliant on a few manufacturing giants with hyper-expensive production. Competing countries are developing cheaper, agile systems at scale for significantly less. For the U.S. to keep pace, empowering innovative small suppliers is strategically important, yet traditional financing models are not built to support them.

When suppliers struggle, they often have to make tough choices about which projects get funded first, causing delivery slowdowns and creating uncertainty about timelines. In modern supply chains, this creates a harmful ripple effect across the supply chain. As production slows down and lead times slip, buyers bake longer lead times into their projects or just avoid smaller suppliers entirely.

### [The overlooked role of supply chain finance in reviving our manufacturing base](#)

Particularly in capital-intensive industries like manufacturing, companies face inherently lumpy cash flows with large, upfront outlays for materials, labor, and production followed by long waits for payment even after goods are delivered. This makes them acutely vulnerable to unexpected expenses and payment delays, even when sales are strong.



# Traditional Financing Falls Short

Small and medium-sized companies often face roadblocks obtaining sufficient financing for growth. Financial institutions are bound by regulatory requirements for assessing credit risk that make it hard for small suppliers to scale. For example, a small manufacturer may have a sales pipeline that's 5x its current revenue, but they can't document it in ways that a financial institution can accept. As a result, many businesses get caught short with too little cash, right when success is on the horizon.

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## Conventional Loans & Lines of Credit



These are important sources for capital expenditures and funding payroll, but scaling the business with lending debt is difficult. Companies rarely have the assets that banks need to see to provide financing. Additionally, funding can take weeks and because it is backward looking, it cannot grow with you.

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## SBA Loans



This funding can be important to help startups launch the business. With these government-backed loans, suppliers may get reasonable rates and be able to defer repayment for a few years. However, SBA loans aren't good at helping a business scale. The process is slow and complex and the funding (often a maximum of \$5M) may be inadequate for meeting growth needs. There is also the added risk that business owners may have to personally guarantee the loan.

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## Private Lending



Alternative lenders may expedite the loan process with fewer requirements, faster approvals and higher approval rates (55%–60%) compared to banks. But interest rates trend higher and unfriendly repayment terms can strain cash flow as suppliers manage orders.

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## Venture Capital & Private Investment



Venture capital is often the first place young companies turn for financing and plays a valuable role. But many companies view it as a one-stop source for all funding needs, which means they are giving up control and equity in their company and facing higher expectations for returns, just to fill orders they have already sold.

# Trade Financing

## A better way to grow, but few good options

Nearly 80% of trade credit is on Open Account using commercial terms – also known as waiting to get paid. This pushes costs of inventory onto often-smaller suppliers.

But there are trade financing options available, which are purpose-built to provide working capital to fill orders. In theory, these solutions could be the right way for companies to manage cash needs as they scale. The problem is that options are often limited or not founder-friendly.

## Factoring

Factoring is when a supplier sells invoices to a third party for cash. If it worked well, it would be an excellent form of financing, allowing companies to reinvest that cash into selling more orders.

In fact, factoring is a well-respected and widely used form of financing in many parts of the world. In the US, however, factoring has a bad reputation for shady brokers and unfriendly terms. And even when it's reputable, this type of financing can take weeks to close and often cannot provide funding to fill industrial-scale orders.

Another critical downside is that factoring requires suppliers to give up control of buyer relationships, which is counterproductive. When the company has worked hard to onboard clients, redirecting collections to a third party is an uncomfortable option, if it's allowed at all. Factoring is also expensive, with rates of 2-6% of invoice value plus often-hidden fees.

## Dynamic discounting

This is an attractive option for small suppliers, but is not widely available. In this scenario, buyers pay earlier than contract terms in exchange for a discount. But it only works if buyers offer discounting and are willing to spend capital to fund supplier programs (and usually they are not). Additionally, these programs are often at the discretion of each buyer, and suppliers may not know if, when or how much will be funded, making planning difficult.



## Invoice Discounting

This is similar to factoring, except that instead of selling a receivable, companies can get a loan against its value. Typically, this option is available only to larger businesses because it requires a strong credit history, credit control processes, and an established, reliable customer base.

## Letters of Credit (LoC)

Trade finance between large corporations is often done via Letters of Credit. Instead of paying a deposit on a large order, a buyer provides an LC as a bank-backed payment guarantee, which enables the buyer to preserve working capital while reassuring the seller. Unfortunately, smaller and medium-sized companies rarely have access to this type of financing.

# The funding gap for growing companies

Given the many constraints in traditional financing—lack of adequate lending and credit limits, and no access to options reserved for large companies—small and medium-sized suppliers often hit a wall for scaling. They can give up more equity to investors, give up control to factors, or give up the company by getting acquired. For fast-growing industrial innovators with strong demand, none of those options are attractive.

Financing this market could earn high returns, so what's the problem?

# The technology gap for supply chain finance

The supply chain finance problem exists because the information to identify risk is separated from the capital that could fund smaller suppliers and industrial manufacturers. The solution requires a paradigm shift where supply chain finance becomes less about funding and more about technology. And it's already happening.

Most of the enduring fintech innovations of this century have done one or more of the following:



Used data in new ways to identify and manage risk



Connected people, processes and systems to coordinate and transact instantly



Removed friction in the user experience

Nearly every major wave in modern finance fits this pattern. Innovations such as alternative lending and fraud detection use data to see and manage risk like never before. BNPL, payment networks, and banking-as-a-service redefine connectivity to link merchants, consumers, and capital providers inside real-time transaction flows. Some of the most successful fintech innovators have removed friction from the user experience, turning complex financial actions into seamless moments inside everyday behavior.

The enduring breakthroughs bring it all together—better data makes connections safer, stronger connectivity generates richer data, and lower friction ensures adoption. This is what supply chain finance has been missing.

## Removing data barriers is key

Data exists to assess risk in production schedules, delivery performance and cash flow timing. But it is often trapped in disconnected systems. Banks and lenders rely on outdated models built for balance-sheet lending, but have no reliable way to assess risk on a company that is rapidly outgrowing their asset size. Meanwhile, suppliers that need working capital face weeks-long lead times, paper-heavy onboarding, and opaque approvals. And ultimately, the parties that depend on one another—buyers,

suppliers, and capital providers—have only limited connections at best.

Digitization has transformed nearly every area of financial services, but supply chain financing is still like the early days of the stock exchange with traders waving slips of paper and shouting out orders. It's essential to bring the data and participants together into a single, connected fabric to enable capital to flow more freely, and support faster supply chains and healthier suppliers.

# New technology in supply chain finance

A new type of fintech is emerging to reinvent supply chain finance. Unlocking value from supply chain data delivers significant advantages to suppliers, buyers, and capital providers. As with other disruptive technologies, this has the capacity to break down operational barriers.

## Capture and standardize risk

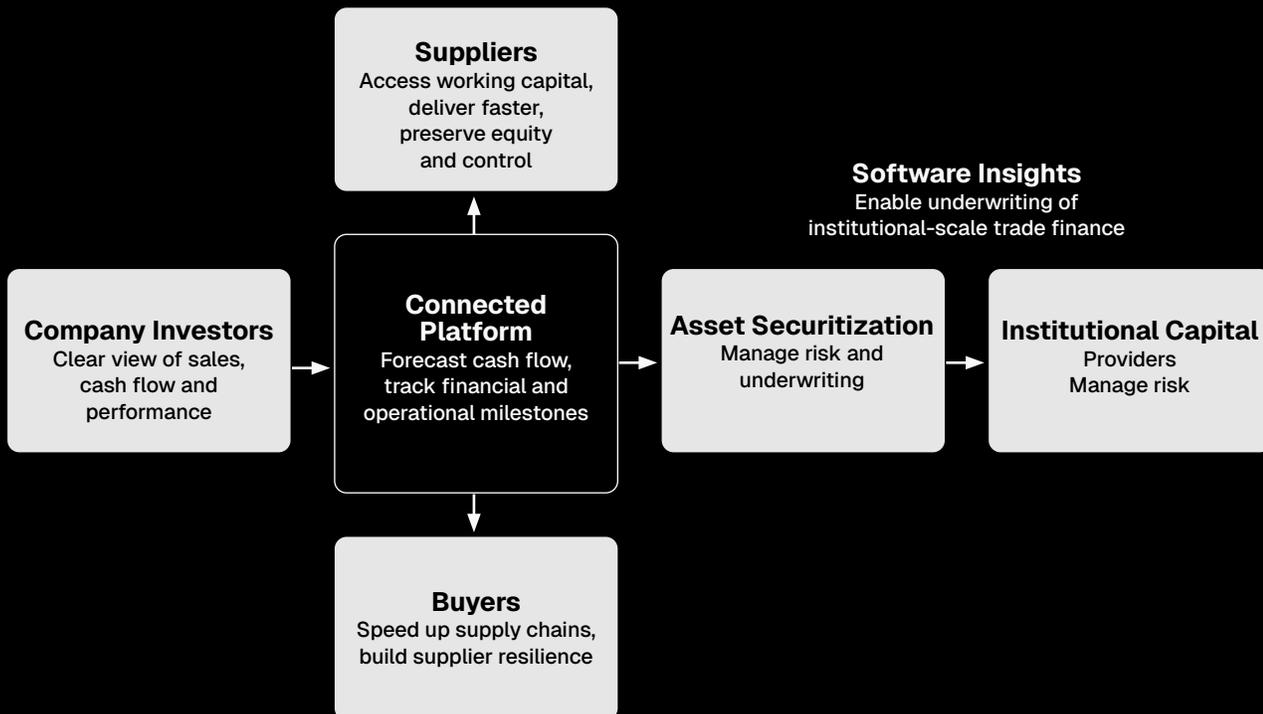
Innovative solutions can capture risk and performance data from supply chain documents and systems, such as manufacturing quotes, purchase orders, invoices and ERP software. The fintech then uses this data to identify financing opportunities, which can be securitized for lower-cost institutional capital providers. Companies get a better view of their performance, allowing them to manage their cash flow and operational milestones.

## Eliminate siloes

By connecting multiple entities on a single platform, information can flow instantly across suppliers, buyers, and financiers. Companies can even use the insights from the platform to help raise equity capital.

## Remove friction

All steps of the process are streamlined, from onboarding to financing transactions, allowing suppliers to focus on growth rather than bureaucratic overhead.





# How technology can impact supply chains

**Connecting parties, capturing risk data and removing friction creates significant benefits for all parties in the supply chain.**

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**Dramatically scale available financing**



With data-driven insights, suppliers can more accurately assess risk and make better decisions about raising capital. Some fintech solutions (like [Klear, Inc](#)) also enable the securitization of assets, such as outstanding receivables, to more quickly obtain financing from institutional investors.

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**Reduce the cost of working capital**



Aggregating the risk into securitized assets allows institutional investors to participate, bringing down the cost of financing. In turn, it enables more money and flexibility to flow into critical supply chains.

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**Improve long-term financial health**



Fintech solutions can enable suppliers to more effectively forecast and manage fluctuating capital needs over time. Systems can digitize and centralize all purchase orders and invoices, then leverage AI to extract actionable insights. It provides a precise timeline for financing flows, as well as validation of the company's market traction and profitability to attract more venture capital investment.

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**Speed up supply chains**



Enabling companies to deliver on time helps avoid slowing down the entire supply chain. The right visibility, controls and timely insights help suppliers mitigate schedule risk. For instance, they can accurately track delivery timelines, and map capacity and capital needs accordingly. Supply chain finance solutions can also inject working capital as needed so suppliers can fill orders faster without utilizing buyer capital.



# Power your supply chain future

As America moves to kick off a new era of manufacturing and innovation within our shores—it's crucial that supply chain financing innovate along with it. Small and mid-sized companies are driving significant advances in science, technology, autonomous systems and applied AI. Enabling these suppliers to thrive, with modern, technology-fueled working capital solutions, is a strategic imperative that helps strengthen the U.S. economy and defense leadership.

Fintech pioneers like [Klear](#) are making that possible.

Klear empowers rapidly growing industrial suppliers with innovative technology that fundamentally changes how they run their business and provides access to capital to fund industry innovations. Partnering with Klear is helping our clients launch rockets to space, enable navigation where GPS is not reliable, and test new pharmaceuticals for safety without risking human lives.

[Step into your supply chain future](#)

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