

Some basic steps can solve cash-flow issues

It's the end of the month, quarter or fiscal year. You are reviewing your financials and realize revenues are up — maybe 20 percent. Although pleased with the results, you are uncertain why the company struggles to pay the monthly bills. Where is the cash?

Revenue without cash isn't a good mix as cash is king when it comes to the financial management of your business.

Even successful growing organizations are vulnerable to cash-flow issues because they may be dealing with items such as entering new markets, increasing production to keep up with sales, or attracting quality employees to maintain the growth.

As long as more money appears to be coming into your business than going out, many owners don't give cash management a second thought. Unfortunately, this leaves them vulnerable to all kinds of cash flow dangers.

At its simplest, cash flow management means delaying cash outlays until the due date while encouraging those owing you money to pay it as rapidly as possible.

Some basic steps to help manage this process include:

- **Make financial projections:** An accurate cash flow projection can alert you to trouble well before it strikes.

Review customers' payment histories, identify anticipated capital expenditures, account for all expenses, and understand vendors' patience.

Do not assume that receivables will continue to come in as they have in the past and that payables can be extended as in the past.

Have a detailed knowledge of each expense — not just the total amount you spend. Make sure every significant cash outlay is included.

- **Manage payables:** When you lead a growing company, expenses must be watched carefully.

Take advantage of payment terms. Use electronic funds transfer (EFT) to make payments on the last day they are due.

Consider vendors' offers of discounts for earlier payments. Don't always focus on the lowest cost provider as sometimes flexible payment terms



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can improve your cash flow more than a lower price.

- **Improve receivables:** Receiving money is always a good thing, so focus on collecting receivables more quickly.

Issue invoices promptly and follow-up immediately if payments are late.

Offer discounts to customers who pay promptly.

Ask customers to make deposit payments at the time orders are given.

Track receivables to identify slow paying customers. If there are issues, require cash on delivery.

The key to managing cash shortfalls is to become aware of the problem as early and as accurately as possible. By eliminating your cash flow worries and following a few simple steps, you are free to do what you do best — completely satisfy customers and make more money — equating to more cash on hand. This is the real key to your continued business success.

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