

CASHFLOW: Your 5 Step Guide

A company needs cash to stay in business. A company needs cash to grow. A company needs cash to compete. A company can look good on paper, and yet not have enough cash to make it through the next month. Hence, the importance of balancing cash flow.

Update and check financial reports often.

Do you have a cash flow statement? Do you have the necessary financial reports to help you make decisions? If not, work with an accountant or bookkeeper to create one, and then learn how to read and maintain the reports. If you don't have a full-time financial expert, you can hire one to work with you when needed.

Review accounts receivables.

How old are your accounts receivables? Do you have incentives in place to compel clients to pay on time? One way to do that is to have a clause in your contract that says you charge a fee for late payments or a discount for early payments. To get cash faster, you could sell your invoices to a private lender. The downside is that you won't get the full amount, but at least you get most of it.

Set prices based on what clients will pay.

Study competitors' rates and factor in the difference between what you and your competitor offer or lack. It may take practice and rejections before you find the magic number. If everyone agrees to your rates, it may be time to try increasing them.

Build up a safety net.

Things break. Disasters happen. A business can suddenly encounter a big and unexpected expense. Be ready for anything with a crisis management plan and plenty of cash. If the day comes that you need the emergency stash, start building your cash reserves again.

Get financing.

Have you looked beyond banks for financing? You have microloans, credit unions, private or specialty lenders and other financing organizations. Not all of them are bound by same rules that banks must follow. This is especially true for companies that sell services as they often have little or no collateral that banks require.