



Ways to Improve Your Cash Flow

Cash is real. Cash enables you to pay the bills, to cover the payroll costs and to keep the utility suppliers happy. In contrast Profit is a calculated figure. We all need cash.

Don't get me wrong it is very important to make profits. But profitable companies that are short of cash find running their business difficult, or embarrassing, or both. Good companies can fail because of a cash shortage rather than a profit downturn...

Five Areas for Cash Flow Improvement

In the long term making more Profit and using fewer assets will have a positive impact on the Cash Flow of a business. But in the shorter term managers have a significant impact by managing the day to day operations and the amount of money tied up in the business i.e. the Working Capital. Here are some ideas for what can they do;

1. **Reduce** the money tied up in **stocks** of raw materials or finished goods
 - ▶ Order materials more frequently in smaller quantities
 - ▶ Get the supplier to hold stocks ready for call off
 - ▶ Make finished goods to order rather than for stock
2. **Reduce the amount of work that is 'in process'**
 - ▶ Once started finish the work so that you can invoice it
3. **Reduce** the money owed from **Customers**
 - ▶ Negotiate and agree credit terms: then enforce them.
 - ▶ Invoice promptly (in advance, part payments etc.)
 - ▶ Invoice accurately with the correct references & Purchase Orders
 - ▶ Have an accurate debt reporting system
 - ▶ Follow your credit control process
 - ▶ For large invoices 'manage' the payment process closely
4. **Increase** the amount owing to **Suppliers**
 - ▶ Pay when all of the delivery/service has been received
 - ▶ Pay at end of next month, not mid month
 - ▶ Return incorrect invoices for replacement
 - ▶ Refuse payment when there are unresolved issues
 - ▶ Work with suppliers to reduce costs and share the benefits
5. Finally **train everyone to THINK CASH**. It will make a huge difference to the business and we will all be 'Quid's in'!

To find out just how we can help your people manage cash flow better, call us on **+44(0)1494 450200** or visit us at **www.trainingontarget.com**.