

## **Increase Your Company's Cash Flow for Greater Flexibility**

The lifeline of any business is cash flow. Without a steady flow of cash to cover expenses, your company can quickly stumble. Cash flow troubles can develop even when sales seem strong. Facing a continuous cash crunch makes it difficult to conduct your business properly. And while it may be tempting to seek out fancy financial formulas for predicting and tracking business cash flow, the basics tend to be plain common sense for most small businesses.

The object is to make certain that more cash enters your business than exits your bank account. First you need to translate sales into real money as quickly as possible. Once you have collected the cash, your business needs to guard it. Surprises, such as slow or nonpaying customers and unexpected expenses, are your worst cash flow enemies. Here are some approaches to maximizing your cash flow.

- You may need to manage “receivables” more closely. This is the money that customers owe you for products or services you’ve delivered. Create a detailed “aging” schedule of what you are owed, by whom and for how long. Place phone calls to overdue accounts, focusing first on the largest amounts due. Offering a discount can bring some quick cash in the door, but play this card only after you have called the customer to ask for full payment.
- Research your purchases. Whether the subject is office supplies or specialized equipment, know what constitutes good value at a good price. Overpaying for business necessities is bound to gnaw away at profits. When you see a good or service whose price appears to be rising disproportionately, check around for another supplier who may have a better price and terms.
- Track the timing of your fixed expenses. By staying on top of their respective due dates, you won’t get caught short on cash when a critical payment is due. Conversely, you want to pay bills on-time; but don’t pay them earlier than necessary.
- Consistently monitor expenses such as utilities, telephone service, meals, entertainment and travel. They have a way of quietly moving upward when you aren’t looking. Employee downtime and overtime can also strain cash flow.
- Use judgment in paying for purchases with credit cards. The flexibility of credit cards comes with the potential downside of creating too much debt (at high rates), especially during periods of uneven cash flow.
- If you have a varied product line, know which items bring you the highest profit (as opposed to the quickest sales) and focus on selling them.
- Establish a line of credit with your bank that will be available if needed for emergency use.