

5 Steps to Improve your Cash Flow

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Company Logo

London, United Kingdom
([rushPRnews](#)) 08/05/13 — In this tough economic climate it is more important than ever to ensure that cash flow is a priority in your business.

Here we explain 5 steps to ensure you keep control of your cash flow and keep your business solvent:

1. Understand your cash flow:

Just like forecasting sales, dedicating time to analysing and forecasting your cash flow will give you powerful insight into the current and future status of your business, which will allow you time to plan and repair emergent problems. One of the easiest ways to monitor your business' cash flow is to compare the total unpaid purchases to the total sales due at the end of each month. If the total unpaid purchases are greater than the total sales due, you are in negative cash flow.

2. Plan your cash income and outgoings with your team

Systematic financial planning is vital to a company remaining solvent. You must ensure that each Manager and department within your business is in line with the same financial plan. Set out clear financial guidelines and sign off procedures with all departmental Managers. You should construct a budget, at least annually, which will help detail the potential future cash flow problems or pinch points, and then allow the business to react to these instead of reacting to the needs of the business.

3. Take steps to shorten your cash flow conversion period

Examples of steps that could be taken:

- Preparing customer invoices immediately upon delivery of your goods or services to the customer – this helps ensure a quick receipt of payment.
- Monitoring your customers' use of credit and adjusting their credit limits accordingly.
- Offering customers a discount for paying their invoices early, this is known as early settlement.

4. Decide who is vital to your business's success

Receiving discounts for early payment is one thing; but paying suppliers that aren't as vital to your business before those who are is simply counter-productive. Likewise, giving better payment terms to customers just to secure a sale could in the long run be self-defeating. Segmenting suppliers and customers in terms of their strategic importance to your organisation will guarantee that the best care is taken over those that will help your business the most.

5. Work together to improve cash flow

As a decision maker you can't solely improve cash flow as an individual - use your team. Rewarding employees for actively improving cash flow is proven to have a great impact on organisations. As mentioned in point two, cash flow objectives set from tactical planning can provide a benchmark for departments to be measured against. A result of incentivising employees to meet objectives is cash flow becoming more streamlined.

[There is no single right answer to cash flow management](#) but those who have invested time into adopting a cash flow management structure have



seen dramatic positive effects. A regular stream of revenue is imperative to maintaining an adequate cash flow for your business, not just endlessly pouring out. Monitoring your cash flow and taking steps to shorten your cash flow conversion period will go a long ways towards eliminating those dangerous cash flow gaps.

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