Keep Lifeblood of your business flowing

What happened to all the money?

Cash stressed business owners ask that question every day. Sales have been good. Revenue is up. Customers are happy. So why are we struggling to make payroll? How did we get to be profit rich and cash poor?

Where did the money go?

Making money is hard; hanging on to it is even harder. As owners, every decision we make about the resources of our businesses ultimately affects our cash flow.

Cash-loss factors are different for every company. But if we pay attention to three specific strategies, we can begin to impact our cash problems: a capital strategy, a pricing strategy and a collections strategy.

1. Capital Strategy.

Business owners are bullish, optimistic and sometimes afflicted with the view that bigger is better. More money, more customers, more products, more territory, more services– ″more″ will surely solve all of our problems. A commonly accepted standard for judging our success is ″How big is your business?″

But growth without a capital strategy can put unexpected strain on resources.

2. Pricing Strategy.

Today′s market conditions seem to demand that we ignore the correlation between our profit margins and the level of service we can afford to give our clients and customers.

A faulty pricing strategy can keep margins so low that it′s impossible to develop a profitable business while trying to make all the customers happy.

3. Collections Strategy.

We open the door for our customers to erode our profits when we allow the accounts receivable department to extend one day beyond the acceptable protocol for our respective industries.

How could my business be showing a profit when we're starving for cash?

As with all big problems, we need to take simple first steps, and here′s one: Weigh every decision against its impact on the lifeblood of your business. We love revenue and we love profit, but cash flow is the lifeblood of the business.

My company′s financial services team is fired up about a new breed of software that reveals, with a click of the mouse, the ripple effect our decisions have on our balance sheet and income statement. Real numbers for a $4 million-a-year company indicated that reducing the average accounts receivable collections by 10 days could improve its cash status by about $300,000 and add critical percentage points to its profit margin.