

Business Cash Flow Management Survival Guide

As a business owner or operator, you are not alone. All businesses are going through the same challenges during this time. The immediate focus for all businesses should be on keeping cash flow steady and employees productive. With proper planning and financial forecasting, you will have the ability to weather this crisis.

The priority of every business right now should be managing cash flow and moving forward, as best as possible. The key word in this precise moment is **“CASH FLOW”**.

Cash Management

1. Manage your cash flow and build it out by quarter for the next 13-16 weeks
2. Manage receivables by going beyond normal practices of just running a credit check on new customers; consider doing orders on a COD (Cash on delivery) basis
3. Stop shipping new orders to customers until payments are made on aged AR and be strict and consider shortening payment terms. Consider early payment discounts.
4. Project critical uses of your cash for required payments (bill payments/payroll)
5. Manage your payables, consider using vendors as financing options
6. Consider getting a cash discount if a vendor needs cash
7. Stop all non-essential expenses
8. Hope is not a strategy – cut quick, add later when times return to normalcy.

Inventory and Property, Plant and Equipment (“PPE”)

1. Manage your inventory turnover and ensure that you are not building based on projected increased sales but manage the inventory levels while ensuring that lead times are appropriate
2. Consider diversifying your supplier base
3. Review your fixed asset productivity and hold off on new acquisitions if possible. If required, look at the cost of financing such equipment and the return on the investment in the short and long term

10 CRITICAL KPIS

The following are key performance indicators and critical business drivers during a crisis

1. Analyze your historical cash flow from operations for the last 12 months or more and compare to the projected cash flows for the next 12 months
2. Review your working capital and ensure that it is healthy and that your cash and A/R turnover is sufficient to manage at least three months of operations with a lower base level of sales based on impact of COVID-19
3. Review your fixed and variable expenses and whittle down expenses to the baseline amounts necessary to maintain operations
4. Re-forecast/review your P&L projections and ensure that you build a buffer for any potential downturn and use as a base revenue model
5. Consider drawing down on any open revolvers to give yourself some free cash flow
6. Review any assets that can be liquidated for cash
7. Review a weekly report showing cash, and since the last report, sales, cash receipts, expenses incurred, expenses paid and line of credit changes
8. Review weekly a summary report on aged A/R and A/P
9. Review next week’s forecast of sales, cash receipts, purchases, expenses including payroll and debt payments with a projected bank balance and estimated line of credit balance
10. Communicate and share your action plan with your employees about your plan and how it impacts them. It can solidify your culture; it can release tension and can help you retain your best talent. When the situation turns around, customers, vendors and employees will remember your leadership and transparency.



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