

7 KEYS TO BETTER CASH FLOW

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A CHECKLIST FOR YOUR BUSINESS

1. Refine your processes.

Understand your cash sources and uses.

Develop a weekly process to forecast cash ins and outs.

Complete the 13 Week Cash Flow Worksheet and update weekly with your team.

Forecast and track actual cash receipts, sales, and cash disbursements - daily.

2. Increase your sales

You cannot sell your way out of a cash flow crunch.

To rationalize that all sales help consume overhead expenses and the “make it up with the volume” mindset is dangerous.

Continually focus to increase sales intelligently.

Use actual data and put customers in the profit matrix. Focus on reducing the low volume/low margin customers.

3. Manage your assets

Know your Days Sales Outstanding (DSO), Inventory Days, and Accounts Payable Days. Track trends on a monthly basis.

Develop strategies to improve each of the above. Small improvement trends can have a dramatic effect on cash.

Leverage your vendors with longer terms and better discounts.

4. Leverage your vendors

Vendors are the best source for interest free capital and quick pay discounts can really add up.

Approach your vendors with recent and forecasted purchase history.

Leverage your vendors for better pricing, payment terms, and discounts.



5. Solidify Bank Lines

Ensure your bank line of credit is in place and sufficient. Fully understand repayment requirements and debt covenants.

Meet with your bankers to solidify your working relationship.

Discuss your current financial statements and your next 12 month's forecasted income statement and balance sheet.

Have enough excess capital for expansion and to get you through any rocky times.

6. Review Your Expenses

Successful businesses focus on revenue growth versus expense reductions; however, at least annually, take a critical review of all your expenses for low hanging fruit and long term savings.

Cut wasteful and unnecessary purchases.

Develop a culture of prudent spending.

7. Keep Lean Operations

Keep all business operations lean and efficient.

Take advantage of technology and eliminate unnecessary processes.

Value stream map significant operations to understand and visualize value processes and improve wait times.

Your Notes and Next Steps: