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# STAYING OUT OF THE RED

Cash flow management is always essential, but in a recessionary environment it's even more crucial to the overall health of an organisation. Here's how you can keep your business growing and out of the red.

**COACH'S CORNER**



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**I**N EVERY adversity there is an upside. This saying is particularly valid when it comes to managing your cashflow in a recession. As we all know, cashflow is the lifeblood of any business. Banks are implementing stricter lending criteria and this places greater strain on your business as the availability of cash

**10% and then review these costs with each department. A really good example to follow are costs that once trimmed have a ripple effect of cost reduction in other areas of the business.** Scaling down on office rental has the advantage of reducing your utility bill, insurance and possibly also your telecommunications bill.

**INVOICING**  
Ensure that you are invoicing your customers at the completion of 'project' and do not delay invoicing for a particular day in the month. This ensures that your customers are required to pay you timeously for the work done, for example within seven days of invoicing.

**CASH FLOW CYCLE**  
This is an ideal time to review your cash flow cycle to determine the length of time it takes from receiving an order to invoicing and receiving the cash in your bank account. Identify each step in the process and determine whether there are ways to shorten the cycle.

**“THIS IS AN IDEAL TIME TO REVIEW YOUR CASH FLOW CYCLE TO DETERMINE THE LENGTH OF TIME IT TAKES FROM RECEIVING AN ORDER TO INVOICING AND RECEIVING THE CASH IN YOUR BANK ACCOUNT.”**

becomes limited.  
For savvy entrepreneurs there are a number of strategies that one can apply to ensure that you have the required cash to continue funding your business operations.

**CONDUCT A RIGOROUS OVERVIEW OF YOUR COSTS**  
This is a particularly good time to review all your costs in your business and truly question each expense. Often this exercise reveals unnecessary costs that do not impact the effective operation of the business. **Set yourself and your team a target to be able to reduce costs by**

**MANAGING YOUR DEBTORS BOOK**  
If you are not already doing it, you should be reviewing your debtors book at least weekly, dependent upon the type of business you are running. Keep regular contact with all your customers, particularly those outside of their credit terms. Chase payments from these customers regularly but fairly and ensure that you apply your own debtors policy and procedure. If you find this difficult to do, appoint a third party to manage your debtors book for you but do not lose touch with your customers.

**REVIEW YOUR SUPPLIER CREDIT TERMS**  
This is an important process to go through but recognise that your suppliers will be managing their cashflow as well. If you are a regular supplier and have a good payment history, they will be more willing to discuss an extension of payment terms with you. It's very important that you discuss any 'broken agreements' with them as soon as you are aware of them. If new payment terms are agreed, ensure that you can manage them.

**BANK FINANCE**  
It's always good advice to keep communication with your bank open but this is even more important in a recessionary environment. Should you require additional financing from your bank to be able to fund short-term shortfalls, ensure that you have a good business plan to support your application, as this will give the bank the comfort that you are 'on top' of your game, particularly where your cashflow plan is concerned. While bank finance should be your source of last resort, do not leave it until the last minute.

Following these strategies will largely negate the negative consequences that a shortfall of cash may have on your business.

**EM**