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Expert tips to help you stay on top of your finances

SME finance gurus share their best tips to ensure you stay on track during these tough times. Have a few of ideas of your own? Let us know by email so we can share them with your fellow business owners.

CASH IS KING

Budgeting should occur annually, and at least two months prior to year-end to test the validity of the budget before the new year actually starts. It's also important to test sales projections against past performance, and have a clear understanding of what is going to be different in the marketing plan to achieve these goals.

Ruthlessly analyse and remove all unnecessary costs quickly during periods of cash constraints. Companies that run lean during tough times increase their chance of survival. Manage debtors and creditors daily, monitor productivity KPI's and make decisions quickly. Communicate with staff, suppliers and customers respectively to manage perceptions and reputation.

Focus on cashflow. Sales is vanity, profit is sanity, but cashflow will always remain king. During a transition, it's vital to develop a budget beforehand. Review budgets versus actuals, make necessary adjustments, and remain focused on the end goal.

If credit is necessary, only use it to drive the business to build additional capacity, fund short-term cashflow shortages and stock. Develop a clear repayment plan and stick to it. Banks will be keen to lend to you in the future if you've demonstrated diligence in managing credit as a last resort.

-*Pieter Scholtz* is the Co-Master Franchisor in southern Africa for ActionCOACH.

CHECK PAYMENT BEHAVIOUR

Understand your (potential) client's payment behaviour. Many entrepreneurs chase the big-name clients and envisage that with one big client, cash flow problems will be a thing of the past. However, the reality is that the bigger the client, the greater the likelihood of payment bureaucracy. Ensure that your Service Level Agreement includes payment terms.

Leverage big contracts to negotiate lines of credit with your bank – this could be vital to ensure your ability to stay afloat in the event you have to wait 30 to 60 days for payment.

Then I would build the balance sheet. Most entrepreneurs focus a lot of time and energy on managing their income statements and cash flows – while somewhat neglecting the balance sheet. Driving sales and managing expenses will always be a key feature of any entrepreneurial venture – but the value of the business resides within the balance sheet. Growing an asset base will ensure the business is a going-concern, and maintaining a positive net-asset-value ensures there's something to leverage in crisis times.

-*Kalnisha Singh* is an Executive in Impact Economics at LifeCo UnLtd, an impact business that invests in other impact enterprises to deliver social, environmental, economic and financial gains.

WATCH OUT FOR SEASONAL SLUMPS

Creating a cash flow forecast and understanding seasonality are important preparation tactics. You also stay on top of market conditions, monitor clients and set aside a cash cushion in case of an emergency. Take advantage of peak periods to drive as many sales as possible, which should have a positive effect on cash flow.

Although seasonal threats may make it easier to opt for debtor quantity over quality, focus on quality debtors throughout the year. The more reliable the client, the better the chance of recovering the debt.

Applying for favourable credit terms - such as longer payment terms - with your trade partners or suppliers increases client satisfaction and strengthens your cash flow.

Consistent credit management systems including invoicing and collection should be in place throughout the year to ensure both you and your clients are always on the same page. If communication is always transparent, then there is more chance that both vendors and lenders will be accommodating to each other's needs.

-*Frank Knight* is the CEO of Credit Management Specialists Debtsource, which assists businesses in managing the credit extension process.

GET AN EXTERNAL FINANCIAL DIRECTOR

A dispassionate set of eyes on your accounts can help you navigate rough waters and help you focus on making important strategic directions before it is too late.

While I acknowledge that many small businesses can't afford a dedicated finance person, there are a number of "Part-Time" or "Outsourced" financial director (FD) offerings which can provide valuable insight into how your business operates. Entrepreneurs often don't have a good grasp of their numbers and wait for crisis to hit before acknowledging that their business is in trouble."

-*Marc Ashton*, Financial Problem Solver at Decusatio, a network of financial professionals with the single goal of helping Africa invest smarter.

TRACK SALES PROJECTIONS

Sales projections and forecasts can be daunting when you aren't sure where to start or what is realistic for your business. Understanding your industry and the annual patterns can give you a starting point, but once you have established this, you can begin to calculate the cost of reaching your customers through marketing spend. Ask yourself how many prospects you would like to see turned into customers to give yourself a better idea of how much you are willing to spend to convert each prospect. Keeping in mind your competitors can also give you an indication of how aggressive you need to be and therefore how much you will need to dedicate to marketing to your prospects. Factor in what the lifetime value of a customer will be for your business and how profitable you will be over time.

Remember that sales projections and budgeting can be fluid and change over time as you start to identify patterns in sales and customer acquisition. Continued tracking of data can help you more accurately predict what you need to do to reach your targets and what impact that has on your budget. Over time you'll start to get a clearer, more realistic picture.

-*Trevor Gosling* is the CEO of Lulalend, a small business lender supporting the South African SME sector by providing access to short-term finance.

INVEST FOR GROWTH

Turnover is vanity, profit is sanity, but cash flow is reality. Having sound financial management practices is crucial and understanding the connection between cash flow, turnover and profit is imperative to successfully run your business and help in identifying when and why there may be difficult periods. Once accustomed to those cycles you can even forecast a downturn, secure funding, prepare your business and plan your growth.

Focus on incorporating technology and managing expenses, such as replacing unnecessary travel (follow up meetings, for example) by using online meeting platforms, or send digital copies instead of printing collateral.

There's always the temptation to withdraw money from revenue generating activities, but don't forget that social media, advertising and strategic planning is what brings in business and cutting the marketing budget should be a last resort. Taking a step back and reviewing how you conduct your business can go a long way in helping you streamline your processes. Use funding on strategic and income generating ventures that have a direct impact on your business growth."

-*Erin Louw* is the Chief Brand Officer at Retail Capital, which provides businesses with innovative, flexible and convenient alternatives to traditional business loans.