



PETRA PROFIT

THREE STRATEGIES TO IMPROVE CASH FLOW FOR
YOUR BUSINESS



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LIFE LESSONS for BUSINESS OWNERS

One important thing that every entrepreneur and leader must know: the cash needs of their business.

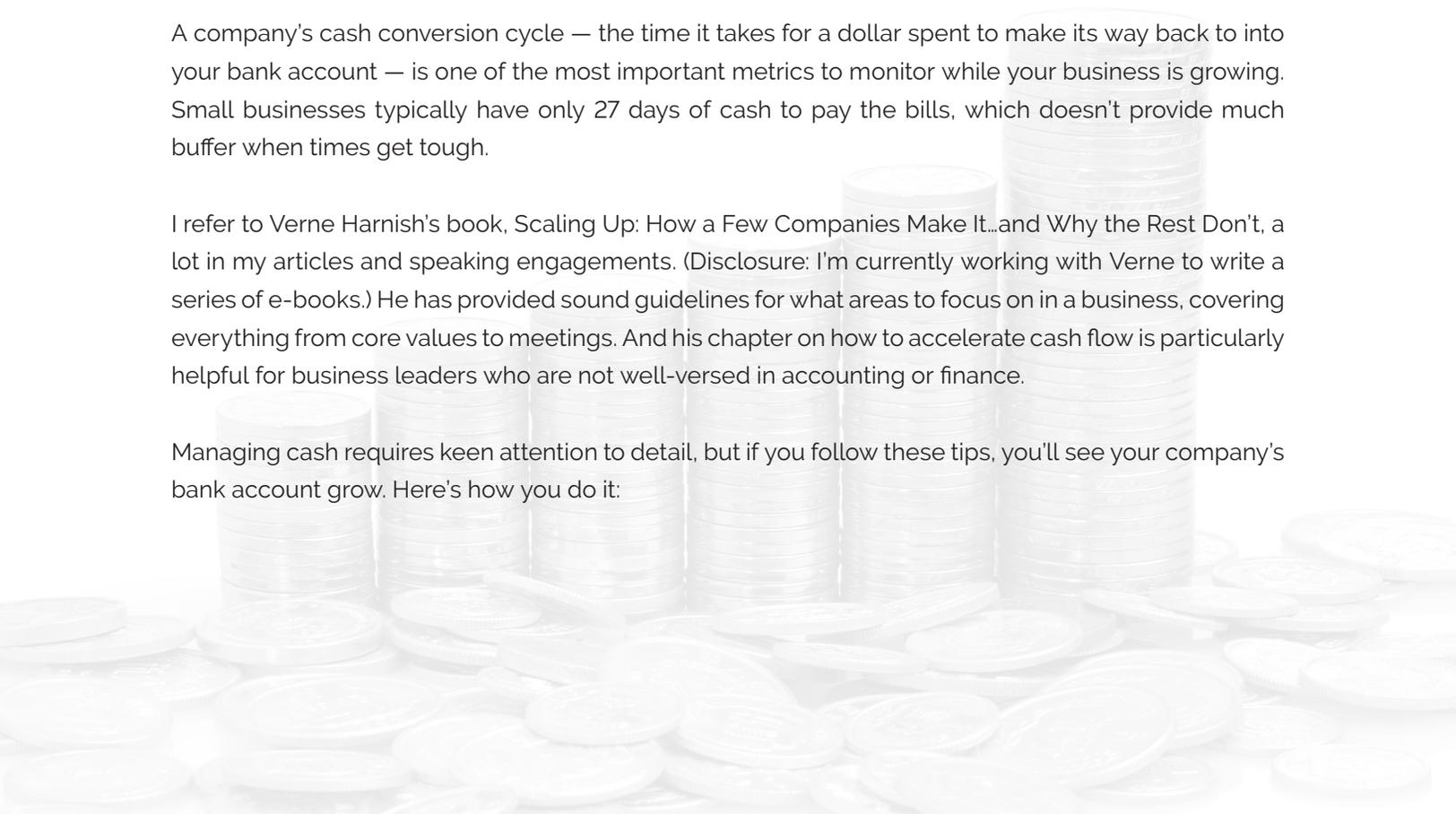
I learned an invaluable lesson on cash management when the company I founded, NationLink Wireless, nearly went out of business. But through an almost fanatical attention to monitoring cash inflow and outflows, our company was producing four times the gross margin in the industry when we sold it in 2011.

Building a business requires cash, and cash needs intensify when growth is accelerating. But companies often fail because leaders at the top did not properly manage the money flowing into and out of the business. New small businesses don't survive very long throughout the years, according to research from the Bureau of Labor Statistics. Research from CB Insights shows that 29% of new businesses failed because they ran out of cash. Similarly, data from Guidant Financial shows that the No. 1 challenge for 33% of small business owners is lack of capital/cash flow.

A company's cash conversion cycle — the time it takes for a dollar spent to make its way back to into your bank account — is one of the most important metrics to monitor while your business is growing. Small businesses typically have only 27 days of cash to pay the bills, which doesn't provide much buffer when times get tough.

I refer to Verne Harnish's book, *Scaling Up: How a Few Companies Make It...and Why the Rest Don't*, a lot in my articles and speaking engagements. (Disclosure: I'm currently working with Verne to write a series of e-books.) He has provided sound guidelines for what areas to focus on in a business, covering everything from core values to meetings. And his chapter on how to accelerate cash flow is particularly helpful for business leaders who are not well-versed in accounting or finance.

Managing cash requires keen attention to detail, but if you follow these tips, you'll see your company's bank account grow. Here's how you do it:



1. FORGE STRONGER RELATIONSHIPS WITH YOUR CUSTOMERS.

Companies live and die by finding and retaining clients. After all, the cash they send your way will determine your business's fate. Treat them fairly. Build strong relationships so they become repeat buyers. Have your accounts receivable (A/R) team get to know their accounts payable (A/P) team. You'll be amazed at how far a little goodwill can go when it's time to get paid.

Here are a few more tips for accelerate payment:

- Do not delay sending invoices to clients.
- Make it easy for clients to pay by setting up auto payments electronically or via credit card.
- Make sure invoices are accurate and easy to understand — nothing delays payment like an incorrect and/or confusing invoice.
- Send clients reminders five days before payments are due, and follow up immediately (with a friendly reminder) if a bill has not been paid on time.
- Thank clients when they pay on time.

2. PARTNER WITH VENDORS TO EXPLORE OPERATING EFFICIENCIES.

Most companies see vendors as numbers. If that's happening at your company, change the relationship, and turn it into a true partnership, especially with vendors who provide essential products or services. Those vendors are subject matter experts, so tap into that wealth of knowledge. Hold separate meetings at your company with vendors, and ask them for their input on how they believe they can help your company be more efficient.

3. SEEK INPUT FROM YOUR PRODUCTION TEAM TO IDENTIFY CASH-SAVING STRATEGIES.

The quicker you produce and deliver a product or service, the quicker you get paid. But when was the last time you had an in-depth discussion with your team about production and delivery cycles? Those team members can help you find ways to speed up the process. Too many leaders treat their production teams like work crews on assembly lines. Your team was hired for a reason (skills, expertise), so take advantage of their unique talents and get their points of view.

The bottom line is that successful companies know how to maximize their cash conversion cycle. By following these tips and developing the right habits, you will be in a better financial position to grow your company.

This article originally appeared in Small Biz Daily.

THE PETRA EXPERIENCE

The Petra Experience is like a Mental Marathon of focused effort to create a specific set of priorities and a planned process to achieve them... as a team.

Looking to change your business life - forever?

The daily grind of growing a business is tough... it doesn't have to be that way. We work from our own business experiences while focusing on your business – as coach and an accountability partner. We implement the Petra Process in a way that ensures it “sticks” then we stay engaged to keep you on your path to success and less frustration. We don't want this to be just another thing you start – then it gets ignored and finally dies... let's stop that cycle in your business. The Petra Program 'clarifies' what is most important to be done – by whom, by when – **AND** creates an accountability structure to ensure **IT GETS DONE.**

Andy Bailey is lead entrepreneur coach with business coaching firm Petra and serves as the Entrepreneur Organization's global membership director. Visit his blog at www.petracoach.com for more business and leadership insight.

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