

Cash Flow: Management



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In the first part of the business article Cash Flow we looked at the importance of creating a steady cash flow in any business. In this issue we look at strategies that will help you keep more cash in your business for a longer time.

Cash – most people would like to have more of it. When operating a small business, it's particularly important to monitor how cash flows in and how much cash flows out. Below are ten ways you can keep more cash in your business for a longer time.

1) Re-evaluate your expenses.

Businesses are constantly changing and shifting which prompts a necessary re-evaluation of the products and services you are using to operate your business. Where can you save money? Where can you invest more money so you can save time? For some people, this may mean canceling business expenses that were never fully utilized or outsourcing those tasks on which you spend too much time. Both examples are aspects of improved cash flow management even though one (outsourcing) involves spending more money. If you can hire out work at less than your hourly or salary rate, you're improving your cash flow and using time more effectively to make money.



2) Time the purchase of new technology correctly

I'm not suggesting you get by with significantly less than your needs but since the price of technology declines over time the longer you can wait the higher the savings. Do you really need that new milling machine, printer or IOS or can you wait a few months before you purchase? After, doing an evaluation of the pros and cons of the purchase you are considering.

3) Use credit responsibly.

If you have access to a line of credit, you can use these to finance business purchases rather than paying cash outright. In many cases this can give you 20-30 extra days on your money enabling you to save or invest it for maximum return.

4) Watch out for hidden fees.

At least every 6 months, review what you're paying for services like office cleaning, credit card transactions, long distance, liability insurance, etc. Make sure these costs are not rising faster than they should. It's a good idea to keep track of any long-term contracts to make sure that you're not being over charged. Also, keep a close eye for those policies that renew automatically.

5) Get paid more.

Another way to manage your cash flow is to charge more for what you do. Institute planned increases in your payment rates over a year or two. However, raising your fees as a cash flow strategy only works if your spending remains less than your earnings.

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6) Buy in bulk.

This applies to physical products/supplies/materials as well as nonphysical ones such as services. You can often realize a significant cost savings on items bought in bulk especially if you were going to buy them anyway.

7) Keep track of your awards.

We are inundated with special offers, promotions and discounts so use these whenever you can. Just recently, I was able to save a few hundred dollars on items I purchased due to in-store specials and mail in rebates. These savings was found money!


8) Give special consideration to your dentists/clients who pay early.

Clients who routinely pay their bills ahead of time and who are rewarded for doing so, are more likely to continue this behavior, which results in more cash inflow for you. You might, also, offer your customers a discount if they buy in bulk from you. This is a marvelous way to save on the costs of accounts receivable as you generate some fast cash.

9) Invoice before, or soon after, performing a service.

Don't wait to send out bills just once every 30 days. This can delay cash inflow for months. If you provide a regular, predictable service, plan to get paid ahead of time. If you must get paid after providing the service plan to send out invoices at least twice per month so you can better manage the flow.

10) Invest in the growth of yourself and your business.

Invest money to market your business and invest in your own learning and get help as soon as possible when needed. The more you put into your business, in a thoughtful and measured way, the more you will get out of it. 

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