

Amber BUSINESS BOOST (Survival) GUIDE

What is the most important thing to measure in your business?

This question is often asked at training sessions and business seminars and it is invariably incorrectly answered. It seems that in spite of the wealth of material available on the subject, from many varied sources, the basics are ignored.

So what answers are shouted out, "sales", "turnover", "profit". They are all important measures; however, if you measure nothing else then please **MEASURE YOUR CASH WITH PASSION**.

Some businesses can survive several years without making a sale or profit. But it is impossible to trade without cash.

When the economy is strong some businesses can perform very nicely thank you without much attention to cash. This may be more by luck than judgement. When times are tough then it is absolutely vital to actively manage your cash. In the current economic climate the weak and badly managed businesses will not survive. Some companies may outwardly appear strong and profitable and still collapse – why, because they are not managing their cash.

Put a system in place to measure your cash. Then use it vigorously.

You should know at all times:

- How much you are owed (debtors)
- How much you owe to suppliers and on loans (creditors)
- How much is in the bank

You should then project forward your income and expenditure. This will show you how much cash you are going to need.

This exercise should be repeated on a regular and systematic basis. How often it is repeated, daily, weekly or monthly will depend on the nature of your business and its general financial state. The more critical the level of cash the more often you need to carry out this exercise.

Keep the cash flow projections as simple as possible. Do not find any excuse not to have a go. Managing your cash is vital.

At some point you may find your projections show a shortfall in cash. Arrange to speak with your bank as soon as possible. Your bargaining position is better than waiting until the bank has "bounced" your payment. Taking actions sooner leaves more options open and gives you more time to sort out the problem.

Now you have control of your cash you need more profit.

Make sure that you are charging the right price. What is the right price will depend on what you do, the market you are in and what you are trying to achieve. But if the gap between what you buy in at and what you sell on at is not big enough then you are simply swimming against the flow of a river in flood. Do also make sure that you are selling something people want.

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Have a look at your costs. There is usually room for savings and make sure you are getting value for money. For example you spend £1000 on marketing. Know what the purpose of your spend is and measure the return given. If the return is inadequate – cut it out. You are managing your cash, passionately, you have set a fair price and your costs are under control. Is that it?

No, you now need to devise a system to get people to buy from you. Once you have devised your system you need to take massive action to make it happen.

Your guide at a glance:

1. Measure your cash flow – your life depends on it!
2. Project your cash flow – know where it is going.
3. Credit check all new customers and keep a close eye on existing ones.
4. Establish a system for invoicing and collecting debts. Be firm, be fair and stick to it.
5. Get yourself a good part time or virtual finance director!

.....and just in case you have not got the message.....

PASSIONATELY MANAGE YOUR CASH

Amber Business Services Limited provides part time financial director services to growing businesses either “virtually” or “in the flesh”. They look after more than just the numbers by working on strategic development and business growth with the business owners. We then coach and mentor for results.