



Part of the Washington SBDC Podcast Series

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Surviving Cash Flow Crisis:

In today's economy, cash has become an even hotter commodity.

Note:

Turnaround process: A process in which a small business can create systems that solve the cash crunch, get control of the business' finances, improve efficiency, and refocus marketing. It may take 1-2 years to pull a business out of serious trouble. Owners must deal with their cash crisis quickly in order to get cash in the bank to pay bills.

- Write down all the cash problems and create a timeline for fixing them: organize all activities to be done in a notebook.

Issues:

- Tackle the collections problem:

Current Problems:

- Call all customers who are overdue right now:

List customer to call: (phone numbers, area for comments on the call and a follow-up time line if needed)

- Place all overdue accounts on cash on delivery (COD):

Screen all credit applicants! You may want to print invoices immediately, anticipating that you may not be paid on time.

- List customer to be put on COD or restricted terms:

(List terms and share the list with everyone in sales, customer service and accounting)

- Reevaluate pricing/meet competition's prices:

(List product or service pricing for you and your competitors. Develop an action plan for each product or service for any needed changes.)

- *Make paying taxes the priority:*

(Make a list of taxes and payment dates; add this to your cash flow as individual line items to insure each gets paid on time)

REMEMBER: Write checks only when there is money in the bank.

- Create a backup system like a line of credit or savings account for paying taxes to avoid NSF charges in hard times:
- Stop uses of cash taken from the register that are not sales related:

Develop a written policy:

- Make sure cash register operators do not balance their own registers:

Develop a written policy (who and when):

- Employees should have purchases checked out by someone else:

Develop a written policy (what, who and when):

- Door keys are given to only opening and closing managers:

Develop a written policy:

- Review financial statements on a monthly basis: but as a manager you should be continuously reviewing them during operation of the business.

Develop a written policy and realistic time line with specific tasks responsibilities assigned to those that need to be involved (stick with it):

Summary: Fixing cash flow problems quickly can save the business

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