

# INSPIRED CHANGE



Cashflow... it can cause sleepless nights, cancelled holidays and a desperate routine of checking bank balances first thing every morning. If you haven't got your organisation's cashflow under control then it's likely you're stuck in a stressful thought cycle of: How much have we got, how much will we need and will we have enough when 'that time of the year/month' comes along again?

Understanding and taking control of the cashflow in your business will lessen stress and give you the freedom to focus on more strategic opportunities for growth. To help you get started here are the Inspired Academy's 5 Top Tips for Effective Cashflow Management.

## STEP 1: Clarity is Key

The first and most important step is to get clear view on your current situation. Ask yourself:

- What money do you have going out of your organisation and where it is going?
- What money do you have coming in and where it is coming from?

This should give you your net cash position that should relate back to your bank balance. As part of this, make sure you know what money you owe others and when it is due for payment, likewise what money is due to you and when you can expect it.

Understanding your current position is so important when considering what help you may need now and in the future.

## STEP 2: Visibility is vital for planning

Once you have clarity the next step is to get visibility. Put together a simple cashflow forecast, preferably in a spreadsheet. Start by looking at your regular costs such as overheads and payroll. Next, consider your expected sales for the coming weeks taking into consideration your order books. Finally, bring in variable costs associated with the sales income you have predicted.

Make sure you adjust your payment dates for when you expect the money to come in and when it will go out. Now you can adjust your forecast by moving payments or seeing where and when you need to inject funds.

## STEP 3: A pound is a pound

Now that you have visibility of your current net cash position, you can start looking for opportunities to generate more cash within your organisation. It is important to look at your whole organisation and consider all areas of spend, not just those directly linked to sales.

Think about your costs, £1.00 saved on your overheads would be the equivalent to £2.50 of extra turnover (assuming a 40% gross profit margin) and doesn't put extra pressure on your sales team. Also, consider your working capital, especially stock if you have it. Look for opportunities across the organisation and take action in several areas rather than focus just on one.

## STEP 4: Dark times push better decisions

When times are tough, we tighten our belts and take a more challenging approach to business decisions, especially those that involve spending money. When things are a bit more affluent, we tend to be less rigorous.

Try and make all spending decisions as if it was the toughest time of the year. If spending money will generate more funds before the tough time that is good, if not then think hard about how you would feel when that tough time comes along. Would you still make that same decision?

Considering the impact of decisions on future cashflows will help you make better choices.

## STEP 5: Be the master!

They say Profit is Queen and Cash is King and to a certain extent this is true. Cashflows are driven by the activities in your business and these are driven by the decisions you make day in, day out.

Being clear about your current position and where things are likely to go gives you the information and flexibility to react to changing circumstances. Challenging spending decisions and where your cash resources are utilised puts you in control.

At the centre of all this is you, the decision maker. Profit is Queen and Cash is King, but you are the Master of All, the Master of your own destiny.

Act now and take control of your cashflow for good.