**Build a Process with Your Cash Flow to Stay Positive**

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**Tips for creating a process to remain cash positive during poor economic conditions.**

While it’s true that many business owners would love to shorten the cash cycle for their business (while remaining cash positive) it’s also true that many don’t know how.

By creating a continuous process of timing, using information, and keeping cash positive in your business, this act can help keep you in the black even during an economic recession.

Of course, you still need to plan and forecast appropriately while staying in touch with suppliers/partners, but that is what having an integrated strategy for cash flow management is all about.

First, it’s important to note that profit is not the same as cash flow. While looking at your P&L statement can give you a quick insight, you also have to compare other financial figures that factor into your cash flow including accounts receivable, inventory, accounts payable, capital expenditures, and debt.

**Smart cash flow management considers each of these financial statements and how they can be optimized for your business specifically.**

**How can I improve my cash flow?**

There are easy steps you can take right away to improve your cash flow relatively quickly. Part of this includes building a process for cash flow management to control and predict future flows as best as you can. By planning for growth and related cash expenses, future investments will not come as a surprise, and you’ll have a better idea of what’s available to reinvest in the business.

Other methods to include in your cash flow management process are:

**Tracking and collecting accounts receivables**

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Collecting receivables that are overdue or upcoming is a fast way to collect cash owed to your business. This is something that should be monitored daily in order to optimize the flow, but you can speed it up by using accounting software that automatically invoices/sends reminders and asking customers for payment in advance or offering discounts for payment before the due date. Just work with your accountant and future out what makes sense.

**Creating tighter credit requirements**

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On the flip side of accounts receivable, you can tighten credit requirements in order to speed up payments. This can indicate which accounts are in good standing and which relationships may need to be reevaluated so you haven’t lost credit and inventory to a customer who may default.

**Increasing sales and offering discounts where it makes sense**

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Increasing sales and offering discounts are other quick ways to get more cash. So, focusing on your sales department by offering an incentive could be a great way to get these new accounts. Similarly, offering pricing discounts to customers in good standing/who are able to pay upfront is another great way to move inventory and get cash fast.

Many companies pursue these strategies annually when they know cash flow might be tight for other businesses, so they are able to give a break while still receiving some cash flow themselves.

**Securing loans that you know you’ll be able to pay back**

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Loans, while a good way to secure short-term cash, is not something to rely on unless you know you can pay them back. For example, if you need a loan for the inventory that is already paid for, absolutely take it out.

**Final thoughts**

By incorporating these strategies in your cash flow process, you’ll likely remain in the black a lot longer than your competitors or other businesses not presently focused on their cash flow strategy.

Furthermore, by completing a cash flow forecast and then planning on incorporating some or all of these strategies in your cash flow management plan, your business not only is prepared for the worst, but you’ll likely remain in the black a lot longer than your competition.

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