

## Successful Cash Flow Management

Cash management is important; it is ultimately about cash flow. Regardless your company size, every business are vulnerable to cash flow problems, especially successful, growing companies where they tend to add employees and inventory rapidly. This may quickly deplete the company funds and lead to cash shortages.

Business owner must pay close attention to cash flow because having cash at the right time is important.

Here are some tips for saving money and managing cash flow:

**Make financial projections.** Forecast both expenses and anticipated revenues for at least the coming year and review quarterly. This will help you predict when you're likely to have cash and when you need it. Maintain a cash reserve, if possible.

**Create contingency plans.** Have several budget projections, including best and worst case scenarios, and think about how you might respond. In the event sales don't take off as expected or there's some unforeseen problem, you'll be well prepared.

**Keep a lid on spending.** One of the most common problems with new businesses is the owners' tendency to spend freely. There's no need to have lavish offices or expensive furniture. Remember, you're in this for the long haul: Try to get as much value as possible out of every transaction.

**Keep inventory low.** Don't over stock your inventory. Instead, stock only what you think you can sell in the next 3 months.

**Lease, don't buy.** Another good way to preserve cash is to lease equipment, though leasing can be more expensive in the long run. However, it helps you avoid laying out a lot of capital all at once.

**Delay hiring employees.** Try to improve the productivity of current employees (of course, not burning them out), use independent contractors and consider outsourcing certain functions. Employees are expensive, so you should put off hiring as long as you can or at least until you have enough revenue to support them.

**Go without a salary.** Avoid paying yourself an excessive salary. Too many entrepreneurs waste cash by paying themselves big salaries without the revenues to justify them.

**Speed up customer payments.** Try to get customers to pay on time or early, if possible. Offer incentives like discounts, and adopt more effective collection techniques for deadbeat customers.

**Don't be wasteful.** Recycle and reuse what you can -- for example, boxes, computer discs and file folders. The savings may not be large but they can add up over time.