



Cashflow Challenge

Cash Flow Trifecta

These three measures can be handled together as they'll all have an effect on cash flow. They also use the 80/20 rule to guide where to focus your efforts i.e. 80% of the improved cashflow result will come from 20% of your outstanding debtors... Same goes for Inventory...

Inventory:

1. Do a stocktake of what you have on hand
2. Usually 80% of the value of your total stock will be in 20% of your stock items on your stock list
3. These items are the ones to target for reducing or conversion into cash

What are the top 3 things you can do to convert your inventory into cash (or reduce)?

e.g. switch it with supplier for a faster mover

Top 3...

Debtors:

1. Run a report on who owes what
2. Usually 80% of your overdue accounts will come from 20% of the names on the list (the usual suspects)
3. These guys are the ones to target

What are the top 3 things you can do to improve the usual suspects?

e.g. review meeting to clarify relationship

Top 3...

Terms:

1. Have a look at who you extend credit to
2. Usually there are many accounts that could be cash or 7 day terms because of size or frequency of purchase
3. Who are the customers that will be 80% ok with your change in credit policy.

What are the top 3 credit policy changes that would get you paid faster?

e.g. get a deposit or a higher % deposit etc

Top 3...

Work In Progress

EVERY business has Work In Progress of some sort whether you're a manufacturer that's always managing WIP or whether you have lots of quotes or proposals or enquiries out that you're waiting for decisions on... it's all WIP. Even retailers can have extra sales made (with effective follow-up etc) that can be crammed into the end of the month.

Shortlist | What qualifies as WIP from above definition

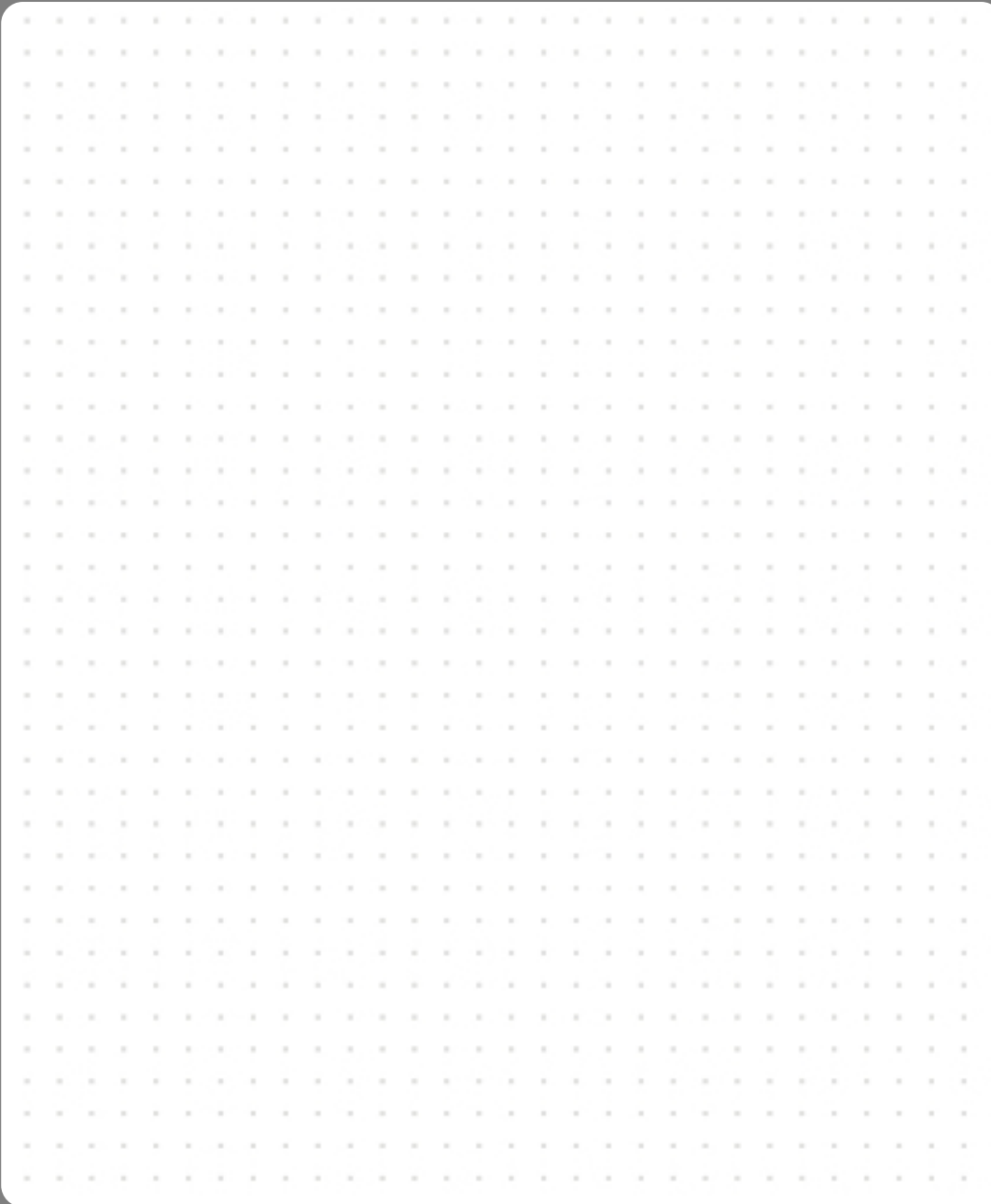
What to Action | From your list, what's top priority

Scheduling Work

This amounts to getting more work done in the same time available and is great for reducing WIP. Effective scheduling works for both hourly rate based businesses as well as transaction based businesses that rely on making multiple sales transactions from their clients or customers. This strategy also relates to scheduling staff in rosters that match expected levels of demand. Think about what are the tasks or jobs that can be scheduled with estimated time to complete and due date or times. This can be very helpful to schedule tasks that require you to do work that is easily avoided such as marketing and following up etc... Having "leader boards" and "score boards" are helpful here...

Shortlist | What qualifies as tasks or jobs based on the above

What to Action | From your list, what will you schedule



Take Outs:

Key Point: