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31 Ideas to Improve your Business Cash Flow

If you own a business or help manage one, you know that there are few things as important as keeping your cash position healthy. You can overcome a lot of different challenges that are presented in business, but running out of cash is not one of them. It truly is the lifeblood of any business. Without cash or quick access to it, you're out of business. So what can you do to help ensure that your business does not find itself on cash fumes someday?

Here we cover 31 ideas for you to consider to help keep more cash flowing into your business than out of it.
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1. The number one mistake most small business owners make with cash in their selling cycle is not having formal invoicing and collection process. Too often it is managed by crisis, leaning on customers and vendors in times of need, and often at the last minute. Instead, an organized, systematic process for invoicing and collection, delivered the same way each time, with procedures and actions in place for each possible outcome, should guide these efforts. Think "CART" with respect to your invoicing: Complete, Accurate, Reliable and Timely. Make sure to set expectations with clients at the beginning of the relationship, and make sure your billing works like your best clock, always on time.

2. Call it a "Retainer"!: Look for opportunities to collect down payments from clients, or at least enough cash to cover the cost portion of the project, so that you are only carrying and billing profit. Ask for progress payments from clients.

3. Offer client's early pay discounts, but be careful you don't give away too much. Sometimes the discount costs more than carrying the receivable through a line of credit. A 2% discount to get the money 20 days earlier is a lot more expense than paying your bank an annual 5% interest rate over those same 20 days.

4. Take note of when each client pays its monthly bills, and strive to get your invoices in before those dates.

5. Manage any bad debt pro-actively: Debt collectors will tell you that you risk losing 15% of value per month beyond the due date, so you need to proactively go after your slow to no pays.

6. Accept credit cards if your margins are not razor thin, and getting more cash into the business is worth the processing fees paid to the credit card companies.

7. Don't carry big low margin invoices for clients that keep you from having the working capital to work with more profitable clients.

8. Consider factoring your accounts receivable. This is more expensive financing than conventional bank lines, but you can get up to 85%-90% of your money at the time of invoicing with accounts receivable factoring.

9. Negotiate better payment terms with key vendors, those that you know value your business. Negotiate a payment plan with any large balance vendor, often resulting in some form of free financing without the pressure of phone calls and deteriorating relations.

10. Partner with vendors on larger clients and projects, sharing in the working capital requirements to get the job done.

11. Pay bills electronically, perfectly aligning your payment with the due date.

12. Get a clear picture on what inventory is slow moving or non-moving, and sell it if you can. Avoid waiting on the market to improve for those inventory assets bought long ago at a higher price.

13. Constantly strive towards "just in time" investments in materials and parts. Carry inventory on consignment when possible. Research shows that if you carry inventory, you will spend about 10% of its value each and every year storing it, insuring it, counting it, and maintain it. It's a killer; keep it down as much as possible.

14. Restructure short-term debt into long term debt, extending the maturity and locking in the interest rate.

15. Consolidate debts into one fixed rate loan with one, often lower, fixed payment amount.

16. Finance long-term assets with long term financing. Align repayment with the asset's productive life. Avoid tying up short-term capital in long-term assets.

17. The time to finance assets is at the point of purchase. While it may be possible to finance 70-90% of the asset's costs at point of purchase, you may find that you can only finance 50% of its value if you wait until later.

18. Consider leasing equipment and other longer term fixed assets vs. buying them, thereby eliminating the down payment required for most purchases.

19. Enter into a sale/leaseback on bigger assets, freeing up cash locked up in long term assets.

20. Consider bartering with good clients who are also vendors. Something your client values at $1,000 may only cost you $500, and vice versa, so that is a win-win.

21. Sell under utilized assets, and rent or lease them only as you need them. No property taxes or insurance on these assets anymore adds to the savings.

22. For particularly large client jobs and projects, seek financing specific to that job, to ensure it does not crowd out the requirements of the rest of the business.

23. Get a bank line of credit even if you have no intent on using it. Get it while you qualify.

24. Make use of automated sweeps at your bank to keep loan balances down and interest cost down.

25. If your business is seasonal, negotiate “skip payment” months for your slow months.

26. Base compensation to salespeople and other incentivized employees on gross profit, not gross sales.

27. Time commissions paid to salespeople with the receipt of the client’s payment on the sold job.

28. Provide employees with financial incentives to look for company waste, or company specific ways to increase cash flow. Tie incentives to ROI.

29. Use budget billing for utilities, real estate taxes, insurance premiums and other expenses

30. Make sure sold or disposed of assets no longer appear on property tax bills and insurance policies.

31. Shrink your business! Cash flow usually improves in the short run as a company scales back its operations.