

Briefing Note

2 June 2009

Managing Your Cash – Tips for Small Business

When economic times are tight, managing cash flow becomes even more important. This note provides a list of key points to help small businesses manage their cash.

- **Budget.** Your business plan should clearly set out the short and longer term budgets for your business. Revise your budget to reflect the tougher trading conditions. Monitor your ability to deliver against your budget.
- **Cash.** Many businesses underestimate the amount of cash that they need to run their business. Forecast your cash requirements for the year and monitor it on a monthly basis. If your cash targets are not being met, understand why not and act promptly.
- **Income.** Invoice your customers promptly. Follow up your invoices to ensure payment. Ensure that you have a clear credit policy to help deal with non payers.
- **Forward Workload.** Track your forward workload. The health of your business depends on the cash generated from secured work. Track your opportunities and proposals. Understand how many opportunities you need to track and tender in order to feed the business 'hopper'.
- **Efficiency.** Are you running your business efficiently? Reduce waste and be lean. Look also at less obvious areas of waste, such as inefficient energy usage or business processes that involve duplication of effort.
- **Spending.** Review your outgoings and control your expenditure. Reduce your stock, travel and unnecessary expenditure.
- **Suppliers.** Are you getting the best deal from your suppliers? Shop around and save money. It will all add up.
- **Outsource.** Consider outsourcing some of your business functions if it cost effective to do so - especially if this provides you with time to focus on the more important areas of your business.
- **New Clients.** When taking on new clients check their credit history and payment record.
- **Be Prepared.** Review your business plan under a variety of worst case scenarios. Identify the actions you may need to take under each.
- **Take Action.** If the health of your business is starting to suffer, do not hesitate to take action.

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