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Cash Flow Survival Tips

By [Nic Clark](#) on Tuesday, 19 May 2009

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Cash flow represents one of the major concerns of Australian business owners, with 92 percent frequently experiencing stress as a result of it, and a significant amount having to source additional funding, reduce their operations, and even take pay cuts to accommodate it within their business.

Implementing effective cash flow management strategies is important to protect your business' bottom line.

1. **Set goal-oriented budgets and proactively manage them.** Profit and loss budgets are important in providing you with direction on where to spend, and where to save. However, it is cash flow budgets will break down income and expenditure and really guide how you manage your cash requirements and shortfalls.
2. **Focus on increasing sales and income.** It's all about being proactive, and really providing benefit to your customers. Business owners need to identify creative ways to increase retention rate, generate leads, and increase conversion.
3. **Avoid easy tactics like discounting,** which can be dangerous to business profitability. Even a 10 percent discount can result in your business having to increase sales by 100 percent to achieve the same gross profit pre-discount.
4. **Reduce the cash flow cycle by implementing a debtors collection system and credit policy,** collecting debtors faster, selling stock more quickly, and negotiating longer credit terms with creditors will also benefit a business's cash flow. Putting in place systems like a debtors collection system, credit policy, stock control system and purchasing system will encourage inflows and put less pressure on the immediacy of outflows, freeing up more cash for the business.

Nic Clark is the CEO of *10X Limited* (www.10x.com.au), a public company specialising in the setup of business development divisions within accounting firms across Australia and New Zealand.

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