

Innovative CFO Solutions

Tips for Managing In Turbulent Times

Tips Issue 5

Your business needs financing, be it a line of credit or growth capital. In today's economy, look first to improving your business cash flow to create the effect of financing before facing the challenges of the lending and investing markets.

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The challenges facing small business owners today when looking to secure capital, whether it is growth capital or a simple line of credit, are unprecedented in recent times. Traditional bank financing is generally unavailable to all but the most substantial and credit worthy businesses - a class that small businesses typically do not fit. SBA backed loans, often a refuge for small business, are down some 50%. Angels and other investors are going back to basics - investing conservatively and only in fields well known by them. And worse yet, the tightening credit standards are threatening loans and financing arrangements that are already in place.

The need for capital continues, however. While growth capital may be in less demand in this economy, lines of credit, financing to produce product, or capital to buy the materials to satisfy a large order remain. What should businesses do in these trying times?

Here are some tips for freeing up capital within your own operation. Improving cash flow by accelerating cash in flows and managing the amount and timing of outflows can create the effect of securing financing by providing additional cash or providing cash sooner.



Tips for Improving Cash Flow

Following are tips on accelerating cash inflows and managing the amount and timing of cash outflows to improve liquidity, which can create the effect of securing financing.

Cut Costs - Of course, due to the economy, you have done that already. And done that several times over. We'll move on.

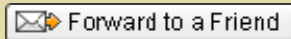
Revenue Opportunities - There is a lot to be said about gaining more revenue from current customers and existing

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sales. Make sure price discounting or customer incentive programs that you have in place have been implemented as intended, are properly controlled, and are providing the benefits to your company that you expect from the program. Look for services or goods that you provide as part of your overall customer experience and consider options to make these good or services a revenue generator.

Accounts Receivable - Make sure your billing methods are consistent with industry practices. Ensure that invoicing is done on a timely basis and is predictable and consistent from your customers' view. It does no good to be a maverick here. Too often the cause of slow payments is the manner in which customers are invoiced by the seller. Shore up collection efforts. Review and revise as appropriate your overall credit policies and the application of those policies on a detailed, customer by customer basis.

Inventory and Supplies - A dollar of product or goods on the shelf is a dollar unavailable for other uses. Review needed shelf quantities, reorder quantities, minimum order quantities and the like. Apply this to inventory - but to supplies also. And micro manage in this area in order to get it right.

Accounts Payable - There is significant opportunity here. Vendor financing can be the cheapest form of financing available. Negotiate payment terms - particularly with larger vendors. Use a little give and take - ask for extended terms when your cash flow is slow - but offer to pay sooner than your vendor's terms when your cash flow is strong. Look at those old balances that are 90 days plus. Work with vendors to put those amounts off to a note payable. That will help cash flow and will get the old amounts out of the way when it is time to order anew from that vendor.

Profitability Analysis - Determine and analyze gross profit margin by product line or service offering. This is not a time to spend overhead and other company energy on marginally profitable products. Smaller can indeed be better.

Friends and Family - They are still around and may be interested in helping, but approach with caution.

Senior Managers - Several of our clients are solving specific financial problems through private lending from senior managers. Beyond economic advantages, this can put a key manager in the same shoes as the owner - good in good times but potentially a problem if the manager falls into disfavor.

Technology - This can be an offensive weapon for business. We have seen businesses reduce staff in overhead areas by as much as one half through the thoughtful implementation of the right hardware and software. And technology is an area for

which financing is in strong supply.

We hope that you find this information practical and of value in managing your business in these turbulent times.

Innovative CFO Solutions provides the financial management that growing small and medium size businesses need at a cost they can afford. Our solutions to client challenges are customized to the needs of each of our clients. And we right size our work to fit the budget of each company that we are privileged to serve.

Whether your business faces the challenges of increasing economic pressures, or it has identified a solid path for growth, your team needs an experienced financial member to help you achieve your goals. We can be that team member - at a cost you can afford.

Call us today at 941.378.9801 to schedule a free consultation. And learn more about us at www.innovativecfos.com.

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