



Managing the money as important as earning it

Laurel Douglas CEO
Women's Enterprise Centre

Managing cash flow so your business has the funds it needs to operate seems like a no-brainer when it comes to the secrets of running a successful business. But keeping the cash flowing, especially if your business is seasonal in nature, can be your biggest challenge.

Women generally prefer to self-fund the growth of their businesses. That can mean leveraging the assets they already own or using the capital generated by their business to fuel growth. It puts women business owners in a unique position as risk-takers because they are willing to take chances but they do so very cautiously. They prefer slow and steady growth more often than they do managing a business that grows very quickly. Does that sound like you?

If you have a business, you already know that without cash flow you can't grow. Nicole Shaw knows all about the importance of cash flow. She operates Synergy Magazine in Nanaimo, a publication that focuses on health, growth and personal well-being. Synergy is a venue for people to share, learn, inspire and be inspired to make empowered choices in every aspect of their lives.

Shaw's clear vision for Synergy allowed her to determine which businesses she wanted to focus on to advertise in her magazine. However, she found that having a narrow market for advertising was affecting her cash flow in a negative way. "My financial challenges pertained to my 'thinking small' and not realizing that larger businesses can receive value from advertising in Synergy," says Shaw. "Focusing on small home-based businesses for advertising got me into a bit of a pinch."

Shaw soon found a way to fix her cash flow issues without compromising the ethics of her magazine and her readership. "Although small-businesses are the backbone of the healing arts and health industries they rarely have a marketing budget. Ensuring clients have budgets and the ability to pay in a timely fashion creates an environment that is much less stressful," adds Shaw.

By examining her advertisement sales, Shaw saw that it takes the same amount of time to sell a \$50 ad as it does to sell a \$550 ad. Although she still focuses greatly on supporting small businesses, Shaw has learned to welcome advertisements from larger businesses as a means to help solve her financial speed bump.

With some financial forecasting, you can predict and manage your own peaks and valleys in your own business. To do that you will need a system for comparing budget-to-actual cash flow. The accounting program you use may include a cash analysis feature, or you can ask your accountant or bookkeeper to assist. The important thing with forecasting is understanding how much is coming in and how much is going out. It's a good idea to check your cash balance at least that the beginning and end of every month.

Considering the following strategies will help keep cash circulating in your business:

- *Profitability is #1.* Don't confuse profits and sales. Profits fund your business growth if you don't intend to borrow, so establish your margins and protect them. Making price concessions to boost business may help your cash flow but that is usually only a short-term gain. Be sure you understand what your net profit margin is at all times.

- *Focus on the heart of your business.* Concentrate your effort on the products and services that offer the highest returns. That means delivering the “right” product to the “right” customer at the “right” price.
- *Manage the flow.* Ensure your invoicing is being delivered and timely payment is being received. If you are having challenges with collections, don't be afraid to tell your customers you can service them better if their bills are paid on time. Shop suppliers for credit terms and pay bills when they are due rather than early or late.

It is important for managers to watch inventory and know when demand will swing. Inventory sitting on your shelves is not cash until it is sold, so find ways to minimize your inventory. You might look for “just-in-time” solutions and ways to make your ordering, production and delivery more efficient.

If your operation is seasonal you may need financing to bridge your business over the slow periods. You can do that by setting up a line of credit or getting a short-term loan. You may also be able to borrow against your accounts receivable, or accept temporary financial help from friends and family. If you do that, always make sure you have a firm agreement in place.

And as you build your small business you will be forging relationship with your suppliers. The stronger they become, the better. Shop your suppliers competitively with your seasonal cash flow crunch in mind. Some suppliers will offer outright financing to get your order during the slow times or provide you with extended terms.

When asking favors of suppliers, remember it is doubly important not to jeopardize your reputation by paying late.

Women's Enterprise Centre serves women across the province from its offices in Kelowna, Vancouver and Victoria. For more information call 1-800-643-7014 or visit www.womensenterprise.ca.