

## **Maintaining Cash Flow in a Down Economy**

**Accept reality.** In difficult times, everyone feels the ripple effect of constrained cash and delayed receivables. It's simply a fact of life. Without cash, a business dies. Maximizing its impact is imperative, but even more so when money is tight.

**Take charge.** For many entrepreneurs and business owners, receivables are seen as a secondary, unpleasant administrative function. Commit to changing your paradigm and make collecting cash both a management responsibility and priority. Review receivables on a weekly, even a daily basis. Take a pro-active approach and take full responsibility to communicate about and collect receivables.

**Shorten the leash.** Keep a sharper eye on and tighten timelines for receivables. Ensure invoices are sent on time. Confirm receipt of on-going items. Create tighter internal timelines for reviewing outstanding cash. Commit to staying on top of delinquent accounts on a daily basis.

**Develop a receivables process.** Don't leave consistent cash flow to chance. Develop, in writing, a receivables process that is clear and covers all contingencies. Take as many variables as possible into consideration, then design a strategy to take charge and deal with these issues. Your survival and success depend on it.

**Over-communicate.** Commit to communicating your receivables issues, needs and process. Initiate face-to-face, sincere dialogue with delinquent accounts. Focus on value delivered when requesting payment. Be honest about your needs and ask for payment. And make it a point to review every invoice with clients, clearly stating payment terms and confirming payment date.

**Ask about payment process.** A difficult economy may cause companies to alter their normal payment process. Make it a point to ask what the "normal" payable process is, in terms of time and criteria when invoicing. This is good practice in good times, but crucial when times are tight. This discipline will also act as a basis for more timely follow up.

**Eliminate obstacles.** It is natural for some clients to defer payment when times are tough. Become more aware of times and tactics that may reflect delays and preempt them. Offer to pick up a cheque rather than use mail. Ask to pick up payment when delivering an invoice. Have alternate payment options (credit card, payment terms) ready.

**Leverage milestones.** In some cases, it may be necessary to be more intransigent when delivering services in exchange for payment. Clients who are consistently delinquent may need to become aware that the exchange of services and payment go hand in hand. Holding back a crucial or final item until paid, although not pleasant, can sometimes stimulate faster payment.

**Offer incentives.** One of the ways to use tight times as a positive force is to offer incentives for prompt or early payment (discount, extra value). Clearly state this on all invoices and communicate it when reviewing work, especially final invoices. Everyone likes to save money. Make it easy and pleasant for them as you accelerate your cash flow.

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