
cash flow management check up

A simple cash flow management checklist

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In brief

Cash flow management is often neglected in management thinking. Yet a sharp focus on this issue can dramatically reduce your cost of capital and leverage the value of your business. It is not a function confined to “accounts receivable”.

Cash flow management strategies can be applied on a holistic basis, across the entire spectrum of business practices – from procurement, through production processes, materials handling and logistics. Salesmen are often remunerated only in term of the revenue they create, rather than the amount and time that sales proceeds are actually received. Product design often ignores the cash flow costs of an exciting new initiative. Management is often not incentivised to make this a priority. And of course there is always the maintenance of your payment terms and conditions and the usual monitoring of the cash conversions cycle.

This checklist is not exhaustive, but a periodic ranking of your performance in each area is a quick way to run your own random health check.



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Cash Flow Management Check Up - A simple cash flow management checklist

I: HOLISTIC CASH FLOW STRATEGY	RATING	ACTION
1. Is cash flow management a strategic priority across the whole business?		
2. Have you identified which products or services provide the most efficient returns from a cash flow perspective?		
3. Are all areas of your business – management, suppliers, sales and marketing – focused on maximising cash flow outcomes?		
4. Can you integrate cash flow awareness into all steps in your value and supply chains – procurement, pricing, delivery, terms and conditions?		
5. Examine your business in the F2F model. What can you do better?		
6. Other		

II: CASH FROM OPERATIONS: WHAT YOU DO	RATING	ACTION
1. Can payments to suppliers be discounted, extended or exchanged for services?		
2. Are inventories too high? Is there a case for a sale?		
3. Are receipts from customers being recovered in total and on time?		
4. Can they be recovered sooner?		



II: CASH FROM OPERATIONS: WHAT YOU DO	RATING	ACTION
5. Are you billing effectively?		
6. Can you reduce shipment to invoice times?		
7. Can you reduce employee overheads by outsourcing opportunities?		
8. Can payment of incentives be scheduled differently?		
9. Do you link cash flow targets to compensation?		
10. Are you over-employing people?		
11. Are you efficiently planning to minimize tax and gst payments?		
12. Are there preferred suppliers you could collaborate with to improve cash flow?		
13. Other		



III: INVESTING CASH FLOW: WHAT YOU'VE GOT	RATING	ACTION
1. Do you have legacy assets or business lines that are no longer core to your business success?		
2. Do you need all your assets?		
3. Are they equally productive?		
4. Can resources be diverted to different activities?		
5. Should you buy or rent land or buildings?		
6. Should you lease equipment rather than purchase it?		
7. Could you raise cash or free up space and resources through a business "garage sale"?		
8. Other		



IV: FINANCING CASH FLOW: HOW YOU FUND IT	RATING	ACTION
1. Are you borrowing effectively and at the best rate?		
2. Can you slow down, or speed up, your repayment schedule?		
3. Is raising new equity a viable strategy?		
4. If you are paying dividends, should you raise them, cut them or pay them at different intervals?		
5. Does a dividend reinvestment plan make sense?		
6. Can you tap your shareholders for convertible bonds or loan notes?		
7. Other		



For more information, visit my website www.alanhargreaves.com

Hi, I'm Alan Hargreaves. I specialise in simplifying complex business problems. In over 35 years as a business executive, I have never found an issue that cannot be addressed through identifying the essential but simple steps required to make any problem manageable. It might be your career, your firm, your team or your strategy. It doesn't matter. All hurdles can be lowered through dispassionate analysis, and all executives can embrace simple processes to take them forward. Using these techniques, I have helped hundreds of people through the various stages of their business or career development. It may be the challenge of taking on new responsibilities; it could be the task of managing a business you have created yourself; it may be handling a difficult team in the midst of major change. I use a straightforward combination of key principles to get results: collaboration, adaptation, simplification and action. You can contact me anytime at alan@alanhargreaves.com.



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