

# Five steps to cracking cashflow

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Cashflow is one of the cornerstones of your business because if you can't get it right, your business will crumble.



AlexanderStein via [Fxabay](#)

In theory, cashflow is pretty simple. Cash flows in and out of business. If you've got more coming in than going out, your cashflow is positive. If it's the other way round, your cashflow is negative – and you're heading for some crunch.

## 1. Know your cashflow

It is possible to have negative cashflow but still be profitable. You might have spent all your profit on stock, for example, and have no ready cash left. However, that doesn't mean you can relax. Negative cashflow always means you're going to battle to survive until you sell that stock or until a debtor pays your account. And the creditors to whom you owe money might give not you that long. Quite simply, if you can't pay your creditors, nobody is really interested in how much profit you've made on paper.

## 2. Extend your focus

You need to forget being blinded by love for your business idea. Running a viable business is about balancing all aspects from concept and marketing through warehousing and distribution to collecting cash from the consumer. You can be so focused on the front end – the suppliers, the customers, the staff – that you forget to focus on the back end. You let the cashflow meander where it wants and the invoices pile up. You let other creditors shout louder than you so that debtors put your invoices at the back of the payment queue.

## 3. Find the discipline

When you're running a business, there's always the danger that you focus your energy on what you're best at. Maybe you're brilliant at dealing with people... but that's exhausting, and after working a 14-hour day you really can't face the paperwork. Not getting the cashflow sorted is the number one issue tripping up a small business. Not managing your debtors and creditors is the quickest way to go out of business. Getting your cashflow right is part of the discipline of running your business – as distinct from making the greatest widget ever invented.

## 4. Be robust

You need to be robust about this discipline:

- Check your accounts every day
- Know who owes what
- Diarise your debtors' collection at least weekly
- Just do it!

Alternatively, if you really can't stand doing the books, be kind to yourself and outsource it. Yes, it will cost you something, but it will cost you a lot more if your cashflow runs dry.

Look around for support. At Cash Converters, for instance, we recognised how easy it is for startups to fall at this final fence and also saw how a few of our franchisees fell a year or more late in finalising their annual financials. Now we've created a support service within the group that's greatly eased the burden of compliance for small business owners.

## 5. Develop healthy spending habits

The discipline of spending within our means isn't something that most South Africans enjoy. However, if you've never been strict with your own spending when you start your own business is the best time to turn over a new leaf. However big or small your business is or becomes, we're all required to pay our bills. Ignoring this has brought huge multinational corporations such as Enron to their knees. Give yourself and your business a fighting chance by cracking your cashflow.

### ABOUT RICHARD MUKHEIBIR

Richard Mukheibir is MD at Cash Converters. Mukheibir co-founded Cash Converters and personally opened its initial pilot store at Parow in the Cape.

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