

# Does your business have economic flu?



Written by John Kelly

When you are sick and require a visit to your Doctor, there is a process the Doctor will go through

## The process:

1. what are your symptoms?
2. what are the causes of these symptoms? – the diagnosis
3. what treatment is recommended?

**The hoped for outcome:** begin the treatment and you are restored back to full health

## The same analogy applies to a business that is sick.

1. **What are the symptoms?** The bank overdraft continues to grow! Cash flow is declining.
2. **What are the causes?** The cash going out exceeds the cash coming in.
3. **What is the treatment?** Increase cash receipts or reduce your payments
4. **The outcome:** The lifeblood of our business – cash – begins to flow and the business becomes healthy and strong

## Analysis of the recommended treatment:

### What are ways to increase cash receipts?

1. Collect your money from customers that currently owe you – your debtors
2. Invoice completed work immediately
3. Reduce your work in progress – don't have too many jobs on the go at one time
4. Sell off old stock and discount any stock that is slow moving
5. Sell any investments, properties or excess plant

### What are ways to reduce your payments?

1. Reduce costs by accurately assessing their need
2. Increase efficiency in every area of your labour force
3. Reduce stock levels. Let suppliers hold the stock and you order as required
4. Negotiate extended payment terms with your suppliers
5. Cancel proposed capital expenditure in the form of vehicles, plant and toys!
6. Restructure existing debt so the monthly payments are reduced
7. Reduce your drawings
8. Review the structure of the business to take full advantage of the lowest rates of income tax?
9. Produce timely cash reports to monitor your progress

## Warning!!

The longer you leave doing anything about it, the more at risk your business health will be. Be decisive, make an appointment to see your business doctor, listen to the advice given, take your medicine and get it done!

Do not attempt to grow a cash flow sick business. The result will usually be terminal.

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