

## Cash flow optimisation:

# “Revenue is vanity, profit is reality, but cash is sanity”



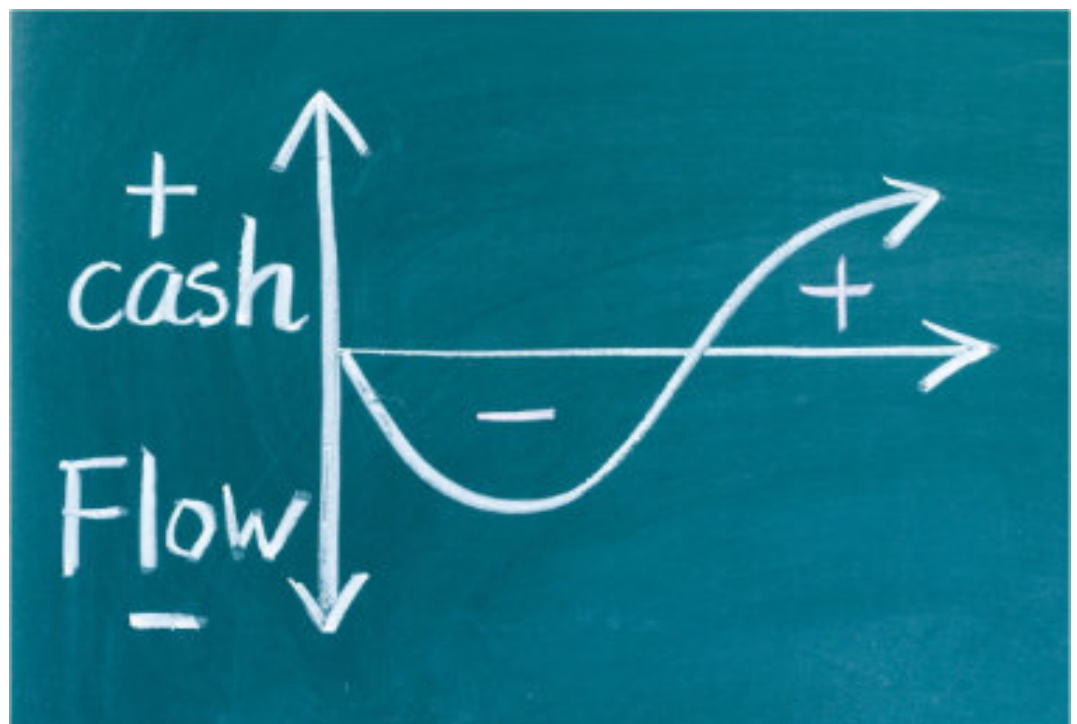
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Commercial FD & founder  
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Put simply cash is the life blood of any business, if you fail to manage cash then you risk failure in the form of liquidation, bankruptcy, administration. It is well known that 50% of start-ups fail in the first 3 years due to a lack of cash, even high growth successful companies can fail, or temporarily come unstuck due to poor cash flow management (2020 showed us that), and even large mature organisations in the FTSE 100 can fail due to cash flow (look at Carillion).

As a SME owner or leadership team that has built up a business over many years, you don't plan to destroy a life-time of work, shatter employee's lives, leave customers stranded without your products and services, and suppliers negatively impacted. But the truth is that this is what you are doing unless you manage your cash.

In a world turned upside down by covid-19, where many external forces (outside your control) are negatively impacting your business, taking control of those things you can control and optimising your cash flow, has never been so important. Your company's sustainability, whether for survival in the short term, grasping opportunities when they come along, or simply being able to sleep at night knowing your employees, who depend on you, are paid, are all dependent on cash.





Cash flow optimisation is specific to every business and actions taken depend upon where that business is in its life-cycle; from start-up, to maturity, through to decline or even pivoting to another business model. Typical areas it covers include:

**1. Working capital optimisation** – making your supplier and customer payment timing work for you, not holding too much stock – timing and stock level materially impact your cash flow.

**2. Overhead cost review** – are your overheads in proportion to your revenue? Uncovering hidden costs, bench-marking cost categories.

**3. Margin analysis** – does your gross profit reflect the value of your brand, product, service, or trading terms?

**4. Cash flow planning** – proactively forecasting your cash flow keeps you in control, you can measure the risks and see the opportunities.

**5. Funding** – just about to make a significant investment; what are the risks? How can you maximise returns? What funding sources are open and right for the company (Government, Bank, Business Angel etc)?

**6. Economy** – external factors impacting your business but not in your control e.g. pandemic.

### Andy Cox

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& founder of Optimum-Value.

*At Optimum-Value our  
professionally qualified Finance Business Partners  
can engage with your leadership team to conduct  
a cash flow optimisation review, or support your teams  
in this exercise. Arrange a meeting today to start  
your journey and take back control!*