

## ***Financial training For non financial staff***



*The financial training specialists*

### **Look beyond profit (Budgeting, Cashflow)**

Most of our financial reports are profit based: costs and income. So if you come in on budget, you're doing your bit to help hit your company's profit target, which is important.

But cashflow is important too, in fact cashflow problems are the biggest cause of company failure. So if you really want to stand out as a financial manager, don't just hit your budget, but focus on cashflow as well.

The three biggest cashflow saboteurs are stocks; unbilled WIP (work in progress); and debtors (unpaid customer invoices). These act like a sponge, and prevent cash from reaching the bank account.

So we must be aware of our stock levels (both raw materials and finished goods). Can we have materials delivered later, so we don't hold them for so long? Are we over-ordering? How are we planning on shifting those goods awaiting sale? How can we accelerate the delivery of completed orders?

To reduce WIP we need to invoice promptly. That could be a mindset of "What can I invoice today?" rather than seeing billing as a month-end job. It certainly requires a real focus on communicating and achieving the milestones that allow us to bill.

And to reduce unpaid bills we need to know which bills haven't been paid. How do you find that out? Then we need to make overdue bills part of our regular customer conversations (more on that next week).

So where are you responsible for cashflow bottlenecks? And how can you help reduce them?