



HOW BUSINESSES PREPARE FOR CASH FLOW CRUNCHES

No company wants to experience a cash flow crunch, but they're an unfortunate reality of doing business. Plenty of factors can lead to a shortage of available capital. Many, like widespread industry or economic trends, have little or nothing to do with how you run your business. However, even when a cash flow crunch arises, due to no fault of a small business or its staff, owners still have to take on the problem and effectively address it.

Do you know how to respond to this type of issue and put your business in the best position to succeed afterward?

AN ALL-TOO-COMMON PROBLEM

Cash flow crunches are unfortunately prevalent in the world of small business. In fact, research and analytics company CB Insights said they're the second-most frequent contributing factor to small-business failure. They affect 29 percent of shuttered small companies [1]. A crunch isn't a complicated topic, either. It simply means a business has a problem maintaining steady cash flow and paying its bills.

That kind of issue can affect organizations in all sorts of financial positions, even those that make money and continue to develop. Gaps between orders being placed and receipt of

payment, seasonal lulls, major unexpected expenses and even too-rapid growth can all play a role in creating a cash crunch.

Recognizing a cash flow issue is vital, but it's only the first step in solving the problem. It's also critical to know how to move forward with purpose.

MISTAKES TO AVOID WHEN RESPONDING TO A CASH FLOW CRUNCH

With cash flow issues so common among small businesses, there's plenty of advice regarding both what to do and what to avoid when crafting your response. Consider some of these frequently seen but ill-advised strategies:

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Listening to the loudest voice. When there's not enough cash to pay all bills and the situation grows stressful, it's easy to fall victim to badgering from the loudest, most persistent and disruptive voice in the room. The problem is that paying this bill collector likely won't address your most time-sensitive or mission-critical costs, it will just quiet that annoying voice, while likely making the situation worse.

Skipping payroll taxes: Payroll and vendor invoices are at the top of the priority list for many small-business owners. Therefore, it can seem easy to skip payroll taxes and deal with that issue later. However, failure to file IRS form 941 can eventually lead to your entire business shutting down, hurting all of your employees and the local community. Failing to file and pay also subjects the owner(s) to significant personal liability.

Avoiding contact. It may seem like dodging calls from creditors until your cash flow stabilizes is a good strategy. Once you get in touch, you'll be ready to pay them back. This approach avoids confrontation, but it can also spur your creditors to cut you off from future transactions. You also lose the ability to negotiate with vendors and others when you don't speak to them.

All of these tactics share a common theme: They're responses brought about by stress and emotion, and they ignore the positive effects of creating an objective, thoughtful plan to get through a cash flow crunch.

MORE EFFECTIVE METHODS TO GET THROUGH YOUR CASH FLOW CRUNCH

What's the common theme among the best strategies to face your cash flow crunch head on? They leverage your available resources, address the biggest problems first and identify areas where a little outside assistance can help stabilize your business. Consider these organized, effective and practical approaches to riding out your cash flow crunch:

Carefully track your cash flow, each week and each month.

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Build a 13-week cash flow plan. This weekly plan is commonly prepared in a spreadsheet. It helps you stay centered as you work toward resolving the issue, giving you a clear picture of projected income over its timeframe and a guide for moving forward. It also gives creditors who aren't paid back immediately a clearer picture of your plan, avoiding issues of uncertainty. Track all major debts and income on a week-by-week basis, update information as necessary and use as a resource for working your way out of a cash flow crunch.

Organize debt by necessity. Will your business collapse without a certain material or supply? Pay that invoice first, and then work toward paying less-essential ones.

Communicate and negotiate. A bankruptcy for your company means your creditors might only receive pennies on the dollar. Therefore, they have a vested interest in your company's continued operation. That means they might be willing to make an arrangement for paying back money owed.

Consider offering to pay in full for current day delivery along with a percentage of the amount owed, with 1-10 percent per order a good starting point. Every vendor and creditor is different, but many recognize the potential to lose money if your business goes under and are open to discussion.

Work with a third party. A third party, like a financial institution with experience helping businesses handle cash flow

crunches, helps business owners make tough decisions, select the best options based on objective results and work toward a resolution that's beneficial for everyone involved. A third party can take emotion out of the equation, which is vital to fulfill debts in the most efficient way possible.

As a small-business owner, you choose vendors, employees and other partners based on their ability to help your organization succeed. When it comes to resolving a cash flow crunch, you need to take the same approach.

PARTNERING WITH TAB BANK FOR CASH FLOW CRUNCH TURNAROUND

Thanks to our many years of experience working with small companies, we know what's important to small business owners. You take a lot of pride in your company, in paying your employees on time and being an important part of the local community. When a cash flow crunch hits, you have to make some incredibly difficult decisions. We're ready to help guide you through the process and ensure all business debts are addressed as soon as possible.

With a strong track record of fixing cash flow crunches and specialized turnaround managers on staff, and the ability to accelerate cash flow timelines and provide working capital loans, we're uniquely suited to assist your business. Get in touch with us today to learn about tackling your cash flow crunch head on, with us helping you every step of the way.

Working directly with a financial institution means shorter timelines for approval and receipt of money or equipment, as well as clearer, more direct relationships between businesses and lenders. Partnering with a bank or similar institution also means your lender follows strict regulations related to informational security and general ethics, while providing the same benefits as a financing company.

Your lender should want to see your business succeed and help you reach those goals. To learn more, get in touch with the experts at TAB Bank.



GET STARTED TODAY.