

Media Coverage

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Voice of the Entrepreneurs	2 July 2020	Online	http://voice.gogetterz.in/effective-management-of-business-in-the-time-of-crisis/	Effective Management Of Business In The Time Of Crisis



At present, we are neck-deep in the ongoing pandemic which has caused unprecedented economic crisis, affecting our jobs and livelihood. However, business owners and companies still need to ensure survival and sustenance in the current market, which is possible only through available cash.

For every organization and business, cash flow management in a crisis is the most important task. It can mean a difference between sustaining the business or falling apart. To access control on operational activities you need to put cash in your hands and most vital would be lowering expenses, focusing on stabilizing and operating cash flow. In other words, positive cash flow is essential for growth, so it is important to keep it coming. In fact, managing cash flow is about managing expenses and operations as much as sales.

The focus of most businesses is now on protection of their employees, understanding the risks to their business, and managing the supply chain disruptions caused by COVID-19. Given the importance of cash flow in these times, the treasury plan needs to be

developed by companies immediately. As the approach taken to manage cash will have implications for businesses as well as the customers.

Below are some practical tips to help improve cash flow and get operations on the right track during a crisis by optimizing how to get paid, manage operational expenses and refocus your sales and marketing.

Monitoring of accounts receivable carefully: – Accounts Receivable means the list of customers that owe you money. In some cases, it can be possible customers will delay paying the amount. This would be the time to monitor these things with attention and come up with a plan for how you will deal with issues that may arise.

Encourage customers to pay faster: – To encourage customers to pay you faster, and avoid not being paid at all, you can offer prompt payment discounts. Offering a discount is a great option to encourage payment ahead of time and quickly generate cash.

Pay your bills a little slower: – Similar to customers, an organization can have outstanding or upcoming payables. The longer delay to pay your bills, the more cash will be there in your bank. But it is also to be kept on mind that businesses that pay their bills slowly are not likely to be a vendor's favourite.

Management of the inventory: – Companies need to be careful on purchasing too much inventory, which can tie up a lot of cash. Instead, try to carry the business with less inventory and only order when it's necessary.

Map down the existing line of credits: – This will be the best time to map down the lines of credit, so that you have cash on hand to handle different situations that can arise.

Ensuring your own financing remains viable: – In these circumstances, assuming the financing options you previously had will be available to you will continue to be available won't be a great approach. Undertaking of the planned scenario will help better in understanding how much cash you'll need and for how long. Using this opportunity to engage with financing partners can ensure available lines of credit remain available, and to explore new or additional options if required.

Focus on cash to cash conversion cycle: – Under normal business environment, companies primarily focus on the profit and losses, while managing the bottom line. In the current situations, smart companies are shifting their focus from the income statement to the balance sheet. Of the three elements of supply chain working capital– payables, receivables, and inventory, supply chain executives are inclined to focus on inventory. But, in order to minimize working capital requirements during challenging times, it's important to apply a coordinated approach that addresses all three areas.

Think beyond your four walls: – To maximize working capital, only focusing on your own operations and inventory levels won't work even squeezing inventory out of your operation may not do much good– and could, in fact, introduce significant risk. The same is true for payables and receivables. It's important to consider the upside and downside impact of your actions carefully. High-level financial risk assessments should be conducted on any critical, sole-source suppliers to identify issues before they become problems.

Capital management needs to be a vital element of a company's overall COVID-19 risk assessment and action planning in the near term. Management of teams with concerns about COVID-19 actively evaluate their cash flow requirements, develop appropriate actions under various scenarios, and observe potential risks towards their



customer base and supplier network. This may be time to look for extra working capital. Keep your eyes open for government measures to help small business and business owners, and approach to your favourite banks too. Don't give up or panic, there are plenty of opportunities to not just survive this crisis but emerge with a stronger business than before.