Struggle with Cash Flow?

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Struggle with cash flow? Most of us do. the key to finding a solution is to determine if the problem is caused by earning too little or spending too much. This sounds like saying the same thing in different words, but it isn't.

First, examine all your monthly expenses and divide them into necessities (rent, electricity, etc.) and non-essential (music streaming service subscription, staff snacks, etc.). Notice that none of the examples provided are luxuries; they are literally things that make work a more pleasant environment but could be let go if absolutely necessary to stay afloat. Be sure to include salaries and taxes in the necessities column, including pay for yourself as the business owner.

Next, look at your average income over the past six to twelve months. That average will take into account seasonal variations and provide a more accurate number than just taking a single month. Is the income amount closer to the grand total of expenses or to the necessities column total alone?

If the average income amount is lower than the amount needed for necessities, you have an income problem. This is common when a business is in the first few years of existence, and focus needs to be on growing sales to increase income.

If the average income is higher than the necessities amount but below the total of necessities plus non-essentials, you have a spending problem. This is an easy pattern to fall into as the business grows and the fear of not making rent starts to fade away. Here, the solution lies in cutting those expenses until sales have grown enough to add them back.

Examining your spending habits honestly is hard work and needs to be re-evaluated on a regular basis. As outlined in the preceding paragraphs, it is a simple process. Bottom line is that it takes effort but will go a long way in the long-term success of your business.