Why Chaos Equals Poor Cash Flow

By Caroline Jordan MBA

Recently one of my customers told me the chaos swirling through his company was the result of poor cash flow. If only he had more money, his company would run better.

I must respectfully disagree.

Poor business processes produce chaos. Chaos leads to poor cash flow.
Fix the poor business processes and the cash flow problems disappear.

What business processes am I talking about?

1. Having a clear picture of who your customer is. Here's what my customer looks like: My customer is a small business owner looking for ways to make his or her business run better. He or she is often overwhelmed by all the tasks that must be completed and often does not have time for the really important business functions of strategic planning and forecasting and may not have a great deal of experience in those areas.

2. Using that picture to develop services and products that provide value to your customer. Based on my picture of my customer I can provide my customer with time saving services and products that teach them skills or provide knowledge they can use to solve the challenges they face everyday.

3. Developing a plan of delivery. What works best for your customer and how can you deliver that in a way that makes you money? My customers need both general knowledge for running a business and specific knowledge for running their particular business. And they're short on time. Therefore, I can combine a product like a manual of general information with one-on-one consulting services for their specific situation. If I deliver it over the phone or the internet, they can access my knowledge at a time that is convenient for them.

4. Ensuring that you will be able to collect what is owed to you by establishing good credit policies. Do you need to extend credit? Can you get paid at the time of delivery? Can you get your customers to pay you by credit card? Can you ask for a deposit up front? Who will you extend credit to--what criteria will you use? I am happy to say that in all my time in business, I have had only one customer who did not pay me and I learned very valuable lessons from that experience. It caused me to change my process and I haven't had any problems since then.

Think through your business processes to see where the holes are. Otherwise, chaos will continue to swirl and cash flow will continue to suffer.

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