Accelerating Cash Flow Makes Your Company More Competitive

Chief Financial Officers (CFOs) must master more than cash flow and revenue models. They must be strategic partners in the business. According to IBM's Global CFO Study, there is a growing gap between the importance of core finance responsibilities and broader strategic questions that affect a company's long-term success. The importance of integrating information has more than doubled while the priority of risk management has risen a startling ninety-three percent. Nearly half the CFOs say their organizations are not effective in the areas of strategy, information integration and risk and opportunity management.

One of the most important ways a Chief Financial Officer can make their company more competitive is by accelerating their cash flows according to the book "The Strategic CFO – Creating Value in a Dynamic Market Environment" published by the Wharton School of Business at the University of Pennsylvania. The following five strategies is just a sampling of the ones used by most Chief Financial Officers today.

Prepare a cash budget and weekly cash forecast to track actual cash against projected cash in and out. These tools will enable you to better control where your cash is going and help you prioritize future cash expenditures.

Centralize purchasing for your firm within major profit and loss centers. This reduces administrative costs. Standardized purchasing policies and procedures promote efficiency by preventing duplication of efforts. When negotiating with your vendors, agree on the price of the goods and services first then negotiate as favorable payment terms as you can get.

Prevent costly supply disruptions which can bring sales and cash flow to a full stop. Use multiple suppliers for critical items whenever possible. Know your suppliers' financial status so you can alleviate potential disruptions due to financial stress before they happen.

Turn slow moving inventory into cash by discounting it to move quickly or by returning it to the vendor. Record any damaged inventory right away. This can save cash if the damaged merchandise was not sold because it can be written off as a loss for income tax purposes.

The link between your invoicing and cash flow is paramount. Streamlining your accounting system to make sure you can measure the profit on each item sold and each service rendered is critical. This makes it easier to measure your return on investment (ROI) and makes your customers happier as well because you are more efficient in your accounting operations. See the Pacific Crest Group (PCG) case study titled "Accounting Challenge for Local Professional Services Company" for more ideas on successful cash flow management strategies.

Pacific Crest Group (PCG) provides professional services that keep your business focused on your critical objectives. We create custom made financial and Human Resource (HR) systems based on creative strategies that are always delivered with exemplary customer service. A PCG professional is happy to meet with you to discuss solutions for your unique requirements to maximize all of your business opportunities.