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## Building a Positive Cash Flow Floor Plan

By Randy Lebolo  
April 27, 2016

Cash flow is critical for hiring new employees, purchasing new equipment and expanding the business when the opportunity is available. However, according to the 2015 American Express OPEN Small Business Growth Pulse, 36 percent of small business owners report cash flow is the top issue that keeps them up at night.

Cash flow can make or break a business. Expansion opportunities and the need to source new materials can come quickly and unexpectedly; without strong cash flow, a business might miss out.

Building a cash flow system from the ground up starts by following a management floorplan. The biggest challenge is not aligning the core principals, but rather keeping up with these recommendations over time. Setting up a strong system will benefit the business in the long and short term.

### **PRIORITIZE CASH**

Cash flow issues can sneak up on a company, but in many cases they stem from ongoing problems. An easy and quick way to identify potential problems before they arise is by keeping a close eye on balance sheets and income statements, and building a comprehensive annual cash flow projection. Most likely, the business already collects this information as a statement of cash flow that can compare the cash generated and used in the business over the course of a specific time period. Become familiar with this system.

These statements make it easy to see the movement of the company's cash. Understanding the trajectory of the firm's finances, including when dips and rises are likely to occur, allows the company to plan ahead for when it may need to seek credit. Lines of credit act as temporary braces that help support the business in a tough time.

### **EVALUATE DIFFERENT PAYMENT OPTIONS**

Moving beyond checks and ACH payments is worth exploring as a way to extend existing cash flow (e.g., using a line of credit for the majority of business expenses). Using less traditional sources of cash flow helps increase the nimbleness of the business and keeps it ready for growth.

By using a credit card, the firm can pay its vendors and suppliers in their time frame while delaying payment on the company's end. In addition to offering rewards programs that allow for re-investment into the business, cards typically offer fraud protection, security and extended warranty on purchases—all helpful benefits for a growing business.

### **MINIMIZE EXPENSES**

Monthly expenses add up over time, and even the smallest reduction in spending can help. To simplify the process, try to identify and analyze recurring costs. For instance, evaluate the current internal team to see if there are ways to handle peak seasons without buying additional tools or equipment. Be sure to analyze employee expenses as well to identify potential costs that may be hindering positive cash flow and growth plans.

### PERSONALIZE COLLECTIONS

It is easy to send out payment terms in the beginning of a business relationship and forget about them later on. Whenever a new client comes on board, the first step in preventing nonpayment is to understand customers' billing preferences and processes. By understanding and streamlining the invoicing process, the firm will receive the funds quicker.

### PLAN FOR THE BEST, PREPARE FOR THE WORST

Even with the best preparations in place, cash flow managers will find themselves in a tight spot once in a while. Keep a keen eye on cash reserve levels, understand the spending limit on the firm's credit card and learn about available lines of credit. Annual cash flow projections help reveal when to grow and when to expect to be in the red.

With cash flow in check, the company will be able to take advantage of new business opportunities in real time. Transforming good practices like these into habits will position a business to grow and profit.

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