

## **Managing Cash Flow—for Movers**

*By Kathy Albertini*

Recent months have tested businesses all over the world. Slow housing and unsteady credit have reduced the number of people and businesses using moving and relocation services. The new “normal,” when we get there, will not look like the old “normal.” Managing cash flow during times like this is critically important for a business to get through to the new normal in a positive state and ready to take on new challenges. The cyclical nature of the moving and relocation industry offers an opportunity. When the slower months arrive, it is a good time to review important functions like cash management.

During Profit Enhancement Group (PEG) meetings in the moving industry, the non-competing CEOs who gather to review the host’s business spend a lot of time talking about profit and growth. Recent developments have spotlighted how unpredictable cash flow can put a business into trouble very quickly. PEG meetings provide members opportunities to share the tools and strategies they have developed to monitor cash flows and to anticipate crunches. Conducting international business and/or maintaining branches in other countries require strong cash management procedures and the discipline to monitor the business’s cash consistently. It’s much more difficult to do this when cash suddenly becomes tight and systems are weak or nonperforming.

The cash flow statement is the formal accounting mechanism for looking at a company’s cash situation. At a basic level, PEG members monitor those numbers on a daily or weekly basis. The frequency of monitoring may vary depending on the company’s cash status. With this information they create flash reports. Flash reports may contain: bank account balances, cash received and not deposited, outstanding checks, projected payments to vendors and banks, and projected cash expected in the next period based on accounts receivable patterns. Using daily or weekly flash reports and monthly cash flow statements allows CEOs to see patterns of cash fluctuation and anticipate them before they get to a critical level giving CEOs a regular, reliable, consistent way to monitor cash. Combining this information into a cash budget that anticipates cycles in the business allows a CEO to use outside resources like lines of credit and other short term borrowing vehicles and minimize costs.

Just as important for good cash management is to develop tactics for cash-critical situations. In good cash times consider setting aside a reserve. The cash budget helps to anticipate critical cash situations. Developing a list of cost cutting tactics to implement at various levels of cash allows the CEO to be proactive. If you are able to implement cost cutting slowly at the first signs of cash shortage, you are in the driver’s seat and can change course whether cash levels improve or

continue to dwindle. With good employees being such an important asset to companies, this approach prevents companies from doing reactionary layoffs during critical cash periods. One PEG member used his cash management information to initially reduce staff by not rehiring when employees left. In addition, he chose a group of willing drivers to test speed monitors on the vehicles and track the resulting gas saving. Before the gas prices peaked, he had a team of drivers using the monitors and saving 8% on their fuel. As gas prices climbed, it wasn’t difficult to convince the other drivers to follow the plan. He took these steps first. As the housing market continued to decline, he took the next steps of reducing staff and eliminating inefficient equipment.

Finally, review your cash management and improve it frequently. Do the tools that you use to monitor cash give you the right information? Is a reasonable time spent creating the monitoring tools? Is the information easy to understand and act on? What’s missing or excessive? Did the cost cutting actions provide the anticipated cost reductions? Are there other actions to add to that list?

This link at *Inc. Magazine’s* lists several articles on cash: [www.inc.com/guides/start\\_biz/20675.html](http://www.inc.com/guides/start_biz/20675.html). The 1998 article by Jill Andresky Fraser, “Riding the Economic Roller Coaster,” contains more ideas.

*Kathleen Barry Albertini is the CEO of Management Growth Institute, Inc. (MGI). MGI runs Profit Enhancement Groups (PEG) for moving company CEOs and CEOs in other industries. Web site: [www.managementgrowth.com](http://www.managementgrowth.com)*

### **What is a PEG?**

Simply put, a PEG is a group of non-competing CEOs who run businesses in the same industry. They meet two times a year at one of the member’s businesses. PEG members work together for a number of years visiting the member businesses. MGI structures each visit using a process to guide the visiting CEOs in collecting information about the host company. The objective of the information collection is to give the host company recommendations to improve the company’s profit and operations. Each CEO brings a unique perspective to the companies they visit. They all share the common industry knowledge. MGI has run PEGs in the moving industry since 1989.