

Importance of Improving Cash Flow

Cash flow is of vital importance to the healthy success of any business. Although it may look impressive to generate large revenue from sales, cash flow must be the key focus of your business.

But why is it so important?

Well firstly we all know the saying that '**Cash is King**'. By having greater control of your cash ultimately puts you in a more stable position along with possessing greater buying power. However there is a distinct difference between cash position and cash flow, with the latter indicating your company's ongoing ability to generate and utilise cash.

By having good cash flow it will ensure that you can **keep up with any debts** that may arise. When you borrow money to buy equipment, premises or stock you are essentially using your cash flow to make these purchases. Without a positive cash flow you are unable to show commitment to your debtors and therefore limits your options.

In addition to being able to manage debt, a strong cash flow provides the reassurance and demonstrates capabilities that the business needs to **invest in its growth**. Without a positive and strong cash flow companies are unable to invest in research and development, training, expansion projects and increasing stock. Being in a position of possessing excess cash flow assists in being able to operate strategically rather than reactively putting your business at a competitive advantage to that of your competition.

Then of course there is always that unexpected emergency that annoyingly arises costing money that was not budgeted for. Having cash flow provides your business with **greater flexibility** to respond in these incidents and in some cases enables the company to keep trading. It also enables the opportunity for the company to obtain external funding at the best possible terms which may not otherwise be possible.

At Watersmiths we understand the importance of having good cash flow and are on hand to assist you. For more information drop us an email at ssmith@watersmiths.co.uk or call us on 0121 271 0270.