

#1 Killer of Small and Medium Business

By Roger Bostdorff

Approximately a year ago I received an email from a banker friend of mine. He had a client with a business that had a note due in July. The banker was concerned that based on how the business was going for his client that the note very well could be called. This would put a substantial financial hardship on both the bank and the client.

The client asked the banker for help. In fact, the client wanted the banker to step in and direct the client on what to do to fix the problems of the business so the loan would be extended. The banker recognized the conflict of interest and that he did not have the time to dedicate to fixing the client's issues. Instead, the banker emailed me to determine if I would be willing to help by analyzing the business and making recommendations to get this business back on its feet.

The client and I met and he hired B2B Sales Boost, LLC. The client felt he could sell his way out of the problem. I agreed that this was a possibility but explained that we first needed to investigate his cash flow situation. One of the first things that can take a company under, even a company like GM, is lack of cash. If cash flow is a problem the real issue could be lack of runway (time available) to fix the problems. You need to first, stop the bleeding.

Therefore, first I asked to see a cash flow analysis. It did not exist. I began to gather the data to determine the breakeven point on sales each month to cover his costs. It was obvious that since his sales were down his expenses needed be reviewed, so that his monthly revenue in, covered his expenses out. Many times people refer to this as their monthly "nut." As it turned out, he was spending \$20,000 per month more than what he was taking in.

These are hard but necessary conversations. Let's just say these were enthusiastic conversations. The client made the cuts, reluctantly. By making these painful cuts the client stopped the bleeding and gave himself some time so that the other recommendations made by B2B Sales Boost, had an opportunity to kick in.

B2B Sales Boost then reviewed the sales process and his staffing. I made several recommendations in this area. He implemented many of these as well. The economy is in an even more challenging state now than then. I wish I could say that his business has grown and he is doing great. I can't. However, I can say that he and the bank are on good terms. He is paying his bills and has not needed to make additional cuts nor take on additional debt. The bank is happy and the business is surviving.

Many times a company waits too long to evaluate their cash flow status. Or they continue to believe that they can sell there way out of their situation. As the economy stiffens and credit becomes more challenging to obtain, please do not overlook the #1 killer of business, lack of CASH FLOW! This important measurement will tell you plenty regarding the health of the business and your ability to survive. Cash is King!

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