

Action plans



Creating a cash flow forecast to navigate unpredictable times

It's crucial to have a tight handle on cash when your trading environment becomes unpredictable. Knowing what kind of financial buffer you have gives you a better understanding of your position and ensures you can make decisions effectively. Having that information on a timely basis can be the difference between survival and failure.

Scroll down to see what you can do with this Action Plan.

- **Effort:** Medium
- **Impact:** High

Actions:

Host a workshop to make employees aware of the situation and get ideas on how the business can save money and increase the amount of cash it has.

- **Impact:** Medium
- **Suggested duration:** 21 days
- **Why this will help:** Cash flow is impacted by client retention, debtor days and other factors employees can provide insight on. You might not want to share your forecast, but talking to them helps identify risks and provides insights you can feed into it.

Prepare a short-term forecast that looks at cash flow on a daily or weekly basis.

- **Impact:** High
- **Suggested duration:** 7 days
- **Why this will help:** It's common for businesses to forecast cash flow on a monthly basis. During times of uncertainty, it can be helpful to look at a daily or weekly forecast.

Use scenario planning to test the impact of different decisions.

- **Impact:** High
- **Suggested duration:** 7 days
- **Why this will help:** Financial modelling is crucial during periods of uncertainty. Testing what will happen in different scenarios helps you understand the impact on cash flow, what risks exist and how they can be mitigated.

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Make a business case for additional investment.

- **Impact:** Medium
- **Suggested duration:** 4 days
- **Why this will help:** Additional financing may be needed to support existing operations or invest in new initiatives when the business is under stress. Creating a formal business case for any investment adds rigour and provides a useful communication tool.

Use your cash flow forecast to shape decision making – and how you prioritise your time.

- **Impact:** High
- **Suggested duration:** 30 days
- **Why this will help:** During unpredictable times, it's doubly important to manage cash flow effectively, so it needs to play a central role in your planning process and what you choose to spend your time on.

How will I know if my Action Plan is working?

Way to measure success

Cash runway.

Why this metric?

Knowing how long it will take for your business to run out of money is important during uncertain times. If you have an effective cash flow forecast you'll have confidence in your cash runway metric and should see it improve.

How do I start tracking?

Your cash flow forecast will show the point that your bank balance would turn negative. Add the amount of runway you have to your dashboard or KPI reporting.