

Taking the temperature of your business's financial health

By [Burton Matthews](#), issued by [Topco Media](#)

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New Year, new you? But how about new resolutions for your business? The new year is the perfect time to set professional goals and focus on taking your small business to the next level - and one of the best ways you can do that, is to focus on your business's financial health and more specifically, its cash.



Manage your cash cycle

Most businesses fail due to cashflow problems, and I am not talking about profit. Of course, it's nice to make a profit, but cash flow is necessary to continue operating. Small businesses often find it difficult to manage their cash cycle regularly due to a lack of working capital or unmanageable debt repayment schedules. And the impact of the pandemic has just exacerbated this. Lockdown and restrictions have resulted in massive reductions in revenue for most small, medium and even large businesses in South Africa with many having insufficient cash reserves to replace the cash flow lost during this time - creating an enormous stress on liquidity and job security.

Protect your liquidity

Many businesses have not only eaten away at their operational and emergency cash, but, critically, their savings as well. As such, as businesses start finding their feet in what is now termed the 'new normal', it will become critical to protect their liquidity position and focus on core competencies. This will also mean relooking your cash strategy and understanding that you don't have to choose between a rock of a "lazy balance sheet" and the hard place of having to borrow because of inaccessibility. It is critical information such as this that could make or break your business and is extremely important in understanding your overall business financial health.

Honest financial introspection

So, take time to reflect on what worked well for your business and where you have struggled. What were some of the

shortcomings or gaps when it came to your cash - did you struggle with liquidity or were you disappointed in the lack of growth in your savings? With this knowledge, you can plan with purpose and examine ways to make cash work harder for the business. Then, look for a cash investment product that can help you get the best possible return on your cash - but more importantly, understand how to structure this investment to ensure you not only get good returns, but flexibility as well. This is the balancing act that can make a fundamental difference. Remember, there is no market risk with cash, capital is guaranteed and that's exactly what businesses need right now.

Make smarter financial decisions

The sluggish performance of the local economy means everyone is feeling the pinch and there is no doubt that businesses - especially growing, smaller ones - need to consider what it means to have accessible cash and how to use it to grow in both the short- and long-term. The New Year provides the perfect opportunity to re-assess and re-evaluate, and if there is one resolution to make for your business this year, make sure it focuses on your cash - understand it, manage it. You make smarter decisions when you know how your decisions are affecting your bottom line. Nobody knows your business as well as you do – so make sure to check its financial health regularly.

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Burton Matthews is the Business Cash Solutions Gauteng Regional Head at Investec Bank.

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