

A man in a dark suit is seen from behind, walking up a wide set of green stairs. He is looking towards a bright, sunlit sky between two modern glass skyscrapers. The scene is backlit by the sun, creating a silhouette effect and a warm glow.

# Cash Flow Crisis

**9 Key Steps to Survive Today  
and Thrive Tomorrow**

**Eric Ness**

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# Disclaimer

There is a reason that the accounting profession exists. The purpose of this book is not to teach you everything there is to know about accounting or bookkeeping. The purpose is to educate you, so you are more capable of working with and understanding your accounting professional and understanding how your business' financial information can be used to improve the performance of your business. As such, this book is for educational purposes only. Every business is different. We encourage you to seek professional legal, tax, and accounting assistance in implementing the suggestions discussed here and to set up processes and procedures that meet the needs of your business.



# Introduction

Even in the best circumstances, having a positive cash flow is critical to the growth and survival of your business. As a business owner, you've likely experienced the anxiety that comes with wondering how you'll make payroll, purchase supplies, or expand your business.

Your worries over cash flow come and go. When times are good, you probably don't think much about how much cash you have on hand. In fact, sometimes when cash is plentiful, you may spend or invest more than you should. Unfortunately, when times are bad, cash dries up quickly. If you don't act fast, the situation will only worsen.

While the best time to strengthen your cash flow is when business is good, there are still steps that can help—even during a downturn. Done properly, you can take control of your cash and come out of a decline stronger than ever.

Here are 9 steps to help you gain control of your cash flow and make your business prosper!



# Step 1

## Know What You Have to Work With

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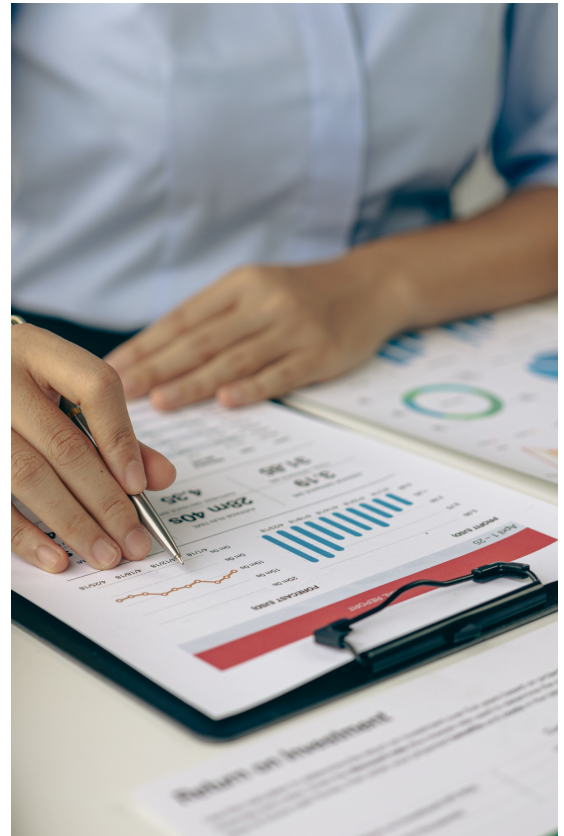
The most important thing to know is **how much cash you have and how long you can last** in the current economic slowdown. You should ensure that your cash is safe and readily available. Cash in the bank that is tied to loan covenants or that you can't access is not very useful. Finally, review what assets you have on hand that can potentially be converted into cash quickly.

### Ask yourself these questions:

- 1) How long could my business last if I don't make another sale?
- 2) Do I know my cash needs 30, 60, 90 days or a year out from now?
- 3) How much cash should be on hand to fund the business?
- 4) What available and unused assets do I have that I can sell to generate more cash quickly?
- 5) Where is my cash located and is it safe from the current crisis?

### Primary actions to take:

- 1) **Create a cash forecast** that you can use to monitor your cash condition. This forecast should have the following characteristics.
  - a. The forecast should cover the next 90 days.
  - b. The forecast should be easy to update, because your circumstances will change and you need to be able to change the forecast so that it stays realistic to what is happening now.
- 2) **Calculate your Daily "Burn"**. This is the amount of cash you spend, on average, every day, but also includes a portion of what you will spend on lump sum payments such as rent.





# Step 2

## Have a Plan

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Having a clear strategy and supporting operational forecast, which we call a **“Functional Forecast™”**, helps you react correctly to changing conditions. You should be prepared to respond to either a positive or negative change in your business environment and know what resources you need to be successful in either.

Even in the middle of a crisis, you should take the time to evaluate your situation and formulate a plan to succeed. You will probably have to adjust your plan as conditions change, **but at least you will know where you want to go.**



### Ask yourself these questions:

- 1) Where have I been the most successful with making sales? Why is that?
- 2) How much does each sale cost me in cash?
- 3) How much do I need to sell each day to cover my cash burn?
- 4) Which products or services provide the best margins?
- 5) What is my best-case and worst-case situations?

### Primary actions to take:

- 1) Create a plan that will direct you and your team to do the specific actions needed to keep your business running and improve your circumstances. This plan should have these characteristics:
  - a. The cash forecast from earlier tells you where you are now and the outlook if nothing changes; this plan, which we call a “Functional Forecast™”, should provide the details of what needs to be done weekly (maybe daily) to obtain your goals.
  - b. This plan should have triggers that help you to decide what needs to be done now, before something becomes a bigger problem later. These triggers should be “if/then” statements, such as “If Sales drops X, then Y”.
  - c. Like the cash forecast, it needs to be easy to update so you have a constant roadmap to success in front of you.

# Step 3

## Slim Down

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When you are trying to conserve cash, you are going to have to make some hard decisions on spending. If you have employees, you may have to let some of them go. While it may be difficult, evaluate the performance and contribution of your employees to help you know what staff to reduce first.



Before you make additional labor reductions, consider a temporary wage reduction (beginning with you) or reduce the overall hours worked. Additionally, in the state of Washington, there is a program called, “**SharedWork**”, where employees with reduced hours can also receive a portion of their unemployment benefits.

Look into what you are spending money on and **determine what expenses are not going to help you meet your business’ plan** (see #2) and start to reduce, redirect, or eliminate any expense that aren’t a part of the plan.

### Ask yourself these questions:

- 1) If I let this individual go, what is the impact to the business?
- 2) If this person is no longer here, who will do the work that this person is now doing?
- 3) What am I getting from spending this money?
- 4) Does this expenditure support my long-term goals?
- 5) Is there a cheaper way to do this task?
- 6) Is there someone on the team that can do this, so we don’t spend the money for another business to do it?

### Primary actions to take:

- 1) Reduce salary rates by at least 10% for all employees, beginning with you.
- 2) Identify the key members of your business as either A, B, C or D. Understanding that this sounds callous, it needs to be done. The alternative may be all your employees without a job. Those that rank as “D” should be let go as quickly as possible. Those rated “C” may need to have their hours reduced. There are government programs that will allow these employees to get some of their Income back in the form of unemployment.
- 3) Be prepared to let your “C” team members go, by analyzing their key duties and determining who will be doing them after they are gone. This action should be tied to one of the triggers discussed earlier. Stop buying inventory unless you can sell it quickly (use less than 30 days as a target)
- 4) Contact anyone that you are renting from (or your mortgage holder) and discuss reducing rent or
- 5) getting a rent (mortgage) abatement.

# Step 4

## Seeking Additional Funding

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People often wait to seek additional funding which can be a mistake. By knowing and following your plan, you can quickly determine the cash level and the resources you need, and rapidly move forward in keeping your business liquid.

In these circumstances, it is best to move as quickly as possible as things can change fast. **Act while you still qualify for financing** and while there is still money to be had.

### Ask yourself these questions:

- 1) Based on my worst-case plan, when will I need additional cash flow?
- 2) Are the business' financial statements in good enough order to apply for a loan?
- 3) Do I need assistance understanding all the different resources that I might qualify for?
- 4) Do I have a banking relationship with more than one bank?
- 5) What sources of funding am I willing to accept?

### Primary actions to take:

- 1) Contact your lenders and discuss getting a loan deferral or contract extension.
- 2) Review your debt load and see if you can re-finance your current loans to reduce your payments.
- 3) Based on your plan, begin to apply for loans to carry you over your tough patch.



# Step 5

## Become Better

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When in a crisis, you don't have time for fluff; you need to focus on the most important things. This is a chance to make changes to your business processes, so that when your customers are ready to buy, you are more capable of giving them what they need. It is a chance to improve how you perform your service at a lower cost. It is an opportunity to invest in your people, so they become better.

### Ask yourself these questions:

- 1) What have I always wanted to change that I never seemed to have time to work on?
- 2) What training could I conduct that will help my team be better than before?
- 3) What are the systems and bottlenecks that we always seem to be fighting with?
- 4) How can we reduce the amount of time it takes us to provide our most profitable product/service?
- 5) What processes can I optimize and systemize, so they get done the same way, on time, every time?

### Primary actions to take:

- 1) Ask each of your employees to list the 5 biggest time wasters that they experience regularly.
- 2) Use a teleconferencing system such as Zoom to meet together and map out all of the steps, from start to finish, that need to be completed to sell and fulfill your most profitable product/service.



# Step 6

## Care for Your People

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Now that you have optimized your team, it is important to nurture and support the rest of your employees. As work slows, include your employees in the creation of their standard work. Invest in them with additional training so they gain improved skills.

**Create an environment that they can go home from every day feeling successful.** Is there a better gift to your team than this?

### Ask yourself these questions:

- 1) Do my employees know what they need to know, in order to be successful in their work?
- 2) How can I help my team to feel more secure with their roles here?
- 3) Do my employees know how their work affects the success of the business?
- 4) What specific training does each member of the team need to receive now to master their assigned tasks?
- 5) Which employees should I work with to prepare them for additional opportunity in the business?

### Primary actions to take:

- 1) Using the information that you collected during your exercises for #5, work with each of your team members to create their daily, weekly, and monthly/quarterly standard work.
- 2) Work with each team member to document the critical steps of their standard work.

# Step 7

## Contact Your Suppliers

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You have already slimmed down your spending and they should already be aligned with your plan. If your business uses a lot of materials, then talking to your suppliers about extending how long you have to pay is a great way to slow down your spending.

Many companies offer up to 45 days to pay a bill. **Don't pay your bills early.**

### Ask yourself these questions:

- 1) Which of my suppliers are most critical?
- 2) What happens to my business if a supplier can't meet my purchase requirements?
- 3) Is there a way that I can work more closely with a supplier, so we can reduce our costs and they can still profit?

### Primary actions to take:

- 1) Review what you spend with each supplier and assign them to one of these categories.
  - A. **Mission Critical:** Directly impacts earning cash or is regulatorily required.
  - B. **Most Efficient:** While it could be done by someone on the team, it is better that an outside person does it, because the overall cost, time requirement, or expertise needed would take too many internal resources to do.
  - C. **Supports the Plan:** While not currently critical, a continued relationship will help the business in the future.
  - D. **Dump:** This is for all of the expenses that somehow found their way into your budget when times were good.
- 2) Contact your suppliers and see if you can either extend your payment terms (such as from 30 days to 60 days) or receive a discount for paying early.



# Step 8

## Actively Pursue Your Money

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This is the opposite to delaying the payment of your bills. If possible, get your customers to pay your invoices as quickly as possible.

While it might be difficult to get your customers to accept shorter payment terms, make sure that they are paying on time by reviewing your accounts receivable report daily and calling those that are overdue. **Get a firm date of when payment should be expected.**

### Ask yourself these questions:

- 1) What are some ways that I can get my customers to pay faster?
- 2) Which customers are placing special or custom orders?
- 3) How can I better work with my key customers, so my margins improve while their costs are reduced?

### Primary actions to take:

- 1) Regularly analyze your customers ability to pay their bills.
- 2) If you provide special or custom ordered materials, require a deposit to cover the costs of the materials at a minimum.

# Step 9

## Consider the Changes the Future May Hold

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If the crisis you are facing is systematic or industry-wide, then you need to reevaluate what it means to your business. For example, if your business has had to allow your employees to work from home, you might find that this is their preference and they are just as effective there as when working on site.

If you own a restaurant that recently had to go completely to delivery, you may find that your customers would prefer the convenience of eating your great food from the comfort of their home.



### Ask yourself these questions:

- 1) What additional services or items can I add to my current offering that would help my customers?
- 2) How can I repackage my current products for this new environment?
- 3) Once I get through this crisis, what is my business landscape going to look like?
- 4) How am I going to respond to these changes to my business?
- 5) What have I learned about my business that I didn't know?
- 6) Are there other industries or product lines that we could enter where we can use our experience and know-how to diversify our business?

### Primary actions to take:

- 1) Begin to sketch out a plan that will support what you believe your industry will look like, once things begin to return to normal.
- 2) Take the time to record what has worked, what hasn't, and what you should have done before the crisis. Compare what has worked and what you should have done to your plan and see if you can incorporate them into the plan.

Once the dust settles and you are through your crisis, you will find your business is not the same one you had going into the crisis. It isn't possible for it to remain the same. Whether you emerge leaner, more focused and with a higher profitability is determined by the actions you take now.

**Good Luck with your journey to success!** There is a lot to do here. If you would like a guide on your personal “**Path to Profit**”, we would love to talk to you and see how we can help.

**Contact us today for your free discovery session.**



**"The price of anything is  
the amount of life you  
exchange for it."**

*- Henry David Thoreau*

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**Based on that standard, *your business is priceless.***





## About the Author

Coming from an entrepreneurial family, Eric turned his back on his heritage, because he “learned”, as a child, being your own boss meant tons of work, little money, and no time for the family.

After nearly 30 years in Operations and Finance/Accounting roles, working for publicly traded companies in the United States and Asia, Eric realized the problem was not about being your own boss. Rather, it is not understanding the language of business that hurts so many family businesses.

Eric, a CPA and CMA, and his company, ProfitArch™, guide business owners on their personal “Path to Profit™” by blending accounting and operations into a system that leads to greater profit and increased cash flow and freedom. When asked what he likes most about his work, Eric replied: “When I started my business, I didn’t know how gratifying it would be to see a business owner’s eyes light up when they begin to see how our simple processes can make a big difference in their business. I can have a much larger impact on my client’s business, life, and family than I ever could working for big business.”

Eric is grateful he has been able to create a system to assist business owners to build the business they have dreamed of, so they can teach their children that being your own boss is the best way to enjoy a full life, create something meaningful, and be actively involved with the most important people, their family.

## About ProfitArch™

Businesses with poor profits and without a solid cash flow are more likely to fail. ProfitArch™ guides you in developing strong systems leading to better decisions, greater profits, and increased cash flow, so you can enjoy the things that matter to you most.

We enjoy getting to know business owners and learning more about their needs.

[Book for a discovery call](#) today to speak with us and discuss next steps.

## My Next 10 Actions

Now that you've explored key strategies to improve your cash flow, it's time to take action. List the next 10 steps you'll commit to implementing—big or small.

Whether it's reviewing expenses, renegotiating terms, or adjusting pricing, every step moves you closer to financial stability and growth.

Action	Due By
1) _____	_____
2) _____	_____
3) _____	_____
4) _____	_____
5) _____	_____
6) _____	_____
7) _____	_____
8) _____	_____
9) _____	_____
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