

Protecting the Life Blood of Your Business by Setting Boundaries

The life blood of any business is its “cashflow”. Whether a business prosper or wither and die depends on its ability to receive enough cash to cover its expenses. Income and expenses are just opposite ends of the same equation. Both are necessary and vital for a healthy business.

Cashflow is especially important for small businesses and startups because their profit margins are usually very thin. There is little room for error. Most small business owners don’t have deep pockets or the luxury of having other profitable business ventures cover their losses. The business must stand on its own merits or die.

There are hundreds of thousands of books, articles and classes on ways to protect your business’ cashflow, yet many businesses continue to suffer this malaise. It is not that they don’t recognize the problem, but they fear the consequences if they actually were do something about it.

One of the keys to a business’ success is to set and enforce boundaries. These are the boundaries of putting the business first before your personal interests and agendas. A business enterprise is a separate entity from its founders. The business continues to exist even when the owners are not there. Customers can buy things and employees can run the business when the owners are absent.

Many small business owners are unable or unwilling to separate their business from their personal lives. Their business becomes “their life” and it defines who and what they are. This is not really true, but they believe it to be true.

The art of running a successful business is setting and enforcing

boundaries. Each business should have a set of standard policies and practices on how to deal with payments terms and discounts. Companies such as supermarkets, department stores, utilities and telephone companies all have these policies and enforce them. Every business should have them.

Setting boundaries means that there has to be a rational business reason for giving a discount or extending credit to someone. It means that if your cousin wants to buy something, you don't give it away for free or sell it at a price below your cost. Likewise, if a customer doesn't pay on time, you don't tell them that they can pay whenever they have the money. You immediately make arrangements for payment. If you don't pay your utility or telephone bills what happens? When you are in business, you are exchanging your products and services for money. When you don't take the money, you are squeezing the life blood out of your business.

To protect the life blood of your business, you must establish policies to include pricing, discounts and payment terms, and enforce them diligently. Are you protecting the life blood of your business?