

# Cash Is King – Particularly If Growth Is The Goal

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**Even though Swindon and its commercial neighbours are punching above their weight in economic growth terms, businesses are being urged to be careful not to overstretch themselves. Professional advisers warn that it is crucial for businesses to continue to keep a very close eye on their cash flow and ensure their financial processes remain solid, to reduce the risks of over-trading.**

Recent reports indicate that the UK economy grew by 2.6% last year, its fastest pace since 2007, reflecting the uplift in trade which many Wiltshire businesses have experienced in recent months. But as new orders and demand for services increase, so do a business's costs, which is why so many companies run into difficulties when the market takes off.

Marianne Johns, a solicitor in the dispute resolution team at Swindon and Marlborough-based Withy King, said: "When times are tough and work is not coming in at the levels previously



Marianne Johns, Dispute Resolution Solicitor, Withy King

enjoyed, businesses have more time and more reason to keep on top of their debts. However, even if things are on the up, eyes should remain on the prize. It can often only take one customer to miss a payment to cause your business difficulties if your own cash flow is poor. Don't take your eyes off the ball. The old adage that "cash is king" is no less important today than it was before and will continue to be into the future."

Simon Campbell, a director in the business restructuring team at Begbies Traynor based in Swindon and Salisbury, agreed. "With the recent uptick in general growth and opportunities for business comes the renewed imperative to have adequate financing in place for your growth plans. This can be a challenge in the current lending climate," he said. "Business owners and managers

should ensure that they have good management information at their fingertips



Simon Campbell, Director, Business Restructuring Team, Begbies Traynor

not only to take advantages of these opportunities, but also to engage with financiers and keep updating them on a regular basis. This should entail an appropriate level of forecasting to describe and then monitor the financial implications of these opportunities."

The latest Manufacturing Barometer survey conducted by the Manufacturing Advisory Service (MAS), which includes contributions from Wiltshire-based businesses, suggests that this is a sector which is managing its cash flow challenges – although improving productivity is a key focus for many.

Phil Townsend, Business Growth Manager at MAS, which is part of the Business Growth Service, said: "Results from our



Phil Townsend, Business Growth Manager, MAS

latest Manufacturing Barometer survey suggest that many SME manufacturers in the South West have a firm handle on their cash flow, with over two thirds (68%) of respondents reporting that they

did not feel the current cash flow profile of their business hindered growth.

"However, we also know from responses to our previous survey that improving productivity was identified by 74% of manufacturers in the region as a key area to focus on during the first few months of 2015.

"Manufacturers that relentlessly improve their productivity and reduce the working capital requirement, which improves cash flow, ultimately increase the competitiveness of their business. Getting the best out of current processes, equipment and workforce can have huge financial benefits to a company. MAS helps companies to plan and implement these improvements with minimal outlay and maximum benefits."

## INCREASING GROWTH POTENTIAL THROUGH OPERATIONAL EFFICIENCIES

A Wiltshire-based company has increased its potential to export into new international markets by successfully lowering its cost base without compromising on quality.

Associated Dental Products based in Purton, Swindon, has been manufacturing a range of modelling waxes and other dental laboratory products for 90 years. The company enlisted the help of the Manufacturing Advisory Service (MAS) to identify ways of improving

its wax production processes to reduce costs and increase efficiency as part of its international growth strategy.

Graham Mayoh, Managing Director at Associated Dental Products (pictured), explained: "Manufacturing each sheet of modelling wax consumes quite a large amount of energy. We wanted to find a solution that would enable us to become more energy efficient while retaining the products' physical and handling properties.

"MAS worked with us to identify areas in the production process that could be developed to reduce our energy costs and increase our efficiency without compromising on the quality of our products. This included the introduction of new technology that enables us to cut wax more quickly and accurately than before, resulting in energy savings of up to 30 per cent. This has also increased production which in turn, has led to a rise in our capacity and the recruitment of a dedicated shift manager on our wax casing line.

"Careful management of costs is essential when you're going for growth but it's also important to keep a careful eye on operational processes to ensure they're as effective as possible. In our business, being able to access the level of expertise and experience that MAS provides was invaluable."



Graham Mayoh, Managing Director at Associated Dental Products

## NEW DEBT RECOVERY SERVICE LAUNCHED

Withy King has launched a debt recovery service as added value for clients. Effective debt recovery contributes to a healthy cash flow. Even with efficient credit and collection systems in place, it can still be difficult to control the recovery of monies owed to your business.

Withy King's debt recovery team aims to integrate with a company's own credit control functions to provide a seamless addition to the recovery of debts in a quick and cost effective way.

The firm's debt recovery manager, Debbie Knights, who has over 20 years' experience in this field, believes every business should have documented credit control procedures and be prepared to act quickly and decisively when they need to. She said: "It's important that all your customers have signed up to your terms of business and that you are not reliant on good will and verbal arrangements. The next step is to ensure your terms are up to date and fit for purpose and that they offer you the right level of protection."

She continued: "It is also worth remembering that debts have a life span of six years from when they became due. This is where knowing your clients and their business can play a crucial part as it may be that chasing a debt a few years ago did not produce rewards but now it could. Even if you have written off debts as being bad ones in your accounts, you may still be able to recover them. In addition, any judgments that have been entered against bad debtors could also be pursued if things have improved.

Businesses may wish to review these issues as part of their cash flow strategy for moving forward into more prosperous times."