



A FINANCIAL PROFESSIONAL'S GUIDE TO CASH FLOW MANAGEMENT

HOW TO PROTECT YOUR BOTTOM LINE

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INTRODUCTION

How many times have you heard the last part of this popular phrase regarding the virtues of cash?

**Revenue is vanity.
Profit is sanity.
Cash is king.**

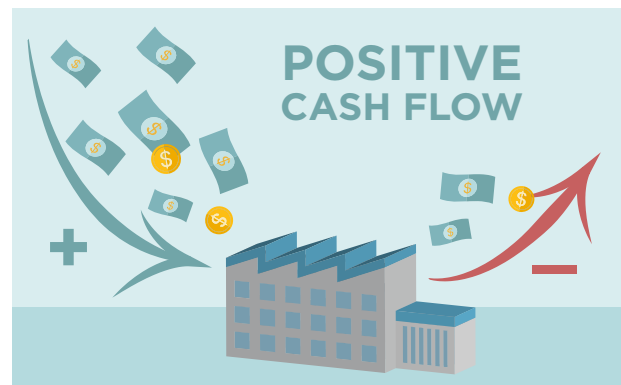
For many, the saying may sound rather cliché, having lost its meaning in a barrage of advertisements and casual references. However, the shortening of the adage is likely to blame for the triteness, not the words themselves. By only repeating the final part, one loses the preceding ideas of revenue and profit, which speak to why cash is so important.

To wit, any business that focuses solely on growing revenues may not survive, whereas companies have a higher likelihood for success when they produce [strong profits](#) that turn into positive cash flow.

These general guidelines hold special meaning for financial professionals, as the value of cash is never more important than when assessing the overall economic health of a business. Effective financial management requires keeping a close eye on cash resources and anticipating ebbs and flows to ensure a consistent or increasing state of monetary affairs.

To do so, financial professionals must understand when, where, why, and how money is being spent within a company in order to properly forecast and make

course-corrections to the budget when necessary. By paying close attention to and managing cash flow, actionable insights can be gained into what's working and what could use attention or improvement, which ultimately can help contribute to the company's overall financial success.



Not surprisingly, the goal is [net positive cash flow](#), which means more money is coming in (through the selling of goods or services) than being spent (on materials, labor, transport, etc.). Positive cash flow puts the company in a position to pay bills on time, achieve objectives, and continue operations.

This guide examines several ways that cash flow may be threatened within an organization due to lack of visibility and centralized oversight, while also providing best practices on how to control costs and better manage cash flow.

LABOR COST CONTROL

SECTION ONE

For many companies, a major portion of expenses lies in their labor costs. While the amount spent on salary and benefits can be budgeted with relative accuracy, unforeseen labor costs such as turnover, idle time, and wasted resources may take a significant bite out of cash flow.

Unforeseen labor costs such as turn over or idle time can take a significant bite out of cash flow.

While financial professionals have little managerial control over things like worker inefficiencies, two areas that can be addressed are overtime and vacation balance payouts.

Too often, businesses rely on outdated systems or processes to record employee time. It's not unusual for a company to have individual managers keep track of employee hours, overtime, and vacation in Excel spreadsheets, paper binders, or email. Even if Human Resources handles the task, [lack of automation](#) and delays in receiving information from different departments can make it impossible to be proactive in curbing disadvantageous behavior.

Without a single and centralized view of accurate information that is captured across an organization, financial professionals struggle to track these two expenses, which can have a notable impact on cash flow. Big payouts of overtime or vacation balances can be the difference between a cash flow positive and cash flow negative month, quarter, or year.

The challenge lies in obtaining and tracking employee time in a manner that is not intrusive or disruptive. The right system should include, at minimum:

- ▶ Intuitive and configurable timesheets that are easy for employees to use
- ▶ Absence and vacation management tools with real-time information on accruals and balances
- ▶ Email reminders and alerts for time / vacation submissions and approvals
- ▶ Immediate insights and reports with accurate information
- ▶ Built-in adherence to labor law compliance
- ▶ Ability to include internal policies

Additional features such as calendar integration and time capture on mobile devices are also helpful. Giving employees the ability to see their own time and manage it appropriately provides a sense of empowerment and relieves managers from some of the burden.

By providing visibility into how much vacation time employees have or how much overtime is being used, corporate policies can be created or adjusted to match the financial realities. Perhaps PTO maximums are needed, or a "no rollover" policy should be implemented. Only with real data and complete oversight can those types of corporate policies be made to help keep the company in financially strong waters.

Best practice: Monitor and report on overtime and employee time off to avoid unwanted financial surprises and to create the right company policies.

INVOICING AND BILLING VISIBILITY

SECTION TWO

If your business invoices clients or sends bills to vendors on a regular basis, you already know the importance of prompt invoicing and billing. Getting paid within a reasonable timeframe or on a regular schedule is critical, as [cash flow is dependent on receiving payments](#) from external parties so operating expenses can be paid and employee paychecks can be cut.



Getting your invoices from 'due' to 'paid' in reasonable time-frame can make a huge difference in staying cash flow positive.

Even if invoices are always sent in a timely fashion (which is no small feat), how do you track which payments have been received and which are outstanding? How do you follow-up to ensure the fastest and most efficient turnaround from clients and vendors? How do you bring precision to billing?

Once again, visibility is the key component. Only with a centralized view of invoices and bills can a financial

professional see at a glance what average payment time is, how much money is outstanding, how many invoices and follow-ups have been sent, which companies are frequently delinquent, and a host of other information and data that can spur better business practices. In fact, decisions around which businesses to work with or prioritize may become more obvious when you can see at a glance which companies are prompt with payments.

With an invoice and billing generation engine, the process is automated to remove human error, and proactive follow-ups can be sent without lifting a finger. Recognizing the benefit of providing discounts to good clients or the overall profitability (or lack thereof) of working with certain businesses is illuminated when a centralized view of all billables is provided. Budgeting and planning also becomes a lot easier when invoice schedules are a click away, which eliminates some of the guesswork about cash flow.

Best practice: Invest in a system that provides visibility into pending, sent, and outstanding invoices and bills to ensure your organization is never the bottleneck in receiving payment.

PROJECT COSTING

SECTION THREE

Regardless if a project is completed internally or for a client, the process of outlining its scope and budget can be the difference between a successful outcome or a costly mistake.

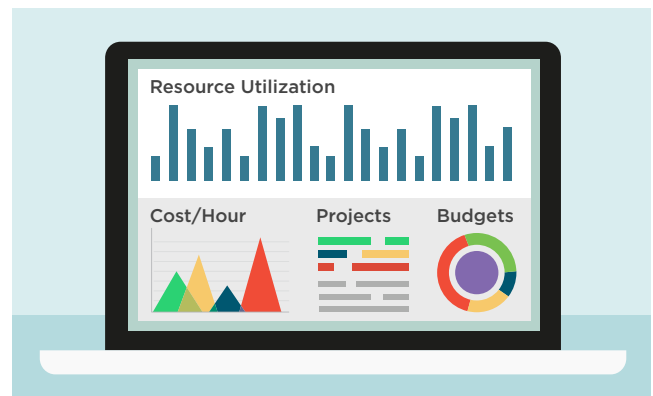
From the start, [defining every aspect of the project](#)—including the managers, start and end dates, tasks, resources, and budget—provides oversight and sets expectations. While projects may get off schedule or go over budget, it's easier to adjust a well-defined project and see the financial impact than to course-correct a nebulous undertaking.

Ideally, a project costing system includes:

- ▶ Complete control over project details, including the creation of custom fields
- ▶ Ability to add resources and their associated rates
- ▶ Real-time access to projects, hours, and costs
- ▶ Summary charts and dashboards for oversight
- ▶ Status and budget tracking on every project screen

With this level of visibility into project status and budget versus actuals, financial professionals can see what challenges may lie ahead and work with project managers to avoid cost overages. This oversight also provides insight into which teams consistently go over budget in order to address and curtail the behavior.

For organizations that deal with grant management and IT chargebacks, real-time status information is critical so financial professionals can be empowered to watch budgets closely and stop potential cash flow issues.



Real-time visibility into actual spending across projects versus original budgets can help avoid unexpected cost overages.

Best practice: Track the cost of activities for both client projects and internal projects in real-time to ensure that budgets are respected.

EXPENSE MANAGEMENT

SECTION FOUR

Employees are spending company money all the time, and [nearly 40% of employees](#) don't submit expense reports on time. That lag makes controlling expenses for both your business and clients challenging, but it also has an impact on your cash flow. Why wait until the end of the month (or sometime next month) to find out what employees will be expensing?



Not only does it behoove companies to have real-time insight into their project-related and corporate expenses, but it also makes employees' lives easier when they don't have to scramble at the end of the month and spend valuable time trying to remember what they spent and why. The process of locating receipts and submitting time-consuming expense reports could be better spent on the projects themselves.

Everyone benefits from a solution that allows employees to automatically upload receipts from a mobile device. Not only are employee hours saved, but managers and financial professionals don't encounter surprise expenses at the end of the month that can throw off a project budget or cripple cash flow.

The right solution includes the ability to capture expenses from anywhere and utilize the proper expense code. Coupled with an automated system, financial professionals have instant oversight and understanding of project and client-based expenses and can catch overspending before it gets out of control. Reporting capabilities make it easy to access real-time expenditures and eliminate the element of surprise.

Best practice: Provide employee self-service for real-time receipt uploading to provide visibility into employee expenses.



CONCLUSION

Holding the purse strings can be a rewarding or frustrating experience. Without visibility and oversight into labor costs, invoices and bills, project costs, and expenses, financial professionals may be blindsided, which ultimately hurts the company's cash flow and can threaten everything from payroll to overall business viability.

Financial professionals deserve a holistic view to best control costs and cash flow, which ultimately ensures financial success for an organization. The bottom line: solutions that automate operations and make life easier for employees also help financial professionals perform their job and protect the (financial) bottom line.

About Replicon

Replicon provides award-winning products that make it easy to manage your workforce. With complete solution sets for client billing, project costing, and time and attendance management, Replicon enables the capture, administration, and optimization of your most underutilized and important asset: time.

Cloud-based products and world-class mobile applications make our diverse customer base successful every day. From start-up organizations to Fortune 500 companies, Replicon customers experience boosts in productivity, improved project visibility, decreased revenue leakage, and adherence to labor compliance laws.

We support thousands of customers across 70 countries and span the globe with over 500 Replicon employees in the United States, Canada, India, Australia, and the United Kingdom. To learn more, visit www.replicon.com.



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