



THE MSP COVID-19 PLAYBOOK: CHAPTER 4

# MANAGING CASH FLOWS DURING A CRISIS

# Introduction

As COVID-19 continues to create uncertainty around the world, there is a long list of things that need to be done for managed service providers (MSPs) to weather this storm. You may feel overwhelmed and not know where to start—that is completely normal. We've all been forced to learn together.

We've put together this step-by-step guide to outline **the things you can do today to stabilize your business, optimize for efficiency, and maximize the opportunity in front of you.** Having a clear understanding of your financial health, what your team needs to accomplish, and how a crisis can present business opportunities are the best ways to not only survive but thrive during these crazy times.



## Chapter 4 Managing Cash Flows During a Crisis

The thing that keeps most business owners up at night is whether they have enough cash to pay their employees and their bills. According to Invoicera, [68.9% of business owners](#) fear they'll lose their business due to a lack of available cash, and 58.2% identify slow-paying customers as their biggest challenge in [managing cash flow](#). You never know what economic crisis is around the corner, so it's critical to **preserve cash and have a crystal-clear picture of your company's financial position day-to-day**.

This chapter will walk you through cash flow management best practices and offer tips and resources that will help you:

- Put the right tools and processes in place
- Make it easy to get paid consistently
- Gain visibility into your finances
- Cut expenses to build resiliency

Filled with uncertainty, many small businesses that MSPs support are closing their doors either temporarily or permanently. With that in mind, many MSPs have less than a month of cash reserves on hand and still have the responsibility to support their staff.



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Add to that the newer obligation to their now 'remote clients' to provide the additional technology and hardware they need to be productive. MSPs are left dealing with the reality that even their most loyal clients may not be able to pay them on time to cover unexpected costs. **Here are a few things you can do to help stabilize your cash flows.**

### 1 Determine Your Cash Burn Rate

The first step is **understanding how much cash** you have on hand. Start with your cash and cash reserves in the bank, subtract any outstanding or pending checks, and add back pending deposits. This is how much fuel you have in your tank.

Next, determine how much cash **you spend each month**. This is your 'burn rate' and acts as a measuring stick for the time you have before you run out of money. If you didn't take in another dollar of revenue, how many months could you last? This is a key component in strategic decisions going forward.

### 2 Shed Operational Expenses

In a time when you need to conserve cash, it's **essential to reduce expenses everywhere you can**. Service businesses spend more on labor than any other area of their business, so cutting costs could, unfortunately, mean reducing your staff, but that doesn't have to be the case. It is important to review the existing tools you use for business and service delivery. Making a **prioritized list** of those that are mission-critical to business continuity could allow you to determine if any could be scaled down, utilized in more extensive ways, or dropped altogether.

This may mean more manual work for your team, but if time is freed up during this time, ensuring no unnecessary expenses are paid is critical. Determine if you have any cash equivalents, limit your inventory by reselling items, and review the items on your balance sheet that have the potential to be sold. Be sure to **consider all** expenses, including real estate, taxes, transportation, and office supplies.

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### 3 Make It Easy to Get Paid

Many MSPs are worried about their **clients' ability to pay them on time**, or at all. Electronic payments are a must during a time when paper checks cannot be delivered or received, but accuracy here is key to ensure payments process correctly. Make the payment process as easy as possible for your customers. If possible, **set your clients up on automatic payment plans**, so it's one less thing they need to think about or do. A bonus to automatic payment plans is that it makes paying their bill with you less of a choice and just an automatic process.

Creating a single place for clients to interact with you **creates a positive experience** for them. They know how to reach you and get all the important information they need in one space. They can also pay you more easily, shortening your accounts receivable time. The ConnectWise Customer Portal **allows MSPs to give their clients that single place** to see and enter tickets, as well as review and pay invoices online. Ultimately, nothing is more important to optimize your company's cash flow than your billing and invoicing process. The Customer Portal is just one way ConnectWise can help.

### 4 Leverage a System That Automates Your Finances

MSPs must leverage a system that **makes it simple** for billable resources to do their job and accurately pass the necessary billing details to finance. By **streamlining your process with AR automation**, you are not only eliminating direct costs by presenting invoices online but many of the indirect and hidden ones that sneak up on your cash flow. With the option to send a single invoice, the finance team receives fewer questions about what each individual invoice means. The clients love seeing all work completed and everything they owe all in one invoice.

The top business automation tools allow data entered by billable resources to automatically transfer to the finance team, so nothing falls through the cracks, and they can **create accurate invoices with a single click**.

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Your cash flow can also be impacted if you're forced to reevaluate your offerings and projected goals during the COVID-19 crisis. Start first by adjusting and modifying your accounting and finance processes to fit the current situation. Consider these five questions:

1. Is your data in sync between your operational, financial, and accounting systems?
2. Do you manage expenses electronically?
3. Do you have a cash flow forecast?
4. Do you report profitability monthly?
5. What are the profit and gross margin of each line of business?

If the answer to any of these questions is 'no,' there's an immediate need to reevaluate your system and processes.

According to analysts, 90% of manual invoice processing costs stem from labor. On average, the cost to prepare an invoice can be as high as \$11.50 or more per invoice. For a company producing 1000 invoices a month, that is \$138,000 per year. With accounts receivable automation, you can bring the cost closer to the best level (Top – \$0.71 per invoice). That's only \$8,520 per year – 17x less costly.

### 5 Have a Single Pane-of-Glass View Into Finance Data

When looking at accounts payable vs accounts receivable, it's important to have **full visibility into all aspects of your financial data**. This includes unbilled goods/services, accounts receivables, effective rates, gross margins, ROI, etc.

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Without the ability to accurately measure important financial metrics, you can't make the right business decisions or adjustment benchmarks and goals, especially when we're moving at record speed during these unprecedented times. Utilize our guide, [The Finance KPIs Top TSPs Rely on for Success and How to Use Them in Your Business](#), to monitor your finance KPIs closely when they matter most.

Leave no room for surprises. Get in the habit today of a **regular reporting cadence** to ensure your leadership team stays ahead and can respond strategically to the data presented in a timely fashion.

### 6 Call in the Experts

If you find yourself continuing to struggle in any of these areas, call in the experts. [Contact our Business Consulting Department](#). They're on standby to help you tackle any business challenges you're facing today.



# Conclusion

We've given you a lot to think about in this playbook chapter, and you may still feel overwhelmed. This virus has forced you into the deep end, but you are still here. We know you've probably had to make some tough choices to protect your business and will likely have to make some more before this is over.

You are fighting through the day-to-day, and **we are here to fight with you.** Check out the rest of our tips for stabilizing, optimizing, and maximizing your practice during an economic downturn by contacting D&H.

800-877-1200 | [Cloudsolutions@dandh.com](mailto:Cloudsolutions@dandh.com)



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[Chapter 2: Securing an Unsecure World: Employee Education is Key](#)

[Chapter 3: Securing Your Company & Clients in This New Remote Environment](#)

[Chapter 4: Managing Cash Flows During a Crisis](#)

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