SIGNALJOURNAL **EXECUTIVE BRIEF**

INSTALLING CASH-FLOW DISCIPLINE

The Five-System Execution Check Every SME Leader Should Run This Week

Read the full research: [Cash-Flow Discipline: The Survival Engine of SMEs]

EXECUTIVE QUESTION ***Is your business managing cash — or is cash managing you?***

KEY FINDINGS

- SMEs rarely fail from a sudden loss of cash. Failure is the final stage of a longer execution breakdown — weak pricing, poor working capital habits, and thin monitoring compound until liquidity gives way.
- Survival depends on five aligned systems: weekly cadence, trigger thresholds, rolling forecasts, control architecture, and buffer targets. Remove any one, and drift returns.
- Failure risk rises sharply once the current ratio nears or falls below 1.0. A 20% increase in cash holdings lowers catastrophic-failure probability by roughly 10%.
- Discipline and drift are not single decisions — they compound daily through receivables follow-up, cost creep, inventory ordering, discretionary spending, and forecast honesty.

THE TWO PATHS — DISCIPLINE VS. DRIFT

Execution Area	Discipline Path	Drift Path
Cash Monitoring	Weekly/daily review; short-horizon gaps forecasted	Monitoring weakens; decisions lag behind reality
Working Capital	Receivables tightened; inventory optimized to sales	Receivables lengthen; inventory silently builds
Cost Discipline	Early, moderate cost review before pressure forces it	Costs stay sticky; correction delayed until forced
Review Cadence	Structured, recurring reviews with escalation rules	Ad hoc reviews; warning signals get ignored
Debt & Liquidity	Restructured early; buffers and optionality preserved	Credit tightens late; buffers drain under stress

WARNING SIGNS OF DRIFT

☐ Receivables days are quietly increasing
☐ Inventory is building faster than sales
☐ Suppliers are shortening payment terms
☐ Costs keep rising even as revenue softens
☐ Current ratio is approaching or below 1.0
☐ Weekly cash reviews are being skipped or delayed
☐ Reliance on reactive, last-minute financing is increasing

FIRST STEP	ESCALATE WHEN
Install one fixed weekly cash review: cash position, short-horizon forecast, receivables aging, payables timing, variance vs. prior forecast.	Current ratio nears/falls below 1.0, or the cash-to-liability ratio approaches zero — trigger the pre-defined escalation protocol immediately.

EXECUTIVE ACTIONS

1. Set a fixed weekly cash-review day and treat it as non-negotiable.
2. Track cash position, short-horizon forecast, and variance every week.
1. Build a rolling 4–13 week cash forecast; revise it weekly.
2. Run base, stress, and severe scenarios — not just the base case.
3. Set explicit thresholds: minimum current ratio, minimum runway, cash-to-debt guardrail.
4. Attach an escalation protocol to every threshold — a trigger without an action rule is theater.
5. Shorten receivables days through proactive, structured follow-up.
6. Align purchasing with real sales velocity; audit inventory build-up monthly.
7. Segregate payment authorization and reconcile accounts on a fixed schedule.
10. Set a target cash buffer and an explicit rebuilding rule after every drawdown.

Cash doesn't disappear overnight — execution failure kills it slowly. Cash-Flow Discipline is a weekly execution habit, not a finance initiative. Install the five systems this month — or the deterioration sequence installs itself.