

Cash is king: advice for CFOs

The coronavirus crisis has brought a liquidity crisis for companies. Javier Santoma, professor of Financial Management at IESE, suggests the measures that CFOs should be taking to help make sure their businesses survive.



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We have a responsibility to make sure our employees have workplaces to come back to. To ensure that happens, [Javier Santomá](#), professor of Financial Management at IESE, says you need to calculate exactly how much cash your business needs in order to be up and running from the moment the crisis is over, and keep that amount in reserve.

Start by working backwards: if you need, say, \$500k on June 1st, and you have \$1m, set the \$500k aside and see what you can do with the rest between now and then. Do that for different scenarios (for July 1st, August 1st and so on) and especially for worst case scenarios, such as assuming that any government guarantees may take some time to implement; we also don't know exactly how they will be implemented. Set your own time 0 (with 0 being the end of the quarantine) and prepare cash budgets for -2 months, -3 months, etc.

Start negotiating with your suppliers, if you haven't already, to get better margins, paying special attention to the contribution margin: here is where you may have some leverage if the supplier depends on you and wants to keep doing business with you in the future.

With customers who owe you money, really study their income statements and balance sheets to differentiate between those more or less seriously impacted by the crisis, and determine their capacity to pay. Always try to negotiate a deal: receiving a partial payment is better than nothing, but try not to settle for less than 50%.

Check the terms of your contracts. Regardless of fixed or variable terms, there are conditions by which a contract can be halted or a payment delayed.

Talk to your banker: it's their job to help. As a last resort, check out your country's bankruptcy laws: they may afford you some protections. Whatever you do, do it now!

Watch: "[Financial Impact of the Outbreak and Advice for CFOs](#)" with Javier Santoma and Mike Rosenberg.

For more tips like these, go to www.iese.edu/open where you will find a host of open-access resources, including links to online sessions, to help the business community and others work together to overcome this unprecedented crisis.



[//www.youtube.com/embed/G6gYC8EFxeU](https://www.youtube.com/embed/G6gYC8EFxeU)

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