

Identifying Items that Negatively Affect the Cash Flow of a Manufacturer

There are both internal and external factors that can directly affect the rate of cash flow of a company. Some internal and external factors for manufacturers include:

- Delays in receiving raw materials needed to complete a finished product
- Choosing the wrong firm to do assembly work or other customized work
- Choosing a supplier that has cash flow problems
- Price increases by suppliers
- Tightening up of credit terms by suppliers
- Defective raw materials
- Defective finished products
- Weak or poor computer systems capability
- Antiquated or poor manufacturing facilities and equipment or procedures that are not cost effective
- Over-purchasing of new equipment, additional facilities or over-hiring of staff to meet customers' demands
- Basic design problems
- Cost of borrowing to meet cash flow and capital needs versus leasing
- Competition
- Economic downturns
- War, acts of God, terrorism, fire and so on
- Shipping delays and errors both of goods in and out
- Over-or under-selling of products by the sales force
- Poor marketing campaign
- Selling credit terms instead of products
- Accepting customized jobs that are not cost effective
- Labor problems
- Fraud and theft
- Weather-related problems
- Changes in technology related to its product
- Changes in the law that affect how a company does business