

# Identifying Items that Negatively Affect the Cash Flow of a Service Firm

Some of these internal and external obstacles to cash flow can be addressed by employing changes to its sales techniques or changing its pricing structure, but other cannot be so easily overcome. Service firms generally have problems such as:

- Meeting the demands of their customers
- Lacking the manpower to accommodate the customers' needs
- Subcontracting part of a project out to a firm that is experiencing cash flow problems
- Lack of necessary equipment to start or complete the job
- Lack of necessary expertise for a custom order
- Pricing issues with the customer (what the customer is willing to pay versus the seller's needs and costs)
- Poor or out of date computer systems
- Poor or out of date capital equipment used in the production of the service being offered
- Cost of borrowing to meet cash flow and capital needs versus leasing
- Competition
- Initial costs incurred before any payments are received from the buyer
- Delays or costs in getting any raw materials needed to complete the service requirement of the buyer
- Economic conditions
- Wars, acts of God, terrorism, fire and so on
- Labor problems
- Weather conditions that can affect service provided to the customer