A SHORT BRIEF FOR FOUNDERS AND AGENCY OWNERS

The Cash Timing Gap

Why a profitable month can still miss payroll, how many days of cash you actually hold, and why getting paid is an operations problem rather than a finance one.

EVERY INVOICE YOU HAVE ISSUED IS SITTING IN ONE OF THESE FOUR BUCKETS RIGHT NOW

The further right it drifts, the less of it you keep, and the longer you are funding the client

My whole job is dragging money back this way

Nobody decides to become their client's bank.

It happens one quiet week at a time, and it is an operations failure, not a finance one.

I ran a full credit-to-cash cycle for two years. This is the report I lived in.

Paul Prado Pacardo

Senior Executive Assistant · Operations and Project Manager

me.kabuhayan.app
linkedin.com/in/paulpacardo
pacardopaul18@gmail.com

THE SAME BUSINESS, THE SAME MONTH

The P&L says profitable. The bank says insolvent.

Both statements are correct at the same time, because they are measuring different things. Only one of them makes payroll on Friday.

What the P&L reports

Revenue invoiced in full. Healthy margin on every job. Costs under control. A good month by every measure you were taught to look at. This is accrual accounting: earned, not collected.

What the bank account reports

Receivables ageing past thirty days. Payroll due on a fixed date that does not move. Buffer measured in days. A crisis by every measure that has a deadline attached.

THE DISTINCTION

Profit is an opinion. Cash is a date.

Profit tells you whether the business model works. Cash tells you whether you survive until it does. Owners are trained to watch the first and are killed by the second.

THE ARITHMETIC

A healthy 15 percent margin on 60 day terms is still insolvent if rent lands on day 30

Nothing in that sentence is a business quality problem. It is a scheduling problem that happens to be denominated in money.

WHY THIS BRIEF EXISTS

Every other brief in this series is about work. This one is about the gap between finishing the work and being paid for it, which is where more good businesses die than from any competitor.

TWO NUMBERS THAT DO NOT FIT TOGETHER

You hold 27 days of cash. They take about 38 to pay.

These come from different studies measuring different things, which is exactly why nobody puts them side by side. Do it anyway.

27 days

median cash buffer for a US small business, from transaction-level analysis of over 600,000 accounts

JPMorgan Chase Institute

13 days

or fewer, for the bottom quartile. Restaurants sit near 16

JPMorgan Chase Institute

28.8 + 9

average days waiting to be paid, plus average days late on top, March 2026 quarter

Xero US Small Business Insights

WHAT THAT MEANS

The median business runs out of cash before the average invoice arrives

Not in a crisis. In a normal month, with normal clients, paying only slightly late. The gap is structural, not exceptional.

AND IT IS WORSENING

Both Xero figures moved the wrong way against the previous quarter

28.8 days up from 28.3, lateness up from 8.4 to 9.0. Small movements, but the direction is consistent and it compounds.

THE CONSEQUENCE

17 percent of US small businesses have missed or nearly missed payroll because of late-paying customers

Not because the business was failing. Because the money was somewhere else on the day it was needed.

SIT WITH THIS FOR A SECOND

Roughly a quarter of small businesses hold thirteen days of cash or fewer. One delayed invoice from one decent client can flip that business from solvent to not, inside two weeks.

A NOTE ON THE NUMBER YOU HAVE ALREADY SEEN

You have read that 82 percent of businesses fail on cash. Not here.

It appears in almost every article on this subject. I went looking for the study behind it, and I am not going to use it.

Why it does not hold up

It traces back to consultancy analyses and a much older bank study, repeated without provenance for years. Even publishers who quote it concede it does not mean what readers assume: it describes the dominant cause among businesses that already failed, not the odds for any particular business.

What I am using instead

Transaction-level bank data from the JPMorgan Chase Institute. Invoice timing from Xero's quarterly small business insights. Survey data from the Federal Reserve Small Business Credit Survey and Intuit QuickBooks. Named studies, stated methods, checkable.

FED SBCS	**51 percent of employer firms cite uneven cash flow as a recurring challenge** From a survey of over 6,500 firms. 56 percent report difficulty paying operating expenses. This is ordinary, not exceptional.
QUICKBOOKS	**56 percent of US small businesses have unpaid invoices outstanding at any given moment** The average affected business was owed around $17,500. Late customer payment was the single most cited cause of cash strain.

WHY I AM TELLING YOU THIS

A brief that quotes a number it cannot source is a brief you should not act on. The real figures are alarming enough without borrowing one.

NOBODY DECIDES TO BECOME THE BANK

Every day an invoice ages, it is worth less to you.

Not because the amount changes. Because the probability of collecting it in full falls, and because you are financing your client in the meantime.

CURRENT	**Money you can actually plan around** Invoiced promptly, terms understood, no dispute pending. This is the only bucket that behaves like revenue rather than like hope.
30 DAYS	**You are now the lender, at zero percent** Nobody signed a financing agreement. But you have delivered the work, paid your people, and are waiting. That is what lending is.
60 DAYS	**Awkward call territory** The point where chasing starts to feel like it costs relationship capital, which is precisely why most owners delay it, which is precisely why it drifts further.
90 PLUS DAYS	**Rarely collects in full** By this stage you are usually negotiating rather than invoicing. Some of it becomes a write-off, and the write-off is pure margin, not revenue.

DRIFT 01

Invoices go out late

Because invoicing is nobody's scheduled job. A week's delay at the start moves every subsequent date by a week, for free.

DRIFT 02

Nobody chases until it is late

Chasing begins after the due date, which means the first contact is already adversarial. The reminder that works best is the one before it is due.

DRIFT 03

Terms are set once, then never enforced

Net 30 written on an invoice is a preference, not a policy, unless something happens on day 31. Usually nothing does.

WHAT ACTUALLY MOVES THE DATE

You cannot change their terms. You can change everything else.

Most owners assume the only lever is a difficult conversation about payment terms. It is the last lever, and it is rarely the one that matters most.

LEVER 01

Invoice the day the work lands

Not at month end. Every day between delivery and invoice is a day you gave away for nothing, and it is entirely within your control. Make it a triggered task, not a memory.

LEVER 02

Contact before the due date

A short confirmation that the invoice is approved and scheduled, sent a week early, catches the ones stuck in someone's approval queue while it is still an admin question rather than a payment dispute.

LEVER 03

Escalate on a rule, not a feeling

Defined thresholds and a defined sequence, applied the same way to everyone. It stops chasing being a judgment call about the relationship, which is why it gets delayed.

> "Assess creditworthiness before the work starts, not after the invoice ages. The most expensive receivable is the one you should never have extended.
>
> This is the part almost nobody does in a service business, and it is the cheapest intervention available.

THE MEASURE THAT MATTERS

Track days sales outstanding weekly, not the balance in the bank. The bank balance tells you where you are. DSO tells you where you are going.

EVIDENCE, NOT ADJECTIVES

I have done exactly this job.

Not adjacent to it. Two years as Credit and Collections Manager, running the full credit-to-cash cycle for a construction firm, and the operations work since.

THE CYCLE

Ran credit to cash end to end

Receivable status and payment processing, detailed ageing reports to monitor payment trends and outstanding balances, and consistent monthly recovery. This is the report on the cover of this brief.

PREVENTION

Built a creditworthiness assessment process

Applied before extending terms rather than after chasing them, which produced a notable reduction in past-due invoices. The cheapest collection is the one you never have to make.

INTERVENTION

Automated reminders and early intervention

Contact scheduled before the due date rather than after it, applied by rule instead of by judgment. Collection efficiency improved measurably.

RELATIONSHIP

Mediated invoice and charge disputes to resolution

Recovering the money without damaging the account. Most receivable problems are approval or documentation problems wearing a payment costume.

SINCE THEN

Invoicing and reconciliation

Processing and tracking invoices, vendor payments and expense reports in an agency setting, coordinating with accounting to keep records timely and accurate.

SINCE THEN

Financial reporting

Monthly reporting in QuickBooks and Stripe supporting leadership review of $150,000 in monthly revenue.

SINCE THEN

Automation

40+ automation rules and scripted reporting, including scheduled exports and escalation that fires on rules rather than on somebody noticing.

HOW TO START

Open your ageing report and read the last column.

You do not need a new system to start. You need to know what is sitting past 60 days, who owns chasing it, and when it was last chased. Most owners cannot answer the third one.

OPTION 01

Give me the ageing report

I will come back with what to chase first, in what order, with what wording, and which accounts should never have been extended terms in the first place.

OPTION 02

Let me fix the front of the cycle

Same-day invoicing as a triggered task, pre-due-date confirmation, and a defined escalation sequence. Most of the improvement comes from here, not from difficult conversations.

OPTION 03

Just calculate your DSO

Do it yourself, weekly, for a month. If it is climbing, you are funding clients for longer than you were. That is the earliest warning you will get, and it is free.

WHAT I WOULD EXPECT YOU TO FIND

One client responsible for most of what is past 60 days. At least one invoice nobody has chased since it was sent. And a real DSO higher than the number you would have guessed.

Available now for remote work

Chief of Staff · Operations · Senior Executive Assistant · Project Manager

Tell me your DSO and what is sitting past 60 days, and I will tell you where I would start.

pacardopaul18@gmail.com
linkedin.com/in/paulpacardo
me.kabuhayan.app

Sources: JPMorgan Chase Institute, Cash Flows, Balances and Buffer Days, from transaction-level analysis of over 600,000 US small business accounts. Xero US Small Business Insights, March 2026 quarter, on days to be paid and lateness. Federal Reserve Small Business Credit Survey, 2025 report on employer firms. Intuit QuickBooks Late Payments Report, 2025. Bluevine 2026 on missed payroll. The widely repeated claim that 82 percent of small business failures are caused by cash flow has been deliberately excluded for lack of traceable provenance. Figures are third-party research, not results I am claiming.