

10 Steps to Improve Your Cash Flow

By Melissa Nash Andrews, Vice President of ARI



Are you an architect, attorney, drywall installer, pilot, accountant, graphic designer, or programmer? Chances are, whatever your profession, you did not go into business to lose money or to not get paid. Even if you volunteer part of your time, you do so for a reason and that, too, is dependent on your ability to make money from the work you do for paying clients.

The following 10 Steps to Improve your Cash Flow is an excerpt from the book, How To Get Paid On Time, Every Time and implemented into your business, can reduce your aging, improve client relations and increase your cash balance.

Establish Credit Limits and Guidelines If you provide any services or products without full payment at the time of delivery, then you are issuing credit. A credit limit is a limit of dollar amount and time. Limits are not fixed. As you stay on top of your accounts, you may have to make adjustments. Guidelines are the terms and situations under which you grant credit. Write credit guidelines to terms that suit your business.

Check Credit and Trade References By pulling a credit report, you may learn valuable information that either makes you more confident in granting credit or leads you to a decision not to grant credit at all. The trade references should be called at the time of application. In my experience, it is generally true that most people don't call these references.

Establish Set Billing Practices You have to have a Billing System (process). Some regime that is systematically followed without thought or question. Successful businesses do not need to reinvent the wheel. Accounting systems have been successfully in place in many sizes and types of businesses. Simply apply common sense, train everyone that systems must be followed, and stick with it.

Track Dollars Tracking dollars can reveal not only clear information to guide your AR department, but also provide clues on how to improve your operations. Every day, countless professionals work without a system of tracking their money. This allows little cracks, which can be costly, to appear. You wouldn't say, "My sink is just leaking a little so it's okay," and you wouldn't ignore a tire on your car which was only a few pounds low.

What ROI™ Really Means This is a peer-to-peer call from accounting to accounting and is purely information-gathering. Simply ask if the invoice has been received. If not, don't insist that you sent it. Now is a good time to ask, "What is the best way to get this to you?" The other person controls your destiny now. You are on a fact-finding mission. Treat the other accounting person like a VIP. This is not the time for the drill sergeant to come out. This is a courtesy call and customer service. There is a huge benefit to this call, beyond finding out that your invoice has been received. *ROI™* means "Receipt of Invoice."

Get
PAID!

Avoid Call Reluctance For many of my clients, attorneys and others, the phone can weigh 2000 pounds. I borrow the term "call reluctance" from the sales world, but the psychology is the same. For many people, there is a serious reluctance to call and ask to get paid. Find a way around call reluctance. The system cannot work if you make the calls only when you are in the right mood. The system must be followed every time. Remember, be confident yet polite.

Plug Leaks Quickly The squeaky wheel gets the grease. Find out early what is going on. Don't wait 60 days. That first ROI™ call can reveal little signs of problems. Look at the aging of the invoices as a sign of danger. Avoid the all-too-common evasion in simply thinking, "They will work it out." How do you know if you don't call to find out?

Be Reasonable It is not a bad idea to be reasonable, even in the face of unreasonable clients, as a calculated technique to getting paid and avoiding problems in the future. Depending on what kind of clients you serve, you may be used to dealing with less-than-accurate views of the world. It should not keep you from getting paid. Placing intellect over emotion will give you a competitive edge and keep you a step ahead. If something really is your fault, deal with it. I have to repeat myself here: If something really is your fault, deal with it!

Breaking Up Is Hard To Do What? Did I just suggest ending a business relationship? One that you worked so hard to obtain? Yes, I sure did. Sometimes, nothing feels as good as letting go. Include a "Cease Work Agreement" as part of your business plan. It can be either something that is presented only if need be, or a part of the terms and conditions of your contract.

Communicate — The Most Powerful Tool – The most powerful tool at your disposal is communication. Whether it is the purpose-driven, scheduled, fact-finding calls or a smiley face and a handwritten note on an invoice, communication is the key. Silence and delays reduce your success rate.

Melissa Nash Andrews is the Founder of ARI, a full-service collection agency in West Palm Beach, Florida and the author of ***How To Get Paid On Time, Every Time***. ARI offers a unique beginning-to-end solution designed to transform the operation of your Accounts Receivable process. For more information on ARI or Andrews' recently published book, please visit www.howtogetpaidontime.com.

