

Turning work into cash

Fifteen minutes, one number, and the questions a good coach would ask you.



The practice

A business that sells expertise is, among other things, a bank that lends its clients money without charging interest. It pays its people at the end of the month, sends the invoice when someone gets round to it, and then waits while the invoice sits in a queue behind a purchase order nobody mentioned. Growth makes this worse, because more work means more money lent.

Cash is tied up in two places: work done but not yet billed, and invoices sent but not yet paid. Together they make your lock-up. Shorten it four ways: bill sooner, agree terms before work starts, make invoices easy to pay, and chase on a fixed routine. As a backstop, UK late payment law lets you claim interest at 8% above the Bank of England base rate, plus a fixed £40, £70 or £100 depending on the size of the debt.

Your lock-up on one page

Annual fees, before VAT

Fees per day (annual fees divided by 365)

Work done but not yet billed today

Invoices sent but not yet paid today
(before VAT)

Lock-up days (the two added together,
divided by fees per day)

Cash tied up (lock-up days × fees per day)

Cash released for every 10 days you take
out

An agency with £2.4 million of fees and 80 days of lock-up has about £526,000 of its own money waiting to arrive. Taking 25 days out releases about £164,000.

Try this this week

Work out your lock-up days with the table above. Then list every invoice more than 30 days overdue, and write a name against each one: the person who will phone about it this week.

Coach yourself

Set aside fifteen minutes where nobody can interrupt you, and answer in writing. An answer looks surprisingly different once it is on paper.

G

GOAL

What would three months of costs, sitting in the bank, change for me?

R

REALITY

How long does it really take from doing the work to having the money, and who chases?

O

OPTIONS

Which work could be billed sooner, and what would a simple chasing routine look like?

W

WILL

Who will run that routine, starting when, and which number will I check each month?

If you catch yourself saying...

You hear yourself say	Try asking instead
<i>"I hate asking for money"</i>	What do I believe will happen if I ask?
<i>"They're a big company, they'll pay eventually"</i>	What does "eventually" cost me each month?
<i>"We bill when the project's finished"</i>	Who is funding the project until then?

ONE HARDER QUESTION

Which client am I lending money to without meaning to, and why have I not said so?

Keep it going

Chasing slips the moment the business gets busy, which is exactly when the cash is needed. Give the routine to one named person, put lock-up days on the agenda of your monthly meeting, and put three check dates in the diary: 3, 6 and 12 months from today.

When to get help

Charging statutory interest, changing your terms or recovering a debt is one for a solicitor. Your accountant can help with cash forecasts. If payroll or tax payments are at risk, talk to your accountant this week, before anything else.

What a coach adds

This card gives you the questions. What it cannot do is notice which one you avoided. It is one of the SMARTer practice cards, covering the ten key areas of a business that sells expertise.



Talk yours through with me: book a Discovery Call at smarterentrepreneurs.co.uk

No pitch, no pressure, and you'll leave with something useful either way.