SMARTer Entrepreneurs

FREE QUICK CARD

FINANCE I QUICK CARD FI-03

Turning work into cash

Fifteen minutes, two sums, 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, does the work over several weeks, sends the invoice when someone gets round to it, and then waits. Growth makes it worse: more work, more money lent.

The practice: bill sooner, agree terms before work starts, make invoices easy to pay, and chase on a fixed routine run by someone other than you. An agency with £2.4 million of fees took 25 days out of its cycle and £164,000 came back, with no new clients.

Your lock-up days

Annual fees before VAT, divided by 365: your fees per day	
Work done but not yet billed, divided by fees per day: unbilled days	
Invoices sent but not paid (before VAT), divided by fees per day: debtor days	
Lock-up days: the two added together	
Cash tied up: lock-up days times fees per day	
What every 10 days you take out is worth: 10 times fees per day	

If no payment date was agreed, a business invoice is late after 30 days and you can charge 8% over base rate (GOV.UK).

Try this this week

Work out your lock-up days. Then list every invoice more than 30 days overdue with a name against each, and make one friendly, specific phone call about the oldest.

THE OTHER SIDE OF THE CARD

Coach yourself

Fill in the front first. Then take fifteen minutes with these, in writing.

1. Of your lock-up days, how many are work not yet billed, and what stops it being billed the day it is done?
2. Which client pays slowest, and what would happen if you said so to them?
3. Who chases overdue invoices now, and when did they last do it?
4. What could you bill in advance or at a milestone that you currently bill at the end?
5. If your two biggest clients paid a month late, how many weeks of costs could you cover?

If you catch yourself saying...

You hear yourself say	Try asking instead
"I hate asking for money"	What do you believe will happen if you ask?
"They're a big company, they'll pay eventually"	What does "eventually" cost you each month?
"I'll sort the invoicing when things calm down"	When did things last calm down?

ONE HARDER QUESTION

You are lending your slowest client their unpaid balance, interest free. Did you mean to?

Keep it going

Decide who runs a weekly routine (a reminder before the due date, a call the day after), who covers their holidays, and which monthly meeting reads lock-up days. Put three dates in the diary: 3, 6 and 12 months from today.

When to get help

Charging interest, changing terms or recovering a debt is for a solicitor. Your accountant can set up a cash forecast. If you cannot make payroll, talk to your accountant today, 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 your SMARTer coach and mentor: book a Discovery Call at smarterentrepreneurs.co.uk

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