



Managing Your Receivables

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Your money is always worth more to you when it is in your account!

The biggest problem I see time and time again with small-business owners is their failure to collect what is owed to them in a proper time frame.

Acting promptly and decisively is the key to successfully collecting money. In general, the longer the bill is owed to you, the lesser its value is to you. This means setting a drop-dead date of the month in which all invoicing is completed and sent.

It also directly impacts your working capital requirements. This means, you become the client’s banker.

Prompt, regular billing sends a message to your customers that getting paid on time is a high priority with your company. On the other hand, sporadic billing is an invitation for your customers to take full advantage of your tardiness. If you procrastinate in billing, your customers will follow your lead and procrastinate in paying.

Let me repeat this so it will sink in deep.

If you do not send your invoicing out in a timely manner every single month, the perception you give to your clients is precisely one that screams “Hey, I don’t need your money!” I doubt that is your intention.

Be disciplined about billing regularly. Set a specific date of the month that all invoicing for work will be billed and mailed.

Next, you should ask yourself how easy you can make it for your customers pay. Some people like to pay either by credit card or debit card. Make it easy and accessible for them to do it. You may also consider enclosing a pre-addressed and stamped envelope for their use to return by mail their payment.

Invoices should be accurate, understandable, and readable. The bill should not raise any questions. Questions are reasons for delaying payment so build another system into place to make certain the client is aware of and in agreement to the invoice style and format.

Finally, develop a protocol for follow up regarding payment. A courteous phone call or mailer can be helpful in reminding customers your payment is due under the terms. Again, if you’re tardy in this, you send the wrong message. The squeaky wheel does get the grease.

A simple system of timely billing can easily improve your business’s cash flow.

