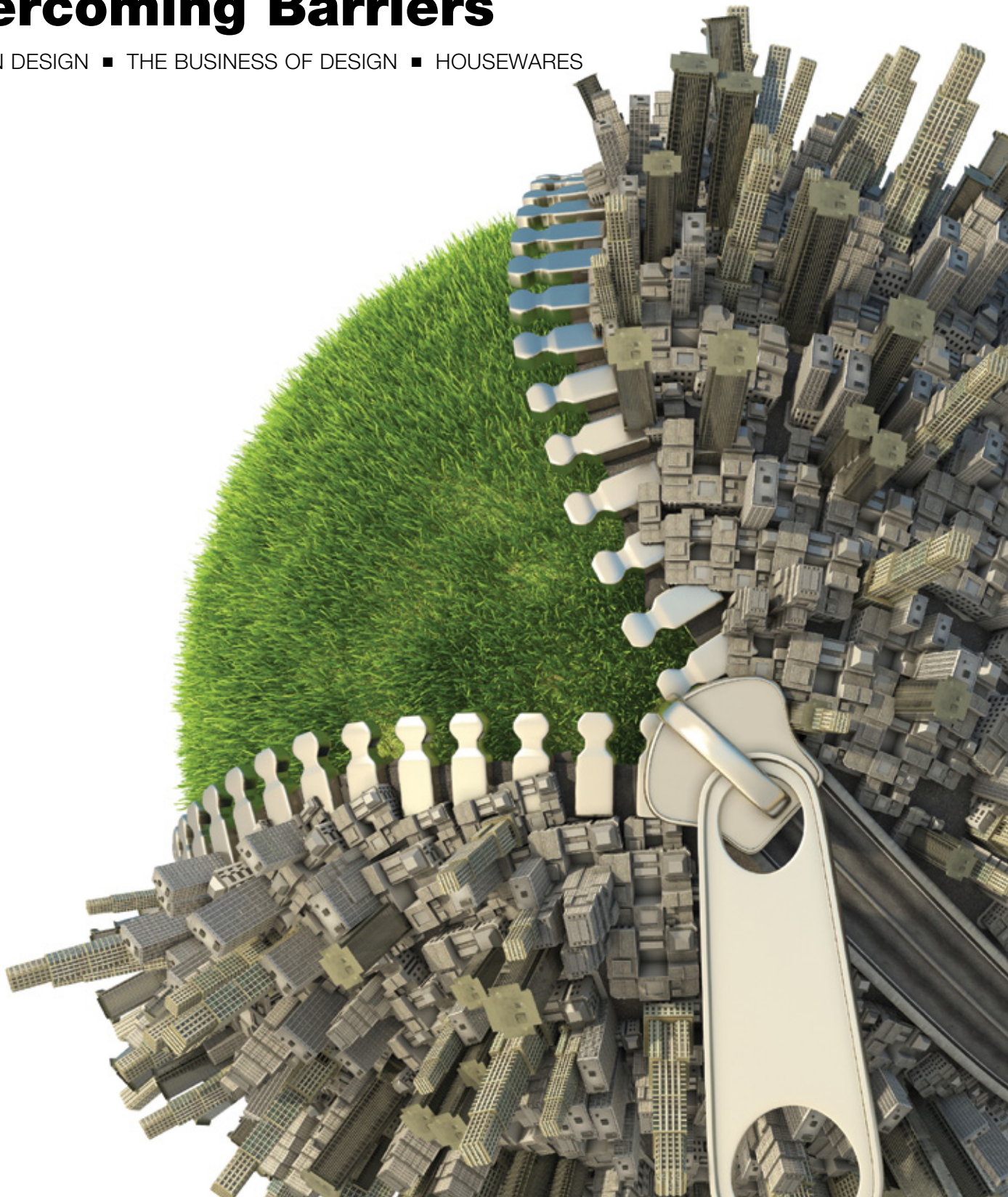


QUARTERLY OF THE INDUSTRIAL DESIGNERS SOCIETY OF AMERICA **WINTER 2011**

INNOVATION

Overcoming Barriers

FASHION DESIGN ■ THE BUSINESS OF DESIGN ■ HOUSEWARES



Cash-Strapped Times

HOW TO BOOST CASH FLOW

Cash is a design tool. Without it, exciting product design can't happen. With all best intentions you strive to pay your employees, vendors and landlord promptly. However, you are stressed out in your struggle to make payroll because of clients who pay slowly. Costs increase as you pay interest on lines of credit that are close to maxed out. Where does this all end? Maybe at the beginning.

Collections begins when you negotiate a contract. Be sure to specify monthly or semimonthly billing that includes all the work done in that period. Even if a company has a 60-day payment policy, during the negotiation process it may be easier than you think to get the payment terms reduced.

One of the most common problems I see is billing at the end of phases. Your costs typically recur on a monthly cycle or less, so you must collect on a similar basis in order to keep current. Traditionally, invoices are payable within 30 days; however, I am currently seeing many firms specifying payment due upon the presentation of the invoice. In some cases it's a good idea to get your clients into the habit of paying at the same time each month or every other week. We humans are creatures of habit. Use that to your advantage.

Remember to bill as promptly and as frequently as possible. Unbilled work in process is project work waiting to be turned into cash. Also, the longer those projects remain unbilled, the more overhead costs they will absorb.

Invoicing begins with time and project reports. You provide high-value services, but you must realize that to a large extent it also comes down to selling time and talent. Some time-tracking software may already be built into your project management or accounting systems. Other network- or cloud-based time-tracking software is easily obtained as well. There are no excuses for your staff failing to record time *contemporaneously!* At least 20 percent of additional billable time is usually found when staff are required to record their time at least once a day.

When it comes down to it, people pay people. Interpersonal skills are important; you must establish rela-

tionships with your client's staff who handle the payment system. Consider all involved, from the project manager to the accounts payable staff. You must know where and when to send correspondence and who can help with hang-ups. Become acquainted with your client's administrative staff as soon as the contract is signed. You'll want to know the company's systems and processes because it's not good to send a bill on the 11th of the month when bills are paid on the 10th. In addition to getting paid quickly, your clients will appreciate the interest that your people show in their organizations and how it all works. That's terrific team building.

It's exciting to get an interesting, lucrative project; however, it's critical that you evaluate the likelihood of getting paid promptly. Be sure to check trade references. Credit reporting agencies such as Dun & Bradstreet (dnb.com) report on a business' credit worthiness much like consumer agencies do and provide cost-effective predictive tools.

I suggest that you bill reimbursables separately. If those are the most disputed items on your invoices, why not separate them from the fee and get the bulk of your invoice paid on time? Remember to write your invoices in clear language that reflects the wording used in the contract and is understandable by your client's personnel. Include all client-required payment forms and vouchers and send them in the preferred format, such as a PDF.

Remember, before sending your client a bill, discuss any unusual amounts and overages with your contact. No one appreciates these types of surprises. Take the opportunity to give your client value by suggesting ways to hold down costs. This approach will get you paid faster and also increases the chances of more work coming your way.

Know when to consider terminating client relationships. Slow payers increase accounting and other administrative costs related to collections. On the other hand, there are times when discounts for prompt payment are the least expensive way to accelerate cash flow—and good clients deserve to be rewarded.

—Gary Eisenkraft
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