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## **Managing your debtors**

Cash flow is a key consideration for all businesses. There is one sure method to adopt to improve cash flow, and it is, **actively manage debtors**. Owners/managers are generally good at winning work, completing projects and invoicing. However collecting cash tends to be managed with far less focus. The simple explanation for this is, you didn't start a business to spend your time chasing debtors. In saying this however, it is a very important aspect of "working on the business".

To actively manage debtors a specific individual or team (subject to the size of operations) should be responsible, this involves:

- Creating procedures/policies to make collection of debtors a routine and important part of the business.
- Tracking when invoices are sent to clients.
- Following up with an initial friendly reminder when debtors are overdue.
- Follow up with more force if debtors remain overdue, generally a telephone call is best.
- Taking appropriate action to collect debts from troublesome payers.

Debtors management should be integrated into the total customer service offering to a client. Following up with clients to ensure that they have been satisfied with the outcome of a project will provide you with a good sound board on the output of the business and also provides a great opportunity to confirm when payment will be made.

It can be advantages to have an open dialogue with your clients and discuss reasons why invoices have not been paid. This discussion can lead to understanding the cash flow constraints of your clients and to the negotiation of a successful payment arrangement to suit both parties. **Collecting small instalments for invoices is better than not collecting them at all.**

If you are continually struggling to collect debtors, there are many companies who can take over the collection process for a fee. Yes, you do pay a fee, however you will collect your cash much sooner and alleviate the responsibly and energy required to collect cash from clients. This will give you more time to focus on the business. Note, this should not be used as a long term solution to collect debtors generally. It is however it is a powerful tool to collect fees for specific clients refusing to pay invoices.

In order to have your business running effectively a business needs cash flow to manage the expenses associated with running the business and allow owners to be rewarded for their hard work. Spending a little time setting up procedures to ensure effective collection of debtors will be rewarded in the long term.

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