



HOW TO GET BLOOD OUT OF AN ELEPHANT

GETTING PAID BY YOUR BIG CLIENTS

An eBook by Bronwyn Reid | Small Company, Big Business

Helping Small Business Do Business With Big Business

Part 2. Understand Your Buyer

How To Get Blood Out Of An Elephant

HOW TO GET PAID BY YOUR BIG CLIENTS

Every small business owner knows, or should know, that cash flow is vital. Failure to control cash flow, in its various guises, is the most common cause of small business failure. It is also one of the main causes of dysfunctional stress for the small business owner, with all the consequential health and life issues.

There is no shortage of advice for small business owners on how to collect their accounts payable. Just do a simple Google search and you will instantly come up with tens of thousands of articles to read. But working with large organisations can be a bit daunting, and it's important for you to understand that. Here are some things that you need to take into consideration when you are working for a large buyer, such as Government, a big corporate or even a Not For Profit organisation.

10 Things To Remember

- ➡ Get the process right
- ➡ Have a purchase order
- ➡ Get the format right
- ➡ Invoice immediately
- ➡ CC your contact
- ➡ Understand bureaucracy
- ➡ Get the details right
- ➡ Check the payment time
- ➡ Check the payment terms
- ➡ Phone a friend

“ Make sure you know exactly what process to follow when submitting your invoices.”

1. Get The Process Right

There is a special place in cyberspace – maybe even a parallel universe – where invoices sent to large, bureaucratic organisations go if the stars don't align when they reach the Accounts Payable Department.

Once they enter that black hole, it's extremely difficult to get them back, so it's best to get the process right so they don't go there in the first place.

Make sure you know exactly what process to follow when you submit your invoices.

Do they only accept electronic invoices?

Do you have to log into their system to upload your invoice?

2. Understand Bureaucracy

The only way to control an organisation of that size is as a bureaucracy – with all the built-in controls, fail-safe procedures and processes - all designed to reduce risk. These controls are especially evident when it comes to them handing over money, e.g. paying your invoices.

Your contact is just one cog in a huge machine, and regardless of the strength and longevity of your relationship, they are a part of that bureaucracy.

3. Have A Purchase Order (Or Contract)

Don't work without a purchase order ... ever.

You must have a PO, a Contract, or some form of confirmation that you are cleared to work, by someone with sufficient authority.

No matter how much pressure is applied by your contacts within the organisation, resist. Then read points Tip 1 and Tip 2 again.

If you stray outside the boundaries, you drastically reduce your chances of getting paid - by about 100%.

Case Study

A small company did an urgent job to help their company contact out of a spot of bother - without a Purchase Order. The job involved bringing in an outside expert as a consultant.

Their company contact left their job soon after the work was completed, leaving the small company to try and retrieve their money. They eventually got paid – 428 days after the invoice was submitted.

4. Get The Details Right

Large organisations have a multitude of departments, subsidiary companies, joint ventures and so on. It is important to have the invoicing details absolutely correct – the name of the entity, the company or tax number (or whatever is needed to make the invoice legal where you are), the Contract or Purchase Order number etc. I always advise a meeting, phonecall or email with a contact person at the beginning of the engagement to ensure this is all made clear. Some large companies and governments even put this information on their website for to access easily. This is a very common cause of delayed invoices, as they have to be sent back for re-issue and approval. I discuss this more in Tip 8.

5. Get The Format Right

As well as checking the invoicing details, make sure you check the format of the invoice before you start. Some organisations require line items, itemised in pain-staking detail.

Others just want a single line with something like “Services provided for the month of January”, or simply referring to a Purchase Order document, contract or proposal document.

This is another good reason to have a phone call with your company contact at the beginning of your working relationship.



6. Check The Payment Time

Usually, contracts with a large organisation will come with standard and non-negotiable payment terms. Make sure you are fully aware of these, and take them into consideration when planning your cash flow.

Payment terms of 60 days are typical, and 120 days is not unusual. Another common term is payment x days from the end of the month when the invoice is received, and this can create a can be seen from the table below.

	Date	No. of days from work being done	No. of days from invoice being sent
Work done	4/12/2015		
Invoice sent	4/01/2016	31	
Invoice due for payment	16/03/2016	103	72

“ Note ... If you paid some costs when you did the work, you're out of pocket for 103 days! **”**

7. Invoice Immediately

The table in point #6 above clearly shows the importance of getting your invoices out as soon as possible. This is the real stumbling block for many small business owners - they love doing the work, but hate the "paperwork stuff".

Just remember that, when you went into business, your plan was to do good work that you love, that provides value, and solves a problem for your customer. You didn't set out to be a banker to a multinational company or a Government. Get your money, and let someone else provide them with credit.

“ Remember ... Get your invoices out as soon as possible. ”



8. Check The Payment Terms

As for Tip 5, check all the other terms associated with getting your invoices paid.

Another common term is payment x days from approval of invoice. Generally, once your invoice has been received by Accounts Payable, it will be sent to the person responsible for your contract for approval. If that person is away for some reason, or simply neglects dealing with it (yes, it does happen – a lot), your invoice can languish in limbo for some time. The countdown for payment doesn't start until the invoice has been dealt with and approved.

This is a very good reason to make sure the invoice is 100% correct when it leaves your office (see Tip 4).



9. Always CC Your Contact

Always cc the person who is going to be responsible for approving your invoice when you send it to Accounts Payable.

That way, any issues they pick up can be dealt with quickly, the invoice re-issued and the payment process will stay on track.



10. Phone A Friend

As I explained in point #1, there is a black hole where the invoices that don't conform to requirements go. Often, the accounts payable process has been outsourced – maybe to another continent. You need an ally within the organisation who can navigate the labyrinth of the Accounts Payable process.

Make a point of identifying and befriending this person early – before you have to call on them. Ask your work contacts to help you find this person (or persons). This takes some time, and in an ideal world it would not be necessary. However, your initial effort will be repaid many times over if you find yourself chasing a payment that nobody will take responsibility for.

A Note From The Author

Of course, there is much more to getting paid than just these 10 points, but when you're dealing with a big customer that has a bureaucracy to navigate, these are a very good start. You can have the rewards of having a big "name" as one of your customers without the pain of waiting a long time for your money.

Bronwyn

The Small Company, Big Business Program

Over more than 20 years, I have seen time and time again how getting just one, first contract with a 'big name' is the spark for rapid growth by a small business. That one contract gives the credibility to bid for an win the next, bigger contract.

But attracting those big buyers and getting them to trust you with their work isn't always easy. Your business will have to make some changes.

I can help you to achieve this.

The Small Company, Big Business Program takes you through the 5 stages necessary to become a successful, reliable and profitable supplier to these big organisations – whether they are Government departments, big corporates or even Not For Profits.

- 1. Understand your buyer**
- 2. Set your Foundations**
- 3. Simplify the Complexity**
- 4. Make Yourself Known**
- 5. Tell Your Story**

How To Get Blood Out Of An Elephant

STEP 1 UNDERSTAND YOUR BUYER

70% of business owners tell us that they have problems understanding what is expected of them when they try to deal with large organisations. If you don't understand what they expect, how can you give them what they want?

STEP 2 SET YOUR FOUNDATIONS

Big buyers don't like risky suppliers. Your potential big customers just won't deal with a supplier who is build on shaky foundations, so you have to get these first.

STEP 3 SIMPLIFY THE COMPLEXITY

Big customers need to know that you can supply what they need, on time, every time, and to the required standard. The only way to ensure you can do that is by implementing Business Systems.

STEP 4 MAKE YOURSELF KNOWN

63% of business owners tell us that getting noticed is their main barrier to getting work with big companies. You need to be able to find out what work is available, and make it easy for them to find you.

STEP 5 TELL YOUR STORY

Big companies and Government often use formal Tender processes to find their suppliers. To win over your potential big buyers, you must have a compelling story to tell, and be able to tell it well.

