Strength Training for Business Owners

In the most recent *myaccounts* Credit and Cash Flow Boot Camp, Ben Sewell, of *Sewell & Kettle Lawyers*, led us through some strength training for businesses owners and their credit management.

"There are two kinds of business owners," instructed Mr. Sewell, "A weak credit and cash flow manager, and a strong one. Who do you think runs the more successful business?"

Don't be a weak manager of credit and cash flow

A weak manager of credit will make a lot of decisions out of ignorance, not predicting which customers are bad risks and hold on for debt too long. It is important for the business owner to be in-the-know regarding the financial condition of their customers.

To avoid unnecessary stress and debt, business owners need to ensure they have proper documentation and commercial payment terms. "It is simply not good business to merely hope you'll get paid by customers" said Mr. Sewell, "Business owners need to have quick and consistent collection practices."

Improve your credit and cash flow processes

Mr. Sewell believes there are four simple, yet essential practices required of business owners to ensure that they are achieving maximum cash flow and efficiency in their business.

a) *Develop rules of thumb to judge credit risk*
The best protection for your business is credit checking and applying the rules of thumb relevant to your industry.
Mr. Sewell shared some of his own rules of thumb when assessing how much of a credit risk the customer will be:
- Are they difficult to deal with?
- Do they have unrealistic expectations?
- Did they have problems with their last supplier?

b) *Work out credit terms that protect you*
Business owners need to think about and then communicate their payment expectations to customers, this includes the timing of payments.
"If you are not making your expectations clear to your customers, then your payment won't be prior to supply, it won't be on conclusion, it will be never."

c) *Consistently apply a collections process*

It is necessary that a quick and consistent collections practice is implemented. Business owners need to be proactive in their debt collection, not reactive. Constantly customizing the collection process to suit your bad debtors is draining and self-defeating, you need to create a system and stick to it.

d) *Know when to cut it off*

Many business owners struggle with the fear that if they don't customize their collections process to suit their debtors then they will lose the customer and therefore lose money, but Mr. Sewell encourages business owners to adopt a *No Losers Policy* "we don't extend credit to losers. The longer you leave the cutting off, the greater the fallout in extracting your business."