

Newsflash

FROM LINDA SWERLING

November 18, 1998 - As we move toward the end of a busy year and you are planning for 1999, consider budgeting for operational improvements in your business. You will be rewarded with lower costs and improved efficiencies. Following is another case study showing how making simultaneous changes in different areas can reap big rewards on the bottom line!

IMPROVING CASH FLOW THROUGH NEW TIME AND BILLING PROCEDURES

PROBLEM:

A consulting firm with 25 consultants and over \$9 million in revenue wanted to improve its cash flow to avoid having to access its line of credit to cover operating expenses. Several situations were contributing to the problem.

- ◆ The **billing and time tracking** programs the firm used were not integrated.
- ◆ The consultants were not aware of the importance of **terms and conditions** when negotiating projects.
- ◆ The accounting department had **no defined procedures**, additionally complicated by the fact that all of the consultants did their timesheets at the **end of the month**.

SOLUTION:

- ◆ Through group meetings and ongoing communications the partners educated the consultants on how to write their proposals and project specs with **different payment terms** - prepayment, retainer, or project pricing.
- ◆ They also moved away from end of the month invoicing to a more **staggered system**. From submitting timesheets to accounting monthly, the consultants moved to inputting their time into a new, integrated time and billing program on a daily basis.

◆ **Collections became the responsibility of accounting** who worked with the clients' accounting departments unless a major problem developed.

RESULTS:

- ◆ With daily timesheet entry, accounting could **generate invoices immediately** whenever required by the contract terms.
- ◆ The distribution of this task throughout the month gave them time to build relationships with their counterparts and **follow up more quickly** before payment was late, shortening aging time.
- ◆ Consultants focused on **nurturing relationships** with their clients rather than chasing payments.
- ◆ **Tighter payment terms meant faster turnaround time** as project milestones were met.
- ◆ The cumulative effect of all these changes made **cash flow so strong** the firm no longer had to access the credit line for bridging operating shortfalls.

As always, Level II Solutions is a resource for problem solving, strategic planning, business start-ups, operations, finance and accounting, cash flow management, information technology, and human resources. Until the next News Flash . . . My best wishes to you for a safe and happy holiday season!

LEVEL II
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