

# Tips from the Top<sup>®</sup>

Business insights from those at the top for those at the top.



THE ALTERNATIVE BOARD<sup>®</sup>

Change Perspective. Improve Business. Enjoy Life.

## Inside this Issue

 <i>Operations</i>	2
 <i>Sales &amp; Marketing</i>	4
 <i>Finance</i>	5
 <i>Human Resources</i>	6
 <i>Strategic</i>	7

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## Sell Receivables at Auction to Free Up Cash Flow

**Ralph Rosenbaum, Stainless Steel Products, Deer Park, NY**

Two years ago I came across an article in Inc. Magazine that described a new exchange to allow small and medium-sized businesses to buy and sell receivables for one to two percent, much like other negotiable instruments are sold but in an auction-type environment.

Personally, I have always considered traditional factoring of receivables to be expensive and onerous. The exchange method, however, was an innovative idea and a fascinating use of technology. Why not have buyers bidding on a receivable to lower the discount? Competition is the American way! And why not sell a receivable at a discount?

At my company, we already offer customers a one percent discount for payment within 10 days, but very few of them take advantage

of it. In fact, most take advantage of us by stretching their payments to 45 to 75 days, even 90 to 120 days in some cases.

During the recent economic downturn we began feeling the financial pressures. One evening I recalled the article and decided to look into it further. I did some research, reviewed literature on the exchange and decided to try it. The results have been excellent!

Allowing buyers to bid on our receivables in an auction-type environment has reduced our need for working capital. We are turning funds over and reinvesting them in the next sale. It has also allowed us to fund sales of larger projects because we can promise to pay our vendors within their terms regardless of when the customer pays us. We have

*continued on page 2...*

## Cash is King!

Experts say the economy is on the rebound, but many business owners are still experiencing limited cash flow. Whether it's due to a decrease in sales, slow paying customers, or an upswing in business that requires new hires and operational

expenses, this issue of Tips from the Top is packed with ideas for filling your cash coffers.



## Cutting Costs with Open Discussion

**Quentin Baker, Baker Engineering & Risk Con., San Antonio, TX**

Our three major partners had determined that our buy/sell agreement was out of date, and some of the language did not accomplish what we wanted. Instead of simply asking our attorney to rewrite the agreement, each partner made a list of key concerns. After talking through the differences, we quickly came to agreement on the needed revisions. As a result, our attorney's first draft covered everything, and we saved time and money.

## Training Franchisees

**Jeffrey Salter, Caring Senior Services, San Antonio, TX**

During a recent budget discussion, we focused on the cost of our Franchise Support Representatives, who were challenged to visit new franchisees frequently. Maintaining an acceptable contact level between support reps and franchisees required a huge investment in travel, lodging, salary and training. However, we realized we were going about it all wrong. For far less investment, we could fly franchisees to the home office at our expense. There they would have access to better resources, and an opportunity to feel more a part of the larger organization.

*...continued from page 1*

complete flexibility to sell or not sell; we set the selling parameters. And the transaction is completely invisible to customers.



## Less Skilled Labor Saves Time and Money

**Bob Ryan, TAB Twin Cities, East Metro board**

One of our TAB Board members runs a service business. Each evening his techs return to the shop, dump their equipment and loose supplies, and go home. The next morning it takes up to 45 minutes for the techs to get organized before they can get out on the job again. Our board proposed hiring a less expensive warehouse employee for two hours a day to help unload the trucks and organize the supplies and equipment. The result is a savings of \$9600/year and faster service in the field.



## Time to Look in the Mirror

**Craig Smith, Retained Earnings, Appleton, WI**

A customer not being aware of our excellence is not the fault of the customer. After years of stellar work for a customer, it's disappointing when they open up bids for a product or service you have been providing. However, this situation mandates us to look at the real cause of the problem in the mirror. If we have competitive advantages, we need to communicate them clearly and effectively to our prospects and customers. We do them and ourselves a disservice by not doing so.

## Mobile Apps for Customers

**Javier Elizalde, SBS Administrative Services, Universal City, TX**

As a third-party administrator for COBRA, Flex and HRAs, we strive to make it easy for clients and policy holders to access their information quickly. Last year we deployed an application to allow clients to access their accounts remotely by iPhone or other mobile technology. Giving our customers anytime access is another way to achieve our motto "We are here for you"...now 24/7.

Mobile Apps are secure and give an added convenience of easy access to the customer that many businesses could benefit from.

## Admit Your Mistakes

**Thomas Flaherty, Pro Cabinet Solutions, Littleton, CO**

It is inevitable that you will make a mistake with customers at some point (we are, after all, only human). While it would be easy to provide excuses as to why things went wrong, try telling your customers the truth. Most of the time, you will find that the customer is very appreciative of the honesty and often they empathize with making a mistake.

## Staying on Top of Receivables

**James Cillessen, Interstate Electrical Contract, Wheat Ridge, CO**

For many businesses today, receivables are a challenge. The earlier in the cycle you reach out to customers to receive payments, the better. Use your finance people, project managers or office manager – whoever makes sense – to nudge a customer into paying. If you aren't able to get them to pay, eventually you will need to call them personally. Either way, reviewing your receivables weekly will help your cash flow.

## Collecting Receivables in Small Claims Court

**Sheila Baker, RCA of Grass Valley Inc, Nevada City, CA**

If you have exhausted your in-house efforts to collect on a receivable, do not let the money go uncollected – it is your right to collect! Small claims court is your next option. Check with your local court on the small claims process and nominal cost to start. Should you prevail in court and obtain a judgment, you have many options available for collecting on the debt including wage garnishments, bank levies, liens on property and more. If you do not want to go through the enforcement process, you can assign the judgment to a collection agency that will be collect the debt for you.

Keep in mind that small claims court proceedings must be initiated within two years from the date of service or sale for oral contracts, and within four years for written contracts. If a payment has been made within the first two or four years, the statute is extended by two or four years, depending on the type of contract. Small claims court judgments are good for 10 years, with the ability to renew for another 10 years until collected.

## Banks Need Business Too

**Peter Begin, TAB-Greater Hartford**

If your cash flow is tight, it may seem counterintuitive to ask for a loan or refinancing, but many banks are opening up to new business. We had a couple TAB members receive attractive refinancing proposals even though they had very tight cash flow. In both cases they were able to show the bank that their businesses had started to grow again and, if they could solve the capital constraint, they would be in a good position for further growth. In addition, I was able to provide positive comments that helped the bank become comfortable with the TAB member as a new client. Your TAB coach can likely do the same.

## Hold Yourself Accountable

**Mark Cusumano, Fresh Warehousing, Sauget, IL**

I recently realized that I did not give my staff formal performance evaluations because I had never been evaluated myself. I didn't know where to begin, but my TAB facilitator gave me several different types of forms and shared a wonderful process. In addition, I asked him to complete a performance evaluation on me. Afterward, I shared my performance review with my management team. They now know the areas I am working on, as well as the areas that make me strong. My hope is that this will help to establish a comfort level throughout the company with the performance evaluation process.

## Protect Key Development Budgets

**Rick Seiler, Seiler Instrument & Manufacturing Co., St. Louis, MO**

When asking managers to cut costs, don't pull the rug out from under your most valuable initiatives. Make sure they know that your key development budgets – training, recruiting or whatever – are to be maintained so that future growth of your company is not inhibited.

## When You Can't Afford Raises

**Sharon Dietrich, Cygnus Automation Inc., Bohemia, NY**

Based on economic circumstances, this year we have decided not to give employee raises. Instead, we will award employees a bonus based on percentage of salary for the prior year. This does not commit us for future years, and we will not be obligated to pay additional future salary if the business cannot afford it.



## Groups Need to Support the Company Vision

**Cornell Meyer, Board 403 St. Louis Metro**

When creating groups and/or teams in your company to head up special projects or steer a process, be sure to start them off with a copy of the company vision statement. If they are not channeling their efforts to further the vision of the company, they are wandering off track. It is also beneficial for the group to develop a vision statement specifically for their mission, which is reviewed each time they meet to reaffirm their purpose.

## Three Levels of Leadership

**Richard Fulham, Fulham and Associates, Winnipeg, MB**

I just ran across an old Harvard Business Review article called “Covert Leadership” by Henry Mintzberg. He described how leadership is generally exercised on three different levels:

1. Individual Level – Leaders mentor, coach and motivate
2. Group Level - Leaders build teams and resolve conflicts
3. Organizational Level - Leaders build culture

As we go through our day, we can ask ourselves which level we are leading on, and make sure we keep our strategic goals in mind.

### Tips From the Top®

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# Put On Your Play Clothes

**Marty Watts, V-Kool Inc., Houston, TX**

I used to have a hard time separating personal time from work time – especially since I have family in the business – but I found a simple way to signal to my brain that work is over and it is time to relax. I simply change my clothes when I arrive home. This doesn't mean that business issues never come up in the evenings, but my state of mind while in my "play" clothes reminds me that these evening interruptions are the exception and not the rule. This has allowed me to more easily disengage from my business and better enjoy time with my family.



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