



PLÉSONA

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Getting paid

Most small businesses complain about not being paid. We have seen waves of legislation, particularly across Europe, in the last 20 years limiting payment terms that can be imposed by large companies and giving smaller companies the ability to charge interest to late paying customers. But has it made a lot of difference? In most situations, the answer is almost always no and there are multiple reasons why little progress has been made. The first problem is that the various pieces of legislation do not address the problem since none of the legislators really understand exactly what is going on. To start with, some large corporations do deliberately pay late or ask for payment terms that are excessive but they are a small minority. That's not a lot of comfort if one of these companies is your major customer, but they are the facts. Most delays in payment from large companies are caused by delays in authorisation processes, process inefficiency or the supplier not presenting their bill in the right way. The biggest issue is the last. Many companies are slow to produce a bill and many small companies fail to ask the right process questions that could have speeded up the process. These are simple questions like the need for a purchase order or that that an invoice needs to be sent electronically or that the details on the invoice are incorrect or insufficient. The simplest one of all is sending the invoice to your key contact and not to the invoice processing centre. All these issues will at minimum cause delays and at worst will mean that you are not paid at all. But there is an even bigger issue with smaller companies. It is a common practice that smaller companies pay other small companies late. This might be because a large company hasn't paid them, but more often it is because small companies tend to be very poor at processing invoices and payments. The biggest problem of all is that no matter what legislation is place, bringing your major customer to court in order to enforce a payment is a great way to lose the business. And that's what puts almost all businesses off, of whatever size, from enforcing the rights they have gained in recent years to be paid on time and to charge interest for late payment. We therefore think that the legislative approach has been flawed from the very start. It requires a two-pronged approach. Smaller companies often require training to produce better quality invoices and follow better collection practices. But all companies should have automatic fines for pay suppliers late, distinguishing between delays caused by inefficiency versus those caused by maliciousness. Then we might start getting somewhere to solve a problem that continues to fester.





Should I get three quotes?

In the large corporate world, procurement professionals tend to look down their noses on those who get three quotes for all major purchases as unsophisticated amateurs. Many in the public sector are forced to do this and to take the cheapest quote offered. Sometimes that is a good thing but often suppliers understand the process too well and as a result, public procurement can deliver some very shoddy goods and services. Many in small business will complain that they just don't have the time to get three quotes and often end up making sizable capital purchases from the supplier they know and trust. That leaves them wide open to two major issues. The first is price manipulation. The supplier might deliberately overcharge because they are confident that you will not look elsewhere. That's not to say that all suppliers will do this, but you leave yourself wide open to such unscrupulous characters. The second issue is around product scope. By doing a bit more research, you might find that other suppliers deliver a superior product or service for a similar or lower price. These types of purchases are things you may be stuck with for several years, so it is worth taking a little time to do some research and then get at least three quotes to ensure you are not being ripped off. And remember that the cheapest is not always best.



Strategy — What is it?

A lot of people think that having a strategy is complete bunkum. In many cases that is true. Many businesses will confuse strategy with ambition. For instance, I want to have a turnover of more than a million. There is nothing wrong with that statement as an ambition. But it doesn't qualify as a strategy. To become a strategy there has to become a plan to achieve that ambition. And that plan needs to have some detail like how many units of product or service will I need to sell? What price should be charged? How many people will be required to deliver that revenue? How will potential customers know about the offering? How long will it take to achieve the target? All these elements and more should be part of the business plan and that business plan should have measurable targets so that there can be an objective measure of progress. They also say that any battleplan will change once the first shot is fired. That is almost always true. For that reason, plans should be reviewed regularly to measure progress and understand how circumstances are deviating from the plan. Such deviation may require corrective action. Maybe you have not been as focused as you should have been. Equally the strategy may need to be updated. 2020 has been a classic year where plans have needed to be amended and strategies redirected. Following an outdated plan can be very dangerous for your business. Used properly the strategic plan is a good tool to keep you honest about the real progress that you have made.



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