***Habit 2 – Invoice promptly***

The less effective manager will do their billing by the end of the month to ensure they hit their billing target for that month – but much of the billing will happen in the last week of the month.

Why is this an issue? Surely they’ve hit their target, and isn’t that what matters?

Most businesses that fail are profitable (so they’re hitting their billing targets), and they fail because of cashflow problems. The biggest cause of cashflow problems is slow payment by customers. That’s why habits 2 and 3 are so important.

The customer can’t pay their bill until they receive it. So if we deliver the goods on the 10th, but don’t invoice until the 31st, we’ve delayed payment by 3 weeks.

Also, if we ship the goods on the 10th, but don’t send the invoice until the 31st, we’re giving our customer a subtle message that prompt payment isn’t important to us. That will make them less likely to pay the invoice promptly. So it will be even longer until the money gets into our bank account.

So the financially effective manager is thinking “What can I invoice today?”

But invoicing promptly is about making sure we have all the information we need to be able to invoice promptly. All too often we ship the goods, or provide the service, but then it takes us a few days to gather together the required information and paperwork.

So the financially effective manager is thinking “What can I invoice this week and next week, and what do I need to do now to ensure I can bill promptly?”

Most managers have profit targets, whether these are billing targets or cost management targets. If you hit your profit targets you’re simply meeting expectations, you’re not standing out. If you want to stand out as an effective manager, be aware of cashflow as well. Invoice promptly (so that we have a chance of being paid promptly), and follow up the invoice until it gets paid.

That will help make you stand out as a manager who is benefitting the business more than most.