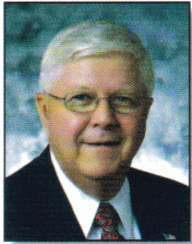


# What's your financial plan?

By **Paul Walters**



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If you are like numerous other staffing firm owners, this is a very apprehensive time to say the least. Having worked with independent business owners for over 35 years, I'm still amazed by the comments many are sharing regarding their financing challenges in this incredibly volatile market. It's obvious these are tough economic times for many companies, and you need a financial partner that can help you weather this storm.

## Have you encountered any of these situations recently?

- Major accounts are stretching you out and paying invoices later and later.
- If everything is not just perfect on the invoice and the back-up, it gets rejected and the clock starts over when the "corrected invoice" is received.
- More clients only allow you to bill monthly, even though you have weekly or bi-weekly payroll.
- Purchase orders are slow in being issued; but the client wants you to start work immediately, and you can't bill without a P.O. number.

If you are a sub- to prime-vendor, you hope and pray the prime vendor's billing is perfect, so you'll get your payment in a timely manner.

I guess I could go on and on. But the bottom line is that, in this current "economic slow-down," many of your clients are using you like a bank. Does this sound familiar?

Many banks are calling in lines, reducing lines, reducing advance rates, asking for additional collateral and are basically "uncomfortable" with the staffing business. Those "factoring" companies that depend on a bank line of credit to

borrow money and then factor staffing receivables are running into the same problem. Staffing receivables are intangible, and banks are much more comfortable with more tangible collateral.

I recently spoke with a staffing firm owner who moved away from a funding company to secure a bank line of credit. Soon after starting with this major bank, the staffing firm owner won a significant contract with the government. When the staffing firm presented the government receivables to the bank, they were informed that "we don't finance government receivables." I guess this would have been a good time to panic. But, the owner quickly realized that it doesn't matter how inexpensive the cost of money is if you can't get the money you need.

It is so important in this extremely challenging time that the staffing firm owner needs to have a true "financial partner." That "financial partner" is critical, and you should strongly consider these important points in entering into that critical relationship.

- Do they specialize in – and truly understand – the unique needs of the independent staffing firm?
- Do they bundle their services, creating efficiency and productivity?
- Do they provide a high advance rate to give you the operating capital needed to manage your cash flow?
- Do they have a secure and adequate source of funds, or are they subject to having their line of credit challenged?
- Are they transparent, providing you and your clients the assurance that your firm is secure and projecting an image of strength?
- Do they provide you flexibility to finance as much or as little as needed to manage your cash flow and control costs?

- Are their fees easy to understand and straightforward, without those unspoken hidden fees?
- Do they provide immediate credit for your clients' payments avoiding any "clearance" delays?
- Are they set up to handle the rapidly increasing electronic invoicing, electronic time record keeping, and electronic funds transfer (EFT) client and employee payments?
- Can they provide and handle the growing need for payroll cards?
- Do you have the flexibility and capability to increase your level of funding needed to support growth?
- Will they provide you with a complete funding program so you NEVER have to say "NO" to any size order?
- Do they provide exceptional "customer service" and references to support that critical function?
- When you call, do you speak with a "live" person or do you go through the voice mail maze?
- Are there up-front fees, closing costs, termination penalties, audit fees and other unusual fees to enter into the relationship?
- Do the company and staff have a proven track record of integrity, reliability and experience – rather than just words on their mission statement?

That's a lot of information, but these are important points to consider when evaluating a financial partner. Perhaps a checklist should be used to make certain you don't forget a point that could be critical to this relationship.

I recently entered into a financing relationship with a medical staffing firm and, for about 30 years, that firm used a bank line of credit. They then received a phone

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