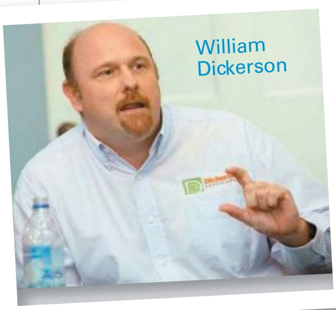
MY BIGGEST MISTAKE

LESSONS LEARNED THE HARD WAY » BY CASEY PAYTON

» Sliding payments from clients plus sliding payments to vendors equals a cash flow crisis for Florida's Dickerson Landscaping.


William Dickerson

COMPANY: Dickerson Landscaping

PRESIDENT: William Dickerson

HEADQUARTERS: Tallahassee, FL

FOUNDED: 1987

EMPLOYEES: 14-25

SERVICE MIX: 45% hardscape, 18% maintenance,15% landscaping, 12% sod, 5% water features, 5% design

CLIENT MIX: Hardscaping: 80% residential/20% commercial; maintenance: 60% residential/40% commercial

2010 REVENUE: $750,000

2011 REVENUE (EST.): $875,000

WEB: www.dickersonlandscaping.com

BEST ADVICE: Discuss terms with clients up front; don't let payments slide; communicate with vendors. "The squeaky wheel gets the grease."

EARLY ON DURING his company startup in the late 1980s, William Dickerson scored a large stadium project. The work was highly recognizable and profitable — a boost in business for Tallahassee, FL-based Dickerson Landscaping.

The problem? Dickerson was told he'd be paid when the general contractor on the project got his work done. But Dickerson's work, which included some wetland, tree and sod plantings and groundcover and shrub installation around the stadium, didn't take nearly as long as the overseeing contractor's work. "We had already bought plant material, paid for labor and had everything lined up. This created some issues when we had to tell our vendors we didn't have the cash flow available to pay them."

A vicious circle ensued.

The lessons Dickerson learned were three-fold.

First, his big mistake was letting clients slide on making payments or not being prepared for a drawn-out payment schedule.

The resolution to this challenge was keeping lines of communication open with customers. For example, Dickerson was working with a large residential builder and started to notice his payments were coming in further and further apart. "It was a red flag since the builder was previously paying on time," he says. "At first, I just assumed it was a reliable company and they were good for the money, but as payments got more and more stretched out, I had to address it."

In this case, Dickerson had to pull the plug, and he did it just in time, without getting burned and losing what was owed to him. Talking about payment terms with the client up front and having something in writing to solidify the agreement is crucial to managing cash flow. "The idea is to get that information in writing," says Dickerson, adding that many larger commercial customers pay every 15 or 30 days, so a problem can be quickly recognized as payments linger beyond 60 and 90 days. "Then if the rules of the game start to change, you can address it. Ask why you aren't being paid on time and bring out the agreement."

Dickerson says discussing the "rules of the game" early on takes the awkwardness and emotion out of what could be difficult conversations about money owed in the long run since the terms of the contract were already openly discussed and agreed upon from the get-go.

Second, Dickerson learned to "be up-front with vendors about the situation you're in. Let them know what rules the controlling contractor on a project has put in place so they're aware if you won't be paying them right away. Don't tell them at the last minute the money isn't available."

In fact, this can actually be to your benefit, Dickerson adds. "Some vendors will be more willing to work with you and maybe even wave the finance fee if you're upfront about the payment schedule," he explains.

This same upfront approach can be used with banks, especially in a time when it can be hard to secure a loan. "Take your signed contract for that job to the bank and tell them you need a line of credit to work within the perimeters of that specific project," Dickerson suggests. "It's an easy way to prove you'll be getting the money, but you just need some cash flow to get started."

While Dickerson learned many lessons here, there was one important point realized above all else: "Money has no friends."

"Money is an item that is purely economic," he says. "It goes from point A to point B and doesn't choose friends. In the end, it's often the squeaky wheel that gets the grease."

Bottom line? You need to be the first one calling when you're not getting paid, says Dickerson. "Solicit advice from your CPA and industry peers and pay close attention to balance sheets," he advises. "And if red flags continue to come up, it might be time to get out."

Payton is a freelance writer with six years of experience covering landscaping.

PHOTO COURTESY: DICKERSON LANDSCAPING