



March 12, 2015. Getting rich quick (or at least easily) is a tantalising thought.. surely there must be some easier way than slogging it out every day? For many small businesses, the big pot of gold at the end of their rainbow is a big contract from a corporate client. From a distance they seem like all money worries will be over, working life will be easier, or even the start of a life of luxury.

Winning a big contract as a small business is hard work, make no bones about it. It is a marathon of persistence, grit and determination. As a consultant I have sat through this process over weeks and months with businesses such as Ford, Boeing and BMW, and the business owners jumped through many hoops, sat, begged and rolled over. To win in the face of fierce competition, everything has to be right, including price, polish, a tailored offering and, most importantly, to make your small business look bigger, capable and corporate. Sometimes, after all the hoop-jumping, the small-fry business actually gets the gig, which is wonderful, champagne-popping moment.

Big contracts with big monthly invoices are great for cash flow and can be a great stepping stone in business growth. They give certainty and can be an opportunity to make serious money, but when you start playing with the big boys, us small boys need to start acting like them. Playing with the big boys

Watching many businesses move into a bigger game, I have seen some common challenges that young players should watch out for:

Flexibility is much lower in big clients than smaller ones and, in many ways; you can be at their mercy. If they change a policy, you will mostly have to play along, even if it costs you money. Payment terms, no matter how punishing, have to be swallowed happily. A client of mine dealing with a multinational client was horrified to learn that payment terms were 6 months, which presented a crippling strangle on cash flow. A small building company was essentially held to ransom with an outstanding account of \$130K. When the client offered them new work, they were forced to accept even more debt in order to keep the relationship sweet. The reported behaviour of supermarket chains right now toward their smaller suppliers is warning for any small business.

Decision making in businesses gets slower as the client business gets bigger. The immediate decision making that you get dealing with small business owners and individuals is replaced by a process of approvals, meetings and reviews. No longer dealing with the decision maker, decisions have to chug their way through the cogs of the corporate machine. My client, a fast growing services business had this experience after winning a national contract. Issues once solved in a few days, were all of a sudden referred to multiple managers and sometimes even the board.

Contract certainty is not a given, no matter how long you have been a supplier, and you can easily find yourself bidding and tendering for the next round. All the infrastructure and staff you built to cater for the contract can quickly become a financial drain and expose your business to massive risk. An importing client found themselves scrambling to reassign staff, retrench workers and drastically cut costs when they lost a big local supply contract. That really hurts and can easily cost the business. Many smaller car parts suppliers are looking at this prospect right now.

Contract conditions for big clients can be much more exacting. With big assets to protect, conditions may be more restrictive, with higher insurances, heavier compliance and more extensive reporting measures.

Profits margins, lastly but certainly not least, are likely to be lower with big clients. With big business comes well organised procurement that work hard to get the best deal, coupled with your competitors that are falling over themselves to get the contract, so are prepared to undercut you. Playing with the big boys often means higher volume and lower margins.

Playing safe

Scaling up your business takes careful planning, so added pressure of tight time frames and rapid expansion multiply the risk. Take time out to map out all the factors, costs and risks; go in with your eyes wide open. Business planning takes on a crucial role, with everything magnified the problems are much bigger too.

Relationships matter a lot, so treat them with care and take time to build strong relationships across the business. Put your roots down with your big clients deep and wide by knowing as many key players as possible - a tree is much harder to pull out than a seedling. If your key contact moves on (as they eventually will) you will need penetration in the clients' business to safeguard your position.

Do your best to retain control during the contract negotiation process, get good advice and have a good legal team to oversee anything you sign.

Be proactive in collecting accounts - just because a big business has cash doesn't mean they are enthusiastic payers. Be aware that small businesses can lose big clients, so make money while it is going and have a contingency if you do lose them. A variety of clients is a good safeguard; it is commonly thought that no single client should be more than 40% of your revenue.

Survival skills for small businesses with big clients

Written by Warren Harmer

Taking on big clients is a scary, rewarding, challenging and exciting stage that many small businesses would love, but don't ever achieve. If you are lucky to be that business, start thinking like a big business - quickly.

Dr. Warren Harmer

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I am a cultivator of great small businesses. I have a Ph.D in science but fell into the world of small business by accident and discovered my passion. My experience owning and consulting to small businesses now spans over 17 years. I like to solve problems using a scientific approach; looking objectively at businesses to see what is happening and applying first principles. In small business, outcomes reign over theory.

Practical, hands-on advice for small business owners is sorely lacking, since most 'experts' have never owned one. Most business information is targeted to big business and their employees.

My objective is to offer instructive, 'how to' information to make business ownership easier, less stressful and more enjoyable.



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