eCredit news

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The True Value of the Credit Manager: A Guide for 2023 and Beyond

By: Brian Morgan, BlackLine

As far as perceptions go, perhaps no function within business has transformed as much as accounts receivable (AR). While it has historically been considered a back-office, transactional part of finance, the rise of global process owners over the last ten years in AR, as well as other areas, has changed the status quo.

Today, as organizations grapple with the need to find cost efficiencies while maintaining growth, credit managers have the opportunity to showcase the essential, multifaceted nature of AR as a key decision-making partner. To do so, they must understand the real role of AR within the business, think beyond isolated processes and instead move toward a more holistic and strategic way of thinking: revenue lifecycle management.

The Real Role of AR in Business

Customer experience is not always considered a key part of roles within the finance function. After all, we are not 'customer facing' in the same way as a function like sales. In truth, the real value of AR comes from the insights and advantages it can provide to the customer-facing parts of the business.

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December Dates To Remember:

7th:	**Pearl Harbor Day**
7th:	**Hanukkah Begins**
21st:	**Winter Begins**
25th:	**Christmas Day**
31st:	**New Year's Eve**

Managing cashflow and risk means that the credit manager can understand customer behaviors in a deeper way, with data and insights their colleagues in sales might need but not possess. In a sense, despite reporting to finance, the credit manager is really part of the sales function. The credit manager provides credit, meaning the sales team can sell, and the credit manager's team can close sales transactions by being paid. By forming part of the sales engines, the credit professional provides the knowledge that feeds growth.

What Does the Shift to Revenue Lifecyle Management Mean?

Credit control manager, invoice to cash manager, audit to cash manager, customer to cash or quote to cash manager—whatever you call it, these familiar titles suggest the centrality of process. A revenue lifecycle manager, on the other hand, suggests something more strategic and more tied into business outcomes.

Rather than sales being in conflict with credit control, as those more traditional job titles might suggest, a revenue lifecycle manager needs to be aligned with every aspect of the business, from front to back. I'll explain by way of an example. During my time with a waste management company, we decided to align our cash function with the sales, marketing and operations teams. We had the third largest fleet of vehicles in the UK, in charge of collecting large amounts of waste. Naturally, the price of waste collection would rise if the route to said waste was longer, and this price would ultimately be passed onto the customer.

So, our accounts and operations teams got together to look at all the routes around cities to find potential customers located on those existing routes, because the reduced cost of the vehicle travelling that existing route would offset the risk of not being paid. We made a shift from just collecting payments and matching these on the sales ledger to looking at the bigger picture. As a result of combining these seemingly disparate functions, we ultimately achieved better growth.

Looking Beyond Process to the Bigger Picture

There is one phrase I hear which always starts alarm bells ringing: "We don't have any bad debts."

I once heard a credit manager at a large petrochemical business use this phrase to demonstrate that they were performing the role well. Of course, many agreed with them. But the truth is, the role of a great credit manager is not necessarily to reduce debt. It is to identify opportunities for the business to grow – even if that means increasing your debts in the short term.

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In a previous role, I told our CFO that we needed to increase bad debt provision by 10%. On the surface, this is a worrying statement. The CFO thought the point of our process was to reduce bad debts, not increase our vulnerability to them. However, I explained that if we changed our credit policy, we would increase revenue by 50% by opening our business up to a wider range of customers - which we did because we had the room to do so. You just couldn't see that room if you were looking in the wrong direction. By only considering the process in isolation, you are not considering revenue.

Customers and stakeholders don't care that you have 'the perfect process' – especially if your process is in conflict with the needs of your business. Sales want to sell to people, customers with less-than-desirable credit ratings still need to buy from someone. Take the holistic view of a revenue lifecycle manager and support both business and customer in one go.

How to Create the Change (or, making friends and enemies)

So, what if you've realized that your AR department could provide a huge benefit to the rest of the business, but can't figure out how to make the change? There is a fundamental truth that applies to all bold transformation in business: If you are going to make and manage change, you need to provide a positive vision of how said change is going to make someone's life better. Otherwise, you will have a hard time getting your colleagues to listen.

People worry about change. After all, something like cash application has likely been done in one way for a long time, because nobody has ever asked why. Basic feelings like this are rarely considered during the change management process, which can often lead to derailed plans. Sometimes, in pursuing a vision for positive change, making people uncomfortable can't be helped. You might have to expose something people should have paid attention to a long time ago but didn't think of. Questioning longstanding processes often alienates stakeholders who are not willing to change, whether out of confusion or fear. Be prepared to make friends and enemies but stay true to the positivity of your vision for change and explain that vision clearly to those involved.

For the aforementioned CFO, my message of increasing debts was a strange one. To sell it, I had to explain the end goal, which was an increase in revenue and reduction in operational costs as a result of increasing bad debt provisions. In isolation, the debt part does not sound great – but its overall outlook was positive, so the change found its way through. After all, what CFO in their right mind doesn't want to increase profit?

Going Forward – Tips for 2023 and Beyond

At the beginning of what looks to be another challenging year, there are steps that you as credit professionals can take to give your businesses, and the customers that rely on them, a better chance. Here are a few key things to consider:

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1. Are you aligned?

Right now, we know some customers are struggling to pay - but we still need to sell goods. The conservative policy here would be to only sell to those with good credit. This is great if you have a large share of the market and a healthy business. But if you are not in this position, you only stand to reduce your revenue opportunities by taking such a conservative stance. Ask yourself: what is your appetite for risk versus your appetite for payment?

Making smart decisions, with risk and reward in mind, is entirely dependent on how aligned your credit and finance approach is with your sales strategy and revenue targets. You cannot make informed decisions about the latter without alignment with the former. Assess how aligned you are and start taking steps towards greater alignment.

2. Do you have a good understanding of customer behaviors?

Before the pandemic, credit managers based their decisions on information gleaned from credit reference agencies, which were based on balance sheets of profit and loss. The mayhem of the past two years has wiped out those balance sheets, so that the typical source of reliable credit information is no longer the first port of call. In this new reality, the most accurate way of determining risk is by analyzing which customers are paying on time, which can only be determined by close analytics and intelligence, which most businesses do not have access to. Invest in automation to streamline and unify your data and give yourself access to real-time intelligence so you can make the right decisions quickly.

3. Work smarter, not harder.

This brings me to my last point. Businesses already have all the information they need to make the right decisions, but many can't get to it quickly enough to carry out the right actions in the right timeframe. If you can't rely on credit companies, who can you rely on except yourself? Don't force yourself to work harder towards an uncertain end simply because you don't have the right tools to do the job properly. Having access to your own customers' behaviors and patterns can tell you exactly where you should be focusing next – while you still can.

And remember…

The seven most expensive words in business: 'We have always done it this way.' Don't be cowed into sticking to the same old processes because it's the only way you know.

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If you're a good credit manager, the current climate of uncertainty is actually a positive. I remember going to a board meeting during the financial crash of 2008, where a colleague said to me: "I don't want to have your job," to which my response was: "Now you'll see just how important my role and my team is." People often talk about the time we live in being "unprecedented," but in reality, businesses have faced incredibly challenging times before.

Take it from someone who has seen it all – this is your time to shine. The truth is that, for credit managers, this is the perfect time to shift to revenue lifecycle management. It will allow people throughout the organization - from sales to operations, marketing, customer success and more – to understand your full value. Take the opportunity in 2023 to be the best credit manager you can be, by making bold decisions and by not being afraid to push for change along the way.

About the Author:

Brian Morgan combines a wealth of knowledge and expertise in Shared Services, Accounts Receivable and Credit Management. Brian has over 25 years' experience across multiple sectors for National and Global organizations. Throughout his career he has achieved outstanding results and received many Industry Awards, most notably when under Brian's leadership, Veolia UK were recognized as a Centre of Excellence by the Chartered Institute of Credit Management. In Brian's role at BlackLine, he is sharing his knowledge with Customers and supporting the development of an exciting Roadmap of AR solutions.

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Powered by our expert staff and proven process, NCS makes securing receivables simple.
STOP LOSS
As your credit ally, NCS will manage the entire UCC process; from developing your Security Agreement to leveraging your UCC for payment.
Reduce your company's financial risk and move to the front of the payment line with UCC filings.
Stop losing. Start protecting. Contact NCS to get started!
NCS CREDIT
From Protection to Collection
SecureYourTomorrow@NCScredit.com | 800.826.5256
NCScredit.com

DECEMBER WEBINARS

Credit Professionals Alliance has been working hard to provide our clients with the most up-to-date webinars concerning today's challenges in the credit field. Watch your email for upcoming registration information on all of the following webinars.

December 6th: **How to Navigate Subchapter V—
A Comprehensive Guide for Creditors**

December 20th: **Financial Ratios and Credit Risk Analysis**

Be sure to check out our website www.nacskc.com/education.html for additional educational opportunities as these are constantly being updated.

Are you looking for Certification and Certificate opportunities? Credit Professionals Alliance can lead you in the right direction, contact Rhonda Ross for additional information at rross@nacskc.com or (913) 383-9300.

Educational Update:
Credit Research Foundation Webinars

December 2023

CRF offers a variety of educational programs: Proctored Courses, On-Demand Courses as well as webinars.

March 18-20, 2024	March Forum—Charleston, SC
August 5-7, 2024	August Forum & Expo—Nashville, TN
October 21-23, 2024	October Forum—National Harbor, MD

It is very simple to participate: Go to http://www.crfonline.org and click on the Education.

Now offering a Certificate Program!

For additional information go to http://www.crfonline.org/events/current.asp

The following webinars are being offered by NCS Credit
to register for these go to: www.ncscredit.com/education-center/webinars

December 5, 2023
Webinar: Securing Mechanic's Lien Rights in Notice of Commencement States