# Building credit information into the DNA of your organisation

Tips and insights to help you protect and grow your business.

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Due diligence is fast becoming an absolute necessity in business; late payments are sweeping the nation with little indication of slowing down, therefore knowing who you're dealing with and being able to access relevant credit information of a potential customer is vital.

The advantages to finance departments having quick and easy access to credit ratings and reports are clear, but how can different departments beyond finance use credit information to their advantage?

There are four departments of a business that can benefit from using company information in an online company credit report: Sales, Human Resources, Procurement and Marketing. In addition, CEOs and other board level directors are using company credit reports to monitor acquisition targets and competitors.

## Human Resources

When hiring someone new, investigating the background of potential employees has traditionally been both expensive and exclusive, but the availability of online credit information on both companies and their directors gives access to various areas of essential information in an easy to use and cost effective manner. The information available about company directors includes previous directorships, as well as the number of CCJs and insolvencies associated with businesses they have operated, left or dissolved.

## Sales

The biggest tension between sales and finance is the tendency for sales staff to sign up prospects in order to meet targets without checking whether they could ultimately lead to bad debt. In contrast, finance teams are driven by the need to reduce bad debt and improve profitability, this can then cause tension if finance are denying the new customers the sales teams have worked so hard to get if they are not creditworthy.

To counter this, sales teams can use online credit reports to check out prospects before signing them up as customers. This may reduce the prospect target list but it also provides a more focused approach that will ultimately lead to fewer bad debts and a stronger financial performance for the whole company, working in harmony with finance.

## Marketing

One of the pressures of operating in a downturn is the need to bring in new business while continuing to deliver an excellent service to existing customers. Before sending out expensive marketing campaigns to prospects, the marketing team can use credit information to qualify prospects to ensure that they are in a position to pay for products and services. Organisations can sharpen the focus of their marketing plans through using prospect data to identify creditworthy organisations and sectors to target.

## Procurement contracts

While it is usually the finance departments' remit to set credit limits for suppliers, the experts on potential suppliers of products or services such as IT, can be found elsewhere in the business. However, before making recommendations about who to work with, the procurement team can use credit information for background checks to ensure they can reduce the risk of working with an unreliable partner and are not caught in a long-term supply agreement if the company is unstable.

Procurement can identify suppliers who are more financially stable, have a strong position within the supply chain and are more likely to deliver. The procurement team should look out for strong credit ratings, boards of directors with unblemished backgrounds and good payment trends within the company, showing that they can bills on time.

## Board Level

Having instant access to credit reports used by the finance team gives board level directors a tool to use when checking out potential acquisition targets, or even competitors. This information can be used as part of the due diligence process or researching a company that has appeared on the scene vying for your customers- a credit report may be able to tell you where they have come from.

Looking to the future: how will credit information integrate fully into organisational DNA?

Credit information is moving slowly from a standalone tool used in isolation by finance teams to being built into processes and applications undertaken by other commercial teams within the business. Once a company has decided to improve its performance through the wider use of credit information, it needs to think about how to ensure that the whole company buys into the idea.

How should this be approached?

1. Identify which departments should be involved and where could the biggest improvements be made.
2. Appoint champions within each department to train on the credit information system and ensure that they understand what they are looking for.
3. Build credit checking into each relevant process – for example, a new contract cannot be approved by sales until they carry out a check.
4. Ensure two-way communication between finance and each functional department so that potential risks are reduced.
5. Measure indicators, such as bad debts and credit notes over time to identify the ongoing value credit information is bringing to the business.

If you would like to discuss how you can integrate credit information into your business why not call us on 02920 886 500 or visit www.creditsafe.com