CREDIT CONTROL

and ASSET & RISK REVIEW

Hilton-Baird
Collection Services

Building a Successful Credit Team

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Biography

Alex Hilton-Baird is the CEO of the Hilton-Baird Group (www.hiltonbaird.co.uk) and is Managing Director of Hilton-Baird Collection Services (www.hiltonbairdcollections.co.uk). Alex plays an integral role in the success of the companies he built from a standing start.

His expertise within the debt recovery arena is unrivalled and his knowledge and passion for the values of the company ensures that an increasing number of businesses and funders source Hilton-Baird's assistance with their debt collection needs.

Established in 2001, Hilton-Baird Collection Services provides outsourced debt collection services to the UK's SME and corporate markets, as well as some of the most respected invoice financiers, leading banks and insolvency practitioners. Alex's extensive expertise within the debt recovery arena was recognized when he was voted one of Finance Monthly magazine's 100 Leading Advisors from around the world in 2012.

Alex blogs at: https://tinyurl.com/y7sp6lcc

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Abstract

Many businesses will reach a point in their evolution when they decide to specialize different aspects in order to bring expertise into the company and reduce the burden on the owner and other staff members. Whether it's sales, marketing, IT or recruitment, there are a number of jobs that can benefit massively from having specialist resource and knowledge. As the author or this article explains, the credit control function is no different.

Introduction

Late payment continues to cause much concern for businesses, and a huge proportion of those without a dedicated credit control department will have been considering whether they need to introduce one – and those with one already in place will have thought about the merits of increasing its size. Unfortunately, there's no magic number in terms of turnover or headcount that determines whether a business should have a credit control department. So how do you know when that time comes?

Here are five things to consider to help you make your decision.

1. **How promptly is my business being paid?**
   On the surface, this looks to be the most important consideration. If you find that your existing processes aren't working and customers are regularly paying beyond agreed terms – or not at all – and you're often using debt collection agencies or the courts to recover what you're owed, this is simply unsustainable. Every business relies on a healthy cash flow to operate and even exist, so it's important that you are getting paid on time.

2. **How much time am I spending on credit control?**
   Even if your business is being paid promptly by customers, there are other factors to consider. For instance, how much time are you having to spend on credit control?

   There are only so many hours in a day, and any time you spend chasing customers for payment or doing basic credit control admin jobs is time that's not being spent seeking new customers, networking or identifying new growth opportunities. Often, the single biggest factor behind a business introducing a credit control department is to free up more time to grow the business.

3. **Do I know what I'm doing?**
   We will let you in on a little secret: not every business owner knows everything there is about running a business – and it's ok! That's why bigger businesses have large management structures and departments in place, so owners can surround themselves with knowledge and expertise.

   Credit control isn't easy. There's a lot to do and consider – not to mention best practice – while there's also plenty of legislation to take into account. How well do you know the legal system, for example, which is so complex but can be so beneficial when a customer doesn't pay? If you find that you're sort of making it up as you go along, it might be time to hire a specialist.

4. **How many of the basics are you doing?**
   When it comes to credit control there is a never-ending list of tricks and tips you could implement in order to improve results. For instance, are you calling customers to check receipt and the accuracy of invoices, which can play a huge role in reducing disputes? Do you credit check customers to help minimize bad debt? Are you putting in a courtesy call a few days before the invoice is due, and how quickly are you acting when an invoice exceeds terms?

   These are all important stages of the credit control process, but they take time and expertise to get right.

5. **Do I know what my sales ledger looks like?**
Everyone who is responsible for their credit control should keep a keen eye on the business's sales ledger. It's important to always be aware of which invoices need prioritizing to minimize late payment, but maintaining it can be a dull and time-consuming job.

If you aren't regularly reviewing it or are spending too much time on it, maybe it's time to consider hiring someone that can. Yet knowing it's the right strategy and actually going ahead and building a team that's successful at improving collection times are two very different things. The trick is finding the right blend of knowledge and expertise that maximizes results at the right cost to your business.

Staffing

There is no point hiring five credit controllers if you are only raising ten invoices per month. Similarly, you can't expect a single person to handle a generic, business-to-business ledger of more than 500 customers whilst adhering to credit control best practice.

When it comes to identifying the right people for your business, there is much to consider here too, as credit controllers come from a variety of backgrounds. Some have started at the bottom, working their way up to more senior positions in large organizations with extensive training behind them. Others have been thrown in at the deep end at smaller companies and have had to learn on the job. The key is to identify what would work best for your company, so here are three options for businesses to get a successful credit control team up and running:

1. **Hire experienced credit controllers**
Recruiting people with an extensive background in credit control is most businesses' first port of call when it comes to building a new department. The biggest advantage of this approach is that your business will be able to benefit from their existing skillset, based on the on-the-job experience and dedicated training they have previously received. A credit controller's skills are usually transferrable, so it won't take them long to adapt and get used to your industry and way of working.

   You can then gain ideas and suggestions from them on ways to improve and strategies to employ – for instance, credit checking customers, using account opening forms or contacting customers at different times for maximum impact. This can be a more costly approach, as experience can mean a higher wages, but by being clear about the salary on offer in your job advert you will soon have a good idea of the sort of candidates you will be able to attract.

2. **Upskill existing staff members**
You may find that you have someone with the right attributes for credit control already within your organization (if you're not sure, take a look at these seven skills all credit controllers need).

   - Hard work: It's no secret that effective credit control isn't always easy.

To keep cash coming in on time requires dedication, persistence and a lot of hard work. If you apply strong credit control processes for a short period and then slacken off, you'll lose many of its benefits. Which is why a good credit controller will be consistent in their efforts.

- Organization: A good credit controller will be organized and always have a strong grasp of the overall state of your sales ledger. Through a methodical approach, they will work through the sales ledger consistently and keep meticulous records of all calls and promises made.

- Good instincts: When it comes to credit control making the right call as to which course of action is required is vital and one good call can easily justify a credit controller's annual salary. That's why all the best credit controllers will possess a quality that can't always be learned – a sixth sense that lets them know exactly when pressure should be applied or a little slack allowed. Their combination of good judgment and strong intuition will help bring in payments that others find difficult to obtain.

- Firm but fair approach: Good credit controllers are firm but fair negotiators with the ability to make even the most reluctant customers pay up. Through their assertive approach, they will develop ways to not take no for an answer. But the best credit controllers will always be able to achieve this without damaging the relationship.

- Approachability: As someone who deals directly with your customers a good credit controller will understand the importance of nurturing relationships. As such, tact, diplomacy and empathy are all important qualities. Through this positive engagement with customers, they'll learn exactly how good each customer is at settling invoices on time. And if a customer is having difficulty making a payment they're more likely to tell a credit controller that they have a good relationship with.

- Adaptability: No two days of credit management are ever the same so it's important to be able to adapt to any situation to achieve a positive outcome. Using strong negotiation skills a good credit controller will listen to the situation at hand and construct payment solutions that work for the customer and the business. A diplomatic approach also helps to resolve unexpected disputes with major customers to limit the damage to the business's cash flow.

- Sense of humour: Although not an essential skill a sense of humour can make the job a lot more enjoyable. Working in credit control can be hard at times so it's important to remain positive and learn to see the brighter side. A sense of humour certainly helps when faced with bizarre excuses like "a dog ate my invoice".

This is where it can pay to recruit from within. Existing staff members already know your company, your customers and how you do things, while you know their reliability and how well they fit in. It is also a much faster way to get

Analysis

someone started on your credit control, as advertising a vacancy, interviewing and waiting for notice periods to be served can take time.

Crucially, it also saves the company the cost of recruitment – however it is important to offset this against the cost of training that the employee will require. You can't expect someone with no credit control experience to come in and pick it up immediately; they will need time and investment to pick up the skills and best practice to do a good job.

This lack of experience is probably the biggest disadvantage of this approach. As credit control is such a specialist and demanding role with results needed instantly, it can be a risky strategy to appoint someone with no credit control background. But should they have a mentor within the organization, someone who's been there and done it and is happy to pass on their knowledge whilst also coping with the demands of the job, this could be a sensible option.

3. Outsource the entire function

Sometimes the easiest and most effective approach to credit control is to outsource the entire function to a specialist agency. The main benefit to this approach is that the agency will have extensive experience and adhere to all the best practices when employed by you. From contacting customers at the right time to using the right blend of emails, phone calls and letters, their approach will bring results – which is ultimately the number one requirement for any credit control strategy.

Outsourcing can also prove to be a far more cost-effective option than recruiting. With in-house staff, the overheads that go beyond their basic salaries can be a challenge, such as recruiting and training, plus there are the complications caused by holidays, sickness and maternity/paternity leave.

Credit control agencies will be unaffected by all of this and ensure that any internal absences don't affect their activity on your account. Similarly, the fee agreed is typically based on a 'per debtor' basis, so it's tailored to the number of customers you have on your sales ledger. While it may result in an element of control being passed across, the best credit control agencies will always be mindful of the importance of your customer relationships and simply work as an extension of your team to bring the desired results for your business.

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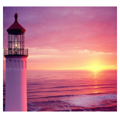

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