

# The credit manager as a futurist

By Kim Radok MICM CCE\*

## Introduction – the concept of a futuristic credit manager

Historically, we have come to understand the Credit Manager's role was one that required the skills and understanding of a credit manager and/or accounts receivable manager, accounting, legal clarification, debt collection, insolvency customer service professionals and so on.

The one vital area that is not often recognised, and causes a lot of grief within a business, is that of projecting the future, in other words, that of being a "futurist."

A futurist is defined as a person who reviews information and projects its implications for a future outcome, mainly for their business and even their industry. Typically, the information analysed includes

current and previous laws and legislation, local and global trends, marketplace behaviour and media reporting etc. This information is then extrapolated into scenarios relating to market risks and opportunities which, may not be currently evident but possibly projected as being relevant in the future.

On reviewing our work as a credit manager, isn't that what one of our core responsibilities?

The role of the credit manager, after all, is where they interpret information from the world around them, add projected forecasts to make logically COMMERCIAL decisions; including the likelihood of their customer consistently meeting the terms of their agreed trading agreement.

The assessment is then matched against the information provided by a prospective customer when evaluating their application for credit. This same principle also applies when reviewing the ongoing trading performance of an existing customer whenever their trading relationship raises doubt and may require adjustment.

Herein lies one of the primary problems experienced by credit managers because all too often management, marketing and sales

are focused on the NOW to meet short terms goals of sales and budgets. Meanwhile whilst the credit manager has to focus on the now, he/she has to also look at the FUTURE as part of their decision making, for example the customer's capacity or willingness to pay their accounts. After all, they know all-too-well that a profit is not made "until the money is in the bank."

In Australia, as they all know, that profit is not secure until the money has been in the bank account for six-months-and-one-day from receipt.

*Note: this situation may change with the latest legislation proposals, so it would be most prudent to act on the old timeline for some time yet.*

## Reconfiguring your future business structure

To manage both the current and future viability of your business, all managers and their employees will need to review and reconfigure the way your business functions. This will require changes-in-thinking, acting, and accepting new ideas and operational procedures. This is sure to challenge many who have successfully conducted business, using their proven methods for many years.

Furthermore, all levels of



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management and staff must be encouraged to function as “team” to help the business survive and prosper. The reality is that the real enemy for all employees of the business are outside the business, not fellow employees within their business. The enemy include:

1. inefficient suppliers;
2. slow-paying, difficult and/or fraudulent customers;
3. criminals of all types;
4. government regulations created by politicians and bureaucrats;
5. self-appointed do-gooders who have never managed a business, and/or demand businesses, act or support the general demands of society, yet provide no commitment of supporting the businesses which do, etc.

This, may of course, upset traditionalists, or those with vested interests in maintaining a strong departmental “silo” structure. The problem for management will be to get the former advocates of operational “silos” on-board with this aspect; which will require a skilful inhouse commitment to minimise disruption. It is, however, an important issue, that must

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overcome to help the business survive into the future.

#### **Gathering commercially useful information**

Due to the numerous negative factors which lie ahead, all businesses, must change to match the new-world-order of business. One of the functions to help manage the new business environment will be the increased importance on gathering knowledge of the current business environment. In addition, you will need to understand the ramifications of the likely announcements from regulatory bodies, politicians and economists in critical areas of business such as “fair contracts”, insolvency issues and the viability of collecting unpaid invoices, etc.

In order to achieve these objectives, all business managers

and employees will need to be involved in gathering information from the media, their networks and professional organisations; and by talking with and visiting customers. Any information obtained must be shared with all managers within their business to enable all dealings with customers are conducted in a consistent manner and with due respect for everybody’s role and responsibilities.

If required, an information gathering template might be useful for those businesses which have not yet commenced such actions. This template should be ideally designed in consultation between the CEO, CFO, sales, risk and credit manager. The information would then be collated and recorded for use by a responsible person with in the business and available to all managers. ➤



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### **The role of the futurist credit manager**

The role of the futurist credit manager will be more important than ever in the coming years. There is no doubt with all the factors already highlighted by many business owners, business professionals, accountants, economists and others in the media, the next few years are going to be at best, a real challenge.

The world is going to be far different than pre COVID. The futuristic credit manager, ideally supported by business owners, management, marketing and sales managers, should all work together in a holistic manner to help their business survive and prosper.

As a consequence of all these factors, the credit manager will need to provide a level of comfort

that when a new customer is signed up, or an existing customer's affairs reviewed, payment of their accounts will be in line with the business's expectations. To achieve this object, the credit manager will need to be aware:

1. that the customer's previously positive payment history may not continue into the future;
2. that all business documentation, trading terms, credit applications and customer evaluation processes are up-to-date, completed properly and well maintained;
3. of which previous business tools and processes will be useful, and those that are no longer of value;
4. of the current and future consumer and business environments;
5. of any pending government

and bureaucratic legislation and regulations, trends and announcements;

6. operating in a balanced manner with access to the necessary tools and employee resources available to conduct their work properly and professionally;
7. of marketing and sales communications and how the content affects other functions and operations of the business when dealing with customers;
8. their authorisation to challenge management's validity toward a doubtful customer during and after the current credit application process has been approved;
9. create an understanding with management, marketing and sales of the value of “NO” when receiving applications for credit from customers with doubtful reputations;
10. creating personalised sales & payment options for customers, etc.

### **Resources and actions required by the futuristic credit manager**

The modern futurist credit manager will require additional resources that are often currently supplied or available. For instance:

1. technological tools designed to help the credit manager conduct their day-to-day work, plus the data to make logical, commercially viable decisions;
2. the authority to challenge and seek additional information when making decisions which are for “... the good of the business”;
3. information and data to prove strategically, dealing with a difficult or slow paying customer is of value to the business;
4. the ability to institute proactive strategic procedures to manage the many likely contacts from insolvency administrators for preferential payments in the coming years;



5. to work with sales and marketing to seek more PROFITABLE sales opportunities via appropriate incentives, etc.

### In conclusion

Historically, we have come to understand the Credit Manager's role as been one that required the skills and understanding of a credit manager and/or accounts receivable manager, accounting, legal, debt collection, insolvency customer service professionals and so on.

The one area that has not been often recognised, and in turn causes a lot of grief within a business for credit managers, is that of a futurist. In essence, when you review the work of a credit manager, isn't this essentially one of the core responsibilities of our work?

The role of the credit manager after all is one where we take information from the world around us today, plus projected developments in the future, and try to make sense of it when making a valid COMMERCIAL decision.

The assessment is then matched against the information provided by a prospective customer when evaluating their application for credit. This same principle also applies when reviewing the ongoing trading performance of an existing customer whenever their trading relationship raises doubt and may require adjustment.

Herein lies one of the primary problems experienced by credit managers as management, marketing and sales are focused on the NOW. Meanwhile the credit manager has to focus on the now,

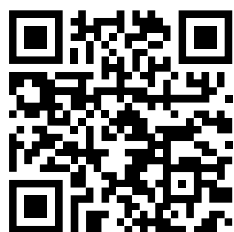
yet has to also look at the FUTURE as part of their decision making, for example, the customer's capacity or willingness to pay their accounts. They know all-too-well that a profit is not made "until the money is in the bank."

The future ahead for all businesses will be one that presents many negative consequences if not managed properly. The role of the futuristic credit manager, will gain increasing importance. It would be wise then, that they be recognised and supported by management to minimise negative outcomes, whilst seeking to maximise sales and retain profits. ◇

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