

NACM Survey Finds More-with-Less Philosophy Taking Toll on Credit Investigations

Although most companies give their credit departments enough time to feel comfortable with a customer before making a sale, a sizable minority of them are still rushing into potentially risky sales, and only a few years after the recession taught the world a harsh lesson on the importance of due diligence.

NACM's [November 2013 survey](#), which asked "Do you feel that your company provides the credit department with enough time to perform due diligence on a new or prospective customer before selling to them?" found that 67% of respondents felt comfortable with the amount of time they had to investigate new buyers. However, nearly a third of participants answered "no," blaming either an overly sales-driven corporate culture or simply a lingering do-more-with-less attitude for the pressure they felt to approve customers quickly with only a cursory look into their creditworthiness.

"The credit department is pushed to have an almost immediate answer within 24 hours and it is very difficult to obtain any trade reference information in such a short amount of time," said one respondent. "Most companies work 'more with less' in today's market and providing credit history information in a trade reference request is low on everyone's priority list these days."

However, not all respondents were broken up about this added pressure, noting that it forced them to get more creative with how they secure their sales. "It is more a case of the credit department being responsible for figuring out how, under what terms or protection measures, we can work with the customer and not a matter of refusing to work for the un-creditworthy," they said.

Some noted that the nature of their industry accounted for occasional rushes in the due diligence process. "Most of the time we are given sufficient time, but fire drills still occur," said one participant. "It is the nature of the construction industry." Still others noted that collaboration with sales ahead of time was key to ensuring that everyone was comfortable with the customer as with the amount of time it takes to properly check their credit history. "We work with our sales/marketing team on potential 'big deals' to pre-score customers so that we can hopefully avoid any issues," said one. "On large orders or when negotiating contracts, we are given certain information ahead of time so we can initiate our due diligence before we get an order," said another. "In certain instances the sales team often lets the customer know that they will have to communicate with the credit department before an order can be approved. This helps to move the process along."

Look for NACM's [next survey question](#) the first week of December.

Source: NACM-National