Credit Department Shared Services: 'Doing More With the Same'

Credit departments are more involved in companies than ever before and are in need of keeping up in the 21st century. Corporations expect decisions to be quick, accurate and lead to profitable results—not just in the credit department but throughout the entire business. One way to improve credit decisions and the credit process as a whole is with shared services.

Credit managers are more like portfolio managers, said Scott Phillips in the NACM webinar "Standardizing Credit Operations with Shared Services." Throughout the presentation, Phillips, who is head of shared services with Kloeckner Metals, underlined how the transformation to a standardized shared services operation helped streamline the credit process and improve business in his company.

One of the biggest impacts of not having a standardized operation is how it affects customers. As the old saying goes, "The customer is always right." Wanting to have the best customer experience does not only live in the consumer world but also the business-to-business atmosphere.

Before setting up shared services, the credit department had an inconsistent process, said Phillips. Regional credit managers were working independently, working for branches rather than the customer. Meaning one customer account might have more than one credit manager attached to it. There were different credit decisions for the same account because of the multiple credit managers on that account. This resulted in no credit limit visibility and a lack of proper approval workflows. Customers' accounts payable departments would be contacted by several credit managers, confusing them since they were being asked about the same invoice over and over. The finished product: poor customer experiences—something has to change.

"Identifying the issues was not a hard process," said Phillips. "The way to address them was more of a challenge." From the outset, there would never be a single version of the truth—multiple credit reports, spreadsheets, invoice tracking, etc. This resulted in inefficiencies when it came time to collect, which was also disorganized. It was taking too much time to get paid on past due invoices because of the excessive number of steps: emails, phone calls, notes and documentation that did not line up, forcing the necessary change. Email is a great tool, but the credit department was stuck typing the same email over and over, while notes on the same account were practically identical. It was a confusing process and not really efficient, said Phillips.

Three items were addressed during this change: the people, the process and technology, with each having its own role throughout the transition to shared services. One of the biggest changes was that now customers would have one point of contact with the credit department rather than multiple credit managers servicing the same account. This would give credit managers the ability to focus on other projects. It is important to remember that customers should not be kept in the dark about the changes that are happening. Educate them about the transition.

The credit process becomes more efficient and transparent with standardization as does the collections process. Technology can help with that, allowing credit managers to see the entire account hierarchy. Tech solutions also give credit managers more time to concentrate on other aspects of their job—troubled accounts, collecting past due invoices, etc. Another benefit is that products have automatically approved renewals based on an internal scoring system.

While some businesses are trying to do more with less, Phillips said he is looking to “do more with the same,” relocating employees to other roles within the company or department. He is trying to increase efficiencies by doing more work. Among the lessons learned are to make sure customers are part of this change and not surprised, to improve customer experiences with standardization and to drive efficiency.

-Michael Miller, managing editor