

AUTOMATING BUSINESS PROCESSES

TaskCentre®

Want To Improve Your Bottom Line? - An FD's Guide To Credit Control Automation



Credit Control Automation

TaskCentre®

The UK's leading Business Process Management (BPM) Solution

Company

Orbis Software

Industry

Business Process Management (BPM) Software

Geographies

Global

The knowledge you will gain from this paper:

- ⇒ An understanding of why organisations are automating their manual credit control activities
- ⇒ The internal and external factors affecting an organisation's manual credit control activities
- ⇒ Reducing aged debtor payment times through the automation of communications
- ⇒ Appreciate the importance of sharing credit control information with other key company decision-makers and why this is a primary driver for an automated credit control system.
- ⇒ Discover how TaskCentre® is being used to tackle the problem of late payers and how much money credit control automation will save your organisation.

The importance of effective credit control

In business today, credit control is a vital part of our daily procedures and responsibilities. **Millions** of pounds have been lost and companies sunk due to poor credit control systems. It's the easiest trap to fall into and there are thousands of examples across the world today.

The major factor within an organisation's credit control system is that of entrusting their procedures and tasks to people. Where there is **human intervention** there is **risk**. People make mistakes. They may become ill, take holidays or even leave. Constantly handing over manual processes to new operators is logically going to dilute the effectiveness of controls and procedures that the company promotes.

In addition, we cannot forget that there are unscrupulous operators who will **abuse** systems for their own personal gain. The most famous example of such abuse must be the fall of the British Barings Bank in the early 90's. This company was brought down by the activities of a **single trader** who was not properly monitored and controlled. If one person can bring an institution such as The Barings Bank, to its knees, then any organisation must be seen as highly vulnerable in relation to financial control.

Pitfalls faced by your Company

Most companies have suffered from the inevitable cash flow problems caused by bad debtors. However, the main cause for this is not enforcing the terms of trade on customers. For example, you spend time and money sourcing a **credit rating** and references which are then entered into your sales ledger within your accounting system. The customer starts trading with you and spends more and more with you every month. Over a period of time there is an element of trading history, a mutual trust is built up

Money to burn?

- A typical SME with one employee chasing aged debtors will spend 1,728 hours per year carry out this task. Automation technology will reduce that by 75%.
- The average company spends £53,000 in remuneration and associated costs each year on credit control. Automation technology will reduce that figure by 85%
- In a recent poll, 67% of credit control employees indicated that they had relaxed payment terms because of a relationship they had with the debtor. 73% of that figure admitted hiding their

and it becomes easy to relax trading terms and provide more leniency with their payment cycles. This is when your organisation is most at **risk**.

Factors that weaken your credit control system

- Personnel movement/absence
- Other customers taking up an account managers time
- Sales people applying pressure to allow them to trade harder with the client
- Absence of staff at your customers site who are responsible for authorising payment of your invoices
- Economic events can change quickly due to sudden events in your marketplace or both the national and international economy.

Automated Credit Control

Automating your credit control process provides significant advantages over manual operating systems. Automation not only provides accurate and timely debt chasing but will also notify associated personal of impending and important dates.

It has been proven that automating credit control systems significantly improves cash flow and tightens control over credit limits and overdue invoices. In essence, automation eliminates the need for employees to operate the accounting

system.

Automation assists the customer too. They will be kept informed of their current financial status with you and your organisation will be given priority over other suppliers with poor credit control systems. Your customers will soon realise that you expect to be paid within the terms and conditions agreed when the trading relationship was first formed.

An Illustration

The following illustration provides an example of a totally automated six step process that eradicates the need for employee involvement.

Step One - Order Confirmation

An order confirmation is automatically produced and sent to the client on the receipt and inputting of a sales order. An internal check is conducted on the Sales Order first to ensure that there is a valid PO number. If there is no PO number, confirmation is not sent but instead an internal e-mail is sent to the person who has processed the order informing them that they have forgotten to add the PO number. When the PO number is placed on the Sales Order, the saved order confirmation will then be sent.

Step Two - Pre-reminder one week before an invoice due date

A payment reminder is sent out 1 week before the invoice becomes due for payment or 1 week before a customer payment run. This procedure often eradicates the issue of invoices being lost or misplaced and ensures that it has been received by the customer. If your organisation is operating an early settlement discount, this can be illustrated on the payment reminder.

Tip

To illustrate the problems above, with regards to your own organisation, take a little time out to review your credit control notes and identify common reasons for non-payment. Clarify to your staff which reasons are acceptable.

Step Three - First overdue reminder notice and internal notification

The first overdue reminder notice is sent out one week after the due date of the invoice. Internal personnel receive an automatic notification that this communication has been sent to the client.

Step Four - Second Overdue reminder notice and internal notification.

The second overdue reminder notice is automatically generated and sent out 2 weeks after the overdue payment. The wording of the reminder is much stronger and is once again accompanied by an internal communication to key-decision makers.

Step Five - Notice of the addition of penalties

The notice of additional penalties is automatically sent out 3 weeks after the invoice payment due date. This template notifies the customer that you will be applying penalties to the invoice total which is a good deterrent for continuous late payers. Again, this notification can be accompanied by an internal e-mail to accounts personnel or even the customer account managers to prompt them to try to bring the account up to date.

Step 6 - Notice of account suspension

The notice of account suspension is automatically sent out 4 weeks after the invoice payment due date. This template notifies the customer that their account will be suspended within the next 7 days if full payment is not received. Again internal personnel can be sent e-mails listing impending suspensions.

Overview of Orbis TaskCentre®

Orbis Software is the vendor of a business process automation application known as TaskCentre. TaskCentre provides a pro-active mechanism for credit control, based on an organisations

Money to burn?

- There were around 2.2 million UK working days lost last year through sickness which accounted for 2% of total scheduled working days. The research showed that the under 30's being the most susceptible.
- The average cost of sickness absence is £487.10 for each employee each year. This represents an estimated cost of £12 billion to the UK economy as a whole.
- In a recent study, 94% of organisations stated that absenteeism constituted a "significant" or "very significant" business burden.

business rules and will operate with **any accounting system** that supports a technology known as ODBC or OLEDB.

TaskCentre is designed around the principle of building Tasks that contain a sequence of associated STEPS.

Tasks

A Task represents a distinct business process that can be turned on or off, amended or added, to suit the individual needs of an organisation. A Task will automatically operate at pre-set times which enables unattended operations outside of normal operating hours.

Tools

TaskCentre tools provide the ability to create automatic steps that replicate the individual stages an employee will go through within the credit control department. Tools provide the methods of enabling decisions, datasets, format, notification, associated escalations and transport mechanisms. For communication, there are several individual Tools for sending a notification such as an e-mail, SMS, Fax, Print. Tasks can also update information to databases, web pages or file systems. To see a full list of available Tools please visit:

www.orbis-software.com/products/tools.php

How it works

Orbis TaskCentre provides a unique and intuitive automated business process engine, enabling organisations to swiftly automate even the most complex employee activity. It also provides an environment to facilitate comprehensive

management and auditing. To see a flash-based demonstration of TaskCentre, please click on the following link and choose the 'Flash Product Demonstration':

www.orbis-software.com/index.php

Summary of Benefits

- **Reduced Operational Costs**
Eradication of human participation.
- **Reliability** A dependable and consistent mechanism for controlling debtors.
- **Effective use of Human Capital**
Employees are freed of time consuming activities.
- **Professional Resolution** Provides key decision-makers with the information to avoid or resolve payment issues swiftly and professionally.
- **Effective monitoring and reporting**
Monitor and receive real-time reports on both the payment status of trading partners/customers and subsequent employee activities that are either completed/uncompleted.

Conclusion

It is highly unlikely that aged debtors are going to disappear overnight and therefore the challenge for the financial director must be to reduce the problems and costs associated with debt retrieval.

Currently, far too much reliance is being placed on the employee to manually go through the debt retrieval 'stages.' This is not only archaic in its approach but extremely costly to the company. This is why professionals within the credit control arena are turning to automation technology to alleviate the burden of administrative procedures.

The return on investment of such a move

Tip

There are four debtor types; the delaying debtor, the genuine debtor, the cashflow or hardship debtor and the ones that never intended to pay. Develop telephone strategies for each group so that payment is made.

is obvious to all. Indeed, all of our clients that have automated their credit control procedures claim that debtor repayment cycles have reduced by at least 2 weeks and that the costs associated with this activity have been slashed by around 80% to 90%.

One also cannot overlook the fact that an automated credit control system ensures that best practice and company procedures are adhered to, thus maintaining a consistent and professional relationship with your trading partners/customers.

To clearly illustrate how much credit control automation will save your company, take a minute to complete our [Business Process Calculator](#).

About us

Orbis Software was founded in 1997 and is a pioneer of the Business Process Management (BPM) arena.

Our “pure-play” BPM solution, TaskCentre, is helping thousands of companies worldwide to strategically automate those manual employee activities that detract from the company's bottom line.

TaskCentre is completely scaleable, offering any sized organisation the benefits which are available from automation technology.

To illustrate further the benefits of pure-play automation and what it can do for your company, please visit our web site and read what our customers have to say:

www.orbis-software.com/customers/index.php

Bonus Resources

Like all professional disciplines, Credit Control is an ever-evolving arena and new best practices are created on a continual basis. To help you and your company keep ahead of these changes we have compiled a number of information resources that will be of

Money to burn?

- A recent study showed that a decrease in the availability of a “job for life” has resulted in employees showing less honesty and loyalty to employers. As a result, fraud is expected to rise again in 2005/6.
- In a recent poll, it emerged that 78% of SME's do not have a formal procedure for the management and monitoring of credit control employees. The major reason cited for this was the ‘lack of time’.
- 1-in-5 managers work between 12-16 hours more than their employment contract states. This equates to 1-in-5 managers working a seven day week.

direct help:

Case Studies

With a proven track record of automating credit control processes within all the major ERP and Accounting software arenas our clients are our best advocates.

To illustrate how both ChevronTexaco and Tidyco automated their credit control practices and many other costly business processes, please read their testimonies.

- [ChevronTexaco](#)
- [Tidyco](#)

Web Sites

The web is one of the best resources for information on the trends and challenges facing professionals within the credit control environment. In light of this, please find below a number sites that will provide you with the news and resource your company needs to keep ahead:

www.icm.org.uk/home.asp
www.book-keepers.org
www.accountingweb.co.uk
www.businesslink.gov.uk
www.bizhelp24.com
www.icaew.co.uk

For further information on automating your credit control system, **please call us now on 01202 241115.**

Tip

Have short monthly credit control meetings to identify payment trends and share this information with other key personnel such as the sales director or account manager(s). Information is an important business currency.

Orbis Software Ltd (UK)

Bourne Gate
25 Bourne Valley Road
Poole, Dorset
BH12 1DY
United Kingdom

Tel: +44 (0) 1202 241115

Fax: +44 (0) 1202 241116

E-Mail: enquiries@orbis-software.com

© 2005 Orbis Software Ltd