

Defining Credit & Collections Goals

The primary goal for the credit and collections department is to turn open invoices into cash, therefore increasing the cash flow while mitigating credit risk. Within onboarding a customer and collecting past-dues from them, credit and collections professionals go through the havoc of dealing with an exhaustive task list.

Reducing DSO and mitigating credit risk are long-term goals. Credit and collection teams should break their long-term goals into multiple short-term goals, these short-term goals could be tracked easily and would help them to see the bigger picture.

Here's a list of 23 such objectives and smart goals for credit and collections, each one being the compartmental building block of the whole process:

01

Credit Onboarding Automation and Controls



- Provide a customizable credit application portal for new customers that requires the documentation and a customer appropriate credit application be completed accurately prior to submission to the credit department.
- Automate approval policies using credit scoring models
- Automate the acquisition of trade and bank references.
- Lock in a process for acquisition and retention of sales resale certificates and renewals. Consider a third party service.
- Define a criteria and implement credit scoring and approval models.
- Ensure the onboarding process ensures fraud prevention.



02

Conduct Credit Line Reviews Proactively

Understand the sales initiatives by channel, product line and region and ensure that credit lines are available to meet revenue goals.



03

Update Credit Policy

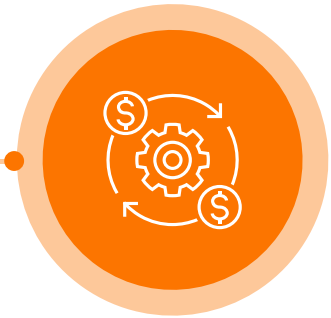
Review and adjust the current credit policy to include:

- Information sources and benchmarking
- Credit scoring
- Escalations for exceptions workflow and approval
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- Alternative to open unsecured terms
- Credit hold and release
- Develop on-the-shelf solutions to mitigate risk when collateral or some form of guarantee is needed to get to yes.



04

Lead Initiatives to Automate the Collections Process



- Implement collection strategies based on customer data and credit risk.
- Identify root cause of collection delay issues.
- Resolve aged receivables before they become an escheatment issue.

05

Implement an Effective Credit Hold Process: Use the Credit Hold Process as a Last Resort



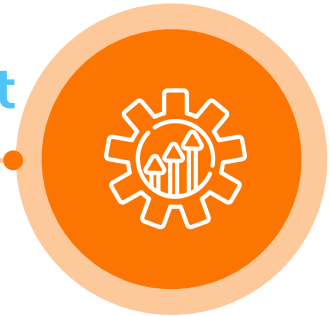
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06

Focus on Process Improvement

- Identify root cause issues driving errors in invoicing, shipments and cash application.
- Lead cross-functional efforts to bring process improvement



07

Initiate a Supply Chain Risk Assessment Policy and Procedure



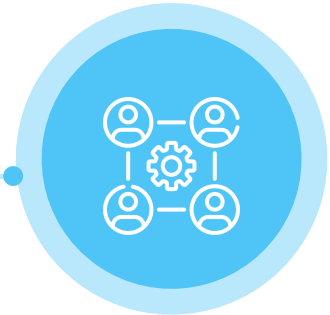
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Support the Sales and Cash Forecast by Managing Cash Inflows and Outflows by Coordinating and Bringing Transparency to Collections and Accounts Payable.



09

Work with Other Stakeholders to Establish Cross-Functional Targets for:



- Collections performance
- Dispute Management
- Accuracy of the Cash Forecast

10

Establish Performance and Efficiency Targets for the Credit Collections Department and Staff:



- Credit review and decision turnaround
- Collections performance
- Timeliness and accuracy of Cash Application
- Deduction Management

11

Review the Accuracy of the Company's Customer Master



- Remove dormant accounts
- Eliminate "Bill To" redundancies
- Separation of duties setting up Customer Master records to avoid potential fraud and embezzlement

12

Take a Proactive Role in Reviewing and Signing off on Vendor Agreements



- Understand any administrative requirements that could lead to penalties being assessed by the customer.
- Check that the terms are in line with your company's terms.
- Verify that the Law and Venue clause is acceptable
- Verify that dispute resolution is in line with your company policy: (Jury or Judge Trial, Arbitration, Mediation)

13

Ensure Credit and Collections Staff are Well Trained in the Various Laws and Regulations Related to Their Function:



- Robinson-Patman Act
- Sherman Antitrust Act
- Equal Credit Opportunity Act (ECOA)
- Fair Credit Reporting Act (FCRA)
- Fair Debt Collections Practices Act (FDCPA)
- FCPA
- Unclaimed Property (Escheatment)
- State and Online Sales Tax
- Incoterms 2020
- Bulk Transfers
- Customer Bankruptcy: Prior and Post

14

Develop and Implement Incentivizes and Morale Building Activities for Credit and Collections Staff on a Limited Budget



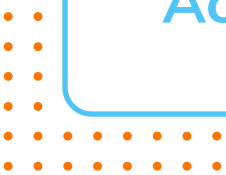
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Review the Current Cash Application Process and Leverage Automation to Reduce Expenses



16

Create a Schedule for Onsite Customer Visits to Key Accounts and Accounts of Concern



17

Review Credit Card Security Procedures and Fees. Take Actions to Reduce Risks and Costs, Including Taking Advantage of Recent Changes in Surcharge Rules.



18

Develop a Policy to Mitigate the Impact of Customer Payment Terms Pushback, when a Major Customer Unilaterally Extends Payment Terms Beyond Their Original Agreed-To Terms.





19

Review Calculated Expected Credit Loss (CECL) Requirements and Adjust Bad Debt Reserve Calculations



20

Regular Tracking A/R Performance



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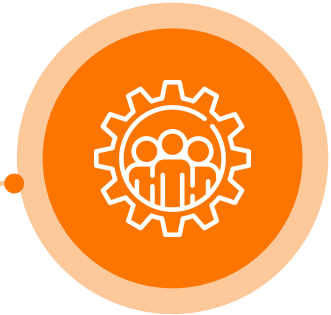
Implement Continuous Training and Education of Credit Management and Staff:



- Related to the department's role in the Cash to Cash Cycle.
- Related to the department's role in the Cash to Cash Cycle.
- Treasury
- International Business

22

Elevate the Skillset of
Your Team



23

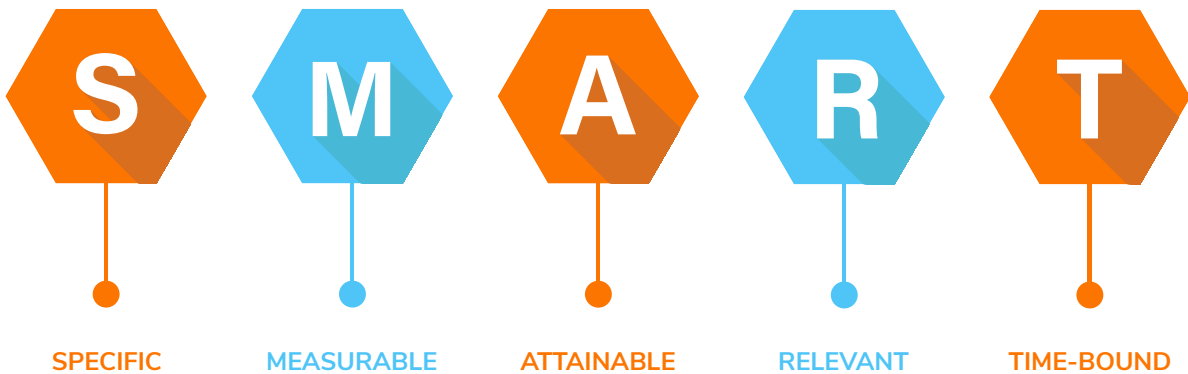
Create a High Performance
Culture Throughout
Your Team



How To Set S.M.A.R.T Goals?

The S.M.A.R.T method is an excellent approach to setting achievable accounts receivable goals and objectives because it covers all bases and leaves no room for errors.

S.M.A.R.T stands for:



Let's dive deeper to understand what every parameter in smart goals for accounts receivable stands for and how exactly they would help to attain your credit and collections goals:

1. SPECIFIC

MAKE THE GOAL QUANTIFIABLE

First thing is to specify the goal by making it tangible. Without specificity, the goal is a lot more like a dream than an actual goal. In addition to making it quantifiable, you want to answer the following questions:

What do I want to accomplish?



Why is this goal important?



Who is involved?



Where is it located?



Which resources/limitations are involved?



2. MEASURABLE

DETERMINE METRIC[S] TO TRACK PROGRESS

Your goal must be measurable so you can track progress, stay motivated, and recognize when you have achieved it. A measurable goal should address questions such as:

How much?



How many?



How will I know when it is accomplished?



3. ATTAINABLE

ENSURE IT IS WITHIN THE REALM OF POSSIBILITY

Setting a specific and measurable goal is all well and good, but if it's not realistic then it's a waste of time, and will only lead to Disappointment.

Therefore, you must make sure that the goal is actually attainable given your unique circumstances.

An achievable goal will usually answer questions such as:

How can I accomplish this goal?



How realistic is the goal, based on other constraints, such as financial factors?



4. RELEVANT

DETERMINE HOW THE GOAL IS CONNECTED TO SOMETHING BIGGER

This step is about ensuring that your goal really matters to you, and that it aligns with other relevant goals.

You should answer the following questions to ensure your goal is relevant:

Does pursuing the goal seem worthwhile



Is it the right time?



Am I the right person to reach this goal?



How is this goal connected to other goals?



5. TIME-BOUND

SET A DEADLINE

The final piece of the S.M.A.R.T jigsaw – making the goal time-bound.

The reason why your goal should be time-bound is relatively self explanatory, because every goal needs a target date; a deadline to work towards.

In order to make your goal time-bound you should answer the following questions:

When is the final deadline to achieve this goal?



What can I do six months from now?



What can I do six weeks from now?



What can I do today?



Summary

Yes! Those are the list of things on the horizon that are going to completely change the outlook of performance goals for accounts receivable departments in the coming years.

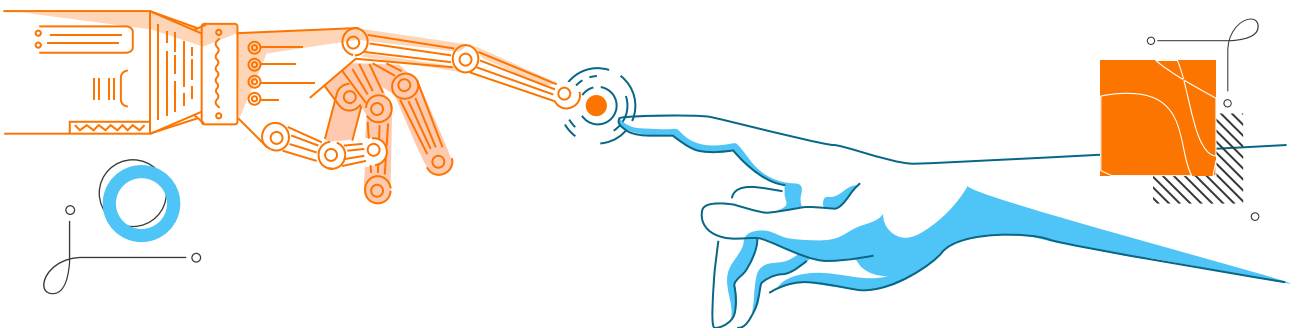
Here is a quick overview on what you need to beat the odds, accelerate your growth, and drive your A/R to monumental success:

1. Minimize credit risk with a step-by-step approach to creating a credit policy framework that aligns with business growth objectives.
2. Drive compliance for everyday tactical work by understanding critical trade credit and collections laws.
3. Build process improvement recommendations by leveraging reporting and analytics for immediate course-correction and strategic insight.
4. Transform credit and collections processes by leveraging cutting-edge technologies and process automation.

Acquiring these skills and objectives can help leaders and professionals across the credit and A/R space achieve monumental success while delivering top of the class results.

On another note, do you want to know how beyond the curve advanced technologies with AI & RPA that provide automation for your [credit management](#) and [collections management](#) processes look like?

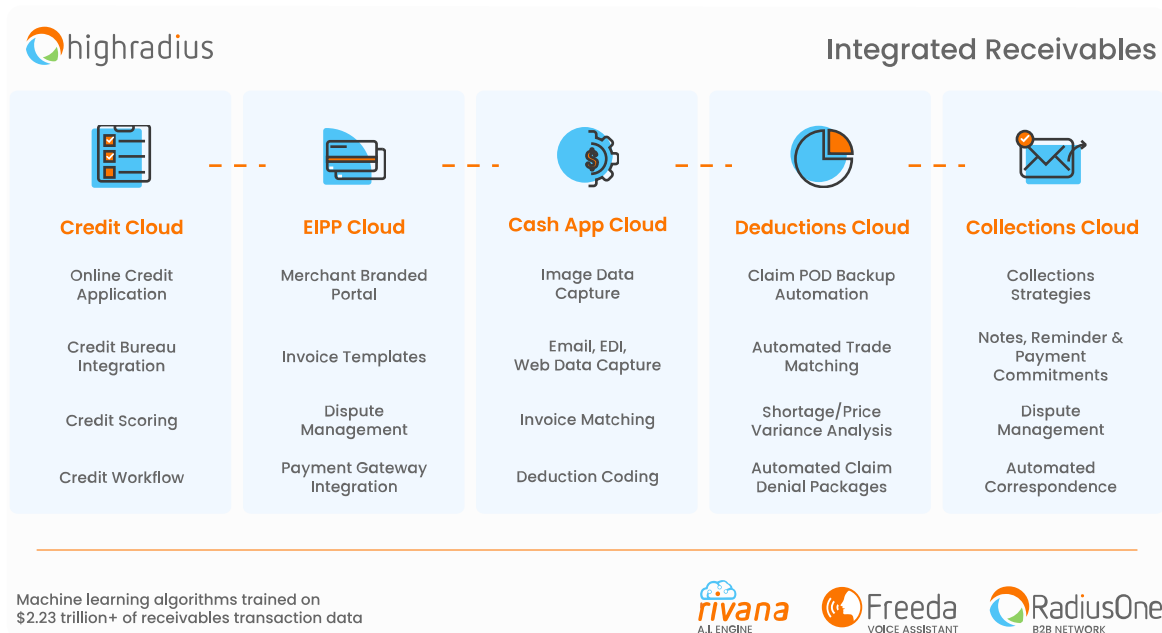
Read the section below.



About HighRadius

HighRadius is a Fintech enterprise Software-as-a-Service (SaaS) company that leverages Artificial Intelligence-based Autonomous Systems to help 600+ industry-leading companies automate their Accounts Receivable and Treasury processes.

The HighRadius® [Integrated Receivables platform](#) reduces cycle times in your order-to-cash process through automation of receivables and payments processes across credit, electronic billing and payment processing, cash application, deductions, and collections. The HighRadius® RadiusOne A/R Suite offers a pocket-friendly platform for hundreds of mid-sized businesses to enable faster A/R processing and enhance their working capital. HighRadius® Treasury Management Applications help teams achieve touchless cash management and accurate cash forecasting.



Powered by the Rivana™ Artificial Intelligence Engine and Freeda™ Digital Assistant for order-to-cash teams, HighRadius enables teams to leverage machine learning to predict future outcomes and automate routine labor-intensive tasks.

Processing over \$2.3 Trillion in receivables transactions annually, HighRadius solutions have a proven track record of optimizing cash flow, reducing days sales outstanding (DSO) and bad debt, and increasing operational efficiency so that companies may achieve strong ROI in just a few months. HighRadius is the industry's most preferred solution for Accounts Receivable & Treasury and has been named a Leader by IDC MarketScape twice in a row.

To learn more, please visit www.highradius.com



Autopilot for
Order to Cash & Treasury
Automation, prediction & insights
powered by Artificial Intelligence

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