

Strengthen your business systems now to prepare for the unknowns of 2021

By Adrian Floate MICM*

The fiscal policy measures introduced by the State and Federal Governments to cushion the economic impacts of the COVID-19 pandemic have provided some businesses with a much-needed lifeline.

While many businesses have been able to use these measures to keep creditors at bay while operating smoothly, taking the time now to strengthen your business systems will reduce risk and ensure your organisation is in a strong position to capitalise on opportunities in the year ahead.

Credit management and finance professionals should be using the time between now and when measures such as JobKeeper end to introduce better systems that will reduce debtors, unlock cash flow to strengthen cash reserves and open opportunities for further growth in 2021. Now is not the time to be complacent.

Digital technologies can drive change

Restricted cash flow due to late payments and a downturn in revenue significantly affects a company's stability. Payment problems impact a business's finances and cash flow. This has flow-on effects, including a reduced ability to invest in and grow the company and difficulties accessing finance in the future.

While regulators have intervened with measures aimed at addressing some of these issues, businesses need the tools and systems to get paid on time and unlock capital now.

In a year like 2020, where companies have seen the importance of investing in the right digital technologies, systems and processes, this should also be the focus for credit management and finance professionals, particularly those who work in industries that have been heavily affected by the pandemic. ►



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The competitive edge may be greatest in the retail, manufacturing and wholesale sectors

According to illion's Late Payments Australia September Quarter Analysis, late payments increased 1.6 per cent in September and 20.7 per cent year-on-year (YoY)¹. Some of the biggest increases in late payment times occurred across the retail (13.9 days), manufacturing (13.1 days) and wholesale sectors (12.6 days)². These payment times haven't yet filtered through to an increase in insolvencies and external administration, which is likely due to the Federal Government's changes to insolvency and bankruptcy laws. It is, however, a timely reminder to "get your house

in order" before these measures change. Strengthening your business systems should be the first step in this process.

Have a whole-of-business approach to improving systems

Company-driven solutions and a move to better systems will help you to identify and address financial problems and risk across your businesses, allowing your organisation to be ready to capitalise on opportunities in 2021. These opportunities may include accessing capital to grow through acquisition or expanding to new markets, either geographically or with new products and services.

It's also important to remember,

however, that fixing just one system will not provide a competitive edge. Implementing e-invoicing in an organisation, for example, has a payback period of six to 18 months. This kind of project, while worthwhile, resolves issues in only one part of the business.

While targeted innovation may improve one area of your business, the biggest advantage is available to businesses who use one platform across a range of business functions.

How can your businesses strengthen its systems?

Digitising data across your organisation and establishing systems that "talk" to each other should be your core objective as you strengthen your business's systems.

Look at digitising and integrating data in all areas of business operation to drive stronger, data-driven decision making. These areas may include warehousing and logistics, debt collection, payments, procurement,

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eCommerce and your point-of-sale system. The goal here is to eliminate siloed systems that are open to the risk of human error and the burden of manual data entry.

Use one platform across the business

By using one platform amongst various functions in your organisation, you’ll have access to the real-time data you need to unlock capital and improve cash flow. This data allows you to identify the business’s strengths and areas that may be underperforming and increasing risk.

In underperforming areas, the data may reveal particular customers, products and industries that expose the business to unnecessary risk. Over time, more robust data will

allow your organisation to become more proactive.

This may include the ability to use your data in negotiating more credit and new funding facilities when it’s needed.

On the other hand, you may use the data internally to make a case for why the business can’t take on any further debt. Your data will tell the story, and it provides you with an opportunity to be more strategic every day.

Drive a culture of implementing intent to pay frameworks and instant payments

If your organisation doesn’t invoice until after goods and services are delivered, you are leaving the business open to further risk. As part of

improving your business’s systems, consider introducing the infrastructure to establish an intent to pay framework between your business and its suppliers, and your customers. This framework will reduce your trading days and improve cash flow, which ultimately improves the business’s ability to manage risk proactively.

An intent to pay framework allows customers to set a scheduled payment plan with their suppliers to settle overdue debt. Workflow payments are introduced early in the payments process, allowing a business to get paid for products and services at the point the job is complete, or a delivery made, using verified customer payment details. With this infrastructure, friction is removed from the payment process and certainty is created in debt recovery for the seller.

Consider the long-term cost of inefficient systems and processes

Sometimes the idea of new systems is daunting for professionals across a business, particularly if you’ll be ➤

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interacting with the platform every day, and it significantly changes your workflow.

What this year has shown like no other, however, is that the risk of not strengthening your business's systems, especially its payment processes and data integration, grows the longer you leave it. Real-time data and business intelligence will give all areas of your business a competitive edge.

Not only do better data and systems make everyone's lives easier especially when it comes to financial reporting and funding, but in today's data-driven world, your decisions are only as good as the data you have available.

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Go digital and unlock cash flow

While regulatory measures in recent years have brought much-needed awareness to business finance and payment problems across Australia, these measures, understandably, can't address the common cause of the issue - outdated business systems and processes.

To proactively manage risk, your business needs one platform with application across the business to get paid faster, make the payment process seamless for customers, integrate data for better reporting and decision making, and unlock capital to reduce your credit risk and increase borrowing capacity.

Many Australian businesses have

adapted quickly this year, showing they're well-equipped to continue driving productivity and growth. Using technology to strengthen your systems and unlock capital will be no different. It's the competitive edge businesses will need to capitalise on the opportunities that will arise from the unknowns in the year ahead. ♦

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FOOTNOTES:

- 1 illion, *Late Payments Australia September Quarter Analysis 2020*.
URL: https://www.illion.com.au/wp-content/uploads/2020/11/ION_Late_Payments_Sept_Quarter_AU.pdf
- 2 illion, *Late Payments Australia September Quarter Analysis 2020*.

