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Synergy between the Sales and the Credit Teams

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Business is getting tougher. Products and services are becoming homogenous with less room for differentiation; supply is exceeding demand in an increasing number of markets; competition is increasing with higher quality products produced by the Asian industries; and customers are using today's technology to shop around before concluding a deal. More often than not, loyalty has become something of the past!

To add insult to injury, customers are becoming more demanding and are expecting their suppliers to grant them and extend further their credit. Credit insurance and banks are becoming more vigilant and credit has been rationed.

Despite of such hostile business environment, some businesses are still not utilising fully their internal resources to gain competitive advantage.

One of the difficulties that firms are facing is internal conflict between departments and business units. The sales and the credit departments rank high in these internal conflicts.

We often hear '*Us'* and '*Them'* referring to each other! *'This is my client not yours'*, or even worse *'that's your client, not mine!'*

- Why?

- Why should there be this '*Us'* and '*Them'* attitude?

- Aren't we all working for the same firm?

- Shouldn't we be striving to achieve the common corporate goals and objectives?

I usually compare a business organisation to the human body. Every part of the human body is important as it has its specific function. Besides, if one function of the body fails due to some injury for example, the entire body will suffer.

The same applies to a firm. If one of its functions does not work in synergy with another, the organisation as a whole will be effected.

Therefore, all employees should be aiming to achieve the same corporate goals, irrespective of the department or business function that they work in.

However, both the sales and the credit people should understand why it is critical that these two business units work in synergy with each other.

Firstly, both units should acknowledge that the sales team triggers the sale, and the credit function completes the process by agreeing competitive credit terms with the client, thus securing long-term customer-relationship, and realising timely payments and profits from the sales department's efforts.

Furthermore, synergy between the sales and the credit teams is becoming more important than ever before because it provides:

- Competitive advantage
- Product differentiation through customer service
- Market information
- And profitable sales

Competitive advantage

Businesses are aware and strive to gain competitive advantage when they sell their products or services to customers, but competitive advantage should also be sustained when businesses manage their accounts receivables and when they try to collect their dues.

It is evident that people working in the credit management department tend to forget that there exist other suppliers who are competing in the market, and who are selling on credit to the same customers.

Therefore, it is important to be constantly aware, and to keep in mind, that these other suppliers are also striving not only to sell their products and services but also to get paid from the same customers.

So, a firm will only sell and get paid if customers prefer this firm rather than the other suppliers – **and this is today's commercial challenge:** *to invest in and utilise all the internal resources in order to position the firm as providing the unique products and services in the market.*

Product Differentiation through customer service

The product itself is becoming difficult to differentiate, as it can be easily copied and imitated, additionally low prices can also be matched…

But, there is a hidden internal asset, which is effective and yet not fully exploited - **'*Customer Service*'**

Customer service is difficult to copy, as it is based on the personal relationship between individuals – the customer and the employee/s of the firm supplying the goods.

And who are the people within a firm who can contribute most in providing high quality standard of customer service?

Without doubts, the best people for this job are those in direct contact with the customers - The Credit Practitioners and the Sales People.

These are the two teams that are in contact with customers from the beginning till the end of the business transaction.

Notwithstanding, some credit business units are sometimes criticised for having a poor working relationship with the sales departments.

Credit is one of the most demanded services by customers. Therefore, if the sales and the credit teams work closer to each other, they could meet or even exceed customers' expectations by which long-term customer relationship would be sustained and product differentiation would be achieved through unique customer service.

Market information

The credit practitioners need reliable, accurate and proactive information on the market and on the prospective and existing customers in order to analyse the credit worthiness of the prospective customer, as well as to monitor the existing customer base.

Therefore, the next logical question is:

What information do we need and what is the best source of information?

There are a number of reliable sources of information in the market. But, in my humble opinion, the best source of information is the Sales Team.

The sales team is constantly out there in the market. They know the customers well, very often on a personal basis. They also meet with other sales people, who are employed by the competitors, and they do talk to each other!

Thus, they exchange information about the market and the customers. The sales people are the ones that can sense the market in an effective manner. They are the right people that can help the credit practitioners to identify the profitable customers, those who may be ideal for the firm to grant them credit.

They are the right people who can provide information about early warning signs, which are critical in order to take proactive actions and to monitor closely the existing customers.

Profitable sales

All employees should be aiming to achieve the same corporate goals, irrespective of the department or business function that they work in.

Going back to the very basics of doing business, a firm exists primarily to make a decent profit at the end of the day. Therefore, each and every employee should aim towards this basic goal – To make a Profit.

The '***Us*** and ***Them'*** attitude should definitely stop. '***That's my customer and that's yours'*** is even worse to hear!

Every customer is the customer of **the same** firm, and together – the sales and the credit people - should strive to keep this customer satisfied in order to encourage him or her to continue buying from them.

Remember - if a customer feels unsatisfied with what a firm provides or with the systems, procedures and processes employed to deliver the product to the market, the customer will go to the competitors.

Therefore, all the sales and the credit teams **should pull the same rope – and *in the same direction!***

Implementation - Achieving Synergy

Credit consultants often suggest:

- To give the necessary training to the sales and the credit people in order to understand and appreciate the roles of each other.
- To educate the employees to acknowledge the importance of sound cash flow for the survival of the firm.
- To encourage the sales people to fill in the Customer Information Form or the Credit Application Form upon every request for credit.
- To provide the salespeople with pertinent credit information related to late paying accounts.
- To encourage the sales manager to attend for credit meetings and the credit managers to attend for the sales meetings.
- To encourage the credit people to be more efficient and respond promptly to all enquiries made by the sales team in respect of any existing account or credit applicant.

These are all commendable and good tactical practices that would help the sales and the credit teams work closer to each other.

But, probably firms would have already tried these out and the same conflicts between the two teams persist.

My recommended strategy to implement the sales-credit synergy strategy is to employ the internal marketing concept: to treat our colleagues – the employees who work for our same company, as our ***'internal customers'***.

Treating peers as *'internal customers'* – i.e. striving to satisfy and meet their needs - should help to improve the internal systems and procedures; it should help to enhance the internal relationship and team building and this would in turn reflect in better customer service by which competitive advantage could be gained and sustained.

To implement this internal marketing concept within a business organisation, one should segment the internal customers in order to identify:

- Those who are supportive and those who oppose the concept of 'internal customers' &

- The leaders of the two segments – as usually these leaders have great influence on their respective peer group.

		Influence over synergy between the Sales & Credit	
		High	Low
Attitude to synergy between the sales & credit	**Supportive**	Influential Supporter	Non-involved Supporter
	Opposed	Influential Opposition	Non-involved Opposition

Source: Piercy (1997)

If one had to plot the names of the employees concerned in the Matrix, developed by Piercy, according to the level of their supportiveness and their respective influence on others, one would be able to:

1. Convert or isolate the opposition from the rest;
2. To upgrade the status of influential supporters;
3. To recruit the active involvement of non-involved supporters; &
4. To negotiate and trade-off with those who are opposing the concept of internal customers that would result in Synergy between the two teams.

Once the supporters and the opposers, as well as the influencers of these two groups, are identified, the 4 P's of the marketing mix would help to motivate employees and to ease the path of implementing synergy between the two teams by employing the internal marketing concept.

Let's have a look at each P:

Product: This is the concept itself – i.e. the '*internal customer'* concept that would result in synergy between the two departments.

Promotion: This is the communication required to inform and persuade the employees – *the internal customers* – including the senior management team.
One thing that I would like to point out here is that effective communication is critical when introducing changes and new concepts within a business organisation.

Place: This refers to how to get the '*Product – Our new concept'* to the internal customers. It can take the form of Meetings, Memos & Reports, Team briefings, Training Seminars & workshops, and day-to-day business interactions.

Price: This is the price that the internal customers have to pay to adopt the proposed concept. It may take the form of trade-offs. For example, the credit department will accept the role of the sales team, and the sales team accept the role of the credit practitioners.

Obviously, this strategy requires Change Mangement.

Researched studies contend that there are ways of overcoming resistance to change. These may include:

1. **Education and communication –** proper training to the employees involved and communicating the objectives and the strategies to achieve our objectives and business goals would help people to understand clearly the need for change. The need to create and maintain synergy between the sales and the credit teams in order to gain competitive advantage through long-term customer relationship, ensure sound cash flow and secure long-term profit.

2. **Participation and involvement –** If the employees from both departments are involved in the development and implementation of the strategy and tactics that are required to achieve synergy between the two, they would be more supportive as they would own the concept.

3. **Facilitation and support –** Support from the senior management team and a competent facilitator are both critical for the proper implementation of the strategy and tactics involved.

4. **Negotiation and Agreement –** The senior management team may negotiate incentives to both teams if they work towards achieving synergy and improve profitable sales and timely collections.

Conclusion

Creating and sustaining synergy between the sales and the credit teams is a win-win situation, especially during this economic and financial crisis, when demand is decreasing, cash flow is at its worse and competition is getting even harsher.

Therefore, we should aim to protect our revenue and cash flow by securing more repeat sales from our existing profitable customers.

But this can only be achieved by providing better customer service which is highly valued and demanded by the same customers - CREDIT - this would keep our existing customers buying from us and paying us.

Think! This internal strategy (Sales - Credit Synergy) has a domino affect. It breeds positive attitude and culture within the organisation that reflects in better customer satisfaction due to better customer services.

Nevertheless, this strategy requires internal culture change, which is not always an easy task but remember:

"The Wise don't batter against stone walls, but find ways around them, under them, or over them"

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He obtained his MBA from Henley Management College Member of the Chartered Institute of Marketing (UK), and Fellow of the Chartered Institute of Credit Management (UK).

He has contributed with intuitive workshops and presentations addressed to various business people worldwide. Josef is a regular contributor of business articles to business press.