



**THE CREDIT DEPARTMENT, INC.**  
*SMART BUSINESS. STRATEGIC VALUE.*

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*“Improving cash flow and earnings through strategic credit management.”*

## Defining Roles in Accounts Receivable Management

Most companies wouldn't think to have their Credit Department personnel make sales calls, but they don't hesitate to involve their sales force in routine receivables issues...

Sales has goals to reach to increase revenues of an organization. Credit Departments are charged with maximizing the profitability on these sales dollars. It's important for both departments to work together to achieve the organization's goals.

How do we best define the roles both groups play in achieving these goals? Let's take a look at the three areas of accounts receivable management to understand the division of roles:

### **Credit Analysis/Approvals**

Since the Sales group is responsible for prospecting new customers, their role should include providing credit applications to new prospects. While it's up to Credit to review and complete the review process, Sales should be called upon to help secure additional information--such as financial statements--when needed.

### **Collections**

Sales people need to be advocates for their customers in order to focus on their goals. It's very difficult to perform this function *and* effectively collect from past-due customers. Therefore, the majority of collection activity must be done in the Credit Department. Sales should be keeping Credit advised of changing situations with customers (such as change of ownership), but should only get involved where disputes need to be resolved. Routine collections should never be part of an effective sales process.

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*The Credit Department, Inc. can help you manage your credit needs through professional credit management outsourcing and consulting. For more information, contact us at 800.451.0164, email [info@TCD.com](mailto:info@TCD.com) or visit our web site at [www.TCD.com](http://www.TCD.com).*

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## **Deduction Resolution**

This is one area where sales people need to be used sparingly, if for no other reason than the sheer volume of deductions in some companies. In the most innovative credit departments, Credit is given the charge to manage the marketing clearing process: that is, the marketing budgets established by Sales and used by customers are monitored by the Credit Department. (Where special offers were made by Sales and therefore deducted, it's appropriate to involve Sales.) We don't advocate using brokers to validate and clear routine customer deductions.

**Communication is key in all of these areas.** If you don't have regular meetings between Credit and Sales, it's difficult to understand how to work together. Also, if roles are not clearly defined, confusion within departments and with customers will continue to grow, preventing everyone from achieving their goals.

***For more information on accounts receivable management e-mail us at [info@tcd.com](mailto:info@tcd.com) or phone us at 800-451-0164.***

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