

Measuring the True ROI of Credit Management Investments

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Abstract

Justifying budget requests for Credit Managers is a very complex task. The team interacts with various departments, all with different needs, but most of which are not in your control. Explore an effective approach to piloting credit investments in one or two locations and how to translate results into broader deployment based on results.

When finance asks to justify spending on a new platform, added headcount, or an analytics upgrade, the answer is "everywhere, all at once": bad debt, DSO, disputes, capacity, customer experience, compliance. The value is real, but it touches too many dimensions to fit inside a single clean number. And the person asking the question usually wants a single clean number.

Credit management creates value along multiple dimensions simultaneously, and most of those dimensions interact with variables the credit team doesn't control. Customer mix shifts. Sales renegotiates terms without telling you. The economy moves. A traditional ROI calculation will almost always either overclaim by attributing all improvement to the investment, or undersell by drowning the real impact in caveats.

This article lays out a more effective approach: measure each...

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