

The Risk You Inherit: How Customer Processes Shape Your Credit Outcomes

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Abstract

In many cases, vendors inherit credit risk not from financial weakness but from structural inefficiencies embedded in the customer's payment systems. This article explores process architecture as an additional lens for credit risk assessment.

Credit professionals routinely assess financial health, payment history, and market position when evaluating customer risk. Yet these standard metrics often fail to explain the significant variance in payment behavior observed across customers with comparable financial profiles. A critical and frequently overlooked risk factor operates outside conventional financial analysis: the customer's internal operational systems.

The design, discipline, and efficiency of a customer's invoicing, procurement, and payment approval workflows create an operational environment that directly influences payment reliability. This operational dimension represents a distinct form of credit risk – one that exists independently of...

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