

Vision Critical

Critical decision-making

It is often said that the Chinese character for crisis represents two symbols danger and opportunity. The choice, according to Oliver Chadwick, CEO of Vision Critical, is yours. So how do you guarantee you're making the right decisions in the recession by minimising the dangers and maximising your opportunities?

Vision Critical notes that financial crises are an inevitable part of the business cycle. "It is perhaps strange to think that a period of economic downturn would be the catalyst to make financial organisations more effective, but the measures which smart companies are employing in these far tougher times are all aligned with best practice," comments Oliver Chadwick.

Oliver admitted that enterprise performance management is a dangerously overused catchphrase. But he still highlights that companies must have the right technologies and processes in place to properly measure their performance – particularly in a recession, when rapid response to changing conditions can make a substantial difference to a company's fortunes.

In a market that moves so dynamically, access to real-time customer financial data is the key that companies need, not only to weather the financial storm but also to emerge stronger from it. What would you do with the opportunity to get even closer and see things before they happen?

Avoiding danger's door

Vision Critical's unique OSMO software automates the export and transfer of financial records directly from the customers' accounting package directly and with effortless transparency to the lender's systems.

Since the feed is based on real-time source data of unprecedented accuracy and granularity, clients' risk management is greatly improved. This is further enhanced by bespoke reports, automation of the audit trail, daily reconciliation and the straightforward reproduction of invoices. Live alerts and exception reporting allow lenders to identify areas of concern, together with clear reporting on borrowing, so that the facility can be managed effectively.

Oliver added: "When a company fails, invoice discounting is only as good as the last month's figures or the last audit data. With real time information, the information is up to date as of the day before. In addition, a 12 month history report, specific client reports built by currency at debtor and invoice level are extracted along with contact details. Because the information is up to date and full client contact details have been captured, if the client fails, the invoice discounter can go to the debtor directly and collect out straight away.

A major invoice discounter told us of the failure of a client with six businesses across Europe. Using in-house and outsourced auditors, it would have taken up to 10 days just to manually extract the information needed to see the detailed data on receivables on which the collect out would be based. In addition, the client was using an uncommon accounts package. Without visiting the customer and using the internet and telephone remotely, OSMO was able to extract all available information and within 48 hours build unique Excel collection reports to invoice level.

"The provision of real time data is the key. Sales ledger, purchase ledger and the debtor contact details are imported directly into the lender's operational system, giving them an up-to-date view of their exposure. So it enables an invoice discounter to know what the daily movements are on the account. This means the invoice discounter is gaining the benefit of a factoring view of an invoice discounting transaction – without generating more work from their client. This also means that there can be greater flexibility of choice made available at point of sale, recourse or non-recourse, collection or non-collection. Asset-based lenders have the opportunity to secure lending against specific assets with access to the record of those assets in real-time, gaining intelligent assessment of the performance of those assets."

Windows of opportunity

"Critically, this focus on transparency also means that those financiers that are open for business can lend more money. One financier reports that they are lending up to 15% more against their clients' invoices because they don't have to guess what will be collected against the face

value of the invoices. One of the most interesting developments that has become apparent is that customers do not manually enter all of their sales invoices, they selectively choose the most substantial ones, missing 10% to 20% of potential cash. The net effect of this is that when they transfer over to an automated system they see the benefit of the value of all of their invoices, generated with far less work!"

Automated software also saves a substantial number of hours of physical manual data processing. One lender in particular has succeeded in redeploying over 20 staff more effectively in sales and other income generating roles.

"Automation has transformed the industry – enabling a focus on core competencies and value generation, not repetitive manual tasks. The ability to enjoy far greater visibility of risk, improve collect out performance, offer higher levels of funding, redeploy quality people to cash-positive roles and reduce operating costs have led to the most significant commercial advantages that software has brought to commercial finance organisations to date.

If recession is the collapse of our economic system, the accumulated successes outlined above can be the resurrection of an even stronger commercial finance industry", Oliver concluded.



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