



Optimising Credit Control to Ready a Business for Further Funding

Case Study

At a glance

- A successful UK Fintech business with over 80 major blue-chip and Government clients sought funding to underpin further growth
- EFM's Richard Preston was selected as outsourced CFO to manage the funding preparation
- Reducing debt owed to the business was critical, but so was taking over front-line credit control activities in order to free up the Account Directors to do what they did best
- Richard engaged EFM's OFD (Outsourced FD) team to design and implement a debt recovery plan
- Between them, Richard and the OFD team reduced the debt position by well over 43%, and aged debt by almost two-thirds, resulting in a healthy, funding-friendly balance sheet

Background

A forward-thinking UK Fintech business punching well beyond its weight in both the domestic and international markets was entering the next exciting funding phase to support its continuing rapid growth.

To ensure the business's financials were fit for it to succeed in the next funding round - and with only a small UK team to look after both Finance and more strategic customer relationship and business development responsibilities - it needed the flexibility and accessibility of an outsourced CFO who could expertly demonstrate enough "cash runway" (evidence the business was viable even without extra capital) to prospective funders.

For this reason, the business turned to Richard.

Challenges

Richard quickly identified two interrelated challenges, one organisational, and the other financial.

Firstly, the benefits of the business's small, agile team – the ability to move quickly and jump on opportunities – were a drawback when it came to focusing steadily and consistently on key Finance processes. With the team pulled in too many different directions, they couldn't give these issues the attention they needed, or act as an effective escalation point when necessary.

Secondly, one of the Finance processes that was most hindered by these organisational challenges was credit control, which meant that the recovery of overdue money owed to the company was not happening as effectively as it should – a potential red flag to funders looking closely at the business's financial bedrock.

These issues were compounded by the size and complexity of the clients the business dealt with, as simply finding the person within these organisations who has responsibility for signing off payment is often a protracted investigation in itself.

As a consequence of all these challenges, a business with a track record of strong performance and an extensive portfolio of major clients looked much weaker on paper – a situation that had to be reversed.

Solutions

In tandem with his outsourced CFO activities to prepare the business for further funding, Richard also engaged the services of EFM's OFD (Outsourced FD) Credit Control specialist Stacey Coath to develop and implement a plan to recover the business's overdue and aged debt.

Stacey's plan delivered a structured debt recovery process in a brisk timescale. It covered extracting and analysing the debt data, prioritising actions and timings, creating debtor communications and contact schedules and sending out those communications, managing and acting on the responses, and, where necessary, providing for further recovery action.

Stacey agreed the entire approach and all communications with the business's leadership team in advance, updating them formally in monthly updates but also in more regularly in ongoing interactions. She trialed the execution of the plan for a month, gathering learnings and adjusting where required, before rolling it out in targeted tranches to the entire debtor file.

The work was not without its hurdles; in addition to tracking down the individuals responsible for paying invoices in large and complex organisations, Stacey had to communicate with many clients in overseas time zones, so much of the work took place out of hours.

Critically, all communication was branded to appear as though it had come from the business itself, reflecting EFM's trusted position as Finance experts at the heart of the company's team.

Benefits

The business is now firmly on top of its debts, with Stacey's work having reduced the company's overall debt position by well over 43%, and its aged debt by almost two-thirds, both of which have strongly supported Richard's additional efforts to demonstrate enough "cash runway" is in place to evidence the business's viability to prospective funders.

The business's Account Directors have now been freed up to continue their strategic activities outside of credit control, leaving them enough bandwidth to act as escalation points for the latter where necessary, and enabling the business to maintain disciplined and timely management of their debtor level.

Revealingly, the process was so effective that no "last resort" debt recovery of any kind became necessary for any debtor!

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“As part of the OFD (Outsourced Finance Department) team at EFM, Stacey's expertise was absolutely key to radically reducing debt owed to us, enabling our business to demonstrate a much-strengthened position on its balance sheet. Credit control had been part of our Account Directors' role, but integrating Stacey's specialist credit control and bookkeeping know-how into our organisation reduced the debt in just a few months by well over 43%, and the aged debt by almost two-thirds, and, with our Account Directors only acting as an escalation point, strengthened our blue-chip client relationships.

Working with Stacey was so easy, and immediately dispelled any doubts we might initially have had around effective engagement from an outsourced provider. Stacey and the wider team communicated with us consistently, transparently, and encouragingly throughout, helping us with our customer base efficiently and diligently – and they continue to do so.”



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