

# How to control the risk of worldwide business partners in an economic crisis scenario



The current economic scenario is particularly under pressure mainly due to several conflicts that they're now at the regional level but with a real risk of worldwide escalation. Relationships between countries are becoming even more complicated and also future elections, in June for the European Union and November for the United States, are underlying a scenario that requires to be strictly taken under control.

Economic trade is of course impacted and also companies must be in a position to increase their awareness of related changes that could impact business partners. It isn't any more realistic to look at the market as something stable and only partially involved in changes, but the market must be considered as an entity permanently on the move to be analyzed to prevent negative impacts and exploit potential opportunities.

Keeping under control companies is now a crucial requirement in good business partner management, also it isn't something new: several crises in the last 25 years obliged to redefine the overall approach. Concepts like 'historical partners' or 'very well partners' are now overcome by an economic scenario really unstable and firms considered reliable for years and years could be affected by a crisis with related consequences on linked business partners.

In any case, the now mandatory practice to control partners can be considered in a double perspective. It isn't only a matter to avoid unexpected negative impacts but also to take opportunities as soon as available and, in any case, new actions can be required, to protect or to expand business. Changes affecting a company can be related to changes in management and shareholding showing a new scenario in terms of governance, or to a new balance availability giving a new financial view, then finding out that negative events are identified to better assess reliability.

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Then, considering all elements, a new assessment in terms of rating, scoring, and credit appraisal it's important to evaluate the company itself. Simplifying the concept, it's a matter of having updated information to be able to evaluate a subject taking into account if something is changing.

If a recurrent customer is showing a worsening in financial stability, it may require a credit policy revision or, on the opposite side, an extension of the appraisal. In both cases, it's clear that a revision of in relationship is required, in the first case to avoid critical impact, in the second case to better exploit the opportunity. Or, if management changes are too frequent or with too often redefinition of shareholding structure, there is a question mark in governance to take under control. Of course, if negative events are reported, it's clear the critical alert that may require a revision of the relationship. If a change impacts the rating, then is a matter of understanding if the risk level is improving or worsening and deciding how to proceed.

For example, knowing that a customer changes negative risk profile allows to strictly monitor if payments are regular, and if the subject is a supplier, maybe can be useful to start looking for additional partners to avoid any interruption in the supply chain. If changes related to a customer have a positive impact, may it be possible to expand the credit line or put in place some cross-selling actions. If also improved situation is related to a supplier, it's possible to decide to buy more with a closer relationship.

Continuing to monitor business partners' performance isn't an easy task and it presents additional complexities if companies are located in different countries due to discrepancies in terms of local legislation and data friction.

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In some countries, to simplify in Western and Central Europe, data are proactively registered and updated in local public central bodies, so access to them is relatively easy with some differences in each country. In any case, local legislations and rules are leading to data availability, for example for balance sheet registration into public sources. If in Italy and France, for example, corporate companies have to file balance sheets, in Switzerland only listed ones must proceed in this way.



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In addition to updating and data availability, also data management organization plays an important role. In a country with a central body managing all company information, barriers to data are very low. On the opposite, if there isn't such a local structure but data are managed at the local level without any link, access to data is hard to manage. The level of digitalization represents also a crucial point as the highest is, the lowest is the difficulties in dealing with information. For example, in some African countries, the combined situation of a lack of central bodies and a low digitalization level generates difficulties in accessing data first and trust in updating level.

To summarize, the most important barriers related to data availability are linked to legislation: it means that particular countries are not requiring companies to disclose information about the company itself. The second area is represented by nations in which processes related to data collection, processing, and updating are presenting some issues at different levels.

In such a complex scenario, in which every country can present a different approach to company data, it's necessary to sort out the lack of data availability to give the market the right tools to evaluate business partners. Particular processes and flow can be adapted to be in the position to perform an assessment process to be adapted if changes occur.

After having analyzed how each business partner is performing and, if appropriate, related changes, a step forward to consider is the overall cluster related to each of them, in particular, related to risk performances. For example, understanding how all customers are acting or how all suppliers are performing is very useful to define the right company policy and orientate resources at best. Having a snapshot related to how business partners are performing is the way to be in the right position to define strategies.

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Then, identify the overall risk level to understand if there are potential issues that can affect the company's results. On the opposite side, also identifying if there are opportunities not very well exploited is a matter to support business development. A snapshot of how business partners are performing is more powerful if there is also the possibility to receive updated information, allows to apply adjustments if required.



Thanks to SkyMinder, CRIF platform giving access to in-depth credit and financial data on companies all over the world, is possible to follow the complete path at a worldwide level: from the possibility of being updated about changes affecting a company, then having a dashboard showing the overall picture related to all business partners.

Starting from **Full Report and Slim Report**, It's possible to choose the best solutions allowing to be updated about changes affecting companies. Products are available are connected to how data are available, and updated, and the level of digitalization in different countries.

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**Full Monitoring:** detailed notification generated when any change affects a company with the possibility to receive the updated report.

**Alert:** short notification generated when any change affects a company.

Full Monitoring and Alert, are more suitable in countries where data availability is very high and public sources are proactively updated and centralized.

**Planned Revision:** worldwide available, allows to schedule in advance when receiving an updated Report. This solution is suggested for countries where access to data is presenting some issues in terms of digitalization or data flow organization. Planned Revision is available not only starting with Full Report and Slim Report but also with Verification Report and Extended Check Report.

**Dashboard:** a snapshot of the overall business partners. It's possible to create a cluster to have a picture related to a specific segment. For example, it's possible to split into categories, suppliers and customers into two different clusters or other custom groups.

SkyMinder solutions are replying, at a worldwide level, to specific needs coming from the market requiring updated information on an ongoing basis related to each business partner plus the possibility to have an aggregate view of companies constantly updated.