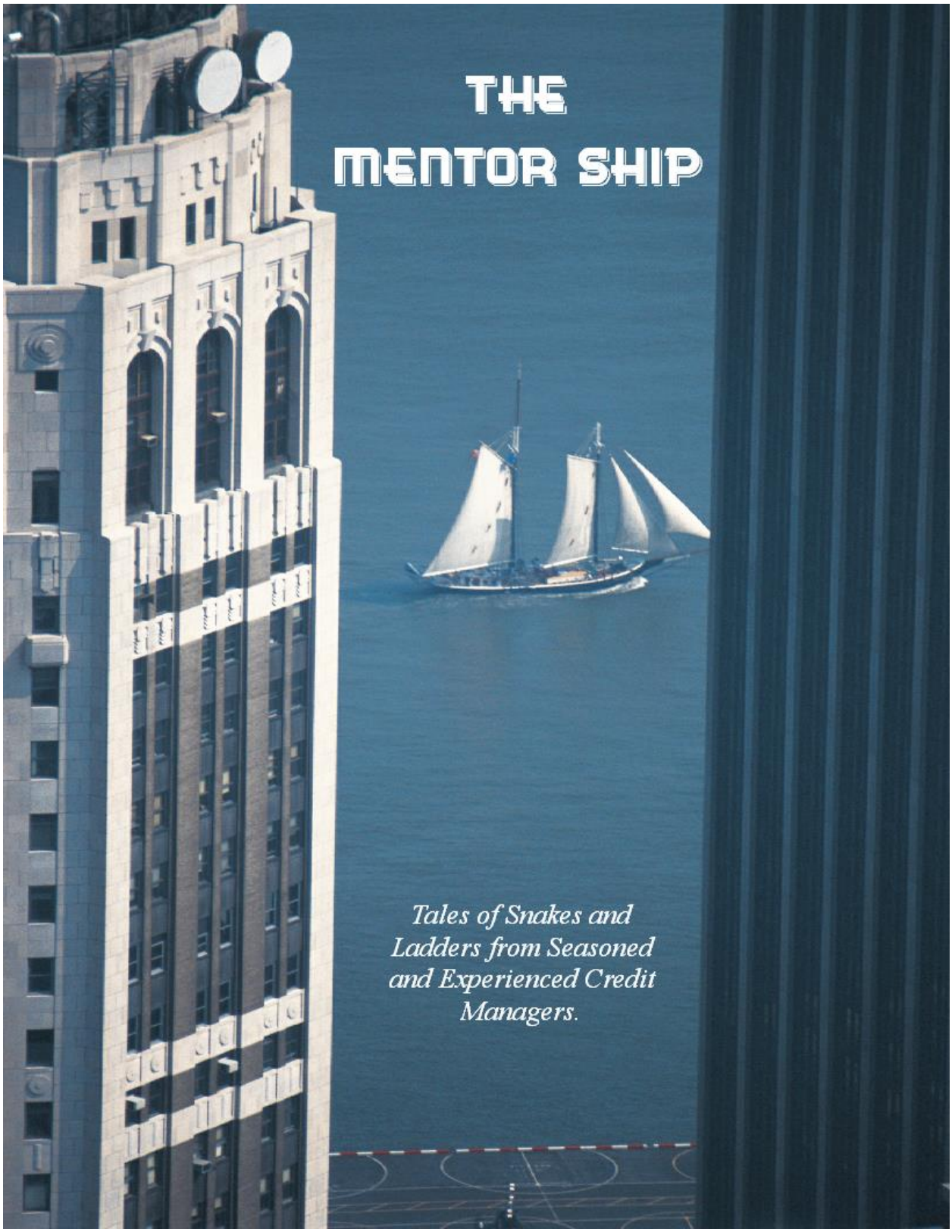
THE
MENTOR SHIP
Tales of Snakes and Ladders from Seasoned and Experienced Credit Managers.

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DEDICATION

This book is dedicated to our mentors and to our readers, who we hope will be inspired by the stories held within these pages. May the experiences and concepts here help you grow in your own journey as a mentor to the next generation. Our mentors have provided us with a wealth of experience and knowledge. They have unlocked their individual vaults containing a wealth of years of experience; they have reached deeply inside to train us and inspire us to higher levels of accomplishment. They have taken the time to show us the way, by exposing us to their successes and failures. The lessons we have learned from them have been powerfully beneficial and profound. These lessons have enabled us in many instances to expand our influences in our own firms, by making better-informed decisions that often result in greater success.

A thank you is also sent out to our bosses over the years who have recognized the value of continuing education, which has provided the tools to help us to learn, grow and become better equipped to be more effective. Training and development is an important complement to mentoring.

To function at our highest levels, the dual forces of continued training and dedicated mentors are invaluable for propelling us forward. Hop on board the "mentor ship", there is a cabin reserved for you. Be a mentor, you'll be glad you did!

...Ken Young

INTRODUCTION

It may have been a mistake. It could have been a tactical maneuver in a battle to burn some ships that got out of hand; it might be blamed on careless smoking or a Centurion with a lengthy list of seriously overdue books and a unique method to clear his record. The cause is still in dispute, but not the result.

Some two thousand years ago, some of Caesar's legions were responsible for the single greatest loss of an archive of knowledge, the burning of the library in Alexandria

There is nothing new about progressing in our profession or any other. People get older, we expect wiser too as they learn from successes and mistakes and then shuffle off into retirement. But the speed and numbers are rather dramatic these days with the boomers (born between 1946 and 1954) moving along, there are 10,000 people EVERY DAY hitting retirement age. That does not take into effect downsizing and 'offsizing (moving off shore) and capsizing that often affect those of who may be the most seasoned and experienced, but also most expensive to their firm.

Forget somebody walking out the door with a stapler or a box of pens. They are walking out with years of experience, hard won most of it, and when it's gone…it is gone. They say if you do not learn from your mistakes, you are condemned to repeat them. True enough – but it is a lot cheaper and much less expensive not to mention the scrapped knees and torn and tattered egos to learn from the mistakes and the success of others.

Many of us come from societies that do not pay the right amount of attention to our elders. It is called the 'road less traveled' for a reason. Once Lewis & Clarke found the North West Passage, people didn't rush out and say 'that's nice for them' and try to find their own way – they learned from the success and mistakes of those who went before them.

Lucky for us that they have not yet left the building or they aren't so far removed that we can't still hear them , enjoy some stories and learn along with them.

The stories are short, sometimes funny and always engaging. The stories are theirs but I take full blame for the title of the credit & collection life lesson.

…Tim Paulsen

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Gregg Gregory
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Ken Young
Len Sklar
Martin Sher
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Tim Paulsen

THE IMPORTANCE OF BEING ERNEST

By Geoff Last

Tough messages and long term relations

I think the greatest successes I've had have been the long term relationships I've built with customers, they seem to be the most rewarding. What stands out in particular is how some of them developed. The credit novice may come to the assumption that he always needs to be a sycophant, always striving to please each customer.

More often than not, we have a tough message to deliver for our employers, and it is not always easy to tell a customer that his or her account is on hold, or that you will have to take some sort of aggressive collection action, perhaps even realizing on our legal rights. You do no one a service when the message is not delivered in a clear, concise format that leaves no room for understanding.

Once, when I attended a retail establishment to collect on a past due account, I was paid by the owner/investor, but at threatening knifepoint. He wanted to make sure I understood that the payment was being proffered with the condition that all future orders would be processed with his approval only. I indicated my understanding of the arrangement and we became close friends until his passing.

In another instance, I attended a customer to advise the principal that I was proceeding with exercising my lien rights on a job he had just completed but had not paid for. After exercising these rights, he ultimately paid the account and we continue to dine together regularly, with our spouses.

Confrontation often leads to negotiation which can lead to resolution; the important factor is relationship building. In another instance, a debtor attended my place of business to protest my placing his account with an attorney. In no uncertain terms, he indicated that such action would cause him to go to our senior management to have my employment terminated. I nonetheless, stood my ground, but continued the dialogue. After much further discussion and the conversation completed without resolution, he left, but not before wishing me good luck in my future employment. The account was paid a few days later.

Geoffrey Last:

Geoffrey Last is the National Credit Manager at Rexel Canada. He had been Director of Credit for Anixter Canada Inc for about 18 years and with Anixter for 18 years and with Canada Wire & Cable for 8 years prior.

He is a Fellow of the Credit Institute of Canada, a member of the National Forum of Credit &

Financial Executives, a Certified Credit Executive (NACM) and has attended NACM's Graduate School of Credit Management. He has chaired the Legislation Committee of the Credit Institute and is currently a Director of NACM Canada. He has lectured in the past on technology solutions for the credit profession.

I LEFT MY PART IN SAN FRANCISCO

By Len Sklar

Love competition – hate competitors!

Many years ago, I owned and operated a collection agency in San Francisco. Naturally, due to the size of the metropolitan area, we had lots of competition, and, whenever we had a competitor, we almost always came out on top.

The 'why and the how' had a lot to do in part with traditional selection followed by training and development. But, it was also due in part to how we instituted ways to reduce stress:

1.) We had a 6 foot high, heavy bottomed clown that collectors could smack, and it came back for more.
2.) Another stress reducer was some small voodoo dolls with pins that they could stick in them. These were very popular after a nasty phone call.

I was also alert to offer compliments and appreciation on a regular basis for almost anything that was done well. In fact, surveys show that the single most effective motivational technique is just that - show appreciation on a steady basis. Too many managers are afraid to do that, possibly out of the fear that the employee may ask for a raise.

In my seminar business, I didn't have a non-compete agreement with my other seminar leaders - I had 11 of them - and two started their own seminar businesses, in competition with me. (I trained them well).

Len Sklar:

He is the author of "The Check is NOT in the Mail". Prior to starting his own company in 1970, he spent 14 years with Proctor & Gamble, Dow Chemical and IBM. He has trained thousands of businesspeople and is an authority on collection psychology and technique.

CUSTOMERS DO NOT PAY A COMPANY!

By Barry Aronoff B. COMM, CCP

Who's on first? You!

1) Decide early to be a jack of all trades. We are called upon to be the go to people. The experts, in tax issues, Terms and Conditions, maintenance procedures, the fireman to put out the fires, the guy or girl with all the answers.

2) Be a sales oriented credit manager. Show the sales department you care and respect them and in turn, they will support you when the need arises. (And, it will!)

3) Taking on the role of a psychologist is a necessary evil. Listen and you will learn a lot about your customers (sometimes more than their intent).

4) Credit Management is a great filed, yet not for the weak at heart.

5) No glory/no thank you welcome to the club of credit managers. If you are in this to have everyone thank you and agree with you change professions it is not for you. Thank yourself; pat yourself 'cause *"that is it baby"*.

6) Right side up! Customers pay people not companies. Train yourself and then your team to get on the good (right) side of the customer.

7) Join groups, credit groups, discussion groups, read articles, take training courses. Remember always something to learn even for old guys like me.

8) Hold your ground, and do not cave if you truly believe in your decision. If you are overridden don't take it personally. It gets you off the hook. And that is not always a bad thing.

1) Get out! The day of credit managers sitting at their desk making a decision is over. You need to go out, visit your customer know who they are.

2) Do not hesitate to make a decision. Analyze, digest the facts, and yet do not delay for fear. We all make mistakes even credit

managers like me at 30 yrs of experience. Those who fear will never succeed. Remember through failure comes success.

3) Don't kick yourself too hard or too long! If you get hit with a bad debt, do a post mortem, and move on. Do not punish yourself know we have all been there. You cannot be afraid to take risk because of this. Good risk will win 9-10 times.

Barry Aronoff…

…has been a Credit Manager for over 30 years with varied roles as Collections Manager, Assistant Credit Manager, Financial Service Manager, and now Ontario Divisional Credit Manager at Rexel Canada.

He holds a CCP with the Credit Institute of Canada, served as a mentor for graduates of the Credit Institute of Canada, given training sessions on various topics of Credit Management to Sales, Staff, Management and the Ontario Electrical Association. Spent 13 years of his life dedicated to coaching organized baseball from House League right up to Triple AAA in Mississauga.

HALF BAKED CREDIT SALES:

Andy Steele, CCP, FICB,

A credit sale that makes no sense – makes no cents!

Once when I was on vacation a credit application came in from one of our sales personnel for a company in Quebec which was approved by our trade insurer for credit insurance. The application listed a bakery with an excellent record of paying their bills.

But what the credit analyst and trade insurer missed was the type of product and where it was being shipped to. It was not going to the company warehouse, but to a new location in the outskirts of Montreal.

When a second shipment was sent out our transportation company driver noticed something funny and notified his dispatch who called me. The driver said that while trucks where being unloaded to a delivery dock, another truck was being loaded. Since all the employees where speaking Russian he could not understand what was going on. He was hesitant to drop off our load until he got clarification.

As soon as I looked at the credit application, I notice the sold to party was a bakery and the application was signed at a business office and not the bakery office. My first question to the sales person was, *'Why is a bakery buying electrical products?'*

He said they were starting up a distribution centre to sell our products. When asked what was their experience in this type of operation and he didn't know. I told him to drop by their office and when he called back he said the unit was empty, completely cleaned out.

Later investigation determined that this was an identity fraud. With over a million dollars in debt, the legitimate business filed for court protection The RCMP who investigated the fraud told me that this was a group of Russian's who set up the sting and that one of the members had convinced the owner of the legitimate business to sign the credit applications to make it easier for her bakery to get better deals on the products she purchases. Not once did she realize she was purchasing high dollar electrical parts.

We were lucky. Most of our sales were insured and our loss was under $12 thousand dollars. Another firm lost well over one million.

1. Make sure your sales people are trained to ensure that the product they are selling, matches the product lines of the prospective customer. They should also visit the delivery site to ensure everything is in order.

2. When reviewing the credit application, check all the addresses of the business. Does there product lines match the type of product you are selling.

3. Credit applications must be signed by an authorized person in the company.

4. If necessary do a check with the government on who the directors of the company.

Have a good rapport with your trucking company who can notify you or any concerns on delivery.

Andy Steele…

…has has held senior credit management positions with Hewlett-Packard, Cott Beverages and Nexans Canada. Over the years he has consulted and contributed to the Credit Institute of Canada.

BUILDING A RESERVOIR OF TRUST

Ken Young C.C.P., C.C.P. Emeritus.

They don't care what you know, until they know you care.

Making a decision solely on financial disclosure is like looking at a Rembrandt with only a couple of primary colors on the canvas. There is much more to the decision than financial disclosure alone. Developing healthy, business relationships built on trust and mutual respect is an important aspect of credit management. I recall meeting with a customer In Chicago who had just created a start-up entity. The owner had been CFO with a firm that had gone out of business recently.

After dialoging with the customer for a while, he provided access to their opening balance sheet and spent a considerable length of time sharing their business plan. The value achieved in this meeting was the fact that we were the first major supplier to extend credit, which the customer never forgot.

Another significant aspect was the fact that we took the time to meet him personally and tour the facilities. A genuine and trusting business partnership was forever established. Visualization of the operation in so many lines of business adds a unique and invaluable dimension.

The credit line and terms that were initially established were adequate to get the firm purchasing their requirements of our product line from us. However these credit aspects (credit availability and terms) would still need to be reviewed in a matter of months, once a historical payment pattern and actual business results were established. This allowed us to keep a close watch on the company as it was progressing, keep the credit reins tight initially, and secure significant business volume in a geographical marketplace that we did not have high volumes from previously.

Over many years it was very pleasing to see the client grow to have a very significant presence in the geographical marketplace as well as the industry overall. We don't always bat 100% in credit granting, but it is rewarding when you can look back and see the impact that was made due in large part to trusting business relationships. These partnerships, once established, can produce very substantial volume growth, profitability and shareholder value for both parties.

There is a story told of Jerry Rice – one of the best wide receivers in history in the NFL. When he was asked why he attended Mississippi State University when a very well-known college (UCLA) had been recruiting him, his answer was they were the only college to come to his house and pay a personal visit. They showed in a personal way that they cared. It is the same with customers, as so many of them are proud of their

business and appreciate the time suppliers take to come to their premises and meet them.

Face to face meetings offer significant and intangible interactions that go way beyond words. These meetings are more likely to result in agreement and collaboration.

Customer visits for some companies are a road less travelled; however, depending on the volume, profitability and growth potential, it is a road that cannot be ignored if a complete picture of the risk elements versus reward is to be painted.

If customer visits are not possible, it is still very worthwhile to cultivate customer relationships – although they are not as effective as in a face to face setting – in order to more fully understand and to capture the upside of risk.

Mark Cuban once said, "The NBA (National Basketball Association) is never just a business. It's always business. It's always personal. All good businesses are personal. The best businesses are very personal."

Developing and maintaining customer relationships that are built on trust are of prime importance in significantly impacting your firm's revenue growth, profitability, and shareholder value in achieving corporate and personal success.

Ken Young, CCP, F.I.C.B.

Ken Young has been a credit management professional for over twenty-five years and has global experience in a broad range of industries including the food (aquaculture & beverage), chemical, manufacturing and transportation sectors.

Most recently he was the Credit& Collection Manager at PepsiCo Beverages Canada.

Ken was a founding member and advisor of NACM Canada (National Association of Credit Management). He has served on numerous boards, including the Credit Institute of Canada, the National Credit & Financial Executives' Forum, the Raw Material Credit Group and the International Center for Professional Collectors.

He has been awarded the highly esteemed CCP Emeritus award from the Credit Institute of Canada for distinguished and meritorious service for the advancement of credit education and the credit profession.

Consulting projects with ICPC (International Centre for Professional Collections) include Brunei and Jamaica.

FIFTY PERCENT OF A SUCCESSFUL CONFERENCE?

By: Tim Paulsen

Being there (body and spirit)

Early in my career at a retail organization, I attended a conference in California. For a number of sessions, I decided to take in the sun by the pool rather than go to the break out meetings.

It was much more pleasant by the pool, especially for a Canadian visiting a warmer climate and I told myself I knew most of the material and would have been bored by the presentation. Whether the latter was true or not, I suspect I missed out on a lot of valuable information and I am certain I did not make the important connections – a primary reason to attend in the first place.

The comedian Woody Allen said that fifty percent of life is just showing up. The same applies to conferences and meetings. I'm reminded of the Captain of a Norwegian fishing vessel who was asked if he or any members of the crew brought along their spouses. She said, *"When we fish, we fish, and when we ....,"* you can fill in the blanks from there.

I was to learn my lesson too late, that when you're on vacation, you go to the pool and sit in the sun. When you attend a conference – you work.

Another snake would be 'sober comments' at meetings. I don't mean alcohol related, that's an entire other book for me. I've a quirky sense of humor (I've been told) and didn't hesitate to share it during a meeting. A bit more listening and fewer jokes would have served me better. I know that all of us are a package deal and you have to take the good with the bad, but we can still make some adjustments. I wished I had turned it down a few notches on more occasions.

During a separate visit to California, I was told, *"Don't write a book about collections, write articles and sell 'em to as many organizations as you can, people as you can. Those articles become chapters and after you have enough of them, you've got a book."*

The same speaker, Frank Hardesty, who was teaching a collection seminar sponsored by American Management Association, also said not to write expecting to make much money. They market for this type of book is too small. However, it does get you recognition and will get you on the speaking and consulting circuit.

Tim Paulsen…

…is author of *'Paid in Full', 'Tipping the Scales,* and recently, *'Sex, Lies & Negotiation Techniques'*.

As the founder and Managing Director of ICPC (International Centre for Professional Collections) he consulted and trained across Canada and the United States and more than twenty other countries. Mr. Paulsen is the creator of *'SAGE – The Excuse Terminator'* and *'The CollectABILITY Index®.'*

A 500 LB. GORILLA SLEEPS WHEREVER HE WANTS

But, it doesn't mean you don't collect the rent!

By Kathleen Palmer

We shipped some product to Quebec for a multinational. They claimed they were tax exempt and we allowed the exemption. After a tax audit informed us they were not exempt and we had to pay the tax, we invoiced the multinational for the approx $1,500 in tax.

It remained unpaid. I eventually got a contact from the A/P dept. for a person in procurement who could assist me. That person never returned my calls, but when we finally did connect they referred me to their assistant. Now we are even more substantially overdue. I reviewed the information with the assistant, including the reasons they are not tax exempt, they understood, but had to verify the PO, product, and get the managers approval to pay the invoice.

Many follow ups, later, the assistant continued to have one reason after the other, why the invoice was not yet paid, but reassured me it would be paid once they presented all the information to the manager, who would approve the invoice for payment. And no, they did not need me to speak with the manager, they would handle it. Many more days continued to pass with going back and forth numerous times.

There are many reasons why this small amount travelled so far past due, not a huge amount (especially for our company), the customer was not a financial threat to us, payment of all other items were current, and I had faith in the fact someone was speaking with me and was encouraged they agreed the invoice should be paid. However, I decided it was time to take another tactic.

I went to the web site of the multinational and looked up the name and contact info of their in house counsel. I prepared an email starting with "WITHOUT PREJUDICE" described my issue in detail, I attached all my communication, copy of the invoice, and requested immediate payment. I never did hear from the in house counsel, but the week after I sent my email to the in house counsel, I did hear from the assistant who confirmed the invoice was approved for payment, we should see a cheque the following week. Which we did.

Moral of the story, I trusted what seemed to be a helpful person, as they were telling me all the things I wanted to hear, but in actual fact they were not doing anything to get the invoice approved for payment. So once I changed the dynamics of the scenario, which put that person in a position of having to deal with the issue. In collections we need to take alternative actions in many instances in order to obtain recovery of funds owed.

JOIN A GANG!

"Individual commitment to a group effort – that is what makes a team work, a company work, a society work, a civilization work."...Vince Lombardi

By Martin Sher

Back in about 1995, I set up a benchmark group with a colleague of mine. We were both very active in ACA International and had become good friends.

Our idea was to recruit 6 or 7 people we liked, respected, and knew were successful in the collection industry. We thought it best, at first, to find people in different parts of the country. It did not matter what type of accounts each member collected, or if they were going to be a direct competitor or not. Integrity and confidentiality were a must if we were to share sensitive information with each other.

We shared financial statements twice a year, and had open and frank discussions about anything and everything about our businesses, families, and life situations. We helped each other recruit key employees, and shared documents and management compensation plans. We acted as a support group for each other when a life situation came up in anyone's life. We hosted a meeting at each one of our offices until we knew each other's operations and personnel intimately.

In time, the group grew to 18 people but with people selling or retiring, we are sitting at about 12 now. I think if you asked each of us *'what was the most important and valuable thing you did in your career for your business and yourself'*, I think it would be unanimous that it was this Vision Benchmark group.

We also have an active email discussion all year long to help us with the issue of the day. It is nice to have a group of successful colleagues that you can call in and get an answer and some experience to any business problem.

I would imagine this idea would work in any industry, for any group of like professionals.

Martin Sher:
Martin is the co-CEO of AmSher Receivables Management, based in Birmingham, Alabama. He is the author of a number of books, including *"How to Collect Debts & Still Keep Your Customer!"*

Martin also has a blog with great title, *"Skinny and Debt Free".*

STAND YOUR GROUND – EVEN IF SITTING DOWN

By Paul Dover

Credit is a funny business, but it is an essential aspect to any company's operation. You have to know and utilize the 4 C's, for sure, in your role as Credit Manager, but many other skills and attributes need to be put into play in order to be successful.

I had a classic example of this when I was in the electrical industry, where one of our customers, an electrical contractor, owed us just over $75,000 that had gone quite past due (over 90 days). Most of my collection efforts proved fruitless, so I did some homework.

This was the construction industry, which is governed by the Construction Lien Act of Ontario; it is a law that polices the flow of funds on any construction project, from the owner down through the hired General Contractor, sub-trades and suppliers. This project was the addition to a Toronto high school - I contacted the architect (who was the payment certifier), and learned that payment was made 2 months ago to the General Contractor (who had hired my electrical contractor). I then contacted the General Contractor's accounts payable, and found out that my contractor was paid two days after the General had received their draw.

Thus armed, I had to revert to more drastic measures, so (with the approval from my boss), I put the account on hold. This generated action pretty quickly – it turns out that Nick (the owner & president of the company) was on a job not far from our company, and the next day, he comes storming into my office (accompanied by a rather sheepish counterman, who said "Paul, he insisted in seeing the Credit Manager!"). The conversation went as follows:

Nick – *"Are you the credit manager?"*

Paul – "Yes I am."

Nick – *"I hear that you've cut me off! How dare you ! I've got a company to run, and projects to finish! I want to speak to your superior!"*

Paul – "Well, Nick, let's look at the situation here : we've granted XYZ Electric just over $185,000 credit in materials for your operations, of which 40% is unpaid and past due over 90 days. And further, calls to your Accounts Payable and Controller have gone unanswered."

Nick – *"Don't worry! You'll be paid shortly."*

Paul – “Really Nick? And when will that be?? I also found out that you were paid your draw for this work over 2 months ago. You’ve spent our money !”

(At this point, all the fire went out of him, and he almost cowered back his response)

Nick – *“Well, I had some immediate expenses I had to take care of.”*

Paul – “Well sir, if I’m not paid by the end of this week (this was Tuesday), I’m putting a lien on the project, which, as you know, will block any further draws to you until I remove the lien.”

I was paid the next day the overdue balance, plus the money due that month – his cheque was sent courier.

In that industry, very often the contractors were immigrant Europeans, just like Nick, who had worked hard, and built their companies into very successful operations – but they came from the old school, and often use intimidation in an attempt to rectify a situation. Nick was about 6 ft. tall, quite fiery, and my assistant told me afterward she was quite amused to see this large Greek towering over me with his loud voice, and me, looking up at him with my responses.

But know your stuff – don’t back down; they have no recourse…and 9 times out of 10, you’ll not only get paid, but gain the respect of your customer.

Paul Dover:

Paul Dover, CCP is Credit Manager at Polytarp Products, who make plastic bags and sheet film for the construction, food, packaging, agricultural and automotive industries. Paul has been a credit professional for over 30 years; he is Past President, Toronto Chapter, Credit Institute of Canada, and has given presentations on the Construction Lien Act to Construction Industry Credit Groups with Equifax Canada, together with Max Shafir, QC, a well-respected construction lawyer in the industry. He currently sits on the Board, Toronto Chapter, Credit Institute of Canada, as Chairman, By-Laws Committee.

THEY CAN BEAT YOU UP, BUT CAN THEY CATCH YOU?

By: Gregg Gregory, CCP

One of my first jobs in credit was working for a Heavy Equipment distributor as a credit representative. Along with selling heavy equipment they were also in parts and service, and servicing the equipment they sold.

We had a customer in the far north who at the time was a very small parts customer. This customer is what I call a PITA account (Pain in the A__) as they required a lot of time and effort to collect with minimal results and usually we did not get paid until we had something he needed that no other supplier could provide.

One day I received a call from our Branch Manager in Sudbury who told me that this customer had one of their excavators in our shop for service, and that it was urgently required as the customer was about to start on a major project. I had always kept him advised of the issues with this customer so he would always contact me when this customer needed something. (The importance of building relationships with all customers both internal and external!!)

I called the customer Bill, and much to my surprise he actually came on the line. At the time of my call the account was pushing 120 days and I had been calling for weeks trying to collect and he continually put me off with numerous excuses. I started my call by asking him how things were going for him and when we could expect payment of the past due balance. Bill made his usual excuses and ended by telling me that he had nothing for me at this time. At that point I started to discuss the new project with him. He got all excited talking about it telling me where it was, the size of the job and everything else. I then brought up that we were doing some service work on the excavator we had in our shop and he said yes he really needed to get it in tip top shape as he badly needed this machine to start the project.

That was when I dropped the bombshell on him. Bill, I'm really glad to hear about this project, but we still have a past due balance that needs to get paid. He again started with the excuses. Then I told Bill, unfortunately that machine will not be leaving the shop until we get a cheque for the past due. There was silence for about ten seconds and then he unloaded on me. You SOB (and other expletives deleted) I need that machine and I need it now and if you don't release that machine I will come down there and beat the S__T out of you!!!

I waited for a few seconds and then calmly and asked Bill how big he is? Bill replied that he was six foot four and 250 lbs. I then answered and said to him, Bill let me tell you, I'm 6 foot 2 and I weigh about 170 lbs and I can run like stink so good luck trying to

catch me. Bill was silent again for about ten seconds and then he started to laugh and said alright you SOB, I will bring the cheque with me when I pick up the excavator.

The lesson I learned from this is not to outwardly react to what a customer may say to you. They may be angry or stressed out or may even be trying to get you off topic. By not reacting or buying into their emotion you can usually help to deflate or settle down the situation. Understanding their issues is key to effective collecting and in building relationships. Trying to deflect these issues and using humour will stand you in better stead going forward.

About a month later, I was making a trip up north to see another customer and I decided to take a chance and go in to see Bill at his office. He looked at me with a mean look and came to over to me. Before he got to me he started laughing and shook my hand and said, *'Good for you, you got me good'*, and yes he was six foot four and 250 lbs. Bill never did become a model account but from that day on we did have an understanding about paying his account, so whenever he needed something and he was past due he would call me to tell me he was bringing in a cheque.

Gregg Gregory, CCP

Gregg Gregory, CCP has worked in Credit for over 30 years in various industries including, Lumber Products, Metals Distribution, Fine Paper Distribution, Construction, HVAC and Mechanical Distribution and has been a consultant in the Financial Services industry working in the Retail Sector. Gregg is a Fellow of the Credit Institute of Canada and has served as a Director on the Toronto Chapter, National Credit and Financial Executives Forum and on the executive of the Credit Institute of Canada.

‘AHEM…DO I NOW HAVE YOUR ATTENTION?’

By Pam Crank

I make my living as a credit manager for about 50 companies…working for all of them at the same time actually. Sometimes, it’s difficult just to remember who I am and what company I’m representing at the moment, but there are always those clients’ customers you just never forget.

Our job is to manage trade receivables for mid-sized manufacturers mostly with sales ranging from $100 million to $3 billion. Their customers are a varied bunch---from small contractors and professional service companies to large multi-nationals and government entities. Our job is to manage the trade receivables portfolio to maximize cash flow from the asset and sales opportunities.

Anyone who manages trade receivables knows that collecting receivables is easier than the process of managing the risk and credit exposures. We always know the slow-pay customers before they become past due, because we’re assessing the risk of default and slow pay before the customer places their first order. Our job is to predict risk of bad debt as well as the risk of slow pay. Our client determines through their credit policy whether to take on the risks; we’re just administrators of the policy.

Several years ago I was operating as a credit manager for one of our clients, a larger mid-market food manufacturer in the Midwest. They had a strategic customer in Florida who represented about five percent of their business. This client had a history that was troublesome on paper: past bankruptcy, ongoing lawsuits, owner convicted of past fraud activity, lots of slow payment history and existing past dues. When I inherited the $250,000 exposure (which was 85 percent past due) and performed the due diligence, my first thought was to reduce that balance….quickly! I wanted to eliminate that delinquency to keep my client from suffering a big loss.

My first encounter with this strategic customer was shortly after we started working for our client when we put the customer on hold for past dues as they weren’t returning our phone calls or emails. Our client had never stopped any orders from shipping to this customer for past due reasons before we took over the management of the asset; that’s one of the reasons the balance had grown too large. They just continued to ship as long as the customer was making some type of payments. Well, I needed leverage to reduce the past dues and without their cooperating by returning our calls, I figured I’d start by stopping the flow of orders to get the negotiating rolling.

Needless to say, when the owner of my client’s strategic customer got wind of the hold situation, he called to chew me out for holding up shipments for his largest client, the biggest beverage company in the world. Unfortunately for the customer, I had already

left the office that day to pick up my baby from daycare so he wasn't able to catch me in the office; one of my supervisors got an earful instead. The customer, not satisfied but determined, noticed my cell phone number on the email I had sent about the hold and called me just as I was wrapping up my baby daughter in her snowsuit at daycare. I will never forget this conversation.

Recognizing the Florida number, I handed my bundled baby to the daycare person and slipped into another room to take the call. It was a good thing I had my baby far from the phone when I answered so that her newborn ears didn't hear the swear words that customer was yelling to me. *"How DARE you put my g***!&!&n account on hold! What in the h*!*! do you know about servicing my account? Who in the f***%!! authorized you to withhold my orders and create a potential loss of my biggest customer?"* The cursing went on for about five minutes. Once he finished and there was no more to be said, I calmly advised him of my concerns about the risks with his business, explaining what I could remember from my notes (pre smart-phone days). Realizing my concerns were all valid and not refutable, the customer went silent for a moment before he calmly said, *"what will it take you to release my railcar?"*

I let him know that we needed a plan. I wanted to know that he would work with me to pay down the past dues and keep his account current with us. I needed him to allow his banker and CFO to discuss his cash situation with me and to understand the expected resolution/risk of the lawsuits so that I could get comfortable enough to offer a continued line of credit. After his angry, four-letter tirade, he calmed down and responded "okay; I understand". With the good faith understanding, I released his orders with a payment promise.

Two weeks later, I was on my way to visit him in Florida to see for myself what was happening. He showed me his books and his bank statement. He invited his banker to lunch with us, showed me the paperwork on the lawsuits, and explained the prior fraud conviction and subsequent bankruptcy. Spending time in his office, I was able to see this man in action: he truly was the most talented sales person I had ever met in my life with a passion that few people could ever match. I believed in him, in his business; and I trusted his plan would actually work.

When I returned and completed a trip report for my client, I recommended we accept the payment plan from the customer and continue to ship orders; my client's CFO was hesitant but agreed with my assessment. He had never been comfortable with the risk from afar but now was accepting of the risk with what I had found out: that the client would be at a cash break-even within 60 days and odds were strong that he would be completely current shortly thereafter. True to his word, the customer paid his account current, we kept the open dialogue with his lender and CFO, and we continued to make twice-yearly visits to discuss and assess progress.

The client who had struggled with his past for so long was finally able to overcome his difficulties. He settled the lawsuits, kept his vendor accounts current, opened up a large operating line with his bank, tripled his sales and grew his business into a cash flow powerhouse. He became the largest customer of my client within three years of that first meeting with him.

Many years later, after we had stopped representing the manufacturing supplier, the strategic business owner called me to see how I was doing and to tell me I was the best credit manager he had ever worked with…and that he missed me. Turned out he had sold his business to a large public company for more than $100 million…more money than he could spend in his lifetime. He wanted me to know how often he thought of me and how he appreciated that I was there for him when he was turning his business and life around.

I was so proud to have been a small part in his success and honored that he even remembered a lowly credit manager who caused him so much grief years ago. This customer situation taught me to look beyond the numbers and the history of the business to truly understand the existing risk to create solutions that will benefit everyone.

Pam Krank:

Pamela Krank is president and founder of The Credit Department, Inc., a commercial credit management solutions provider that helps businesses increase cash flow and reduce costs by providing sophisticated credit management services, processes and technologies. These services save her clients millions of dollars in interest and bad debt expenses each year. Krank started the company in 1993 after 13 award-winning years in the credit department of 3M. She has been a regular contributor to *CFO Magazine* and has been featured in numerous publications including *Treasury & Risk* magazine.