

## Relationship Management

### A Critical Part of Success in Credit Management

Relationship management is one of the most important aspects to building success in the credit and collections field. Credit and Collections regularly interacts with many departments within the company, and for this reason, possesses a strong understanding of the overall operations of the company and is vital to the success of the organization. It has been said that “if sales are the heartbeat of a company, then credit and collections are the lifeblood”. Selling product is fundamental, but ensuring that customers have the ability and the desire to pay for product in a timely manner is just as important. Adequate cash flow is crucial to running a successful firm. This article will discuss the types of relationships that ought to be developed, the methods that should be used to foster them, and the benefits that will be reaped. Developing strong relationships is a vital component of protecting the accounts receivable investment.

#### TYPES OF RELATIONSHIPS:

##### Strengthen Relationships within the Firm to Build Success for the Company:

Establishing solid relationships with the sales team is necessary, because they are your eyes and ears in the field. As they meet routinely with clients, they are an important source of business intelligence, which may be helpful in the ongoing credit assessment strategy and could prevent a bad debt. The Credit and Collections Department is closely linked with the Sales Department. One cannot exist and perform well without the other.

Building relations with your marketing team is also important. This relationship will provide insights into new product introductions or market penetrations. The Credit team should know what the marketing team’s goals are, so that they can collaboratively seek to meet them. The marketing team along with the credit team could also determine strategic initiatives that would entice clients to purchase, thereby increasing corporate profitability.

Another relationship that should be built and maintained is the one with the Operations team. Routinely, the Credit Department is made aware of issues and concerns directly from clients. The Credit and Collections Department must take these concerns to the Operations and/or the Sales Department in order for proper invoice adjustments to be made to rectify the situation. If credits will not be issued, someone must be delegated to advise the customer with the reasoning for the decision.

To offer the best service and communication to clients, Operations, Sales and Credit must be communicating frequently and advising each other of situations that arise and concerns that customers might have. The Credit Department will only be able to collect the funds owed after the issue is sorted out, so a timely resolution is important to the company’s cash flow. A “Spirit of Cooperation” must exist among Departments to resolve client issues in a timely manner.

Strengthen External Relationships to Build Success for the Company:

By letting customers know that you are interested in their success (as it also relates to the success of your own company), clients will see that you are working together with them as a team. If they are pleased with the services that you provide, they may reward you with increased business and referrals. Customer visits are also a prime way to develop relationships and loyalty. This will go a long way in making the customer feel appreciated and provides them with a contact person to whom they can voice any concerns they might have. By building this relationship, you can develop it and serve as the “go-to” person for the client when issues need to be resolved. The Credit and Collection team must be a strong voice for customers concerns. Customers routinely provide valuable industry intelligence when relationships have been developed.

When customers bring issues and concerns to your attention, it is important that you respond in a timely manner with possible solutions that would help to bring about a positive resolution, if at all possible. This will ensure their confidence in your abilities and will likely enhance the business relationship that already exists. Remember to always paint your company in a positive light. You are the company to the client, so carry the company flag proudly. Build customer loyalty to the best of your ability.

Building a relationship with other suppliers in your field is also a key to success. Joining a trade credit group is one way to do this. Trade credit groups are established by suppliers in the same industry to share payment information on clients with other group members. This information will help you better assess the risks and rewards of doing business with specific clients. Discussion revolves around the current payment status, past history, and current industry issues. Trade groups are extremely important for obtaining timely, relevant and historical customer information.

**HOW TO BUILD EFFECTIVE RELATIONSHIPS:**

It is imperative that open lines of communication and a strong collaborative relationship exist between the Sales, Operations, Marketing and Credit. Establish routine communication with these areas to ensure that they realize you are there to maximize profitable sales. *“Together Everyone Achieves More”* success for the company. To build relationships, it is important to possess an overall knowledge of the issues and concerns that other Departments within the firm and the firm’s customers have. Effective, regular communication and active listening skills are a must when developing these relationships. When people are understood and sense empathy from you, they will be more willing to go to you with their concerns and will likely treat you with respect in return. When problems arise, customers will be more inclined to communicate their issues with you and resolution can be quicker and less costly. It is also important for all

departments within a company to work in unison, so that these issues can be dealt with expeditiously.

It is important that Credit and Collections employees communicate that they are team players, are a voice for the customers, and seek to achieve profitability for the company. Furthermore, it is essential that the Credit and Collections team be tactful and respectful when presenting issues, so that employees do not feel attacked or belittled.

If your firm does not already have a report that analyzes credits issued by reason code, territory, sales executive, and customer, it may be a good idea to develop it. This will allow you to delve deeper to see where ongoing issues are prevalent and to share these findings with other departments. Ultimately, this should lead to a better customer experience.

Companies use a variety of strategies for improving collaboration among Departments. One such strategy is inter-departmental meetings. Frequent meetings are an important form of communication that help to establish relationships among employees and provide a forum in which issues can be discussed and policies can be developed to prevent similar problems in the future. It is important to spend time routinely with others to let them know areas you are working on, to obtain their input and experience, and to devise best practices for the company (and vice versa). This dialogue should be done on a broad basis to develop a cohesive team that is able to look after the customer's needs and build success for the company (e.g., holding too many orders? Is there a way to lessen holds without taking undue risk?). Team building workshops can also be utilized to further develop positive relationships among employees.

Listening involves more than simply hearing what a source is saying. Listening involves interpreting the message that is being sent. It is important that you make a concerted effort to understand the information that is being communicated. A source might be unwilling to say anything negative about your potential or current client. Banks are notoriously known for being quite guarded in their responses and wordings when referencing a client. Not only should you be listening to the words your sources are uttering, but you should also develop a keen awareness of the way in which they are speaking. The following factors can denote an element of caution in your source:

- Do they hesitate before commenting?
- Are they reserved in what they say, not providing very many details?
- Does their voice sound relaxed and confident, or does it denote discomfort? Pay attention to the pace, rhythm, vocabulary and grammar that they use.
- Do they fail to respond to your calls in the attempt to avoid a conversation?

It is important to exercise very careful listening skills. Listeners are influenced by a variety of factors, including: the speaker, the message, the physical conditions in the environment, their emotional state, and other people who might also be listening in on the conversation. It is

important to concentrate as fully and clearly as possible on the verbal and underlying message the source is communicating. Take notes, ask relevant and pointed questions to clarify and reinforce understandings, and allow the source the opportunity to fully state their thoughts without interruptions.

#### THE BENEFITS OF BUILDING RELATIONSHIPS:

The benefits of developing relationships internally and externally can be extremely important for protecting assets, reducing risk, providing customer satisfaction, and maintaining best practices.

Cultivating an internal environment in which all team members create an important link that provides solutions for clients and is responsive to clients needs is critical. Information is knowledge and knowledge is power. As a minimum, knowledge allows you to be better informed and your influence will have a greater impact. One drop of water added to another drop of water, combined with hundreds of thousands of other drops can form the mightiest of rivers. It is the same in a company. As internal staff members pull together, a mighty force is created that can result in very high levels of success.

Relationships can also help to prevent losses to the firm. The sharing between companies of client-based collection information may expose risks and problems that might pose a threat to the firm. By sharing and discussing information on customer accounts that have been problematic, other group members will be able to exercise caution when dealing with that particular client by reassessing risk, closely monitoring repayment, and ultimately make their own decision regarding collection efforts. If legal action has been taken previously or if it has been necessary to take dramatic steps to recover funds, it is important for all members to be aware of the risks in extending credit to a particular client. This open sharing of information will prevent all group members from experiencing substantial losses. Time and effort will also be saved.

Fraud information may also be shared among people within the trade. By gathering pieces of information from a variety of sources and piecing them together, a clearer picture will likely emerge of how the fraud was committed and all of the parties involved. The sooner this information is communicated and shared, the less likely it will be that others are caught in the same predicament. If necessary, the company may want to establish a relationship with the local police authorities.

Building your own success group is also important. It will include mentors who have years of experience in the field and are normally willing to share best practices and expertise with you. They are an extremely valuable asset. Their knowledge may assist you in learning where to further develop continued training and relevant business education. Learning and growing is key as you seek to maintain a status of "leading edge" for your firm. If we are not continually learning, then we are falling behind.

Are relationships important? You bet they are! Internal and external relationships can go a long way in helping to build and maintain your company's success. Losses can be prevented, cash flow improved, borrowing costs can be reduced, and the overall customer experience enhanced.

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Not only will these developed relationships assist in building your company's success, but it will likely help to perpetuate the ongoing success of your customers as well. These relationships truly are a win-win!

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