

HOW WOULD CONFUCIUS COLLECT A PAST DUE INVOICE?

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IMAGINED COLLECTION TECHNIQUES BY ROGUES, SCHOLARS, SAINTS, SINNERS, CAPTAINS OF INDUSTRY AND NON-COMMISSIONED OFFICERS AND PRIVATES IN THE WAR ON DEBTOR AMNESIA.

Collection tips from some of the smartest men & women in the room - any room!

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Introduction:

Some people call it *completing the sale* and some invoice management. Many consultants refer to it as *managing risk*. There are a few of us that call it by the well-known yet perhaps distasteful *bill collections*. For most of this book, we simply refer to it as ‘collections’. After all, to paraphrase William Shakespeare ‘*call it by any other name and people, eventually, will still wrinkle their nose*’.

Some of you may remember the comedian Rodney Dangerfield who made a successful career out of ‘*I get no respect*’. As far as professions are concerned... well, let me put it this way: In one of my seminars on effective collection techniques, when I told the audience that collections was the second oldest profession in the world, someone in the second row piped up and said, ‘*And, the least reputable of the two*’.

No respect. That’s us.

Yet, they can’t do without us, can they? I have worked with many organizations around the world. I often ask them, “How long do you think your firm would survive if you did not have a collection department?” A firm with a good product and service might manage six to eight months. Human nature will come into play, squeaky wheels and all. While it does matter that you have a good product and service, if you don’t ask for the money – you don’t tend to get it. And those firms that do not ask for it well, tend to get it last...if at all.

This business of effective collections is both an Art and a Science. Most firms have CMS (Collection Management Systems), automated dialers, behavioural scoring and much more. In collections, like so many other fields, science in the form of technology, allows us to be incredibly productive compared to a few years ago. However, when push comes to shove, metaphorically speaking, you still have one person talking to another on the telephone, by email, letter or perhaps in person, trying to convince them to do something they don’t want to do – and like it. That my friends is an Art.

How then, might some of the smartest people in the room, any room now or in the past, have fared as a collector? Like the title says, how would Confucius collect a past due invoice? Saint Paul, who one author called “The Greatest Salesman in the World” was no slouch when it came to writing letters as the Corinthians will attest. Have to wonder what success he would have with email?

Is there something for us to learn by imagining the techniques used by some of the most successful and perhaps notorious people who have ever lived? I think so and I hope that you do too.

It seems to me there are lessons to be learned and much fun to experience.

Care to join me?

Special note from the author:

Some of the selected special consultants may not be familiar to you. To err on the side of caution and in the spirit of inclusivity, we have included at least a sentence or two about each of them at the beginning of their chapter.

You may raise an eyebrow or perhaps even curl a lip at some of the experts I have selected to give us advice on how to collect a past-due invoice. I get it. I recall reading a book by an author who will remain nameless, not one I have selected for this project, who said there are three and only three types of business people you will meet in your life. The first group is composed of people who will tell you upfront that they are out to win at any cost, don't care about you and will try and take all of your money. The second group are people who lie to you, may say they prefer win/win, but are out to win only and will try and take your money. The last group, and bear in mind he claims there are only three, is composed of people who may believe in the win/win philosophy, but as a result of incompetence or other such failings, end up trying to take all of your money anyway.

I have been in business for quite a few years now and know the philosophy he espoused is not true. Yet, I also know that he made something upwards of more than 800 thousand dollars in commission sales during one year – so I will listen – even take notes. In his case, he often did the right thing, but for the wrong reasons.

Donald Trump, for example, is a polarizing figure with most folks on one side or the other, not too many in the middle. Some of his critics may claim he is nothing more than a real-estate hustler and reality (you should excuse the expression) television personality who lies, even sometimes when the truth may serve him better. And yet, if that is the case and with all such information exposed to the public, he still managed to get elected as president of the United States. It is difficult to get elected to such high office when you have EVERYTHING going right for you. So, I'm going to pay attention – take some notes.

Confucius:

Who?

Confucius was a Chinese philosopher and politician of the Spring and Autumn period who was traditionally considered the paragon of Chinese sages.

Our greatest glory is not in never falling, but in rising every time we fall.

How Would Confucius Collect a Past-Due Invoice?

First and most importantly, Confucius would rejoice. He might even do his ‘happy dance’. Why? Because he would be involved in a situation where he and his firm may want something that TOS (the other side) does not want to give.

If you don’t think that sounds like good news, you don’t know how Confucius thinks. He believed the source of all creativity and innovation is a result of dynamic tension. In other words, anyone can collect a past due invoice from a firm or individual who has money and is willing to pay. It takes the very best of what we are and what we can become, to deal with situations where the client may not have the funds or the willingness to pay. Sometimes the lack of money and the will, which is even more fun, eh?

The long-term objective will be to get TOS (The Other Side) to ‘come around’, to your way of thinking and your side of the table. When you are successful, it becomes *their* idea to pay, you just get out of the way.

Gather information, both facts and opinions. Review the agreements, details and who approved within their organization. How have they paid you in the past? When did the payment pattern change? How do they pay their other suppliers now and what has changed? Has anything changed within your organization and how you invoice and follow up for payments? What about your sales team? Check them not only for information but for recommendations. How about the economy and changes in the market for them and their clients?

When, *and only when*, you have gathered information, set up a discussion/meeting with your client. You are still in the fact-finding phase and your objective is to listen with an open mind. Confucius would spend whatever time is needed to let the client know there is a situation that the two of you will be hoping to resolve. The client is becoming a member of the committee tasked to resolve the past due invoice. You are not making demands at this point, but asking for their help.

They may propose an acceptable repayment plan, but you should be prepared with one of your own. It should reflect the ability of the firm, be achievable, and naturally enough, with fast results. Some flexibility may be called on your part. While you prefer the more ambitious repayment plan, you prefer one less so, if it will include a commitment by your client.

Once they have agreed, better yet, they have proposed, and you have agreed, document and send by letter or email. Ensure that you follow up with reminders as well as thanks, where and when appropriate.

Confucius, as Carol reminds us in her book, says that the person who is brusque in their movements will not obtain co-operation and if they ask for something without first establishing relations, it will not be given.

So, how would Confucius collect a past due invoice? He would become the ‘partner’ who clients **want** to pay.

Donald Trump:

Who?

You are really, I mean *really* going to hurt his feelings if you seriously ask ‘who?’ Donald Trump has spent much of his life dedicated to ensuring the world will know the Trump name, the Trump brand. At the time of this writing, he is (if the voters have their way) finishing up his term as president of the United States. Before this latest gig, he was a businessman and television personality.

How Would Donald Trump Collect a Past-Due Invoice?

Some people make a name for themselves and others make themselves a name. Donald Trump has been on a mission for quite a few years with his name and although ‘not politically incorrect’ does not begin to accurately describe his approach and comments and even though his best friends and family might like to wrest twitter use away from him, nobody can argue that he has not put the name of Trump front and foremost at every level of reporting and news in North America and beyond.

When working at the Trump Tower in earlier years, his first task of the day was to review all news reports that mentioned the Trump name. Some people claim that Donald Trump is not consistent. If putting the name Trump on hotels, towers and people’s lips has been his mission, he has been consistent and very effective.

There have been numerous reports about Donald Trump and his habits and philosophy of paying his bills. If the reports are to be believed, there are many businesses, particularly in the small and medium-range, who report delays and then often, not being paid in full. Some reports call it, “The Trump Discount”. What does Mr. Trump say? He will tell you that an aggressive style is necessary for success and as far as non or delayed payment, he does not apologize. “If they do not finish or do a good job, I will deduct from their contract.”

However, all of those reports concern accounts payable, an area I sometimes refer to as ‘the dark side’. This chapter and the book deals with how Donald Trump, and others, would handle a situation when they are owed money. It isn’t as though Donald Trump has no experience in accounts receivable. When collecting rents for apartments back in the early years of business, he said it was a good idea to stand to the side of the door after you knocked, just in case the tenant would toss some hot water when they open the door.

Most of the time, when I teach collection techniques, I recommend that it is best to keep it professional and not take it personally. Most of the time. All of us might prefer a win/win in negotiations and collections.

Donald Trump, I believe, considers it a greater success the more he wins. Trump would consider non or delayed payment to him as an intention to harm and he takes great pride in being a counter-puncher. He would take steps to collect in full...and more. You might expect a single call and then it would be in the hands of his attorneys. Another reputation for Donald Trump is being litigious. The lawyers, his and probably yours, will make money. Maybe a lot.

Getting even is one thing, but I believe he would go beyond. He would want you or anyone else who owed him money to think very long and hard before you did not pay as agreed in the future. After all, 'you started it', by not paying him on time in the first place.

But we don't have to guess how Donald Trump would make a collection call, sparing no expense and at great sacrifice, we have a call for you to review:

To hear the Donald Trump collection call, please [click here.](#)

Pithy Quote:

Revenge is sweet and not fattening." - Alfred Hitchcock*

(But, tweeted by Donald Trump.)

Mafia: (or anyone with a gun)

Who?

The original chapter title was, *'How would Al Capone collect a past due invoice'*. I decided some of our younger readers may not be familiar with a notorious gangster from the 1930's Chicago and even less so with someone like *'Machine Gun Kelly'*, or *Baby Face Nelson*. I settled on the well-worn but better known 'mafia', a group familiar to us all. Suffice it to say the article refers to any individual or group who would employ illegal means, including violence, to collect a debt.

How Would the Mafia Collect a Past-Due Invoice?

"As I was talking, I noticed him looking at me with more than just the usual eye contact. He kept staring at me, never blinking, never looking away, and holding an artificial smile curled across his face. After a moment, the stare grew more intense and the smile started disappearing ever so slowly. His posture went from being relaxed to sitting up straight and leaning in towards me.

Like a volcano, he erupted and with his forearm, backhanded the coffee tray with such force, our cups smashed against the wall, shattering them into hundreds of pointed shards, and blinding me for an instant, I screamed, 'DON'T KILL ME!'"

The above describes an encounter between Steven Gan and a member of the Yakuza, an organized crime syndicate in Japan. Steven survived the encounter as well as other adventures in his foray into establishing a collection agency in Japan. (['Making It & Breaking It in Japan'](#))

In my training seminars, I tell people not to do anything illegal, immoral or that goes against their company policy. For criminals and their organizations, it is a different story. They do not concern themselves with Federal, State or Provincial laws or rules. The Collection Agency Act? Please! The same goes for keeping information private. Their message, we've all seen the movies haven't we, delivered so well by the actor Danny Trejo in the movie ['The Bill Collector'](#). *"I'm here to collect and I'll do anything and in case you're wondering, I don't mind going back to jail.* Check that poster at the beginning of the article. Do you want to be the one telling him that you are 'a bit short right now'?¹

However, violence is not their preference. They don't *really* want to break thumbs, a leg or an arm or fit someone for cement shoes. Costs money and takes time. Many people conveniently forget that one of the most loved heroes of the big screen, Rocky Balboa, was employed as collection 'muscle' by Philly loan shark Tony Gazzo. Rocky once refused Gazzo's orders to break the fingers of one debtor and instead, collected a partial payment. When Gazzo asked him why he didn't follow orders, Rocky protested that if he broke the man's fingers, he would not be able to work and earn money to pay the rest of the debt. His

¹ The sub-title for the movie is "Your Money or Your Life". An entertaining and potentially valuable training film for everyone in the collection business. Writer and director Cristóbal Krusen really does cover the good, bad and the ugly aspects of collection techniques in his unique road to redemption story.

boss was more concerned about overall reputation than possible collection from one 'day late, dollar short' gambler. He told Rocky, *"Leave the Thinking to me!"*

Not their preference, but they will use it if necessary. Al Capone was an infamous gangster from the Chicago area. He said, *"It's funny, but you can get more from a person with a kind word....and a gun, than with just the kind word alone."*

Another gangster, this one out of the New York area, was Arthur Flegenheimer, better known as "The Dutchman", or "Dutch Schultz". He was a small man, soft-spoken with good features. Dutch may have spoken softly but carried a murderous reputation along with a big stick. The alternatives for non-payment or compliance may not even be spoken aloud or in a riddle, *"swim with the fishes"*, yet the meaning is clear.

A few years ago, when I worked in the collection department of a Trust Company, there was a relatively small balance I was trying to clear with a fast-talking Real Estate agent, is there any other type, out of Calgary. He avoided our calls for some time and when I finally pinned him down at a house show, he was direct. *"Look, I'm in business and you're in business and I know you're not going to take legal action for just a couple of hundred dollars, so why don't you ...quit bothering me."* Only, he didn't say, 'quit bothering me'.

I said, *"You're a smart guy. I get that. You're right, most times a firm our size would let it go, write it off and forget about it. But, on occasion, we decide it is worth it for us, in the long run, to make an example for the rest of our customers who may be in a similar situation such as yourself. We don't want to spend two dollars to collect one, but we will on occasion and this happens to be one of them. We won't do anything illegal to collect and while it is possible you won't pay, at least for some time, I guarantee you that you will wish you had."*

If you say you are going to take action, make sure that you do. Nobody, nefarious or otherwise, likes to get the wrong reputation.

Any lessons to be learned?

With creativity, persistence and time, you can collect from *most* people.

Most customers intended to pay you on time, as agreed. What happened? Something came up, a reduction in money in, or increase in money out or a combination of the two.

Some people never intended to pay you from the get-go. They are crooks, not customers. Don't waste your time. Identify them, get them off your books and do what you can to make their future attempts with you and others miserable and wasteful. You want them to think twice before they try to take advantage of you again. Collections is not the challenge here, but credit granting. You want to shut the barn door before the next horse makes a run for it.

Stick to the rules. It seems unfair at times and there will often be others, perhaps competitors who play fast and loose with legalities. There are penalties for such behaviour. In Japan, firms avoid using the Yakuza to collect debt for them because a few weeks or months after the successful collection, one of their representatives will visit, looking for additional commission fees. Fair? Of course not, but you're dealing with a criminal organization. Spend enough time looking into the abyss and you just know the abyss will be looking back. It is not a pretty sight.

Legal or other action should be a last resort, but you do need to ensure your customers know it may be an option of yours and you value your reputation.

There has always been some fascination with gangsters. One actor said that playing one of them is great. They usually dress sharp and it seems you have a license to pretty much bully just about anybody. He added that it can be intoxicating but he wouldn't try it at home. His wife would give him a backhand.

You have a good product or service and deserve to be paid. There is the effort needed along with the creativity mentioned. Older debts 'tend' to be harder to collect, yet time may be on your side because financial circumstances change. Catch your breath, back into the ring, 'cause as they say in the Rocky movie, *"It ain't over till it's over"*.

Jesus:

Who?:

Also referred to as Jesus of Nazareth or Jesus Christ, he was a first-century preacher and religious leader. He is the central figure of Christianity, the world's largest religion.

How Would Jesus Collect a Past-Due Invoice?

I recall a comedian once said that all he wanted was a clear sign or message from God, like a large deposit in his name in a Swiss bank.

With respect, if he were here today, how would Jesus collect on a past due invoice? The problem, for me, is that he is not going to come out with a simple statement like *'God wants you to pay your bills on time.'* Instead, he is going to use a parable, he's going to tell a story and with any luck, the person on the other end of the telephone is going to 'get it'.

Perhaps he would share the parable of *'The lost coin'* and the joy of the woman who finds it. Somehow, I can even see the parable of *'The Unjust Judge'* being woven into a story of persistence and not giving up.

Why a story? Why a parable?

People do not readily use logic when paying or not paying their bills. Most of our debt is not incurred based on logic. *'Wouldn't you look great in this car, this suit, this house?'*

There is pressure on us in the business of Accounts Receivable. The less time we spend with our clients and customers, the more we shift towards logic vs emotions. Take a walk in their shoes (or sandals in this case) and try to make more time for the latter.

If it's late in the day and there is pressure to make a deadline, Jesus might be talking about how it is not your money and 'render' it to who it is owed, and if you get on the wrong side of him in a conversation he might just say, *'if you don't pay, I'm gonna' tell my dad!'*

P.S. A special thanks to several of my friends and colleagues, kind enough to test my 'quirky' sense of humour and provide valuable suggestions on this chapter. It is not my intention to offend.

Sigmund Freud:

Who?:

An Austrian neurologist and the founder of psychoanalysis, a clinical method with treatment involving dialogue between a patient and a psychoanalyst.

How Would Sigmund Freud Collect a Past-Due Invoice?

We move from a receivables expert who threatened to tell his father to one who wants to know about your relationship with your mother!

Born in 1856 in Austria, Sigmund Freud was the founder of psychoanalysis. Today, we take it for granted that there are some hidden motives in what we do. This was not always the case. Scientists have struggled with ‘why do humans act the way they do’, what is normal and abnormal behaviour.

Thanks to Freud, modern thought is that there is an unconscious that has a coherent structure. Not only is there ‘A lot of ‘stuff’ going on beneath the conscious level, but it also is not open to criticism.

Early in his career, Freud was likely to prescribe cocaine (legal at the time) to resolve a patient’s challenges. He considered his mind and body suitable for experiments and tested cocaine on himself. What seemed like a miracle drug later paled in side effects and addiction. We should be thankful that he was not enamoured by the drug for a long period. The last thing any of our clients would need is a recommendation to partake in ‘the devil’s powder’.

In time, Freud developed a treatment called ‘talk therapy’ and the image in our minds is the way the process was used in his Vienna office: the patient lying on a couch, the analyst in a chair, out of sight, listening and taking notes. Freud listened, and he watched. He disciplined himself into being a master observer. *“If their lips are silent,” he said, “they will gossip with their fingertips”.*

At least well into middle age, Freud was plagued by depression, irritability, dizzy spells and feelings of worthlessness. The latter was a bit surprising for a man who was so full of himself. The man who popularized the word ‘ego’, had a rather large one himself. There was a time when Freud put himself into psychoanalysis – with himself. He spent part of each day on the couch, thinking about his childhood, dreams and memories.

I can’t help but think of the comedian who said a person had to be nuts to go see a psychiatrist. (And, if that psychiatrist is you?)

My theory is that his childhood confusion and feelings not ‘being one of the gang’ would have more to do with his name than dreams or what was going on in the unconscious. His full name was Sigismund Schlomo Freud. I tell ya’, I’d have some serious questions and doubts about my mother and father if they saddled me with the name of ‘Schloomo’.

Still, at the very least, a large part of his ego was well deserved. Freud is still thought of as one of the great, if not the greatest pioneer of psychoanalysis. He said and would have strongly believed, *“We have the*

means to cure what you are suffering from.” He not only believed the individual could be treated, but the ego to further believe that he, and perhaps only he, could treat them.

So then, how would he go about collecting a past-due invoice?

- **Attitude before action**

While he may have harboured some doubts about the source of his melancholy, Freud would have little if any doubt of his ability to cure a past-due debt. A positive attitude, on its own, is of little value but coupled with his talent, it becomes a formidable advantage. Nobody wants a doctor, psychoanalyst, financial advisor who is not sure of themselves.

Freuds would bring the attitude to the negotiation table (or couch if you prefer) not that the debtor is going to pay, he will already have decided that but rather working out the final details of when and where.

- **Determine the reason**

Freud would believe that the reason given by the client or the customer is more often nonsense, even if at times they believe it themselves. The reason the account is still out-standing is not that it hasn't been approved, the cheque signed, invoice not received or a dispute concerning the service. The real reason, the one that may prevent the customer from ever being A1, paying in full, on time, in the future is deeper. Some may feel more comfortable (again, even if they do not know it) with a more chaotic environment. Some people win by losing.

Freud would believe you may be able to resolve a single invoice by dealing with the open and conscious reason given by the customer, but if you continue to sell to them on credit, you can count on them being delinquent again until you can go deep and resolve.

- **Listen hard – and observe**

Many of us believe we are good listeners, but we are not. Why? It's hard work. Maybe that's why we pay so much for someone to sit beside us, listen and take notes. Nobody listens hard for free.

Freud would listen to what is said, what isn't and how. That is not only the words and inflection but body language too.

- **Summarize and review**

At the end of a session with a debtor, Freud would review and summarize his notes. He would determine the next actions and start his preparation for the call/visit.

[Our lessons from a visit to the good doctor's office](#)

One must study and be a good investigator and communicator, but it all starts with a positive attitude. We will collect! But, we are not naïve. Even though we may not collect this invoice, we need to get back up off the floor, believe in our self and the fact that we will collect the next one.

Decide if we are going to collect “a single invoice” or try to dig deeper and resolve the reasons for a client *always* being a day late and a dollar short

We may not have the luxury of always being in the same room as our clients when we are trying to resolve a debt, but if the balance is high enough and the customer of value, forget the telephone. Get in the car or arrange a flight and go visit with your client.

Listen hard, take notes during and afterwards. Plan your next steps.

Perhaps we do not have the talent, time or even the inclination to go deep with our debtors. Yet we can and should listen and observe better than we do at present. Also, if what we are doing is not working – do something else! For I am sure Mr. Freud may have said, *“Ve do not know und definition vor sanity, but insanity ees doing zee same thing und expecting different results.”*

Peter Drucker:

Who?:

Peter Drucker was an Austrian-born American management consultant. The author of many books on management, his writings contributed heavily to the philosophical and practical foundations of the modern business corporation.

How Would Peter Drucker collect a Past-Due Invoice?

He wouldn't.

At least, he would not collect or attempt to collect himself. The author of many books on Management, including the classic of the same name, about 495 pages as I recall, Peter's forte was 'management'. It is only expected he would direct an individual or a group, never pick up a telephone or send an e-mail to a client who was 30 days past due.

Drucker had a lengthy experience of working with non-profits, like charities. When he was asked if he taught charities how to fundraise, he said, "No, I know nothing about fund-raising. I taught them how to manage."

I have little doubt that when it comes to 'receivables management' Peter Drucker would focus on the last word. Just like any other aspect of an organization, 'receivables' needs effective management. He would not teach anyone how to collect, "I know nothing about it," I can hear him say with his German accent, "but I can help you with management."

First, he would want to know what it is you are trying to manage. What is your business? If he was to ask that question to receivables managers, most would hesitate for a few seconds, maybe longer, before saying, "Our business is to collect."

Shaking his head, Drucker would disagree. "Collecting money may be what takes up a lot of your time, but I contend your business is to maintain a customer relationship. A lot of money and effort has been expended to bring a customer to purchase your product or service. You want the customer to pay you of course, on time as agreed, but you want them to return and deal with you again and even if it should get to the point of more serious or even legal collection efforts, you want them to speak well of your organization. That, my friend," he would conclude, "is the business of effective receivables management."

If Peter was consulting with you, he would have a lot of questions. He was fond of saying, 'getting the right answer, is a matter of asking the right question'. He might ask what you are trying to improve in your organization and perhaps more particularly, how you would measure success. "You can't manage what you can't measure and if you can't measure it, you can't improve it." In most collection departments, our measurements are on delinquency, daily sales outstanding, amount and percent of write-offs – all measurements that may be achieved at the cost of sales! No wonder we're sometimes referred to as 'the sales prevention department'.

Is your best collector the one who brings in the most past-due dollars or saves the most customers?

Finally, Peter would say that you need to know your customers, yourself and your team. If you know your customers well, you can be on your way to developing a strategy where they almost collect themselves. For you and your team, answer the question ‘what are you good at?’ This will lead you to the next question of: ‘what do you need to learn so that you and the team get the full benefit of your strengths?’

Few of us ever ask this question.

Marshall McLuhan:

Who?:

He was a Canadian philosopher, specializing in media theory. He worked most of his life at the University of Toronto. Perhaps he is best known for coining the phrases, 'the medium is the message', and 'global village'. He had predicted the world wide web almost 30 years before it was invented.

How Would Marshall McLuhan Collect a Past-Due Invoice?

For most of us in the receivables business, there is a message we want to deliver to our customers and clients who are past-due. The emphasis will change, but in general, it includes:

- ✚ Hey! Did you know your account/invoice hasn't been paid?
- ✚ Please pay now
- ✚ Can't? Please contact
- ✚ ...or else!

The delivery of the message will vary based on consumer vs. commercial accounts, the balance and the age of the debt. In the early stages, it may be as simple as a stamp on an invoice mailed to a customer "PAST DUE!" As debt ages, the delivery may range include e-mail, letters, telephone calls and personal visits to the debtor site/location.

Typically, we tend to base the delivery of our message on the cost and convenience of the creditor, in other words, how we want to contact the debtor, and what message do we want to deliver.

Marshall McLuhan would no look at it the same way. I should mention that McLuhan's work is often debated. It was interesting when he made a cameo appearance in the movie comedy 'Annie Hall', telling a 'know it all' professor from Columbia who taught a course on media, '*You know nothing about my work!*'. I could be off the mark, but I believe if Marshall McLuhan was in charge of the receivables department, he would propose that the media *itself*, rather than the message delivered, should be the focus.

The recipient is engaged in different ways, and sometimes barely engaged at all. Such engagement may run from 'hot' to 'cold'. If I want to get in touch with some younger relatives of mine, I have learned not to call them on the telephone or send an email. If I want an immediate response, I send an SMS. Some of our younger audience is almost 'offended' that we try to take up their time, making contact in any other method than SMS. Also, let's face facts. If you are a delinquent customer, do you want to talk to your creditor? Why not give them better options? Better by the way, for you too.

Once the contact is made, make the media 'hot' by offering their engagement to pay by clicking a link, or contact if needed or desired.

Nelson Mandela:

Who?:

He was a South African anti-apartheid revolutionary and political leader who served as President of South Africa from 1994 to 1999. Earlier, Mandela spent 27 years in prison. Widely regarded as an icon of democracy and social justice, he received more than 250 honours, including the Nobel Peace Prize.

How would Nelson Mandela collect a Past-Due Invoice?



(Who is that standing next to the author, Tim Paulsen?)

I had a dream, not only to meet Nelson Mandela but to appear on the same platform. Well, it will have to remain a dream. With his passing some years back, I will never have the chance to meet this exceptional man. Maybe it is for the best.

Why?

Zelda La Grange, a private secretary to Mr. Mandela wrote that he was attentive to people's weight and health. On more than one occasion, he would ask someone to stay back for a private discussion. He would point to their tummy when others left and tell them they 'have to reduce'. Zelda and other staff would have tried to discourage the person from staying, but who is *not* going to stay for a private discussion with Mr. Mandela? Not me! I am a veteran of the Battle of the Bulge, have been ever since about grade five. The horror! Mr. Mandela asks me to stay for a private conversation, what am I going to tell my friends or family afterwards? If I was quick enough on my feet, I might say the conversation was confidential, I just don't see how I could tell them Mr. Mandela said I was a 'porker' and would 'have to reduce'.

In almost every other area, Nelson Mandela was much more diplomatic and even circumspect. While a prisoner in South Africa, he learned the language and the culture of his jailers. He became somewhat of an expert on the sport of rugby, in particular the Springboks, greatly supported by the white minority in South Africa. When you can have a conversation with your jailer and others about sports and other aspects of culture, the negotiating table evolves from square to round.

So, how would Mr. Mandela collect a past-due invoice?

- **Who is on the other side?**

What is their profile, likes and dislikes? This holds for commercial accounts also, where the person on the other end of the telephone or across the desk from you, may not owe the money out of their pocket, but they represent the organization. In short, whether a government or an international firm, you ALWAYS deal, face to face, belly to belly.

- **Why don't they pay you?**

This is not the same as why they *say* they don't pay you. You only need to listen to find out what they say, 'out of work', 'waiting for an invoice', 'our customer hasn't paid us', but this may not be the same as the real underlying reason for your not being paid. For some of your customers, they are not paying you because they are practising cash management, with your money, and they don't want to pay you!

- **Learn the Lingo:**

Hopefully, you read books such as "Paid in Full" to find out successful collection techniques. All well and good, but when was the last time you read a book or an article on how to avoid paying a bill? The books and articles are out there on the emotional aspects of not paying debts, are you a member of a debt management group?

- **A debt – not a deadbeat!**

Best way to obtain co-operation? You make other people feel important and you do that by being genuine and humble. Please do not misunderstand me. I do not mean that once you can learn how to fake being genuine, I mean some serious distance 'walkabout' in the other person's shoes. Any of us, or any of our organizations, could wind up in financial difficulties.

"I never lose. I either win or I learn."

Nelson Mandela

St. Paul:

Who?

Paul the Apostle, commonly known as Saint Paul and also known by his Hebrew name Saul of Tarsus, was a Christian apostle who spread the teachings of Jesus in the first-century world.

How Would St. Paul Collect a Past-Due Invoice?

He may be well known to many in the present Western world, but back in his day, around 30 to 60 A.D. his contemporaries did not accord him as much respect as given to James and Peter. With my tongue firmly in my cheek, I suggest he may even have been the Rodney Dangerfield of a small Christian movement. However, it is well recognized that Saul of Tarsus, as he was also known, had an enormous influence on Christianity as a result of his letters.

In his childhood and youth, he was reported to have learned to work with his hands in his trade of tent-making, which he continued to practice after his conversion to Christianity. He used those same hands for writing and while the tents are long gone, many of the letters survive to this day and with slight editing by his followers, constitute one of history's most remarkable personal contributions to religious thought and practice.

One might disagree with the teachings of Christianity or any other religious movement, but when an individual is particularly successful in the delivery of a message, one does themselves a service when they pay attention. As a civilization, our big tent is our greatest strength, so listen to a professional tent maker who once said, *'Your teaching must have the integrity of serious, sound words to which no one can take exception. If it does, no opponent will be able to find anything bad to say about us, and hostility will yield.'*

Paul wanted to continue to travel West yet continue to communicate with the churches and groups he had left. He could have told the story to one of his disciples and sent him on a journey, but if you have ever played the game of 'telephone', I shudder to consider the possible result. He wrote and sent letters for several reasons.

You don't write a great letter, you 're-write' them. No doubt he struggled with his writing before sending the final draft on its merry way.

Provides a record of the conversation for later. 'Remember what I told you about...'

Don't have to re-invent the wheel, even though they may not have been around that long. We don't have a record of it, but I suspect a letter to the Romans, Corinthians or even Timothy, may have been forward to others.

So, if Paul was around today, having to deal with a past-due invoice, maybe for a few tents (hey, we're having fun here), what would he do? A man of his times, he would graduate to e-mail, but keep some of the distinct advantages of writing a letter. I'll share five of Paul's rules (there are more) with you here. Want more? You will have to attend one of our seminars.

E-Mail Rules According to St. Paul

- **WRITE IN STONE**
- **CATCH THE READER’S EYE**
- **WRITE TO AN AUDIENCE OF ONE**
- **‘ONE’ HAS A SHORT ATTENTION SPAN**
- **IT IS DIFFICULT TO FORCE A DONKEY INTO SOMETHING IT DOESN’T WANT TO DO**

WRITE IN STONE:

Your written words survive long after spoken words have been misconstrued and perhaps forgotten. If you must, tape over the ‘send’ button until you have the perfect e-mail. The time will not be wasted, different versions may be used for other customers or situations. The carving in stone works two ways – never anything in an email you don’t want on the front page of your newspaper.

CATCH THE READER’S EYE:

You are far from the only e-mail they will receive that day. A subject line is important in a letter, it is critical in an e-mail. But you can’t cry wolf either!

WRITE TO AN AUDIENCE OF ONE:

Never write to ‘Accounts Payable Department’ or ‘To Whom It May Concern’ (even worse). It is important enough to write to an individual and that means getting their title and the spelling of their name right.

‘ONE HAS A SHORT ATTENTION SPAN:

Too many emails are a black sea of words, using trite and overused expressions (notice that’s what I did there). Examples include, ‘Our records indicate’, ‘Please review your records’. Keep your e-mail short and simple. No more than 22 words in a sentence, 2 sentences to a paragraph.

IT IS DIFFICULT TO FORCE A DONKEY INTO SOMETHING IT DOESN’T WANT TO DO:

Not that our debtors are donkeys, but it is too good a metaphor to pass up, don’t you think? If they wanted to pay you, odds are you would be paid. This begs the question, ‘why should they pay you, rather than someone else?’ What’s in it for them. If you can’t come up with good answers to that question, you will always be at the end of the line.

Okay, people, we're a long way from the '60s (by that I mean 60 A.D.) and we have a lot of tools never dreamed of 'back in the day', yet some of the concepts, combined with the best tools now available protects your receivables and increases sales.²

² Speaking of sales, for an interesting take on St. Paul, you may want to pick up a copy of Og Mandino's book, "The Greatest Salesman in the World".

Dale Carnegie:

Who?”

He was an American writer and lecturer, and the developer of courses in self-improvement amongst others. Perhaps his most notable book is ‘How to Win Friends and Influence People’, with more than 30 million copies sold, is one of the best-selling books of all time.

How Would Dale Carnegie Collect a Past-Due Invoice?

‘How many books on accounts receivable management have you read this year?’

It’s a question I often ask at my seminars. On a few occasions, a single hand will be raised. Often, no hands, even if I extend to the last five years. This is our business. We must get good and stay good. Education never stops. After all, who would want to deal with a doctor who hasn’t read anything since medical school?

I am not so modest that I don’t recommend my book, ‘Paid in Full’, to anyone working in receivables, but I tell people that if they were only going to read one book to help them improve accounts receivable, it should be ‘How To Win Friends and Influence People’ by Dale Carnegie.

If you are not familiar, Dale Carnegie was an American writer who developed famous courses on self-improvement, salesmanship, public speaking and interpersonal skills. His book was written eighty years ago and is just as relevant today. A core principle is that it is possible to change other people’s behaviour by changing one’s behaviour toward them.

Early in my career, I avoided Dale’s book, thinking it was all flattery and bulls**t. However, he is, you should excuse the expression, ‘right on the money’. The interest you show to a listener, customer or even a debtor should be genuine. It is more work, but worth the results.

Here are a few fundamentals, but it is worth your investment of time to read ALL of the book.

1. Be genuinely interested in people. Don’t try to get them interested in you. Find out how they spend their time, what makes their heart go ‘pitty-pat’.
2. Frequent and genuine praise. Sure, it’s work, but you will be able to find something worth a positive comment or two. Think of the last person who sent some praise your way. Made you feel good, didn’t it? Also made you feel good ‘about’ the other person.
3. Everyone’s name is important to them, use it but don’t overdo it. Never say, ‘your name is difficult to pronounce’. It isn’t. At least not for them. Take the time and get it right.
4. Nobody has increased their knowledge by talking. Listen and listen hard! What they say, what they don’t listen if you will, between the lines.

5. Get them to say yes on something, almost anything. It is much easier to get them to agree later.³
6. Work hard to find ways for the other person to save face.

What else would Dale Carnegie consider if he was collecting a past-due invoice?

'Debtor' would not cross his lips and 'deadbeat' would not cross his mind. They start and they end as customers. Granted, some may be financially or even ethically challenged, some got up on the wrong side of the bed when they were fourteen and have been getting up on the wrong side ever since – but always customers. Dale knew the words we use and think about will influence our attitude.

A few of his quotes will give you some additional thoughts on his approach:

'Any fool can criticize, complain, and condemn – and most fools do. But it takes character and self-control to be understanding and forgiving.'

'When dealing with people, remember you are not dealing with creatures of logic, but with creatures bristling with prejudice and motivated by pride and vanity.'

³ For another take on this, check the chapter on 'How Would Chris Voss', where he suggests 'no' could be of more value.

Chris Voss:

Who?

When we think about a tough and difficult negotiation, dealing with bank robbers taking hostages or kidnapping often comes to mind. Chris Voss may be the embodiment of someone who must ‘negotiate as if your life depends on it’, the sub-title of his book, ‘Never Split the Difference’.

He started as a police officer in Kansas City and later joined the FBI. His career as a hostage negotiator brought him face-to-face with a range of criminals, including bank robbers and terrorists. Chris became the FBI’s lead international kidnapping negotiator. In his book and programs, he shares effective principles for effective use both in and out of the office.

How Would Chris Voss Collect a Past-Due Invoice?

The Open-ended question:

One of the most important tools in the FBI negotiation tool-box is the open-ended question. TOS (The Other Side) makes a demand or states their position. The demand itself does not matter. It could be to have a helicopter land outside the bank for an escape or 65 days rather than 30 to bring their past-due account up to date. You ask them a question like, *“How am I supposed to do that?”*

“How am I supposed to offer you terms different than those for our other customers?”

Get them to talk, explain, while you are avoiding a direct ‘no’, that just stiffens the resistance. You keep up with the passive-aggressive questions.

Tactical Empathy:

Earn your black belt in listening to better understand the feelings and the mindset of your opponent. You have arrived when you can state their position and they say, “that’s right”. Please keep in mind this does not mean you agree with their position. It’s emotional intelligence on steroids.

Chris makes important distinctions to an opponent or a customer who says ‘you’re right’ vs ‘that’s right’. You want the latter. The fact that you are right is not important to the other side.

Jedi Mind Trick:

The closest technique to a Jedi Mind Trick used by the FBI is to mirror, often the last three words back to the other side. Get them to expand, they will hate the silence.

Avoid grasp of the obvious:

Statements will not change behaviour. For example, saying ‘smoking is bad for you’, rarely, if ever, worked. Similarly, a statement like, ‘your account should be paid on time, as agreed’ may be true, but is not relevant and will not change the behaviour of your customer.

Midnight FM DJ Voice:

Cool, calm and collected is what it is all about. Speak even slower if a customer is yelling and stamping their feet: “It sounds like this is very important to you?” Slow the voice down even more if you need to let them know something is serious on your side: “That...is...not...going...to...happen.”

Get them to ‘no’:

Socrates, I always said, would have been a good bill collector. Get TOS to say yes to one thing and it is easier to get them to say yes to the next. Yet we are hardwired, according to Chris, to say ‘no’ and you will often be more effective if you start that way.

A great way to get a response from an email might be to state: “Have you given up on the possibility of us resolving your account without legal action or a third party?”

Shut up!

Once you ask a question, shut up and listen!

The Power of One:

Your customers, people on the other side will often lie to you. They may have 15 ways of lying, but they have one way, to tell the truth. Find their ‘one way’ of truth-telling. How? You ask questions at the start, initiate social discussions about weather, family, their office, just like questions would be asked of someone taking a lie detector test.

In a recent movie on Netflix, there was a senior FBI agent who said to his new assistant, “Tell me five things about yourself, four of them true and one a lie.” The simple concept is that they will tell four things in one way, the other, the lie, different.

Acceptable vs. Survival:

Knowing ahead of time what you need vs what you want and sticking to your plan will save a lot of later recriminations.

The Four-Letter F Word:

It may not be what you think. The word is Fair. Your opponent will use it on you, often and whether they believe it or not. “We just want a fair deal! Or, “You’re not treating us fairly.” This is designed to stop TOS (you) in your tracks and you have to defend your position.

Be ready for it. *“Tell me, just how do you see this as not being a fair position?”* It is a very powerful word, one you should be prepared to use on your behalf. *“We seem to be the only client who is not being paid on time. That’s just not fair!”*

By the way, people will often say they want a level playing field. Truth be told, they don’t mind if it tilts in *their* direction.

Platinum Rules of Kidnapping Negotiation:

Chris and his FBI team did their homework. He claimed that in every country if there was a kidnapping, he would tell you what the initial demand would be, the expected percentage in the final agreement and the timing. A politician might say ‘We don’t negotiate with terrorists,’ but such negotiations take place all the time. The person on the other side may be distasteful, to put it mildly, but they are a human being first and despite ethnicity and upbringing we all have the same basic motivations.

Marie Kondo

Who?

Based on the life-changing magic of tidying up; the Japanese art of decluttering and organizing. The procedures developed by Marie Kondo are called the KonMari Method. You may find episodes to [watch on NETFLIX](#). Watch as an expert helps her clients clear out the clutter – watch clothing and closets, but think collections!

How Would Marie Kondo Collect a Past-Due Invoice?

*How do you hold on during these most challenging times? You have to let go!
From Tim Paulsen's 'ZEN Collection Techniques'*

A Zen-like statement if I ever heard one. Hold on to what? Perhaps profit, customers, maybe our sanity? This method offers for those who accept, more effective and tidier policies and procedures along with a happier workplace.

I have seen people using e-mails that were based on collection letter templates from some twenty or thirty years ago. 'Attached please find', or 'It has come to our attention', who writes like that anymore? Same for many policies, procedures and techniques.

- Discarding must come first.

Clothing and accounts receivable training – how is that a fit? Marie Kondo talks about her clients picking up each item of clothing and asking if it excites them or brings joy in their life. Keep or discard, but if the latter, part with tokens of sentimental value last. For the remaining items, reorganize and find suitable places to store based on the format and style of your home.

The same process for e-mails, policies and your collection process. Alter your questions, developing ones that work best for you: Is it effective, does it work well for both the customer and for those who use it? You will notice significant changes or transformations in your collection process and this is the magic of tidying.

You may be limited, based on whether you own the business, are a manager, supervisor or a front-line collection officer, but there are steps you can take. As an owner, for example, it may be time to let go of a customer who (so far) eventually pays their account, but is unpleasant for everyone to deal with but when you review the details, unprofitable. If you are a supervisor or a manager, it may be a collection officer who would serve the organization, the customer and themselves better if their talents were employed in a different part of the organization. As a collection officer, there are procedures you use that are less than effective because your heart just isn't in it.

- Never satisfied:

To be successful, athletes and accounts receivable professionals need to ascribe to what has been referred to as a 'growth mindset'. Your abilities in this profession of accounts receivable, whether you have two, five or twenty-five years of experience are not fixed. They can always be improved. Without that mindset, it is too easy to fall back into what may be more comfortable, but less effective methods.

If one is satisfied with the status quo – nothing is going to change. But, you would not be here if that was the case, so 'be the change'.

- More work – less stress:

Well, not more work perhaps, but better work. It is a matter of doing things well, but also the right things. Policies will be easier to understand and more acceptable, resulting in less stress for all within the organization. Everyone will have more self-confidence in decision-making.

- Don't get distracted:

Scoring and collection management systems are not the answer. They may very well be an effective answer to reduced losses and improved productivity, but they are not THE answer on their own. They are similar to fancy and expensive storage equipment that hides but do not remove clutter.

An organization may, and often should, invest management and time in both scoring and collection management, but should never ignore the fact that no matter how far we have advanced, at some point, on the telephone, via an e-mail or other means of communication, we are still trying to convince someone to do something they don't want to do – and like it.

The result for Accounts Receivable?

Follow the guidelines, don't cut corners, and you won't revert to a disorderly, cluttered, unpopular, and most importantly, an ineffective process for collecting while keeping your customers.

Stephen Covey:

Who?

How Would Stephen Covey Collect a Past-due Invoice?

Stephen Covey would be one of the first to admit he is not the creator of many of the principles or disciplines in his best-selling book, 'The Seven Habits of Highly Effective People'. He does deserve credit, however, for his ability to package and deliver a page-turning non-fiction masterpiece of an approach to being effective in attaining goals with principles based on a character ethic that he presents as universal and timeless.

It is my contention, naturally enough, that those same 'Seven Habits' should apply to our efforts and communications with our past-due customers. Let's see if you agree on the 7 Habits of Highly Effective Collectors:

1.) Be Pro-Active:

Everything else flows from this first habit and if you don't 'get it', then you won't get the benefits of the others. Life, including how you conduct yourself when you are collecting a past due invoice, is a product of your values.

It is a requirement for the true professional to conduct themselves based on decisions, not on conditions, not on being re-active. Procedures and even policies will change within an organization based on 'outside' conditions. But not so the philosophy of how we should conduct ourselves.

Such activity may not be easy, but it is not supposed to be 'easy', it is supposed to be followed simply because it is the right thing to do.

A collection philosophy for example might be, "We will work with all of our customers, hoping to conduct them thru difficult times – we want them to survive as well as ourselves, but wherever and whenever possible, we expect to be paid on time as agreed. Should we decide that additional action, perhaps legal, must be taken, we prefer to conduct our communications in such a way that our customer may say, 'I may not agree with their decision, but they treated me fairly and with dignity.'

Full stop.

2.) Begin With the End in Mind®:

Suppose many years from now, a selection of your customers, whether they be individuals, small business owners or the financial representatives of a large organization, were contacted

by Kurt Nodd, a producer with the CBS News Program ‘Sixty Minutes’.⁴ The team was putting together a full one-hour program on ‘effective collections’ and you and your organization were the primary focus. In addition to the customers, most but not all who managed to survive a financial challenge, are asked how they were treated by you and your team.

Questions would be asked too of your team, perhaps how they were rewarded or trained. The management or owners of your organization would also be called in front of the microphone and asked a few ‘difficult’ questions.

There are some answers you suspect or believe they would give now, but they may not be the ones you would prefer and it is the latter where you can make the difference.

The road you take, we have been told in many different ways, depends a great deal on where you want to go. Though we have also been told, ‘the longest journey begins with a single step’, so does the shortest – no need to wait, not one minute to start making some changes in direction.

3.) Put First Things First®:

I still use the phrase, ‘time management’, but know it is a misnomer. We cannot manage time. Each one of us gets the same 24 hours a day, 144 hours per week, that were given to Einstein, Mother Theresa, Nelson Mandela, and for that matter, Attila the Hun.

We can’t manage it, can’t save some until next week, but with focus on tasks, asking the right questions and setting up a matrix, it can at least ‘seem’ like we are managing time, and get better results.

Time management books? The problem is there is SO MUCH information out there! Find just one book, with an author you like and then follow the steps. And for goodness sake, don’t take yourself too seriously.

4.) Think Win-Win®:

The options in negotiating and collections are:

win-win
win-lose
lose-win
lose-lose

This is a concept that is a challenge in many collection organizations. ‘After all,’ some people may say, ‘if I win, by getting the client or customer to pay, that means they lose, doesn’t it?’

⁴ A staple on Sunday evenings, it was started in 1968 and is the oldest and most-watched newsmagazine on television in North America. (Kurt, to the best of my knowledge, is NOT a producer with the show.)

No. We can't force anyone to pay, can't pull a gun on them⁵ and as a result, we have to give them valid and reasonable reasons to pay. Sharing those reasons, what we say and how we say it, will make the difference. We may have to go serious 'walkabout' in the customer's shoes but there are and will be reasons for them to pay that will put them into the win category.

5.) Seek First to Understand, Then to Be Understood®:

Stephen gives a great example of this concept in his book. A man has been having problems with his eyes and goes to the optometrist who listens for a few moments, takes off his glasses and says, 'Here, try these on.' You can see where the conversation might go from there.

Maybe it is our customer, boss, spouse or kids, but did you ever spend a lot of time 'trying to bring them over to your point of view?' They don't care. Or at least, as Stephen would put it, 'they don't care what you know until they know that you care'.

That means you have to listen, not always an easy task when in our 'heart of hearts' we just know for certain what should or should not be done. Open your eyes, ears and uncross your arms. Listen and take notes. Repeat back if necessary, 'Let me see if I've got this right, you are saying....' To the point where they nod their head and say yes. Don't panic. It does not mean that you agree with them – just that you have listened.

Then, and only after sober second thought based on what they have said, should you present your own opinion.

6.) Synergize:

Basic math will tell us that $1 + 1 = 2$.

You have an idea and I have an idea. Together, that makes two ideas, right? "It ain't necessarily so!"

Presented properly and in the right atmosphere, they may generate a third, fourth or even more ideas.

Mind you, it can depend on trust and reward within your organization. People tend to do what they are rewarded for and as a result, in many organizations, $1 + 1 = 1.5$ or sometimes even negative 1.5.

'Anyone got any ideas?' we may ask at a meeting. But before you ask that question, I ask you this: 'Do you have the right atmosphere, culture and reward system (does not have to be financial) in place to reward not only ideas but a synergistic process?'

⁵ With the possible exception of 'How Would the Mafia Collect a Past-Due Invoice?'

7.) Sharpen the Saw®

Another great example is from Stephen's book. A man comes across another man who is having a difficult time cutting down some trees. It is obvious that the saw needs sharpening and he tells him so. "Can't stop for sharpening", he is told, 'I've got to cut down all these trees.'

Often I will ask an audience for a show of hands for 'how many of you have read a book on collections in the last year?' Usually, no hands. I then say, 'How about the last two years, then three.' Again, in an audience of 50 or more, often no hands or at least very few.

Please bear in mind this is an audience of credit and collection professionals. This is our business, people! We have to get good and we have to stay that way.

There may not be a lot of books on collections, but there sure are on sales and almost any sales book will give you an idea to improve your collection performance or that of your team. There are books you may have read many years before that may provide some value when read again, based on our experience over the intervening years.

A successful consultant told me one time that we should all belong to at least two organizations. One that involves our clients or customers, the other people like ourselves, facing the same challenges. There will be some in your city or town or at least accessible on-line.

Attend a conference or two each year, and here's a thought: Offer to deliver a talk or seminar on a collection subject to your peers. I don't think there is a better way to learn more about a topic than to have to teach it.

Linda Babcock and Sara Laschever

Who?

Linda and Sara are co-authors of 'Ask For It', a ground-breaking book that revealed just how much women lose when they avoid negotiation. The sub-title is, 'How women can use the power of negotiation to get what they want'. Linda is a Professor of economics and Sara has written for the New York Times and the Harvard Business Review, among others.

For Women Only:

Hey, what the heck do I know? About negotiating *and* being a woman – not a thing. But it seems to me that it is *always* a good idea to listen to our peers who have been successful themselves, and in this case, talking with other successful women to find what has worked for them. If you agree, 'Ask For It', written by Linda and Sara will be of value whether you are collecting a past-due invoice, negotiating a raise, vacation time, or some help around the house from a significant other or a teenager.

For Men Only:

Guys, don't let the subtitle, deter you from reading this fine book on negotiation skills. Yes, the author's targeted audience is women but many of the techniques they cover will be of value to you in the receivables office, negotiating for a coveted parking spot or perhaps even that most disputed item among many couples, the setting of the thermostat.

How Would Linda Babcock and Sara Laschever Collect a Past-Due Invoice?

They would ask for it. Seems simple enough, but it is another matter in practice. Some background on how this dynamic duo came to write this best-selling book sets the stage for this chapter.

"How many men," was a question posed to a large number of senior managers and executives, "during your career, have come to you asking for a raise in salary?" The managers and executives, almost all of them men themselves, would think a bit and then come up with an answer, ranging from ten or fifteen to perhaps fifty or more. The next question was, "How many women?"

You are probably ahead of me on the answer, which was 'none', 'zero', 'nada'.

Was it because they did not deserve a raise? No, many of them deserved a raise, as much as the men and sometimes more. What held them back? Was it based on the belief that 'Nice girls don't ask?' That is at least partly true. But, there is a lot more information on culture in general and business culture in particular covered in the book but most importantly, in addition to the why, the authors cover the 'how', what needs to be done ask effectively and be comfortable while doing so.

Speaking of 'how, you might be thinking, "Interesting Tim, but how, does this relate to accounts receivable?"

In the section of our training programs that deal with effective telephone collection techniques, I play a video of a collection call. "It is not a good collection," I tell the audience, "in fact, it is one of the worst with mistakes made of both omission and commission." Afterwards, together or in groups, we list down all of the mistakes, but 9 out of 10 times, the fact that the collector did not ask for the money, does not

make the list. *'Not asking for the money, in a collection call...are you kidding me?'* Nope. And not just a call either. I have seen many a (supposed) collection letter or e-mail that do not ask for the money. They often came close mind you but missed a simple, clear and eloquent request for payment.

Why so?

Let's face it, people get uncomfortable asking for money. The fact they *should* have been paid does not make it any easier, it just adds a measure of guilt for not asking. This challenge is more prevalent in a small business where one may feel their customer will be offended and perhaps take their business elsewhere. Three words – get over it! A deal is a deal, you have a good product or service and *deserve* to be paid, but stop all your collection activities after sending out your first invoice and see how long you can stay in business.

Many women, to be effective negotiators, particularly when negotiating for themselves, need the right practice in being assertive. As mentioned, it is not just being effective, but also comfortable with the process. The same holds by the way for selling. Any sales course worth its salt will teach you the importance of asking for the sale.

In the end, practice does not make perfect. As Linda, Sara and I will tell you, it is *perfect* practice that makes perfect. You should not wait for a boss to give you what you deserve in salary, a promotion or other recognition, nor wait for a customer to pay on their own, simply out of the goodness of their heart. Perhaps She has a plan, but God is not coming down to make you breakfast.

Mind you, I suggest you should not hesitate to at least ask to see the menu.

Raymond Anderson

Who?

Raymond Anderson, originally out of Medicine Hat, Alberta, now makes his home in Johannesburg, South Africa. He has been involved in credit scoring and decision automation since 1996 and has two significant textbooks to his name, that are as readable as they are valuable. The most recent is *Credit Intelligence and Modelling: Many Paths through the Forest of Credit Rating and Scoring*. In this context, “Intelligence” shares meanings with national intelligence—excepting it is the back-room and much more boring version of James Bond.

His current position is Proprietor, Rayan Risk Analytics, and his specialties are statistical modelling, decision system automation, retail credit risk assessment, credit bureaux, etc. That said, his interests are much broader, which you will realize if you read his books.

How Would Raymond Anderson Collect a Past-Due Invoice?

The odds are very good the invoice would be collected successfully, at the lowest possible cost, even though Raymond would never send a letter or e-mail himself, nor pick up a telephone to call a debtor.

‘How does that work?’ you may be thinking.

Archimedes once said, ‘Give me a lever long enough and a fulcrum on which to place it, and I shall move the world.’ Raymond’s lever is “predictive” statistics, which turns “what we knew” and “what happened thereafter” into “what we know” and “what we expect”. If you give him sufficient information along with his system and a computer to crunch the numbers, he will ‘move the world’ as far as your accounts receivable results are concerned. Intelligence relies on information, and a process of identification, collection, analysis, dissemination, and feedback. His focus is analysis, which cannot be divorced from the rest.

There is pressure on our limited resources. Decisions have to be made:

- Who you gonna’ call?
- When are you going to call?

A standard collection matrix, for example, might indicate a collection call should be placed at 15 days past due if the balance is between 1,000 and 1,500. However, if you could be reasonably certain a debtor was ‘very likely’ to pay you, would you pick up the telephone? How about the other way round? If you knew, with great confidence, that a debtor was NOT going to pay, would you leave the telephone receiver in its cradle?

What action to take and when to take it, may depend on the objectives of the organization. Perhaps one is attempting to reduce overall delinquency or DSO (Daily Sales Outstanding). Another may be at an acceptable level, but wants the same results with reduced expenses. Sometimes, of course, it is a

combination of the two. The road you take, of course, depends a great deal on where you want to go – and someone like Raymond Anderson is just the sort of guide you need – if your lever is long enough.

What makes a lever long enough? Information and lots of it. For a traditional credit scoring system, for example, about 1,000 of both good and bad accounts, at a minimum, would be needed to develop a system, but doubling that to 2,000 of each would allow Raymond or whoever develops your system, to sleep a little better at night. Issues arise, though, because people respond to our actions, which can affect the models' effectiveness.

The success of scoring, whether it is to decide on granting credit or action to be taken afterwards, tends to be easier in the consumer fields where the volumes are high and the savings in productivity are greatest. Yet, even in the commercial fields, with information from bureaus and other creditors to consider, there is also value in systems to aid the decision process. For smaller companies, data on their principals can be a valuable but often ignored resource.

I have been asked on numerous occasions if professional collections is an art or a science. Early in my career, I was skeptical of the science involved in credit scoring. With my experience as a credit manager, I was certain I could make a better decision than one based on a 'scoring card'. (Give credit to a taxi-driver? Are you kidding me?) It took some time to convince me otherwise, not that it was a perfect system at the start – there were growing pains.

In time, I have come to believe it is a combination of both. Skilled experts like Raymond Anderson can be the talented producer for a successful production on Broadway, yet it takes a talented actor to walk the boards, 'To Pay, or Not to Pay...that is the question'.

Sun Tzu

Who?

He was a Chinese general, writer and philosopher. Sun Tzu is credited as the author of 'The Art of War, an influential work of strategy that has influenced not only military thinking but business. Perhaps his most well-known quote is: 'The supreme art of war is to subdue the enemy without fighting'. Others include: 'Appear weak when you are strong, and strong when you are weak', and 'If you know the enemy and know yourself, you need not fear the result of a hundred battles'.

In this chapter of the book, we will concentrate on The General's advice for being a successful warrior, adapted of course, to the business of professional collections.

Is business, accounts receivable in particular, comparable to war? Not really. We have to deal with the slings and arrows of injustice from a few debtors, but it is not the same as real arrows raining down from the sky as we try to get small, shields up, finding out one isn't the dedicated atheist one that they were. No, not the same, but on occasion, it may feel that way and as such, there are appropriate comparisons.

The debtor may not be the enemy, but they are TOS, The Other Side, whom we have to meet on the field of financial battle. For many of us, not only do we hope to win, we cannot afford to lose. Many of you reading this book are or may have been successful in the endeavours of Accounts Receivable. But Sun Tzu reminds us that we tend to forget to maintain the behaviour we once adopted to become successful.

Several thousand years ago, Sun Tzu wrote about the behaviour and attitude needed to be a successful warrior. For your benefit, I have summarized his words with my spin and a few colloquialisms. Learn from the advice of a great warrior.

The Way of the Warrior

1. A Warrior (professional) in this world will recognize that life is not always fair. Everything will not always go according to plan. Do not be frustrated when things go South. Stay positive, take a few words from the Python crew and 'always look on the bright side of life', live it to the full, no matter what the situation.
2. Focus! They are not shaken or moved by winning or losing, but keep the focus on your objective and what you can control. Don't waste energy on what you can't do or can't control. Be in the moment.
3. Be careful to measure success based on the effort **YOU** have made to make it happen. Do not be moved by final results alone, but by the work and commitment to achieve the result. This applies by the way, to wins and losses.
4. Let go! Do not let negativity get in the way by letting go of things that have become a hindrance. Let go of petty complaints. Do not get provoked easily, and give up on being bitter no matter how

much deserved. Be on your best behaviour and always be positive.

5. You need to be thankful and take time to reflect on your progress, counting your blessings every step of the way. Do not let small things and issues come between you and your goal.
6. Do not give up! If what you do is not working, look for other means to make it happen. You will never go down without a fight and giving up will always be the last option after having gone through all the optional means you can to reach your goal and your dreams. Find ways to get even better than you thought possible.
7. Always look to find an opportunity in every obstacle. Wake up each morning with new enthusiasm and energy to work things out. Stay positive and filled with energy, every day. Make it so people around you will gain a lot of joy since you are joyful as you get up and go about your business of being a professional. To be good, you need positive energy, because no brain, including yours, can work well if you are not enthusiastic and you do not feel like working.
8. Own up to your mistakes. Do not try to act in defence, but act to correct the mistake and if it is irreversible, look for ways to at least lower the gravity of the mistake. Ask forgiveness and be realistic, you need to be aware of what you should and should not do to avoid having to hurt the people surrounding you. Learn to own up to your mistake once committed and be ready to ask for forgiveness.
9. Do it! Don't be afraid to pick up your tools and get to work despite concerns about real or imagined faults. Do not fear the unknown since the only way to see what reality looks like is going through the unknown.
10. Your only true failure is to give up when it is not the last option. Every fall or failure can bring you closer to achieving your goal. It is not the time to give up, but to work hard to reach a destination – be unstoppable and do not quit.
11. Be honest in your endeavours and do not use deceitful means to reach your goals. Be afraid of nothing – always ready to pick up every challenge that comes your way. Maintain your desire to achieve bigger and better things in your life. You are never easily pulled down and you will ensure that with every challenge coming the way that you use honest means to get to the top and beat the challenge.
12. Keep your goals in mind – constantly reminding yourself what is ahead and what you are set to achieve. Pay no heed to the people who discourage you. YOU need to give yourself positive energy, always focusing not only on the goals but the reasons for those goals.
13. Toughen up – buttercup! You must be mentally tough for everything that comes your way. You know what you have set out to achieve and will not allow weakness anywhere around you.

14. You will know and will act upon the fact that tough times do not last. It is easier to stand strong, even when it appears there is no hope if you keep your goals in mind. On the verge of giving up, there are lessons to be learned.
15. A professional in our business can control their emotions. They will not let anger come between them and their goals and they do not take their anger out on others. They work hard and focus on making themselves better than they are now. They used their anger as their point for motivation to work more and to make themselves even better. The best of us will control our emotions when all around us are failing.

How Would Sun Tzu Collect a Past-Due Invoice?

Based on the attributes of a warrior and other writings by Sun Tzu, how might he go about collecting a past-due invoice?

- Some of us who have been in the business for a few years might start dialling a telephone as we were reading notes from ourselves or perhaps a previous collection officer, getting ourselves ready to do a ‘verbal’ battle with a debtor. Sun Tzu would refuse to arrive on the battlefield until he had completed his research about the account, debtor, reasons for non-payment, he knows the excuses the debtor is going to use and has well-thought-out counter-arguments all lined up, just like ducks in a row – in short, he fights (and wins) the battle before it starts.

If a debtor called him to discuss an outstanding account, unless it was to process the full payment, Sun Tzu would defer the call. The battle (conversation) would only take place at a time of his choosing.

- He would focus on a clear, defined objective. It might be ‘full payment of the account’ and we want to keep you as a customer. There will always be a call for some flexibility, plans are great until the first shot is fired, the first punch in the nose, but the definition of victory doesn’t change.
- Sun Tzu would not be calling to discuss ‘if’ you will pay your invoice, but ‘when’. He has already decided it is going to be paid. He knows that a positive attitude, on its own, may not result in victory, but it would lead him to view every cloud with a silver lining, an opportunity to improve his skills.
- He would be willing to accept an invoice not being paid but never – never – due to his lack of focus, will and effort.

Some advice?

For most of this book, we provide advice for those of us trying to collect a past-due invoice or an account. However, if you happen to be on the other side of the table, a debtor, and receive a call that begins as, “Hello, my name is Sun Tzu and I am calling you today about your past-due invoice with my organization’, – do yourself a big favour and just pay the bill.’

How Would You Collect a Past-Due Invoice?



I hope you have enjoyed these imagined techniques I have put together over the last few years. It was fun for me to do the research and go walk-about in some rather big shoes. You may recall Peter Drucker in one of the chapters said, ‘getting the right answers is a matter of asking the right questions’. For you, the final question is not how Confucius, Drucker, Freud or any of our other learned consultants collect a past-due invoice, but how would you collect, perhaps just a bit differently, after considering the philosophy and techniques described.



When approaching a difficult client, will you consider a ‘happy dance’ like Confucius, knowing that the source of creativity and innovation is a result of Dynamic Tension? Perhaps Freud’s lesson that the reasons given by your customer may often be nonsense and you must dig deeper resonated with you. Maybe you picked up a few additional thoughts from Peter Drucker in addition to getting the right answers, such as what your business is? Did Nelson Mandela’s statement of ‘I never lose. I either win or I learn,’ stick with you? Did you write it down, maybe put it up on the wall beside your desk? Will your e-mails be more effective from the suggestions of St. Paul? How about Chris Voss and his Jedi Mind trick and the most important four-letter F word you will ever use in negotiations? Will you organize your work better based on the advice from Marie Kondo?

It comes down to the power of one. If you take one idea from this book and improve your techniques, then you have learned your lesson well and ‘snatched the pebble from my hand’ using a quote from a chapter in the next edition.

Speaking of which, suggested collectors for the next edition include Abraham Lincoln, Alexander the Great and Max Bialystock (fictional character from the movie, 'The Producers'). If you know of a few people, real or fictional that you would like to suggest, please let me know.

About the Author:

He speaks 8 languages fluently and ‘gets by’ in another six, the author of 9 books on Accounts Receivable and negotiations. He has an MBA from McGill and has ‘developed’ negotiation programs that are taught at Harvard and Notre Dame, for several years, he was a special envoy to the United Nations Finance Division and concerning his negotiation skills, Nelson Mandela once said.....

Just kidding!!! Here is the real bio:

Tim Paulsen delivers exceptional training on effective collection techniques

In addition to having worked as a collector in both the consumer and commercial fields, Tim has been a credit fraud investigator, collection manager, credit manager and management consultant.

He is the author of:

- ‘Paid in Full’
- ‘Tipping the Scales’
- *Panic Instructions – Collect During Covid-19*
- ‘Sex, Lies & Negotiation Techniques’
- ‘The Reluctant Collector’ (for people who never thought they would work in receivables).
- *How Would Confucius Collect a Past-Due Invoice?*

For information on the books, please visit: www.trpaulsen.com/books

The Founder and Managing Director of The International Centre for Professional Collections (ICPC), Tim has consulted and trained across Canada and the United States as well as 26 other countries including Bahamas, Brunei, China, Egypt, Ghana, India, Indonesia, Ireland, Jamaica, Kuwait, Lebanon, Malaysia, Mexico, Oman, Pakistan, The Philippines, Singapore, Turkey, South Africa and Thailand.

Mr. Paulsen is the creator of the exceptional tool to overcome excuses and collect:

‘SAGE – The Excuse Terminator’

Find out more:



<https://www.trpaulsen.com/excuse-terminator>