

Credit Line



A MEMBER NEWSLETTER

NOVEMBER 09

Is The Current Economy Putting A Strain on Your Credit & Sales Relationship?

by Susan M. Archibeque, CCE, Director of Credit, Nicholas & Co., Inc.

Now more than ever, relationships are being tested and nowhere in business is this more apparent than the relationship between credit and sales. If the basis of the relationship is solid, that is, if the underlying principles are in place, disagreements are more likely to be viewed in the context of the “bigger picture.” If not, simple disagreements can become “flash points” that lead to broader conflicts.



Susan & the sales team at an NACM seminar

Having a written credit policy with clear-cut procedures may be the single most important way to avoid serious disagreements between credit and sales. Involving sales in the development of the policy not only demonstrates respect for their point of view, but also gives sales the opportunity to understand the reasons for each point in the policy. Establishing a credit policy is the first step, but ongoing training and execution is critical to its success. A solid credit policy will vary depending on the company and the industry but should contain at least the following:

- The Credit Department’s mission statement should be in line with the company mission statement. The policy should define the purpose of the policy and the impact accounts receivable has on cash flow and the company’s future growth plans.
- It should be perfectly clear that the policy is supported from all levels of management, from the top down.
- Measurable Goals—A scorecard is important that describes how the Credit and Sales Departments will be measured such as: DSO, best possible DSO variances, percent current or percent past due, bad debt write-off goals, and overall sales growth.
- Authority levels for approving or denying open accounts must be clear. Give sales the opportunity to challenge decisions by having a Credit Committee that will take a second look and decide, as a team, if the company can take on additional risk.
- Define “roles” and “responsibilities” for the sales representative and the credit analyst.
- Insist on training and written acknowledgement of company policy and that this policy has been read and understood. Ongoing training is important especially with new hires.

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Credit and Sales Relationship Continued...

UNDERLYING PRINCIPLES:

TRUST—Without trust, there can be no “real” relationship. There is no way around this simple fact. An organization might have excellent policies, procedures, and rules in place, but in the end, business is conducted between individuals. Where there is no trust, it becomes easy to misinterpret comments and directives or to attribute the wrong motives (or inactions) of the other party. It is not necessary for people to “like” each other in order to have a relationship of trust. Sales people generally are a “different breed of animal” than credit people, and the departments are better because of those differences.

Elements of Trust:

Ability—This refers to an acknowledgement that an employee possesses knowledge, skill, and competency. This dimension recognizes that the other person is able to perform in a manner that meets expectations. Everyone must understand the risk they are putting themselves and the company in.

Integrity—An employee must demonstrate acceptable principles such as consistency of past actions, credibility of communications, commitment to standards of fairness, and the congruence of word and deeds.

Team Attitude—An employee must be concerned enough about company welfare to either advance the company’s interests or at least not impede them. This means doing what is “right” for the company. This also means the employee must be honest and display open communication, be able to delegate decisions, and share control. This element of trust must also include keeping information confidential, not to be shared with the customer, other sales representatives or the competition.

Consistency—Outstanding attitude and good decision making should be consistent. It is important to take time to explain why decisions were made and to share factual information involved in the decision. A sales person puts many hours into a sale and deserves a reasonable explanation as to why credit was denied.

Remain Calm and Patient—Many sales people are typical type “A” personalities and deflecting nervous tensions will help each other remain focused.

Take Risks When Possible—Let the sales person know that you are going outside your comfort zone because of the trust you have in them.

RECOGNITION—Is there anyone on earth who does not enjoy being appreciated and acknowledged for their efforts? Some might argue that recognition is as motivating as financial reward. In any case, sincerely acknowledging sales efforts is hugely beneficial to establishing and maintaining a spirit of trust and cooperation. Always look for ways to build strong credit-sales relationships. The following are some suggestions I have used:

Ongoing Training—Educate your sales team on the 6 C’s of Credit, how to make effective collection calls, and recognize warning signs. I conduct quarterly Credit/Sales training meetings that provide helpful information to our sales team when making collection calls.

Have a Credit and Sales Activity day—This is a day where you get together with your sales team and just have fun i.e. bowling or laser tag.

Establish An Annual Credit Contest—The Sales Department loves competition. We recognize the “big-dogs.” These are salespeople that maintain the DSO variance (difference between DSO and best possible DSO). This is also a good time to “spot light” a credit analyst. It goes a long way to be recognized by your peers and in front of the sales team.

Acknowledge “Star Achievers” in Sales Meetings—This includes both the Credit and Sales Departments showing support and encouragement for each other.

Post Scorecards—Keep the focus year around on DSO and best possible DSO variance

Send Thank You Messages—These can be notes and emails for the little efforts throughout the day. It’s all about appreciation.

UNDERSTANDING—How often do we hear (or say), “If only you could see this situation from my perspective”? We all know the old adage, “Never criticize a man until you have walked a mile in his shoes.” People cannot simply “decide” to understand each other. Understanding, like trust, must be cultivated. Sales and Credit must decide that an atmosphere of trust and understanding is critical to their mutual success. Then the hard work of creating it can begin. The credit department must also be aware of the perception they leave with the Sales Department and work toward improving it. Regardless of our intent, it is how we are “perceived” that defines us. In order to change a perception, we must create a new experience.

Suggestions to help gain a better understanding:

Walk-A-Mile With Sales—Spend the day with one of your sales representatives and experience the day and the life of a sales person. In turn, having a sales representative spend a day with a Credit Analyst will open their eyes to the daily challenges they face.

Customer Visits—The Credit Department is good at establishing rules for the Sales Department. It would go a long way if we searched for ways to reciprocate. Offering to accompany sales on a visit to a customer who is experiencing a temporary cash-flow problem is an excellent way to help the sales representative in the collection process. The credit analyst could suggest alternatives that would protect the company and retain customer goodwill. This also gives each of them the opportunity to see each other in action.

Pre Authorizing Account—Give the sales person a green light on existing accounts that you are not currently selling.

Sales Leads—Put your sales hat on and pass on sales leads to your sales person. When they realize you are looking out for them, they will in turn look out for you.

Provide Timely And Accurate Information—Put yourself in their shoes and assist them with the information they need to successfully collect on the account.

SHARED OBJECTIVES—Without sales, credit would have no reason to exist. Without profitable sales, neither credit nor sales would exist. A Credit Department that is not sales oriented is not a good Credit Department. A Sales Department that is not profit-oriented is not a good Sales Department. For sales and credit to sincerely embrace the principles of shared objectives, they need to agree to implement a plan of action that supports shared objectives—to actively pursue every opportunity for profitable sales. In a competitive sales driven company, it is imperative that all levels of management embrace this principle. Ways of measuring and reinforcing this principle are indicated below:

Bonus Plans—Bonus elements for a credit analyst should measure the variance between the DSO and the best possible DSO, bad debt write-off percentage, and sales growth. The same holds true for the sales representative—performance based incentive plans should measure sales, DSO performance, and bad debt write-off.

Commission Chargeback—If you have sales people that are paid commission at the time of the sale, and the customer does not pay according to terms, you may want to consider a commission chargeback. It will not only get their attention, it will keep them focused and engaged until the invoice is paid.

Shared Responsibility—The principle of shared responsibility involves an acceptance that a sale is not truly a sale until it is paid for, as well as a willingness on the part of both sales and credit to assume the duties that would normally fall within the purview of their department. Both departments are ultimately responsible for growing sales and collecting their outstanding balances when they become due.

TEAMWORK—Good communication, both formal and informal, is key to creating a spirit of teamwork between sales and credit. I believe all organizations should have a Credit Committee with Sales and Finance Management present. This is an excellent way to exchange information that is essential when making critical business decisions. Here are some other suggestions to improve sales relationships:

Ask Sales Manager's Permission To Attend Sales Meetings—This is how you gather information on “hot” topics in sales. When you are in touch with what is going on in their world, it leaves a lasting impression.

Take A Salesperson To Lunch—Even if the primary purpose of the meeting is to discuss an account, having a conversation in an informal setting can bring to light information about an account that the salesperson might not otherwise have.

User Humor When Appropriate—Dwight Eisenhower once said “A sense of humor is part of the art of leadership, of getting along with people, of getting things done.” Using humor in an appropriate manner can go far to create empathy, defuse potentially volatile situations, and move people back on track toward a mutually rewarding outcome.

Remember the 3 C's of Communication—Be **clear** and specific. Tell them what you want up front. Don't go on and on in a long conversation or email. Most sales people just want to know what they have to do to get something done. **Cooperation** needs to be mutually beneficial. Look for ways to give back to the sales person. Be **Courteous**—As pushy and demanding as a sales person can be, try to understand the pressure they are under and remember to be courteous.

It is important to encourage others to think as a team. Teams are not created when the players sign up. Teamwork takes time, effort, and an unwavering determination to work together for the best possible outcome.

Developing the “mindset” in which the principles of TRUST: (T) trust, (R) recognition (U) understanding, (S) shared objectives, and (T) teamwork are incorporated into every interaction between sales and credit demands discipline and commitment at every organizational level.

One interesting observation about life is that often the most rewarding relationships are those that are the most challenging. The harder we choose to work at them, the more we stand to gain. But as every winning team knows, the rewards are well worth it, especially in a down economy.

ICEL (Intermountain Credit Education League)

Thursday, November 12 Luncheon, 11:45-1:15 p.m.

“How To Best Present Yourself” Speaker: Ellen Reddick

Red Lion Hotel, 151 West 600 South, SLC, UT

Cost: \$16, Contact Georgette Bevan, CCE, 801-433-6116 or GBevan@nacmint.com

Good manners are good business. Successful professionals possess personal skills that make the difference in relationships. Confidence in one's self and sensitivity to the personalities of others is key. Because 85% of your success in business is based on your people skills, your demeanor and behavior toward others are as important as your technical abilities and professional competence. Refine your etiquette skills and you will represent your organization with poise and assurance.

Ellen Reddick will provide a refresher course in business etiquette that will boost your self confidence in the social and business arenas and catapult you head and shoulders above the competition.

Ellen is a nationally recognized Executive and Corporate Consultant who works with executives and corporations to help identify and assess developmental opportunities for both organizations and individuals. Her unique, practical and powerful strategies make her easy to talk to and her vast corporate background helps her coach high-potential individuals and those requiring new skills to enhance their leadership competency. Her business experience is varied and extensive, including Director for Fairchild Telecommunications International and national Quality & Process Improvement Director for Lucent Technologies.

She is also a noted author of several business books and articles including *The Art of Professionalism in Our Lives* and *The Complete Job Search Handbook*. She currently writes several monthly columns for national and local publications.

Utah Mechanic's Lien Law Has Changed Again



Day Training Blitz!

Wednesday, November 4, 2009, 8:30 a.m. - 4:30 p.m.

Cost \$120—NACM Training Office, 7410 So. Creek Rd., #301

Construction
Collection *Tools*



You will learn **EVERYTHING** you will need to know to use LIENS & BONDS to collect your money

For more Mechanic's Lien Seminar information, go to www.nacmint.com



Business Alert:

“Red Flag” requirements will help fight identity theft.

Credit Executives are in an excellent position to take the lead in assisting their companies to comply with the Red Flag Rule.

Monday, November 16, 2009, 10–11 a.m.

NACM Training Center, 7410 So. Creek Rd., 301

\$25/attendee

Presented by Scott W. Lee, CCE, Attorney

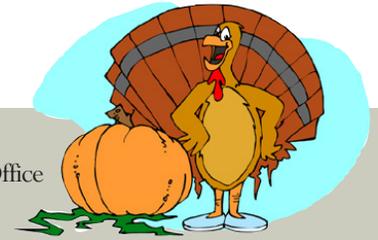
You Will Learn:

- What the Red Flag Rule is
- Who must comply
- How to comply
- Necessary elements for your company's Red Flag program
- How to identify, detect and respond to Red Flag

IS YOUR COMPANY IN COMPLIANCE?

This law applies to almost every company in America!

Sign up today with Georgette at 801-433-6116 or GBevan@nacmint.com



Looking Ahead

Nov 4 Mechanic's Lien and Bond Seminar, NACM Training Office
 Nov 16 Red Flag Seminar, NACM Office, 10-11 a.m.
 May 16-19 National Credit Congress, Rio Hotel, Las Vegas

Sat. / Sun.	Monday	Tuesday	Wednesday	Thursday	Friday
1	2	3	4 MECHANIC'S LIEN AND BOND SEMINAR	5 Hardware & Lumber	6 Steel & Welders
7/8	9 Floor Covering	10 Food & Restaurant	11 SLC Contractors	12 ICEL LUNCHEON RED LION HOTEL 11:45 A.M.	13 Concrete, Paving, Excavating & Waterworks
14/15	16 RED FLAG SEMINAR Masonry, Landsc	17 Printing Ind. of Utah Heating & Plumbing Automotive & Truck Suppliers Roofers & Siding	18 Advertisers, Media Ut. County Contr.	19 Industrial Supply Electrical	20 Diesel Engines So. Utah Contractors Ogden Contractors
21/22	23	24 Equipment Dealers	25 General Services General Contractors Consolidated Regional Qrtly	26 THANKSGIVING DAY NACM CLOSED	27 NACM CLOSED
28	29	30			

Referring a non-member who joins NACM puts \$25 in your pocket for each one!

When a non member asks for a credit reference, get their company name and the name of the person making the inquiry.

Send Your Non-Member Referrals To:

Chad Wheeler, CWheeler@nacmint.com
 Phone: 801-433-6127

Welcome New Members

Wadman Corporation #5758
 2920 South 925 West
 Ogden, UT 84402
 Industry: General Contractor
 Rep: Spencer Bradley

Waterford Research Institute #5760
 55 West 900 South
 Salt Lake City, UT 84101
 Industry: Miscellaneous
 Rep: Mike Fife

North American Envelope & Printing #5762
 2325 South Decker Lake Blvd.
 Salt Lake City, UT 84119
 Industry: Printing/Publishing
 Rep: Ron Crandall

Shirley J Ventures #5759
 15 East 400 South
 Orem, UT 84058
 Industry: Food Distributor
 Rep: Margie Guest

Honnen Equipment Company #5761
 5005 East 72nd Ave
 Commerce City, CO 80022
 Industry: Equipment Dealer
 Rep: Kyle Bullock

Rimrock Construction #5763
 11639 South 700 East
 Draper, UT 84020
 Industry: General Contractors
 Rep: Cody Gillen

Western Region Credit Conference Recap

Las Vegas, October 14-16, 2009

Credit Managers Attending Western Region:

Fred Call, A.G. Truck Equipment
 Scout Whetman, A.G. Body, Inc.
 Mel Huppi, Deseret Book
 Deborah Norris, Advanced Lifts and Elevators, Inc.
 Rebecca Calderon, Codale Electric Supply
 Rossy Martinez, Geneva Pipe
 Barbara Mackay, Intermountain Concrete Specialties
 Susan Lujan, CCE, Kenworth Sales
 Babette Julius, CBA, Mountain States Marketing & Sales
 Mike Favero, Questar
 Neil Peay, Shelf Reliance
 Trudy Schouten, Western States Equipment



A night with good friends:
 Susan Lujan, Mel Huppi, Trudy Schouten, Barbara Mackay, Debbie Morgan and Rossy Martinez

**Remember...if you don't ask,
 You will never get to go.**

**NATIONAL CREDIT CONGRESS
 IS MAY 16-19, 2010, AT THE RIO
 IN LAS VEGAS.**

**Ask early and often. It won't be
 this close again for a few years.**

**SAVE \$140 on Credit Congress if you register by December 18, 2009
 (that is a \$40 savings over the Early Bird Special!)*

From Rossy Martinez, Credit & Collections, Geneva Pipe Company...

This was my second year attending the Western Region Credit Conference. The theme this year was "Credit Warriors" and I obtained excellent information about what it takes to be a credit professional.

How many of you consider yourself a Credit Warrior? I sure didn't. Now, with the information and knowledge I gained from attending WRCC, I found that I am! A Credit Warrior is someone who fights, defends, and doesn't back down at the sight of battle. We are credit professionals who can sympathize, respect the person we are talking to, stand our ground when it comes to decision making, and negotiate ways to better collect amounts owed to our employers. This technique is not a science—it's a way of life for a credit professional.

WRCC had great speakers this year. One of my favorite speakers happened to be one of our own—Susan Lujan. She spoke about "Bringing the Value of the Credit Department to the Forefront." She was a great speaker! Susan spoke of taking every advantage available to retain and draw customers. The Accounting/Credit Department is not a necessary evil. As soon as we allow management to see our true potential, we can help be a major contributor to our company's success. We can make ourselves more valuable to our employer.

We next heard from David Osborne whose enthusiasm really came through. As someone who obviously has a real passion for what he teaches, David was a true inspiration. He spoke of the 5 C's of credit (character, capacity, capital, collateral and conditions). If you've never heard him speak and have the opportunity, take advantage of it.

From first time attendee Babette Julius, CBA, Mountain States Marketing...

Western Credit Conference was a great experience—not only did I learn a lot of great information but I met some really outstanding people.

I learned to recognize fraud either by an employee or by an outsider and how to better use the internet to keep track of our accounts and potential customers.

Talking to different vendors gave me ideas on how we could improve customer service and ideas on using credit cards and checks by phone.

I would highly recommend that everyone attend a credit conference at least once. After that you will want to return to keep learning from all the outstanding sessions they have to offer.

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