

## Dear Friends:

Does the relationship between your credit and sales departments remind you of an old Western movie, perhaps “Gunfight at the O.K. Corral”? Are you resigned to the notion that credit and sales will forever regard each other as aliens from different galaxies? This issue’s feature offers ways—that work!—to help you change the attitude and behaviors of those feuding departments.

Our summer calendar includes the Szabo Quality Awards Banquet on September 4th here in Atlanta. This important annual event gives us the opportunity to recognize and appreciate the achievements of our terrific employees. They truly are the best!

We also look forward to attending Advertising Week in New York, New York, September 24-28, and the National Association of Broadcasters (NAB) Radio Show in Charlotte, North Carolina, September 26-28.

Best wishes for a fun-filled summer,



C. Robin Szabo, President  
Szabo Associates, Inc.

## Does Your Sales and Credit Relationship Need Improvement? Principles and How To’s That Work!

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.

As human beings, we seek and develop relationships because we believe they will help us reach a goal or objective. In our personal lives, the goals and objectives may be more abstract than in business, and working toward them and achieving them may be more satisfying at a deeper level. Even so, the principles and skills that make for successful relationships, in and out of the workplace, are largely the same.

It is valuable to observe the principles that successful relationships, both personal and business, have in common. Like cornerstones upon which a structure lies, they form the basis for building a strong, complex, multi-leveled relationship that can weather the inevitable storm. Conversely, when one or more of these principles is missing or crumbles, the relationship fails for lack of a solid foundation.

Nowhere in business is this more apparent than in the relationship between credit and sales. The cornerstones that form the basis of a successful credit/sales relationship and the closest of personal relationships are the same: Trust, Understanding, Shared Objectives, and Shared Responsibility.

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, on the other hand, the principles are not in place, simple disagreements can become “flash points” that lead to broader conflict.

### The Principles.

*Trust.* Without trust, there can be no “real” relationship. There is no way around this simple fact. Call it a primal instinct if you like, but as human beings, we usually can sense whether or not another person is trustworthy. An organization might have all the requisite policies, procedures, and rules in place, but in the end, business is conducted between individuals. For sales and credit to carry on smoothly and successfully, each department needs to trust that the other has its interests, in addition to its own, at heart.

When there is no trust, it becomes easy to misinterpret comments and directives or to attribute the wrong motives to actions (or inactions) of the other party. Credit may view an omission on a prospective account’s credit application as an attempt by sales to “get under the radar” with a marginal account. Sales may see credit’s rejection of a prospective account as an indication of inflexibility.

—continued on page 2

## *Sales and Credit —*

—continued from page 1

It is not necessary for people to “like” each other in order to have a relationship of trust. Salespeople generally are a “different breed of cat” than credit and collections people, and the departments fare better because of those differences; however, the diverse personalities within each group can pose significant challenges. The trust derives from an honest commitment— independent of personal “likes” and “dislikes”—to shared goals and objectives. It also takes patience, because trust proves itself by consistency of attitude and decisions over time.

*Understanding.* How often do we hear (or say), “If only you could see this situation from my perspective ...”? How can credit, from sales’ point of view, know what it is like to face lagging quotas as the end of the month fast approaches? How can sales, from credit’s point of view, understand the cost in time and resources to collect a past-due account?

We all know the old adage, “Never criticize a man until you have walked a mile in his shoes.” While most of us embrace the idea in theory, it is extremely hard for credit to do when its own shoes are pinching from past-due receivables, and perhaps even harder for sales to do when unmet quotas are snapping at their heels like a yard dog.

People cannot simply “decide” to understand each other. Understanding, like trust, must be cultivated. They are not qualities that we can choose to apply, on an ad hoc basis, to one situation and not to another. 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.

*Shared Objectives.* We are all painfully aware that sales’ agenda (holding on to existing accounts and selling new ones) is different from credit’s agenda (minimizing past-due receivables and bad-debt losses). The only way to get around these divergent interests is to focus on objectives that converge—keeping credit losses below a certain percentage of sales.

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 principle of shared objectives, they need to agree to implement a plan of action that supports it, that is, to actively pursue every opportunity for a profitable sale. In addition to focusing sales’ and credit’s efforts on growth and profitability, implementing this plan of action can help dispel sales’ perception that credit managers are the people they “need to get through” to make the sale. Rather, credit and sales become partners—creating opportunities for both the organization and its customers to generate profits.

*Shared Responsibility.* It is not uncommon for salespeople to assume the attitude, “It’s my job to find the customer. It’s credit’s job to collect the money.” Since neither sales nor credit benefits if an account cannot or will not pay, each department should bear its share of the responsibility for seeing that the money comes in. The principle of shared responsibility involves an acceptance that a sale is not truly a sale until the money arrives, as well as a willingness on the part of both sales and credit to assume the duties that would logically fall within the purview of their department.

## **The How To’s.**

*Develop Policy and Procedures.* Having a written credit policy and clear-cut procedures may be the single most important way to avoid serious disagreements between credit and sales.

Train new sales hires on every aspect of the policy. Coach them on how to explain credit terms to their customers. Make sure they understand the effects of slow and partial payments. Help them understand that “terms are terms” and that consistency is critical. If accounts are payable in 30 days, it is unacceptable to imply to the customer that 40 days would not be a problem.

If your credit policy will be changed, include sales in the revision process. Involving sales in the development of policy not only demonstrates respect for its point of view but also gives sales the opportunity to more deeply understand the reasons for each point in the policy.

Clearly state in your procedures the expectation that sales must procure necessary credit information from the prospective customer and provide a complete credit application for credit’s evaluation. Additionally, it is sales’ duty to explain terms and conditions to the customer prior to submitting the application for credit’s review.

Define the responsibilities for collection under various circumstances. Under what circumstances should sales be relied upon to collect on an account? Should sales collect prepayments when required? Should sales formulate a plan with credit to collect on delinquent accounts before or at the same time they solicit new advertising? Does credit follow up a sale with a letter to the customer, expressing appreciation for the business and reiterating terms? Does sales follow up after the invoice is sent to thank the customer, verify that

the bill was received, and ask if the customer needs any clarifications? What are credit's and sales' roles in dispute resolution?

The timely resolution of disputed invoices is one of the most critical areas of shared responsibility. In this era of Sarbanes-Oxley, when reported deductions are coming under increased scrutiny, sales and credit must recognize the importance of determining, as quickly as possible, whether or not an amount is recoverable. Company policy should be clear on the consequences of unresolved payment disputes.

*Communicate.* Good communication, both formal and informal, is key to creating a spirit of teamwork between sales and credit. Schedule formal credit meetings at least once a month. Include the sales manager and additional sales personnel as appropriate. The meeting agenda should include discussion of the reasons

behind your credit policy in general as well as decisions about specific accounts.

Ask the sales manager for permission to attend sales meetings, and offer to make presentations on credit topics. Sales meetings are a great opportunity to discuss credit's criteria for establishing cash, C.O.D., and open account customers, as well as alternative credit arrangements for marginal accounts. Take this opportunity to emphasize to sales that consistent application of credit policy helps to strengthen the organization's financial status and reputation, which makes it easier for them to sell advertising.

The timely exchange of information is critical to effective credit and sales management. Provide sales with accurate accounts receivable information to assist sales in monitoring and managing the account. Apprise sales of anticipated legal actions. Tell the salesperson what additional information or documents you need to help you approve a marginal customer. Ask sales to inform you of any cash

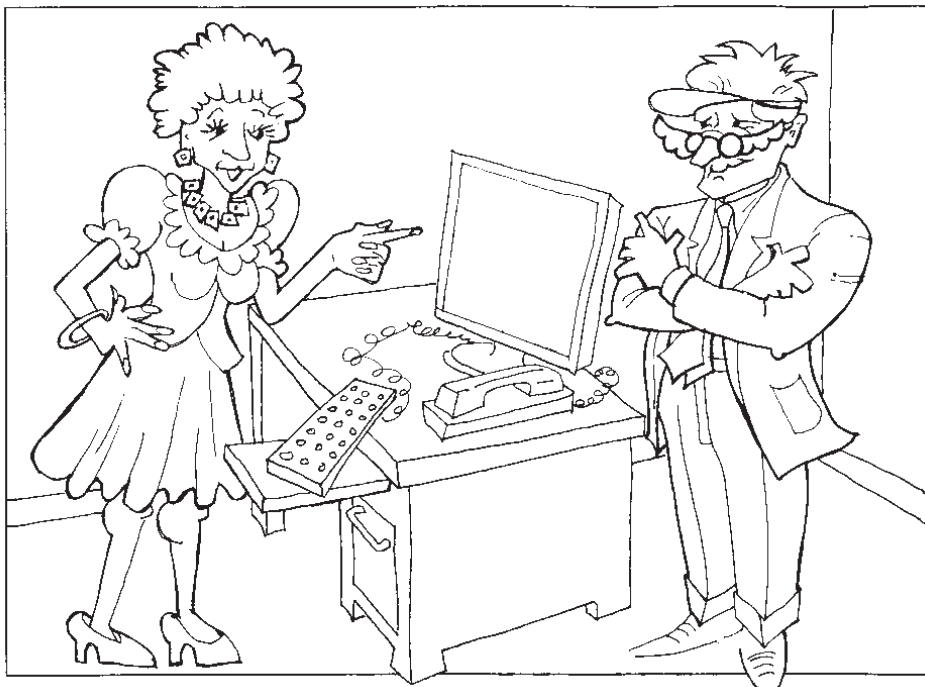
flow or management problems that could make collection on the account difficult.

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 thought important to communicate. Additionally, informal settings encourage conversation that can help you get to know each other on a more personal level. Knowing that a sales rep has two children in college may help you understand his aggressive pursuit of a marginal account. Discovering that a sales rep is caring for an elderly parent can help you understand why her patience is sometimes short. Even just learning about a sales rep's interests outside of work may provide you with an "icebreaker" that can lead to deeper insights about his or her character and personality.

Use 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.

*Reciprocate.* Offer to conduct pre-sale credit checks, which can save the sale rep from expending valuable time on unqualified prospects. Respond to requests for credit in a timely manner, with accurate and detailed information regarding acceptance or denial. Look for ways to accept a marginal account rather than to turn it down. Make sure that your personnel's collection efforts are sensitive to preserving the customer relationship.

—continued on page 4



"JUST 'CAUSE I SUGGESTED THAT SALES TRY TO SEE THINGS FROM CREDIT'S POINT OF VIEW FOR A CHANGE IS NO REASON TO GET SARCASTIC!"

## Sales and Credit —

—continued from page 3

Expect sales, in return, to ensure that credit applications on new accounts contain complete information and are signed by someone authorized to do so. Credit applications should be submitted and approved by the credit department before the ad is admitted on account. Existing accounts should be awarded credit limits and aging categories so they will come up for review prior to the ad running.

Offer to accompany sales on a visit to a customer who is experiencing a temporary cash-flow problem. Plan the call with sales, soliciting advice from the rep about ways to best approach and work with the customer. Customer visits often result not only in additional goodwill, but also in a payment arrangement

that allows the customer to pay off the balance in manageable increments. Additionally, they afford an opportunity for sales and credit to see each other “in action” and “under fire,” which can foster appreciation for the challenges each faces.

*Recognize.* 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.

Send notes of appreciation to sales when they have helped solve a problem. Knock on a sales rep’s door to say “thanks” for getting additional information to help sell a marginal account. If an account is rejected, acknowledge the effort it took to

sell the prospect and reaffirm credit’s commitment to helping sales bring in additional business. At month’s closing, consider sending a memo to management, acknowledging sales’ assistance in reducing DSO’s.

*Encourage others to “think” as a team.* Teams are not created when the players sign up. Teamwork takes time, effort, and an unflagging determination to work together for the best possible outcome. Developing the “mindset” in which the principles of trust, understanding, shared objectives, and shared responsibility underly every interaction between sales and credit demands discipline and commitment at every organizational level. But as every winning team knows, the rewards are well worth it! ♦



Collective Wisdom® is a publication of  
Media Collection Professionals,  
3355 Lenox Rd., Suite 945, Atlanta, Georgia 30326  
Tel: 404/266-2464, Fax: 404/266-2165  
Web site: [www.szabo.com](http://www.szabo.com)  
e-mail: [info@szabo.com](mailto:info@szabo.com)

©Szabo Associates, Inc. 2007. All rights reserved. Materials may not be reproduced or transmitted without written permission.

PRESORTED  
STANDARD  
U.S. Postage  
PAID  
Atlanta, GA  
Permit No. 747