Company Changes Require Strong Relationships

Business relationships are important in any department, but perhaps more so for credit professionals, who come into contact with just about every other team in a company. Those relationships may become stressed when changes occur in a company, such as when a merger and acquisition (M&A) or joint venture (JV) is pursued. It is up to the credit professional to determine if his or her business relationships, and even career, will become strained … or strengthened.

Mergers, acquisitions and joint ventures present a new set of challenges for the credit professional. The lead organization will likely be assigned the credit and collections responsibilities of the new partner company. This will require the credit team to employ its best negotiating skills, as well as patience and persistence. The team must not impose but convince, demonstrate and educate others that its practices are effective and deliver results, according to Lucas Gomez, CCE, in his book *Credit: Beyond the Numbers*.

“It is not unusual in M&As and JVs to encounter sales/marketing groups that want to manage literally every phase of the credit and collection process, and are extremely protective and afraid of a credit professional taking the lead in managing an account, much less visiting an account,” Gomez said. Such groups, Gomez added, believe that credit has a function of preventing sales and cannot be trusted.

A single meeting is not enough for credit professionals to form a strong partnership with a sales and marketing group from an acquired company. With help from the heritage sales and marketing personnel and upper management, existing and proven credit practices can be facilitated. The new sales and marketing personnel will come to acknowledge the benefits of a well-managed credit group when excellent results are achieved over time–but it will take time. Trust and better relationships will result, Gomez said.

Robert Karau, CICP, manager of client financial services at Robins Kaplan LLP, has worked with credit professionals who have become displaced after many years of exceptional performance due to mergers, outsourcing or the reorganization of a business model.

“In most of these scenarios, the credit department is not always given adequate advance notice of these changes,” Karau said in a recent interview with NACM. He worked with one credit professional whose company was part of a large merger. She had been told that most credit and collection positions in her company would be eliminated. Karau persuaded her to take some ownership and control over the upcoming events at her company.

“She asked her management if there was an advisory group or committee that was involved in analyzing and implementing upcoming changes and admitted that even if she would not be part of the company’s future plans, she still would like to be a member of that group,” Karau said. Because of knowledge she had obtained through NACM and networking with her peers, she became a member of the advising group. Once the acquisition occurred, she was informed that her position would be retained and, rather than being eliminated, her group would become the basis for the credit and collection department for the new company.

“She told me that if she had not been involved, aggressive and educated in new trends and technologies, she probably would be out looking for a new job instead of becoming one of the new leaders within the newly structured business,” Karau said.

Changes in company structure or policy require that credit professionals become aware of the relationships they have and bring their skills to the forefront.

“Change in business technologies and processes is increasing at a very rapid and accelerated pace,” Karau said. “The amount of knowledge that we possess is growing and we must be able to harness and manage that knowledge.”

– Adam Fusco, associate editor