

For Credit Managers, Every Day is a Negotiation

American actress and writer Carrie Fisher once said, “Everything is negotiable. Whether or not the negotiation is easy is another thing.” From the first day of work to the eventual day of retirement, credit professionals are negotiating in which they will discuss a subject with the goal of reaching an equitable solution that benefits each party. Whether it’s negotiating with the sales team, fellow credit colleagues, or customers, the process requires a give and take on both sides of the table. There might not be a step-by-step rulebook per se, but there are tactics credit professionals can utilize to hold a successful negotiation.

In today’s business world, the “old ways” of negotiation are no more, said Alexandra Carter, the director of the Mediation Clinic at Columbia Law School, in *Forbes*. Whereas people once “held [their] cards close and then tried to spring a surprise on [their] adversary,” Carter said negotiation is now about transparency.

“You need to get clear on the problem you are solving, your needs, your concerns and your goals—and then be clear in communicating with the other person,” said Carter, who is a negotiation trainer for the United Nations. “Transparency creates trust. And trust creates deals.”

Both parties involved in the negotiation process mustn’t hold a conversation like a game of table tennis, where each player focuses solely on what they want: a win. Instead, Carter said each side must try to steer the conversation to reach a middle ground by asking the right questions along the way.

Credit Manager Brett Hanft, CBA, said when he picks up the phone to discuss an issue with his accounts payable team, accounting manager, or CFO, he not only asks questions, but also listens to the other person’s questions and concerns. Hanft said he and his credit colleagues at American International Forest Products (AiFP) set a goal to have an amicable conversation during all negotiations, knowing an aggressive mindset will get them nowhere.

After exchanging pleasantries, Hanft said he kicks off the discussion by sharing the reason for the call. More often than not, Hanft’s negotiations involve payment from a customer who is past due. In this case, questions to ask the customer may include, “Why are we in this situation?” “Is there something that you need that you don’t have in order to get the invoice processed?” or, “Is there a cashflow issue?”

“When you ask a leading question and then listen, you’d be amazed at the information you get from the person,” the long-time credit manager said. “You want to spin it as, ‘What can we do to help you,’ rather than, ‘I don’t care what your excuses are.’ Saying, ‘We need to get paid or we’re sending you to collections,’ isn’t going to give you the end result you’re looking for when you’re trying to negotiate and benefit both sides.”

Hanft said he recently worked with an account where AiFP was getting prompt payments via ACH from a customer, including discounted payments and an increased sales volume. Shortly thereafter, the customer was paying their invoices three weeks late, turning their 10-day terms into nearly 30-day terms. Hanft took action by contacting the company’s president and asking what he and AiFP could do to help. By listening to the customer, the credit department learned the company was experiencing slow pay from its own customers, therefore, slowing their own cash flow. By listening to the customer, Hanft said he was able to learn their concerns and develop a suitable solution.

“You want to be able to get paid and have your customer feel valued,” he said. “They don’t like being in a situation where they’re being paid late and they know they’re paying you late. They respect the fact that you have a partnership and a relationship you want to preserve, so they’re doing what they can to find a way for us to meet in the middle.”

Negotiations come in many forms, Hanft noted, and do not always revolve around payment plans or addressing a past due account. The lumber industry and many others may also negotiate credit limits, especially during today’s economic climate when prices are high. Finding common ground in those situations is a matter of negotiating early payments and/or spreading orders over time to get money on invoices that are coming due before there’s increased exposure to the account balances.

“Ultimately, you want everything from what you’re trying to get from the conversation,” Hanft said. “But, it’s smart for you to also look at what you’re willing to give up, so you’re still able to have a satisfactory conclusion.”

--Andrew Michaels, editorial associate