

Credit Manager and Debtor: A Psychological Dance

“Nothing involving human relationships is clear or simple,” said Kelly Jameson, Ph.D., a psychotherapist and presenter at NACM’s 122nd annual Credit Congress in Phoenix last month. A romantic relationship between human beings is a complex “psychological dance” comparable to the relationship between a credit manager and a debtor.

During an exploration of the nine stages of a personal relationship, Jameson and her husband, Attorney Chris Jameson encouraged creditors to hone similar communication skills necessary to maintain a healthy and successful relationship with customers—the same skills that are often present in a romantic relationship. The Jamesons both work in their respective fields in Dallas, TX. Their presentation was titled, “Analyzing the Psychological Dance Between the Credit Manager and Debtor.”

The start of a new relationship begins with the first date, where each person develops their own impression of the other. Often times, Chris said, salesmen will suggest new customers looking for credit and set them up in a “first date” scenario with the company’s credit managers. Kelly said both parties often try to put their “best foot forward” to deliver promising first impressions.

“[On a first date] you are doing nothing but interpreting the behavior of the other person, while managing your own,” she said. “You are interpreting every behavior, from the way they hold their menu, the way they talk to the server and the way they make eye contact.”

“Where it’s similar [to the credit-debtor relationship] is with the credit application,” Chris continued. “You’re looking at credit references and whatever you do to assess creditworthiness.” This blends into the dating/courtship phase, where the salesmen court the customer for business.

The credit manager’s decision to move forward with the relationship ties in to what the Jamesons called the “commitment phase.” Here, creditors establish a credit limit and maybe even give the customer a personal guarantee. “Everyone is happy,” Kelly said, as they enter the honeymoon stage. Payments are being made and credit terms are met, and Chris explained how credit managers will generally see growth every quarter.

However, as the honeymoon feelings dissipate over time, the creditor and debtor reach a plateau—no problems, just stagnancy. It isn’t necessarily a bad thing, but Chris said credit managers will notice customers aren’t working as hard on the relationship, unlike early on.

“[Then, in the red flag stage], customers might ask to extend their terms,” he said. “They may be a little late on their payments and you have to actually email or call them for those payments. It’s not a huge worry, but it’s unusual. This is where your radar is going off. The outcome could go either way.”

What could follow is “the slide and crash,” where worry turns to panic. Customers are short paying and checks are bouncing. Kelly related this stage to the moment in a relationship when a couple decides to work on their relationship, perhaps, in therapy. To improve the situation, Chris noted, credit managers may hold new orders until prior payment is received, reduce the customer’s credit limit or seek advice at NACM trade group meetings.

If the relationship does not improve, lawyers may enter the picture in a “crash stage” to file a suit on the debt. The creditor and debtor may then part ways, no longer continuing a business relationship.

The best preventative measure to avoid a crash is learning to assess customer patterns and “seeing beyond the page,” Chris said. In time, patterns will emerge and give credit managers a better idea of their customer’s actions in the foreseeable future.

“There’s no one who is going to go through a career in credit and not make a bad decision with extending credit. It’s impossible,” he noted. “It goes back to understanding what went wrong and how you could do it differently the next time around. That’s how we get better at our jobs: Learning from our failures.”

—Andrew Michaels, NACM editorial associate