For Immediate Release

A Credit Manager's Balancing Act

NACM Gives Credit Managers the Tools They Need
To Juggle Their Many Responsibilities

August 9, 2004: Columbia, MD—In today's fast-paced financial environment, a credit manager's role is constantly changing and becoming more and more complex. Among the credit manager's many responsibilities, one of the most important is a balancing act—the credit manager must be able to take appropriate risks that will increase revenue and maximize shareholder value, while having the ability to use caution in order to minimize the company's exposure to losses.

"The days of being purely a 'numbers person' are over," says General Mills Credit Manager Mark Pender. "Good credit decisions can no longer be made in a vacuum. Today's credit manager is being asked to provide sound financial advice, identifying potential risk and then developing and suggesting creative solutions as to how one might do business with a risky customer."

With this increased responsibility, essentially the credit manager has become the heart of a company's financial well-being. "The role of the credit manager is to oversee the health of the company's receivables," says Karen E. Javaruski, Credit Manager for national accounts at PPG Industries, Inc. "Without receivables, the company cannot grow, pay vendors, or invest in business activities. The role of the credit manager is highlighted, as more importance is placed on ensuring that we are paid in a timely manner for our products. It adds to the visibility and importance of the credit function."

Keeping A Company Financially Robust

While a company looks to its credit manager to keep it financially healthy, the credit manager must be able to make reasonable forecasts about the company's cash flow. But like the weather, forecasting the payments of clients can be unpredictable and sometimes stormy. Therefore, a credit manager must have a reliable method of giving a cash forecast for a particular fiscal period. According to Dave Panicko, the Regional Credit Manager at 3ComCorporation, "That is done at the beginning of the period by aging out the portfolio through the period end date, based on payment terms of accounts, and by figuring out what will be paid during that period, backing out possible dispute items. The net result should be what you will collect for that particular period." But a company's financial forecast is only as good as its customers' reliability. A credit manager's good judgment must extend beyond forecasting—a credit manager needs to make tangible decisions about a company's creditworthiness and assist in collections as needed.

Panicko says that his company assesses a potential client's creditworthiness this way: "We go about it by obtaining credit reports and/or reviewing current financial statements of the potential customer, depending on the dollar amount of the order to be placed. Then, based on how the information looks—positive or negative—we approve a certain dollar amount credit limit to the account."

And in order to ensure that accounts are paid in a timely manner, Panicko believes that an open flow of communication with the customer is paramount: "It is very important to establish a good working relationship with your customers," he says. "You should be in constant contact with your customer; working to resolve old issues and making sure that they have copies of the appropriate invoices in their system so they are ready to be paid when due. You should also confirm with the customer the date the outstanding invoices will be paid—then follow up if, for whatever reason, they are not paid."

NACM: A Credit Manager's Rx

These are not the only challenges that credit managers currently face. According to Norma Heim, Director of Communications at the National Association of Credit Management (NACM), credit managers are regularly finding themselves with new responsibilities such as increased ledger accountability, as well as being knowledgeable about legal trends, including anti-money laundering policies and The Sarbanes-Oxley Act of 2002 (SOX). NACM understands the changing nature of the credit manager's job, and offers its members the tools they need to meet these new challenges. Heim says that NACM's members benefit from an array of programs and services such as access to conferences and seminars at a reduced rate, a subscription to *Business Credit* magazine and a biweekly electronic newsletter, as well as a reduced rate for credit reports and collection services.

And NACM's members know how important the organization's benefits are to performing their job. "The membership to a credit organization is very crucial, especially in today's electronic and Internet age. Communication has become so easy and simple that anyone with a computer can easily have access to an application for an account and credit," says Ronnie Mendonsa, Manager of Credit Operations at Tech Data Canada Corporation. "NACM is one such organization that can provide much valuable information, enabling the creditor to filter through the applicants and determine the creditability of the applicant."

Members are particularly impressed with the NACM's Graduate School of Credit and Financial Management at Dartmouth College. "This training opportunity is comprehensive in its approach to teaching credit professionals about the latest financial and regulatory issues facing the business environment," says Karen E. Javaruski. "It gave me the opportunity to learn and master financial analysis techniques, and successfully prepared me to pass the Certified Credit Executive (CCE) Examination."

Dave Panicko adds, "In the classes that were offered, I was able to gain further knowledge in credit and in management, along with meeting and working with other credit professionals from many different companies to learn how operations are run elsewhere."

From networking opportunities to formal and informal professional development, NACM membership helps keep credit managers up-to-date with current trends in the industry so they can perform their job more efficiently. For over 100 years, NACM has been committed to being the best in the business, and their members appreciate it. "In the past we have been members of other credit groups," says Ronnie Mendonsa, "but the interaction and the information available has not been as great as through NACM".

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