

For Immediate Release

**Soothe the Itch When Starting from Scratch
*NACM Can Make Starting A New Credit Department
Less Painful For Credit Managers***

April 20, 2005: Columbia, MD—Structuring a new credit department is no easy undertaking. A credit manager's job is already demanding and hectic by nature, but when faced with the task of creating a new credit department, a whole new score of challenges, responsibilities and pressures arise. In many cases, the new credit manager has to educate the company's customers, as well as its sales department, about the credit department's function and policies. This can be difficult, especially when a company has no established accounts receivable rules in place.

Mike Meyer, CCE, said he found himself in this position when he began as Jofco, Inc.'s credit manager. "Before I started, we sold to everyone that sent in an order," he said. "This took some time to change. The credit department isn't working to stifle business—it wants to promote business that doesn't put the company at a financial risk. You have to show this to the sales department and the rest of the company."

Meyer noted that the process of building a new credit department takes a great deal of evaluation on the credit manager's part, including a review of the company's mission statement and the current credit and collections policies that are in place, if any. Once the credit manager determines which procedures work, Meyer said he suggests that the credit manager create a manual explicitly outlining credit and collections policies that conform to the company's mission statement and its goals.

Meyer also said he stresses the importance of a credit manager reassuring the sales department that the new credit division will be working in partnership with the sales force, not working against it. "For me, the philosophy was not to deny a sale, but to find a way to sell to every customer," said Meyer.

A CREDIT EDUCATION

But drafting credit procedures is just the first hurdle for a credit manager starting a new credit department. Once the policy is in place, the only way it can be effectively implemented is by educating the rest of the company, and the customers, about what the new policy is. As Greg Hochgesang noted, this process can be difficult, and the credit manager can face a lot of external and internal resistance.

"Our biggest challenge was to change our culture in accepting a more standardized and disciplined approach to credit. In the past, we did not do a good job in getting up-front credit information on our customers," said Hochgesang. "We were also very inconsistent in establishing appropriate credit limits. It took us a while to obtain acceptance and support for our new procedures. The other hurdle was in challenging some long-established practices of our sales department in granting special terms to various dealers and sales reps. We ran into resistance when we attempted to get the parties to honor the very liberal terms they were granted in the first place."

WITH NACM, YOU'RE NEVER ALONE

As a credit manager, you face a long road when you're working to get a new credit department up and running. But you don't have to travel this road alone. NACM gives you the extra fuel you need to get the job done.

"NACM has been in this business for over 100 years. Most of its members have been involved in starting a new credit department or taking over and updating a credit department. Their hands-on experience is there for the asking," said Mike Meyer.

One major area that a credit manager needs to ask about and keep abreast of is the laws that affect the credit profession. These regulations are intricate and always changing. Not knowing and understanding

them can have disastrous results. NACM can save a credit professional from the consequences of not complying with the law through educational courses and access to others in the field.

Connie Barrat, CBF, who had 17 years of experience when she accepted a job at Thunderbird Lubrications, Inc., said she has benefited greatly from other members of NACM, who have helped her learn what she needs to know to perform the duties of her new job correctly.

"One of my new responsibilities was filing UCC-1 Financing Statements. As I had no previous experience in this area, I contacted credit professionals I knew who had extensive experience in this area for help in filing them correctly. The consequence of an incorrectly filed UCC-1 can be very costly in my industry," Barrat said.

Greg Hochgesang said that because starting a new credit department involves so many steps, it is in a credit manager's best interest to learn from the experiences of other NACM members who have "been there and done that".

"With the resources and vast experience gained from their NACM membership, they are in a great position to offer advice and help in this situation," he said. "One would not have to re-invent the wheel and go at this alone. It would be far easier to consult with other members who have gone through the same process, and learn from their experiences and expertise."

So, why re-invent the wheel when NACM has been down this road before? Starting a new credit department is too complex to go at it alone. Let NACM help you build a credit department that adds to your company's bottom line!

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