

# How do I know my worth?

By Jan Reeves MICM<sup>^</sup>

## Working in credit control and collections can be a great career for many reasons including:

1. It's a challenging role where you are able to develop top communication skills.
2. You can see your results daily. It's very rewarding!
3. It is service focused. If you provide great service to internal and external clients, you will get results. In addition, everyone loves good service so you can make lots of friends throughout your career.
4. You can make a positive contribution to your company's growth. You can make that as visible as you wish.
5. It's possible to see exactly what you need to do to progress your career. You can plan your career from day 1.
6. You can know your own worth in the job market.

## Do I need to be at senior level to know my worth?

If you are a junior trainee, an experienced credit controller or collector, team leader or manager it's almost always possible to understand your worth to an organisation. That's very useful when you are planning the next steps in your career!

Below are 2 examples of how to gain an understanding of how much you are worth to an organisation using standard DSO and 90+ results. However, before embarking on a strategy to reduce DSO or 90+ in your current or new role, you must first have an understanding of the direction your company is currently taking.

## Understand your company's current business focus:

- What is the current focus around sales? Is it to increase sales? Keep sales level? Is the focus controlled sales growth?
- And what about making a profit this year? What is the focus around this? Is growth or profit currently the most important?
- Is the company borrowing to fund receivables? What are the costs involved? Is there lots of cash and spare funds available?

Understanding the answers to these type of questions is important for everyone involved in both the sales and credit/collection function. To move any business forward, everyone in it has to be working towards the same overall business goals.

When senior management have signed-off on the current focus of the business, suitable and realistic DSO and 90+ targets can be agreed on. Once they are agreed, a credit policy and collections plan can be devised to achieve those goals.

If you work in a credit or collections environment without understanding the business focus you can find yourself working against some other departments. That type of situation can be frustrating and disheartening. It would be very hard to enjoy your job working in that environment. For example:

- It may suit a business to hold shipments if the customer's payment is 1 day overdue. It definitely wouldn't suit all businesses. It depends on the overall business focus.



Jan Reeves MICM

- It could suit some organisations to give a customer a 90 day credit facility, for example if they are trying to win a new account. It definitely wouldn't suit other organisations.
- Although a particular business may have trading terms of 30 days nett, the industry average DSO may be 60 days. In that instance, your business may be comfortable accepting a DSO of 60 days.

Once you have an understanding of your company's current business focus, and what their goals and expectations are, then you can work out how you can make the best contribution. Once you know that it will be clearer to work out your worth.

### Examples: How to work out your worth

(Adapt these to your current environment and circumstances)

#### Example 1: Considering 90+ balances

(This example is taken directly from a Sydney based Credit Manager)

When John\* joined Ryland Matrix\* as Credit Manager, the ledger he took over had:

- Total ledger value of \$70 million.
- 90+ balance \$20 million

Ryland Matrix\* are a service company and operate in a very competitive environment. Most of their growth comes from repeat business and referrals so it was paramount that the \$20m was collected without upsetting clients.

Using an outstanding customer service approach, in a just a few short months, John's\* team were able to collect \$19.5 million of the 90+ balance. The \$19.5m went onto deposit at their bank:

#### Result for Ryland Services:

1. Extra \$19.5 million on deposit at 3% = \$48.7K per month (extra profit \$585K per annum)
2. 'Potential bad debt reserve' reduced by more than 97%

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#### Result for John\* and his team:

1. Much appreciation and recognition from the Company.
2. Bonuses and salary increases for the whole team according to their personal results.
3. Terrific results to add to everyone's CV.

#### Example 2. Considering DSO

(Example taken directly from a Western Sydney based Credit Controller)

When Mary\* joined Buckerman Industrial Pty Ltd\* their trading terms were 30 days from invoice date. However, the receivables Mary\* took over were:

- Ledger value \$5 million
- DSO average for the previous 12 months 68 days.

The brief from the CEO and Finance Manager of Buckerman\* was to reduce the DSO by 2.5 days a month to achieve a DSO of 38 days within 12 months. The business plan for the next 12 months was reviewed and a credit/collections plan agreed.

With a structured and customer service type approach, and without losing any customers, Mary was able to reduce the DSO by an average of 2.5 days each month over the next 12 months.

#### Result for Buckerman:

1. An average of \$183K extra a month on deposit earning 3% interest = \$2.2 million additional cash in 12 months and \$36K in interest
2. Potential bad debt reserve' reduced by more than \$2 million

#### Result for Mary\*

1. Two bonuses and a pay increase.
2. A great deal of recognition and thanks from senior management.
3. A marvellous result to add to her CV.

The key to knowing your worth in the job market is to be aware of the results you are achieving. Then you can relate that to how much cash you are saving the company, in terms of interest, either on cash invested or loans.

The credit/collections function is hugely important in any business. Businesses only survive if they are able to collect their receivables. The faster they collect their cash the more money they are able to make.

With a little knowledge and planning you will be able to see the results you are having in terms of hard cash. Learn to understand your worth and to articulate the important contribution you are making to the company.

Know your worth and take control of your career today! ♦

\*Not their real names

^Jan Reeves has been involved in credit and collections her whole career, most recently as Managing Director of a specialist credit and collections recruitment company. She has now turned her focus to helping small businesses to get all their invoices paid by the due date. Using her experience as a business owner and a Credit Professional she has developed an online collections course, <http://getpaidfortheworkthatyoudo.com/>, written especially to guide small business owners.