

Please ... tell me it isn't happening

Strategies for dealing with your best client when it's slow to pay **By Brian Rich**

Sooner or later, every CEO has the misfortune of dealing with a major customer or client who is slow to pay. The natural reaction is most often one of disbelief, mixed with hope that the mail was delayed or the customer just got a little behind on processing your invoices. But with each passing day without payment, reality starts to set in — there is, indeed, a problem.

Collection of receivables is hardly the mainstay of a CEO's activities, no matter the company size. But, when the problem receivable is associated with the largest customer or client of your company, the CEO has little choice but to establish a strategy for resolving it.

So what really is the problem?

Every slow-pay situation is caused by one of two problems, and understanding which one you have is critical. Either the customer has a product or service concern, or it doesn't have an ability to pay (occasionally it will have both situations, but more often, it will claim product problems when the real issue is ability to pay).

Just as a doctor can't treat the patient until a skilled diagnosis is made, you also must first understand what issues you are facing in order to resolve them. Product or service concerns require different corrective actions than slow payment arising from financial difficulties.

Don't assume you know which of the two is the cause. A senior employee in your organization must make insightful inquiry and be persistent in getting a logical response. When one of your largest clients isn't paying on time, you likely cannot get a truthful answer by delegating this inquiry to a lower-level clerk in accounting.

Strategies for dealing with financial problems

There are four key steps to resolving slow-payment problems that are caused by your client's financial difficulties.

■ **Establish CEO-to-CEO communication.** Now that you have become a de



facto banker for your customer, you deserve to have access to your customer's CEO, or at minimum, CFO.

■ **Develop an understanding of the real problem.** You cannot help resolve a problem that you do not understand. You deserve a real explanation and should demand one.

■ **Establish a definitive plan for becoming current.** This is where CEO participation is so critical. Your customer must have and provide a plan for bringing the fees current. Consult competent counsel about the legal ramifications of whatever plan is developed.

■ **Closely monitor compliance with the plan and adjust as needed.** Monitoring must be continuous and it must be thorough. When the customer

deviates from the plan, it's time to go back to CEO-to-CEO dialogue.

Past-due receivables from large customers can threaten the viability of even the strongest companies. Prudent management understands that the key to minimizing potential harm to the company is thoughtful and strategic action that preserves the customer relationship while also getting the customer back to paying within agreed-upon terms.

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