

# Role Play Simulation on Farm Debt Collection: Brazilian Case

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## Abstract

*Farm debts play a significant role in business negotiations in Brazil. In 2018, near 63 million people have had past dues enrolled in the Brazilian major list of bad debtors, the Brazilian Credit Service Protection (Serviço de Proteção ao Crédito – SPC). To negotiate a debt collection is not always a friendly and easy task. Therefore, this article addresses the issue debt collection negotiation, presenting a two-party role play simulation with teaching notes, designed to prevent farm debt collection from conflict escalating, ultimately ending SPC or even worse, in the court of law. This role play is helpful for professors, instructors, facilitators, practitioners, negotiators, debtors, teachers, instructors, financial agents, among others. This case was chosen because its extensive replicability in business scenarios. Key findings, tested with N=42 subjects evidenced value creation, preparation, exploring mutual gains, as critical success factors for successful debt collection negotiations. Findings are further analyzed and discussed. Finally, implications and future research complete the present article.*

**Keywords:** Debt collection, Negotiation, Teaching materials, Farm debt, Business Management

## I. INTRODUCTION

The present work studied farm debt collection negotiations in Brazil, through multi methods, qualitative research. The objective was to shed more light on the subject afore mentioned, through the presentation of a case occurred in Paraná State, southern Brazil (Dias, M.O., Ribeiro, and Albergarias, 2019). The case gave birth to the present two-party role play simulation, presented here along with a full set of teaching notes and instructions (see Appendixes I and II). The case parties are one creditor and one debtor, with a farm debt past due account, as unit of analysis (Yin, 1988).

Debt collection in in Brazil is a concerning issue (Dias, M.O, Ribeiro, and Albergarias, 2019). In 2018 the default rates in Brazil reached 62.6 million

individuals (SPC, 2018)<sup>1</sup>. This research aimed at investigate debt collection negotiations. The purpose is to prevent business conflict and ultimate damages for debtors and creditors.

The subject under research is addressed through a two-party role play simulation (see Appendixes I and II). We aimed at (i) deepening insights on debt collection negotiations, (ii) provoking in-class debates on essential negotiation skills and techniques, helpful to (iii) executive, and (iv) academic education.

Negotiation has been widely studied as a communication process “by which two or more parties seek to advance their interests or those of the persons they represent through an agreement on the desired future action” (Salacuse, 2003, p. 11). Dias, M.O. (2018) defined negotiation as “a social interaction process, which involves two or more persons, regarding their interests, identity, and cognition, and dedicated to reaching an agreement over the substance negotiated through mutual gains” (p.29).

Teaching materials such as role play simulations have attracted scholars’ attention (Dias, M.O., 2019, 2019b; Dias, M.O. and Albergarias, 2019), applied to a variety of subjects: (i) copier manufacturer industry (Dias, M.O., 2012); (ii) aircraft manufacturer industry (Dias, M., Teles, and Duzert, 2018; Dias, M.O. and Duzert, 2018); (iii) public agents (Dias, M. O., 2018); (iv) generational interactions (Aylmer & Dias, M. O., 2018); (v) non-market forces (Dias & Navarro, 2018); (vi) governmental relations (Dias, M. O. & Navarro, 2017); (vii) social mediation (Dias, M. O. & Teles, 2018); (viii) e-business negotiation (Dias & Duzert, 2017); (ix) retail business (Dias, M. O., et al., 2015; Dias, M. O. et al., 2015, 2014); (x) carmaker industry (Dias, M. O., Navarro and Valle, 2013, Dias, M. O., et al., 2014; Dias, M. O., et al., 2013); (xi) streaming industry (Dias, M. O., & Navarro, 2018); (xii) mining industry (Dias, M. O., & Davila, 2018); (xiii) Craft beer industries (Dias, M.O. and Falconi, 2018; Dias, M.

<sup>1</sup> The SPC Brazil (Credit Protection Service) is largest database on credit information system in Brazil.

O., 2018); (xiv) civil construction (Dias, M.O., 2016); Non-governmental organizations (Paradela,; Dias, M. O.; Assis; Oliveira, J.; Fonseca, R. (2019).

This case involved two parties: one debtor and one creditor within a credit union in southern Brazil. Credit unions or cooperatives has also attracted scholar attention (Dias, M.O., Ribeiro and Albergarias, 2019; Dias, M.O. 2019h; Dias, 2019b; Dias, M.O. & Teles, 2019; 2019b; Dalacosta, Dias, M.O, Meirelles, 2019; Dias, M.O., 2018; Dias, M.O. & Ramos, 2018; M.O & Craveiro, 2019; Dias, Dias, M.O & Teles, 2018; Dias, M.O, Krein, Streh, Vilhena, 2018).

## II. METHODS

This is a qualitative, inductive, interpretive study, through multi methods approach, such as direct participation, archival research, in-depth interviews and case study. One in-depth, semi-structured interview was conducted, with a financial agent who negotiated with the case's debtor in real life, at Francisco Beltrão, on May 2019. 100 percent response rate to e-mail invitation. Real name was omitted because of compliance issues. Therefore, we preserved the identities of interviewees.

The present study is limited to (i) Law 5.746/71 (Brasil, 1971), (ii) Central Bank Resolution no. 2682/99 (Bacen, 1999), and (iii) Constitution (Brasil, 1988). Goffman's dramaturgical theory (1959, 1961), Karpman's drama triangle (Karpman, 1968), and transactional theory (Berne, 1961) limit the scope of study and give theoretical support to the research.

## III. CASE RESULTS AND ANALYSIS

The farm debt collection role play simulation was primarily executed with N=42 participants from Cresol Confederation at Paraná state, southern Brazil, on August 2019. The groups were divided into groups of three people each (one debtor and two creditors each group).

The group gathered 75 percent accountants, 5 percent managers, and 20 percent lawyers out of N=42 participants. From which, 70 percent were female and 30 percent male. The average group age was between 24-32 years old. 100 percent participants are low-level management, mostly financial agents.

Appendixes I and II present a full set of case application, specifics and general instructions. Appendix III presents overall case results. Observe in Appendix III that 100 percent negotiators reached agreements on Installment value (BRL), and grace period. Only 43 percent of the cases negotiated used Brazilian government Direct Financing. Debt was negotiated from one to twelve-year time contract.

Key findings evidenced results involving guarantee, grace period, number of installments

differentiated, and few value creation options, such as insurance and other bank products.

All N=42 participants reported the case as valid and contributing experience to their careers.

## IV. DISCUSSION

The simulation is based on Rescue and Victim games (Karpman, 1968). Some debtors played victim, while creditors oscillated between persecutors and rescuers. Those creditors who played rescuers, we observed closing the deal before the other playing persecutors. Important to mention the fact that role play simulations are artificial situations, which environment is generally controlled. This may affect the way negotiators behave, because of the absence of real life scenario and situation. Behaviors may vary when negotiations take place on real cases. Finally, some negotiators were more judgmental with debtors than others, treating debtors according to their risk classification, displaying representative and confirmation bias (Kahneman, Slovic, and Tversky, Amos, 1982). Additionally, 30 percent of the creditors declared that if the higher the debtor's risk classification, the more negatively the debtor would seem to the creditor, and they declared less prone to make concessions to higher risk debtors, even less sympathetic with higher risk debtors.

## V. FUTURE RESEARCH AND IMPLICATIONS

The case was tested to the Brazilian audience. Other countries and legislations may vary and the results may be different. Therefore, future research is encouraged to test the case in other cultures or countries. The case is also limited to dyadic relationships between creditors and debtors. However, a third party may be inserted in the case, such as a mediator. Hence, future research is encouraged to investigate the role of a mediator in the case, as well as their performance assessment regarding a third party.

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## APPENDIX I

### Teaching notes

**Scenario:** the case illustrates the difficulties faced daily by financial agents who work on credit recovery department within financial institutions. In this case, credit unions or credit cooperatives in Brazil. For other countries, different credit laws and particular issues, such as different negotiation processes should be taken into consideration.

**Mechanics:** Parties should take 45 min to 1 1/2 hour to read the case and to prepare themselves to negotiate. Negotiation maps are encouraged to be used additionally to help planning the negotiation. 30 min to 1 hour of negotiation plus 45 min to one-hour debriefing session. In total, one hour and a half to three hours' total time for this exercise.

**Lessons learned:**

To migrate from distributive into integrative negotiations; to map and focus on underlying interests; to practice empathy towards each other; to develop promptness in creating mutual value to be later distributed. To regain the client for the financial institution, preventing client evasion to competitors.

**Objectives:**

This exercise intends to discuss the role of Client and credit recovery in the Negotiation Process. That negotiation should be seen not as an intrusion devoted to promote disruption, but one aid to promote consensus between two different parties. One important objective is related to the process control. As seen in figure 1, parties tend to lose control when escalation process arises, when third parties join the Negotiation table, in other words, Negotiation is preferable to any other form of Intervention.

TEACHING CASE SPECIFICS	
Time required	1 ½ hour – 2 ½ h
Number of participants	2 parties, one debtor, one creditor
Groups involved	No
Agent present	No
Third part present	Yes

## APPENDIX II – PARTIES' ROLES

### PART 1

#### ◆ MR JUSTINO◆

### GENERAL INFORMATION

“Mr. Justino”, as popularly known in the locality in which you reside for 63 years, in São Jorge d'oeste, Paraná, a farmer familiar. Rural, farming corn and soybeans and raises cattle and dairy, a property of 15 hectares (ha), which belongs to the family of Your Justin for 3 generations.

Working in the fields of Sun the Sun since childhood, Justin-known by your temperament "hot-tempered and stubborn", how do you remember your late father, didn't complete elementary school. -Study for that? What matters is the Earth and your cultivation. – said the grandfather. Obstinate and worker, as a young man he met Maria da Conceição, whom he married at the age of 25 years. However, two years later, widowed without children. There are

23 years ago, has joined the Ernestina and had four children. Although he never officially married, registered all four.

Your Justin is a closed person, but who wants to hear a good dance from time to time, always accompanied by a cachaça "trivial". His hobby is collecting firearms. He is a huge weapons fan. He collects some of them. Loves fishing. The most coveted item of your collection is a rifle that won the grandfather, when he was 12 years old. Hardworking and good, never leave any overdue account, never amassed debts, nor ever had your name "dirty" on Credit Protection Service or SPC (Serviço de Proteção ao Crédito in Portuguese).

Small rural worker, your Justin not amassed wealth. Put the kids to study and looked after himself, with his aides. Your Justin is simple man of principles rooted relatives, sometimes even intransigent. Considered rude and nervous temperament. Dominator, never allow your wife to work. O tempo passou, e Justino sobreviveu a várias crises: primeiro a morte do avô e do pai; depois as crises no casamento por causa de ciúmes e pela infidelidade conjugal de Seu Justino.

Your Justin is associated with the Credit Union from your region from your Foundation in 1995. In 1996, your Justin heard for the first time of the PRONAF (national program for the Strengthening of family agriculture) and umm DAP (certification to Pronaf "active since then. According to the Central Bank, the DAP has the following classifications, namely:

**Group "A"**-family farmers settled by the National Agrarian Reform Program (PNRA) or beneficiaries of the National Land credit Program (PNCF) that hired investment operation under the aegis of the Special credit program for the Land reform (Procerá) or who haven't hired the operations or limit value of investment credit for structuring within the Pronaf.

**Group "B"**-beneficiaries who have family gross income in the last 12 months of normal production, before the request of DAP, not exceeding 20,000 .00 BRL (20000) and who do not hire permanent employment.

**Group "A/C"**-farmers carried at or PNCF beneficiaries that PNRA: they hired the first operation in the group "A"; have not hired costing financing, except in his own group "A/C".

It is important to mention that the credits of the PRONAF mentioned earlier can be used with the following purposes: (a) Funding: are intended to finance agricultural and non-agricultural activities according to specific projects or proposals for financing; (b) investment: are intended to finance agricultural activities agricultural or not, for deployment, expansion or modernization of production structure, processing, industrialization and rural services in the establishment or in areas rural community nearby, according to specific projects; (c) payment of shares-parts by beneficiaries in the cooperatives of production: are intended to finance agricultural production cooperatives capitalization formed by beneficiaries of the Pronaf and (d) Industrialization: are intended to finance farming activities, production own or framed third-party on the Pronaf, according to specific projects or funding proposals.

Mr Justino has the reguintes requirements: (a) resides in the rural property in the region in which you live; (b) has, at most, 4 tax modules for agricultural activity or 6 for the cattle industry; (c) have the family farm as the basis of livelihood and work; (d) obtain at least half of the gross household income of the activity of the establishment (agriculture or not); (e) using third-party labor according to the seasonality of production, and can keep permanent employees only in smaller number than the members of the family; (f) has family gross income of up to £ \$340,000 in recent 12 months of production.

In January last year, your Justin took two financing agreements, by the Credit Union, making a total of R \$60,000.00: (i) funding agreement, in order to finance the planting of maize, which should be paid at parcel only, eleven months after the signature; (ii) investment agreement, aiming at the acquisition of dairy cattle and cutting agreed in 24 installments, with half-yearly periodicity according to the table 1, below. Its Justin gave the land as collateral.

**Table 1 Summary of your Justin contracts with Credit Union**

Contracts	Costing	Investment
Value	12.000,00	48.000,00
Installments	1	24

Timeline	11 months (*)	semester
Interest rate	1,5% a.a.	1,5% a.a
Value Installment (BRL)	12.180,00	4.400,00
Past due (**)	0	1 (paid on 30.06)
	Single installment	47 installments

(\*)single installment; (\*\*) situation in November of that year (11 month after the grant of the loan)

The first portion of the investment contract, maturing in 30.06, outside pay. However, in July of the same year, Ernestina, tired of the constant abuse and betrayal of the husband, it was decided by the separation. Searched the local Justice and got an injunction, prohibiting, at least temporarily, the sale of assets (soy, corn and cattle). The your Justin, until the Division of property occurred, would only be possible to sell products for livelihood, that is, only the result of your milk production could be sold. That left Justin your in trouble. The decision came out in October of the same year, on the eve of the payment of a single installment of the funding agreement. What to do?

### CONFIDENTIAL INFORMATION

Fifteen days before maturity, you got a call from the cooperative (credit financial institution), a young girl, Ana Paula, you were at the Agency long ago and you didn't know until then. She introduces herself, is pregnant, and took over management two months ago. Says who made the first contact to politely remind you of the parcel which is near. You say that everything is under control. But it's not. Inside is bursting with anger. -That cheater pay me! (referring to the ex-wife). I needed to lose the land that my family left and that is my livelihood and my whole family. Their fears are not unfounded, because ultimately, the absence of a settlement would take the case to court and the conviction efetivaria the delivery of land, given as collateral, as provided for in the contract signed. – It would be the end. Not dead!

After the 15 days, you go to the Credit Union Agency and meets Ana Paula. For more nervous than I was (all looked bad. Queue that wasn't, was waiting forever to be served), was holding on to talk to the Manager, Ana Paula. Until then, only knew her by phone.

It was a pleasant surprise, because the nice output soon found. In addition to meeting the family of Ana Paula, but in name only. Good reputation. But I wonder if she could help you? At this time, sat down and opened my heart. Spent 1 hour talking about life, your hard work, honest and as was good father and good principle. And now being pursued by all! And he lamented the fact that the former manager, who had granted the loan initially, no longer in that agency, are transferred. According to him, the guilt of not honoring its commitments was the ex-wife and the judge suspended the sale of assets. What a shambles!

And the timing couldn't be worse: retreated market, the price of commodities down there ... What a nightmare! And on top of that sickly, were the years of hard work in the field charging account ... To talk with Ana Paula, 27-year-old Manager, six months pregnant, expecting a boy, discovered that knew her family, there was a lot of time.

Ana Paula, for your time, replied that it was the first time I took a case like that and who know of the excellent history of the client, as well. In fact, the first time the Agency would face a problem like that. Assured him that he was not alone and that together would get the solution to the problem.

Ana Paula reminded immediately of the BNDES SUP/Circular ADI, in 46/2018, that a few days ago came to your email address, from the central cooperative credit itself. An initiative to disseminate the institution's internal rules, regulations, circulars, resolutions, legal provisions in force at last, as well as latest news related to the sector. Ana Paula said that this circular could help you. She said it was an agricultural credit line from BNDES intended to bail out the fielder and could be useful. She explained that the process of internal approval and tweaking it would take a couple of weeks. Said not to worry for now, because she sees all the paperwork and after all she would go directly to visit him.

You went home suspicious, not knowing what to expect. Twenty days later, Ana Paula appears on your property with the President of the Credit Union. Prepare your mind to negotiate, because your whole life is on the line.



◆◆ CREDITOR: ANA PAULA ◆◆

**GENERAL INFORMATION**

Ana Paula is paranaense. Married for seven years, waiting for 4 months, your first child. Is an accountant and is currently studying at the MBA in business management. Seven years working as a financial agent of a credit cooperative, in the region where you live. In March of that year, he was promoted in rank: took over the Agency's management of the Credit Union. Among many of the responsibilities that your job demand, Ana Paula takes care of loans of the PRONAF (national program for the Strengthening of family agriculture), which was a government program created in 1995)

Now, Ana Paula learned yet that to do justice to the PRONAF, some additional requirements are needed: (a) reside in rural property in the region in which you live; (b) have at most 4 tax modules for agricultural activity or 6 for the cattle industry; (c) have the family farm as the basis of livelihood and work; (d) obtain at least half of the gross household income of the activity of the establishment (agriculture or not); (e) using third-party labor according to the seasonality of production, and can keep permanent employees only in smaller number than the members of the family; (f) have family gross income of up to BRL 360,000 in recent 12 months of production, excluding the social security benefits of rural activities and proceeds.

Ana Paula received, in your customer base, your contract Justino, São Jorge d'oeste. This contract was inherited from the previous administration. She knew your Justin, despite never having if directed to him personally: heard that he abused his wife and children, who loved guns, was sexist, but it was good, I never had your name included in the SPC (credit protection service). The age difference is quite large: your Justin completed 63 years, does not have the complete elementary school. In addition to weapons, like a good fishing and forró, a good rum.

In January last year, your Justin took two financing agreements, by the Credit Union, making a total of BRL 60,000.00: (i) funding agreement, in order to finance the planting of maize, which should be paid at parcel only, eleven months after the signature; (ii) investment agreement, aiming at the acquisition of dairy cattle and cutting agreed in 24 installments, with half-yearly periodicity according to the table 1, below. Its Justin gave the land as collateral.

**Table 1 Summary of your Justin contracts with Credit Union**

<b>Contracts</b>	<b>Costing</b>	<b>Investment</b>
Value	12.000,00	48.000,00
Installments	1	24
Timeline	11 months (*)	semester
Interest rate	1,5% a.a.	1,5% a.a
Value Installment (BRL)	12.180,00	4.400,00
Past due (**)	0	1 (paid on 30.06)
	Single installment	47 installments

(\*)single installment; (\*\*) situation in November of that year (11 month after the grant of the loan)

The first portion of the investment contract, maturing in 30.06, was paid in day 15 days before the expiration of the first and only part of the funding agreement, Ana Paula called to kindly inform your Justino of the proximity to the date of maturity, in November.

On the day of maturity, your Justin, a hard man, appeared in the Bank branch: was bad news. He seemed very agitated and nervous. He said he would not pay the portion as your woman had entered a suit against him filing for divorce (knowing that they were not married on paper), and that the judge has granted an injunction to the ex-wife, forbidding him temporarily the sale of fixed assets (cattle , corn and soya), allowing only the use of income from dairy cattle for subsistence, which you couldn't pay the Bills. Or the loan. You heard everything patiently for almost

1 hour. Your life, said Justin your honest hard work and how it was a good father and good principle. And now being pursued by all! And he lamented the fact that the former manager, who had granted the loan initially, no longer in that agency, are transferred. According to him, the guilt of not honoring its commitments was the ex-wife and the judge suspended the sale.

Ana Paula, for your time, replied that it was the first time I took a case like that and who know of the excellent history of the client, as well. In fact, the first time the Agency would face a problem like that. Assured him that he was not alone and that together would get the solution to the problem.

Ana Paula reminded immediately of the BNDES SUP/Circular ADI, in 46/2018, that a few days ago came to your email address, from the central cooperative credit itself. An initiative to disseminate the institution's internal rules, regulations, circulars, resolutions, legal provisions in force at last, as well as latest news related to the sector. Ana Paula said that this circular could help you. Said not to worry for now, because she sees all the paperwork and after all she would go directly to visit him.

### CONFIDENTIAL INFORMATION

You receive a "cursed inheritance": a family farmer with a reputation as a macho, tough, hot-tempered, fond of guns and had the reputation of womanizer. No doubt many negative attributes. However, in examining more closely, he saw that Justin was your employee, suffered, good and honest, and with low level of formal education. What a contrast!

To receive first-hand news of the real situation of your Justin was check in the city and found that everything I said was. The solution-and reminded immediately of the BNDES SUP/Circular ADI at 46/2018, which disseminated internally could represent the solution to your problems Justin. In short, the Federal Government, through the BNDES created a line of agricultural credit of 5 billion reais (BNDES, 2019, item 11.1) to help a man of the field, part of the Government program of Rural debt Composition-Pro-CDD AGRO. This is a line of financing of indirect operations (except the export support) for Accredited financial institutions. The summary of requirements can be seen in the following table:

**Table 2 Summary of requirements of the Circular BNDES SUP/ADI 46/2018 (replaced by Circular 21/2019)**

<b>Max finance</b>	<b>Interest rate</b>	<b>Grace period</b>	<b>Nº installments</b>	<b>Frequency installments</b>
<b>until BRL 20 million per contract</b>	TJLP 1,5% a.a. (BNDES) until 3% a.a. (Financial institution)	36months	144	Monthly Semi-annual Annual

This process was started so that your Justin left the Agency and took 20 days for approval. The process is ready and approved by the credit Committee, having been taken into account the situation of the service field as well as your payment history.

The President of the cooperative offers to follow the case in person, claiming that the reaction of your Justin is not the best, since he will have to give up that already paid (the June installment investment contract). The President didn't tell you explicitly, but left the impression that the difference of age and gender, along with the bad name of Justin can get in the way of negotiation. If you refuse, the solution is the judicial enforcement of the contract. In the case of acceptance, beyond the grace period, the frequency of payments, amount of installments to be paid, the interest rate and other conditions must also be negotiated. The President of the cooperative offers to follow the case in person, claiming that the reaction of your Justin is not the best, since he will have to give up that already paid (the June installment investment contract). The President didn't tell you explicitly, but left the impression that the difference of age and gender, along with the bad name of Justin can get in the way of negotiation. If you refuse, the solution is the judicial enforcement of the contract. In the case of acceptance, beyond the grace period, the frequency of payments, amount of installments to be paid, the interest rate and other conditions must also be negotiated. Você e

o presidente da cooperativa de crédito encontram Justino em sua propriedade, onde se dará a renegociação contratual. Você não está muito confortável com a presença do presidente da cooperativa a seu lado. Prepare seu espírito para negociar com Justino.



### References

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### Appendix III

#	Value (BRL)	Installment value (BRL)	# installments	Installment period	Time contract	Interest rate	Grace period	Direct Financing	BNDES Financing	Milk income as guarantee	Assets as guarantee
1	70.876,00	35.438,00	2	2-year	yearly	1.5% a.y.	1 year	•			•
2	67.963,70	2.415,15	120	10-year	monthly	1.5% a.y.	2 years	•			•
3	62.664,96	474,84	144	12-year	monthly	1.5% a.y.	3 years	•			•
4	100.000,00	10.000,00	10	10-year	yearly	1.5% a.y.	1 year	•			•
5	79.310,16	26.436,72	3	3-year	yearly	1.8% a.y.	3 years	•		•	•
6	60.000,00	540,00	12	1-year	monthly	1.5% a.y.	3 years	•			•
7	60.000,00	6.758,00	10	10-year	yearly	11,25% a.y.	3 years		•		•
8	60.000,00	6.758,00	10	5-year	semiannualy	11,25% a.y.	3 years		•		•
9	81.600,00	11.657,14	7	7-year	yearly	1.5% a.y.	3 years	•			•
10	78.210,28	651,75	120	10-year	monthly	5.5% a.y.	1 year		•		•
11	76.000,00	6.333,33	12	12-year	yearly	4.5% a.y.	2 years				•
12	61.824,00	1.288,00	48	4-year	yearly	1.5% a.y.	1 year		•		•
13	70.000,00	14.000,00	5	5-year	yearly	1.5% a.y.	3 years		•		•
14	79.310,16	26.436,72	3	3-year	yearly	1.8% a.y.	3 years	•			•
<b>Total</b>	<b>71.982,80</b>	<b>10.656,26</b>	<b>36,14</b>	<b>100%</b>			<b>100%</b>	<b>57%</b>	<b>43%</b>	<b>7%</b>	<b>100%</b>