

Globalisation of Credit Policy and Processes



Robert Hutson
EMEA Credit Consultant
Hewlett Packard

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A bit of background : Robert Hutson



Collections

3M



Texas Instruments  TEXAS INSTRUMENTS

Credit Management

EMAP



Data General



EMC



Compaq



Hewlett-Packard



Audience poll

1. How many delegates work for a global organisation?
2. Of these, how many already work within globally-consistent corporate Credit policies and processes?
3. Of those that do NOT work within globally-consistent Credit policy, how many consider a global approach to be desirable?
4. How many feel they can directly influence any moves towards such a global approach to Credit?

Agenda

- Context
- Why globalise?
 - Desirability
 - Feasibility
- What can or should be globalised?
- Enablers

Context

In the context of Global Companies consider the **desirability** and the **feasibility** of establishing, maintaining and enforcing global Policies and Processes that apply to Credit & Collections operations around the world

Global, national, regional

The same principles to be discussed in the context of Global companies with various national policies can be applied to National companies with various regional policies and processes

- The scale of implementation and benefits may vary significantly

Desirability of globalisation

- Management visibility and control
- Cost reduction and ongoing management
- Value generation
- Compliance effectiveness and assurance
- Process quality consistency
- Global customer management
- Scalability

Management visibility and control

- Senior management have holistic view of performance trends
- Dashboards enable high-level analysis of performance and accountability
- Can drill down by region, country, business to identify performance variations
- Enterprise-wide data improves strategic decision-making, both speed and quality

Management visibility and control ..contd

- Global application of business rules
 - Order-review by credit, release and hold
- Global authority levels established
 - Credit limits by consistent risk-rating/value
 - Automation of low-end credit decision making
 - Approval consistent according to job level
- Documentation of financial decisions and collections activity visible on-line from bottom to top of the organisation

Cost reduction and management

- Invariably involves the establishment of shared service centres or 'centres of excellence'
 - Low staff and location costs
 - Management level reductions
 - Technology infrastructure costs
- Economies of scale of systems implementation
 - Global collections and credit risk tools
 - Global training programmes maximise effectiveness

Value Generation

- Important step beyond **cost reduction** is for Credit & Collections to **add value** to the enterprise
 - Includes strategic benefits of dealing globally
 - Improved business performance through consistent best-practice
 - Confidence of consistent regulatory compliance
 - Enduring competitive advantage
 - Consistent dispute management and prevention
 - Reserves against unresolved disputes

Compliance effectiveness and assurance

- Global processes and data accessibility enable more centralised remote audit testing
 - Less cost and resource utilisation
- Remedial actions more effective
 - Implement once with global impact
- Senior executive confidence in corporate governance control

Process quality consistency

- Well documented and globally-enforced core processes ensure optimum performance
 - Maximise employee efficiency and effectiveness
 - Global credit ratings / scores reduce variances of manual risk interpretation
 - Reduce multiple ongoing ‘how should we do this’ discussions
- Best practise measurement
- Only make exceptions for local legal requirements
 - Implement global core process in local context

Global customer management

- Strategic advantage to be able to deal with customers in globally consistent manner
 - Global and subsidiary credit limits agreed
 - Global corporate exposures available
 - Credit holds implemented globally as required
- Leverage internal interaction
 - Solution in one region or for one business applies consistently for all, globally

scalability

- Ability to support business growth
 - With minimal incremental cost
- Ability to quickly integrate acquired companies onto standard global platforms
 - Just additional volume to process through existing processes
 - Immediate control over Credit Policy
 - Early comparative performance measurement

Feasibility of globalisation

- The system tools are available
 - Global web-based collections systems
 - Credit-risk tool linkages to global credit data providers, e.g. D&B, Moody's KMV
 - Collections agencies with global reach
 - Global data centres, enterprise reporting
- Languages increasingly widely dispersed
 - Most are available in CoE 'hotspots'
- More globally-aware managers

What can be globalised?

- Global Credit Director function
 - Reporting to CFO / Controller
 - All Credit & Collections staff reporting directly
 - Global Credit Policy and Process documentation
- Global data centres
 - Fewest possible instances of ERP, interfaces etc
 - Regional accounting centres – cash application etc
- Global hierarchy
 - Credit authority, reporting, responsibility

Enablers

- Main Board commitment to:
 - Delegate all authority relating to all Credit matters and policy to Global Credit Director / Manager
 - Not allow functional or geographical management to over-rule Credit policy or decisions, for example
 - Sales cannot agree extended payment terms
 - Regional Finance cannot approve credit risk limits
 - Approve Credit IT and restructuring budgets
 - Quickly integrate acquisitions
- Team of managers committed to the vision
 - Long-term drive to see projects through to completion and continue the journey

Food for thought

- Will the moves to SSCs and CoEs reverse?
 - Some functions for some companies are already, but were they in the right place, well trained etc?
- BUT the advantages of **global policies and processes** exist without centralised workforce
 - SSC/CoE are mainly cost-driven

TAKE-AWAY

- How globally consistent and enforceable are my company's credit policies and processes?
 - Is influencing this change my personal opportunity?

Questions?

