



Managing Credit Control in a Global Crisis: 2008 vs 2020

The economic upheaval caused by the COVID-19 pandemic has revived memories of the 2008-09 global financial crisis for many businesses, a time I remember well.

In 2008-09 during the global financial crisis, I was responsible for leading the credit & risk function at British Gas Business, arguably the largest B2B energy supplier in the UK at the time. It was my most challenging time as a credit professional, but also one of the most rewarding times and a period of immense learning.

In today's current climate, new questions are being asked. How do you lead a team of people, responsible for risk management and cash collection through the largest global financial crisis since recession of 1983, some 25 years earlier? What are the similarities with today's global pandemic? And could the lessons learnt in 2008-09, in terms of credit management be relevant now?

Are there similarities between 2008 and today's pandemic? Yes, of course. Businesses across the UK are struggling to survive and generate income in some sectors, whilst others are thriving. Impacted by consumer behaviour changes driven by pandemic rules or closed borders, some have adapted, innovated, or pivoted to help maintain revenue. Others are surviving on cash reserves, government grants and loans with fears for their future. It's certainly not a one size fits all situation, but I wasn't in 2008 either. Businesses that were not over-gearred were able to weather the storm then and have fared better in 2020 too.

So, what makes today's situation different?

#Uncertainty

Business can't plan, as there is significant uncertainty over what is going to happen next. In some locations and some sectors, they can't stimulate demand, because of restrictions imposed by the government. For those affected in this way, it is like being forced into a medically induced coma with no indication of when they will be revived. The uncertainty is paralyzing.

#We are all in the storm, but not all in the same boat

From a consumer perspective, some people are losing much needed jobs and income, whilst others are unable to spend the money they have on doing what they want and are seemingly set out to de-risk their personal finances to provide stability. During the lockdown UK consumers have paid off a record £7.4bn in credit card and loan debt.

#Long term behavioural change

Many businesses are worried about long term behavioural change; the collapse of the bricks and mortar retail; risk averse consumers no longer seeking the thrills that travel and tourism can offer; people avoiding large cities and the long-term impact on commercial property as the homeworking revolution has taken hold. It is unclear which pandemic induced consumer changes will take hold for the longer term, despite our best guesses.

But, how did we approach it in 2008 and what can you do now? Here are my thoughts on how we succeed in 2008 and the things I still help businesses with today. It is broadly the same toolkit!

#People

In a credit management team, your people are your biggest asset. You need to understand the value of that asset and how it can be used. Understanding individual and collective capability (knowledge|Skill|Behaviour) is essential. You also need to show your people that you value them. I could write something here about employee engagement, but that often translates to simply corporate jargon. You really need to authentically value your team and show them you both value and care about them. Calling people for money in a financial crisis or global pandemic is hard work, sometimes it can feel soul destroying. These people are key to the success of your business – love them!

#Communication

Frequent, rapid, and relevant communication. If a team is working in a challenging role, they need frequent updates on how it is going. Like running a marathon, you have a marker every mile so you can assess how you are doing and know how far you are from your planned goal. If you used to do monthly updates, now you need to do them weekly or in some cases daily. However, don't overload the team with irrelevant information. Keep it specific to that team and linked to the overall department or business goal. This tool is incredibly underrated and often under-utilised.

#Data

Lack of quality data is like commercial blindness. If you don't have a data culture and some fantastic data analysts – get them!

Being able to work with talented analysts as I threw out assumptions and questions 'what if?', 'how about?', 'Are these businesses behaving like those?' and so on and so forth, gave vital clarity and answers to important questions for our team. Data and questioning provided useful insight and informed collection strategies, making sure we got the best from the collections talent we had.

#Performance tracking

I used to think this was a given in all businesses, a sort of fundamental that everyone had and used. But my experience over the last 5 years in helping businesses with credit management challenges is that it isn't the case. In credit management, as with many functions, what gets measured gets managed – sometimes! But often a business is not tracking or not measuring the right things. Take a look at your performance measures. What are they telling you? What questions is that generating in your mind. Find that curious inner 5-year-old and ask why? Why? Why? You may be surprised by what you find.

#Flexibility & Agility

In any crisis situation, the ability to flex and adapt, sometimes at speed is essential. As a team, we tried lots of things. We kept what worked, for as long as it worked and when it didn't, we changed it. We tweaked systems and processes, largely as a result of data and insight, but sometimes as a result of instinct or an idea. You cannot write a detailed how-to manual for credit management and certainly not one for managing it in a crisis, because the situation is changing and evolving constantly. The key is having a tool kit and working with it in an agile way.

Ultimately, there are many similarities and differences between 2008 and 2020, but understanding what is in your tool box and what will aid your business will always ensure you are giving your business the best chance to flourish and, in some cases, survive.

If you would like to talk about the things I have covered here today, please do get in touch. Hayley@thinkinspireandcreate.com