# Title:
# Outsourced Credit Management: A study of the rationale, impact, and success factors.

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**Abstract: Outsourced Credit Management:**

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Credit management has a significant impact on organisations liquidity. A vital element of effective working capital management is the management of trade debtors, ineffective credit management can result in low liquidity and significantly impact an organisations cashflow. Where organisations have high levels of accounts receivable, there is a risk of insufficient cash made available to operate the business. The importance of Credit Management can often slide into the rear mirror view of businesses catapulted back again to the forefront in times of economic turbulence. Given the relevance of effective Credit Management, it is surprising on an investigation; there is very little research (Guilding and Lamminmaki, 2004) carried out on credit management and even less so on outsourced credit management.

The purpose of this research was to perform an in-depth analysis of outsourced credit management The research aims to identify the key motives organisations implement outsourced credit management strategies. The study objective was to identify the key impacts of outsourced credit management on organisations reputation, customer relationships and staff. A further objective was to identify key factors which attribute to successful outsourced credit management.

The methodology used for the research was qualitative research, semi-structured interviews of eight participants occurred. Participants worked within Credit Management and were selected based on their knowledge and experience within the profession.

The key results underline organisations outsource Credit Management for several reasons other than cost. Utilizing outsource providers expertise, allowing organisations to focus on core functions, process enhancements and advanced technologies, staff attrition are all considerations of outsourced collections. The research confirmed outsourced credit management can impact an organisations reputation, customer relationships and staff, while management are key to minimising impacts. The final findings outlined critical factors to achieving successful outsourced credit management are strong partnership relationships, trust between both parties, leveraging of technology and technology advancements, while communications and transparency between both parties is required to be consistently fluid.

Submission of Thesis and Dissertation

National College of Ireland

Research Students Declaration Form

(Thesis/Author Declaration Form)

Name: Sonia Cromwell

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Date: 13/08/2020

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## Chapter 1 Introduction

### 1.1 Introduction

With the increased pressure of globalisation on businesses to gain competitive advantage and market share this has resulted in many organizations outsourcing business processes to focus on their core business functions. Business Process outsourcing revenue produced 26 billion US dollars in 2019 (Mazareanu, 2020). Credit Management is an operational business process which is increasingly outsourced by organisations. This research examines the reasons why organisations look to outsource credit management and aims to identify the key impacts of outsourcing credit management whilst establishing how to successfully outsource credit management.

### 1.2 Rationale

Credit management can have a significant impact on organisations liquidity; Giannetti (2003) states a quarter of total assets are accounts receivable for European countries. Credit management processes are key factors for successful financial businesses (Basu and Rolfes, 1995). Considering this, the research aims to identify why organisations choose to outsource credit management, identify the impact of outsourced credit management on organisation reputation, customers, and staff. A further motive is to identify key attributes of successful outsourced credit management. A final motive for the research is there is minimal literature on outsourced credit management (Guilding and Lamminmaki, 2004), the author who is experienced in credit management would like to add to literature on credit management to support credit management professionals in their roles and key decision making.

### 1.3 Research question and objectives

The research question derived from the gaps in the literature and due to minimal literature on outsourced credit management is to assess:

***Outsourced Credit Management: a study of the rationale, impacts, and success factors.***

**Objective 1**

Why outsource Credit Management? This research aims to identify what are the key motivations organisations outsource Credit Management.

**Objective 2**

The research will aim to identify impacts associated with outsourced Credit Management on customer relationships and customer retention, the impact on staff and the impact an organisation's reputation.

**Objective 3**

The research aims to identify the key attributes of successful outsourced Credit Management.

### 1.4 Dissertation Structure

The research includes six chapters which are outlined below:

**Chapter Two:** The literature review forms chapter two. It aims to establish the gaps in the literature on outsourced credit management. The literature review includes broad subjects which are related to outsourced credit management and creates a foundation for further investigation on outsourced credit management.

**Chapter Three:** This chapter identifies and the research problem and identifies the research aims and objectives.

**Chapter Four:** This chapter outlines the methodology selected for the research. This chapter outlines the research choice, details the data sample and analysis of the data. This chapter details the quantitative research method further and includes limitations of the research.

**Chapter Five:** The primary research main findings are depicted in this chapter.

**Chapter Six:** This chapter includes the authors' interpretation, analysis and discussion on the data which were outlined in the findings chapter and are examined in line with the literature review main themes.

**Chapter Seven:** The conclusion and recommendations of the research is outlined in this chapter. Limitations of the research are summarized and, the author indicates further areas of research which could be carried out in the future.

## 1.5 Originality of Research Undertaken

Currently, to date there is minimal research carried out on outsourced credit management, the only paper evident specific to outsourced credit management is a study on outsourced trade credit management in Australia (Guilding and Lamminmaki, 2004). This research aims to build on the research and add to the research on outsourced credit management detailing the impact outsourced credit management on organisation, customers and staff and add to research by providing key insights in to what contributes to successful credit management.

## 1.6 Significance of the Study

An analysis of the impacts of outsourced credit management and what attributes to successful outsourced credit management, it is hoped findings will stimulate industry debate. The research aims to add to the existing knowledge and assists credit management professionals and organisations when considering outsourcing credit management.

## 1.7 Chapter summary

This chapter has clarified the motivation for the research being carried out and outlines what is included in the research study. The chapter outlines the structure of the study.

**Chapter Two**

## 2.0 Literature Review

### 2.1 Introduction

The topic of this research is relevant to several areas of literature such as Operations Management, Business Process Management (BPM), Business Process Outsourcing (BPO) and Credit Management. The literature review involves an analysis of examined academic journals and publications.
The rationale for the topic chosen by the author on outsourced Credit Management is due to the author's experience in Credit Management. With the increase in trends to offshore Credit Management, this triggered the author to investigate the key drivers for outsourcing credit management, to define the impact of on organisations performance and reputation, customer relationships and to identify critical attributes of successful outsourced Credit Management.
The importance of effective credit management is never more relevant than the current environment with the impact of COVID19 on collections. Credit Managers, as is the world, are in very unchartered territory with economic predictions of a deep global recession and rising unemployment payment defaults are inevitable. COVID 19 has triggered hyper care collections which involve extensive credit risk management strategies, increasing of resources all above normal business levels to minimise the impact of bad debts placing intense demands on credit management teams and managers. Given the importance of robust Credit Management processes being crucial to organizational liquidity, notably, there is minimal research on outsourcing of Credit Management and the impacts associated with such.

### 2.2 Operations Management

Operations Management (OM) is a business function which processes the creation of goods and services. Operations are the transformation of a range of inputs into outputs at an expected level of quality (Kumar & Suresh, 2009). Operations management includes organising, planning and supervision of production or manufacturing of goods or services. Operations management is essential for organizations to manage daily activities effectively and critical for overall productivity. The ratio of input to output is known as productivity. Operation management is the management of the numerous business tasks which occurs within a company and results in the business making the products or service to align with customer's demands. Operations do not only arise in the manufacturing of products operations occurs in each industry. Operations management is the about effective management of any service regardless of a physical product is involved

## 2.2 Operations Management

or not (Galloway,1998). Regardless of the type of business, operations management occurs throughout an organization as part of strategic operations (Voss et al., 2002).
The objective of operations management is to reduce the number of wasted resources, reduce efforts, time, and costs to maximize profits. Operation managers need to question what steps of the operations necessary and what steps are not and implement transformation to ensure high productivity. (Porter, 1985) discloses operational management can augment a firms strategic positioning by converting capital into the material to meet customer needs. Operations management creates efficiencies within processes and in the use of resources to meet customer demands and maximize profits. Resources and processes are crucial to creating value for an organization. The relationship between resources and the way activities are performed can add value (Brandon Jones, Slack, 2019).
Finance operations are the cycle of material, financial, and information flows. Financial reporting, Accounts Receivable, Credit Management, Accounts Payable and payroll are all output of Finance operations. Finance operations are supported by core finance operational processes such as order-to-cash, procure-to-pay.
While the literature identifies operational management can enhance a company's strategic position and resources and processes are crucial to creating value for an organisation the literature is not discussed to a specific to a business operational function. The literature does not identify why resources and processes are crucial to creating value. The research aims to investigate the importance of operational efficiencies within credit management and outsourced credit management and to identify the importance of staff and processes in adding value.

## 2.3 Business Process Management (BPM)

Defined by the BPM Institute, BPM is the management and improvement of organizations business process to achieve transparency on strategic direction align resources and increase disciplines in daily operations. Business processes are a discipline in operations management which can contribute significantly to achieving organizations goals through continuous improvement, performance management, governance, and controls. BPM is a practice and a discipline, a business process is a set of rules which becomes a recognized practise in the workplace which adds value for both internal and external customers.

## 2.3 Business Process Management (BPM)

Business process management, which is a sequence of work, can vary from business to business and is the way tasks are completed. BPM can facilitate conditions and rules at different stages or throughout entire workflows, BPM is a methodology applied to analyse, measure, improve or automate business processes.

The evolving economic environment has created a heightened awareness in enhancing organizational business processes to increase performance (McCormack et al., 2001; Ranganathan & Dhaliwal, 2001). Business Process Management is a discipline focused on business processes improvements to achieve an organizations strategy and objectives by significantly improving performance. Consistent demands for increased operational efficiencies and innovation corporations across all sectors has led to BPM development through creations of a set of established tools, methods, and technologies. A business process is several synchronized activities or associated tasks which must be completed to add value to the customer and realize strategic objectives (Kettinger, 1993; Strnadl, 2006).

Founded in 1986, Six Sigma generated an understanding of processes, (Hammer,1990) suggests processes should not be automated but "obliterated" completely redesigned in their entirety. BPM initially looked at the automation of processes, however, developed to include resource-driven processes in parallel with technology.

The advantages of adapting BPM into a corporate environment are agility; organizations are rapidly changing BPM facilitates the design of processes which are flexible and easy to customize to an organization's environment. BPM can eliminate repetitive workflows by automation and give visibility of inefficiencies which results in higher productivity and creates a lower output to expenses ratio. BPM quantifies and measures processes allowing results to be compared for efficiencies. BPM enables rapid automation of processes; some BPM features can vary from workflow-oriented to business rules.

Industries which BPM is practised in are Insurance companies who are strongly regulated and have copious volumes of paperwork. The Financial sector, which is also heavily regulated, such as banks in areas of credit risk management, many repetitive tasks have been automated, which assist in competitive advantage. Healthcare industry, both the HSE and NHS are struggling with demand, ageing populations, increases in patients' volumes and demand for the value of reimbursement by insurers has increased the requirement for efficient processes within healthcare. Government bodies have many internal processes BPM can be used to streamline processes within government to increase efficiency and reduce expenses ultimately. BPM supports management and monitoring

## 2.3 Business Process Management (BPM)

of workflows between companies which facilities a company's ability to outsource business processes.

### 2.3.1 BPM and credit risk management

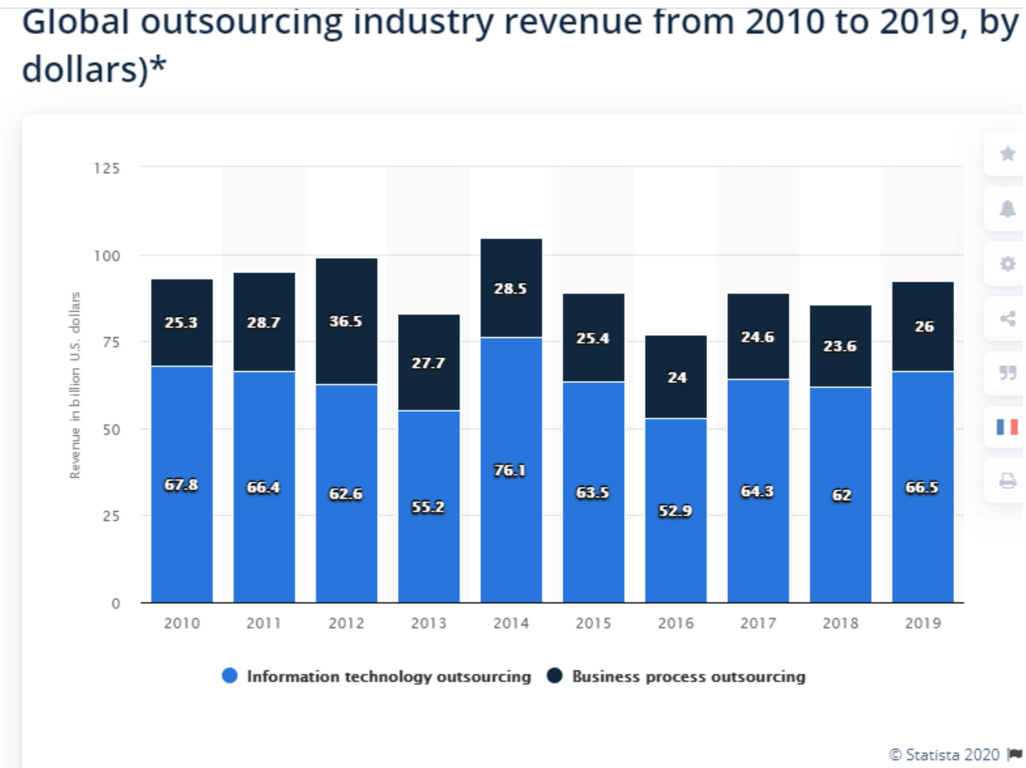
Credit risk is concerned about exposure of risk, default of payments and recovery rate if a default occurs. Incompetent data management, inconsistent risk frameworks, and inaccurate reporting can further increase credit risk exposures. BPM has changed the financial industry with artificial intelligence development specific to the financial industry (Holenstein, 2018). Credit risk management and credit management have advanced due to BPM automated processes such as automation of opening of new accounts, credit applications, credit analysis, risk ratings and scorecards; workflow solutions have streamlined credit processes. BPM automation covers end to end credit processes with built-in best practice for credit and risk management.

The literature finds a heightened interest in improving business processes to improve performance and identifies BPM has moved to include resource-driven processes in parallel with technology. The research warrants further investigation on how business processes improve performance through process and identify how resource driven processes align with technology and identify the value add. This research aims to identify the value of process specifically to outsourced credit management function.

## 2.4 Outsourcing

The global outsourcing market in 2019 amounted to 92.5 billion U.S dollars. Business Process outsourcing as outlined in figure 1 generated 26 billion US dollars which is much smaller revenues than information technology (Mazareanu 2020).

**Figure 1**




Outsourcing revenue trends

Source: Statista 2020

Business process outsourcing (BPO) is the movement of business processes from within an organization to external outsource service providers (Click, Duening, 2004**).** A BPO is a complex commercial engagement between two principal agents. Firms are increasingly outsourcing

**2.4 Outsourcing**

knowledge-intensive and strategic business processes to reduce costs and increase efficiencies. In a global survey of industry leaders, 59 per cent mentioned cost-cutting as a driver in outsourcing process (E. Mazareanu,2018). Other factors for considering outsourcing are cost efficiencies, market competitiveness, strategic development, and pressures to adapt to rapidly changing technology and globalization. A complicated and essential strategic decision for companies is outsourcing (Hoetker, 2005). Outsourcing has become an increasing international trend in strategic management and has experienced extraordinary growth in the past number of years. Outsourcing facilitates an increased emphasis on organizations key functions (Kotabe & Murray, 1990; Quinn, 1992).

Firms decisions to outsource occurs due to economic rationale, transaction cost theory TCT is a management theory rational used to minimize costs while creating opportunity, reflects market movements and presents asset gains from provider to business or business to customer relationships (Coase, 1937). A further management theory which is used in the decision to outsource is a resource-based view (RBV) the theory which formulated from original works of Penrose (1959) emphasizes the importance of resource capabilities in providing firms with a competitive advantage. Transaction cost economics (TCE) can be viewed as single-minded focus and rationale for contracting partners which can result in neglect of value creation in governance decisions (Madhok, 2002; Poppo & Zenger, 1998). Porter (1996) warns a firm's strategic analysis can be inadequate when there is a single focus on creating value in outsourcing if the firm cannot obtain its share of value.
Gilley and Rasheed (2000) define outsourcing as "discontinuation of internal production (whether it be the production of goods or services) and initiation of procurement from outside suppliers". Outsourcing can provide power not available within organizations internal structure. Process expertise, access to expensive technology and economies of scale are certain powers which outsourcing provides (Bendor-Samuel, 1998).
The literature highlights the increasing trend to outsource business processes, asserting cost efficiencies, market competitiveness, core management, expertise, and advancements in technology as key rationales for outsourcing. While the literature outlines some motivations for outsourcing the literature does not address motivations specifically to outsource credit management which warrants further investigation in the research to identify if there are other reasons other than cost organisations outsource business process function of credit management.

### 2.4.1 Partnerships

BPO engagement is dependent on several key objective's competition and profit, skill sets and advancements in technologies such as automation, analytics. Indirect functions such as accounting, credit management, accounts payable/ procurement and payroll are regularly business processes which are externalized. Transfer of physical business function responsibility and knowledge transfer occurs in Business Process Outsourcing. Variables of effective BPO relationships requires strong leadership, robust partnership relationships, performance-driven results, and basic governance controls. The success of BPO initiatives requires a strong commitment from both the client and service provider to work closely to improve the client's business processes. Firms do not necessarily outsource just to reduce costs, firms considering outsourcing look for favourable cultural fit, assurance of continuous improvement, and undertaking of long-term partnerships (Baitheimy, 2003). Strong relations are developed on principle; both parties are happy with the relationship, not only the client (Bharadwai & Saxena, 2009).

While outsourcing has emerged as a prime business strategy for organizations, many reports show unfavourable experiences with partnered outsourced providers. A study by Deloitte Consulting indicated 64% of corporations who outsourced services retracted services back in the house, while 44% suffered no cost savings (Landis, Mishra, Porrello 2005). The findings show there is a gap between expectations and reality of services provided. The importance of selecting the right vendor is crucial to an organization outsource initiative and performance. Aligning goals using outsource relationship management methods can be particularly challenging (McIvor 2009). In the case of outsourced Credit Management, choosing a vendor who fails to perform runs the risk of having a detrimental impact on organizations liquidity and cash flow. The success of outsourcing strategies is reliant on the stability of strong customer-vendor relationships (Dad and Iqbal, 2013).

To assist and reduce risks of outsourcing with providers, companies use a technique of sending smaller tasks to a more significant number of vendors which gives insights to performance. (Baitheimy, 2003). Sending lower number of functions to a large number of vendors also allows organizations to confirm if the outsource provider is the right culture fit for the business and if they outsource provider is aligned with their customer service principles.

This section of the literature focuses on partnerships; outlining firms do not solely outsource for cost, cultural alignment and continuous improvement are important factors when considering BPO. The research could focus on the impact of partnership relationships in BPO and identify why partnerships relations are important in BPO specifically to outsourced credit management.

### 2.4.2 Risks of outsourcing

Outsourcing has been described as "disrupting shock to the system that ripples throughout an organization" (Lacity and Wilcocks, 2015). When essential business processes are outsourced, the impact is visible and disrupts methods of working together and working relationships. A study by Everest Group in 2012 (Lacity and Wilcocks, 2015) detailed 60 per cent of BPO contracts were grappling to meet fundamental tasks such as SLA, cost efficiencies and consistency. Innovation and transformation were lacking when processes were outsourced as described by 49 per cent of buyers with the partnerships in place detailing underwhelming results.

The risk associated with outsourcing is the loss of management control, loss of flexibility and increasing costs. Outsourcing requires high standards of supplier management – the key to the management is avoiding dependency on the supplier for day to day performance, loss of controls and governance or transferring too many critical functions. New risks from outsourcing which can occur, are loss of essential sets of skills. The signing of long-term contracts can create a risk of reduced flexibility, risk of wavering performance, loss of control and undesired behavioural changes. Marketing research surmises partners can grow more and more dissatisfied as relationships continue, expectations can become unreasonably high while offerings can become stale and less objective.

Outsourcing creates organizational restructuring, which has a direct impact on human resources with both social and financial costs occurring (McCarthy and Anagnostou, 2004). Retraining and redeployment within the organization can reduce the social value; however, staff motivations and self-esteem can remain fragile. The cost of redundancy payments can be significant and would be required to be evaluated as part of the strategic outsourcing plan (Domberger, 1998; Hall and Domberger, 1995).

A risk of outsourcing is the transfer of knowledge to a supplier organization who can proceed to manufacture the product and bring to market or replicate a service and become a competitor. Outsourcing is argued to reduce innovation. Partner resource alignment can direct impact strengths and conflicts in alliances which can negatively contribute to alliance performance (Das, T. K., & Teng, B, 2000).

While the literature considers the risks of outsourcing, such as loss of controls, impact on human resources, the literature does not discuss the impact of such to a specific business process. The research aims to outline the risks of BPO and impacts on organisations, customers and staff when outsourcing credit management.

### 2.4.3 Outsourcing trends

Partnerships, through globalization and transfer of knowledge businesses are a lot more intelligent facilitating outsource vendors relationships forming into alliances. Companies send representatives from the company to overseas to assist in managing the partnership. Firm representatives sent abroad to study cultural and business trends abroad to enable best business practices and to grow markets size and increase profits. The teams are put in place to monitor controls and governance in alignment with business objectives.

Higher costs, outsourcing was primarily adapted to reduce costs, and many businesses simply choose to work with the cheapest vendor. With the intense growth and development of outsourcing over the past number of years comes a realization selecting the most competitive vendor is not always the best practice. With most low prices quality can suffer, which can result in increased investment to resolve mistakes made. Outsourcing now is reviewed for both cost efficiencies and quality of service, which can mean in higher vendors costs engagements.

Technology, rapid and continuous advancements in technology is an ongoing trend impacting outsourcing. Cloud computing, mainly associated with outsourcing, has increased in growth hugely over the past number of years. The rise in virtual agents such as chatbots is incorporated into many new customer service solutions and credit management solutions. Robotic Process Automation RPA dramatic growth over the past few years, robots have replaced humans for repetitive business processes, e.g. IVR used in both customer service and credit management is replacing call centre and collection agents. In a Deloitte LLP study, 78% of business that has invested in RPA expect further investment in the next three years; furthermore, 63% of organizations studied confirmed RPA will result in working alongside a third party (Deloitte, 2018).

The literature identifies technology will have a large part to play in BPO and cost efficiencies led BPO is not always the best practice. Accordingly, this research aims to analyse if this is evident specifically to credit management and identify if the outsource model is sustainable in the future.

## 2.5 Credit Management

### 2.5.1 Introduction

Credit and the management of credit have been apparent in society since early civilization, changing and progressing over the years. Trade credit can be traced to an ancient civilization in Egypt and Babylon over 3000 years, Europe in the middle ages is where trade credit is apparent early on. Trade fairs were held in Europe in the 12th century, the bill of exchange was a product of the 14th century; in the 17th-century banks gave higher weight to paper (Bullivant, 2016). The importance of effective credit management is not to be underestimated "Credit like the honour of female is too delicate a nature to be treated with laxity the slightest hint may inflict an injury which no subsequent effort can repair" (The Morning Chronicle, 1825).

Credit requires professional management of what is often one of the largest current assets on a company's balance sheet. Studies indicate that accounts receivable, are approximately 21% of total assets of US organizations (Mian and Smith, 1992). The extended terms of trade receivables on the balance sheet can drain capital from all other aspects of the business, the conversion of debts to cash is crucial to the liquidity of all companies which reinforces the value of effective credit management. Giannetti (2003) states a quarter of total assets are accounts receivable for European countries.

### 2.5.2 Credit Management

Credit management is the business process of offering credit to customers, implementing credit terms, collecting debt when it is due and adhering to the company credit policy. The objective of effective credit management is to maximize revenues and profits through sales while minimizing the financial risks of non-payment.

Credit management is defined by (King, 2008) as the policy and process companies carry out to collect payments from customers. As stated by Hinder (2004) collections processes must include effective customer service, minimise risk and recover debts quickly. Timely arrears procedures are essential to collections of arrears (Finlay, 2008). Strategies for collections include staged dunning letters which adopt firmer tones as the stages progress and outbound phone calls to customers.

### 2.5.2 Credit Management

Strategic credit management drives continuous improvement preventing issues occurring and being proactive in resolution rather than being reactive to problems arising. Strategic credit management grows and evolves with the business, collaborates with the broader company, advances with technology. To improve cash management efficiencies requires credit professionals to analyse the order to cash cycle within the firm from sales order entry, credit vetting, delivery, billing, dispute resolution all which processes impact cash collections. Cash flow management and conversion of cash cycle are a critical component of financial management of a firm.
Growth of credit management as a professional business discipline is acknowledged in the importance of the financial health of an organization. Effective credit management cannot be implemented under short notice, credit management takes time to enforce good credit policies and practises and to time for credit control employees to build relationships with customers and sales (Bass ,1998).
Credit management importance is more evident today, and validation of effective credit management is visible in the success or failure of companies due to cashflow being both reliable and consistent. Credit management is a proactive contribution to increase business revenues and enhance customer service while safeguarding organizations debtors and collecting the debt.
This paragraph recognizes credit management cannot be rushed and needs to be developed over time and needs to align with the broader business the research will investigate how outsource credit management can impact this.

### 2.5.3 Credit Management Bodies

There are many credit management bodies established globally, America set up the first Credit Management body The National Association of Credit Management NACM founded in 1896, the UK Institution of Credit Management IICM was founded in 1939. Several counties have Credit Management bodies in place, Ireland Credit Management institute was set up relatively late in 1971. Services provided by the institutions include training, qualified courses, publications and resource material and industry insights and events.

### **2.5.4 Trade Credit**

Trade credit is a source of financing for consumers of goods and services. Motives for extending trade credit are financial and operational; if a seller has a cost advantage over opposition trade credit is prone to be extended. Credit is when a business or individual obtains economic value on trust in the belief a payment will come (Christie and Bachuti, 1981). Trade credit is where a financial transaction occurs and, the time of the exchanging of goods is separate from transferring of payment (Lee and Stowe, 1993).

When financial markets are unstable, or inflation is high firms need to maintain liquidity, extended credit term allows firms to use cash in other parts of the business. Operationally when demand is unstable due to seasonality or uncertainty in markets, the seller must have the ability to align with the need for cash during the volatile periods. Extending credit is due to the pure operating flexibility motive (Emery, 1984).

The balance of extending credit terms and offering credit terms to customers and reducing the risk of non-payment is the vital skills of professional Credit Risk Managers. Good credit management promotes dialogue between finance and sales teams to create a balancing act where risk is minimized, and opportunities are maximized. Credit practices can be incorporated into firms' marketing or sales campaigns and can be leveraged to influence consumer purchasing decisions (Shao, 1997) examples are interest-free credit on the purchase of goods. Providing trade credit has become an essential factor in businesses marketing strategies. Sales distribution channels impact trade credit management: if sales are by internal employees, there is greater control over marketing policy and control over trade credit decisions (Guilding and Lamminmaki, 2004).

The theory that credit should be contemplated as a marketing tool, not just a finance control was stated by (Kaplan, 1967). When infrequent demand business can relax credit terms to increase sales (Emery, 1984), price discrimination is a reason for extending trade credit, by extending credit terms or providing a cash discount is equal to price reduction, and prices can change through credit terms offered. Competitive advantage is another reason why credit terms are extended, to remain competitive, there is a requirement to align with industry suggested credit terms (Banner, 1957). Credit terms provided to customers can promote the corporate business image, create goodwill, and increase customer loyalty (Cheng and Pike, 2003).

### 2.5.5 Credit Risk

Credit risk is created where there is a failure, reluctance, or delay of a consumer or customer to honour a financial obligation which results in loss of money. Where there is a possibility of non-payment, no financial commitment to pay or honour a debt, there is a credit risk (Bouteille, Coogan Pushner 2012). Credit risk can occur where a customer cannot pay. Companies may have large borrowings due to rapid growth and with that rapid increase in expenses which impacts cash flow leaving an inability to pay debts. Other causes of credit risk are revenue may have decreased, leaving failure to cover working capital commitments. A crucial task of managing credit risk is the balance between increasing revenue and profit while extending credit to customers and minimizing risk (Salek, 2005).

Banks and trade receivables have managed credit risk; managing credit risk has become more complex. Credit management once viewed as merely an operative task has become more recognized due growth of markets and economies, advancements in technology and increases in the risk of fraud.

The global Financial crisis of 2007-2009 exposed universal and structural imbalances and the requirement to keep and strengthen the principles of credit risk management for banks and credit management throughout the corporate world. The lessons learned demonstrated the exposure in some of the models and systems used that has resulted in re-evaluation and stricter credit policies in place. Other forces which have increased the importance of managing credit risk remains the increase in worldwide bankruptcies, availability and fluidity of loans and aggressive margins on borrowings offered (Altman and Saunders,1998).

International globalization and the growth of the business has made it vital for companies to know their customers and judge the amount of credit to be extended and ensure payment is made on time and collections processes are put in place. Establishing credit risk policies for oversea corporations has the complexities of varying accounting practices, government regulations, politics, culture, and economic concerns all must be considered. The physic distance of international corporations from the parent company country has a part to play, variances in the culture of payment or non-payment are evident plus the development of a country must be considered, i.e. technology (Shao,1997).

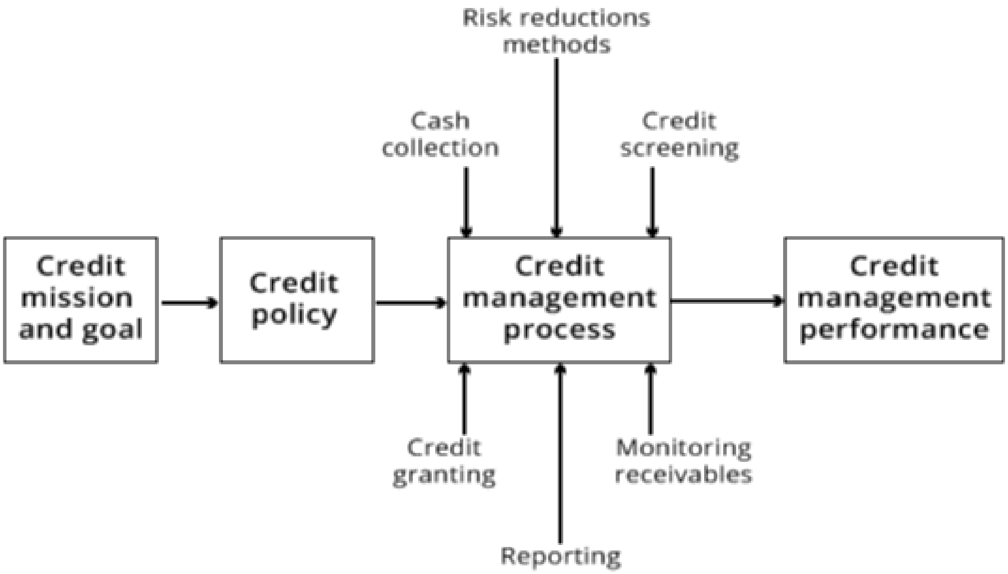
### 2.5.6 Bad debt and bad debt provision

Bad debt are overdue debts which are not are uncollectable. Bad debt writes offs occur in every company and cannot be avoided entirely; an effective credit manager will ensure all means of collecting the debt are exhausted before the debt is confirmed as a bad debt write off. Prevention is the best practice for minimizing bad debts, extensive credit vetting, robust credit policies, effective collections team are all crucial to reducing bad debts exposure. The lack of experience, time and knowledge are factors which (Posner, 1990) of why a bad debt has occurred.

### 2.5.7 Credit Management Process

The highest quality credit management processes are critical factors for successful financial businesses (Basu and Rolfes, 1995).
International Credit management function is composed of several crucial credit policy decisions. Reviewing financial statements, reviewing data from credit agencies and commercial banks are tools used to evaluate prospective customers emphasizes the importance of the individual stages in the process of credit management. Implementation of credit standards and policies, credit terms and credit limits and collection processes should all be determined in the function of credit management (Shao, 1997).

**Figure 2 Credit Management Process**




**Source: Pike and Neale (1999)**

**<u>2.5.7 Credit Management Process</u>**

A credit management process flow as outlined in figure 2 involves credit policy implementation, risk reduction methods to reduce risks of non-payment and maximise collections. A credit management policy should provide a framework for consistent credit decisions in line with credit management goals and firms objectives. Credit policies while enforcing stringent credit terms also must consider the various reasons credit is offered, the policy needs to be consistent in approach; however, flexible to progress with each customer. Credit policy includes a range of tasks carried out credit risk screening, credit limits, payment terms, monitoring, RACI chart, collection procedures. Formulation of credit policy also considers several factors such as the age of buyer or firm, frequency of transactions, product quality, payment history, selling channel and industry sector. An effective credit policy will result in some uncollectible accounts, but it should also result in sales that increase profits even though the collection might be a risky operation. Credit management requires robust internal controls and effective credit risk management function (Lang and Jagtiani, 2010).
The literature highlights the importance of credit management process to organisations success and the importance of controls; however, the literature does not address the importance of process and controls in outsourced credit management which, the research will investigate.

### 2.5.8 Credit Management Tools and automation

Credit management tools and processes in businesses reduce the risk of exposure to non-payment and bad debts. Technology in credit management has rapidly advanced from contributions from Robotic Process Automation (RPA) and Business Process Automation (BPM). Automation of credit risk and credit management is continuously developing; several automated credit management tools are now part of everyday collections operations.

Within credit management processes like invoicing or customer, segmentation can be automated. Segmentation of customers can define clear collection paths and determines which communications to issue and which determine will be the most effective communications in terms of the segmentation (Saeij, 2019). Segmentation of customers also assists in accessing credit risk by using AI early warning signals and the probability of default automated tools (Deloitte, 2020). This segmentation is evident in credit vetting tools such as platforms which can decipher customer demographical information examples of such are Experian Mosaic.

Recent developments in AI are the development of virtual agents, a chatbot who are real-time debt recovery agents. The advantages of companies adopting virtual agents are service is provided twenty-four hours and reduces resource costs. AI has been used to analyse many historical records allowing finance teams to have made more informed decisions on customer data (Modgridge, Philips, 2019). Technology is continuously advancing in credit management, while the literature outlines the credit management technology and advancements the research aims to outline the importance of technology and technology advancements in outsourced credit management.

### 2.5.9 Outsourced Credit Management

The trend for businesses to focus on core activities has resulted in many organizations accessing outsourcing of the credit management function.

Factors which can influence decisions to outsource credit management are the size of the company larger companies tend to invest in their credit management teams. Where companies are more sales orientated, they would have less desire to develop inhouse practices of credit management (Guilding and Lamminmaki, 2004) and industries which have several vendors and sellers are more likely to outsource (Mian and Smyth, 1992). Like all outsourcing reducing costs and increased efficiencies are other factors considered when outsourcing and access to advanced technology.

## 2.5.9 Outsourced Credit Management

Other factors to consider when outsourcing credit management is knowledge transfer; if credit decisions are outsourced, the person who works with the debtors has the most knowledge and makes the decision (Kaplan, 1982). Smaller SME companies have been known to outsource collections management when required to self-employed credit managers writing credit policies, calculating credit ratings or plan strategic credit management processes (Bullivant, 2016).

Credit Management is a forefront process where agents are in direct contact with organizations customers. The role of an agent strikes a delicate balance between retaining customer relationship and negotiating or enforcing payment. (Miciak & Desmaris, 2001) acknowledged a pivotal attribute to successful customer relationships is the value of service offered through the customer-facing staff. Organizations must consider the importance of customer relationship management when outsourcing Credit Management and access the impact on customer relationships and customer retention. On deciding how to outsource customer contact (Chase, 1981) developed a concept on customer contact, describing customer contact as a proportion of time where a customer is in contact to the time required for the creation of the service. The theory stipulates where customer contact is at a high level; there is reduced efficiency due to the unforeseen customers present when contacted. When demand for in-person contact is low, the easier to locate the service offsite or offshore.

With accounts receivable often being the largest current asset on the company's balance sheet and world trade organization stated that 80%-90% of world trade is reliant on trade finance, searches have highlighted there is little literature search on outsourced credit management (Guilding and Lamminmaki 2004). While the literature outlines sales orientated businesses are more likely to outsource credit management and the successful customer relationships depend on customer-facing staff, the literature does not outline what effect outsourced credit management can have on customer relationships if any or does not identify other reasons why companies outsource credit management which this research will aim to address.

## 2.6 Conclusion

The literature has assessed several topics relevant to the subject Operations management, Business Process Management, Outsourcing and credit management. On searching for literature on trade credit management, little interest has been demonstrated (Mian and Smith 1992; Pike and Cheng 1996) with minimal literature evident on outsourced credit management as a topic which the research aims to address. While the literature review examines outsourcing, the impacts of outsourcing or how to successfully outsource is not evident.

Notably, some common themes occur throughout the literature the first outlines organisations are motivated to outsource due to cost efficiencies yet cost is not the sole reason for outsourcing. While the literature briefly outlines reasons why organisations outsource credit management and indicates sales orientated organisations  and organisations with a large volume of vendors or sellers tend to outsource credit management the research warrants further investigation to identify the key motivations in organisational strategies to outsource credit management. The research will aim to identify specific motivations for outsourcing credit management and how they differ from outsourcing motivations in general.

Another theme evident from the literature is the impact outsourcing can have on organisational performance, reputation, staff relationships and customer relationships. While the literature identifies frontline staff are key to customer relationships and adding value, the research seeks to understand how outsourcing credit management affects customer relationships. As outlined in the literature, outsourcing can have a significant on organisations staff, the research seeks to address the gap in the literature of outsourced credit management on company reputation, customers, and staff.

The third theme occurring highlights the risks of outsourcing and gives insights into the key factors of successful outsourcing. While the literature suggests successful outsourcing is reliant on the strong customer-vendor relationship (Dad and Iqbal, 2013), the research intends to ascertain the importance of the vendor role in outsourced credit management and outline key dependencies identifying other risks and factors associated to the success of outsourced credit management from credit management professionals point of view.

**2.6 Conclusion**

This chapter has discussed outsourcing, BPM, credit management, and highlights the significant importance of credit management to companies' financial success (Basu and Rolfes, 1995). The literature discussed how outsourcing could affect companies' performance, reputation, customer relationships and staff. As outlined by (Jones, 2009), companies focus on bottom-line gains from outsourcing can distract them from the impact on staff. The research will further address how outsourcing a specific operational function of credit management can affect the company, staff, and identify the key risks of outsourcing and examine the key factors which contribute to successful outsourced credit management.

## Chapter 3 Research Questions

### 3.1 Research Problem

Identifying a research problem has been stated as the most challenging and crucial part of the whole research method (Kerlinger and Lee, 2000). Creswell (2005) stated the value of the research could not be identified until "why" the research is being performed is identified.

Credit management has a significant impact on organisations liquidity. A vital element of effective Working Capital management is the management of trade debtors, and ineffective credit management can result in low liquidity and significantly impact an organisations cashflow. Where organisations have high levels of accounts receivable, there is a risk of insufficient cash being available to operate the day to day running of the business. The importance of Credit Management can often slide into the rear mirror view of businesses catapulted back again to the forefront in times of economic turbulence. The financial crisis in 2008 covered the serious lack of governance in credit risk management in the financial industry and unveiled the lack of rigid processes and credit management in many other industries. The importance of effective credit management and collections has rapidly advanced again over the past number of months due to the global pandemic of Coronavirus. The global economy is expected to shrink by 3%, and the worst recession since the Great Depression (IMF 2020) is expected to occur, collection of debts and rigid Credit Management has again had to become a priority for businesses, merely to survive.

Given the relevance of effective Credit Management, it is surprising on an investigation; there is very little research carried out on credit management and less so on outsourced credit management. Given the impact of trade credit and credit, management has on businesses there is unexpected little research has been published on the subject. A study by (Lang and Jagtiani, 2010) advise further research into credit management is crucial as only thirty-one studies have been completed to date. Further literature searches established little interest in trade credit management outsourcing (Guilding and Lamminmaki 2004).

### 3.2 Aims and Objectives

The research aims to investigate outsourced Credit Management within the Credit Management function. The objective is to identify why organisations outsource Credit Management and to assess both the positive and negative impacts of outsourcing Credit Management. The study also proposes to distinguish important attributes of successful outsource Credit Management partnerships and acknowledge the importance of selection and identify the impact on both performance and competitive advantage.

## 3.3 Research Objective

The overall research objective of this study is to evaluate outsourced Credit Management within the Credit Management profession. The research aim is to support Credit Management professionals in strategic decisions on outsourcing Credit Management.

The research question derived from the gaps in the literature and due to minimal literature on outsourced credit management is to assess:

***Outsourced Credit Management: a study of the rationale, impacts, and success factors.***

**Objective 1**

Why organisations outsource Credit Management? This research aims to identify what are the key motivations organisations outsource Credit Management

**Objective 2**

The research will aim to identify impacts associated with of outsourced Credit Management on customer relationships and customer retention, the impact on staff and the impact an organisation's reputation.

**Objective 3**

The research aims to identify what are the key risks of outsourcing credit management and identifying the key attributes of successful outsourced Credit Management.

## Methodology

### 4.1 Introduction

This chapter outlines the methodology used for this research. The method used in the research is cross-sectional, qualitative study utilizing in-depth semi structured interviews. This study is concerned with ascertaining knowledge and opinions from Credit Management professionals and outsourced Credit Management providers on Outsourced Credit Management. This chapter outlines an overview of how the data was collected which was semi-structured interviews. Semi-structured interviews are the most common qualitative research technique used (Crabtree, 2006). This chapter outlines how the data was analysed and coded to result in key findings and themes. This chapter analyses the limitations of the study.

### 4.2 Research Framework

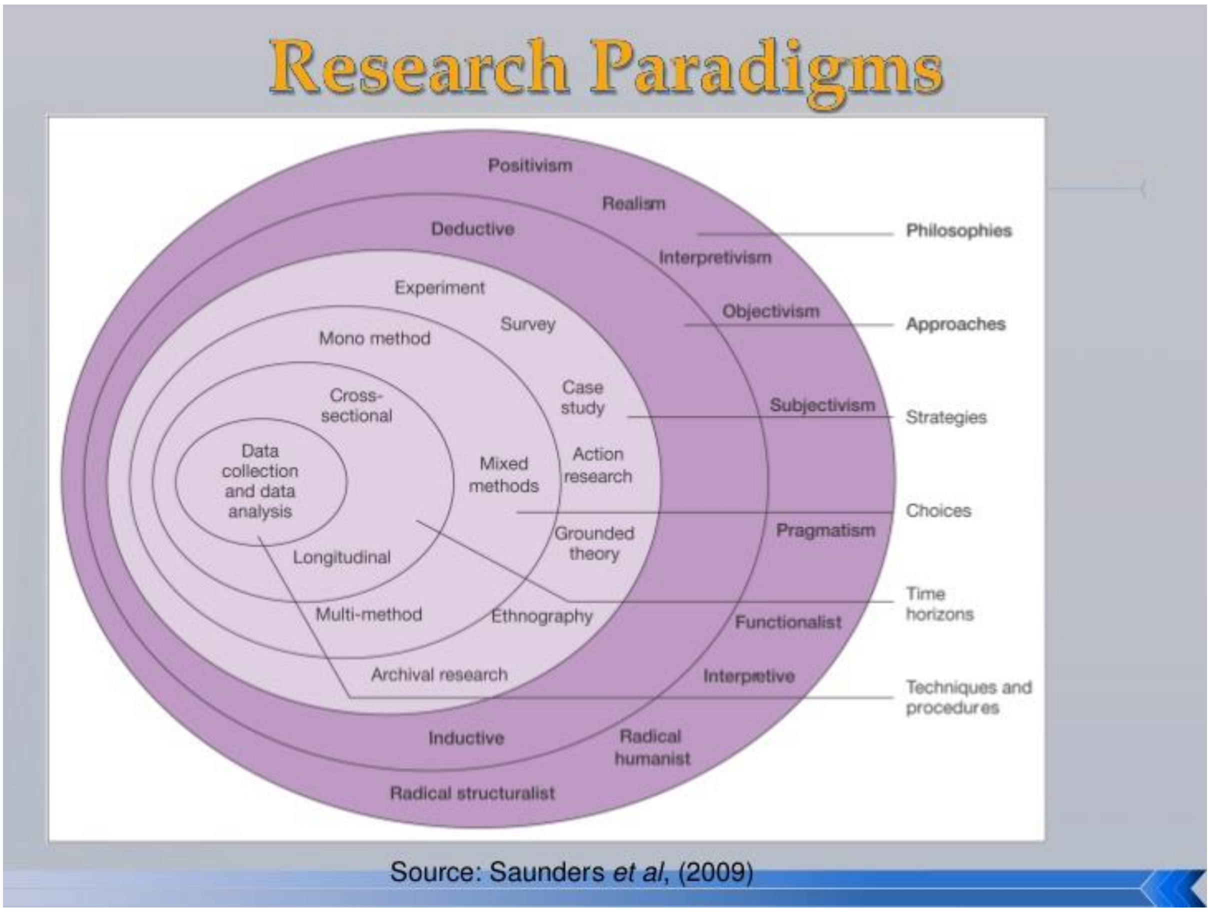



**Figure 3, Saunders research onion, Source: Saunders el al, 2009**

### 4.2 Research Framework

The framework for this research was supported by adaption of key elements from Saunders (2009) research onion as seen in figure 4.
There are five stages to the research onion: Philosophy, Approach, Strategies, Choice, Time Horizon

#### 4.2.1 Layer 1: Research Philosophy

A belief in the way data should be gathered, analysed, and used in reality being investigated is a research philosophy (Bryman, 2012), There are three main philosophies in the research process:
Ontology is the theories we develop about the nature of reality and existence (Richards, 2003).
Epistemology concerns knowledge and an understanding of what knowledge involves.
Epistemology includes positivism, interpretivism and realism (Bryman, 2012).
Axiology highlights the power of people's opinions on collecting and examining research.
As the objectives of this research are to investigate Credit Management professional experiences and opinions of outsourced Credit Management, the interpretive approach is most suited for the research being carried out. Ormston et al., (2014) describes interpretivism as the comprehension of our contemplation of events. The interpretive approach will allow the researcher to investigate the rationale behind observations and experiences.

#### 4.2.2 Layer 2: Research Approach

The second stage of Saunders research is the research approach; there are two types of approaches deductive and inductive. The deductive approach develops a theory based upon a pre-existing theory (Silverman, 2013). Inductive research, the researcher starts with a topic of study and lets a theory form from the data (Strauss and Corbin's, 1998).
This research will use semi-structured interviews to collect data and analyse responses to find common trends or patterns in Outsourced Credit Management. As stated by (Flick, 2011), inductive research interviews can be completed, and patterns can be observed. Interviews allow the researcher to receive insights to human behaviour and opinions in Credit Management industry.
With qualitative research, a researcher explores the meanings and insights of a situation (Strauss & Corbin, 2008). Interviews with participants will give frontline observations and opinions on Outsourced Credit Management.

#### **4.2.3 Layer 3 Research Strategies:**

This stage of Saunders Onion framework (Saunders et al.;2009) describes the strategy the researcher is proposing to carry out the research. The research strategy chosen for this study is semi-structured interviews. The research aims to capture Credit Management professional opinions and observations, semi-structured interviews will be carried out with eight credit management professionals.

#### **4.2.4 Layer 4: Research Choices**

The fourth stage in Saunders research onions looks at the research choice. This dissertation is a mono method qualitative study and data was collected through semi-structured interviews.
Mono method is when a single form of data collection is used. Semi-structured interviews are associated with the ontological and epistemological research philosophies that reality is constructed based on participants opinions (Mason, 2017). In-depth interviewing aims to understand the lived experience and the meaning they make of the experience. As qualitative research displays the way people comprehend a subject this approach supports the requirement of the research to extract Credit Management professionals' opinions on outsourced Credit Management. Quantitative research would not portray personal opinions in the manner qualitative research allows which is why qualitative method was utilized in the study. Semi-structured interviews enabled observation, interaction and facilitated the expansion of the topic with the participants through open-ended questions. In interviews, a topic is introduced the interviewer's role to allow the interviewee to produce their own thoughts (Denscombe, 2003). The interviewer must recognise interaction with the participants and the possible effect on responses; the interviewer must use their skills to reduce distortion (Patton, 2000).

#### 4.2.5 Layer 5 Time Horizon

Time horizons framework of Saunders research onion (2009) quantifies the length of it takes to complete the research. There are, according to Bryman (2012) two types of time horizons in Saunders onion cross-sectional and longitudinal. Cross-sectional data collection happens over a specific period. Longitudinal involve the collection of data repeatedly over an extended period.
This research is cross-sectional as the study entails data collection over a particular time frame on a subgroup of participants from the credit management profession.

### 4.3 Data Collection and Analysis

This layer of Saunders (2009) research onions explains how the data in the research was gathered and examined. The data collected for this research primary data was collected through semi-structured interviews. Saunders (2009) acknowledges that interviews are an effective way of collecting primary data when pursuing opinions. Through interviews, the research aims to analyse data collected from Credit Management professionals on outsourced Credit Management.
Interviews are commonly used in qualitative research; the researcher is concerned with collecting "facts", finding insights and comprehension of opinions (Rowley, 2012). In-depth semi structured interviews will occur with all participants.
The interviewer should acknowledge inexperienced interviewers could create an aspect of bias when doing semi-structured interviews (Bless and Higgon-Smith, 2000). Bryman and Bell (2003) highlight the importance of recording the interview so the data can be carried into the analysis perfectly, which is critical to the reliability and validity of the data.

### 4.4 Data Collection – Sample

This cross-sectional qualitative research conducted semi-structured interviews. The participants were selected due to their knowledge and experience in Credit Management. In this research, the name of participants and organisations remained anonymous, due to confidentiality and competitive advantage. The data sample of eight professionals from Credit Management creates limitations in the research. Some of the participants were selected to give both perspectives from an outsource requestor and outsource provider. Participants at the senior manager level, mid manager level and supervisory level were included to add diversity to interview responses within the study. While some

## 4.4 Data Collection – Sample

of the participants were known to the author from the author's experience of Credit Management others were recommended from other credit management professionals to give insights.

| Participant | Title | Company |
|---|---|---|
| A | Credit Risk Manager | Multinational Telecoms, Ireland |
| B | Consumer Credit Manager | Multinational Telecoms Ireland |
| C | Corporate Credit Manager | Pharmaceuticals, Ireland |
| D | COO Business Process Outsource provider | Multinational BPO organisation |
| E | Operations Director Outsourced Partner | Multinational BPO organisation |
| F | Senior holder #1 | Irish Institute of Credit Management |
| G | Senior holder #2 | Credit Manager services industry |
| H | Outsourced Senior Collections Supervisor | Multinational BPO organisation |

**Participant A** is a Credit Risk Manager within Telecoms in Dublin, who has over 27-year experience of working in within a litigation and credit risk management environment. Participant A experience in Credit Risk Management is in several industries ranging from Telecoms, Manufacturing, Technology and Pharmaceutical both in the UK and Ireland. Participant A deploys credit risk strategies and works with several third-party credit management vendors.

**Participant B** is Consumer Credit Manager within Telecoms. Manages two outsourced collections teams, one based in India and one based in Ireland.

**Participant C** is Corporate Credit Manager has over twelve years' experience in Credit Management within Pharmaceuticals, Manufacturing and Telecoms industry. Participant C currently manages Corporate B2B portfolio and manages a large team of internal and external outsourced collection agents in Ireland.

**Participant D** is Chief Operation Officer of a large international business process outsource (BPO) provider in Ireland. Participant A has several years of experience in Outsourced business process and Credit Management outsourcing.

**Participant E** is Operations Director has over thirty-five years' experience in Credit Management. Currently, Operations Director for large business process provider in Ireland previously having worked for large several large multinationals in US, Philippines, Poland, and California. Participant E manages several large outsourced collections teams.

**Participant F** senior holder 1# of the Irish Institute of Credit Management and has over forty years' experience in Credit Management.

### 4.4 Data Collection – Sample

**Participant G** senior holder 2# Institute of Credit Management.  Has over twenty years' experience in Credit Management working in manufacturing, FMCG and services industries. Participant G currently manages an internal team of seventeen credit controllers and outsourced credit management provider.

**Participant H** is senior collections supervisor large international business process outsource (BPO) and has several years' experience in credit management working with several different vendor contracts.

### 4.5 Recording and transcription of interviews:

Due to COVID 19 and the mandate of social distancing, the interviews were all conducted through Skype and ranged between hour and hour and quarter. For this research, interviews were recorded using the Otter App, which also facilitates the transcription of interviews; some notes were also taken. The recording and transcriptions were reviewed and transcriptions were completed. Confidentiality and anonymity agreements were signed by all participants to relax them and encourage free flowing conversations. The confidentiality form was emailed due to social distancing restrictions to participants who completed and scanned signed copies of the form. At the beginning of each interview, each participant was reminded the interview was recorded, and all participants were reassured of full confidentiality and anonymity throughout the process. The researcher also considered recording might unnerve respondents which results in words being considered (Bryman and Bell, 2003). The agreement was reached with participants interview recordings and notes would be disposed of post submission of the dissertation and notes would not be published.

### 4.6 Interview Questions

The interview questions where formed to align with the research questions established from the literature. The interview questions were intended to direct conversation while allowing participants responses to flow (Saunders, 2009). The interview questions were analysed for alignment to both the research questions and the literature in the form of a table.

## 4.6 Interview Questions

The table for reviewing the interview questions is detailed in appendix two. The table outlines the three research questions, includes the interview questions, details which research question each interview question reverts to and details which literature the interview questions reverts to. The table in appendix two also outlines why the researcher choose each interview question.

## 4.7 Data analysing

The participants' responses were analysed to review re-occurring key words and themes in responses. A table was used to code participants responses and themes which were then reviewed in accordance with the research questions. Each participants response to each question were reviewed for key words, as outlined by Silverman (2014) content analysis involves review of reoccurring instances, instances in the form of words, phrases, or larger unit meanings. The key words were added to the interview questions in the table with the participants lettering (example participant A = PA) coded beside each key word. The key words were then reviewed for patterns of use. The participants responses led to the themes being developed through further analysis of similar responses which conveyed similar messaging. The key words were analysed in terms of supporting the literature. Participants direct quotes which identified similar key words were added to the table to support the findings. The table for coding interview responses and identifying key themes is seen in Appendix three. The table outlines the research questions, interview questions, participants key word responses, coding of participants use of key words, and participant comments. The themes once developed where reviewed for similarity to literature which is detailed in the next chapter findings.

## 4.8 Reliability and Validity

Reliability and validity are key aspects relative to the integrity of the findings. The level of accuracy and consistency forms reliability, for a study to be reliable, a repeat study should produce the same results. Reliability was verified using the test and re-test method (Collis and Hussey, 2009). Validity describes the level to which the findings accurately reflect the phenomena under study. To reduce

## 4.8 Reliability and Validity

variances in the data collected, the researcher allowed participants to take as much time required to answer questions accurately. Questions were clarified, where participants appeared confused about the questions throughout the interviews. Validity was assessed by the information gained in the semi-structured interview.

## 4.9 Limitations

Bias: Bias cannot be eliminated as the interviewer has a professional relationship with some of the participants. The composition of the interview questions ensured discussions were not led by the interviewee.
Sample Size: The small data sample of eight participants of the Credit Management profession and outsourced Credit Management creates limitations of the research.
Research method: The research method used was qualitative research, other methods such as quantitative research could have been applied.

## 4.10 Conclusion

In this chapter, the methodology for the research design was explained. The study is qualitative taking form of semi-structured interviews. The research problem and objectives were recognised, and the research framework, which was used to create the research design was detailed. The data was categorised, examined and the results presented in the following chapter. The participants were chosen due to their experience within Credit Management profession and outsourced credit management. Confidentiality of all participants and interviews is confirmed and recordings and notes are to be disposed of on completion to eliminate ethical issues.

# Chapter Five Primary Research Findings

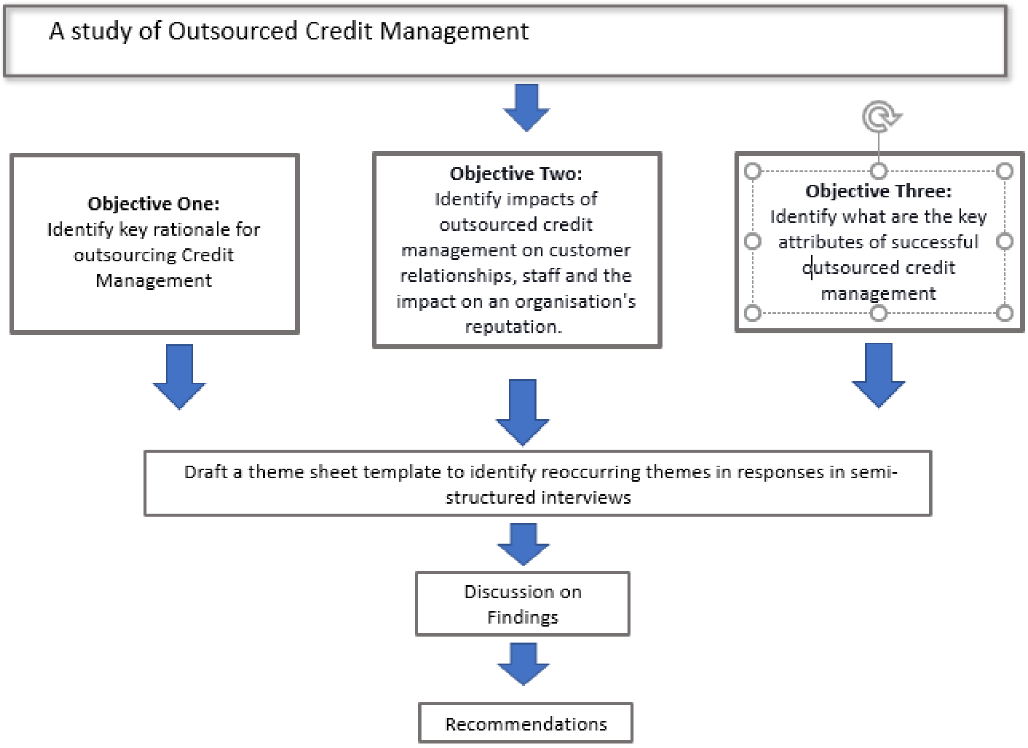
## 5.1 Introduction

The chapter discusses:

- Why organisations outsource Credit Management, the rationale behind outsourcing credit management
- Impacts of outsourcing credit management on companies' reputations, staff, and customer relationships
- The key attributes for successful or unsuccessful outsourced credit management

Interviews were conducted with eight participants who have experience within credit management and outsourced credit management. Interview questions where structured to identify key themes which occurred throughout the literature. The illustration figure three below outlines how the findings will be approached divided into three objectives and reviewed in terms of alignment to both literature and research objectives.

**Figure 4 Framework for findings**




## 5.2 Objective One – Rationale for outsourcing credit management

### 5.2.1 Theme 1: Rationale for outsourcing credit management not solely cost driven

As with the literature outlined in the study other factors for considering outsourcing other than cost efficiencies are market competitiveness, strategic development, and pressures to adapt to rapidly changing technology and globalization. Other reasons as outlined in the literature are favourable cultural fit, assurance of continuous improvement, and undertaking of long-term partnerships (Baitheimy,2003). While all eight participants agreed cost, efficiencies were key rationale for outsourcing credit management a reoccurring pattern which all participants reiterated was cost reductions was not the single reason organisations outsourced credit management. Themes occurring in responses for other motivations to outsource credit management where expertise, staff attrition, continuation of services and access to other skills, process, and technology advancements.

### 5.2.2 Expertise

As outlined in the literature expertise is a key factor for companies outsourcing is expertise (Bendor-Samuel, 1998). Expertise was key theme which reoccurred throughout the research.

Participant A, D, E, and F all outlined a motivation for outsourcing credit management was to utilise the expertise of the outsourced provider to contribute to company strategy and market competitiveness.

Participant D is a COO of large multinational BPO provider based in Ireland "Traditionally reasons would be cost reduction, now where you have high level of b2b customers and customers are core to your business and credit management is now evolving needs to be in controlled manner, brand friendly manner partnering with organisation who has experience in outsourcing across multiple industries adds value and insights".
Participant E Operations Director of a large multinational BPO provider based in Ireland "Some would say it is financially driven I don't always believe it is I think companies that are clever realise if they don't have the expertise they are better off to outsource to somebody who does have the expertise".
Participant A Credit Risk Manager in Telecoms who has managed several collections teams both internal and externally "There can be significant costs associated with having internal teams it is significant investment, organisations can look at alternative companies who have expertise in the area you can leverage their systems and their skills quickly and easily"
Participant F "Financial cost savings that's the main reason" "There's' plenty of expertise and knowledge".

### 5.2.3 Staff attrition

Another theme which occurred which is not highlighted in the literature and which was evident in outsourced credit management was staff attrition.
Participant F secretary of Institute of Credit Management and Credit Manager within services and participant A both outlined having access to staff and continuation of services is another reason why companies outsource collections.

### 5.2.3 Staff attrition

Participant G "Access to experienced staff who may outperform some junior members of the internal collections team at a positive price compared to internal staffing costs". "Outsourcing credit management can act as short-term measure for resourcing staff and offers continuation of services" Participant A "Challenge of teams internally is staff attrition, can take up to six-eight weeks to get replacements and you have to train them up, whereas outsource company tend to have a pool of resources on other accounts which they can transfer quite quickly so you can have continuity of service don't have to worry about headcount".

### 5.2.4 Core function management

The literature describes how outsourcing can provide an increased focus on organizations core functions (Kotabe & Murray, 1990; Quinn, 1992). The research on outsourced credit management aligned with the literature which identifies organisations outsource to focus on core functions.

Participant A "Outsourcing credit management takes away all the management resources that you have to put in place in internal management focus elsewhere in the business and let the outsource company manage processes".

Participant D "Outsourced credit management can occur as credit Management is not a core competency of businesses and a business wants to focus on their core business".

### 5.2.5 Process change and technology advancements

As detailed in the literature (Bendor-Samuel, 1998), organisations outsource to leverage advancements in technology to avoid investing in expensive technology to release capital to use elsewhere within the business. The research on outsourced credit management confirmed many firms outsource to leverage advanced technologies to reduce capital investments.

Participant A outsource companies "who understand your market should be driving change into your collection processes so they should be coming back with this technique works well with these

### 5.2.5 Process change and technology advancements

customers should be flagging challenges within your internal organisation and driving change". "You can also leverage off some other systems so they may have systems internal organisation does not have access to like IVR services for smart texting and outbound diallers. So, from a technology point of view they may have other systems in there which can be leveraged from".

Participant C "Outsourcing credit management" providers "who are also working for other companies and sometimes they can actually bring new ideas or new kind of processes to your core stream which you may not have been aware of.

## 5.3 Objective 2 Effects on companies' reputations, customer relationships and staff

**Theme 2: Outsourcing does impact company reputation, customer relationships and staff**

The second theme which became predominant from participant responses was outsourced credit management can impact companies' reputations, customer relationships and staff.

### 5.3.1 Company's reputation and brand

Participant D is a COO in multinational business process outsource organisation and operates several outsourced credit management contracts across a broad range of industries. Participant D describes the type of industry and type of customer companies manage outsource collections for has a part to play in the negative impact of outsourced collections on a company's reputation or brand. While the literature describes how the type of industry or industry seasonality impacts credit management (Mian and Smith, 1994) the literature does not consider how the type of industry the outsourced collections is carried out for can have a direct impact on both companies reputation.

"There are two types of people who fall into credit management those will cannot pay and those who will not' pay the ones who won't' can drag you into a negative reputation. There are customers who "work closely with and there are one that will intentionally try and damage your reputation. This is specific to industry, the type of service like door to door collections. We choose not to do door to door collections, we do not' do legal proceedings and a hard area for outsourced collections is the health space which is a political hot potato". Examples of negative impact on outsourced credit management was "managing during recession books of debt sold to Nama that was difficult and we still probably having legacy impacts". So as a result, we are selective in what we do that will not be brand damaging for us or the client".

Participant A is a credit manager in telecoms with over 27 years' experience in collections and managed outsourced collections teams advises the collection strategies and the force of those collections can impact companies' reputation

"Consistently poor customer service or collections are too aggressive and organisation is getting negative press can impact brand".

### 5.3.1 Company’s reputation and brand

Participant E an Operations Director in a multinational business process outsource provider based in Ireland which manages numerous outsourced credit management contracts similar to participant A advises the manner in which collections are carried out is important to not impact a company’s reputation negatively.
Participant E “You need to ensure the outsourcer approach will give a positive outcome and that the outsourcer understands that their role is to help people alleviate their debt rather than taking a hammer to them to pay. Negative impact can happen when you do not have appropriate processes in place and the appropriately trained people in place to manage those processes”.
Participant G who is secretary for the Institute of Credit Management and is currently a credit manager within service industry further adds not performing on the collections portfolio or not being professional in manner to customers can impact a company’s reputation negatively.
“Not completing the job effectively and not being professional can negatively impact a company’s reputation”.

### 5.3.2 Effects on customer service and customer relationships

Linking back to the literature (Miciak & Desmaris, 2001) as described frontline staff can have a direct impact on customer relationships which is evident in outsourced credit management.
All participants agreed outsourced credit management can attribute to poor customer service or impact customer relationships negatively primarily occurring where the correct process is not adhered to or where the outsourcer approach does not align with the parent company.

### 5.3.3 Process

As described in the literature (Basu and Rolfes, 1995) high quality process are key to successful organisations. The research outlined how the process if not executed correctly can have a direct impact on company reputation.
Participant D is a COO in multinational business process outsource organisation and operates several outsourced credit management contracts across a broad range of industries. However participant D pointed out it is not solely outsourced credit management which can contribute to poor customer service, not having the right tools in place or the right order the cash process in place can negatively.

**5.3.3 Process**

impact poor customer service. “If not done right yes”. “So, does not having the right tools in place”, “it is what comes before”

Participant A who managed several collection teams advised where feedback is given to management level and not acted upon and processes are not addressed this can lead to poor customer service in outsourced collections.
“Key drivers are fed back through management layer to be addressed in internal processes where it not done properly it will drive a poor customer service”

**5.3.4 Approach**

Another reoccurring factor which came to fruition was the approach both of management of the outsourced company and the collection agent. Evident in the literature the importance of frontline approach is key (Miciak & Desmaris, 2001).
Participant E Operations Direction of multinational BPO stated
“Where it is not managed appropriately an example is someone ringing up that doesn’t understand the correct approach to credit management it will have a very negative impact and won’t be customer centric”. Whilst Participant C Corporate Collections Manager stated if values or approach to the customer where not enforced by the outsourced company could impact negatively on customer relationships or retention. “I think and because to certain degree, the outsource company may not have all the values of the actual company. And it’s sometimes it’s just because there is such a disconnect there”

**5.3.5 Effects on staff**

The literature highlights outsourcing can have a direct impact on staff when outsourcing (McCarthy and Anagnostou, 2004), the research findings on outsourced credit management supports the literature when the key findings uncovered fear of redundancy by staff in both the outsource requester and outsource provider has a direct impact and also confirms staff are treated differently.

**5.3.6. Redundancy**

Participant D who is COO of multinational BPO and manages several outsourced contracts outlines how outsourced credit management can impact staff of an outsourced provider, while participant A outlines how staff of the parent company can be impacted. " There is always the fear of job loss parents and be able to pay an employee and you always have this thing hanging over here as an outsourcer that it is a two or three year contract and therefore it could go somewhere else or go back in or could just not be required anymore. So, it does have impact effects both sides."

Participant A who is a Credit Manager and has managed several collections teams agrees outsourcing can impact but both positively and negatively. Negatively impact when staff are made redundant when a company decides to outsource credit management and positively is hiring of new people to manage the outsourced collections can bring new ideas.
"If you're outsourcing you will be letting people go" "Making some roles redundant and creating new roles to manage the outsource. There is a period of uncertainty and negativity and it does impact your team so your internal team that you are going to outsource the performance tasks drop once, once you have outsourced. Then, you have got people moving into new roles. It takes time for that to settle in and for them to come accustomed to be trained in new roles." "When you get the role, it can be viewed as a new challenge for a lot of people. It can give fresh impetus into the area" "Sometimes it leads the outsource company to tell you, or tell your senior management, what the problem is, for it to be addressed."
Participant H I have been on contracts lots of them. So, there's always uncertainty, like what if there's a way the client does not renew the contract".

### 5.3.7 Staff treated differently

Participant E Operations Director in multinational outsource provider and participant C credit manager who manages outsourced collection teams both outline outsourced staff being treated differently is dependent on parent companies' mindset.

Participant E "depends on the company that you're working with. Absolutely depends on the company that you are working with. "some clients they, they become far more involved with the outsourcer and they extend some incentives etc that they do internally they'll extend them out to the outsourcer, and some don't. "

Participant C "a bit of a balancing act to try and make sure that, you know, they do feel as connected or they do feel as part of the team or as part of the company. And it's the parent company's responsibility to ensure that that's completely transparent across the whole team."

## 5.4 Objective 3 Key attributes of successful outsourced credit management

**Theme 3: Strong partnerships, trust, technology, communication, and transparency, all contribute to successful outsourced credit management**

The third theme which became evident from the semi structured interviews are the key attributes to successful outsourced credit management where dependant on strong partnership relations, trust is critical within the partnerships and technology and process have vital parts to play in successful outsourced credit management.

### 5.4.1 Partnership

As seen in the literature (Bharadwai & Saxena, 2009) key to partnerships is the engagement of both parties which was reiterated in the research on outsourced credit management.
Participant D who is COO of multinational outsource provider outlines how collaborative partnerships have proven to be contribute to increased returns.
"Make both parties feel like they're in it together is the best model. We do have outsource part of management contracts purely that are FTE based and we have got credit managements contracts that are risk and reward. Both you know, finding the nice balance between, okay you are going to be covering, your' paying a fair price for service and expect a fair performance is the best model. Flexibility is probably the key thing there." "And I'm finding clients who have made the mindset shift towards it being more of a partnership than an outsourcing arrangement are reaping bigger benefits of the partnership."

### 5.4.2 Trust

Another factor which is important to the success of outsourced credit management evident in the study which are key to successful credit management is trust both participant E Operations director of outsourced provider and participant G who is secretary of IICM both agreed trust has a large part to play in successfully outsourcing credit management. As per the literature (Bharadwai & Saxena, 2009) both parties must be happy with the relationship.

Participant E "Okay, to be that trust between parties" "If the company whose outsourcing doesn't have full faith in the ability of the outsourcer that tends to lead to micromanagement which breaks a partnership. "So, probably the most successful model I would say is the managed services model.

### 5.4.2 Trust

Okay and so, with a lot of companies that are new to outsourcing and can tend to micromanage, the outsourcer. However those that have enough trust and knowledge , and I guess experience in the game will know that a managed service works far better where and what I mean by many services that you're handing that statement of work over to the outsourcer, and you're giving them the complete ownership to manage and deliver to you".

Participant G" long term partnerships key attributes are good communications, value for money, quality staff and trust".

### 5.4.3 Technology

While the literature outlines one of the motivations organisations outsource is to leverage technology (Bendor-Samuel, 1998) and outlines technology gives organisations a competitive advantage. Both participant D and participant A agreed technology is essential to successful outsourced collections.

Participant D "But one definitely complements the other in that with the technology background and how best to use your technology to collect and engage with your customers." "The massive shift in the last four to six years and that as well, where it is technology driven outsourcing, technology driven people outsourcing, as opposed to just people outsourcing."

Participant A "Between the two companies that technology needs to be solid. It needs to be robust and it needs to be most importantly reliable if it is a manual process or an automated process.

### 5.4.4 Communication and transparency

A further finding in the research outlined which is important to successful outsourced credit management partnerships is communication can transparency.  As stated by three of the participants from both sides of outsourced partnerships communication and transparency are key. Participant G" long term partnerships key attributes are good communications, value for money, quality staff and trust".

Participant B "Open ways of communication", "Share your shared goals within reason you can be transparent as you are allowed to be".

Participant C "have complete transparency across both teams, communications of what is both good

Participant H "relationship and that you have been communicating with each other regularly to know what to do better in general".

### 5.5 Conclusion

This chapter evaluated the findings under the three research objectives outlined. Based on the findings and trends which occurred discussions and recommendations are included in the following chapters to evaluate alignment with the research questions.

**Chapter 6 Discussion**

## 6.1 Introduction

This chapter follows on from the findings in chapter five on outsourced credit management, findings are discussed and evaluated in line with the literature. The research objectives are analysed in terms of the findings which forms the composition of this chapter. The discussion chapter reviews the key findings and how the findings align with the research question

## 6.2 Objective One: What is the rationale for outsourcing credit management

The findings provide evidence that organisations consider other factors than cost efficiencies when outsourcing credit management. When addressing the question of are there other factors other than cost reductions which contribute to the motivation of outsourcing credit management the answer is yes. The research has provided several examples of factors other than cost efficiencies which has answered why companies outsource credit management.

### 6.2.1 Expertise

As the outlined in the literature investment in outsourcing can provide a power or a competitive advantage not available within an organisations internal structure Bendor-Samuel (1998) by means of expertise. The findings show when leveraging an outsourced business process provider expertise and experience is a factor other than cost reduction which motivates companies to outsource credit management. Investment in outsourced credit management and in experienced credit management professionals who provide services to several industries brings an ability to share valuable insights of what is currently occurring in the credit management profession. Outsourcing provides a framework to share insights of what collections practises are working well and provide recommendations of best practice, these insights would not be available from an organisations internal structure. The valuable insights and recommendations from the experienced outsourced credit management providers can gain an organisation a competitive advantage leading to another motivation of investing in outsourced credit management expertise.

### 6.2.2 Core Management

As identified in the literature organisations motivation for outsourcing is to allow businesses focus on their core functions and to increase market share and competitive advantage (Kotabe & Murray, 1990; Quinn, 1992). The research confirms through semi structured interviews of the credit management professionals outsourcing credit management allows businesses to focus on core functions and is a key motivation when considering outsourced credit management.

### 6.2.3 Process change and technology advancements

Process expertise and access to expensive technology are key motivations for organisations to outsource credit management as outlined in the literature (Bendor-Samuel, 1998). Assurance of continuous improvement (Baitheimy, 2003) as shown in the literature is another motivation for organisations to outsource business functions. The research confirms continuous improvement of process is a key motivation for organisations to invest in outsourcing credit management to providers with the believe investing in expertise will drive continuous changes and improvements which in contribute to competitive advantage. Having access to expensive technology and leveraging the technology used by the outsourced credit management providers motivates companies to outsource which can help reduce investment costs in technology and allow funds to be used in other core functions of the business.

### 6.2.4 Staff Attrition

An additional motivation for outsourcing credit management which was evident in the research was staff attrition. This theme was not apparent in the literature however did occur as a common theme in the semi structured interviews carried out in the research. Participants highlighted having access to experienced collections staff on a continuous basis and access to a large resourcing pool allowed organisations business to move forward. The loss of staff through attrition can significantly impact cashflow and achieving of collections targets, the time taken to resource collection staff and training elongates the impact on cashflow having access to a large resource pool of collection staff eliminates the issue.

## 6.3 Objective 2 Effects on companies' reputations, customer relationships and staff

**Theme 2: Outsourcing does impact company reputation, customer relationships and staff**

The findings provide evidence that outsourced credit management does impact company reputation, customer relationships and staff. The research highlighted a company's reputation can be impacted negatively if the collections process is not carried out with the right approach which can impact a company's brand, another important finding is the type of industry as outlined in the literature (Mian and Smith, 1994) which collections are being carried out for can have a negative impact and there are certain industries which outsourced collections providers can shy away from to avoid reputational damage. Also evident in the research was both the company who outsource credit management and the outsource provider reputations can be damaged if the collections have not been carried in the correct collections approach.

### 6.3.1 Company's reputation

A core finding of the research was the industry of which the collections are being carried out or the type of customer debts are being collected from can negatively impact a company's reputation. Customers who will not pay can often be considered as high risk of negatively impacting customer reputation. In consumer collections particularly many customers who refuse to pay threaten companies with reputational damage by calling out negative experiences on social media or radio shows which can negatively impact a company's brand. Specific industries in which collections can be sensitive to collect can pose a risk of reputational damage to both the collector and the company who has outsourced the collections examples of these provided in the research where government collections i.e. tax collections, Nama collections. Government collections can be highly political and being involved or carrying out the collections in the wrong approach can be instrumental in impacting a company's reputation negatively. As seen in the literature assuring the favourable cultural fit is important for a company in choosing an outsource provider to work with (Baitheimy, 2003) it is important the outsource provider values align with the organisation values. If an outsource provider is collecting debts which may be political this can impact the parent company's reputation. In same way the research shows the outsource provider are selective in which debts to collect and the industries they work in.

### 6.3.2 Effects on customer service and customer relationships

As outlined in the literature collection agents are frontline ambassadors for the company, as seen in the literature key attribute to successful customer relationships is the value of service offered through customer facing staff (Miciak & Desmaris, 2001). The findings show all participants agreed outsourced credit management can attribute to poor customer service or impact customer relationships negatively primarily occurring where the correct process is not adhered to or where the outsourcer approach does not align with the parent company.

### 6.3.2 Process

As outlined in the literature highest quality credit management processes are critical factors for successful financial businesses (Basu and Rolfes, 1995). Evident from the research is if the collections process is not adhered to or the correct order to cash flow is not followed or "if not done right" this can negatively impact a customer service and customer relationships. Where a process fails and directly impacts the customer ability to pay or where a customer has consistent queries the process can negatively impact the customer experience and in turn the overall customer relationship.

### 6.3.4 Approach

As outlined in the literature a collection agent must strike a delicate balance between retaining a customer relationship and enforcing payment. The value of the service offered through the customer- facing staff can have a direct impact on customer relationships (Miciak & Desmaris, 2001). Collection agents are required to have strong negotiation and communication skills to maintain customer relationships while achieving payment. As seen in the findings the approach of the collections can have a significant impact on customer service which can create negative reputational damage for a company. Over enforced collections can lead to customer complaints and impact poor customer service leading to impact on brand and company reputational damage. `

### 6.3.5 Effects on staff

As seen in the literature outsourcing can have a "disrupting shock" on an organisation (Hindle, 2015), outsourcing has direct impact on human resources with social and financial costs occurring (McCarthy and Anagnostou 2004). The research further supports the literature where staff can negatively be impacted by the threat of loss of jobs both in parent company capacity and in an outsource provider capacity where contracts are not renewed. As outlined in the literature staff motivation and self-esteem can be impacted negatively by outsourcing. The research further supports the literature from outsourced credit management perspective where outsourcing has seen redundancy, loss of jobs and periods of uncertainty can contribute to negative impact on staff and staff morale.

Other findings which was highlighted in the research and not seen literature was outsourced staff can be treated differently to parent company staff and dependant on the parent company to ensure consistency across teams.

## 6.4 Objective 3 Key attributes of successful/unsuccessful outsourced credit management

The findings provide evidence that strong partnerships, trust is critical within partnerships, governance and strong process and technology advancement contribute to successful outsourced credit management**.**

### 6.4.1 Partnership

As seen in the literature crucial to partnerships is the engagement of both parties (Bharadwai & Saxena, 2009). In line with the literature the findings show where both parties are working together, where there is flexibility this contributes to successful outsourced credit management and can be seen to contribute to greater returns. Unsuccessful partnerships as outlined in the research occur where the outsource provider are micro- managed or the partnerships do not align to the values of the company. The success of outsourcing strategies is reliant on the stability of strong customer-vendor relationships (Dad and Iqbal, 2013).

### 6.4.2 Technology

The literature has shown technology is having a large part to play in successful outsourced credit management. Rapid advancements in technology for credit management collection processes and risk assessment processes are set to determine the credit management profession of the future. The research supports the literature where it is identified that companies outsource to leverage access to expensive technology (Bendor-Samuel, 1998), the research shows companies may leverage to invest funds in the business elsewhere and to gain competitive advantage. Advancements in smart texting, IVR systems and chatbots are all technologies currently contributing to successful outsourced credit management.

### 6.4.3 Trust

The literature defines success of outsourcing strategies is reliant on the stability of strong customer-vendor relationships (Dad and Iqbal, 2013). The findings show a key part of the strong customer vendor relationships is trust, successful outsourced credit management is where managed service models are in place by outsourced providers.

### 6.4.4 Communication and transparency

A further finding in the research outlined which is important to successful outsourced credit management partnerships is communication and transparency. Linked into the literature the engagement of both parties (Bharadwai & Saxena, 2009) is key. Communication and transparency of goals, strategies and organisational culture are key to collections.

## 6.5 Conclusion

While there is adequate literature which supports some of the finding, on review of literature for this research it was surprisingly evident how little research occurs for credit management given the importance to both liquidity and cashflow. Although this research gives insights into outsourced credit management there is undoubtably a requirement for further research on credit management as a subject. The research could focus on credit management and credit risk management within trade, other focus areas such as credit management within industries both internationally and within Ireland there is very little research on credit management in Ireland. Other areas for research could be credit management technology advancements, study and analytics of key metrics used in credit management i.e. DSO calculations and accuracy could also be carried out. From both the literature and findings the research outlines why credit management is outsourced and how outsourced credit management can be successful.

## Chapter 7 Conclusion

### 7.1 Introduction

This research conveys an analysis of why companies choose to outsource credit management the study also outlines the impacts of outsourcing on companies' reputation, customer relationships and staff and the key attributes which contribute to successful outsourced credit management. The research outlines minimal literature on credit management and suggest further areas of research on outsourced Credit Management. Conclusions of the research and limitations are described with recommendations included for further research.

### 7.2 Conclusions

Liquidity and cashflow are key to an organisation's survival, a key instrument used to address both is credit management. However bewilderingly on review of literature there is very little interest in the subject of trade credit management as a subject (Mian and Smith 1992; Pike and Cheng 1996) and diminutive studies on outsourced credit management. With more organisations moving to outsource non-core functions credit management is a function which has seen increased trends in outsourcing. Following the disclosure from the literature there is limited research on credit management the study aimed to address some of gaps particularly focusing on outsource credit management. While the literature review included outsourcing and credit management, the literature offers little insights into the value of outsourcing credit management and the impact of outsourced credit management on organisations, customers, and staff or what factors contribute to successful credit management.

The first aim of the research was to investigate the rationale for outsourcing credit management and clarifying if outsourcing of collections processes is purely cost driven. From the empirical findings and aligned with literature the researcher concludes cost is not the sole motivation to outsource credit management. Utilizing outsource providers expertise, allowing organisations to focus on core functions, process enhancements and advanced technologies and staff attrition are all considerations of outsourced collections.

## 7.2 Conclusions

Another purpose of the study was to identify if outsourced collections can impact company reputation, customer relationships and staff relations. A key finding from the study highlighted how the type of industry or type of customers collections being carried out can impact a company reputation with acknowledgement the risk can impact both the parent company and the outsourced provide. Furthermore, macro-economic events such as politics can become a threat to company reputation if collections are not handled in the correct manner. The research confirms as per the literature staff are impacted by outsourced credit management and outsourcing staff are treated differently to organisational staff. The study concludes a company's reputation or brand, customer relationships and staff can be impacted negatively if the credit management process is not followed or if both parties are not engaged with each other's values and culture.

Finally, while the literature outlined some insights into what contributes to successful outsourcing the research identified key factors which contribute to successful outsourced credit management. Strong partnerships between the outsourcer and the outsource provider is instrumental to successful outsourced credit management. Building on the partnership relationship and key to successful outsourced credit management trust between both parties is crucial. Communication and transparency on organisational goals, strategies, and expectations is required to be consistently fluid between both parties to ensure success of the outsourced credit management.

## 7.3 Recommendations

Three key recommendations where identified in the research:

Key factors to be reviewed by management when considering outsourced credit management are expertise of the outsource provider, process development and technology advancement available from the outsourced provider and the ability to minimise staff attrition and ensure continuation of services. All participants in the study indicated focusing solely on cost efficiencies does not attribute to successful outsourced credit management performance.

Poor management and lack of governance can impact reputation, customer relationships and staff relations. Management by not implementing effective and clearly communicated processes can

## 7.3 Recommendations

directly impact the outsource provider ability to perform collections effectively which can impact customers experience negatively. Continuous negative customer experience can impact customer relations and over enforced collections approach can run the risk of customer complaints which can damage companies' reputation. Similarly, management need to be aware of the type of industries the outsource provider is collecting debts for and ensure alignment with cultural behaviours and values to avoid reputational damage risks when outsourcing credit management. Staff in both parties should be considered while management should ensure outsourced staff are treated as part of overall team to obtain greater returns.

The most successful outsourcing model for credit management which has proven results is the partnership model, third party non incentive based contracts are considered not as effective. Clear communication and transparency on all goals, strategies and processes is vital to success. Consistent clear communication and transparency will eliminate the risk of disconnect between the outsourcer and the outsource provider. Management should implement controls and governance to eliminate disconnects between both parties. Whilst controls and governance should be evident micromanaging is to be avoided and a strong degree of trust should be apparent. Blame cultures should be avoided and both parties should consistently engage and work together to increase performance.

## 7.4 Limitations and recommendations for future research

- A larger sample size of participants could provide broader core findings which could add value to future research. The participants were selected due to broad experience within outsourced credit management a larger selection of people from the profession could give further insights.
- Most of the interview participants are senior management level and mid-level managers which may produce an aspect of bias towards questions. Research could be carried out to include the view of the frontline collection agents or direct feedback from customers experiences.
- The research conducted used a qualitative method, further research could be carried out by triangulation methods using both quantitative in the form of surveys and qualitative in the form of interviews.

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## Appendices

## Appendix one

### Interview Questions

1. Run through your experience of outsourced Credit Management?
2. What do you view as key rationale for outsourcing Credit Management?
3. What Credit Management outsourced models add to positive or negative execution?
4. Does internal management of outsourcing negatively impact performance in any way?
5. What measures do company's need to take minimise negative impacts on performance occurring from the implementation of outsourced Credit Management?
6. Does outsourced Credit Management impact companies' reputations, do organisations consider reputational impact?
7. What measures do company's need to take to ensure their reputation is not negatively affected by the introduction of outsourced credit management?
8. Do you think that outsourced credit management can contribute to poor customer service and what are key points in retaining positive customer relationships when implementing outsourced credit management?
9. Have staff been affected by outsourced Credit Management and have the changes in their positions been positive or negative?
10. Do you view outsourced Credit Management as third party vendors or partnerships?
11. What do you believe are the key attributes of a successful or unsuccessful outsourced credit management partnership?
12. Do the additional layers management facilitate loss of accountability and responsibility and do organisations become reliant on outsourced partnerships to achieve performance?
13. Do you believe outsourcing is positive or negative for the Credit Management?
14. Would you promote outsourced Credit management within the Credit Management profession?

## Appendix Two

| Interview Questions Review | | | | |
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| **Research Questions** | Interview Question | **Relates back to which research question** | **Relates back to specific literature** | **Comments** |
| Q1: Why outsource Credit Management? This research aims to identify what are the key motivations organisations outsource Credit Management | Run through your experience of outsourced Credit Management? | Opening question | Opening question to confirm participants experience and to relax the participant | Having announced the interview was being recorded this question relaxed the participants into the interview and to talk openly about their experience within credit management and outsourced credit management |
| Q2 What are the impacts associated with of outsourced Credit Management on customer relationships and customer retention, the impact on staff and the impact an organisation's reputation. | What do you view as key rationale for outsourcing Credit Management? | Research question 1 | (Guilding and Lamminmaki, 2004), Mian and Smyth, 1992), (Kotabe & Murray, 1990; Quinn, 1992). | This question was chosen to identify key reasons for outsourcing credit management which directly links back to research question 1. The research aims to add to the literature |
| Q3 What are the key risks of outsourcing credit management and identifying the key attributes of successful outsourced Credit Management. | What Credit Management outsourced models add to positive or negative execution? | Research question 3 | (Chase, 1981), (Miciak & Desmaris, 2001) Everest Group, 2012), (Landis, Mishra, Porrello 2005) | This question was chosen to allow insights to what contributes to successful/unsuccessful outsourced credit management and links into the question 3. As there is minimal literature on outsourced credit management the research aims to add to the literature |
| | Does internal management of outsourcing negatively impact performance in any way? | Research question 3 | (Everest Group, 2012), (Landis, Mishra, Porrello 2005) | This question was chosen to give insights if the added layers of management impact outsourced credit management which directly links in with question 3 and literature as outlined. As there is minimal literature on the on outsourced credit management the research aims to add to the literature |
| | What measures do company's need to take minimise negative impacts on performance occurring from the implementation of outsourced Credit Management? | Research question 3 | (Lang and Jagtiani, 2010), (Everest Group 2012) | The question was included to allow recommendations on how to avoid performance being negatively impacted by Outsourced Credit Management. The literature shows how outsourcing has been pulled back by organisations due to bad performance the research aims to expand on this and detail specifically to outsourced credit management |
| | Does outsourced Credit Management impact companies' reputations do companies consider their reputation? If so how? | Research question 2 | (Landis, Mishra, Porrello 2005). McIvor 2009) (Everest Group, 2012) | This question was asked to outline the possible impacts outsourced credit management can have on an organisation directly links back to research question two. The research aim is to add to the literature specific to outsourced credit management |
| | What measures do company's need to take to avoid reputational damage from the introduction of outsourced credit management? | Research Question 2 | (McIvor 2009) (Everest Group, 2012) | This question was asked to allow the participants to offer insights and what organisations need to be aware of and to avoid when outsourcing credit management and directly links back to question two |
| | Do you think that outsourced credit management can | Research Question 2 | (Miciak & Desmaris, 2001). | This question was asked to allow the participants to offer insights and what organisations need to be aware of and |

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| | contribute to poor customer service, what are key points in retaining positive customer relationships when adapting outsourced credit management? | | | to avoid when outsourcing credit management and directly links back to question two |
| | Have staff been affected by outsourced Credit Management and have the changes in their positions been positive or negative? | Research Question 2 | McCarthy and Anagnostou, 2004(Domberger, 1998; Hall and Domberger, 1995). | This question was asked to allow the participants to offer insights and what organisations need to be aware of and to avoid when outsourcing credit management and directly links back to question two |
| | Do you view outsourced Credit Management as third party vendors or partnerships? | Research Question 3 | Bharadwai & Saxena, 2009), Baitheimy, 2003 | This question was asked to allow the participants offer their opinions and beliefs on what contributes to successful outsourced credit management and directly links back to research question three |
| | What do you believe are the key attributes of a successful/ unsuccessful outsourced partnership? | Research Question 3 | Bharadwai & Saxena, 2009), Baitheimy, 2003 | This question was asked to allow the participants offer their opinions and beliefs on what contributes to successful and unsuccessful outsourced credit management and directly links back to research question three |
| | Do the additional layers management facilitate loss of accountability and responsibility and do organisations become reliant on outsourced partnerships to achieve performance? | Research Question 3 | Bharadwai & Saxena, 2009), Baitheimy, 2003 Landis, Mishra, Porrello 2005). (Das, T. K., & Teng, B, 2000). | This question was asked to allow the participants offer their opinions and beliefs on what contributes to successful outsourced credit management and directly links back to research question three |
| | Do you believe outsourcing is positive or negative for the Credit Management? | Research Question 3 | Bharadwai & Saxena, 2009), Baitheimy, 2003 | This question was asked to allow the participants offer their opinions and beliefs on what contributes to successful outsourced credit management and directly links back to research question three |
| | Would you promote outsourced Credit management within the Credit Management Industry? | Research Question 3 | | This question was asked to allow the participants offer their opinions and beliefs on what contributes to successful outsourced credit management and directly links back to research question three |
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## Appendix Three

| | Interview response analysis | | | |
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| **Research Question** | **Interview Question** | **Key Words/Themes** | **Participant** | **Comments** |
| Research question 1 | What do you view as key rationale for outsourcing Credit Management? | • Cost<br>• Expertise<br>• Staff Attrition<br>• Core Function<br>• Process and Technology | • Cost PA-PH all agreed<br>• Expertise PD, PE, PF<br>• Staff attrition PA, PG<br>• Core Management, PA, PD, PB<br>• Process and Technology PA, PC, PB, PH | PD "experience in outsourcing across multiple industries adds value and insights"<br><br>PG" Access to experienced staff who may outperform some junior members of the internal collections team"<br><br>PD "business wants to focus on their core business" |
| Research Question 2 | Does outsourced Credit Management impact companies' reputations, do organisations consider reputational impact? What measures do company's need to take to ensure their reputation is not negatively affected by the introduction of outsourced credit management? | • Yes<br>• Type of Industry<br>• Type of Customer<br>• Approach<br><br>• Yes<br>• Brand<br><br>• Brand<br>• Process | • Yes PA-PH all agreed<br>• Type of industry – PD<br>• Type of customer - PD<br>• Approach – PA, PE, PG<br>• Poor customer service – PA, PG, PH<br><br>• Yes<br>• Brand - PA<br><br>• Branding – PA<br>• Process – PB, PC, PH<br>• Governance – PD, PH | PA "Consistently poor customer service or collections are too aggressive and organisation getting negative press can impact brand"<br><br>PD "So as a result, we are selective in what we do that will not be brand damaging for us or the client"<br><br>PA "First of all is brand. Again, you want to make sure that if you do this, your brand is not going to be negatively impacted"<br><br>PD" Governance needs to be crystal clear and adhered to" |
| Customer<br><br>Staff | .<br>Do you think that outsourced credit management can contribute to poor customer service and what are key points in retaining positive customer relationships when implementing outsourced credit management?<br><br>Have staff been affected by outsourced Credit Management and have the changes in their positions been positive or negative? | • Process<br>• Approach<br><br>• Negative<br>• Positive<br><br>• Communication<br>• Transparency<br>• Governance<br>• Partnership<br><br>• Redundancy<br>• Demotivated<br>• Change management<br>• Different rights<br><br>• Negatively<br>• Both<br><br>• Treated differently | • Process – PA, PB, PD, PG, PH<br>• Approach – PB, PC, PE<br><br>• Negative PA, PC, PD, PE, PF, PG, PH<br>• Positive PB dependant on process<br><br>• Communication – PB, PC, PD<br>• Transparency – PB, PC<br>• Governance – PD<br>• Partnership – PD, PH<br><br>• Redundancy – PA, PB, PD, PH<br>• Demotivated – PA<br>• Change Management – PC<br>• Different rights - PG<br><br>• Negatively – PA, PC, PD, PE, PG<br>• Both – PB, PH<br><br>• Treated differently – PA, PB, PD, PG | PA "Key drivers are fed back through management layer to be addressed in internal processes where it not done properly it will drive a poor customer service"<br>PE "Where it is not managed appropriately an example is someone ringing up that doesn't understand the correct approach to credit management it will have a very negative impact and won't be customer centric"<br><br>PA "If you're outsourcing you will be letting people go"<br><br>PD "There is always the fear of job loss"<br><br>PE" Absolutely depends on the company that you're working with"<br><br>PC" it's the parent company's responsibility to ensure that that's |

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| | | • Dependant on company<br>• Dependant on management | • Dependant on company – PE, PH<br>• Dependant on management- PC | completely transparent across the whole team.” |
| Research Question 3 | Do you view outsourced Credit Management as third party vendors or partnerships? | • Partnerships | • Partnerships – PA-PH all agreed | |
| | What do you believe are the key attributes of a successful outsourced partnership?<br><br>What Credit Management outsourced models add to positive performance? | • Both parties work together<br>• Trust<br>• Technology<br>• Aligning strategy<br>• Aligning cultural behaviours<br>• Communication<br>• Transparency | • Both parties work together – PD, PC, PH<br>• Trust – PE, PG, PH<br>• Technology – PA, PD, PH<br>• Aligning cultural behaviours & strategies -PB, PD, PH<br>• Communication – PC, PF, PE, PH<br>• Transparency - PC | PD “Make both parties feel like they’re in it together is the best model”<br>PE “Okay, to be that trust between parties”<br>Participant G” long term partnerships key attributes are good communications, value for money, quality staff and trust” |
| | What do you believe negatively affects outsourced partnerships? What Credit Management outsourced models contribute to negative performance? | • Blame culture<br>• Process failure<br>• Brand<br>• Micromanaging<br>• Disconnect | • Blame culture – PB, PD, PH<br>• Process failure – PB<br>• Brand - PA<br>• Micromanaging – PD, PE<br>• Disconnect – PG, PC, PF | PB “negative attitude blames cultures, not necessarily giving the right tools for success, problem processes”<br><br>PE “If a company does not have full faith in in the ability of the outsourcer. That tends to lead to micromanagement which breaks a partnership” |
| | Do the additional layers management facilitate loss of accountability and responsibility and do organisations become reliant on outsourced partnerships to achieve performance? | • Detachment<br>• Process<br>• No | • Detachment – PB, PC, PD, PG<br>• Process – PC<br>• No - PA governance on cash | PB “detaching yourself from the actual results”<br>PD” I do but equally, depending on the maturity of the partnership versus the outsource relationship, it can definitely be the case” |
| | Do organisations become reliant on outsourced partnerships to achieve performance? | • Yes | • Yes - PA- PH all agreed<br>• Loss strategy focus parent company – PB<br>• Loss governance – PD, PG, PF | PB” Yes, very much, I think the don realize the strategy still needs to be developed by the parent company” |
| | In what ways do you believe outsourcing is positive/negative for the Credit Management industry? | • Offers different models<br>• Knowledge share | • Offer different models – PA, PB<br>• Knowledge share – PD, PH<br>• Core management focus – PC, PD<br>• Access to professionals – PE<br>• Backup plan – PG<br>• Technology - PH | PB” I supposed it opens up different types of models and different structures and different approaches to things.<br>PG “offers a backup plan to credit professionals” |
| | Would you promote outsourced Credit management within the Credit Management Industry? | • Yes | • Yes – PA-PH all agreed | |