

The Manual for Managing



Collections Teams

EXUS®

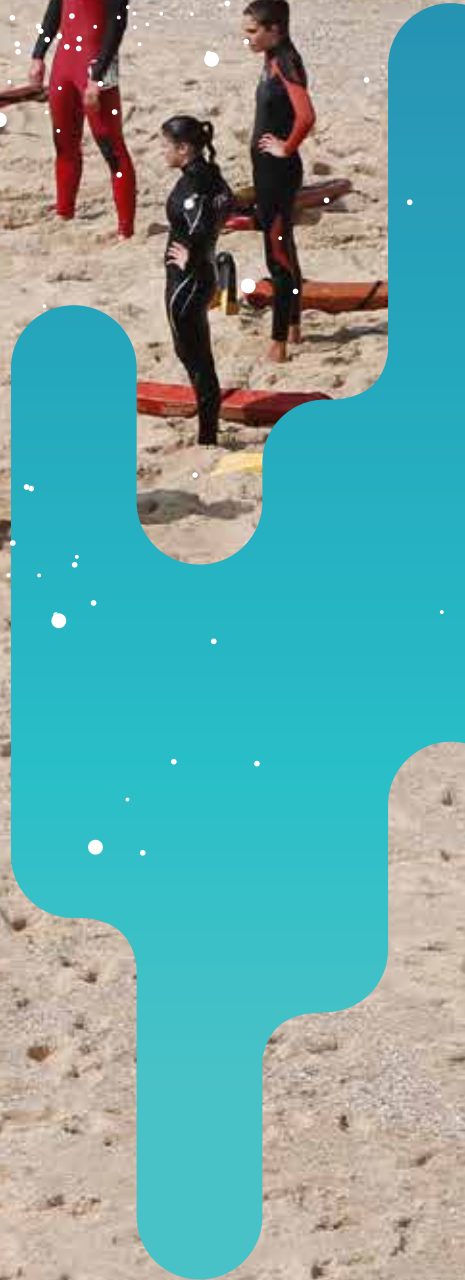




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The Importance of Collections Management





“Management is doing things right; leadership is doing the right things,”

*says famed business thinker
Peter Drucker.*



Running a collections and recovery operation takes both—effective management and strong leadership. But these two aspects of successful collections operations are functions of one another. Organizations must have the leadership vision to make collections management a reality.

That’s because collections and recovery has changed. Customers use more channels than before and prefer a soft or even self-service approach. Technology offers more promise (and peril) than ever when it comes to measurement and performance reporting. And the perennial battle of collections—the reduction in non-performing loans (NPLs)—wages on: they’re still on the rise in [key areas of Europe](#).

In this environment, effective personnel management is not just a competitive advantage, but a strategic priority for forward-thinking collections departments.

Personnel represent the highest operational cost these organizations face. Collections professionals are the front-line ambassadors of the brand to customers. And they dictate success or failure to collect on a day-to-day basis.

Manage them well, and with all other items equal, you’ll see a direct improvement in profitability, NPL levels and customer satisfaction. Manage them poorly and even serious improvements in your business lines and technology won’t produce positive results.

But how do you manage collections teams effectively? As people like Peter Drucker prove, there’s a whole industry of management advice and books. Where do you even start learning how to improve collection team management?

This guide is designed to help. It covers how to implement the three elements you need to manage collections teams effectively:

Centralized Communication

A central system and single authority to instruct and guide collections staff.

Capacity Planning


A process to forecast collection staff workload.

Proper Incentives

A system to fairly and effectively motivate and retain staff.

Read on to begin
improving your
collections
management,
starting
today.



A hand with a reddish-pink skin tone is shown from the left, holding a glowing white ring with a black center. The background is dark. Several abstract pink shapes, including elongated ovals and a circle, are scattered across the right side of the image.

Centralize Communications and Authority

In any industry, [open communication](#) is the glue that holds teams together. Collections is no different—clear, centralized communication is the first ingredient to better collections staff management.

After all, if collectors don't have clear directions from managers, they don't perform as well as they could. Internal communications affect collector morale, motivation and productivity. Without clear communication channels, messages can get lost and delay projects. Collectors understandably get frustrated, and bosses don't see the results the bottom line demands.

When team morale or individual collector motivation is down, the quality of communication with customers suffers, too. Unproductive, unmotivated or unhappy collectors don't exactly present your company's best face. And they certainly don't strive to exceed customer expectations. Bad morale and motivation are easily detected by debtors, and could spell the difference between a positive settlement and a delinquency.



A [centralized communication system](#) prevents this suboptimal outcome. These types of systems keep information and files in one place, and are organized under a central authority, so processes are consistent and clear throughout the organization. Get started with these steps:

1. Assign an overall owner for collections activities if one does not currently exist.
2. Implement collections training for all staff.
3. Assign formal titles for each collections job, from collections manager to skip tracing agent.
4. Clearly define and document all roles and responsibilities.
5. Organize the new centralized department for efficiency. For instance, one supervisor for 15 collectors; one trainer for 75 to 100 collectors.

Within this system, it's critical to centralize the various scripts your organization uses.

Why? Because standardizing what collectors say is the best way to ensure quality and consistency across channels, debt scenarios and [debt collections software](#). You're going to face different communication situations across each of the four debt collection phases (soft, pre-litigation, litigation and recovery). For each phase, you'll want at least one script that gives collectors a template for each part of the conversation:

Introduction

Discovery Phase

Resolution Phase

Addressing Concerns and Arguments

Centralized communication scripts must be tailored to your organization's specific business goals. But, there are some tips in [this checklist](#) you can use to guide your efforts.

With a centralized system and scripts, you'll be able to clearly communicate your organizational priorities and messaging in a way that scales. This is the first step to better management. The next is planning the capacity of the people using these scripts: your collections staff.



Develop a Capacity Plan

Capacity planning is commonly used in business computing and information technology. Simply put, it's a process that helps determine what resources a business will need to satisfy the changing demands for its products. In a collections department, personnel capacity planning helps your organization understand how many employees you need to manage a certain number of accounts, including accounts today and those projected for the future.

Smart capacity planning makes or breaks your team. In all collections departments, productivity hinges on making the most out of the human capital at your disposal. Therefore, minimizing inconsistencies between capacity and demand, so resources aren't under-utilized and accounts aren't unfulfilled, helps collections managers meet their goals. Too little capacity and you risk overworking or alienating talent. Too much slack, and the organization suffers financially by paying staff who aren't producing.

There are two parts to developing a capacity plan to improve collections management.

1. Determine Your Service Level Needs

Begin by clearly defining and documenting how the work gets done. Break into categories all roles and job descriptions, from collection manager to skip tracing agent. Try to quantify expectations for how work gets done.

For example, modern consumers are tapped into social media and many forms of digital communication, such as SMS and email. Evaluating how work gets done can help inform your decision to add new [communication channels](#), such as a self-service collections portal.

Document the work done by systems as well, including [collections software](#) and other technologies in your department. Including this data in your analysis can help you understand whether to implement new technologies to improve productivity.

Determining your service level needs will enable you to:

- **Establish workloads to measure the resources needed.**
- **Determine units of work to measure quantity of work completed.**
- **Set acceptable service levels between your personnel and work that needs done.**

The internal organization of the collection department directly affects its performance. This process enables you to clearly understand who is doing the work, the type of work performed and the work process, so you can organize them for efficiency by combining functions or creating positions.

2. Analyze Your Existing Capacity

For more detailed, quantitative information on your department's operations, you can also use regression modeling. This is a statistical process for estimating the relationships among dependent and independent variables, such as number of accounts to be worked, account-to-collector ratios, seasonality, personnel shift records, number of employees and number of accounts.





In other words, it evaluates your system's capacity to determine how it is fulfilling your department's goals.

This kind of analysis enables you to understand how the value of any dependent variable will change when an independent variable changes, while the other independent variables stay the same. For example if a client's service needs escalated, would your department be well positioned with one additional employee, or would you need three additional employees?

You can run many scenarios that might be typical of your industry in various situations to better understand staffing needs through each outcome. To more easily conduct regression modeling, [online tools](#) are available to simplify the process.

This kind of statistical modeling can also help you plan for the future. If you know the amount of incoming work expected over the coming quarters, you can factor that data into your regression modeling analysis and run the data through several scenarios. This will help you staff your collections department for the most satisfying service levels.

Once you've completed the above steps, you've got a clearer picture of how effective your system is at present and what, if anything, needs to be changed. This will help you create a personnel capacity plan that enables you to assign the right people to the right tasks and at the right time to meet your department goals.

Once you have communication and capacity handled, the third ingredient to improve collections staff management is a sensible incentives plan.





Create an Incentive Program

The final piece of your collections management plan is a sensible incentives program. Incentive programs use financial and non-financial means to motivate collectors to perform better. Without them, entire departments will struggle.

In today's collections environment, simply providing feedback and praise isn't enough. Collectors who do well expect to—and should be—rewarded. And it's not just about money, though that is one key element of a successful incentives program. Poorly designed incentives don't communicate to staff that they're valued, making it difficult or impossible to demand greater performance or additional work.

If incentives don't reward top talent enough, that talent may seek employment elsewhere. If it rewards collectors too generously, a culture of entitlement may result that damages the organization in the long run.

Your incentive program should start with daily feedback about collector performance. Both positive and negative feedback serves a purpose and impacts a collector's performance.



Positive feedback improves self-esteem, competence and confidence. Negative feedback drives training activities and behavioral change. You'll need to experiment with the right mix, but the fact remains: collectors can't improve if they don't know what they're doing right and wrong.

Keep your collections incentive program simple, too. Pick a few dynamic goals you'd like to improve in your department, and associate an improvement goal with each one. Finally, set a date by which you'd like to complete the goal.

For instance, you might want to incentivize collectors to increase their average number of kept promises by 10% in three months.

Once you've done that, choose the right level and type of incentive to make achieving the goal desirable. There are different types of incentives you can offer your collectors: financial incentives and non-financial incentives.

Financial incentives take the form of pay raises, bonuses and commissions. These are around 10% to 15% of monthly salary.

Examples of non-financial incentives include clothing, vouchers, parking spaces, gifts and days off. Get creative with these, and present your collectors with something they'll enjoy.

Once you've selected the proper incentives, it's time to execute the incentive program. Here are some steps you might use to get started to implement incentives in your organization:

- 1. Track the amount collected per collector over a set timeframe using a central dashboard. (Try quarterly or bi-annually to start.)**
- 2. Plot out the average amount collected per each hour worked across the department.**
- 3. Determine what exceptional performance looks like based on your goals. For example, if your department's goal is to collect 10% more this quarter, set 10% or 15% above average.**
- 4. Award simple, appealing incentives when you see collectors reach their goals.**





While every organization has different needs, the right incentives programs are simple, appealing and engineered with dynamic goals that prevent collectors from slipping into complacency.

Incentives are just one powerful piece of the puzzle. With all three ingredients for successful collections management—central communications and authority; capacity planning; and incentives—you'll be able to tackle most management challenges and better capitalize on opportunities to improve performance.

As a result, you'll develop more robust management of your department or organization that directly translates into bottom-line results.





About EXUS

EXUS is an international enterprise software company specializing in credit life cycle management. EXUS was founded in 1989 with the vision to transform the complex software industry, making it simple, accessible and exciting. Our products have been designed through a deep understanding of our customers' needs and in line with our purpose to simplify complexity and enable intelligent action.

Through our corporate headquarters in London, our offices in Athens and our partners, we support financial organizations and telecom operators around the world to improve their credit risk management efficiency, increase confidence in their strategic decision-making, and achieve success in demanding and competitive markets.

EXUS. FINANCIAL SUITE

"EXUS Financial Suite" (EFS) is our comprehensive suite of software applications that manages credit risk along the whole lifecycle of accounts, from the moment of disbursement until write-off or debt sale. EFS helps organisations in 26 countries around the world to identify and treat credit risk early, perform efficient collections, manage legal proceedings and recoveries and again detailed insight into portfolio evolution, collections strategies and resource efficiency.

EFS was rated "**best-in-class**" solution for collections in the first ever global technology analysis of loan collections systems by leading industry analyst issued by Gartner.

To find out how EFS can help you manage your collections teams effectively and turn your collections operations into a profit centre, join one of our free product webinars by sending us a mail at info@exus.co.uk

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Tower 42, 25 Old Broad street,
EC2N 1PB London,
Tel.: +44 2 081237407
info@exus.co.uk

www.exus.co.uk

