

# Intrum

MAGAZINE

THE CREDIT  
MANAGEMENT  
MAGAZINE FROM  
INTRUM JUSTITIA  
NO.3 | 2009

## PLAYING SMART

Grow profits and  
customer loyalty by  
outsourcing

## INSIDE CHINA

Massive opportunities  
for new-style credit  
management

## GETTING PAID ON TIME

How not to lose  
€25 bn – and  
grow profits  
and jobs

# GLOBAL ACTIVIST

Bill Clinton sees bigger problems than the financial crisis

# GET TO KNOW DSO

## (DAYS SALES OUTSTANDING)



**Michael Donahue**  
Group International Sales  
and Partner Manager, Intrum Justitia

Even in times like now of global economic crisis and recession, the international business arena provides companies opportunities for growth and expansion.

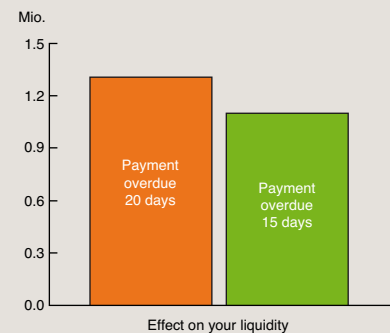
risks? No there is not. However, there is a palette of instruments; and with the right mix and consequent usage of these instruments success may be more thoroughly attained and maintained.

One important instrument is lowering Days Sales Outstanding or DSO. In contrast to turnover or margin the intrinsic value of DSO is all too often underestimated despite its substantial impact on business. It is not merely the extra burden on personnel and/or administrative functions to follow up on an unpaid invoice. More importantly, it means that invoices due are not being paid on time and that your company may be forced to find alternative sources of cash. Compounded by the current lack of liquidity on the marketplace, lack of capital may create a dire situation that could affect your company's bottom line results and ability to compete.

Before you embark on business abroad, investigate the ways of doing business in the country of your choice. What type

invoices as soon as possible in order to secure payment for sales and services rendered. Intrum Justitia can meet all your needs for international Credit Management Services and to minimize payment risks when doing business abroad. Thanks to our pan-European footprint and global partner network, Intrum Justitia's International Service Line can help establish a successful credit management strategy for your company's business around the world.

### Example calculation



Company E has a yearly export turnover of around 25 million EUR and every day generates a turnover of around 70 000 EUR. 20 day delay in payment means that 1.4M EUR is outstanding.

Reducing payment delay by just five days will improve the company's liquidity by 350 000 EUR. This is your money, money that can be re-invested to further increase sales or address other financial obligations. Keeping DSO at a low level helps your company stay competitive.

**"Nothing can be considered sold until you have received payment. In the worst case, you've given a product or service away for free... Payment is completion of the sales cycle"**

The marketplace has definitely changed; a more sober realism has replaced speculative euphoria. A re-focus on companies core competencies and classic tools to minimize risk and loss avail. Companies are simply focusing on what they do best to remain competitive in these demanding economic times.

Is there a ready recipe for conducting successful international business without

of contracts they use, what is the general payment term and delays in payment? It is important, that prior to accepting an order, the payment policy is discussed and agreed upon. Discuss interest percentages for late payments, use them and have action-plans for delinquencies.

The key to successful international credit management is to follow up on delinquent

**Editorial:****Choose your customers wisely**

**The signs are the** world's worst economic crisis in decades has bottomed out, but there is no room for complacency. For all the so-called 'green shoots of recovery', the harsh reality is that Europe still is reeling from the ruthless recession that hit at the tail end of 2008.

Major banks may be recovering thanks to massive government loans and stock markets beginning to bounce up again, but the grim reality is that firms still find it hard to get access to credit, unemployment is rising and public finances are stretched to the limit.

The latest pan European survey into the payment habits of businesses, public authorities and consumers by Intrum Justitia, the European Payment Index 2009, demonstrates getting paid on time is the same jungle all over Europe. The survey (reported on page 18) brings home the lesson that the key way to help get on-time payment is to ensure you must identify the right person or company to sell to.

Our survey revealed not only that EU companies are waiting longer than ever before for their money, but also that some 65 percent wait on average 85 days before seeking professional help to get paid. That is bad news for their bottom line, their shareholders and

their chances of emerging successfully out of the recession.

The European Payment Index 2009 provides tangible evidence that an efficient credit management service (CMS) amounts to more than just ensuring the efficient handling of customer credit lines or limits to deliver profit. It also is about building customer loyalty. Why waste time and money selling to customers who should not even be on the prospect list?

As former US President Bill Clinton says in our article (on page 14) about his thoughts on where we should be heading: today's financial crisis will be sorted out – eventually! Certainly, creating a stronger, more sustainable society in Europe will take the kind of initiatives being demonstrated by companies like Denmark's leading low cost mobile services company M1.

As fast and smart players they have seen the wisdom of outsourcing key areas of their credit management to enable them to focus on what they do best – delivering totally satisfying services to their customers at the lowest cost. Who can argue with that?

**LARS WOLLUNG, PRESIDENT AND CHIEF EXECUTIVE OFFICER, INTRUM JUSTITIA**

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**China is an exciting place to do business in by most accounts. It is also a place where modern credit management is still in its infancy.**

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Former US President Bill Clinton says today's financial crisis will eventually be sorted out – the real need now is to focus on climate change and helping poorer countries with sustainable technologies.

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Innovative credit management commences with identifying credit-worthy business opportunities from the very start.

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**HOW CAN WE HELP YOU?**

We have several key reports, white papers and business cases that can give you insight into payment behaviour, trends and risks. We can also assist you in the acquisition stage.

Want to know more? Email us at [intrummag@intrum.com](mailto:intrummag@intrum.com) so we can send you the information and/or reports needed. Better business for all.

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## “REDUCE, RECYCLE AND RESPECT”

**We have to work together in order to combat climate change, says Kenyan professor Wangari Maathai. Deforestation, women's rights and land preservation are at the top on her agenda.**

According to the Nobel Prize Committee, the Kenyan professor in biology Wangari Maathai “thinks globally and acts locally”. Among other contributions to improve our planet that approach made her the first African woman to be awarded the Nobel Peace Prize back in 2004. This spring she visited Sweden to speak about how to achieve a low carbon world. A serious issue, reminded Wangari Maathai in the City Hall of Stockholm.

“We have to change our lifestyles if we are going to save our planet from the disaster we have created ourselves,” stated Wangari Maathai, although pointing out that there is still time and we can all help by learning to reduce, recycle and respect.

When asked what she does to help in her own neighbourhood, Wangari Maathai mentioned the planting of trees and the concern for water.

“When I brush my teeth for example, I don't let the water run and then of course I dig holes and plant trees.”

Wangari Maathai was born in a rural area north of Nairobi in Kenya in 1940. In contrast to most African women from the provinces she received higher education. Later on she became the first Kenyan woman to take a doctorate and the first female professor at the University of Nairobi. As a biologist she saw and understood the problem that deforestation and soil erosion were causing in rural areas. These were problems that hit women especially hard, since they do most of the heavy farm work and for example had to look further away to find wood for cooking.

On June 5 1977 Wangari Maathai therefore planted nine trees in her backyard, thereby founding the Green Belt Movement with the aim to restore Africa's forests and reduce

poverty caused by deforestation. Since then, she has won numerous international prizes, has served on several UN commissions and been a Kenyan parliamentarian. Her work has focused on reducing poverty, enhancing women's rights and raising the concern for environmental issues, especially deforestation.

Today over 40 million trees have been planted across Africa. But deforestation needs to be addressed more strongly. It is a bigger problem than the entire transport industry, argues Wangari Maathai, noting that 25 percent of greenhouse gases comes from deforestation and land degradation.

She calls for cooperation between countries to help the planet. Protecting the global environment is also a way of securing peace, states the former Nobel Peace Prize winner.

“We can do a lot but not as one country alone. We need to work collectively. That is why the meeting in Copenhagen is so important,” says Wangari Maathai.

WORDS KARIN NILSSON

### Who is Wangari Maathai?

Wangari Maathai was born in 1940 in Kenya. She is the first woman in central and east Africa to take a doctorate and become a professor at the University of Nairobi. In 1977 she founded the Green Belt Movement aimed at fighting deforestation and poverty. Her struggles for democracy, women's rights and the environment have earned her numerous prizes, such as the Nobel Peace Prize in 2004, and seen her sent to prison. She was later appointed Deputy Minister of Environment. To date she has planted 40 million trees. One in Nairobi, Kenya, in November 2008 to celebrate the moment Barack Obama (whose father was born in Kenya) was elected president of the USA. The tree was planted next to the tree Barack Obama himself planted when visiting a year earlier.



## Keywords for boosting money supply

On just about everyone's lips right now are the words 'quantitative easing' – described by some as the modern way to print money. Designed to boost money supply, quantitative easing aims to get money flowing around an economy when the normal process of cutting interest rates

isn't working, especially when it's impossible to cut interest rates any further because they are already low. So central banks step in to buy securities such as government debt and mortgage-backed securities from banks in exchange for money.



PHOTO: SCANPIX

## Social crisis warning

Jean-Claude Juncker, the chairman of the Eurogroup of Eurozone finance ministers, has warned that Europe's economic and financial crisis risks moving into a social crisis if politicians failed to tackle fast-rising unemployment. He told a meeting of his fellow ministers in early May that "we really must not underestimate the multitude of problems that can come hand in hand with a rise in the unemployment rate."

# Q & A

## CARINA LUNDBERG MARKOW



**Carina Lundberg Markow has been named 'Chief Female Troublemaker' in Swedish industry by Passion for Business magazine. The head of corporate governance at Swedish insurance company Folksam, she has raised eyebrows – and smiles – with actions such as sending an open letter to the chairmen of male-dominated boards asking them ironically why they only have quotas for men.**

**Q: Why is it important to have gender equality on a company board?**

**A:** It is important for two reasons. First, it's a question of competence on the board. The number of women in the boardroom indicates if the board members are chosen by competence. But it's also a way to improve boardroom work and performance. Diversity is necessary – all the mistakes of recent years show that, from the auto industry to the financial sector.

**Q: What can a company gain from having more women on its board?**

**A:** It's easier to recruit by competence if you don't have a gender bias in the recruitment process. It's not healthy if male board members recruit other males who are exactly like themselves. It's obvious that a greater degree of risk aversion would have been useful in financial companies. Women can also provide a better knowledge about female consumer habits.

**Q: A Folksam report showed that women board members are better educated than their male colleagues. Was does this say about women's experience in the business world?**

**A:** I think most female members of business society have experience discovering that they have a broader competence than most of their male co-workers and still have a lower remuneration or grade. It is not equality if female directors are better educated than male ones. It's only a sign that the demands on females are higher. You will not have full equality before female underperformers have the same possibilities as male ones. Folksam got the exact same results in a study of the largest Swedish company boards. The study shows that female board members are younger and are absolutely higher educated than their male colleagues. I believe this is due to higher requirements on female candidates for a board, but it could also be a way to compensate for the lower grade of female CEO experience. Only 20 percent of female board members have this experience compared to 60 percent of the males. I also think that if you have a clear recruitment process you attract more competent candidates, male and female.

**Q: How should the gender balance be corrected?**

**A:** A legislated quota is one option, but if you try to use discrimination to fight discrimination you will get a reliability problem. But I think the business world could cope with this problem by using a clear and transparent recruitment process. The Norwegian experience is an example of this. There have been no reports of competence problems – rather the opposite.

**Words David Wiles**



Intrum Magazine travels to Beijing and Shanghai to get first-hand information about Chinese attitudes towards credit and risk management.

WORDS DAVRELL TIEN / PHOTO GETTY IMAGES

# Getting paid in China



America is just too bad,” intoned the Beijing cab driver, drawing a bit to maximize the droll effect of his Beijing dialect. Back last April, all the talk in China was about a possible devaluation of China's trillion dollar plus holdings in US treasury funds if the Fed suddenly started printing money. For the Chinese this brought home the fact that in their home market, the creditor is usually at a disadvantage - and that legal mechanisms for credit management can vary hugely from one region to the next.

Although many believe that China eventually will offer enormous opportunities in consumer credit markets, for car loans, credit cards and mortgages, at the moment the retail sector remains largely 'cash-centric'. Personal relations remain a key aspect of business to business credit management, but the market is changing rapidly.

**Gower Tang**, a Beijing-based IBM executive, occasionally gets unsolicited SMSs offering debt collection, a random mass mailing from the 'dark side' of China's emerging credit management industry.

"But no matter how fast I delete the dubious offers, I soon get another," says Tang.

### THE SITUATION IN CHINA IS IMPROVING

All those interviewed agree unanimously that China is an exciting place to do business despite credit risk uncertainties. Although it is still difficult to get reliable financial data, during the past 5 years it has become much easier to get information about companies. With a bit of basic due diligence it is not necessary to do business with mysterious entities, that period of Chinese economic development has receded into the past.

### “KEY ACCOUNTS CAN BE QUITE AGGRESSIVE IN PUSHING FOR EXTENDED CREDIT”

There are many law firms and collection agencies offering to collect debt, but for many firms finding the right credit management policy is not simple and the situation has grown more complex since the credit crisis began. One sign of this is a rise in open account transactions.

“Companies whose clients are suffering from tight liquidity have driven open accounts up sharply,” noted Joanne Wood, Chairman of Capital Eight, a Shanghai-based investment bank.

**Another factor behind** the increase is constant pressure to match credit terms offered by competitors seeking to lure customers away.

“Doing business in China is often about relationships, so key accounts can be quite aggressive in pushing for extended credit,” she added.

But once customers have credit, the delay payments game often begins. Private companies are generally seen as a greater credit risk than state-owned or joint ventures.

“Getting paid on time is a constant problem,” says Grace Liu, Managing Director of Asianera Ltd, a producer of hand-painted bone china porcelain. Since the credit crisis in the US, Chinese customers in the hotel and restaurant business have become essential to her firm.

“The salesman in charge of the over due account is also responsible for chasing payment,” says Liu, who after decades of doing business in China relies on the judgment of her local partner when entering new commercial relationships.

In 7 out of 10 cases, Chinese firms rely on negotiation rather than legal action or debt collectors. The lack of enthusiasm for legal solutions has several reasons: the quality of law is not perceived as strong; the quality of legal services is uneven; and finally Chinese courts do not award legal expenses even if they rule in a creditor's favour.







“Certainly, China today has laws and regulations governing issues such as bankruptcy ... However, much of China’s law is relatively new, much of it revised or promulgated since 2007, and it has yet to be truly tested, particularly in such severe economic conditions.”

**Joanne Wood, Chairman of Capital Eight, a Shanghai-based investment bank.**



Collecting late payment in cash-centric China can be as fire-cracker fierce as New Year's Day festivities.



▶ On paper law firms are the only legal entities that can engage in the business of debt collection. In reality professional debt collectors exist and often collaborate with law firms. A Chinese Canadian businessman resident in Beijing said that debt collectors were disliked because they not infrequently kept their clients' money while sending bills for services.

**Many Chinese creditors,** according to the

businessman, often go to great lengths to harass debtors. An aggrieved creditor may send employees to loiter outside offices, looking for opportunities to denounce the debtor and scare off potential new business. Pasting accusatory leaflets over window panes is popular in some provinces. Actions showing the huge gap between debt collection in China and Europe. China still has a long way to go to modern credit management.

And the country's dynamic economic development sometimes leads to managerial chaos. Many entrepreneurs in China have enormous self-confidence because they have succeeded in building a particular business. They are creative people who dare to do things that people in more mature economies would never undertake. The Chinese Canadian explained:

"Someone who is a successful restaurateur

may be approached by someone who has a plot of land on which there is zoning permission to build a hotel. In no time at all the restaurateur is running a construction company and gearing up to become a hotelier.

**"LARGE DEBTORS OFTEN HAVE SMALLER CREDITORS COMPLETELY AT THEIR MERCY"**

Suddenly what was the cash flow for one solid operation is the life blood of 10 and it becomes impossible to pay all creditors on time."

Large debtors often have smaller creditors completely

at their mercy. One of the Chinese manifestations of this is the Chinese New Year tradition of begging creditors for partial settlement. Desperate creditors often chase debtors into office building elevators, where they plead for money so that workers can return home at New Year with something in their pockets.

"In construction and certain other industries this is a chronic problem and you can find countless stories where peasant construction workers have laboured for an entire year without being paid," he said, adding that the local governments at times intervene when there is an acute need for justice. ▶

**LEGAL PRACTICES DIFFER ACROSS CHINA**

Although a legal structure exists for the filing of liens nationwide, practices differ by asset type and region. The general preference for collateral is as follows:

1. building and/or land-use rights,
2. machinery and equipment,
3. accounts receivable and inventory.

The liens registration process for the last category is considered difficult to enforce.

**POWERFUL ADVICE**

- Companies doing business in China must be strict about setting down clear terms in the event of non-payment.
- Contracts can include explicit terms for regulation of debt, including arbitration.
- Third party intervention and legal recourse are on the increase, but negotiation remains the dominant approach.
- Overly restrictive credit policies may cause a business to lose market share.
- Borrowing money to finance consumption violates Chinese norms.
- The bigger the default, the less likely creditors are to go to court.



# Playing fast and smart PAYS

Denmark's biggest supplier of low cost mobile services M1 decided to outsource its debt collection as part of the company's lean management approach.

WORDS DAVID NOBLE / PHOTO TORBEN NIELSEN

It's lunchtime at the office of Denmark's highly successful low cost mobile operator, M1, situated in the northern Danish town Aalborg. Like most days, M1 co-founder Mads Peter Veiby is top spinning, back spinning, lobbing and overhead smashing in the outer office making it hard for his opponent to return his shots.

A fierce game of tennis is underway, but not as many of us know it. Mads is playing a colleague for vital points in M1's Wii Sports Tennis Challenge, played daily to win

sporting acclaim and keep mind and body alert in the tough mobile telephony business. Mads believes any exercise demanding focus and skill is good for business. That's why he launched the lunchtime Wii Sports Tennis playoffs that are now a popular daily pastime for most of the company's 20 full-time employees.

"Sport and business are both about quick reactions and smart reactions," Mads says.

**Reacting quickly** and smartly to market opportunities helped Mads and co-founder Thomas Havermann start M1 in 2003 as one of Denmark's first mobile operators not to have its own mobile net. It has propelled the company into a top position as the country's biggest supplier of low cost mobile telephony services and equipment.

M1 has cut to the bone and focused on low subscription prices and online self-service in order to attract subscribers. The launch of Mobile SupportWare in August 2007 further enabled M1 to focus on providing its subscribers with online top-level support.

M1's business model is constantly proving itself. For example, M1 has slashed the average waiting time for customer service to an outstanding low of 42 seconds on average. M1 prides itself on winning such accolades as 'Denmark's entrepreneur of the year' in 2006 in the start-up category and the 2008 Gazelle Award recognizing it as Denmark's fastest growing company.

M1 can justifiably pat itself on the back for

having built up a customer base of close to 200,000 consumers.

"We make our money by ruthlessly keeping costs to a minimum without sacrificing either quality or service. We are very focused on providing online support functions that guarantee service 24 hours a day.

"We do not have our own mobile net, but rent from Denmark's TDC telecom operator that provides terminals and networks. This model allows us to utilise all our energy in building an excellent product and good service."

**Early on, the company** decided to outsource its debt collection services as part of their lean management approach. And after a stringent vetting process of the main collection players in Denmark, M1 partnered with Intrum Justitia in 2004.

"We liked their infrastructure and approach. They understood our desire to sustain a low cost operation and adapted their processes to our own online approach," Mads recalled.

"Intrum Justitia is a strong brand name in Denmark and the name is a bit intimidating, which we see as a bonus when chasing payment."

Mads is impressed by Intrum Justitia's commitment to help M1 optimise its own reminder services to speed collection before it becomes a debt management issue.

"We send out three letters before cutting off services to a non-paying customer and handing the case over to Intrum – and their success rate has proven satisfactory."

M1 has no current plans plan to expand outside Denmark.

"We still have a lot of potential in Denmark, so we're happy to stay focused on this market until we reach game, set and match – in real life, not virtually, of course," laughs Mads. ▀



"Intrum understood our desire to sustain a low cost operation and adapted their processes to our online approach," says Mads Peter Veiby, co-founder of low cost mobile operator M1.



Early on low cost mobile operator M1 decided to out-source parts of its credit management

# “The poor are being forgotten...”

“The financial crisis will be sorted out ... the real focus should be on fighting global injustices such as poverty, HIV and climate change,” says **Bill Clinton**, former President of the US. Now a global activist, he worries that we will forget the poor.

WORDS KARIN NILSSON / PHOTO SCANPIX & GETTY IMAGES

**B**ill Clinton is not alone. Like many of his former colleagues among the top leaders of the world he has stepped down from politics and instead engaged himself in fighting injustice around the world from poverty to climate change. Bill Clinton has gone from the top seat in the White House to the role of an activist. A position he concludes is a bit more comfortable during a springtime visit to Stockholm to talk about his climate work.

“I am no longer the prisoner of daily events. I can wake up in the morning and focus on two or three things. If I see something that just breaks my heart it is President Obama’s problem,” says Bill Clinton smiling.

Even though he is obviously content with not having to fight with Congress on passing reforms and legislations, he has his former position to thank for more than a lot.

**It makes him a** special activist with an international network and an audience like few others, and also an activist with fewer funding problems. According to American media, he averaged a speech a day in 2006 at an average rate of about USD 140 000 everytime he spoke.

Besides the influx of money, Bill Clinton has the world’s attention for the rest of his life. Still a task with huge responsibility, states Bill Clinton comparing what he does today with what he used to do.

“I was pretty privileged to have eight years and I loved it. Now I feel a responsibility in the areas where I have a chance to change things.”

Bill Clinton, elected in 1992, was the first Democratic President to be awarded a second term in six decades and the US economy enjoyed the strongest expansion in a generation under his command. The strong economic expansion and low interest rates made it possible for more families to fulfil an American dream. The Clinton era saw the highest homeownership in the American history.

When he stepped down in 2001 the White House published a report enumerating his achievements. It mentions, among other ►



► things, more than 22 million new jobs, the lowest unemployment in 30 years, the lowest poverty rates in 20 years, a raised education standard and the lowest crime rate in 26 years.

But what the report failed to mention was the scandals that also marked the Presidency. There were different ‘gates’ and accusations on lying under oath and of having obstructed justice when trying to cover up his affair with the White House intern Monica Lewinsky. But the American public never seemed to care and Bill Clinton remained a popular President and person.

Today how much of the booming economy that is attributed to Bill Clinton and what is assigned to the former Federal Reserve Chief Alan Greenspan is debated. But there are also less flattering debates and they are both accused of having eased credit expansion and promoted house loans too much. And they are both among the scapegoats blamed for the world’s economic turmoil.

Bill Clinton has admitted that there was a danger in his administration’s policy of pressing the mortgage company Fannie Mae to lower credit standards for lower- and middle-income families wanting to buy a house. But during those prosperous economic times it seemed like a good thing to do in order to even out wealth, he explains in American media.

**And there is no** doubt the US is to blame, Clinton states, in the beginning of this year at the World Economic Forum. The Chinese are right, he says: It all started in the US.

“But I believe that when we are through this we will have a 21st century finance system that will make money the traditional way, investing in goods and services that are needed for the modern world.”

Now he wants us not to worry too much about the world economic crisis. It will pass, Bill Clinton tells the audience in Stockholm City Hall.

“We will get this sorted out, don’t worry.

**“I FEEL A RESPONSIBILITY IN THE AREAS WHERE I HAVE A CHANCE TO CHANGE THINGS”**

And fighting climate change is really a good way of getting the economy going again,” he says but worries that the poor countries are being forgotten.

Since Bill Clinton stepped down from being Mr. President of the US, he has engaged in injustices of the world. In 2001 he started the Clinton Foundation that focuses on worldwide matters that need urgent action and has measurable results. In 2007 the foundation’s

revenues were 131,450,000 USD. Around 60 percent of the revenues were spent on fighting HIV and AIDS. The foundation has among other things negotiated lower prices for HIV and Malaria medicines, making the daily life of many HIV/AIDS infected people a lot better.

Where the funding came from became an issue during last autumn when Hillary Rodham Clinton, Bill Clinton’s wife campaigned for the Presidency and later got the job as Secretary of State in the Obama administration. Many were afraid that there could be a potential conflict of interest if Clinton’s wife became the nation’s top



Former US President Bill Clinton toured Clinton Foundation projects in four African nations before heading to Mexico City to give a keynote address at the World AIDS Conference in August 2008. Here he visits Monrovia in Liberia.





### SPEND A DAY WITH CLINTON

Bill Clinton was born in 1946 in Arkansas in the USA. He decided in high school to enter a life of public service after he met President John F Kennedy. He became the youngest US governor ever, at the age of thirty-two, and was elected President in 1992. His presidency is remembered for many accomplishments, the US economy enjoyed the strongest expansion in a generation under his command. But there were also many scandals. Since stepping down from politics, he has engaged in combating global injustices and climate change. His wife, Hillary Rodham Clinton, is now the Secretary of State in President Obama's administration. She ran an ambitious campaign and enjoyed the support of her husband. A support so strong questions were raised on who would be in charge if she was elected – the new or a former president. The campaign debt is being paid back by a lottery. Ticket cost is USD 5 and first prize is a chance to spend a day with Bill Clinton.

diplomat. Bill Clinton therefore agreed to reveal the name of the donors. Bill and Melinda Gates Foundation were among the biggest donors. But there were also countries like Saudi Arabia, Oman, Kuwait, Qatar and Norway contributing as well as larger American companies.

**In 2006, the** foundation launched the Clinton Climate Initiative. Bill Clinton believes that rich countries have a responsibility to help poorer ones with new and greener technology. And he tells us we need to change the way we do business. We have to focus on sustainability and have a

longer horizon on what is economically profitable.

“We have to prove that fighting climate change is good economics,” he argues, and urges us to start asking ourselves how we are going to reach a low carbon world.

“It is time to go from words to action. For example, I think that any island in the Caribbean could be energy self sufficient with solar, wind and efficiency measures if we were prepared to help them.”

## “FIGHTING CLIMATE CHANGE IS A GOOD WAY TO GET THE ECONOMY GOING”

Asked why he has devoted his post presidency on trying to help others, Bill Clinton tells us that he simply does what he loves. He wants to make a difference and

he wants to help. It is no sacrifice, more of a privilege.

“This is a selfish decision. I enjoy this much more than playing golf and pretending to be a much better saxophonist player than I am. This is what I love ... and this is what I do,” says Bill Clinton. ▀

# DRIVING PROFIT

If every business, public body and private individual paid their bills on time, Europe would be at least € 25bn better off and more able to combat recession, boost employment and invest in growth. That's a conclusion from Intrum Justitia's latest survey of Europe's payment habits. Discover how one fictional company used the survey to avoid bad debt and delayed payment to increase profitability.

WORDS DAVID NOBLE / ILLUSTRATION TOBIAS FLYGAR

Wednesday, March 7, 2012, opens windy and wet in Brussels. But the chill weather does not shake Jenny Lindh's upbeat mood. Since waking in her hotel, she felt nothing could dent her euphoria.

Chief executive of Tip-Top Telecoms (TTT) AB, a mid-sized Swedish telecom company supplying corporate, public and private customers across Europe, Jenny looks forward to receiving the prestigious 2012 EU award for 'Europe's Top SME'. The prize acknowledges the firm's total focus on customer satisfaction and success in delivering consistently better profits for the previous three years.

Leaving for the award ceremony, Jenny recalls how close TTT came to

near-disaster back in late 2008 as Europe reeled from a ruthless global recession. The company was only saved from spiralling into negative liquidity by pursuing innovative approaches to growing outside its traditional Swedish market and – importantly – by building and leveraging its customer base.

The exciting journey started when Jenny read a news feature about a survey into the payment habits of European businesses, public bodies and private individuals. She'd been shocked by the threat posed by bad debt, especially at a time when as the new CEO of TTT Jenny wanted to grow the company abroad.

Jenny had immediately ordered a copy of the European Payment Index (EPI) survey carried out by credit-management firm Intrum Justitia (IJ). Jenny then met

with Intrum Justitia customer key accounts manager, Erik Nord. He told her getting paid on time is the same jungle all over Europe, whether it's corporates, government agencies or individuals.

"When you study a new market waiting for you, the key step is to make sure you always indentify the right person or company to sell to," Erik had stressed in the first meeting.

Using IJ's pan-European credit management expertise, Jenny had implemented a no-holds barred review of TTT's balance sheet and marketing activities. Today she admits it was one of the best things she'd ever done as a top manager.

Erik explained a classic pitfall many firms confronted was not encouraging a holistic, totally integrated organizational team: "You ▶





It all starts with targeting the right customers.



2009. Jenny decides to contact Intrum who carried out the survey.

How can we expand into new markets?



It's all about identifying creditworthiness from the start.

2009. Jenny summoned her department heads to explain her new credit management approach.



Yes, let's close this deal

2012. TTT is now Europe's fastest growing company and wins Europe's Top SME Award.

The greatest tool to our success was the innovative credit management process we implemented...





► must make everyone within all departments aware of your percentage of write offs and delayed payments – and the damage and extra work it means for sales.”

Jenny called her department heads together for a weekend meeting to explain her new integrated debt management strategy. Any resistance was swiftly swept aside when Jenny had revealed that across the EU some 65 percent of companies wait on average 85 days before seeking professional help to get paid.

**Jenny's team quickly** got her message: The ultimate aim of an efficient credit management service (CMS) is much more than just ensuring the efficient handling of customer credit lines or limits to deliver profit. It also embraces building customer loyalty and helping identify and speed successful penetration into new markets. The sales people, especially, realised that CMS is also about not wasting time and money on efforts to sell to customers who should not even be on the prospect list.

Within months, everyone at TTT had embraced the idea that the credit management role should start even before the sales function launches its sales pitch to a potential customer. It became second nature to implement a sound review of every potential customer, whether individual consumer or an enterprise, geared to avoid selling to

someone likely to end up seriously delinquent or in default.

TTT's expansion abroad was enhanced by identifying creditworthy business opportunities from the start, all aimed at maximizing the accuracy of a credit management decision and improving working capital efficiency. Rather than seeing fear of not being paid on time as a barrier to doing business with traditionally slow-paying countries like Greece or Portugal, TTT researched what customers in those countries had a good payments history – and then focused on them. To encourage prompt

payment, TTT also introduced creative payment methods sculptured to each customer's needs and history, taking pre-payment or providing discounts and bonuses as an inducement for fast payments.

**Within a year**, TTT had launched its services into new markets previously shunned for fear of bad debt. Management quickly integrated the often-disparate functions of sales, marketing, billing and payment processes to ensure they did not operate at cross-purposes. And the focus was on identifying and targeting those customers that will bring profit from day one. By ensuring the marketing and sales people had a profit-driven database to work from helped their focus move to also getting paid, rather than just selling. Even risky customers could be accepted and help generate profit, albeit with different payment or other conditions.

Jenny Lindh felt relaxed as she stepped up to the podium to make her acceptance speech. After all she had a great story to tell: “Friends, four years ago I never dreamt I'd be standing here today as CEO of Europe's fastest growing company. The greatest tool to our success was the innovative credit management process we implemented to drive our sales, income and growth.” ▶

## Trends in payment risks

- The pan-European average for receiving payment increased from 55.5 days in 2008 to 57 days in 2009.
- The delay in getting payment beyond the agreed term now averages 19 days compared to 17 days in 2008.
- 65% of companies across Europe wait almost 85 days on average to seek professional help to get paid.
- Public authorities are the slowest payers across Europe with an average delay of 37 days on an average 30-day contract term.

## 9 golden rules to success

1. Know who to sell to by creating a profit-driven sales & marketing database.
2. Target the right customers.
3. Integrate sales & marketing departments with finance/CMS (communicate!).
4. Analyse risk portfolios more often.
5. Monitor customers' creditworthiness continuously.
6. Have direct contact before the payment date and discuss delivery, the invoice and payment.
7. Follow up directly after the due date.
8. Send claims to a professional intermediary as fast as possible to decrease the written off percentage and decrease further payment delays.
9. Constantly seek new product and service offerings to sell profitable customers.

## 4 basic reasons for late payment

1. Intentional late payment.
2. Disputes regarding goods and services delivered.
3. Administrative inefficiency.
4. Debtor in financial difficulties.



## GET YOUR FREE COPY

Learn more about the challenges of outstanding invoices and how to deal with them efficiently. Get your FREE copy of the European Payment Index 2009 and use it to your business advantage. Go to [www.intrum.com](http://www.intrum.com) and order it now!



## 7 billion...

...euros is the amount of money the European Bank for Reconstruction and Development (EBRD) says it aims to invest in 2009 to tackle the slowdown. The money will be invested in European infrastructure, energy, corporate and finance projects.

### Eurozone economies suffering...

▶ The economies of the 16 countries that make up the eurozone declined by 2.5 percent in the first three months of 2009 according to Eurostat, the EU's statistics agency. This was worse than the drop of only 2 percent earlier forecast by analysts. A key factor in the decline was a sharp fall in German exports as Germany's economy suffered its largest contraction since reunification, falling 3.8 percent in the first quarter.

### ... and UK debt burden rises further

▶ Standard and Poor's, a leading credit rating agency, in May revised down its outlook for the UK economy due to concerns about its significant debt burden. New borrowing by the UK's government soared at the start of the summer to a record of almost £8.5bn. Saying the UK's finances were deteriorating faster than expected, S&P downgraded its view of the UK to "negative" from "stable" for the first time since it started analysing its public finances in 1978. This downgrade was bad news for Britain as it can make it more expensive for the UK to borrow money, which could lead to higher taxes and tough spending curbs. The ratings agency believes the UK government may eventually be liable for costs of up to £145bn (or 10% of GDP) for bailing out the country's banking system.

The EU's changing economic landscape will demand new business strategies.



## Time to start planning for a post-recession future

**European Commissioner for Economic and Monetary Policy, Joaquín Almunia, has called for the development of post financial crisis strategies now in order to meet the demands of Europe's changing economic landscape.**

**Speaking in late May** at the Brussels Economic Forum, a key platform for debating and shaping policy on the challenges facing the EU economy, Mr. Almunia said the Union's economies and financial systems have come under unprecedented pressure from the most severe financial crisis in the post-war era.

"We have witnessed the steepest fall in world trade on record. And this year Europe is set to live through the deepest recession since the foundation of the EU," he said.

"Deep crises leave a lasting trace on economic activity. They bring powerful lessons for economic governance. It is likely that we will emerge from this crisis in a new economic and financial context with new challenges to tackle, even as we grapple with the old."

Almunia warned that even when growth is restored, we couldn't expect a return to business as usual.

He added there are a number of key questions that we need to ask ourselves.

"How do we plan for the unwinding of the economic recovery plans and withdrawal of the massive support to the banking sector when growth and stability return?" he said. "How can we ensure that we have learned the lessons of this crisis, and taken appropriate action to ensure history will not be repeated? And how do we position Europe in a post-crisis world, so that we are equipped to manage the challenges of globalisation, ageing and climate change?"

**Almunia said the** development of post-crisis strategies was a core need now in order to help underpin confidence in Europe's economic future and sow the seeds for future growth and prosperity.

Although the recession is easing, the EU Commissioner believes a return to growth is not yet there with a 4 percent contraction in the economy predicted for this year and only a modest and gradual recovery in 2010. He added: "To bring about recovery sooner we need to focus on three immediate tasks: We need to

continue implementing fiscal stimulus measures as swiftly as possible. We need to cushion the impact of the recession on labour markets. Last but not least, we need to mobilise a concerted effort to address the crisis at source: to restore trust to the banking sector through a drive for transparency; and restore confidence through treating impaired assets.

So what of the future?

Mr. Almunia said the task ahead is to unwind the huge amounts of support channelled to the financial sector and the real economy. Policies must take account of potentially subdued growth potential, high unemployment and public finances under severe strain and at the same time factor in the wider forces that are re-shaping the economic and financial landscape in the longer term – especially ageing, globalisation and climate change.

There is an acute need to be realistic, insisted Mr. Almunia. "The recovery in growth that follows the crisis may be gradual. Moreover, the dynamism that previously came from the financial markets will have to be found elsewhere. This is where structural reforms come into play."

## So, history does repeat itself

Banking failures sparked by credit squeezes are older than we think. A team of British academics at Reading University's ICMA Center has documented a medieval credit crunch that started in 1294 with remarkable parallels to the current crisis.

Sub-prime borrowing and liquidity disappearing were the events leading up to a credit crisis more than 700 years ago.

The medieval economy was pretty sophisticated. Wealthy Italian merchant societies, the forerunners of today's investment banks, managed large sums of collected taxes for the Pope and the English king, as well as holding deposits from rich individuals.

But in the early 1290s, the Pope called in his money, the French king levied a huge tax on the Italian merchants in France and war unexpectedly erupted between England and France, which led in 1294 to England's King Edward I calling on his bankers (the Ricciardi), to raise money to fund his armies.

Unfortunately the bank's assets were tied up in loans. They were unable to raise short-term loans from their fellow merchants because the interbank markets were frozen, just like today, with the merchant societies unwilling to lend to each other.

Edward responded by seizing all the assets of the Ricciardi, effectively bankrupting the society and putting the English monarch at the mercy of loan-shark creditors in a bid to raise the money he needed to fight the war. To pay his bills the king was obliged to resort to punitive taxation and other measures, which all ended with considerable public opposition and a serious constitutional crisis in 1297.

It all sounds so very familiar...



# Intrum sponsors CSR award



**Intrum Justitia is sponsoring the Social Capitalist Award, a yearly event that recognises companies for their corporate social responsibility.**

For the third year in a row Swedish business magazine Veckans Affärer is recognising companies for their work on corporate social responsibility (CSR) through the Social Capitalist Award.

"A prize encourages and shows good examples, and an event gives people a chance to meet, discuss and learn from each other," says Pontus Schultz, Chief Editor at Veckans Affärer.

According to Pontus Schultz, businesses are slowly doing a better job on corporate social responsibility issues, but there is still much work to be done. CSR is a must for smart businesses that want to stay ahead, he argues.

What struck him this year is that companies that have a fundamental understanding of CSR have come off

better from the financial crisis – something to adhere to.

"I believe that we will look back upon the last twenty years of doing business as a period when we looked upon the business community as being separate from society. Consider what it means that we have had to establish a code of conduct to tell businesses how to behave towards the rest of society," argues Pontus Schultz

As part of a greater commitment towards CSR Intrum Justitia is one of the two main sponsors of the CSR event.

"Taking a more active role in the society and acting responsibly in the company's own business sector is natural today," explains Ingrid Boström, head of communication at Intrum Justitia Sweden.

Besides engaging in the event Intrum Justita also set up a website at the start of this year. The purpose is to educate young people to consume in a good way.

"We have noticed that young people aged 15 to 25 are the group whose debts grow the most. Consumption is an important part of their life style, but they lack basic knowledge of personal financing. We think we can help and make a difference in this area."

### Social Capitalist Award 2009

The award recognises fine examples in corporate social responsibility. There are three categories, large companies, entrepreneurs and non-governmental organizations. The Social Capitalist Award by business magazine Veckans Affärer started in 2007. Last year's winners were Leif Östling, CEO, Scania, Monica Lindstedt founder of Hemfrid, Lasse Gustavsson, general secretary at WWF.

## EU helps SMEs battle the credit crunch

Europe's small and medium sized enterprises (SME's) have been hard hit by the ongoing economic downturn with bankruptcies reaching record high levels. To help counter the trend, the European Commission has joined forces with member states to launch initiatives to improve the conditions for small companies – who represent a staggering 99 percent of Europe's companies.

In early summer, European Commission Vice-President Günter Verheugen, responsible for Enterprise and Industry, told a press conference in Brussels that if there is a way out of the economic downturn, it is the creativity and capacity of SMEs to find solutions.

"We need more SMEs as they are the true drivers of growth and job creation", Verheugen told journalists.

One of Günter Verheugen's



main messages concerned raising awareness about business support available from the EU. This came on the heels of a survey that revealed that 82 percent of entrepreneurs did not know how to find out information on issues ranging from legislation or community funds aimed at SME's.

He said Europe's SME's can now access the European Entrepreneur Network (EEN), which comprises

close to 600 partner organisations in more than 40 countries, promoting competitiveness and innovation at the local level in Europe and beyond.

Reachable by phone or e-mail, EEN professionals can help companies looking for commercial or technological partners to develop their business on a European scale.

**Discover more at [www.enterprise-europe-network.ec.europa.eu](http://www.enterprise-europe-network.ec.europa.eu).**

Late payment is a 'disease' that cannot be tolerated, says European Commission.

**PAST DUE**

# Plans for improving Late Payment Directive

**The European Commission** in April released its long-awaited proposal for revising the existing Late Payment Directive, which the Commission had acknowledged is both ineffective and of little use. At the press conference presenting the revision, EU Enterprise Commissioner Verheugen described late payments as a 'disease', and added that late payments could no longer be tolerated.

In its revised proposal, the Commission introduced new binding rules for the public sector to pay their private suppliers such as SME's within 30 days. The proposal included punitive measures for late payment

encompassing late payment interest, recovery cost compensation and a flat-rate compensation of 5 percent of the amount due. Verheugen said: "The reasons for public bodies' late payments are sloppiness, mismanagement and abusive powers of the public bodies vis-a-vis the private sector. Private citizens get a chunky fine if they are late paying fines to the public authorities, on the other hand."

Despite calls from businesses and organizations, the Commission omitted to include B2C payments. The current and future Directive is only concerned with B2B transactions.

Regarding B2B, businesses will be entitled to claim compensation and interest when not paid on time according to the revision. However, many experts have voiced concern that this will not effectively strengthen the existing Directive and neither improve the situation for SMEs.

Verheugen wants the proposal to go through a fast-track procedure so that it can be adopted next year. However, even if adopted next year, it is not likely that Member States will be obliged to transpose the new law into their national legislation until 2011 at the earliest.

## Financial supervision authorities

In May, the European Commission proposed several reforms to the current financial supervision in Europe with the creation of a new European Systemic Risk Council and European System of Financial Supervisors, composed of new European Supervisory Authorities. Legislation to embody these proposals will follow in the autumn.

## Clearing up the banking mess

Neelie Kroes, the EU Competition Commissioner has said that the Commission wants to make banks smaller and more focused on core businesses such as lending. According to the Commissioner, "for banks there is some fundamental soul-searching that needs to be done. Many bank CEOs are not ready for that yet – they are still in denial." While she stressed the need to think more about the regulation of the banking sector, she pointed out at the same time that, "some in the industry are still shocked at all this talk of regulation. They need to get real."

## Massive interest for European Payment Index in Brussels

**The Public Affairs** office of Intrum Justitia in Brussels in May unveiled the results and conclusions of the newest European payment survey, the European Payment Index Report. A seminar staged in the European Parliament was attended by more than 50 Commission officials and representatives of business organisations, think tanks, embassies and media. CEO Lars Wollung introduced Intrum Justitia and its

significant change journey from a traditional debt collection company to a modern broad range business facilitator by way of credit management services.

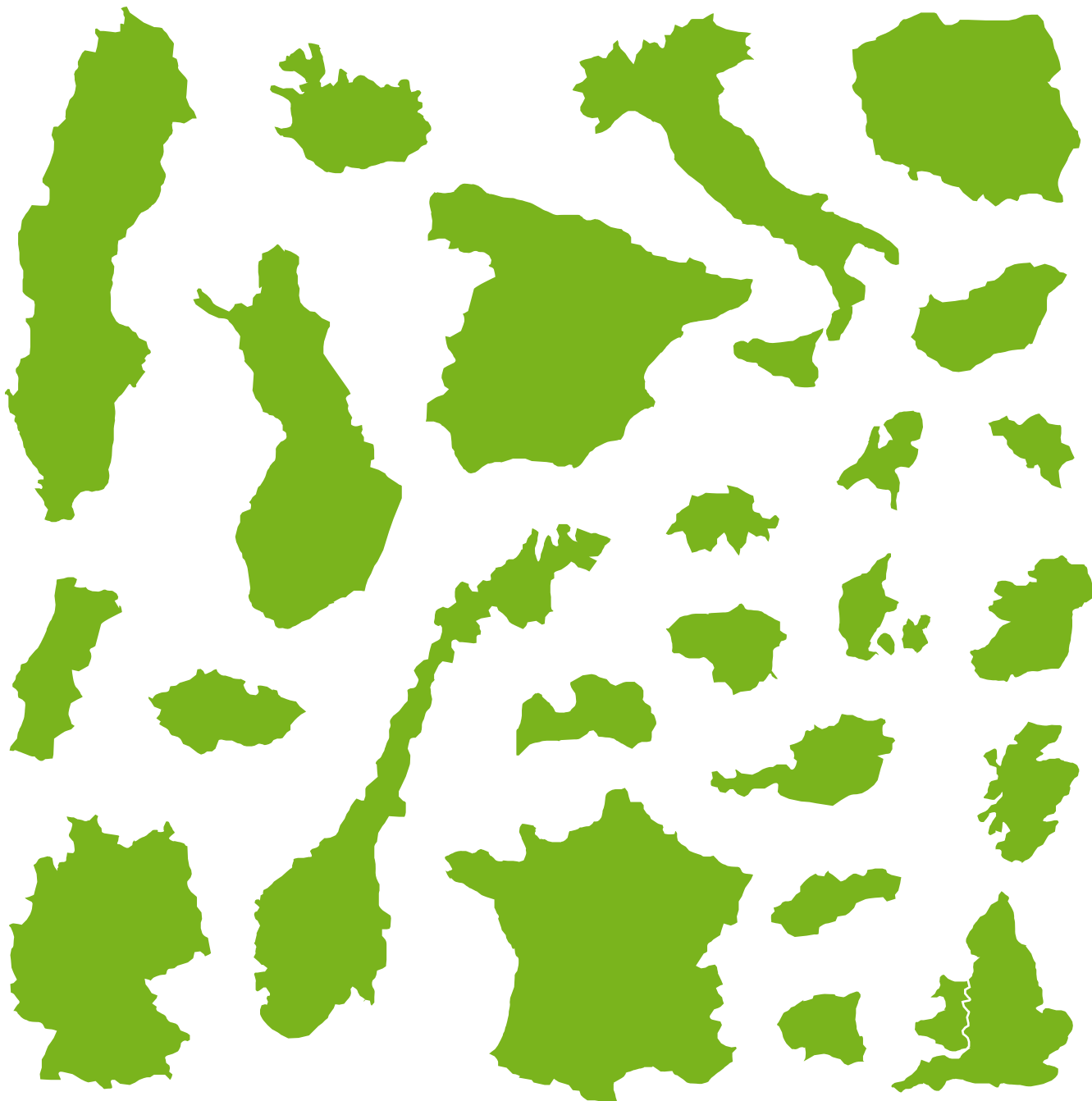
Madeleine Bosch, Intrum Justitia's EPI manager who authored the EPI report, presented the key findings in this year's report. Among

other things, the report emphasized how the public sector was the slowest in making payments on time, compared to businesses and consumers. This issue was perfectly timed following the publication of the Commission's proposal a month earlier for a revision of the EU Late Payment Directive. In

the revised Directive, the public sector was especially called upon to improve their payment habits.

Also present at the seminar was EU Enterprise Commissioner Verheugen, who spoke of the need for the new European Parliament (following the elections in June) and the Swedish EU presidency (1 July – 31 December) to take the EU's revised late payment Directive seriously and implement it efficiently.





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## 90,000 CLIENTS. 24 MARKETS. 1 COMPANY.

Intrum Justitia is the leading provider of credit management services in Europe for a simple reason – we combine local expertise with the muscle of a true pan-European company. We not only know local legislation and payment patterns, we know how to make business work across borders.

Wherever you do business, Intrum Justitia is there to turn credit from administrative expense to profit centre.