

ASSESSING THE REQUIREMENTS AND BENEFITS OF DEBT COLLECTOR TRAINING IN SOUTH AFRICA

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Abstract

South Africa, like many developing countries has experienced a high number of the delinquent debtors in the collections industry. The focus of this study is on describing the requirements in the training of debt collectors and how it benefits the industry, while suggesting the strategies for improving debt collecting training in South Africa. A theoretical survey and a literature review were undertaken to identify the elements involved in training debt collectors and how it benefits the industry. Firstly, as the content to be presented is debt collection and is not generic in nature, the purpose of this literature study includes the investigation and identification of the elements involved in debt collection services. This includes, inter alia, the study of computing technologies, identification of a design strategy for debt collection systems and identification of a model to define distributed objects as an object-oriented view of distributed systems. This investigation is necessary, since debt collection training and design are important aspects of any lending institution system as it provides a framework for accountability. The principle method of investigation in this study was a quantitative exploration of assessing the degree of how the financial lending institution benefits through the training of debt collectors in South Africa, Johannesburg. The study used the questionnaire approach, particularly closed ended questions. 60 respondents were targeted for the study.

The 25-34 years category was represented by 26% of respondents meanwhile the 35-44 years group was represented by 11%. These statistical patterns show that most individuals who participated in the study are younger than 25 years whilst age brackets such as 44-54 years had very few individuals. Younger employees may not have the necessary institutional memory to understand all the ramifications involved in debt collection business which calls for training and experience. The results showed that fewer respondents in key management positions such as Branch managers and Training managers are few in number as results there was a gap in terms of proper training and guidance.

The implication is that, for every debt collection sector, leadership training should be central. This is because leadership basically deals with the human relations where problem solving, communication and decision making are promoted and cultivated. In debt collection good

decision making is demanded. The study indicates that highly effective leaders know many forms of decision-making and are situationally sensitive in their selection of a particular approach to decision-making. They are thus very analytical and rational in the way they perceive and perform their functions.

The study found that the participation of debt collectors in training could be enhanced by means of management involvement, effective mentoring, programmes for the preparation for leadership, and the assurance of job security.

The study brings about an additional importance and understanding of debt collector's training, especially towards facilitating future research on leadership in the debt collection business.

The recommendation for the study was for debt collection organisations to quantify their training of staff and ethical practices in such a way that they can evaluate progress towards integrated debt collector training and the zero misconduct strategy.

INTRODUCTION

It is often argued by debt counsellors that the current training requirements for debt collectors' agencies are inconsistent and irrelevant to current industry practice, not cost-effective, difficult to access and lack flexibility (SA Financial Sector Forum, 2007). As a result, industry peak bodies have implemented their own training requirements for their members. This option has abolished all mandated training requirements leaving it up to the market to decide whether they undergo training independently or through membership of a peak body (Schularick and Taylor, 2009).

Introducing training standards across the debt collection industry, and having those standards set by industry (but, for example, approved by the regulator National Credit Regulator) is crucial for the debt collection industry in South Africa and will have long lasting benefits. The standards can form part of the chosen licensing framework and be approved by the regulator; they could be tailored by industry to suit particular specialisations (Gartner, 2011). For example, call centre staff would receive training relevant to their duties, which may differ from the training received by a repossession agent. However, there is no direct evidence of a lack of training causing a problem (Gartner, 2011).

This study will be restricted to the need for training among debt collectors and its implication for the lending business. This research will be generalised to the entire debt collection sector not focusing on one institution.

Objectives of the Study

The objectives of the study are:

- To investigate the necessity of debt collector training in S.A.
- To assess debt collectors improvement strategies available in S.A.
- To investigate the kind of training offered to debt collectors.

LITERATURE REVIEW

To understand debt collector training, a review of the available studies on debt collection is necessary. It is important to understand debt collection as a career, and the organizational setup. Also important is an understanding of the personnel in a running collection of debt. In order to understand this, a literature study was done with the emphasis on:

- National Credit Regulator;
- Understanding Debt collection; and
- What is involved in debt collection?

In South Africa lending is still rigorously monitored by the Reserve Bank's monetary policy; this is to ensure that there is fixed investment to sustain the growth of the economy and to stiffen debt to the consumer (South African Reserve Bank, 2008). This is very visible from the time of the 2010 World Cup as the target band remained unchanged between 3-6 percent. This was with a purpose to reduce inflation expectations (South African Reserve Bank, 2008).

Recent trends in the consumer credit market indicate that there has been a structural shift from provision of secured lending to unsecured lending with a specific focus on unsecured personal loans (SARB, Strategy Analysis, 2008). Traditionally, the unsecured lending has been dominated by microfinance credit providers, but when major credit providers have entered the market thus increasing the competition for customers. Some analysts have characterised this phenomenon as 'land grab' to lock in customers (Annie, 2008). This is a major economic phenomenon with huge impact on the way the economy operates.

Quarterly credit market statistics review by the National Credit Regulator (NCR) indicates that credit market presented a muted and mixed picture.

Current State of the South African Economy

The current South African economic situation is an indication of direct influence of the National Credit Regulator in the economic environment in South Africa. The South African Economic Environment (S.A.E.E) can be compared to that of the US especially with its current high credit rates, it can be said that the current flexible lending regulations have supported the South African population to a great degree, but this left a negative impact on the micro-finance institutions (Aron et. al, 2006).

Viable credit management is a vital tool in maintaining good customer relationships, profitability and for providing the means for business expansion. Many financial institutions such as the commercial banks do not have the capacity in terms of resources to pursue slow paying customers (which is costly in most cases). But by outsourcing their debt collections to a third party, the company benefits even more from a professional credit controller, who handles the sales and offers credit. The process comprises of three complementary factors; creditor, offering credit to consumer, consumer receiving credit from creditor, and debt collectors; collecting debts and giving feedback to the creditors. For each step to have maximum effects, certain conditions need to be satisfied.

All businesses must, at some stage, undertake debt collection. Whether that business collects debts in-house or out-sources the collection, having rules that allow cheap and efficient recovery of debt is vital to ensure that businesses feel confident in advancing credit, goods and services to consumers.

For the purposes of this study, 'debt collection' is defined as any attempt to enforce an obligation or alleged obligation to pay money arising out of a transaction in which the substance of the transaction is predominantly for personal, domestic, or household purposes (The Fair Debt Collection Practices Act (FDCPA), 1978).

It is important to acknowledge that debt collection agents are not the only debt collectors. A 'debt collector' can be:

- The original creditor, for example, a bank or trader/business (an in-house or 'original creditor')
- An agent acting on the behalf of a creditor who obtains a fee or a percentage of the total amount collected ('third-party collector')

- A person who purchases debt from the original creditor at a discount to its face value (a 'debt buyer') (FDCPA, 1978).

Credit Trends in South Africa

In South Africa, the total gross of unsecured credit exposure of six major banks amounted to ZAR334.9 billion (USD41 billion) by December 2011, while total gross unsecured credit exposure as a percentage of total gross credit exposure is esteemed at around 8 percent. This includes the banks' exposure to unsecured lending in the form of credit card lending, overdrafts, personal loans and financing provided to SME's (KPMG Report, 2013). The banks' year-on-year growth in credit risk exposure to unsecured lending was 11.3 percent in December 2011, with the highest growth being felt in the two 'retail other' categories, namely exposures greater than R30 000 (which grew by 39.8 percent to ZAR16.7 billion or USD2.05 billion), and exposures less than or equal to R30 000 (which grew at 15.6 percent to ZAR7.9 billion or USD967 million). Annual growth in the 'retail revolving credit' category amounted to only 5.4 per cent (to ZAR8.2 billion or USD1 billion) (SARB, 2010). That being said, the South African Reserve Bank does not see unsecured lending as a current threat to the financial system, as it believes that the banking sector carefully manages its exposure to unsecured lending by following well established models. But while the Reserve Bank does not currently deem unsecured lending as a 'bubble', it is continuously monitoring the situation. The unsecured credit exposure of banks remains at less than 10 percent of total gross credit exposure (SARB, 2010).

Debt Collection in SA

There are two main business models adopted by the out-sourced debt collection industry. They are the collection of debt on behalf of the original creditor (contingent collection) and the outright purchase of debt ledgers or portfolios by collection agencies (including specialised debt buyers) (Piteous, 2004). The growing use of credit by households up to 2010 supported both the volume of contingency collection and the value of debt ledgers available for purchase. Agencies may receive a fee based on the number of accounts managed. More commonly collection agencies are paid a commission, calculated as a percentage of the recovered money.

Credit Regulator in South Africa (NCR)

South Africa enjoys highly advanced legislation regulating its retail lending and its debt collection industries, with the National Credit Regulator (NCR) enforcing the National Credit Act (NCA) and responsible for the registration of industry participants such as credit providers, credit bureaus and debt counsellors as well as the investigation of complaints (Goodwin-Groen, 2006). The impact of this rule should be carefully considered by any party seeking to buy distressed debt in South Africa or interested in purchasing retail loan portfolios, as the regulations can influence the collection process for these loans (NCA, Government-Gazette, 2005).

Training for Debt Collectors

The overall benefits of promoting training and skills development in a workforce are far reaching for both organisations and their employees. An organisation that has successfully implemented the strategy of employee training and skills development have experienced significant improvements in performance, a rise in profits and a greater ability to attract and retain the best employees (Cathy, 2007). Employees will be more likely to feel motivated to work hard to assure the success of their company and deliver a greater belief that they are making an important contribution to that success. Furthermore, they will be less likely to seek opportunities elsewhere. Therefore an organization with employee training represents an untapped reservoir of competitive advantage. The rewards for companies that successfully engage their staff are multiple and are clearly worth the investment. The following are the different benefits of training on both leadership and the workforce.

Employee Training

The most important element which a debt collector organisation should consider and include in its implementation is having a successful effective learning opportunity for employees. If there is effective and accessible training and education to help restore the balance between individual needs and job requirements then there will be a better understanding of the responsibilities. More emphasis should be made on increasing the appropriate skills and knowledge which will help employees meet the demands of a redesigned job and, thus, can help restore job satisfaction (Yates, Folts, and Knapp, 2000). In line with the manner in which the industry is evolving over time, education becomes important to the employees. As it is in the debt collection, the industry is growing and there is need to develop an integrated business platform to make delivering services and products to the customer more efficiently. Innovative moves and strategies such as employee training are crucial to help the group achieve sustainable competitive advantage (Leithwood and Mcleah, 1987:35). Capability for quick and effective adaptation to these ongoing refinements in the business adds to the success of these endeavours.

On average, concern levels intensify when the personnel are required to learn something new. On the other hand, members of staff anxieties can be tempered when (a) training is offered well in advance of the scheduled developments, (b) individuals can study at their own speed, (c) complementary education opportunities should be provided for those who are chosen by management, and (d) a secure learning setting is ensured (Raymond, 2007). A safe learning environment should be supportive, encouraging (such as providing criticism, rewards, and praise to strengthen the learning), and tolerant atmosphere (Yates, Folts, and Knapp, 2000). With a safe learning environment in place, employees will not be so afraid to make mistakes or to ask questions but rather feel free to explore new approaches and thus be empowered to learn for themselves.

Major emphasis on the Training of Debt Collectors

This preference would see the existing unbalanced education requirements continue without change. Different provinces in South Africa would continue to vary regarding the qualifications required to carry on business as a debt collector, and industry would continue to impose internal education requirements for collectors who choose to be members of an NCR association.

Introducing training standards across the industry, and having those standards set by industry (but, for example, approved by the regulator- NCR) will have similar benefits to the growth of the industry. The training principles would form part of the preferred licensing structure and be approved by the supervisory body; they could be modified by industry to suit particular specialisations though (Government Gazette Act, 2005). For example, call centre staff would receive training relevant to their duties, which may differ from the training received by a repossession agent. Though, there is some evidence of a lack of training causing a problem of bad practices in this sector, training should be seen as the solution (Government Gazette 13 (a) of the Act).

Debt Collectors Training in South Africa

The main aim of debt collector training in South Africa is to give individuals the skills and confidence to do debt collection independently (without the attorney having to dictate every step to his staff member). Debt collectors are taught the debt collection process in chronological order. And high priority is given to enable students to complete debt collection documents independently (Law Society of South Africa report, 2009).

The training for debt collectors in South Africa is open to legal Support Staff members, working in an Attorney's firm who would like to improve their debt collection ability in other words, legal support staff members that would like to be able to take a debt collection file and collect the outstanding amount without having to be instructed what the next step would be. Persons registered as Debt Collectors (in other words any person other than that of an attorney's employee), practising attorneys and advocates rarely benefit from this training. According to the Law Society of South Africa (2009), the training of debt collectors offers participants the opportunity to learn about the following areas;

- Write a letter of demand
- Know the functions of the clerk of the court
- Discuss the functions of the sheriff
- List the manners in which a sheriff may serve a pleading/document upon defendant
- Explain the abandonment of part of a claim
- Know how plaintiff may amend a summons before service and after service
- Explain the prescription of a summons and in general
- Understand jurisdiction and know in which court to issue the summons
- Complete a simple summons
- Discuss defendant's options upon receipt of a summons
- Know when a combined summons is used and be able to draft the particulars of claim
- Complete the particulars of claim where the cause of action is based on a cheque
- Provisional sentence summons
- Help a debtor complete an acknowledgement of debt
- Help a debtor complete a section 57 and 58 consent to judgement
- Explain to debtor the purpose and consequences of section 57 and 58
- Know when to apply for default judgement
- Complete the application for default judgement and know which Annexure to attach
- Explain to a client or debtor the consequences of default judgement
- Mention the possibilities to collect the outstanding amount after default judgement has been granted and,

Benefits of Training

Impact of Training on employees

It has been said that Productivity is the *raison d'être* of management (Accel-Team, 2010). This means that it is up to management and the employer to decide on what direction the organisation through training. As management and the employer aim to reach the organisational goals, it has to increase in its skills training. While so many reasons can be seen to be contributing factors in a debt collection industry, enhanced productivity and higher job performance should be seen as the most influential benefits (Mitchell, 1982: 82).

Therefore the effects of employee training benefits the organisation so much because these employees are motivated in their work and this means that there will be fewer work errors, fewer rates of ethical problems, less employee turnover and lower levels of absenteeism (Jurkiewicz, Massey and Brown, 1998: 246). This explains that, the organisation will operate according to the set plans and goals because there is no challenge in terms of human capital. Shortage or challenges of human capital come in terms of absenteeism, ethical problems within the workforce and less employee turnover. Having fewer errors means the work will operate smoothly without delay because a mistake slows down the production in any organisation.

Employees with good training will be confident employees, this means that they will feel less stress, will enjoy their work and its environment, and as a result they will have better physical and mental health (Robison, 2010). Less stress, better physical and excellent mental health will create a good working relationship between the employee and the rest of the organisation. Furthermore, an employee who has good training is much more committed in his or her daily work and does not have any grievance or getting involved in the hierarchy and subordinate (Jurkiewicz, Massey and Brown 1998: 246). As this results in following the code of conduct to the latter, and this reduces the much needed time frequenting of employees to disciplinary boards, instead the time is spent on working. A good training system will cause a massive of innovative and creative skills among the employee which will indirectly bring a contribution to the long term success of the organisation in terms of growth and expansion. (MAN forum, 2009: 11). Therefore employees with high training and good education background are the greatest asset of an organization.

Some of the benefits are briefly outlined below;

- An Increased job satisfaction and morale among employees.
- A much more motivated worker, which in turn tends to increase productivity and spur profits
- A much more effective and efficient use of workers' time as a result of higher skill levels, combined with a better understanding of the job function.
- Employees who know they are competent, and therefore feel more confident. Self-assured, well-trained employees are important in the debt collection function.
- An increase of employees in the number of ideas, recommendations and suggestions for improving performance, or processes and procedures.

Impact Training on Leadership in an Organization

In a Western world, the conceptual leadership accommodated the sense of belonging, as did with diversity. Sergiovanni (1982: 231) supports this when he says: “leadership promotes the feeling of actually belonging, participating, being co-partners in the entire organization”. In all, a leader who has leadership skills sees to the rapid growth of the organisation. Leadership skills are situationally specific, of short duration, and focused on specific “targets or outcomes”. Issues of leadership are becoming more pronounced in modern business practices. Leadership which is intertwined with business ethics is considered critical in an organisational practice as well as in the general productivity (Roussouw, 2005: 104). The founding principles of business ethics and leadership are in line with training principle regarding all members of an organisation as part of the development.

Training has major impact on the leadership of an organisation. For instance the ethical training of the company leader will have an influence on the principles and code of conduct of an organisation (Thompson and Carter, 1997). Therefore, the success of an individual director is very much reliant on the degree of readiness of the system for his/her style, vision and strategic intent (Kets de Vries, 2001). Difficulties may arise if there is a lack of skills between the leader and the entire workforce.

This impact of training on the leader will reflect on the mood of the organisation (Fitzgerald and Berger, 2002). Nevertheless, if leadership is not solid the implications thereof will be felt, and will manifest in misalignment, an inability to implement and a breakdown in communication with the rest of the organisation (Schutte, 2004).

Eventually, the ability of any organisation to use training as a strategic tool is dependent on the readiness and on the competency of the leadership and workforce (Thomas, 2005). Therefore individuals who have not progressed in the development of their training will be unable to produce a climate conducive to the valuing of the organisation expectation, and an atmosphere in which employees are able to engage in their work and contribute in noble ways. In view of the fact that the leadership has a direct implication for climate it controls.

Leadership Key for Debt Collectors

Adair (2006) explains that leadership is of the spirit compounded of personality and vision and he illustrates that management as a trend of the mind more of an accurate method, calculation and routine. This is to say that leadership is the understanding and sharing of a common purpose without which there can be no effective leadership. Adair believes that management is to manage change and leadership is to manage growth.

Leadership has been well defined by Gray (2004) that it is managing the performance of others in any organised set up (Gray, 2004: 76).

It is said that good leadership in today’s organizations calls for actively involving everyone in the organization, leaders are still ultimately responsible for establishing the direction through vision and strategy (Daft, 2005: 535)

For every industry especially in the debt collection sector, leadership basically deals with the human relations where problem solving, communication and decision making are promoted and cultivated. Leithwood and Mcleah (1987) indicate that highly effective leaders know many forms of decision-making are skilled in their use and are situational sensitive in their selection of a particular approach to decision-making (Leithwood and Mcleah, 1987:35). They are thus very analytical and rational in the way they perceive and perform their functions. Basson and Smith (1991) allude to the fact that effective leaders can be selected or trained. It is also useful to think

An important engine of any working environment, in the Debt collection industry, communication contributes to the exploitation of other regions such as cooperation, acceptance of the new change, and among others (Deresky, 2008). Development in communications is an effort to engage in processes of communications within the organization. Thus, from the point where the project concept is thought of to the point of implementation, the communication should be constructed in a formal to the employee thus creating a sense of belonging and ownership.

Out-sourcing in debt collections business

In order to operate a successful Debt collection service an organization need to be organized and be very efficient in a way it deploys its staff in executing the requisite functions. Despite the fact that every venture is different in one way or another, debt collection companies share specific processes that are required for operation (Ramasastry, 2013). Thus in the loan business, the process requires that ethics are used when collecting debts from the debtor, so rather than using the in-house staff who in most cases is ill-equipped and untrained with debt recovery, financial service providers can save time and money by simply outsourcing their debt collection efforts to debt collection agencies.

Findings indicate that while the lower cost of unskilled, labour-intensive processes is the primary driver for firms that out-source less advanced projects, the outsourcing of advanced tasks is part of the firms' strategy to reach national or international competitiveness through access to cross-border knowledge flows and foreign knowledge resources (Jensen and Pedersen, 2012).

Other driving forces include the liberalization of trade, economic reforms in major emerging markets, improved intellectual property rights regulation, the gradual maturation of the supplier base in these markets, and not least the emergence (Jensen and Pedersen, 2012).

In debt collection outsourcing "is a response to economic and technological forces that put pressure on operating margins and the pace at which firms must innovate". It was long recognized that outsourcing of services could address these challenges (Kumar et al., 2009).

Factors driving Debt collection Outsourcing

Numerous studies have indicated that while the lower cost of unskilled, labour-intensive processes is the main driver for firms that outsource less advanced tasks, the outsourcing of advanced tasks is part of many firms' strategy to achieve international competitiveness through access to cross border knowledge flows and foreign knowledge resources (Jensen and Pedersen, 2012).

The other driving forces include the liberalization of trade, economic reforms in major emerging markets, improved intellectual property rights regulation, the gradual maturation of the service base in these markets, and not least the emergence of new and powerful information and communication technologies (Jensen and Pedersen, 2012).

In the debt collection business, the need for outsourcing is in response to economic and technological forces that put pressure on operating margins and the rate at which firms must innovate. It was long known that outsourcing in strategic position could address these challenges (Kumar et al., 2009). Jensen and Pedersen (2012) further explains the factors that leads to outsourcing as "the degree of knowledge intensity of the outsourcing firm, and the firm's experiential learning in the outsourcing domain influence the propensity of firms to offshore advanced tasks" (Jensen and Pedersen, 2012). For instance in the debt collection sector,

experience is key and Maskell et al. (2007) find that experience is a key determinant in firms' decisions and behaviour regarding outsourcing and that outsourcing to low-cost countries is best described as a learning-by-doing process in which the firm goes through a sequence of stages toward sourcing for innovation.

Outsourcing is often seen as a way for organizations to reduce costs and invest, while focusing on what they do well (Doig et al., 2001) to ensure not to outsource items that are strategic, or part of their core competency (Arnold, 2000), and to manage outsourced relationships judiciously (Williamson, 1985 referenced by Ellram et al (2008).

Today, the attention has shifted towards the new move to outsource services, most notably to outsource professional services to offshore locations. Offshore services outsourcing is now possible due to the advent of relatively cheap and reliable information and telecommunication technologies (Ellram et. al., 2008).

Choosing an outsourcing destination in debt collection

The underpinning strategic rationale is that debt collection is becoming a very competitive business and is increasingly dependent on its ability to establish a presence in more locations to access new knowledge and capabilities. Within the outsourcing literature, several studies have in a similar way pointed out that access to highly skilled talent and knowledge is now an important outsourcing driver (Lewin and Peeters 2006; Li et al. 2008; Patibandla and Petersen 2002). The logic behind is that firms do not outsource because they seek input factors that differ from those they have at home. Rather, they look for similarities in inputs when they outsource—and a country or company is more likely to be a destination for service outsourcing when conditions are similar in the home and host country or company. Doh et al. (2009) find that higher education levels, high average wages, and cultural similarities motivate outsourcing location choices by many companies (Jensen and Pedersen, 2012)

In order to be able to outsource advanced tasks such as debt collection, the outsourcing firm must possess a critical mass of diverse management and organizational resources that enables the firm to transfer, implement, and (re) integrates the various input factors in-house and outsource into an efficient and effective production flow. Therefore, the higher the level of resources possessed by the firm, the greater is the likelihood that the firm embarks on the outsourcing projects on advanced tasks

In Chandler's book (1990) on the on the economies of scale and scope, a general point is that the larger the firm, the greater the amount of diverse management and organizational resources possessed by the firm. Furthermore, Penrose (1959) argues that when a firm grows in size, it will reorganize its resources to take advantage.

RESEARCH METHODOLOGY

Creswell (2003: 52) remarked that the research methodology approach assisted in "the gaining of an in-depth understanding of the social phenomenon under investigation from the participants' point of view".

Target Population

In South Africa, there are 200 professional debt collection entities including entities registered in terms of the Debt Collectors Act, law firms registered in terms of the Attorneys Act specialising

in debt collection and large credit providers with internal debt recovery divisions and/or a vested interest in the debt collection industry, including JSE listed entities (ADRA Report, 2013).

Site selection and sampling processes were used to identify cases that the researcher studied. The researcher identified approximately sixty professionals within the province of Gauteng in the debt collection. All the data from the questionnaires was incorporated and synthesised into one document and the frequency of each specific factor and/or theme was tabulated. Unusual responses, which may have signified differing views, were specifically noted. This process was to highlight common themes and factors identified across all respondents, and enable the research to interpret the results and develop a deep understanding of the issues. No other quantitative analysis or statistical technique was conducted upon the results.

During this stage, the results were segmented and inductively coded for data storage. The completed hard copies which were distributed amongst the employees were to be stored in a protected folder. In order to maintain the integrity of stored data, project data was to be protected from physical damage as well as from tampering, loss, or theft. Due to the fact that data may need to be accessed in the future to explain or augment subsequent research findings and other researchers might wish to evaluate or use the results of this study (Suter, 2006).

Throughout the whole data analysis and interpretation process, the study undertook some critical review of the results with due reference to the literature.

Limitations of the Research

The research conducted face a number of limitations and these include that;

- The research was investigative in nature and only had a limited number of respondents participating in answering the questions.
- Single researcher bias. The methodology is limited by and to the researchers' abilities, integrity and sensitivity, because results may therefore be open to misinterpretation, whether intended or accidental (Leedy and Ormrod, 2005). The study opted to adopt strict procedures and a customary protocol in order to reduce and overcome this limitation by applying the research ethics below.

RESULTS AND DISCUSSION

Biographical characteristics of respondents

In total, fifty (50) respondents participated in the survey and they represented four different debt collection companies and their outsourced branches. Two of the four companies deal with a call centre and are outsourced. The other two are in-house operations. Various market indicators show that the number of clients these debt collectors are servicing has been growing steadily in Gauteng and South Africa at large, which means that their customer base impacts are also increasing as more creditors are being followed up (NCR, 2011). NCR (2011) has indicated new credit statistics as of July 2011.

Figure 4.1: Age distribution of the different respondents who participated in the survey

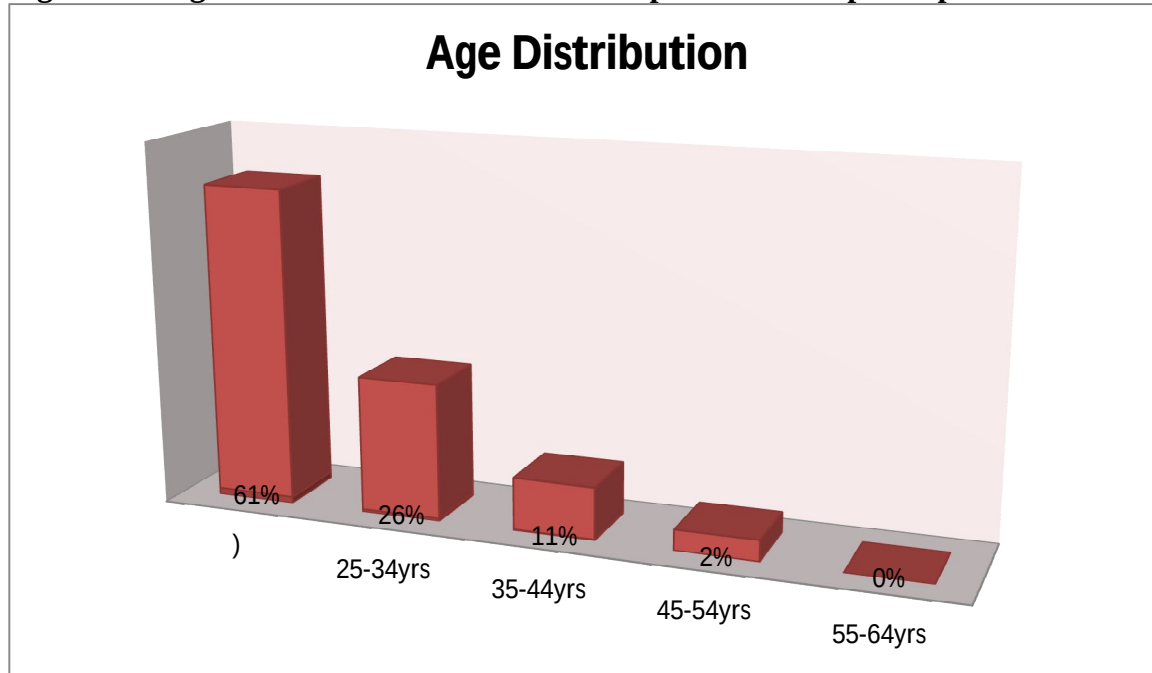
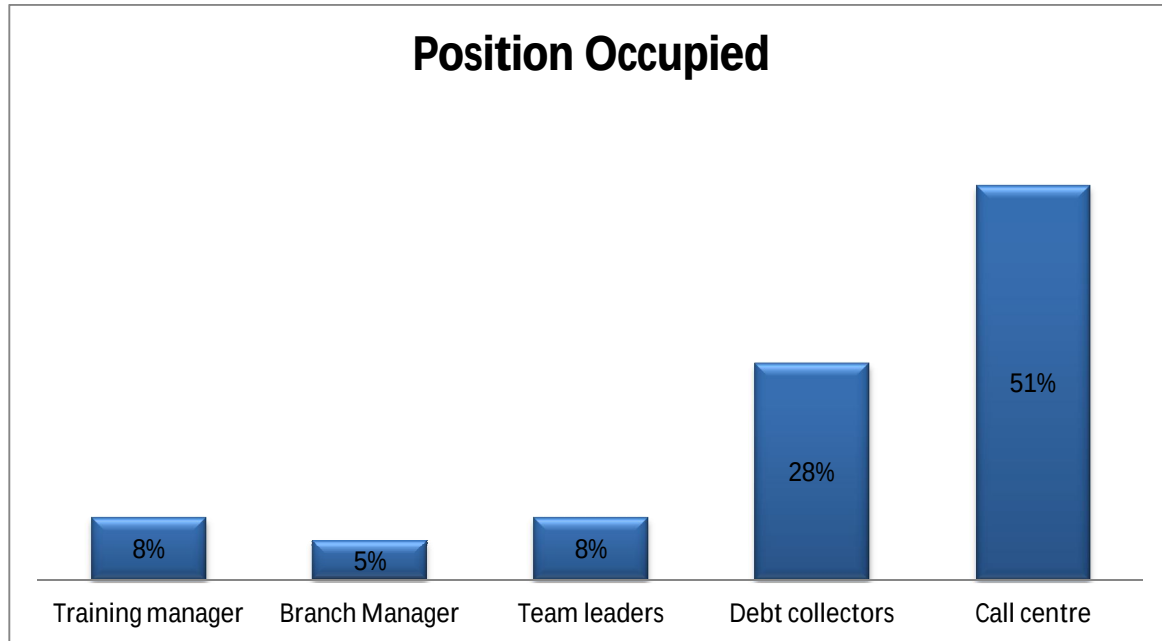


Figure 4.1 shows the age distribution of the respondents. The age group with the largest proportion of respondents was the 18-24 years category, representing 61% of all respondents. In descending order, the 25-34 years category was represented by 26% of respondents meanwhile the 35-44 years group was represented by 11%.

On the other hand, the 45-54 age categories constituted 2%. These statistical patterns show that most individuals who participated in the study are younger than 25 years whilst age brackets such as 45-54 years had very few individuals. There were no respondents who were 55 years and older. Younger employees may not have the necessary institutional memory to understand all the ramifications involved in debt collection business which calls for training and experience. Competence and work experience are related and are valued by both employees and employers (Paloniemi, 2006); a worker with more experience is most likely to be older. Argoteet *al.* (2002) argued that the transfer of knowledge in an organization, especially for one person to another person, is the key to productivity and success. An experienced individual is in a better position to understand and tackle complex situations more effectively. Moreover, information dissemination and acquisition of companies can be ill-structured and multidimensional (Mutch, 2000; Kuhlthau and Tama 2001; Oman 2001; Lloyd, 2003). Thus, age and experience may be playing a vital role in the understanding and conceptualizing of debt collectors training goals in the selected institutions.

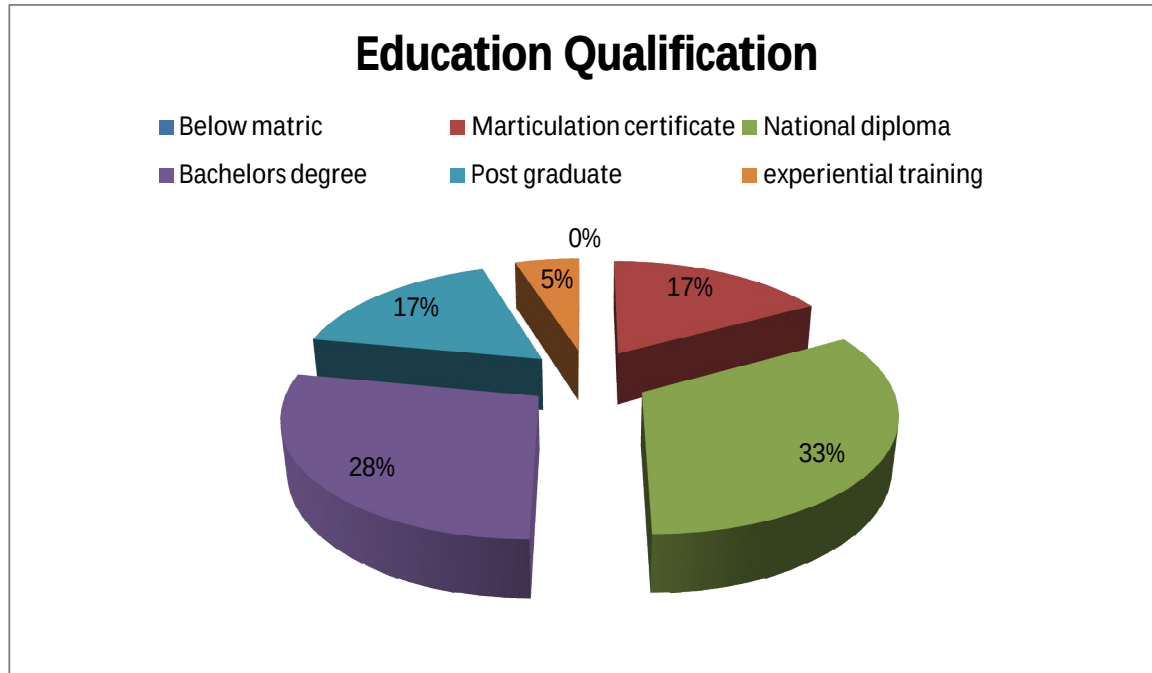
Figure 4.2: Positions occupied by different respondents



Of the total number of respondents who participated in the survey, 51 % were employed at Call centre operator management level. 28 % of respondent stipulated their positions as debt collectors and 5 % were senior management team and Branch managers. Only 8% were team leaders and another 8% were training managers. The teller and enquiries clerk were not represented as these work categories was not available for this research.

Judging from these trends, there are a few respondents in key management positions such as branch managers and training managers. In fact, in some debt collecting institution there were no employees such as training managers and the task was usually left to Branch managers. However, these trends are not surprising because debt collection management is still an infant sector in South Africa. Current industry estimates show that the availability of Training management skills is a critical issue warranting the attention of government and related institutions, because there is a high vacancy (between 25-30%) and turnover rates (nearly 25%) in the categories of both senior management and professional management positions.

Figure 4.3: The educational profile of respondents who participated in the study.



The educational profile of the respondents is depicted in Figure 4.3. None among the respondents had a below matric qualification (0%). Those who obtained a matriculation certificate or national diploma accounted for 17% and 33%, respectively. The proportion of those who had a bachelors degree was 28% meanwhile those with a postgraduate qualification had a proportion of 17%. Only 5% had some form of experiential learning. This again shows some organizational weaknesses in terms of qualified and skilled human resources, let alone appropriate qualifications in debt collection management. Gould-Williams (2010) noted that overall performance of an institution could be enhanced by re-evaluating current human resources strategies. Relevant qualification and experience are essential for employee effectiveness and performance of high vacancy and turnover rates, as mentioned earlier (Department of Labour, 2012).

Figure 4.4: Working experience of respondents who participated in the study

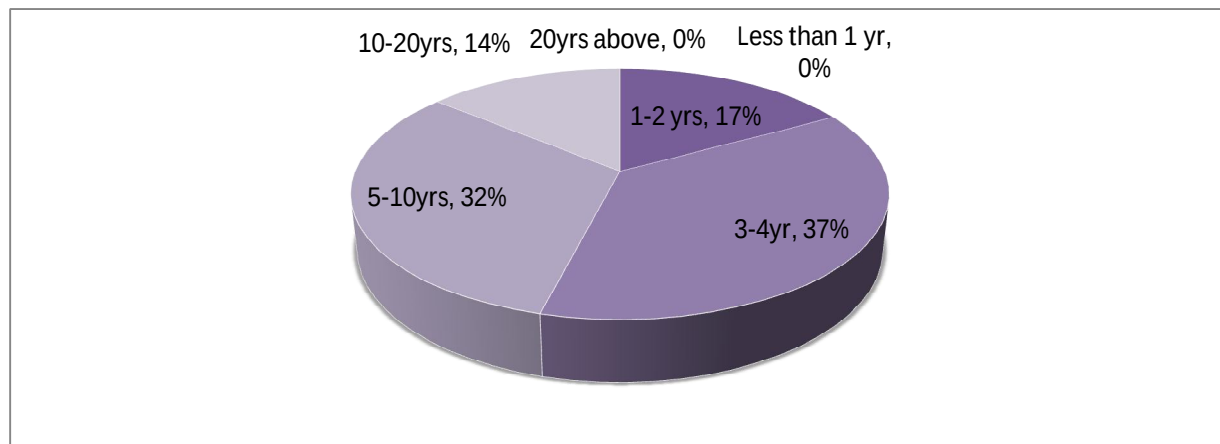


Figure 4.4 depicts the working experience of the respondents. The working experience of respondents varied across age groups. None of the respondents had been employed for over 20 years. However, with respect to the other categories such as less than 1 year (<1 year) was at 17% as observed. Respondents with working experience of 1-2 years accounted for 37% of all respondents who participated in the study. The 5-10 years category was represented by 32% of respondents while the 10-20 years group was represented by 14% of respondents falling in this category.

Having older ages and experienced is what can contribute to the productivity and profitability which makes good business sense. Mature workers have years of experience, which often contributes to increased productivity and a more positive work environment. According to Borker (2010), by retaining older workers, some employers save more than half of an employee's annual salary in retraining costs. In some sectors, experienced workers may represent a competitive advantage since older customers often like to be served by people with similar age and experience.

Aspects of outsourcing and job creation

Of the four companies surveyed for the current research, all of them have designed and adopted some form of debt collection management policy. Such a policy usually emanates from Head Office and is supported by top management, with a view that it will be implemented at the operational level by all subsidiaries, outsourced and in-house involved. The policy is geared towards the management and organization of the debt collection business.

Outsourcing is often seen as a way for organizations to reduce costs and invest, while focusing on what they do well (Doig et al., 2001) to ensure not to outsource items that are strategic, or part of their core competency (Arnold, 2000; Prahalad and Hamel, 1990; Venkatesan, 1992; Quinn and Hilmer, 1994), and to manage outsourced relationships judiciously (Williamson, 1985 referenced by Ellram et al., 2008).

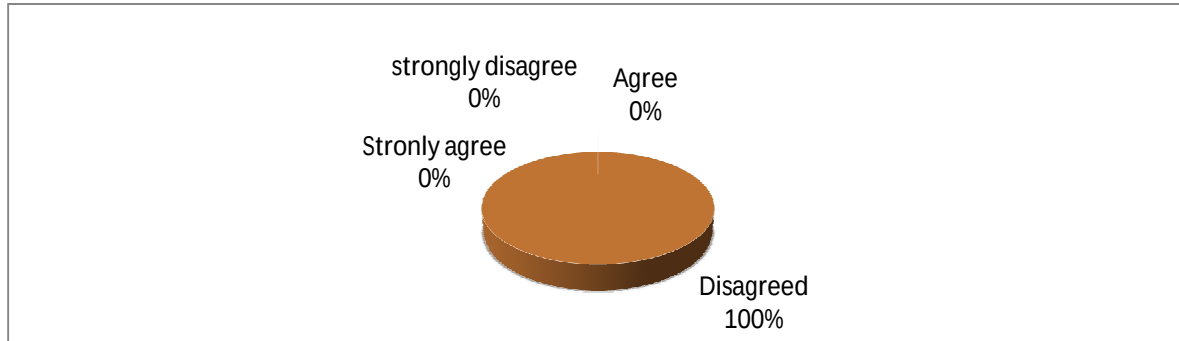
Today, the attention has shifted towards the new move to outsource services, most notably to outsource professional services to offshore locations. Offshore services outsourcing is now possible due to the advent of relatively cheap and reliable information and telecommunication technologies (Ellram et al., 2008).

A contrast to the more specific assets required to support an activity, the less likely that the firm is to outsource that activity (Dyer, 1997; Masten et al., 1991 referenced by Ellram et al, 2008); Specific assets refer to assets that cannot be readily used in another application or transferred to another customer. Such activities are not good candidates for outsourcing because the firm could develop a high level of dependence on the supplier, and the supplier could then become opportunistic, raising prices, reducing service levels, or other such issues (Ellram et al, 2008).

If a firm chooses to outsource a process that has unclear requirements, it may be limiting its options or flexibility (Amaral et al., 2006). Outsourcing requires the firm to specify what is and is not part of the contract and to accurately define levels of service. There is a risk of being wrong, not getting what was required and of limiting its future alternatives and should rather in the source (Ellram et al, 2008)

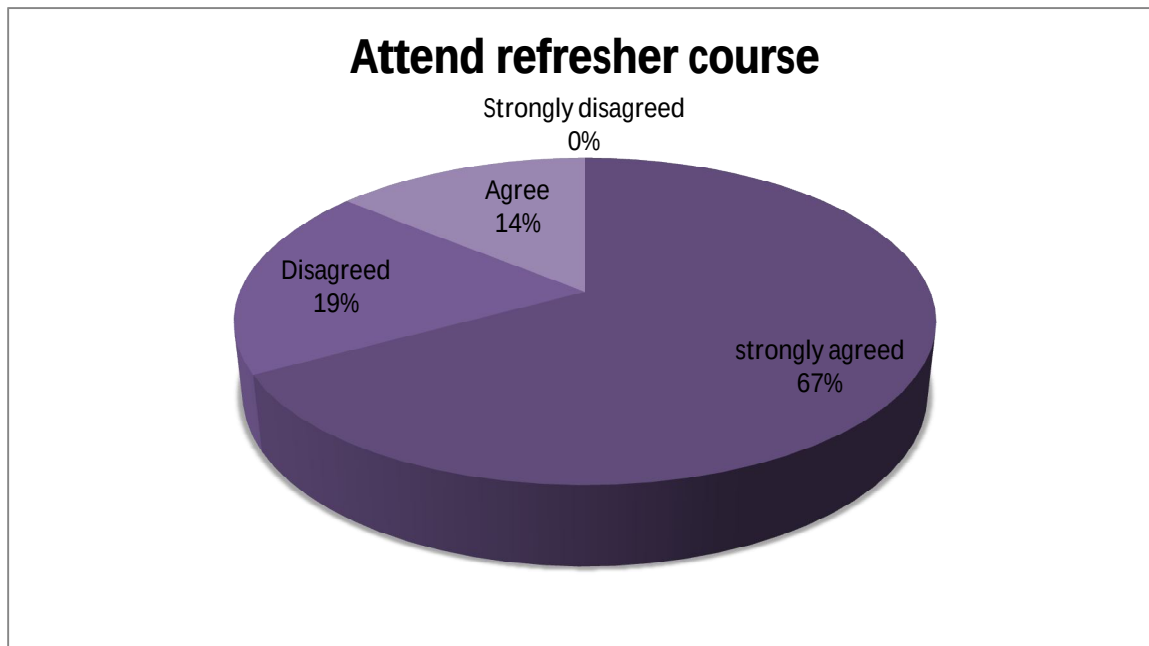
Personnel carrying out debt collection in these organisations

Figure 4.5.1 People carrying out debt collection in this organisation are skilled personnel



When respondents were presented with the statements and to indicate their level of agreement the following trends emerged (Figure 4.5.1.). All companies (100%) disagreed that people carrying out debt collection in their organisation were skilled personnel as shown in Figure 4.5.1. The organisation's most important resource, the people, ultimately make the work endeavours happen and this can only happen if they are well skilled and informed about their work. On average, concern levels intensify when the personnel are required to learn something new. On the other hand, members of staff anxieties can be tempered when (a) training is offered well in advance of the scheduled changes or introduction of debt collection, (b) individuals can study at their own speed, (c) complementary education opportunities are provided for those who are chosen by management, and (d) a secure learning setting is ensured. Skilled personnel will be supportive, encouraging and tolerant to the atmosphere (Yates, Folts, and Knapp, 2000).

Figure 4.5.2 Debt recovery personnel do attend refresher courses from time to time



In figure 4.5.2 respondents were asked to agree or disagree whether debt recovery personnel do attend refresher courses. 67% strongly agreed, 19% disagreed and 14 % agreed on attending

refresher courses. Providing employee training and other training sessions that will help them handle their new profiles better is always encouraged because it acts as an effective employee motivation tool. This will not only train them sufficiently, but will also help them realize that the company has not just thrust responsibilities onto them but is instead helping them in the process of adjusting and acclimatizing to the demand of work and encouraging them to learn better. Therefore refresher courses will help staff to be up to date the changes in the sector.

Figure 4.5.3 Do companies rely on contracted personnel?

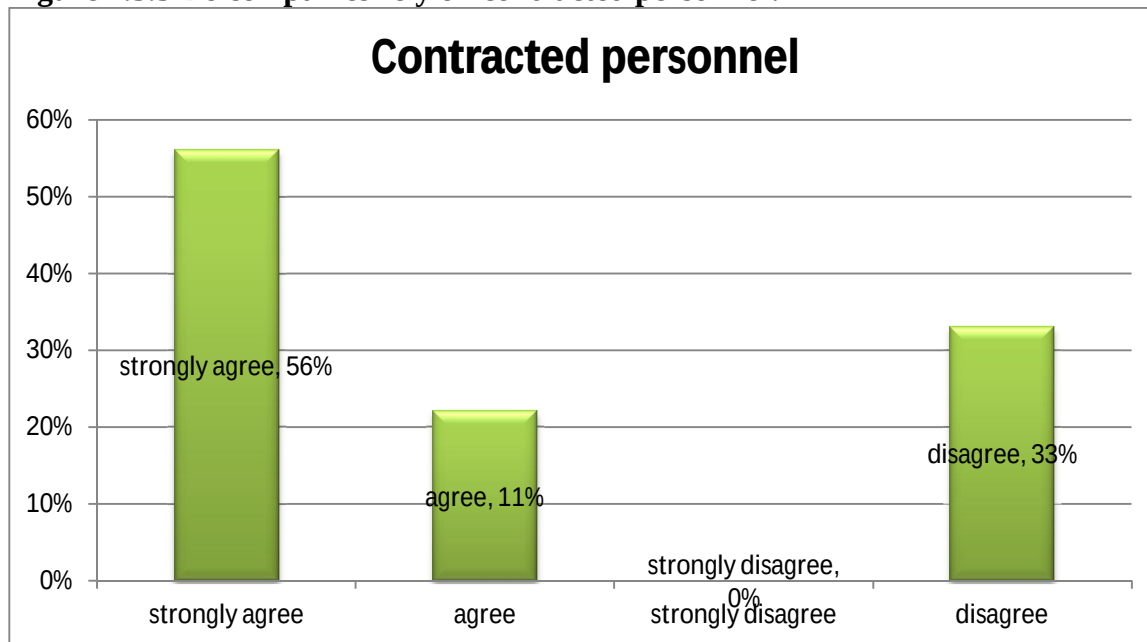


Figure 4.5.3 shows another aspect of the study related to the extent to which respondents were aware of company activities in operating the business. In responding to the question if their debt collectors are mostly contracted ones or if the organisation depends heavily on contract for companies' activities 33% disagreed, while (11 %) agreed and 56% strongly agreed. These findings indicate the variety of responses emanating from the organisation surveyed.

A company is said to be outsourced, when it hands over noncritical functions previously performed within the business as part of its value chain, to a company in another country but the product or service will be sold or consumed in the country by the outsourcing company (Herath and Kishore, 2009:312).

Management of relationships in an offshore arrangement is very critical and at the core of this function, such that many in the industry refer or consider outsourcing more as the management of relationships between the service provider and the client / customer, more that it is the management of a contract for the provision of services (Alami et al., 2008: 2).

In the context of debt collection, this refers to the management of business processes by a third party organisation rather than directly by employees of the company that owns the business process.

Figure 4.5.4 NQF Level 4 Qualification

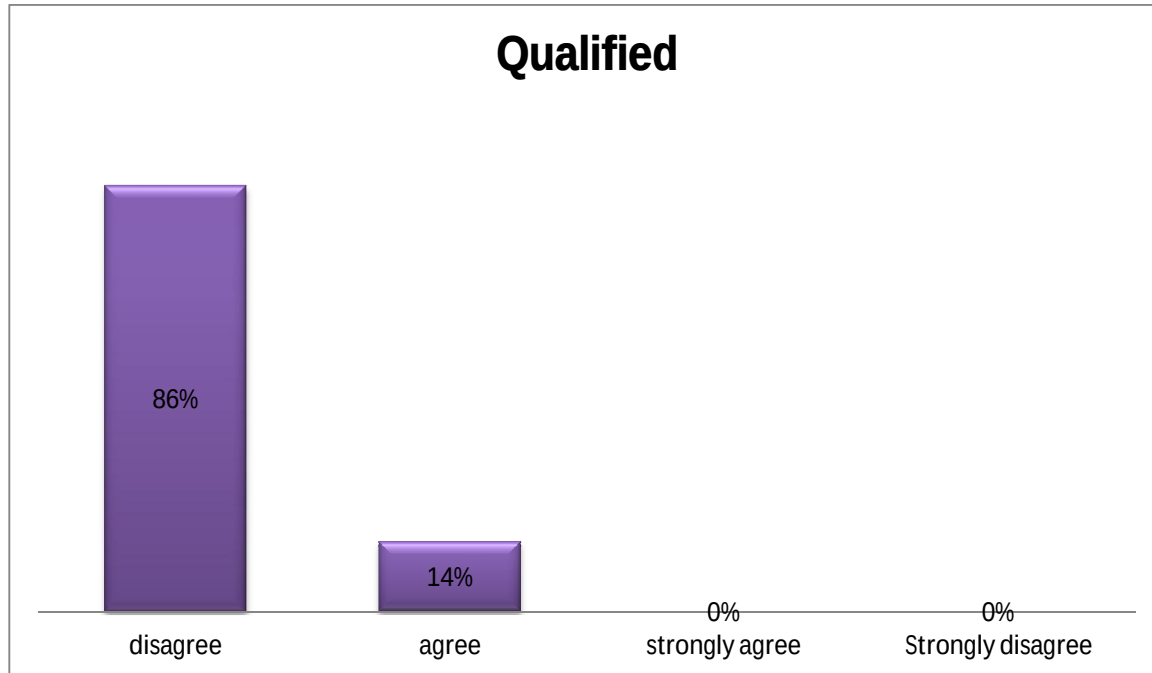


Figure 4.5.4 represents the number of respondents who disagreed and agreed that most personnel have not yet acquired the skills and competencies required for learning in Debt Recovery at NQF level 5. 86% disagreed and 14 % agreed with the statement. This means that the level of qualified staff is low. This may explain the reason for outsourcing as supported by most respondents that their debt collectors are mostly contracted ones; the organisation depends heavily on contract companies was received with mixed feelings seen in figure 4.5.3 above.

In the quest for the company to see that the a corporate employee is bringing in acceptable value and the kind of contribution with which will cause the growth in an institution, then management need to respond by providing the employee with accurate training and other training sessions that will help them manage and handle their new profiles in an enhanced manner. The training of corporate employee's has always been encouraged in most working institution because it has been seen as one of the most valuable motivation tools for these stuffs. As discussed earlier, the motivation for an employee is one sure way of keeping the employee steady and happy in his or her job, through this management is accomplishing one of its major objectives that of keeping the employee happy and in return the employee is putting in his best in the work environment resulting in the success of the project beforehand. The whole idea is not to give individual employee sufficient training as it may seem, but it is to help the employee to realise and appreciate that management and the company at large is not just thrusting change onto them but is instead helping them in the process of adjusting and acclimatising to the change and encouraging them to learn better. Once this concept of training is accepted, none of the employee will in any way try to dispute with management as this will be instead be seen as a motivation tool in the workplace (Borkar, 2010). Once this kind of support service is accepted and appreciated by these corporate employees, the result is well known factor, increase in productivity and high performance. This automatically will improve the company's operation in so many ways.

Figure 4.5.5 the standard for debt collection in South Africa is at par with that of developed nations like Australia, United Kingdom and New Zealand.

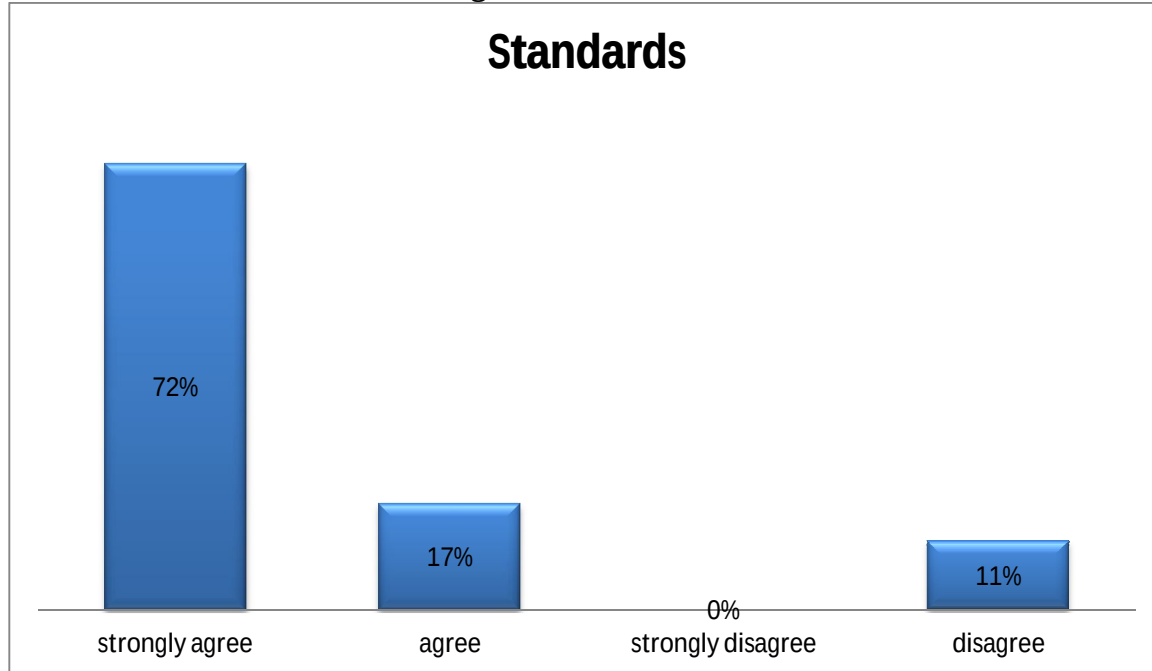


Figure 4.5.5 depicts that 72 % of the respondent strongly disagreed that the standard for debt collection in South Africa is at par with that of developed nations like Australia, United Kingdom and New Zealand. 17% agreed that the standard is at par with that of developed nations and 11% did not agree with the statement at all. The results above confirm the economic analysis prior to this period which suggests that there is anecdotal evidence indicating that South Africa's poor debt collection as compared to developed countries is still in its infancy. This remains a moot point. With regard to the enforcement of the NCA, high profile court cases also seem to attest to the dynamism of the NCA and a maturing credit industry in South Africa.

Figure 4.5.6 Ethical principles that comply with legislation and codes of conduct within the Debt Recovery context are applied at all times as this is part of the training

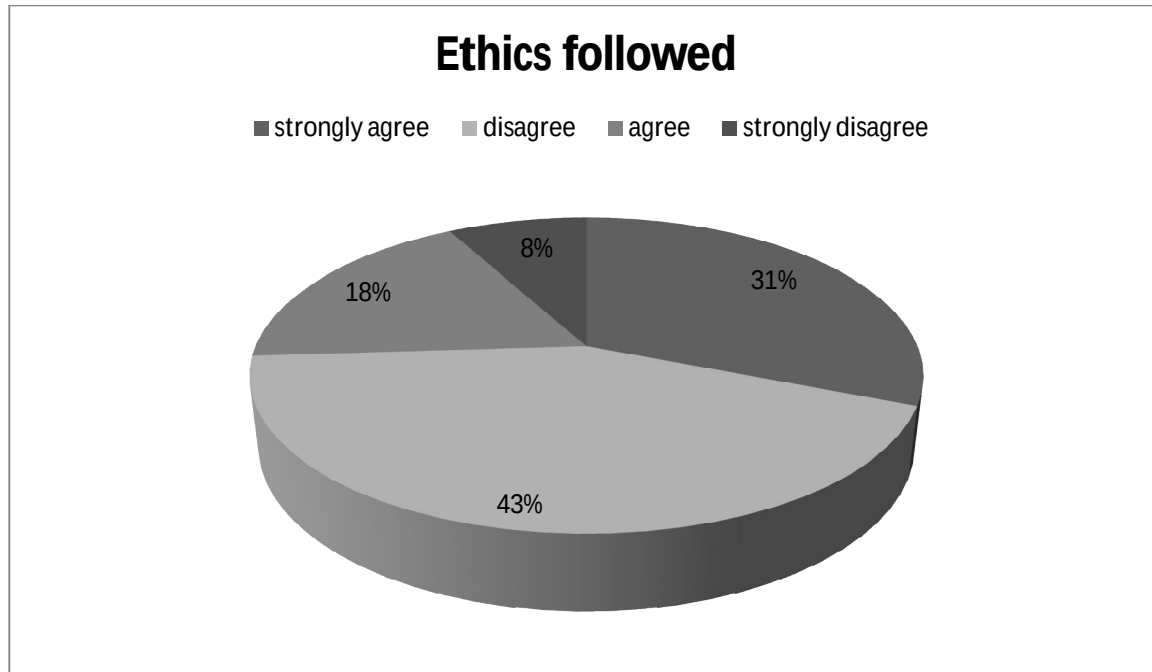


Figure 4.5.6 Illustrated a small percentage of just 31% strongly agreed that ethical principles that comply with legislation and codes of conduct within the Debt Recovery context are applied at all times as this is part of the training. 43% disagreed that ethics are followed in the latter. 8 % strongly disagreed with the statement and a total of 18 % agreed to the fact that ethical principles apply to debt recovery.

Many professions have statutory councils which govern the profession and regulate the conduct of professionals. The regulations are through a range of instruments including a code of ethics, code of conduct, or practice guidelines. The debt collection profession is no difference.

Looking at the council's news letters on professional conduct there is a trend in the increase of the complaints dealt with per year. Between 2010 and 2012 the council received thousands complaints in total, This could be due to one or two things that the consumer is becoming aware of their rights to complain or there are more wrong doing from the professionals. Issues of corporate governance are becoming more pronounced in modern business practices. Corporate governance, which is intertwined with business ethics, is considered critical in organisational practice, as well as in general corporate productivity (Rossouw, 2005:105). The founding principles of business ethics and corporate governance should always be in line with the debt collection training.

Figure 4.5.7 Unit Standards for Communication

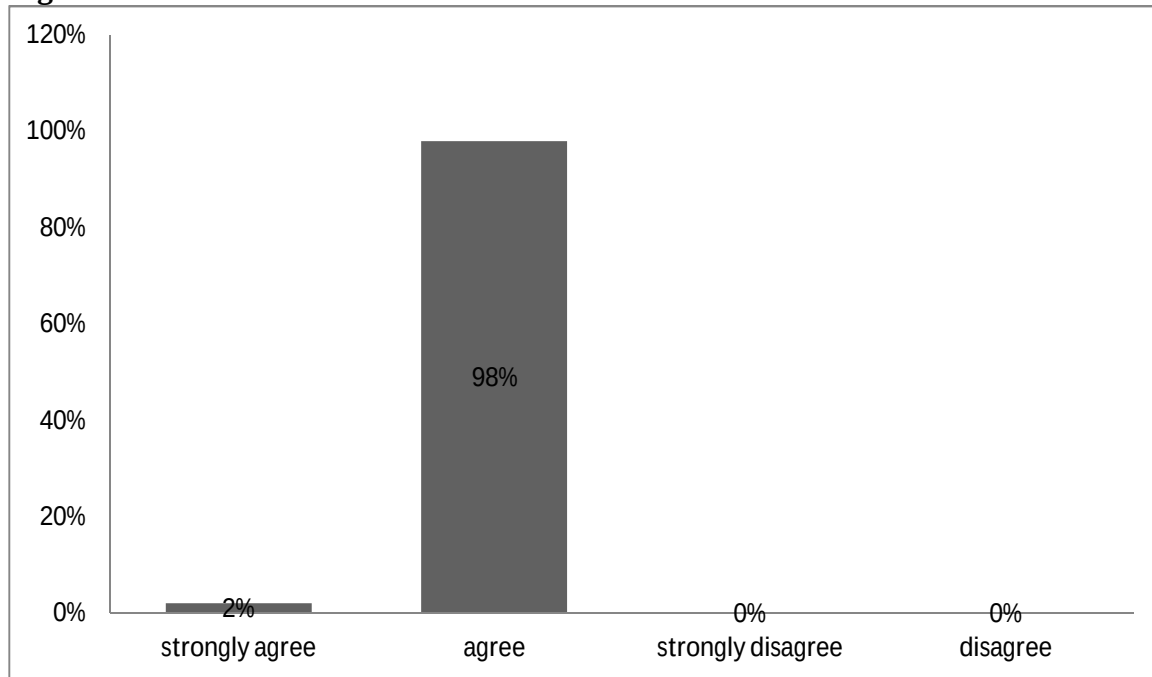


Figure 4.5.7 depicts the level of agreement in terms of the standard of communication. A score of 98% agreed that the Unit Standards for Communication in the Second South African Language of Sepedi, Sesotho, Setswana, SiSwati, Tshivenda, Xitsonga, Afrikaans, isiNdebele, isiXhosa, IsiZulu and sign language is well followed when executing debt collection matters.

The Constitution of the Republic of South Africa prescribes that everyone has the right to use their own language and to participate in the social and business life of their choice in compliance with the Bill of Rights. The Constitution recognises eleven official languages in South Africa, namely Afrikaans, English, isiNdebele, isiXhosa, isiZulu, Sesotho, Setswana, SiSwati Tshivenda and Xitsonga. Recognising the historical diminished use and status of the indigenous languages, the Constitution expects government to implement positive measures to elevate the status and advance the use of these languages (Constitution of the Republic of South Africa Act, SS. 30 - 31 No. 108 of 1996).

In the third section of the survey respondents were asked questions of “yes and no” to which debt collection was related. The following table outlines the gaps which should be incorporated in debt collection.

Table 4.1 Are there any Gaps?

Type Of Question	YES	NO	Number of Responses	Percentage of Total
Are there any elements of the qualification that you feel should not be put into the training of debt collectors in South Africa?	8%	92%	50	100%
Do you see any gaps of learning areas in the curriculum that you feel are not sufficiently catered for?	40%	60%	50	100%

The survey respondents were asked to identify the type of strategies financial institution where using. The questions were as follows; what were some of the Debt collection strategies the

financial and lending institution are using today? What are the positive impacts of Debt collection training in South African the banking or financial sector?

The introduction of training standards across the industry, and having those standards set by industry (but, for example, approved by the regulator- NCR) will have similar benefits to the growth of the industry. The training principles would form part of the preferred licensing structure and be approved by the supervisory body; they could be modified by industry to suit particular specialisations though (Government Gazette Act, 2005). For example, call centre staff would receive training relevant to their duties, which may differ from the training received by a repossession agent. Though, there is some evidence of a lack of training causing a problem of bad practices in this sector, training should be seen as the solution (Government Gazette 13 (a) of the Act).

The following table outlines the types of categories respondents were mentioning.

Table 4.2

Type Of Strategy	Number of Responses	Percentage of Total
Credit card	12	24
Call centre	8	16
Utilities (electricity, gas, water or rates)	7	14
Tracking bank accounts	8	16
Debit orders	3	6
Legal actions	6	12
Good engagement	6	12
Total	50	100.0

Conclusion

This chapter identified and presented various factors that benefit the debt collector training in South Africa. From the emerging themes and graphs, the study derived findings which were discussed using response accounts of participants. The empirical research findings were used to develop an analysis model in presenting the findings.

The next chapter would provide summary, conclusions, areas for further research and recommendations.

CONCLUSIONS AND RECOMMENDATIONS

Introduction

South Africa has witnessed an exponential rise in legislation and regulations dealing with various facets of debt collection, including debt collectors training and its campaign awareness and the possible liability facing those who fail to comply with the relevant legislation. With respect to debt collector training, the goals are to accelerate the achievement of integrated debt collection and reduce the volume of bad debts destined to end in economic collapse. Against this background, this study has examined the nature of debt collectors training practices in selected financial lending institutions. Some measures conducted to attain good practices into the receiving or collecting debts have also been investigated.

Aims and objectives of the study

The study aimed at assessing the requirement and benefits of debt collector training in South Africa.

The objectives of the study were to investigate the necessity of debt collector training in South Africa, to assess debt collectors' improvement strategies available in South Africa and to investigate the kind of training offered to debt collectors.

Findings from the Literature Review

The study has revealed some importance of education and experienced staff in the debt collection business as key to grow and sustain the industry.

From the literature study it was clear that the issue of debt collector training is complex. And that the inclusion of leadership cannot be taken lightly by stakeholders, as it has been seen to promote equity, create role-models for other debt collectors aspiring to leadership, and also bring into leadership a different style of leading.

Introducing training standards across the debt collection industry, and having those standards set by industry (but, for example, approved by the regulator NCR) is crucial for the debt collection industry in South Africa and will have long lasting benefits. The standards can form part of the chosen licensing framework and be approved by the regulator; they could be tailored by industry to suit particular specialisations (Gartner, 2011). For example, call centre staff would receive training relevant to their duties, which may differ from the training received by a repossession agent. However, there is no direct evidence of a lack of training causing a problem (Gartner, 2011).

South Africa enjoys highly advanced legislation regulating its retail lending and its debt collection industries, with the National Credit Regulator (NCR) enforcing the National Credit Act (NCA) and responsible for the registration of industry participants such as credit providers, credit bureaus and debt counsellors as well as the investigation of complaints (Goodwin-Groen, 2006). The impact of this rule should be carefully considered by any party seeking to buy distressed debt in South Africa or interested in purchasing retail loan portfolios, as the regulations can influence the collection process for these loans (NCA, Government-Gazette, 2005).

The overall benefits of promoting training and skills development in a workforce are far reaching for both organisations and their employees. An organisation that has successfully implemented the strategy of employee training and skills development have experienced significant improvements in performance, a rise in profits and a greater ability to attract and retain the best employees (Cathy, 2007). Employees will be more likely to feel motivated to work hard to assure the success of their company and deliver a greater belief that they are making an important contribution to that success. Furthermore, they will be less likely to seek opportunities elsewhere.

More emphasis should be made on increasing the appropriate skills and knowledge which will help employees meeting the demands of a redesigned job and, thus, can help restore job satisfaction (Yates, Folts, and Knapp, 2000). In line with the manner in which the industry is evolving over time, education becomes important to the employees. As it is in the debt collection, the industry is growing and there is need to develop an integrated business platform to make delivering services and products to the customer more efficiently.

The training principles would form part of the preferred licensing structure and be approved by the supervisory body; they could be modified by industry to suit particular specialisations though (Government Gazette Act, 2005). For example, call centre staff would receive training relevant

to their duties, which may differ from the training received by a repossession agent. Though, there is some evidence of a lack of training causing a problem of bad practices in this sector, training should be seen as the solution (Government Gazette 13 (a) of the Act).

Findings from the Primary research

The research study was focusing on debt collectors training and debt collector code of conduct trends of selected lending institution in Gauteng. To a certain extent all companies showed some implementation of debt collection principles in their operations.

An overview of the results indicated that all companies have operations management policies. The employees are aware and they adhere, to some extent, to the code of conduct and their work ethics and policies as reflected on the findings. 31% strongly agreed that ethical principles that comply with legislation and codes of conduct within the Debt Recovery context are applied at all times as this is part of the training. 43% disagreed that ethics are followed in the latter. 8 % strongly disagreed with the statement and a total of 18 % agreed to the fact that ethical principles apply to debt recovery.

The respondents confirmed that there are some training initiatives and companies were carrying out workshops on debt collection training. This is good since it is supporting the government's initiatives towards a healthy and sustainable debt collection industry. Debt recovery personnel do attend refresher courses from time to time was strongly supported by 67% respondents while 19% disagreed on attending refresher courses. And 14% agreed on attending the refresher course.

However, most of the companies involved in this study had most of their stuffs and personnel not skilled in carrying out debt collection activities. They all reclaim to have outsourced some of the services. To further prove that there is a lack of skilled personnel, the surveyed companies reported that only few do attend refresher courses. This also implies bad organisational practices. It was discovered that debt collection depends heavily on contract for companies' activities 33% disagreed, while (22%) agreed and 56% strongly agreed.

Almost all the companies have followed to later on the standards for communications in the second languages used in Gauteng. They are all involved in using the second South African Languages of Sepedi, Sesotho, Setswana, SiSwati, Tshivenda, Xitsonga, Afrikaans, isiNdebele, isiXhosa and IsiZulu as this was well followed when executing debt collection matters. There is very encouraging as those who are not fluent speakers of English can still be attended to in their own language, though still there is a need to educate the consumers in their own languages so they can be well informed about their rights as debtors. A score of 98% agreed that the Unit Standards for Communication in the Second South African Language.

Conclusions

From the data analysis carried out, this research made the following conclusions:

- ❖ Based on the survey among selected companies, it is clear that they are not fully equipped to carry out debt collection services as most of their staff is young and inexperienced, some with no formal training. Thus implementing the debt collection practices become problematic in business to promote sustainable development.
- ❖ The companies surveyed are not directly involved in the debt collection training as they depend on another institution which offers formal training to their staffs.

- ❖ Debt collectors' compliance inspectors need to visit these institutions (twice a year at most) as standard have been definitely compromised. Every system needs monitoring especially if the monitored activity is considered to be an expense to the company source
- ❖ Most of the companies had a no training managers to offer training to new recruits.
- ❖ Most debt collectors had an equivalent debt recovery qualification of NQF level 4.

Recommendations for further studies

It is recommended that further studies must be undertaken frequently and across all debt collection institutions operating in South Africa on training and ethical conduct. The results of the current study emanate from four different debt collection companies in Gauteng whereas there are more different multinational companies in this sector. These further studies must quantify their training of staff and ethical practices in such a way that we can evaluate progress towards integrated debt collector training and the zero misconduct strategy.

Furthermore other studies can assess the value of leadership and chain management in the improvement of overall debt collection performance and the adoption of friendly practices.

Recovery of debt is another area which has to be considered for further research.

The recommendations if implemented would benefit all stakeholders in bringing about quality and healthy debt recovery system.

Conclusion

The purpose of this study was to study aimed at assessing the requirement and benefits of debt collector training in South Africa. The respondents were 60 people working in the industry of debt collection and revealed what educational and leadership in debt collection. It is only when the interrelation of the challenges, the hindrances and the under-representation of qualified personnel in debt collection management.

NOTE: This article is compiled from the dissertation presented by the principal author in 2014 for the award of the Master of Business Administration Degree (MBA) to the Regent Business School, Durban, South Africa. The dissertation was supervised b Xolelwa Linganis and edited for purposes of a Journal article by Professor Anis Mahomed Karodia. They are both attached to the Regent Business School.

Kindly note that the entire bibliography is cited in spite of the editing the study as a journal article.

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