

Issue 4

November 2004



WWW.MACM.ORG.MT

MACM NEWSLETTER

A Comment by the MACM President

Mr. Geoffrey D. Borg

Dear members,

As we continue to move forward, I note with pleasure that the great work carried out over the past few years has been giving the desired results.

The web-site and information on it continues to give the members the practical day to day information to keep in touch with any defaulting debtors or legal action that may have been taken, on a continuous basis.

Through our professional approach, the number of members has continued to increase and this means that we now cover the broad spectrum of the Maltese economy in all the critical sectors.

However, this does not mean that we must be complacent, since whilst the organisation is reasonably strong, the credit situation has not improved tangibly. Government has still not resolved some core issues in the recent legislation that has been passed. Additionally, some critical differences between Government directors as to what constitutes a bad debt has also not been resolved.

On the bank side we have been trying to agree a code of conduct regarding



dishonoured cheques and other money instruments so that the banks cooperate in improving the general credit climate in the market. We hope to make some significant steps in the coming weeks with the Malta Bankers Association.

It is salient to remind members that as the climate is also difficult at the economic level, we must remain vigilant for debtors who have extended their operations beyond their appropriate trading levels, debtors who are showing continuous cash flow problems or debtors who have made no progress in resolving their overdue debts.

I hope that everyone enjoys reading this 4th e-zine and that all readers can contribute regularly with ideas and articles.

**Malta Association of Credit Management and Malta Economic Update -
"Working together to foster a sounder economic climate."**

MACM Newsletter
Published by the Secretariat

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Mr Joseph Falzon
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From the Secretariat of MACM

By Annalise Bonello - MACM Secretary

One of the primary objectives of the Malta Association of Credit Management is to foster and facilitate the exchange of credit information between the members. The Credit Information is obtained from two main sources, the members themselves who regularly submit information about their defaulting clients and outside public resources from where the information is either gathered by the Secretariat, or else purchased.

The information submitted by the members is divided into two, the reporting of dishonoured cheques and the reporting of clients who are overdue in their payments. The members send any cheques returned from their banks on a daily basis. Once a cheque has been reported the member then keeps the Association regularly informed on its status. The Overdue Accounts are collected once a month, and each month, each member updates the clients previously included in their list so that a trend can emerge.

The Secretariat collates all the information and sends it to the members in the form of reports. The Dishonoured Cheques Report is sent everyday, with an update on any cheques that have been honoured once a week. On the other hand, the Overdue Accounts Report is issued once a month. All the information found in these reports can be found on the Association's website (www.macm.org.mt). Here, apart from the information from the members, there is also the information from the other sources. One can find the civil cases and warrants

issued by the Maltese Law Courts as from the beginning of this year. These are updated on a daily basis. In another section there are three databases; one from the Malta Financial Services Authority (MFSA), which includes details of all the registered companies; the Electoral Register; and the information of all those registered with the VAT Department. These registers are updated periodically. The Court and Company Notices published on the Government Gazette can also be viewed in another section. Members can search either all the databases individually or else as a comprehensive report. Another facility available to members is that of the My Accounts, where one can keep an eye on particular clients.

The Association is pleased to note that member participation is increasing steadily in both the dishonoured cheques and the overdue accounts. Traffic on the MACM Website is also on the increase. Nonetheless, Members are encouraged to participate wholeheartedly as reciprocity is fundamental in the exchange of information. Any suggestions from the members are also welcomed as these can help the Association move forward.

With the full support and cooperation of all the members the MACM has become a source of information, which is vital in helping the Credit Manager reach his/her decisions. The Secretariat would like to thank all the members who have made this possible.

New officials of FECMA — *The Federation of European Credit Management Associations*

In a meeting held in Ghent on Friday, 4th November 2004, Mr. Tom Fagerstrom from Luottomiehiet Kreditmannen ry of Finland was elected President of FECMA.

Mr. Jan Schneider-Maessen of the German Association and Mr. Josef Busuttill of the Malta Association of Credit Management were elected Vice Presidents. Mr. Gerard Bekkers is the new FECMA treasurer. The terms of office of the newly elected FECMA officials expires in November 2006.

Enhancing the Services to the MACM Members

The Secretariat will be issuing Statistical Reports to all the MACM Members participating in the Exchange of Credit Information for both the Dishonoured Cheques and the Overdue Accounts.

These Statistical Reports identify graphically the repetitive defaulters reported by the MACM Members for five or more times during the last three months, thus serve as a useful tool to manage the cash flow in an effective manner.

The 5+ REPORT will be issued every quarter or upon the Member's request.

For further details, please contact:

M.A.C.M.

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**5 +
Report**

Credit Managers and the European Union Enlargement.



Prof. Dr. Ludo Theunissen

*Instituut voor Kredietmanagement, Belgium (FECMA Member)
Vlerick Leuven Gent Management School*

After a broad experience in financial management in small companies as well as in large multinationals, Prof. Theunissen became director of the Institute of Credit Management at the Vlerick Leuven Gent Management School. He is also visiting professor at Ghent University where he lectures Financial Analysis at the Faculty of Law. He is also Professor at the Koninklijk Hoger Instituut voor Defensie.

When we asked credit managers what their major expectations are for their profession in the years to come, the majority were quite confident that credit management will get more attention and more importance, but at the same time there are some concerns about changes in competition and changes in international trade relationships.

Especially in smaller countries, like Belgium, where a huge proportion of the industry works for export markets, this effect is very important. In 2003, 75 % of our exports were to other member states of the European Union, but that means there are vast volumes of products, and huge amounts of money going to countries outside the EU.

A specific concern had to do with the EU enlargement, when in May we welcomed 10 new member states.

What are the consequences for credit management in the existing member states? To be honest, we do not really know. A good crystal ball would be a very useful tool, only we have found out that most crystal balls are made of glass, and are only reliable for 'predicting' the past....

Nevertheless, there are some observations that we can make from the point of view of the credit managers from the 'old' members. Let's take Belgium as an example (for obvious reasons, since there is where I live and work ...).

An interesting starting point is that we are often referring to this expansion as an expansion to the East! In the past the membership of Spain, Portugal and Greece was considered as the expansion to the South.

We seem to forget that, with Malta and Cyprus, there are two new member states in the South. So we should really start with some apologies.

The good news, especially in the case of Malta, should be that we don't really expect many problems with Malta: in fact, Malta was already, for quite some time, a country that was part of the economic, social and cultural Europe. There are of course differences, and there are probably still quite some issues to change, but the kind of changes required in the new members who have been under the Soviet influence are of a completely different order.

The main areas of change are at first sight, found in the economy:

After the political changes that started about a decade ago, the new member states in Eastern Europe had to adopt a completely new economic environment. Free markets and entrepreneurship are mechanisms they did not know. The short time they had since then was not really sufficient to make the complete mind shift. We should also not forget that in the first years after the change, there have been, in some of these countries, important problems with the financing of the social security, and also with the new phenomenon of unemployment. The high expectations the population had from the free market (to a certain extent this was induced by the promises we have made them) have not yet become true.

An additional problem, and this one is more important for credit management, is that the legal environment still has to be completed. They had to start with the implementation of new legislation, imposed by the European Union. They will need some extra time before they are really ready for the 'normal' international trade. The certainty and transparency that we have in the trade relations between companies in our own country is a lot more difficult to master and to manage when this certainty is missing.

For credit management financial reporting is of course another problem. We do not really know where we can find reliable information on companies. However this is not only the case for the new member states: also in the existing member states we have quite some differences, and for some countries it is still very difficult, sometimes nearly impossible to find reliable financial information on companies.

Also the legal environment, and the techniques available for collection may be completely different from what we do and know in our own home market.

On top of it all, we will also have to cope with a potential currency risk. The currency problem will disappear when all member states will have adopted the Euro as single currency, but it may take many years before they all will be ready for it. But even before that, the currency risk between member states will probably be limited and well controlled.

To conclude we could say that the general expectation of the credit managers remains that the new member states will require some special attention, and some extra work. But overall the feeling is that they represent a huge opportunity for additional business, rather than a threat.

The ICM Certificate in Credit Management Course - A First Opportunity.

By Ms Marcelline Warrington

Last year I attended an evening course of six months for Middle Management at the University of Malta which was aimed mostly at enhancing Management skills.

This course made me think seriously about my career. It gave me the push I needed and the courage necessary to decide to take on a more serious line of study.

About this time, a close friend of mine, who is an executive at Go Mobile told me of this first time full Diploma course in Credit Management which was to start in October 2004. He recommended this course to me since it is more in line with my job as Manager of the Debt Collection Unit at Bank of Valletta.

This was the first time I had ever heard of M.A.C.M (Malta Association of Credit Management) and, Yes I became curious; and Yes, I was interested to know more about this course.

I quickly got in touch with the M.A.C.M and Mr Josef Busuttil was very kind enough to update me in detail.

Therefore I can safely say that I was looking forward to my first lecture with much interest and enthusiasm.

5th October 2004 arrived, and the first lecture was due. Going to this lecture reminded me of those days in the 'not too distant' past when I used to start school again after the summer holidays.

New classmates, new lecturer, new subjects – it felt exciting. In total we are 25 students attending this course – pioneers so to say. Twenty-five people from so many different business communities. We all introduced ourselves and gave a brief outline of our role in the organisation.

From the very onset, it was evident that M.A.C.M left no stone unturned to ensure that this course is well organised. MCAST, also, provided all the proper and full facilities for the lectures. The classrooms are air-conditioned, comfortable and clean.

So far we have attended the first few lectures of this course and we have met with all the four lecturers.

All the lecturers seem to be well versed in their subject and go out of their way to make sure that everyone understands clearly. They are helpful and capable of explaining their subject in clear terms.

Slowly but surely, all twenty-five of us students started integrating with each other and getting to know each other better. Mr Bonello, who is our Credit Management lecturer, has also been instrumental in helping the class to integrate more by sharing each other's work experiences in relation to credit control.

All lecturers encourage us to participate and being a class of mature students we enjoy listening to and learning from each other in the class.

My feelings about this course in general, so far, are that I am enthusiastic to learn, however I am also very much aware that I must work hard, study the subjects well and prepare myself for the exams.

From the very first few lectures, it is already quite evident how sensitive and specialised a Credit Controller's role is to the Company / Organisation. It is therefore crucial for people working in this field to develop the right skills and qualities necessary to ensure that the job is done effectively and professionally. - This is the aim of this course.

Finally I feel that the overall knowledge and qualifications obtained from this course combined with the hands on experience gained from our job provide the basic tools necessary to single out a truly Credit Professional.

Maximise your potential

Invest in ICM
Qualification



For further details contact :

M.A.C.M. on 21423638 / 9 or jbusuttil@macm.org.mt

Students and MACM Members are welcome to submit articles and comments for publication in future MACM Newsletter.

Opinions expressed in this Newsletter are not necessarily those of the Malta Association of Credit Management.

Josef Busuttil
Editor

MALTA ASSOCIATION OF CREDIT MANAGEMENT AND MALTA ECONOMIC UPDATE

“Working together to foster a sounder economic climate.”

LIBYA – STARTING TO STIR

The September/October issue is just out, and is focused almost entirely on Libya. This time, the team at Malta Economic Update travelled to Tripoli and found out what it's like doing business there. Included in this edition is an exclusive interview with Dr. Saad El Shlmani, who is the new Charge D'Affaires at the Libyan People's Bureau in Balzan, as well as another exclusive interview with Mohammed Taher H. Siala, the Assistant Secretary for Cooperation within the General People's Committee for Foreign Liaison and International Cooperation of the Great Libyan Socialist People's Jamahirija. In our jargon, he is a Minister. And there's more, lots more. There is also an interview with Mr. Charles Borg, General Manager at Valletta Fund Management. The magazine will be out for circulation in the next few days, so look out for it.

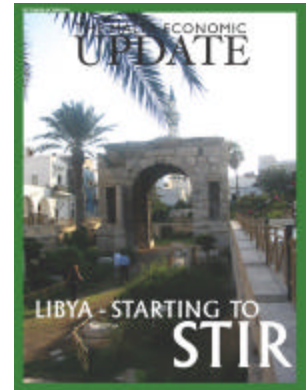
Malta Economic Update enjoys a readership of **54,000** a month, and is distributed on a complimentary basis, to all passengers in Club Class on Air Malta flights to several European and North African destinations; to airport lounges abroad including those at Brussels, Rome, Milan, Frankfurt, Zurich and Munich; to select Four & Five star hotels, including Westin Dragonara, Hilton, Corinthia Hotels, Radisson Baypoint, Victoria, Howard Johnson, Xara Palace, Crowne Plaza, Fortina Hotel and Suncrest, by Government bodies with overseas interests, including the offices of the Malta Tourism Authority overseas; Maltese Embassies overseas; Ministries of Finance and Economic Affairs, and Foreign Affairs. In addition, the publication is also included in an information pack that is distributed to journalists during state visits of His Excellency Dr. Edward Fenech Adami, President of Malta..

Malta Economic Update is committed to ensuring as wide a distribution, and as selective a readership. This magazine was first published in November 2001 with the aim of providing an insight into Malta's economic and financial climate in a hitherto unexplored format - that of a full colour, glossy magazine. Malta Economic Update has in fact today gained a well-earned reputation by ably satisfying the long felt need for such a publication – that of fulfilling the task of disseminating economic, financial and investment information to those actively following the arena, while also generating a more widespread interest to a wider portions of the public. The magazine's intention of serving as a point of reference for both the local and foreign businessman has been realised through applying a special, in depth focus on economic and business indicators.

Malta Economic Update recently received a boost when George Papagiorcopulo took over as its editor. A business and management consultant, Papagiorcopulo was CEO of a state-owned holding company MIMCOL, responsible for over 110 subsidiary companies for five years, and then Deputy Chairman and MD of Malta International Airport for another five years. He has chaired a number of special task-forces on behalf of government, including the Challenge 2000 Y2K task force and a special task-force that oversaw the setting up of the Foundation for Tomorrow's Schools.

The Malta Economic UPDATE

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Mr. Papagiorcopulo is well-versed on issues of accessibility for persons with special needs, and at the latter Foundation, he has advised on, and headed, a special "Accessibility in Schools" Programme. Mr. Papagiorcopulo is Council member of the Malta Institute of Management, and Chairman of the training centre of the Institute. He has regularly lectured on different aspects of change management in various courses organised by the Institute. Mr. Papagiorcopulo has been involved with Young Enterprise for a number of years, and for 2003-04 served as a Judge.

In our next issue

MALTA'S MOST ESTABLISHED FAMILY FIRMS

Companies come and companies go – don't we all know it! Many family owned firms, on the other hand, have not only survived, but have continued to flourish. Several have outlasted governments, eras in our nations history, and quite obviously the once-dominant Price Club supermarket chain. The situation is no different overseas, and our initial research indicates that the oldest family firm in the world is Japanese Kongo Gumi, a temple building firm that was founded in 578, and is a 40th generation company. Yes you read correctly, it's over 1,400 years old.

According to a report published in the Journal of Accountancy in July 2002, the areas where family businesses need guidance today include growth planning, organisation design, operational effectiveness, leadership and management, and succession planning, amongst a host of other areas. Yet a common thread in these firms seems to be their relatively manageable size. Indeed, some of the world's oldest firms are relatively small undertakings. There are larger ones, as well, of course. Needless to say, their age gives off influence and prestige.

So which are the oldest firms in Malta and Gozo? How were they started, and why and by whom? In our October issue, MALTA ECONOMIC UPDATE will take a trip down memory lane to explore these family-owned companies as well as their histories. If yours is one of these, we'd like to meet you, and we'd like to hear your family's history.

For all advertising requirements, contact Kathia Blease or Christine Borg on 2131 6326/7/8.