

Systems Thinking in Commercial Credit (Workbook Insert)

What We Mean by Systems Thinking

In this workshop, **systems thinking** is the ability to understand how **credit decisions, people, processes, technology, and strategy interact as a whole**, and to anticipate the downstream consequences of decisions.

This is a **practical leadership skill**, not an academic concept.

A systems-thinking credit leader:

- Sees patterns, not just transactions
- Anticipates second- and third-order effects
- Understands cross-functional trade-offs
- Designs processes that outlast individuals

Why Systems Thinking Matters for Succession Planning

Succession planning fails when organizations:

- Replace people but lose the knowledge system they carried
- Promote technical experts without strategic perspective
- Automate decisions without developing judgment

Future credit leaders will manage **ecosystems**, not just portfolios. Not all strong technicians want or need to become systems thinkers, but it is a must in leadership. Systems thinking ties directly to executive credibility and trust.

Systems Thinking Examples in Credit

Decision	First-Order Impact	Second-Order Impact
Tighten credit	Lower bad debt	Sales friction, disputes
Automate approvals	Faster cycle time	Weaker analyst development
Centralize credit	Consistency	Loss of local insight

Quick Self-Assessment: Systems Thinking Readiness

For each potential successor, rate how often they demonstrate the following behaviors:

Behavior	Rarely	Sometimes	Consistently
Explains downstream impacts of decisions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Balances risk, growth, and operations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Thinks in processes, not personalities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Anticipates unintended consequences	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Communicates trade-offs to leadership	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Reflection: Which behaviors are hardest to teach? _____

Developing Systems Thinking in Successors

Effective development methods include:

- Leading cross-functional credit initiatives
- Owning exception governance or policy changes
- Presenting portfolio insights to executives
- Participating in system implementations or redesigns

Key Insight: Systems thinking develops through **exposure and accountability**, not classroom training. It grows with responsibility.

Real Time Exercises:

- Identify direct and indirect impact of decision (eg. Higher sales and higher bad debt).
 - Who are the stakeholders? Discuss as a team.
 - What other solutions or actions can be taken? What impact would they have?
 - Who owns the decision? Is it Operations, Accounting, Credit, etc.?
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