

# Could a new front-end technology solution be your platform for growth?

By Tom Dawson, International Decision Systems, Inc.

What is your equipment finance company doing today to drive out inefficiencies and become more competitive? Do your customers increasingly expect “two-hour decisioning” and lightning-fast responsiveness to their concerns? When you need to offer a specially structured deal to an important customer, is it extremely difficult today?

These are just a few of the challenges progressive lessors are meeting with today’s best front-end software solutions.

This article will explore essential elements you should expect from a provider of origination-through-booking software, as well as the experiences of three organisations in implementing and using one of today’s most established and complete front-end solutions.

**Evaluating your system needs and business goals.** When you consider new solutions available for streamlining operations throughout your equipment finance business, it is critical to align those solutions with your business plan for growth. Increased customer demands and rapid change are realities of the leasing business today, so the partner and solution you choose must be well equipped to deal with both.

Here are some key elements to explore when considering an origination-through-booking solution provider:

- Is the solution capable of increasing my origination capacity, and has it been proven to do so for other businesses?
- Will the solution be successfully integrated with my back-office systems and other tools we use to support our total business?
- What resources will be committed to implementing the solution to handle the full range of deal types and business scenarios at play today?

- Does the solution have the “designed-in” flexibility needed to respond effectively when our business needs change?
- As our business needs changes is support for such available from the solutions provider?
- How well does the solution balance an increased need for data access (throughout our organisation and for reporting/compliance) with our security requirements?
- Will my provider’s training resources and capabilities fully support the business transformation we are about to launch?
- Does our prospective technology partner have a track record of client satisfaction and ongoing innovation?

As more equipment finance companies implement powerful software systems for origination through booking, we are better able to gauge and even quantify the immediate and long-term benefits. Each lessor has unique goals and requirements, driven by their market sector demands, varying business needs, available resources and overall goals.

As a result of this diversity, best practices for applying these front-end solutions are emerging. This means a lessor considering such a system implementation can target real business growth and manage the intricacies of their business at a new level.

Going forward, we will examine how several leasing companies are applying the capabilities of Rapport, from International Decision Systems, to resolve imposing business challenges and drive towards their goals.

With 25-plus implementations as of mid-2005, this system for origination through booking is earning a deserved reputation for supporting and enabling new efficiencies that better position leas-

ing companies for growth.

**Efficiency plus flexibility: The demands start with your customers.** Many challenges for Diversified Financial Services, LLC, arise from a business model that must serve multiple, distinct, customer bases.

With origins in the financing of irrigation systems, today bank-held Diversified also has thriving divisions that finance other types of farm equipment and commercial/industrial equipment.

Two key words capture much of what Diversified demanded from a new front-end system: flexibility and efficiency. In the words of Mike Hughbanks, COO, “We needed a system that could support our broad portfolio and help us manage growth with greater efficiency.”

**Less paper, less time ... more automation and integration.** The most obvious efficiency issue Hughbanks and Diversified hoped to address with a new origination system was familiar to many lessors: time-consuming, redundant data entry.

Every day, credit analysts, administrative staff and others expended valuable time and effort entering customer information into the company’s existing systems – sometimes four to six times overall for a single application, in order to perform credit checks, scoring, decision-making, booking and production of necessary documentation.

As the company grew on all fronts, Hughbanks knew it was essential to arrive at a streamlined workflow for originating deals, and that data entered one-time become available throughout the system.

Such an improvement would free up valuable staff for growth-related activity, resulting in expanded capacity, while improving data accuracy throughout the entire business cycle.

Diversified visualised major pay-offs

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in customer confidence and satisfaction as they drove out inefficiency and gained the flexibility to meet ever-increasing customer demands.

**Today's technology can meet essential business-specific needs.** Most major operational changes come with trade-offs. The key is determining whether the benefits make those trade-offs acceptable, and whether the sum of the changes puts your company in a better position to thrive and grow.

A great example of a hard-won business practice Diversified would never "trade off" is the application of a proprietary credit scoring model it developed based on years of experience in specific markets.

The company's new front-end solution was implemented with full integration of the Diversified scoring model and provided Web-based interaction with credit bureaus.

The results have closely matched Hughbanks's vision of a streamlined origination process that automatically retrieves accurate information needed to make a credit decision.

**Change for the better, measured in customer satisfaction and profitability.** For any company facing customer demand for faster responses and decisions, the benefits of such a streamlined origination process are apparent. The gain is also measurable, according to prominent bank-owned lessors and others reporting origination capacity increases of 20%–25% and greater.

Few would argue with the conclusion that efficiency gains go quite directly to the bottom line – new solutions are very attractive when they deliver such a visible improvement and significant ROI.

Still, there is the inevitable pain and cost of change. For Mike Hughbanks and Diversified, the promise of speed and efficiency gains might not have been enough to implement the new solution. Flexibility of the system – to structure deals easily, handle virtually all types of contracts, integrate with equally essential back-office systems and be readily configured in response to business change – was equally critical.

**Doing more without adding staff.** The combined benefits of efficiency gains and increased system flexibility are what make a powerful front-end solution a viable engine for growth initiatives.

Mike Romanowski, Vice-President of Strategic Relationships for CoBank, draws an important distinction for his organisation's decision to take this plunge for its agricultural leasing sub-

siary, Farm Credit Leasing. "Our goal was to grow the business, primarily through our partnerships with the existing workforce we had in place."

Farm Credit is early in its implementation, but Romanowski acknowledges once Rapport is fully rolled out to its system partners, he anticipates dramatically reduced origination time.

His organisation also placed a high priority on the ability of a new front end to integrate seamlessly with its back-end lease accounting system. This would bring it closer to being that "single, streamlined solution" extending from origination through disposition.

**Pursuing best practices in an increasingly complex finance environment.** On many fronts, Romanowski sees a new ability to implement leasing best practices. These include doing "most of the work in the upstream processes" to minimise the work involved in servicing a deal throughout its life, accurately calculating taxes in many different jurisdictions and reporting for government agencies and regulators.

A dividend of the best new technology is its ability to simplify complex processes, and this certainly pertains to the needs of today's lessor.

Regardless of market sector or service approach, companies today are required to handle more complex deals and track more information than ever before. Farm Credit Leasing is keeping up with those demands and providing greater value to customers with technology that handles, in Romanowski's words, "some of the most complex situations from a leasing perspective".

Both of these companies are finding ways to cope with today's most pressing challenges. Given their emphasis on growth, it makes sense that their decision to implement a current-technology front-end solution also took the future into direct account.

Their choice of technology partner and solution was heavily influenced by their confidence that both would grow and adapt with their needs.

**A long word with plenty of "future power": Configurability.** The power of today's Web-based, user-friendly technologies is evident in companies' ability to configure new workflows and appropriate user screens as needed.

With Rapport, this can often be done by an internal administrator or "power user", without the aid of costly IT resources.

Joel Rutledge, President of BB&T Leasing, notes that after IDS set up need-

ed workflows in the implementation phase, this capability was soon put to the test. "Three months later, we needed to set up a different workflow, and it only took us four hours. You can put in a whole new process and start using it quickly," says Rutledge.

Configurability in a new solution may even preserve your growth initiative when market change puts that initiative at risk. Instead of calculating and carefully weighing the substantial IT costs formerly associated with launching a new financial product, for example, a leasing company can use today's flexible front-end solutions rapidly to begin supporting that launch.

Knowing your organisation can react to change also empowers staff to generate and support new ideas for increased efficiency and growth.

The people who know your business and your customers best – your staff – can now give direct input into efficiency improvements for their critical tools. It is not hard to imagine the efficiency gains possible with the ability to:

- eliminate unnecessary fields from data input screens;
- enter directly workflows tailored to specific ticket size;
- have applications automatically routed or queued for the right staff;
- generate automatically the accurate origination documents needed for each deal; and
- extend the system you use for origination to your dealers or partners.

**When "everyone" needs your data.** As President of a major subsidiary of one of the largest US financial holding companies, Joel Rutledge of BB&T Leasing has plenty of exposure to another modern finance reality. "It's not just one department that wants to see the data. It's a dozen departments that want to get in my data pocket. Your tools have to become more powerful," Rutledge has said.

Greater efficiency, flexibility and accuracy on the front end of the leasing process benefit back-office operations as well, supporting faster, higher-quality access to necessary data whenever it is needed.

For BB&T, like most major lessors, seamless integration of its systems is essential for gaining operating efficiencies its clients notice, and for meeting today's substantial, ever-changing regulatory compliance demands.

Joel Rutledge and others leveraging today's powerful tools are finding that their simplified business processes make

data reporting for compliance and adjustment of business rules easier than ever before. Their business transformation includes providing reliable, accurate data access to all sectors of the organisation that need such access.

**Overcoming resistance to change.** Even with the many promised benefits of a more advanced origination-through-booking system, a big part of the challenge is user acceptance.

Rutledge's experience underscored the importance of working with a technology partner capable of truly "getting inside" the company's current operations, conducting an implementation that streamlines existing processes, and thoroughly training end users in a new way of doing business.

"Regardless of the project, change takes a tremendous amount of energy," Rutledge acknowledged. Fortunately, efficiency gains at the user level are readily apparent and tangible with a well-implemented system.

When key staff members see how much simpler it is to perform critical tasks, such as application entry and document production, they begin to embrace

the new system's capabilities and further to support the business transformation management has chosen. In turn, management can leverage their time savings the better to allocate resources towards business growth.

Mike Hughbanks of Diversified Financial Services also emphasises the importance of working with a strong partner to define expectations for the new system and lead a comprehensive, ongoing training effort.

He attributes much of his organisation's successful implementation – one that has engendered a "25% reduction in the time required to process new transactions, with fewer data entry errors" – to cooperation between his technology partner and staff.

"Our rapid implementation was due in no small part to internal champions who aided in the implementation," he said, adding that, "we've received everything we wanted in a front-end solution ... [that] has proven to be a stepping-stone for driving company growth."

**Taking your business in the right direction.** The powerful solutions now available to progressive, growth-oriented lessors

open up plenty of possibilities.

Perhaps your organisation is ready to focus on increasing return on asset (ROA) by capturing more asset-level information and structuring deals accordingly. Or, your emphasis may be on entry into new business sectors requiring data, steps and processes that are new to your current staff.

At a basic level, virtually all equipment finance companies continue to strive for greater operating efficiencies. New technology solutions may be the most direct way to "do more with less" in your business.

The success of other leasing executives in achieving these goals indicates that a more streamlined business, with greater capacity, is within reach.

Through the use of innovative technologies that have recently matured into proven solutions to your most pressing business challenges, these goals may be realised.

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