

BUSINESS PROCESS MANAGEMENT

Service differentiation is essential for asset finance

Differentiate your business by giving focus to your core business processes. **David Winders** argues that developing excellence in processes is essential.



With the reduction in the importance of taxation benefits within asset finance the industry almost has now a commoditised offering. The three pillars of finance house proposition -

price, acceptance and service - have become sanitised and narrowed in recent times. In the main, price is no longer differentiated by an organisation's ability to manage its tax affairs and this, coupled with the no-win scenario of more generous underwriting, where the balance between liberalised lending and escalating bad debt remains a continual industry dilemma, leaves the issue of service. Most finance companies therefore sell on their service and this is the area where organisations can still differentiate.

Differentiation of service both within the direct and vendor sectors revolves around a particular expertise of either a specific customer industry or in a particular asset type. Underlying any specialist service differentiation is the basic services of error-free performance within sensible time frames for quotation, proposal management and payout. These basic service requirements have become hygiene factors where any failure to deliver is a relationship breaking event both with corporate lessees and vendor partners.

In essence the more mainstream and volume-oriented your market position is the more reliant you are on high-performing "hygiene" process performance. The minimum process performance requirement for any asset finance business is to get these basic processes right.

In a marketplace where operational performance is quite diverse, from highly sophisticated technology-enabled players to those that fill out documents by hand and rely on paper-based process-

ing, there is substantial scope for differentiation in the offering by alternative service approaches that are fit for purpose within the chosen market niche.

BPM is a way of transforming your organisation towards giving complete focus to the differentiation of service. It is a holistic process approach incorporating learning from business process re-engineering, six-sigma, lean design and service-oriented architecture. BPM recognises the contribution of the trio of process, people and technology and understands that all have a combined integrated contribution to the delivery of excellence. BPM is not a new methodology but a different way of thinking using a combination of previously proven tools and techniques in a pragmatic and appropriate way.

BPM is a move towards process-centric thinking which is aligned to the underlying principle of this article, that service differentiation is absolutely essential for asset finance organisations.

The ability to flex and change process capability to respond to a new demand or customer requirement is essential in the changing environment that we now work within. Processes and ways of working that are "chiselled in stone" do not facilitate the agility to survive in an ever-increasing competitive market. BPM seeks both to address the development of excellent processes and the need to be able to respond to business changes with agile business process capability.

BPM changes the structure of an organisation from being managed by function and department to that of management of core "end-to-end" processes. Processes are owned by senior managers on an end-to-end basis with personal and organisational performance clearly linked to performance of that process. No longer are departmental stove pipes, self interest and internal politics allowed to interfere with delivering the customer experience.

Delivering against "voice of the customer" in a consistent, measurable and constantly improving way becomes part

of a balanced series of measures; complementing the more traditional measures of receivable volumes, yield, cost base and bad debt.

The steps to BPM process excellence and agility

The first stage in BPM is to understand your processes and supply chains, from the perspective of what your customers tell you is important not what you think is important. In the vendor markets where re-work and error are often considerable this value chain approach leads to substantial improvements in vendor support and the delivery of value to a manufacturer relationship as the finance house activities form integral components within the whole end-to-end proposition.

Process mapping and understanding what activity adds value and what does not is the first step. With further use of modelling techniques and business process simulation, substantial productivity savings and improvement to cycle times can be achieved within relevantly short time scales.

Leading on from mapping and simulation is the recognition of clearer lines of sight, "visibility" within the business. From developing the clarity about how the organisation works and performs, "step change" can be developed by addressing organisational design and management structural changes to make the finance house more process-centric, delivering differentiation to several levels above and beyond that of its competitors.

Then the combined benefits of process excellence and agile change development competency combine to create an organisation that clearly can claim consistent and repeatable differentiation from its competitors.

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