Crucial Considerations for Your Technology Strategy

A three-part series in collaboration with Deborah Reuben and Kristian Dolan

Part One: De-Risking Your Technology Roadmap with a Big Picture View

By Deborah Reuben

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The world has shifted, the business landscape is changed, and forces of change are accelerating. It is vital to reassess and question the relevance of your technology and processes in a rapidly shifting world. In this three-part series, we explore crucial considerations for your technology strategy.

A recent McKinsey study of pandemic-driven shifts in B2B buying behavior indicates most B2B buyers prefer digital and remote interaction. This preference spans all buying process stages from identifying and evaluating new suppliers to ordering and reordering. What are the implications of this trend on your future roadmap?

70%
of B2B decision makers prefer remote human interaction or digital self service when identifying or evaluating new suppliers*

80%
of B2B decision makers prefer remote human interaction or digital self service when ordering or reordering*

*SOURCE: OCTOBER 14, 2020 MCKINSEY ARTICLE: "THESE EIGHT CHARTS SHOW HOW COVID-19 HAS CHANGED B2B SALES FOREVER" MCKINSEY.COM

Pre-pandemic, prevailing wisdom suggests e-commerce is more suited to smaller ticket items. Notably, the same McKinsey study reveals 70 percent of B2B decision-makers say they are open to making new, fully self-serve or remote purchases above $50,000, and 20 percent would spend more than $500,000. These trends suggest the B2B digital shift may be here to stay.

Is your business able to flex and adapt to evolving buyer preferences? What new risks must be considered along with this shift?

Sudden lockdown measures forced many companies to make short-term decisions to stay in business. This is understandable and each company responded differently. Many short-term solutions were implemented with a primary focus on safety and the crisis amplified the necessity of adopting digital solutions for business processing, customer experience, collaboration and communication. However, to avoid unnecessary obstacles down the road, don't lose sight of your long-term roadmap.

It could be an opportune time to revisit strategies, eliminate less relevant aspects of your operations and even reinvent to take advantage of the shifting customer preferences.

Digital naturally raises concerns about an increase in fraud. Technology alone does not solve these issues. Process mapping can identify and prevent breakdowns causing fraud and inefficiencies. Smart use of data and analytics can also help mitigate these challenges.

What can you do about it? How might you de-risk your technology landscape? Apply a holistic approach to create your technology roadmap. NEFA member Jena Morgan, CLFP, Vice President of Operations at KLC Financial, Inc. said it well, "People, process and future are the most important considerations when looking at our technology roadmap. As I think about what is next for the equipment technology industry, I believe it is data analytics and predictive modeling: It is getting the customer what they need before they know they need it."

Although there are many inputs to consider to form your technology roadmap, consider conducting these three exercises with your team to gain current state clarity:

Step 1: Map Your Processes
Dedicate time with your team to get a quick map of your current end-to-end processes. This visual can be a simple list, sticky notes on the wall or fancy workflow diagrams. The method you use is not as important as the process of getting cross-functional clarity for your starting point. Bring multiple perspectives into building that picture to understand what is going on within each function in your end-to-end process. This exercise alone can reveal inconsistencies, outdated assumptions, lack of role clarity and expose process deterioration that naturally happens over time.

Step 2: Analyze to Identify Pain Points and Opportunities
Analyze the process map to identify pain points. Are there potential efficiency wins that do not require software investment? Do you see duplication, rework or processes that should change? What should stop?

- Has the relevance of any of your systems and sub-processes decreased over time?

- If you were to change a process, who would be impacted upstream, or downstream?
- Where can you improve the customer experience?

It is beneficial to get an outside perspective when analyzing internal processes. NEFA Board member Shawn Smith, CEO at Dedicated Commercial Recovery, shared, "You don't know what you don't know. Bringing in an outside consultant can help your team collaboratively see the big picture and where the holes are in your operation. You can't overhaul your business overnight but having a roadmap enables you to prioritize. We did this exercise over a year and a half ago, and it's still holding value." Doing this analysis now is especially crucial if you have stopped or changed processes in reaction to the pandemic. Mapping out and analyzing your critical business processes can reveal new bottlenecks and inefficiencies. You may also expose additional breakdowns to fix and reduce fraud risk.

Consider the people side of process and technology. Mapping both the employee and customer experience as you are mapping your processes can also reveal opportunities. How is the new working context impacting your technology and process?

It's a good practice to periodically revisit this exercise to stay current, especially when conditions change, to avoid process efficiency deterioration.

Step 3: Map Your Current Technology Apps Landscape
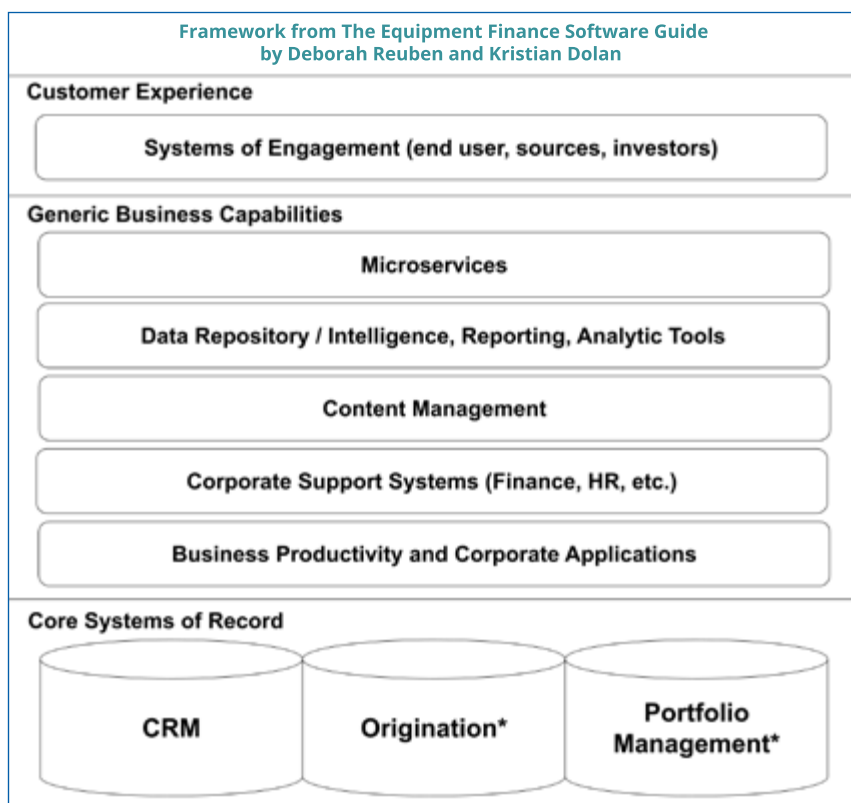
Separate from process mapping, it's also necessary to map out your applications. Create a visual inventory of the apps you use in your processes. You can use this diagram as a starting point for your map. For each section in the diagram, identify what you are using in your organization. Again, get honest cross-functional input for this exercise. When you ask people from different departments, you may be surprised at the difference between assumption and reality for technology applications. Once you have this map, you can better assess your technology situation.

- Where do you have re-keying? Disconnection? Low, inconsistent or no adoption?
- Where do you have disconnected data sources?
- Where have new applications sprung up that are non-standard?
- Do you have duplication or multiple sources of truth for key data points?

I have facilitated this exercise with numerous cross-functional teams through a Rapid Application Mapping™ exercise in my consulting work. Every time we co-create this big picture view of the application landscape, my clients are surprised at what we find. You may find several applications performing the same function or rework, and miscommunications from disconnected data sources. You may find that you already have the exact tools you need for an efficient process. Still, inconsistent processing and adoption standards generate extra work and communication breakdowns that expose you to unnecessary risks or inefficiencies.

Framework from The Equipment Finance Software Guide by Deborah Reuben and Kristian Dolan

Customer Experience
- Systems of Engagement (end user, sources, investors)

Generic Business Capabilities
- Microservices
- Data Repository / Intelligence, Reporting, Analytic Tools
- Content Management
- Corporate Support Systems (Finance, HR, etc.)
- Business Productivity and Corporate Applications

Core Systems of Record
- CRM
- Origination*
- Portfolio Management*

Conclusion

Stepping back to get current state clarity opens your eyes to see where you are today and reveals a clear path forward to shape your tomorrow. Making time to complete this strategic exercise before selecting and implementing new technology positions your company and your team for a more successful realization of your technology investments and avoid risk in your business process and technology.

For more information about what to consider as you form your equipment finance technology strategy, visit https://equipment-financesoftwareguide.com of The Equipment Finance Software Guide, a free e-book by Deborah Reuben and Kristian Dolan. ✎

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Part Two: Architectural Considerations

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In our last article, we discussed ways to de-risk your technology roadmap with a big-picture view. In part two of this series, we continue to explore crucial considerations, this time with a focus on architecture. Much like building a house, building a technology strategy requires careful thought to architecture. Building on a strong foundation in the short-term will enable flexibility and resilience in the long-term.

In our consulting work, we have encountered many messy situations, symptoms include:

- Duplicate applications that serve the same purpose leading to re-work and miscommunication.
- Disparate and disconnected data sources, reducing trust, thus hampering the efficiency of your workflow.
- Systems that are implemented yet not widely adopted, which generate a lack of confidence in the data sources, decreasing efficiency, accuracy and increasing expense.
- Inability to track key metrics, gain business insight from analytics, lack of visibility into how long processes are taking, with some things "falling through the cracks."

We call the root cause of this problem, "Accidental Architecture," which happens when there is no careful and unified forethought to the strategic technology and process roadmap. Although an extreme example, the problem is reminiscent of the Winchester Mystery House of San Jose, CA.

The widow of William Wirt Winchester and heiress to a large portion of the Winchester Repeating Arms fortune, Sarah Winchester owned the house and began renovation in 1866. The 24,000-square-foot mansion features 160 rooms, six kitchens, 17 chimneys and 10,000 windows. The structure also features insulated walls, gas lights, modern heating and intercoms – all state-of-the-art for its time. However, even with all the rich functionality and cutting-edge technology, there was no interoperability. It is rumored to have had over 100 builders and NO architect. Ongoing construction from 1886 until Sarah's death in 1922 yielded 65 doors to blank walls, 13 abandoned staircases, rooms built around other rooms and even a door to nowhere. The house itself is unlivable. Today it serves no useful purpose other than a historical landmark and curious tourist attraction.

Similarly, in an Accidental Architecture, a company's system landscape evolves without much forethought about integration or flexibility. When digital is not part of the initial company strategy, or there is no direct ownership for the digital strategy, short-term solutions and band-aid fixes can pile up over time. People add applications to get their job done without thought to how it impacts upstream or downstream processes. Eventually, you end up with application sprawl, multiple systems for similar functions and no single "source of truth" for critical data sets. When your people do not trust the data in your critical systems, it leads to multiple versions of the truth, which results in duplicate efforts, re-keying, inaccuracy and other inefficiencies – all added expenses.

Stepping back to consider long-term strategy is a first step in architecting with intention. The ROI of a robust architecture doesn't appear immediately but manifests long term. Cloud and platform selection are two primary considerations for architecting a sturdy digital foundation that enables your business to scale and be future-ready.

Cloud Considerations

A fundamental decision for your technology architecture is hosting. When considering the Cloud, it is beneficial to understand the benefits and drawbacks of different cloud solutions.

- **Private Cloud** – generally a software vendor's hosted solution, in which case, the vendor maintains the software but still requires upgrades. A common approach used by traditional EF software vendors.
- **Public Cloud** – in this case, applications are running in a massive data center (such as AWS or Azure). When utilizing a public cloud, you still manage the software.
- **Platform Cloud** – This is a true, fully managed solution where everyone is on the same version of the underlying platform. Upgrades and features are delivered automatically (e.g. Zoho or Salesforce.com).

Cloud and Platform Considerations:

1. Are internal resources available to maintain the hardware/software when hosted in-house?
2. Cost of the hosting solution versus the direct and indirect cost of hosting in-house
3. Service level agreement of the hosting provider (what if the system goes down?)

4. Backup and recovery

5. Security and privacy

6. Data accessibility (e.g., ad-hoc reports and integration with your other systems)

7. Scalability (how easily can you ramp up or down as needed?)

8. Remote working capabilities

9. Flexibility and agility in terms of upgrades and new capabilities (how easily will you be able to adapt your business to capture future opportunities?)

10. Is the platform you are considering compatible with the outcomes you want to achieve long term?

Platform Considerations

You gain economies of scale when you leverage the same underlying technology platform for multiple solutions. A platform is like a Lego base plate. It's the software that allows you to add components. Platforms are the technology upon which you can build other technology solutions. Another way to illustrate this is by looking at smartphones. In this case, an iPhone would be the platform, and the apps are the "add-ons." The platform allows you to "plug and play" a variety of components. The ease at which you can "plug and play" depends on the platform you use. Some platforms, such as Salesforce.com, allow non-technical users to download apps and make them immediately and easily available. Other platforms, such as Amazon Web Services (AWS), offer additional flexibility but require more skilled developers to execute the plug and play. The following graphic is a simple illustration of the interoperability of a platform architecture.
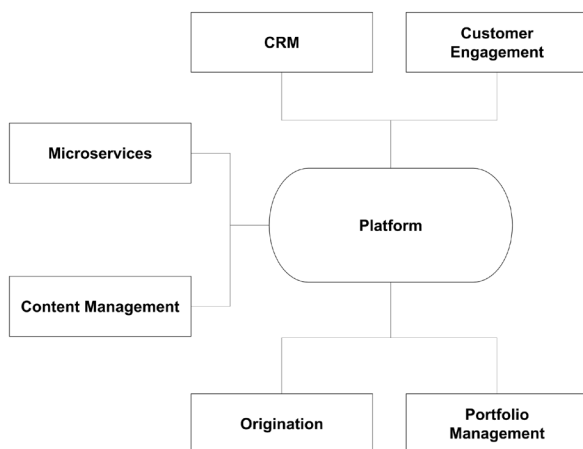
The platform approach requires a company to be proactive in its technology solutions. It also requires a mindset of continual improvements and iterations. It's about becoming content with the concept that you are never done and will continuously be evolving. Unlike the "never done" mystery house however, you will have relevant and interoperable features when you use a strategic architecture approach to your technology roadmap.

Historically, you might have decided to partner with one vendor and "ride that train" while hoping you end up where you want to go. The single-vendor approach is not necessarily a flawed concept, and for many, this might be the best approach. However, if you're going to harness services made available by third parties and want to take ownership over defining your niche, your processes and creating a differentiating customer experience, the platform approach is for you.

At a high level, there are two primary paths you can go when you are looking to implement software:

- **Traditional Software** – With this approach, you partner with a single vendor to purchase and implement their software. If you need customizations, you engage with that vendor to customize based on your needs and their strengths. You look to that vendor for future upgrades and industry best practices.

- **Platform** – With this approach, you're not committing to a single vendor. You are implementing a platform and then orchestrating how the components will work together. Let's revisit the smartphone metaphor. You and your friend might both have iPhones. However, the apps you have loaded can be completely different from each other. In this platform approach illustration, the iPhone is the platform, and the apps the add-ons.

Here are a few examples of platforms being used across the equipment finance industry:

- Salesforce
- Zoho
- Google Cloud
- AWS
- Azure

Cloud-native platforms allow interoperability, rapid development and adaptation. The ability to choose the most relevant features for your business in a plug-and-play fashion helps you avoid the door to nowhere scenarios. Much like building a physical structure, careful thought to architecture and good foundations enable flexibility and resilience. Cobbling together disparate systems with no interconnectivity, duplicate applications and no trustworthy critical data source can make your system landscape a bit like the Winchester Mystery house. Instead, considering key architectural fundamentals in your strategic roadmap can help you to develop a robust digital foundation for the future – allowing you to pivot, adjust and flex your business in changing times. A strategic approach to your technology architecture, especially your decisions about hosting and platforms, can help you operate more efficiently, deliver on your customer experience promises, and build flexibility and resiliency.

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Part Three: Customer Experience for a Changing World

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Our first article discussed the big picture view to help de-risk your technology roadmap. Our second article explored the challenges and ways to overcome accidental architectures. Our final piece is centered on crucial considerations for digital customer experience in a rapidly changing world.

Much of our lives have shifted online and it is likely to stay that way for the foreseeable future. Before COVID-19, digital customer experience in equipment finance grew in importance and was considered critical by many organizations. In today's environment, its significance has skyrocketed.

As much as we may desire it, we're not going back to "normal"; we're going back to different. So, let's get ready for "different." What are the crucial considerations for designing, building and delivering a great digital experience for equipment finance customers and partners? With more and more business transactions and interactions happening online, what must you consider to keep pace with change, deliver value for customers and ensure your company's success?

A recent article by Timothy Calkins of the Kellogg School of Management at Northwestern University explores the idea that "COVID Has Forever Changed the Customer Experience."[1] He discusses the nature of pandemic-driven changes in retail customer experience and the need for companies to adapt. While the article focused mostly on the retail customer experience, it highlights some major B2B experience considerations. How does it relate to equipment finance?

"The realization has hit all of us that this pandemic is not a two-week or a two-month disruption," states Tim Calkins, a clinical professor of marketing at the Kellogg School. "It's going to go on for a very long time."

If you don't yet have a means for your customers to engage digitally, it's time to get that capability in place. If you already have this capability, it may be time to revisit and see how you can enhance the experience given our business world's changes.

How are lenders differentiating from their peers? If competing solely on rate, it can be challenging to retain customers or even a race to the bottom. A great customer experience can be a competitive advantage. Partners (vendors/brokers) and customers look to other things beyond rate, such as:

- **A frictionless experience.** The financing experience needs to be intuitive, simple and issue free. If your online process requires a "user manual," you'll have some challenges. Customers, vendors and brokers work with many financial institutions. They do not have the time nor the will to "learn" another system.
- **Customer Service.** Are you adding value to your customer and vendor? Is the digital experience allowing them to quickly and intuitively get what they need?
- **A human touch.** Sometimes, you need to interact with a person. Can your customers quickly get a hold of you? How responsive are you?

One of the first components in the EF Technology Solutions Framework is systems of engagement. These systems can be separate from your equipment finance core platform or a part of it, depending on your situation.

Systems of engagement enable digital interactions between your company and your customers, vendor partners, sources of business and investors. It is essential to provide a cohesive experience regardless of how the users interact with your company. There are a variety of digital touchpoints to consider across the equipment finance process, including:

- Web portals for online application submission and status tracking
- Mobile applications for quoting, status and credit application
- Lease quotes and credit applications at the point of sale
- Customer-facing intelligent analytic dashboards utilizing data from connected devices, aka the Internet of Things (IoT)
- Self-service portals and online payment platforms
- Social media, interactive chatbots, voice and more
- Remote considerations such as e-signature, video, digital payments and other contact-less interactions
- Identity verification
- Fraud detection

Rapid advances in technology and customer expectations are continually driving changes in the engagement layer's possibilities to differentiate the customer experience.

Our previous article discussed the importance of deliberate architecture. When it comes to your customer and vendor

portals, the interoperability and platform considerations will come into play. A robust architecture is a key to delivering the right level of transparency and functionality to meet customer needs.

You can acquire new functionality through microservices. Gain efficiencies and increase transparency through interoperability with your origination and portfolio management systems. Two of the most common approaches for meeting equipment finance customer needs are customer and vendor portals.

Partner (Vendor/Broker) Portals
Progressive equipment finance companies are streamlining operations by implementing vendor and broker portals. These solutions enable their partners to directly control their financing and embed financing into their sales cycle. Portals can allow self-service capabilities for partners across the entire origination flow.

Customer Portals
Many portfolio management solution providers offer "portal" technology enabling lessors to provide secure self-service options online. Providing digital self-service capabilities for your customers can off-load a tremendous amount of work from your staff and improve the customer experience. A web portal experience that integrates well with the portfolio management system empowers your customers to self-service a variety of requests such as:
- Address changes
- Buyout quotes
- Payoff requests
- Renewal inquiries
- Invoice and payment inquiries

The best online customer portals consider the customer's perspective in designing the customer's experience. What is it that the customer is trying to achieve when visiting your portal? Keep in mind that their goals may differ from your internal efficiency goals. For instance, they may want to get information about their leases to plan or help with an important business decision. They may need to make a payment or answer a question after your regular business hours. Make it easy for them to achieve their objectives.

Beyond the System Considerations
Customer engagement technology is not a "one and done" situation. Tuning the customer experience is an ongoing process; it never ends. As you are building or enhancing the online customer experience for your company, give thought to the resources you will need to own the work of monitoring, managing and strengthening this critical capability for your company. Expect the customer experience to evolve. As you get ongoing feedback and capture data from customers who are engaging in your online platform, you will see new ways to enhance the experience to offer unique value and increase satisfaction.

The Customer's Point of View
We know it is vital to bring the customer's perspective into the picture when designing the digital customer experience or to select solutions. But how do you do it? Start by getting clarity on the current state:
- What is your process and technology situation?
- What does the process look like from the customer's viewpoint?

- Where are the pains in the process from the customer's standpoint?

Think through this before selecting a solution. A straightforward approach is to do the mapping process we described in our first article. Instead of mapping it from the internal perspective, map it from the customer's lens and based on their goals.

Many progressive teams use "Customer Journey Maps" to break down different customer experiences into a journey. One of the many design thinking tools, these maps visualize how customers interact with you today and how they feel about the experience. Creating this type of visualization can highlight your customer experience's weaknesses and opportunities.

The next step is to translate this into a "to be" journey map that describes how the customer experience should work in the future. This exercise becomes the baseline for building the ideal customer experience into your digital platforms.

Why does it matter? Often in equipment finance companies, internal processes and technologies are implemented with a focus on internal efficiency. That's great. We need to be efficient to serve customers effectively and profitably. The problem comes in when processes are designed with no thought to the customer's experience. When customer experience is an afterthought, it's possible that your internally efficient operations are also efficiently annoying or turning off your customers.

An excellent digital customer experience is no longer a cool, standout innovation. Today, it's table stakes. It's just the way we do business. With so much of the business world shifting to digital, customers have heightened digital experience expectations. An eye to the future and willingness to evolve customer experience is key. **New opportunities will emerge out of the challenges of the pandemic.**

Calkins states it well, "When constraints go away, or we are met with new constraints, all of a sudden we can try new things. This can lead to new ways to connect with customers, new product offerings, new opportunities and things that hadn't been considered before."

Our continually changing business environment means endless opportunities for learning, experimenting and adapting. During this challenging time, the organizations that focus on learning and experimenting, and building agility are best positioned to emerge ready to try new things in the future.

Having your digital foundation in place and keeping an eye on customer needs will position you to be future-ready while delivering an exceptional customer experience.

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